

Texas Automobile Insurance Plan Association Governing Committee Meeting
Friday, November 21, 2014 - 9:00 A.M.
Omni Austin Hotel Southpark, 4140 Governor's Row, Austin TX
Dress: Business Casual

1. Call to Order
2. Reading of the Anti-Trust Statement
3. Review and Approval of the Minutes of the August 22, 2014 Meeting (Exhibit 1)
4. Manager's Report
 - A. Application Count Update as of October 2014 (Exhibit 2)
 - B. Financial Update as of September 2014 (Exhibit 3)
 - C. 2015 Requests for Proposal
 - D. 2015 Budget (Exhibit 4)
 - E. Application System Update
 - F. Plan of Operation Filings: "Mandatory EASI", Burglary/Theft Fee, Producer Performance Standard, Refunds for Cancellations
 - G. Current Staffing
5. Operations Subcommittee Report
 - A. Over/Under Report (Exhibit 5)
6. Strategic Planning Subcommittee Report
 - A. Enterprise Risk Management
7. Rate Task Force Subcommittee Report
 - A. TAIPA Rates
8. Report of Counsel
 - A. SB 1567: Named Driver Policies
9. 2015 Meeting Dates (Exhibit 6)
10. Personnel Matters
11. Adjournment

The Governing Committee may take action on any matter of business identified in this notice. Portions of the meeting will be conducted as a closed meeting, if permitted under Chapter 551, Government Code.

TAIPA Governing Committee Meeting
August 22, 2014

**TAIPA GOVERNING COMMITTEE MEETING MINUTES
AUGUST 22, 2014 AT 9:00 AM
VIA TELECONFERENCE**

ATTENDEES:

VOTING MEMBERS:

Bill Brooks, Texas Farm Bureau Casualty (Acted as Chair) (Attended in-person)
Kevin Curry, Travelers
Alisha Darden, Public Member Alternate
Pete Hamel, Producer Member (Attended in-person)
Melanie Hartwell, USAA
Laura Hausman, Public Member
Carmelita Hogan, Public Member
Stephen Hylka, Safeco/Liberty Mutual
Becky Jackson, Public Member (Attended in-person)
Kit Morris, Producer Member
Fred Strauss, Allstate
David Weber, Hochheim Prairie (Attended in-person)

COUNSEL:

Mike Jones, Thompson, Coe, Cousins & Irons (Attended in-person)

TAIPA STAFF:

James Langford (Association Manager) (Attended in-person)
Nicole Morgan (Minute Taker) (Attended in-person)
Stacy Midkiff (Attended in-person)

OTHERS:

Marianne Baker, TDI
Doug Beck, Farmers
John Lusardi, Universal Casualty
Ramon Montalvo, Producer Member Alternate
David Nardecchia, OPIC
Linda von Quintus, AAA Texas
Dan Shaner, Atchley & Associates (Attended in-person)
Mark Worman, TDI

ITEM 1: CALL TO ORDER

Bill Brooks called the meeting to order at 9:02 AM.

Introductions were made.

ITEM 2: READING OF ANTI-TRUST STATEMENT

TAIPA Governing Committee Meeting
August 22, 2014

James Langford read the Anti-Trust Statement:

“The creation and operation of the Texas Automobile Insurance Plan Association is set forth in Chapter 2151 of the Texas Insurance Code. The Association is a non-profit corporate body composed of all authorized insurers. The organization was created to provide a means by which insurance may be assigned to an authorized insurer for a person required by the Texas Motor Vehicle Safety-Responsibility Act to show proof of financial responsibility for the future. Members of the Association and of its Governing Committee, when involved in meetings or other activities of the Association, are bound to limit their discussions and actions to matters relating to the business of the Association, and shall not discuss or pursue the business interest of individual insurers or others.”

Alisha Darden (Public Alternate), Melanie Hartwell (USAA), and Stephen Hylka (Safeco/Liberty Mutual) were welcomed as new members of the Governing Committee.

ITEM 3: RECOGNITION OF CORISE MORRISON’S SERVICE TO TAIPA

Corise Morrison was recognized for her service as a Governing Committee member from 2004-2014. A plaque of appreciation has been sent to her.

ITEM 4: RECOGNITION OF JASON CALLAHAN’S SERVICE TO TAIPA

Jason Callahan was recognized for his service as a Governing Committee member from 2013-2014. A plaque of appreciation has been sent to him.

ITEM 5: AUDIT/FINANCE COMMITTEE REPORT

A. REPORT ON 2013 AUDIT (EXHIBIT 1)

Linda von Quintus joined the meeting.

Dan Shaner stated the auditors’ responsibility is to give an opinion on the financial statements and inform the Governing Committee of any significant issues encountered during the audit. The auditors also consider TAIPA’s internal controls, and if any material weaknesses or significant deficiencies are found, they are required to report it. There was nothing to report. There were also no adjustments, misstatements, or disagreements with management.

Dan Shaner reviewed the audited 2013 financials. The financials received an unqualified, unmodified opinion from the auditors, which is the best opinion that can be given.

It was moved by David Weber and seconded by Pete Hamel to:

“Accept the 2013 audit report.”

The motion carried unanimously.

Dan Shaner left the meeting.

TAIPA Governing Committee Meeting
August 22, 2014

**ITEM 6: REVIEW AND APPROVAL OF THE MINUTES OF THE MARCH 21, 2014 MEETING
(EXHIBIT 2)**

It was moved by Pete Hamel and seconded by David Weber to:
“Approve the minutes of the March 21, 2014 meeting.”
The motion carried unanimously.

ITEM 7: MANAGER’S REPORT

A. APPLICATION COUNT UPDATE AS OF JULY 2014 (EXHIBIT 3)

TAIPA received 327 applications in July 2014, compared to 462 in July 2013, which is a decline of about 29%. TAIPA has received 2,440 applications year-to date in 2014, compared to 3,189 in 2013, which is a decline of about 23.5%. Based on current volumes, we estimate we will receive 3,800 applications in 2014. It was noted that the 2014 application volumes appear fairly flat compared to prior years, so we may be approaching the “bottom” of application volumes.

B. FINANCIAL UPDATE AS OF JUNE 2014 (EXHIBIT 4)

TAIPA expected to be at 50% of the budget used at the end of June and is currently under-budget at 46.5%. The items that are over-budget were explained. At this point, we estimate we will end the year about 1% under-budget.

C. LINE OF CREDIT RENEWAL

TAIPA holds a \$300,000 line of credit from Frost Bank, which has never been used, but is carried as a contingency. The annual renewal fees are \$325, but there are no other fees unless we draw against it.

It was moved by Pete Hamel and seconded by David Weber to:
“Approve renewal of the line of credit and authorize James Langford to sign.”
The motion carried unanimously.

D. APPLICATION SYSTEM UPDATE

TAIPA staff has completed their initial testing of the EASi 2.0 system, as well as two more rounds of retesting. They are now completing their third round of retesting, which is expected to continue through September. As of today, there are 10 issues that AIPSO still needs to address. The launch date of EASi 2.0 will depend on when those 10 issues can be resolved, as well as any other issues that are found during the third round of retesting. Before we can go live, we will also need to test the integration of the EASi 2.0 data into TAIPA’s current APS system. At this point, we hope to go live in November.

Assuming we go live in November, TAIPA’s plan is to make the EASi system mandatory for both PP and OTTP on January 1, 2015. Once we have approval from TDI, we will begin the process of informing producers about the change. If TAIPA receives “paper”

TAIPA Governing Committee Meeting
August 22, 2014

applications after EASi has been made mandatory, staff will be able to key the application into “suspense” to lock in the effective date, and will return the application to the producer to have them resubmit through EASi. Staff will work with the producers to help them through the transition. James Langford has sent a letter to TDI enumerating this process.

AIPSO staff has begun work on the programming of the new APS and the conversion process that will be used to move TAIPA’s data into the new system. The target launch date for APS is April 1, 2015, as AIPSO has requested that we make the switch at the beginning of a quarter, and doing so on January 1st could prove hectic.

E. IT CONSULTANT UPDATE

TAIPA’s contract for IT services with Ambit-IT allows for either party to terminate by giving 30 days notice. Ambit-IT chose to terminate the contract effective August 10, 2014. TAIPA contacted two companies who previously submitted bids for TAIPA’s 2013 IT RFP, and asked them to submit new bids. After meeting with both companies and reviewing the bids, TAIPA selected Pivot Networks, who took control of TAIPA’s network on August 7, 2014. There will be no adverse impact on budget due to the change in IT provider.

F. PLAN OF OPERATION FILINGS

TAIPA recently made a filing with TDI to require mandatory use of the EASi system. Additionally, TAIPA has several previous filings that are still pending with TDI (burglary/theft fee, producer performance standard, and refunds for cancellations). In a discussion with TDI earlier in the week, they indicated that TAIPA should be receiving confirmation of approval of the filings shortly (with the exception of the refunds for cancellations, which they are still working on).

G. CURRENT STAFFING

TAIPA currently has five full-time employees and one part-time employee (the Association Manager). There are no proposed changes to staffing.

ITEM 8: OPERATIONS SUBCOMMITTEE REPORT

A. OVER/UNDER REPORT (EXHIBIT 5)

Bill Brooks stated there are no new noteworthy items to discuss on the current Over/Under Report.

ITEM 9: RATE TASK FORCE SUBCOMMITTEE REPORT

A. TAIPA RATES

TAIPA Governing Committee Meeting
August 22, 2014

Fred Strauss stated the Rate Task Force Subcommittee (consisting of Doug Beck, Jeff Clinch, Becky Jackson, and himself) met regarding moving towards a loss cost approach for PP ratemaking, since our volume is now so low the data is not credible. TAIPA currently purchases the OTPP loss costs from ISO for about \$15,000/year, and the PP loss costs could be added for about \$9,500/year. Alternatively, TAIPA's actuary, Mike Miller has stated that he can acquire data from TDI/TICO to build out spreadsheets to calculate the loss costs for both PP and OTPP, for a one-time fee of \$7,500. The spreadsheets would then belong to TAIPA and could be repopulated each year with the new data.

The Rate Task Force Subcommittee's recommendation is to contract with Mike Miller to produce the two spreadsheets, then use the ISO OTPP data that we've already purchased to compare against Mike Miller's OTPP spreadsheet to make sure there are no material differences. The subcommittee will then review the comparability analysis, and if they believe it is reasonable, they will meet with the TDI actuaries to ensure they approve of the new methodology. The subcommittee will then direct Mike Miller to use the spreadsheets to develop rate indications for TAIPA, which will be presented to the Governing Committee to determine if a filing should be made. As such, the subcommittee requests the authority to spend the money to have Mike Miller create the spreadsheets, and also to have the authority to meet with Mike Miller and TDI regarding the new methodology and rate indications. The Rate Task Force Subcommittee's intention is to have this accomplished by the November Governing Committee meeting, as far as possible.

James Langford confirmed that TAIPA has sufficient budget to cover the items requested by the subcommittee.

Mike Jones stated that as part of the new methodology, we would need to use a loss cost multiplier. This number does not need to be adjusted every year, but Mike Miller would adjust it as part of the process.

The Governing Committee agreed by consensus to give the Rate Task Force Subcommittee the authority to purchase the requested items, and to follow the process outlined in their recommendation.

ITEM 10: REPORT OF COUNSEL

Michael Jones stated Senate Bill 1567 was passed by the Texas Legislature last session. The bill stipulates that for all named driver policies, the agent must make a disclosure to the insured both orally and in writing, which states: "WARNING: A NAMED DRIVER POLICY DOES NOT PROVIDE COVERAGE FOR INDIVIDUALS RESIDING IN THE INSURED'S HOUSEHOLD THAT ARE NOT NAMED ON THE POLICY." The written disclosure must be received before the agent or insurer can accept any premium. In April, TDI sent out a draft of the rule implementing the bill, which included named non-owner policies. This means that TAIPA now falls under the rule, as named non-owner policies account for about 40% of TAIPA's business. TDI received a lot of comments on the draft, including arguments as to why named non-owner shouldn't be

TAIPA Governing Committee Meeting
August 22, 2014

included. Additionally, James Langford and Mike Jones met with TDI to discuss the impact on TAIPA, requesting a “carve-out” for TAIPA, as the producer is not an agent of the insurance company and the producer is the only one who has initial contact with the insured. In July, TDI published their proposed rule, which again included named non-owner and did not include a “carve-out” for TAIPA. Last week, TDI held a hearing on the proposed rule, which James Langford attended. Both ICT and PCI testified that named non-owner was not intended to come under the rule. There was also testimony regarding other issues with the rule, including that the disclosures need to be signed at each renewal. This puts companies in a tricky situation because they cannot non-renew for not receiving the disclosures, but they also cannot accept premium for the renewal until they have the disclosures. Another argument made at the hearing is that the disclosure requirement at renewal runs contrary to the way mandated coverages like PIP and UM/UIM work, as there is no additional requirement at renewal for those mandated coverages, yet the named driver rule mandates rejections on non-mandated coverages. The rule also poses another issue for TAIPA policies, as the disclosure stipulates that nobody other than the named insured is covered. However, this is not the case for TAIPA policies, as a named non-owner covers both the named insured and named insured’s spouse (if a resident of the same household).

TDI will accept written comments through August 25th, then may issue a formal rule if they choose. Mike Jones recommended that this issue be assigned to the Operations Subcommittee in the event that the rule is published, as we will need to review the new requirements and process for producers and TAIPA. Additionally, we will need to amend the Plan of Operations and the producer performance standards.

The Governing Committee agreed by consensus to refer this matter to the Operations Subcommittee.

ITEM 11: 2015 MEETING DATES (EXHIBIT 6)

The 2015 dates are shown in Exhibit 6.

ITEM 12: NEXT MEETING—NOVEMBER 21, 2014

The next meeting will be held on November 21, 2014 at the Omni Austin Hotel Southpark.

ITEM 13: PERSONNEL MATTERS

No action was taken on this matter.

A question was asked regarding Item 10, Report of Counsel. It was asked if the Governing Committee will need to meet by teleconference prior to the scheduled November meeting, in the event the rule is deemed applicable to TAIPA and TDI gives a short implementation timeframe. The Governing Committee does have that capability if necessary, but TAIPA could implement the rule and have producers begin capturing the necessary information before we go through the Plan of Operation amendment process.

TAIPA Governing Committee Meeting
August 22, 2014

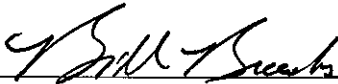
This is similar to what's been done on the Burglary/Theft Fee; we are already collecting the revised fee, even though TDI hasn't approved our Plan of Operation filing yet.

ITEM 14: ADJOURNMENT

There being no further business to discuss, it was moved by David Weber and seconded by Pete Hamel to:

“Adjourn the meeting.”

The motion carried unanimously. The meeting adjourned at 10:04 AM.



Signature of Secretary

9/8/14

Date Signed

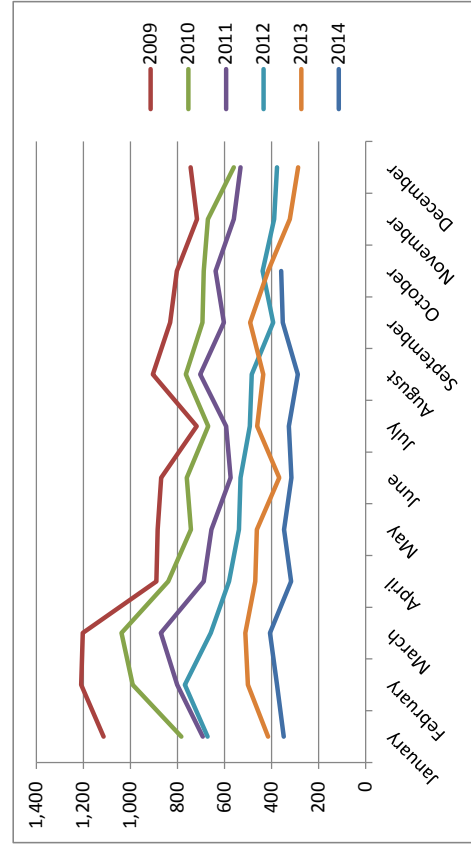
BILL BROOKS

Printed Name of Secretary

Monthly Total (October 2014)		
	Private Passenger	Commercial
EASi Applications	312	32
Paper Applications	12	3
Total Applications Received	324	35
Applications Assigned	292	34
Applications Suspended	31	1
Applications Rejected	1	0
Applications Deficient	36	7
Applications with SR-22s	88	0
Total Applications Received in October 2013:		415
Total Applications Received in October 2014:		359
Year to Date Total (as of October 2014)		
	Private Passenger	Commercial
EASi Applications	2930	287
Paper Applications	174	48
Total Applications Received	3104	335
Applications Assigned	2853	304
Applications Suspended	247	29
Applications Rejected	4	2
Applications Deficient	352	64
Applications with SR-22s	831	0
Total Applications Received YTD (as of October 2013):		4,530
Total Applications Received YTD (as of October 2014):		3,439
YTD Percent Change from Oct. 2013 to Oct. 2014:		-24.08%
Application Assignment History*		
1993: 723,165	2000: 44,945	2007: 16,780
1994: 716,036	2001: 53,477	2008: 12,896
1995: 461,059	2002: 66,153	2009: 10,299
1996: 214,744	2003: 74,506	2010: 8,725
1997: 95,461	2004: 47,434	2011: 7,364
1998: 55,041	2005: 31,517	2012: 5,898
1999: 47,108	2006: 23,634	2013: 4,708

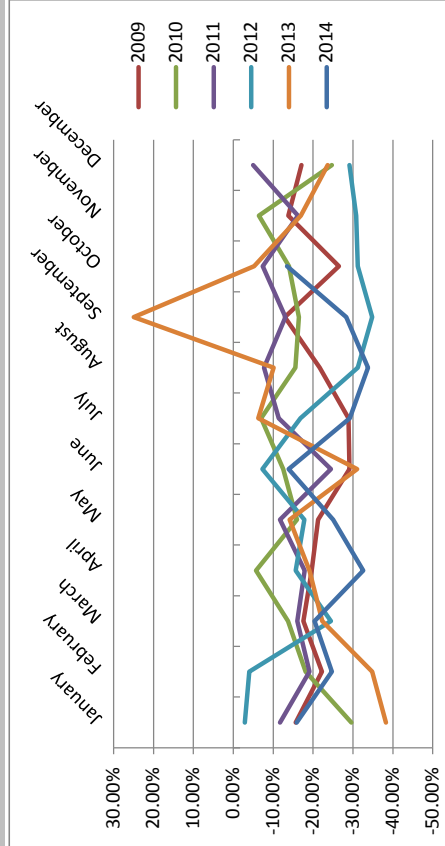
*Application Assignment History based on applications assigned, not received.

Trend of Applications Received from 2009 to 2014



Estimate of Applications to be Received in 2014: 3,936

Percent Change in Applications Received



Texas Auto Ins. Plan Assoc.
ACTUAL VS. BUDGET
 For the period ended September 30, 2014

	Actual	2014 Year To Date Budget	Variance	2014 Annual Budget	% Used	Reason for Variance
REVENUE						
Assessments & Penalties	756,082	750,000	6,082	1,000,000	75.61%	
Other Revenue	572	0	572	0	0.00%	
TOTAL	756,654	750,000	6,654	1,000,000	75.67%	
EXPENDITURES						
Salaries	283,670	287,475	3,805	383,300	74.01%	Within range.
Emp. Benefits & Other Ins. Exp.	272,636	288,375	15,739	384,500	70.91%	Insurance costs did not increase as much as expected at renewal in May; expect to end under budget.
Office Equipment Expense	13,079	14,700	1,621	19,600	66.73%	Have not needed to make many repairs to machines; signed new copier lease at a lower price; expect to end under budget.
Printing & Stationary Exp.	2,124	2,025	-99	2,700	78.66%	Within range.
Computer Expenses	9,389	9,600	212	12,800	73.35%	Within range.
Postage & Shipping Exp.	14,352	19,575	5,223	26,100	54.99%	Haven't mailed out as much as expected due to decrease in applications; expect to end under budget.
Telephone Expense	7,406	7,425	19	9,900	74.81%	Within range.
Rent Expense	71,568	74,325	2,757	99,100	72.22%	Within range.
Taxes	6,338	1,650	-4,689	2,200	288.11%	Had to pay proxy tax of \$5,556 due to not notifying members about the nondeductible portion of their assessments due to 2013 lobbying expenses.
Other Office Expenses	2,515	7,425	4,910	9,900	25.41%	Did not have to write-off as many assessments as expected; will end under budget.
Governing Committee	11,109	16,875	5,766	22,500	49.37%	Did not have to write-off as many assessments as expected; will end under budget due to expenses of first meeting being less than expected.
Operation Sub-committee	1,250	1,500	250	2,000	62.50%	Held one Strategic Planning meeting, one Ops Sub meeting, and one Rate Task Force meeting; one more Ops Sub meeting is possible, as well as one more Rate Task Force meeting; may end slightly over-budget.
Producer Review Panel	0	2,625	2,625	3,500	0.00%	Will not need a Producer Review Panel meeting in 2014.
Employee Meetings, Seminars & Staff Travel	7,703	10,425	2,722	13,900	55.42%	Employees did not take as many classes this year as initially expected; will end under budget.
Legal Expenses	21,607	37,500	15,893	50,000	43.21%	Did not have any legal work in January; Governing Committee and Ops Sub work required fewer hours than budgeted; will not need a Review Panel meeting.

	Actual	2014 Year To Date Budget	Variance	2014 Annual Budget	% Used	Reason for Variance
Audit Expense	22,328	17,250	-5,077	23,000	97.08%	Have already been billed for annual audit; expect to end on budget.
Dues, Subscriptions & Publications	1,198	1,425	227	1,900	63.07%	Renewals for some subscriptions were less than expected; will end under budget.
TAIPA Tradition, Visitor Meals & Gifts	2,242	2,700	458	3,600	62.29%	Events are later in the year; will end on budget.
System Consultants	29,859	28,650	-1,209	38,200	78.17%	Within range.
Consultants - Other	1,953	2,625	672	3,500	55.80%	Have not had to use accounting system consultant; expect to end under budget.
Actuary	14,038	37,950	23,912	50,600	27.74%	Have not started a rate filing this year, thus no expenses from Epic yet.
Other	0	0	0	0	0.00%	No other expenses to date.
SUBTOTAL	796,363	872,100	75,737	1,162,800	68.49%	
Depreciation	9,684	9,750	66	13,000	74.49%	Within range.
Amortization	0	0	0	0	0.00%	No amortization expected this year.
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0.00%	Have not sold any assets in 2014.
SUBTOTAL	9,684	9,750	66	13,000	74.49%	
TOTAL OPERATING EXPENSE	806,047	881,850	75,803	1,175,800	68.55%	
NET FROM OPERATIONS	-49,393	-131,850	82,457	-175,800		
Non-Operating Pension Costs	0	0	0	0	0.00%	Pension adjustment will not be made until year end.
NET	-49,393	-131,850	82,457	-175,800		
CAPITAL BUDGET						
Software Development in Progress	0	0	0	0	0.00%	No software development in progress.
Office Furniture & Equipment	0	0	0	0	0.00%	No furniture & fixture expenditures in 2014.
Computer Equipment	0	0	0	0	0.00%	No computer equipment expenditures in 2014.
Computer Software	0	0	0	0	0.00%	No computer software expenditures in 2014.
Leasehold Improvements	0	0	0	0	0.00%	No leasehold improvement expenditures in 2014.
TOTAL	0	0	0	0	0.00%	

NOTE: Items that are considered "within range" are within 5% or \$5,000 of the expected year-to-date budget.

Texas Auto Ins. Plan Assoc.

Statement of Financial Position

As Of September 30, 2014

Unaudited

ASSETS

Current Assets	
Cash and cash equivalents	\$ 465,975
Accounts receivable	6,337
Prepaid expenses	39,787
Total current assets	512,098
Property and Equipment	
Furniture and equipment	38,921
Computer equipment	23,660
Leasehold improvements	50,007
Computer software	9,858
	122,447
Less accumulated depreciation	84,247
	38,200
Total assets	550,298

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	5,182
Accrued vacation	21,153
Accrued payroll liabilities	11,632
Deferred revenue	250,146
Total current liabilities	288,113
Other Liabilities	
Accrued pension benefit costs	177,379
Deferred lease benefit	36,880
Total other liabilities	214,259
Net (Deficiency) Assets	
Unrestricted	47,927
Total net assets	47,927
Total liabilities and net assets	\$ 550,298

Texas Auto Ins. Plan Assoc.

Statement of Activities

For the period ended September 30, 2014

Unaudited

Changes in unrestricted net assets

	Current YTD
Revenues	
Member assessments	\$ 750,254
Interest income	572
Assessment penalties	5,828
Total revenues	756,654
Expenses	
Salaries and related expenses	556,306
Occupancy expenses	85,312
Professional Services	89,785
Depreciation & amortization	9,684
Postage and delivery	14,352
Office supplies and expense	15,202
Governing committee	11,109
Computer supplies & expenses	9,389
Operation Sub-committee	1,250
Staff education & seminars	7,703
Miscellaneous	2,515
Staff expense	2,242
Dues and subscriptions	1,198
Total operating expenses	806,047
Other revenues (expenses)	
Total other revenue (expenses)	-
<i>Increase (decrease) in unrestricted net assets</i>	(49,393)
<i>Net assets (deficiency) at beginning of year</i>	97,320
<i>Net assets (deficiency) as of September 30, 2014</i>	\$ 47,927

<i>Texas Auto Ins. Plan Assoc.</i>					
2015 REQUESTED BUDGET: \$1,091,800					
2015 REQUESTED ASSESSMENT: \$1,000,000					
	2014	2015	Increase	% Increase	
	Approved	Requested	(Decrease)	(Decrease)	
	Budget	Budget	in Budget	in Budget	Reason for Increase (Decrease)
Salaries	\$ 383,300	\$ 398,300	\$ 15,000	3.91%	Budget increased due to proposed raises of 3%.
Emp. Benefits & Other Ins. Expense	384,500	336,400	\$ (48,100)	-12.51%	Budget decreased due to funding pension at lower amount than in 2012-2014, as our pension actuaries estimate we will be fully funded in 2017. Note that we may owe a monthly contribution in future years depending on status of plan assets and liabilities at that time.
Office Equipment Expense	19,600	16,600	\$ (3,000)	-15.31%	Within range.
Printing	2,700	900	\$ (1,800)	-66.67%	Within range.
Computer Supplies & Expense	12,800	9,900	\$ (2,900)	-22.66%	Within range.
Postage & Shipping Expense	26,100	24,000	\$ (2,100)	-8.05%	Within range.
Telephone Expense	9,900	13,300	\$ 3,400	34.34%	Within range.
Rent Expense	99,100	112,000	\$ 12,900	13.02%	Budget increased due to scheduled increase in monthly rent payments.
Taxes	2,200	1,500	\$ (700)	-31.82%	Within range.
Other Office Expenses	9,900	8,400	\$ (1,500)	-15.15%	Within range.
Governing Committee	22,500	22,900	\$ 400	1.78%	Within range.
Operation Subcommittee	2,000	2,300	\$ 300	15.00%	Within range.
Producer Review Panel	3,500	-	\$ (3,500)	-100.00%	Within range.
Employee Meetings, Seminars & Staff Travel	13,900	11,300	\$ (2,600)	-18.71%	Within range.
Legal Expenses	50,000	35,000	\$ (15,000)	-30.00%	Budget decreased due to expected streamlining of PP rate filings, no Producer Review Panel meeting, shorter meetings, and less legal work overall.
Audit Expense	23,000	23,800	\$ 800	3.48%	Within range.
Dues, Subscriptions & Publications	1,900	1,600	\$ (300)	-15.79%	Within range.
TAIPA Tradition, Visitor Meals & Gifts	3,600	3,500	\$ (100)	-2.78%	Within range.
System Consultants	38,200	43,000	\$ 4,800	12.57%	Within range.
Consultants - Other	3,500	3,000	\$ (500)	-14.29%	Within range.
Actuary	50,600	12,000	\$ (38,600)	-76.28%	Budget decreased due to expected streamlining of PP rate filings and not needing to purchase data from ISO any longer.
SUBTOTAL	\$ 1,162,800	\$ 1,079,700	\$ (83,100)	-7.15%	
Depreciation	13,000	12,100	\$ (900)	-6.92%	Within range.
Amortization	-	-	\$ -	0.00%	Within range.
SUBTOTAL	\$ 13,000	\$ 12,100	\$ (900)	-6.92%	
TOTAL OPERATING EXPENSE	\$ 1,175,800	\$ 1,091,800	\$ (84,000)	-7.14%	
Office Furniture & Equipment	\$ -	\$ -	\$ -	0.00%	Within range.
Computer Equipment	-	-	\$ -	0.00%	Within range.
Computer Software	-	-	\$ -	0.00%	Within range.
Leasehold Improvements	-	-	\$ -	0.00%	Within range.
TOTAL	\$ -	\$ -	\$ -	0.00%	

NOTE: Items that are considered "within range" are within \$5,000 of last year's approved budget.

2015 Recommended Assessment

Total 2015 Budget	\$ 1,091,800
2015 Depreciation	- \$ 12,100
Cash Needed	= \$ 1,079,700
Recommended Carryover	- \$ 79,700
Recommended Assessment Amount	= <u><u>\$ 1,000,000</u></u>

2014/2015 Comparison

	2015	2014	Difference	Decrease
Budget Amount	\$ 1,091,800	\$ 1,175,800	\$ (84,000)	-7.14%
Depr./Amort.	\$ 12,100	\$ 13,000		
Carryover Used	\$ 79,700	\$ 162,800		
Assessment Amount	\$ 1,000,000	\$ 1,000,000	\$ -	0.00%

The following companies had quota go into storage in calendar year 2013:

Pool	AIPSO #	Company Name	\$ Into Storage
Private Passenger	07547	SERVICE LLOYDS INS CO	885
Private Passenger	11381	UNIVERSAL INSURANCE EXCHANGE	-15
OTPP	09726	ROCHDALE INS CO	-15
OTPP	06922	SAFEWAY COUNTY MUTUAL INS CO/OAK BROOK COUNTY MUTUAL	-1

The following companies had quota come out of storage in calendar year 2013:

Pool	AIPSO #	Company Name	\$ Out of Storage
OTPP	07307	GOVERNMENT EMPLOYEES INS CO	5,000
OTPP	02170	Georgia Cas & Surety. Stored amount went to the lead company Columbia Mut (05794) **there will be a correction on their quota report under column 7 next quarter	4,345

Current TAIPA processes:

If an insurer has an “over/under assignment” premium amount that has remained constant for a five (5) year period, the over/under assignment premium amount is removed from current quota calculations. The amount of the over/under assignment premium is retained in a separate file. A quarterly quota report indicating the amount of over/under assignment premium will not be mailed to the insurer unless the insurer develops a quota in the future.

If the insurer develops a quota in the future, the over/under assignment premium for the insurer is transferred back into the quota calculation, applied to the developed quota, and a quota report will be mailed to the insurer.

RWD

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COMPANY Year-End 2008 Year-End 2009 Year-End 2010 Year-End 2011 Year-End 2012 Year-End 2013 1st QTR 2014 2nd QTR 2014

PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
21ST CENTURY CENTENNIAL INS CO (SC)	434,421		374,290		100,816	90,492		177,367		248,568		252,406		261,383
ACE AMERICA				0		45		248,681				247,365		247,088
ALFA SPECIALTY INS CORP				2		71	333	16		689		487		428
ALLSTATE INS CO		17,398		62,945		20,681	25,531	109,444		89,144		88,152		85,399
AMER MERCURY INS CO	7,188			2,471	2,559	5,250		1,232	602			742		1,918
ASSURANCEAMERICA INS CO						40	68	205		468		1,100		34
AutoOne INS CO (prev Penn General)		253,008		220,909		61,581		254,916	328,062			333,067		331,118
COLONIAL LLOYDS		3		346		1,101	1,272	1,277		1,277		1,277		1,277
COMPANION PROP & CAS INS CO				0		8	44	133		240		269		295
ESURANCE PROP & CAS INS CO														New to quota 1
FREESTONE INS CO										1		9		37
GOVERNMENT EMPLOYEES INS CO		67,506		38,449		13,521	721	56,090		85,877		63,444		68,835
HALLMARK COUNTY MUT INS CO						180	6,967	445,440	443,961			443,797		443,635
HOMEOWNERS OF AMER INS CO				0		198	1,649	3,644		4,456		4,536		4,604
HOUSTON GENERAL INS EXCH (withdrawn & sold PP)		803		2,415		3,000	3,006	3,006		3,006		3,006		3,006
ICM INS CO						19	939	Withdrawn from the market until 2016		0		9		12
IMPERIAL FIRE & CAS		1,357		1,586		1,903		1,543	1,461			1,447		1,433

COMPANY Year-End 2008 Year-End 2009 Year-End 2010 Year-End 2011 Year-End 2012 Year-End 2013 1st QTR 2014 2nd QTR 2014

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PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
KNIGHTBROOK INS CO										12		46		113
LINCOLN GENERAL		85,908		101,427		51,328		51,337		51,337		51,337		51,337
MILEMETER INS CO				36		542		1,296		2,211		2,210		2,211
NATIONAL LIABILITY & FIRE (SC)				0		36,708		1,826		242,995		265,528		275,288
PACIFIC SPECIALTY INS CO										74		142		221
OBE INS CORP						29		40		62		66		69
RLI INS CO														New to quota 11
SOMPO JAPAN INS CO (prev Yasuda F&M)	2,016		1,977		1,976		1,976		1,976		1,976		1,976	
SOUTHLAND LLOYDS INS CO				235		274		292		293		293		293
STARR INDEMNITY & LIABILITY CO						1		147		678		946		954
STATE FARM MUT AUTO INS CO		188,467		128,622		18,467		56,449		168,680		192,255		197,513
TEXAS FARM BUREAU CAS INS CO		24,805		36,261		19,163		4,514		68,410		50,447		69,923
TOKIO MARINE & NICHIDO FIRE INS								5		5		5		5
UNIVERSAL NORTH AMERICA		8		725 (buy-out)		0						60		83
TOTALS	832,103	832,103	768,553	768,553	329,719	329,719	159,154	159,154	953,457	1,023,678	1,030,379	1,030,379	1,025,250	1,025,250
PREMIUMS WRITTEN	5,856,958	4,906,293	4,237,673	3,381,187	3,079,634	2,690,098	626,457 1st qtr	544,629 2nd qtr						

COMPANY

Year End 2008

Year End 2009

Year End 2010

Year End 2011

Year End 2012

Year End 2013

1st Qtr 2014

2nd Qtr 2014

REST

Exhibit 5, Page 4

OTHER THAN PP	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
ALASKA NATL		27		36		48		54		68		76		77
AMER CONTRACTORS INS RISK RET. GRP						5,329		6,495		10,584		13,111		14,162
AMER MERCURY INS CO		32,511		21,941		15,326		16,052		5,499		12,371		9,979
AMER MODERN HOME INS CO		33,382		85		85		100		428		745		1,044
AMER MODERN LLOYD'S	232			29,515		25,931		22,389		22,762		23,166		23,279
AMER NATIONAL PROP & CAS CO		128		437		755		1,032		323		128		269
AMER ROAD INS CO												70		89
AMERICAN SAFETY CAS INS CO		806		806		806		806		1,945		3,165		3,572
AMER SERVICE INS CO INC.						8		23		25		26		26
ASSOCIATION INS CO										20		91		118
AUTOONE INS CO (prev Penn General)		585,212		379,647		66,176		219,499		388,603		415,745		416,278
BRITISH AMERICAN INS CO		15,833		15,503		15,388		14,946		15,193		15,565		15,672
CLARENDON NATIONAL INS CO	52,443					51,569		51,569		51,569		51,569		51,569
COLUMBIA INS CO	1,237			1,235		1,233		1,233		1,233		1,233		1,227
COLUMBIA MUT INS CO				(buy out)		0		(buy out)		0		0		907
COREPOINTE INS CO (prev Chrysler & Daimlerchrysler)		44,898		40,297		39,316		39,649		39,160		39,102		39,357
GENERAL STAR NATIONAL INS CO								23		59		59		59
GOVERNMENT EMPLOYEES INS CO	86													
				5,081		9,698		13,838		17,837		21,366		20,685
														20,045

COMPANY	Year End 2008		Year End 2009		Year End 2010		Year End 2011		Year End 2012		Year End 2013		1st Qtr 2014		2nd Qtr 2014	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
GRAMERCY INS CO				219		11,077	(buy out)				9,371		9,373			9,371
GREAT MIDWEST INS CO						548		857	2,244		2,507		3,333			4,112
HISCOX INS CO INC													New to quota			1
HOUSING ENTERPRISE INS CO INC									4		13		16			19
HOUSTON SPECIALTY INS CO													New to quota			2
LINCOLN GENERAL		265,294		269,471		50,217		73,630	73,630		73,631		73,631			73,631
MERIDIAN SECURITY INS CO													New to quota			111
MIDCONTINENT CAS CO	797,232		784,074		774,568		767,927		763,416		758,805		757,524		756,320	
MOTORISTS COMM MUT INS CO (prev Amer Hardware Mut Ins Co)	32,651		31,488		30,409		29,856		29,242		28,801		28,634		28,476	
NATIONAL LIABILITY & FIRE INS CO (SC)						597,786		1,258,536	1,492,370		1,513,719		1,509,106			1,505,527
NAVIGATORS INS CO								20	123		189		369			539
NORTH AMER SPECIALTY INS CO									12		24		26			28
OKLAHOMA SURETY CO	685,720		685,290		685,107		684,987		684,808		684,575		684,514		684,457	
PENN MANUFACTURERS ASSN INS CO		0		0	(buy out)	0			1,024		606		472		346	
PREFERRED PROFESSIONAL INS CO						263		514	694		920		979			1,032
REP WEST INS CO (REPUBLIC WESTERN INS CO)				0		5		13	22		32		35			37
RIVERPORT INS CO						4		6	15		44		54			64
SAFETY NATL CAS CORP								81			619		802			974

TAIPA OTPP Over/Under Report

10/07/2014

COMPANY Year End 2008 Year End 2009 Year End 2010 Year End 2011 Year End 2012 Year End 2013 1st Qtr 2014 2nd Qtr 2014 R/OV

OTHER THAN PP	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
SENECA INS CO		1		1		53	91			3		30		54
STATE FARM MUT AUTO INS CO		255,742		207,368		162,606		176,180		194,206		189,015		183,953
TEXAS FARM BUREAU CAS INS CO (prev Southern Farm Bur)		52,975		42,968		38,165		37,445		40,575		39,125		39,671
TEXAS HOSPITAL INS EXCH		9,509		9,849		10,430		10,651		10,895		10,981		11,061
TNUS INS CO												New to quota		9
TORUS NATIONAL INS CO										400		586		762
TRIUMPHE CAS CO												New to quota		78
ULLICO CAS CO										686		861		1,026
UNITRIN AUTO & HOME INS CO		2,909		31,357		32,159		32,159		32,159		32,159		32,159
VININGS INS CO								22		91		111		130
TOTALS	1,861,351	1,861,351	1,576,537	1,576,537	1,563,609	1,768,909	1,946,328	1,946,328	1,975,071	1,975,071	1,970,885	1,970,885	1,965,833	1,965,833

PREMIUMS CREDITED	3,182,043	3,040,994	2,391,554	1,696,221	1,702,128	1,987,161	578,307 1st qtr	544,629 2nd qtr
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ADMINISTRATION

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2015 SCHEDULED GOVERNING COMMITTEE MEETING DATES

Friday, March 27, 2015
Austin Marriott South

Friday, August 21, 2015
Held by teleconference

Friday, November 20, 2015
Austin Marriott South