

Texas Automobile Insurance Plan Association Governing Committee Meeting
Friday, February 12, 2010-9:00 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 November 3, 2009 Meeting (Exhibit 1)
4. Election of Officers
5. Manager's Report
 - A. Application Count Update (Exhibit 2)
 - B. Financial Update (Exhibit 3)
6. Finance Committee Report
 - A. TAIPA Audit 2010 Letter of Agreement
7. Quota Task Force Committee Report
8. Systems RFP Report
9. Report of Counsel
 - A. Status of 2010 Rate Filing
 - B. House Bill 586-Plan of Operation Impact
10. Public Relations Report
11. 2010 Meetings
12. Personnel Matters
13. 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.

**TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
GOVERNING COMMITTEE MEETING MINUTES
TUESDAY, NOVEMBER 3, 2009 AT 9:00 AM
OMNI AUSTIN SOUTH PARK HOTEL**

ATTENDEES:

MEMBERS:

Mary Carol Awalt, Public Member
Carol Berthold, GEICO
George Cooper, State Farm
Pete Hamel, Producer Member
Laura Hausman, Public Member
Carmelita Hogan, Public Member
Bill Jeter, Public Member
Peter Kelly, Liberty Mutual
Ron Lawson, Republic Group
Dick Lonquist, Public Member
Kit Morris, Producer Member
Corise Morrison, USAA (Chair)
Thomas Rolling, Farmers
Fred Strauss, Allstate
Randy Termeer, Hartford

COUNSEL:

Richard Geiger, Thompson, Coe, Cousins & Irons
Michael Jones, Thompson, Coe, Cousins & Irons

TAIPA STAFF:

Cathleen Beavers
Stacy Midkiff
Nicole Peterson

OTHERS:

Douglas Beck, 21st Century Insurance
Becky Jackson Birnbaum, OPIC
Bill Brooks, Texas Farm Bureau Casualty
Olivia Guerra, Public Member (Alternate)
Sandra Helin, SIIS
Ed Holman, State Farm
Leslie Hurley, TDI
Jerry Johns, SIIS
Rick Liber, Travelers Cos. Inc.
John Lusardi, Lincoln General

Camilla McDonald, TICO

ITEM 1: CALL TO ORDER

Corise Morrison, Board Chair called the meeting to order at 9:00 AM.

ITEM 2: READING OF ANTI-TRUST STATEMENT

Cathleen Beavers 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.”

All attendees introduced themselves.

ITEM 3: REVIEW AND APPROVAL OF THE MINUTES OF THE SEPTEMBER 2, 2009 MEETING

The minutes of the September 2, 2009 TAIPA Governing Committee Meeting were reviewed (Exhibit #1).

It was moved by Fred Strauss and seconded by Laura Hausman to:

“Approve the minutes.”

The motion carried unanimously.

ITEM 4: MANAGER’S REPORT

A. APPLICATION COUNT UPDATE

Cathleen Beavers presented an overview of TAIPA’s “Application Analysis” as of September 30, 2009 (Exhibit #2).

Cathleen Beavers stated that the year-to-date count as of September 2009 is about 8,600 applications. She stated that TAIPA staff is still expecting the 2009 yearend count to be about 10,000. She stated that although there has been a decline in applications this year, TAIPA is concerned about a possible increase in applications next year due to the TexasSure Program. She stated that she does not expect applications to continue to decrease in 2010; she expects them to either stay steady or increase a bit.

B. FINANCIAL UPDATE

Cathleen Beavers presented an overview of TAIPA's "Actual versus Budget" as of September 30, 2009 (Exhibit #3).

Cathleen Beavers stated that TAIPA is currently 12% below the overall budget. The amounts in green indicate items that are either 5% or \$5000 under budget. The amounts in red indicate items that are either 5% or \$5000 over budget. The amounts in black indicate items within 5% of the expected budget.

Peter Kelly asked what the amount of the 2008 yearend salary accrual was. Stacy Midkiff replied that it was \$18,513.

C. BUDGET FOR 2010

Cathleen Beavers presented the "Major Items Impacting the 2010 Budget" (Exhibit #4). She stated that the following factors have contributed to an increase in the total 2010 budget:

- Medical rates;
- Pension—Previous estimates were even higher, but the pension payments will still increase in 2010;
- Systems RFP; and
- Rate Hearing—There were no 2009 expenses for a rate hearing. TAIPA does expect expenses in 2010. Since there were no actual expenses in 2009, the 2010 budget will look higher in comparison with the 2009 incurred expenses.

Bill Jeter stated that there are three different scenarios presented for the 2010 budget. The first column, showing a requested budget of \$1,976,600, is if there is little to no change in applications. The third column, showing a requested budget of \$2,233,300, is if there is an increase of 108,000 applications and temporary staff is needed. The middle column, showing a requested budget of \$2,151,200, is roughly two-thirds of the third column and would amount to an increase of about 72,000 applications.

Bill Jeter stated that the officers recommend adopting the requested budget of \$1,976,600 for little to no change in applications.

Bill Jeter stated that the amount requested for 2010 is about \$476,000 more than the expected yearend 2009. This is mostly due to the increases in the four areas that Cathleen Beavers mentioned previously.

Bill Jeter stated that there will be an estimated \$362,000-\$400,000 in cash to carry over from 2009. He stated that TAIPA also has a line of credit for \$300,000. If there is a large increase in production, the combination of these two amounts should be sufficient to cover TAIPA's expenses in the interim.

Bill Jeter stated that TAIPA does not know for sure how much the new application system will cost. The Systems RFP Subcommittee has been appointed, but the exact cost will not be known until the bids are evaluated. If less money is needed for the Systems RFP, less money will be spent and there will be an increase in carryover cash for 2010.

Bill Jeter stated that a rate hearing will also occur in 2010 no matter what, so there will be increased expenses due to that.

Bill Jeter stated that the officers also recommend an assessment of \$1,976,600, equal to the budget amount.

Bill Jeter stated that the Governing Committee previously discussed having one to two months of "cushion" in the budget. This is roughly \$360,000-\$400,000.

Fred Strauss made a motion to:

"Adopt the 2010 budget in the amount of \$1,976,600 with an assessment made to the industry in the amount of \$1,976,600".

Carol Berthold stated that the budget has been increasing every year, even though the application volume has declined. She stated that she understands the major factors influencing the increase, such as the RFP and pension, but she does not see that any other budget categories are being reduced. Fred Strauss replied that there are fixed costs associated with having TAIPA in existence.

Fred Strauss stated that TAIPA is down one employee and has chosen not to replace that person. He stated that TAIPA has not been spending all of their budgeted money. For example, \$1.7 million was approved this year, but TAIPA estimates that total expenditures will be about \$1.5 million.

Carol Berthold stated that TAIPA is one of the most expensive plans in the country. She stated that most plans have decreased their budgets along with decreased application volume.

Carol Berthold asked what impact the TexasSure program will have in Texas. Cathleen Beavers replied that from what she understands, 5,000 letters per week will be mailed out at first. The amount of letters sent will increase to a maximum of 25,000 letters per week. Carol asked if the letters will start being sent at the end of 2009. Jerry Johns replied that they will start being sent at the beginning of January 2010. Cathleen stated that there are an estimated three million uninsureds in Texas. TAIPA does not know for sure what the impact of those letters will be, but TDI has asked for a contingency plan in the event that TAIPA's production increases substantially. She stated that TAIPA is not necessarily expecting a large increase in applications when this program begins, but is expecting a potential increase in telephone call inquiries.

Bill Jeter stated that \$1.7 million was budgeted for 2009, but only \$1.5 million is expected to be used, which is a decrease of 12-13%. He stated that there is really nothing

that TAIPA can do right now to reduce the costs associated with the pension, medical rates, etc. He stated if all of those major impacts are excluded, the budget for 2010 is only increasing by about \$100,000, which is only 6-7%. He stated that Cathleen Beavers is seeing if she can reduce some of the fixed costs, such as rent, but there are always going to be certain fixed costs that she will not be able to reduce. He stated that if TAIPA could reduce its office space to paying only \$60,000 per year, it would greatly reduce the fixed costs. If Cathleen could successfully reduce the cost of TAIPA's office space, the 2010 increase would only be 2-3%.

Carol Berthold asked if TAIPA would be able to absorb some of the volume if production increased. Cathleen Beavers replied that current staff can absorb some production increases. She stated that a study was conducted which timed how long it took to key in an application, answer a call, etc. and that based on that study, some additional volume can be absorbed. She stated that one issue for TAIPA is that the primary data entry person is also the switchboard operator. Many TAIPA staff members have cross-functional duties because they have absorbed the work from employees who were no longer with TAIPA. She stated that if volume increased, TAIPA would first consider hiring a temporary employee to handle phone calls only. If there is a large increase in applications, a second temporary would be hired.

Carol Berthold stated that if the application volume is going to increase in 2010, there will probably be some indication by the first or second quarter. She stated that the Governing Committee could review the budget again at that time to see if another assessment needs to be made.

Fred Strauss stated that the amount requested for the Systems RFP could be removed from the 2010 requested budget amount until the RFP has actually been evaluated. A separate special assessment can be made at that time.

Fred Strauss stated that the Governing Committee should also continue to monitor the budget each quarter to ensure that the budgeted amounts are sufficient. Corise Morrison stated that the applications could increase and that the Governing Committee could decide that the budget needs to be increased as well. Bill Jeter stated that the Governing Committee should always and does monitor the budget each quarter.

Laura Hausman asked Cathleen Beavers how much time is left on TAIPA's lease. Cathleen replied that there are about three years left. TAIPA has found a real estate agent to help negotiate reducing their amount of office space with their current landlord. TAIPA is doing what they can, but are having difficulty finding someone to take over their space in the current market.

John Lusardi stated that it may be more prudent to budget \$1.9 million, then use carryover cash and assess \$1.6 million. Then if necessary, TAIPA will have their line of credit in the interim and can also make a special assessment.

Bill Jeter stated that the reason that the officers recommend an assessment of \$1.9 million is because in the past, the Governing Committee discussed having two months of "cushion" in the budget, which would be approximately \$300,000. TAIPA does not want to have to borrow money from the line of credit if it is not necessary. He stated that TAIPA shouldn't have to borrow from the line of credit if they have the \$362,000 of carryover cash available to them.

Corise Morrison stated that by removing the depreciation and amortization amounts, the new requested budget would be \$1,937,500.

Corise Morrison stated that there was a question raised in the Officers' Meeting about per diems. She asked if the Governing Committee is willing to pay per diems to all alternates that attend meetings. She stated that she knows that the named member and named alternate would receive per diems, but she would like the Governing Committee's opinion on if it is appropriate to pay other alternates for attending the meetings for reasons like education or staying up to date on the current topics. There followed a discussion on the matter where there appeared to be a consensus of the group that the named member and named alternate would receive per diems but no action was taken.

Peter Kelly asked if current staff would be able to handle approximately one-third more applications. Cathleen Beavers replied that if she had to estimate off hand, she would say yes.

Cathleen Beavers stated that the over-capacity estimates would be TAIPA tightening up as much as possible without impacting the budget in any way. This would likely mean Cathleen taking over all quota and LAD contracts work in order to free up staff currently handling these duties to process applications and handle calls. She stated that quota is the most time-consuming activity pulling from TAIPA production.

Peter Kelly stated that about 40-50% of TAIPA's costs are fixed costs. He stated that while he understands the purpose of TAIPA, one has to ask if TAIPA has really achieved the efficiencies that they need to achieve.

Corise Morrison asked Fred Strauss if he would like to amend his motion. Fred replied that he is not opposed to amending his motion, but that he is unaware of what the general consensus is.

Bill Jeter stated that after starting with the original recommendation of \$1,976,600, it was suggested that \$39,100 for depreciation/amortization and \$110,000 for the new system be removed. This would make the new budget amount \$1,827,500. He stated that this amount should also be the amount assessed.

Corise Morrison asked Fred Strauss if he would reconsider his motion so that it could be split into two separate motions—one for the budget amount and one for the assessment amount.

Fred Strauss stated that he would be willing to withdraw his motion.

Laura Hausman asked if TAIPA would give money back to the insurance companies if not all of the money was used. Bill Jeter replied that an overage would be used as carryover for the next year. For example, if there were no other circumstances such as the Systems RFP this year, the assessed amount would be lower than the budgeted amount because any carryover amount would have been used to reduce the assessment.

Cathleen Beavers stated that once the assessment billings are sent, each company has thirty days to pay. Companies with assessments larger than \$25,000 can choose to pay quarterly.

Fred Strauss withdrew his motion and Laura Hausman withdrew her second.

Fred Strauss stated that the budgeted amount should be \$1,827,500, which is the original \$1,976,600 requested minus depreciation, amortization, and the new system.

Carol Berthold stated that she would have a hard time justifying the budget increases to her company when the applications have been decreasing. She stated that TAIPA has been running smoothly without increases. She stated that she checks her applications to make sure they are being sent in a timely manner and she has not seen any problems.

Dick Lonquist stated that the current budget does include some one-time expenses, such as for programming a new system, which would not continue from year to year.

Bill Jeter stated that on some of these items, such as the pension, there is nothing that can be done to reduce their costs today. Even if changes were made, there would not be any immediate savings. He stated that many of these decisions were made a long time ago and that Cathleen Beavers has reduced costs each year and has stayed below her total budgeted amount each year.

Carol Berthold stated that the budget should start at the \$1.5 million expected to be spent this year. Then \$100,000 for the pension costs should be added, for a budget total of \$1.6 million. She stated that the Governing Committee should adopt a budget of \$1.6 million and then review the budget each quarter in 2010.

Peter Kelly stated that \$150,000 would have to be added for both pension and medical costs. Carol Berthold stated that the budget should be set at \$1.65 then. Bill Jeter stated that the rate hearing expense of \$70,000 would bring the budget to about \$1.73 million.

Carol Berthold stated that the Governing Committee should accept the \$1.73 million budget and then send it back to be reviewed again.

Bill Jeter stated that the Governing Committee needs to trust their manager to manage TAIPA efficiently. He stated that if the manager is micromanaged, the Governing Committee might as well just take over TAIPA. Carol Berthold replied that she understands Bill's concerns, but that she thinks that TAIPA may be spending too much

money. Bill replied that if TAIPA can cut costs, they will. If TAIPA could take two employees off of the budget, they would. But then if TAIPA's services were to begin to suffer, TAIPA would need to add the employees back on and an assessment would have to be made.

Bill Jeter stated that a 4% increase for possible increases in TAIPA's vendors' pricing should be estimated. He stated that TAIPA is not a very large company, which does not give them very much muscle to negotiate their vendors' pricing lower.

Cathleen Beavers stated that TAIPA currently has to use about one and a half full-time employee positions for quota needs. She stated that TAIPA currently has to spend a lot of resources on non-application-related tasks such as this and until quota is changed, we will have to continue using these resources to insure that member carrier's quota is as accurate as possible.

Carol Berthold stated that TAIPA ran well on a budget of \$1.5 million and that they should be able to run in a similar manner on a \$1.73 million budget.

Cathleen Beavers stated that TAIPA will do whatever they can to meet the Governing Committee's expectations.

Carol Berthold made a motion to:

"Accept a budget of \$1.73 million for 2010."

George Cooper stated that he would like to hear more discussion about what is contained within the budget. Carol Berthold replied that \$1.5 million was used as the starting place since that is what the estimated costs at the end of 2009 will be. Then \$60,000 for medical increases, \$90,000 for pension increases, and \$70,000 for rate hearing expenses were added. A 4% increase was added for vendor pricing increases. This comes to a total budget of \$1.73 million.

Randy Termeer seconded Carol Berthold's motion to accept a budget of \$1.73 million for 2010.

Ron Lawson asked what budget line items will be cut if the budget is being reduced to \$1.73. He stated that the manager brought the budget to the Governing Committee and that it was what she stated was needed to run TAIPA. He stated that he assumed that the officers also worked with Cathleen Beavers on the budget and approved it before presenting it today to the Governing Committee.

Corise Morrison stated that the officers will work with Cathleen to make the changes to the budget line items. Ron Lawson asked when the budget process will be finished then. He stated that if the Governing Committee approves the budget of \$1.73 million, then they need to go through and show exactly what line items will make up the \$1.73 million.

Bill Jeter stated that the Governing Committee can accept a total budget of \$1.73 million and Cathleen Beavers can go through the entire budget to try and recast each line item.

Bill Jeter stated that the budget should be \$1.76 or \$1.78 instead of \$1.73 due to inflation on TAIPA's fixed costs.

Bill Jeter stated that the Governing Committee should trust the manager to recast the line items appropriately. Ron Lawson replied that his only issue is that he doesn't want to go through a quarter without a final budget approval. He stated that he thinks Cathleen Beavers has been and is very frugal with the budget and maybe even too frugal sometimes.

Bill Jeter stated that Cathleen Beavers will recast the budget and present it at the next Governing Committee meeting. Ron Lawson asked what will happen if he doesn't like the recast line item amounts. Bill replied that it shouldn't make a difference as long as it comes out to the approved total. Ron stated that he would just like the Governing Committee to agree on a course of action so that they do not have to vote on it again at a later date.

Corise Morrison stated that the Governing Committee does not need to micromanage Cathleen Beavers on the budget line items.

Bill Jeter stated that he would still like to see the budget increase by 4% for inflation. He stated that this would move the budget to \$1.764 million.

Carol Berthold amended her motion. The motion was amended to:

"Accept a budget of \$1.76 million for 2010."

Randy Termeer seconded the motion. The motion carried unanimously.

Corise Morrison stated that the Governing Committee must now decide how much the assessment should be. She stated that it should be decided if any carryover will be used to reduce the assessment amount.

Carol Berthold asked how much carryover TAIPA estimates to have at the end of the year. Bill Jeter replied that \$362,000 is estimated.

The Governing Committee recessed for a brief break at 10:37 AM. The meeting resumed at 10:52 AM.

There was discussion concerning the assessment process and the timing of payments by the companies.

It was moved by Peter Kelly and seconded by Ron Lawson to:

"Make an assessment to the industry in the amount of \$1.6 million."

The motion carried unanimously.

Leslie Hurley asked if there will still be ample funds available in the event that the amount of applications that TAIPA receives increases. Corise Morrison replied that she believes that there are adequate funds.

ITEM 5: OPERATIONS SUBCOMMITTEE REPORT

A. OVER/UNDER REPORT

Carol Berthold presented an update on the Over/Under Report (Exhibit #5).

Carol Berthold stated that the Over/Under Report will always appear on both the Operations Subcommittee and the Governing Committee agendas for monitoring.

B. STORAGE EXCEPTION PROCEDURES

Carol Berthold presented an update on the Storage Exception Procedures (Exhibit #6).

Carol Berthold stated that the analysis in Exhibit #6 will be attached to the Over/Under Report from now on in order to continually monitor it.

Carol Berthold stated that the first two pages of the exhibit are a summary of Governing Committee minutes related to the situation. The third page is a summary of the current storage procedure. The fourth page is a summary of the GEICO exception procedure used.

Carol Berthold stated that the recommendation from the Operations Subcommittee is to release \$5,000 from storage per year until all of GEICO's overage has been brought back in. This amount should not make a huge difference to all of the other companies. She stated that the \$5,000 per year will also be enough to cover GEICO's quarterly quota obligations.

It was moved by Bill Jeter and seconded by Dick Lonquist to:

"Remove \$5,000 of GEICO's overage from storage each year until the overage amount is exhausted."

The motion carried with 14 in favor and one abstention (Carol Berthold).

Carol Berthold stated that will be resigning from her position as Chair of the Operations Subcommittee.

Carol Berthold thanked TAIPA staff, TDI, and the Operations Subcommittee members for their help in the Operations Subcommittee meetings.

Carol Berthold stated that she will still be a member of the Operations Subcommittee.

Corise Morrison stated that she appreciates Carol Berthold's help and for leading the Operations Subcommittee for so many years.

ITEM 6: QUOTA TASK FORCE COMMITTEE REPORT

Dick Lonquist presented an update on the Quota Task Force.

Dick Lonquist stated that the Quota Task Force is making good headway on its task. He stated that TAIPA staff is in the process of researching past Governing Committee minutes and finding anything quota-related. He stated that there are lots of quota-related decisions buried within the old Governing Committee minutes and not all of them were known. The Quota Task Force will document all of the decisions.

Dick Lonquist stated that the Quota Task Force is compiling all of the information that they learn into binders for future use.

Dick Lonquist stated that at the previous Quota Task Force meeting, Cathleen Beavers walked the members through the Private Passenger quota logic. He stated that the formulas are very complicated and that there appear to be many "smoothing" functions that are pretty complicated as well.

Dick Lonquist stated that the Quota Task Force plans to invite the individual at AIPSO who handles TAIPA's quota, Dave Amarol, to come to Texas to go through some of the more complicated math in detail. He stated that they will also go through some of the unique problems that TAIPA staff has had.

Dick Lonquist stated that a Quota Task Force meeting will be held after the next Governing Committee meeting.

Dick Lonquist stated that the Quota Task Force will be putting together a final report of their conclusions, including sample problems for a large national company, a small company, and a Texas-only county mutual. This will be presented to the Governing Committee along with the Quota Task Force's recommendations, hopefully sometime in mid- to late summer.

Corise Morrison stated that she appreciates all of the work that Dick Lonquist, staff, and the other members of the Quota Task Force have done.

ITEM 7: ATTORNEY RFP COMMITTEE REPORT

Richard Geiger and Michael Jones recused themselves and left the meeting room..

Mary Carol Awalt presented an update on the Attorney RFP Committee.

Mary Carol Awalt stated that the Attorney RFP Committee created a matrix of qualifications to help them narrow down the candidates. The qualifications for General Counsel included fees/pricing, location, TDI contacts, regulatory experience, size of firm, backups/successors, learning curve, and history of tracking legislation. The qualifications

for HR Counsel included if they were board-certified, fees/pricing, location, experience including any courtroom experience, if they have helped companies with employee handbooks, and their knowledge of HR law.

Mary Carol Awalt stated that the Attorney RFP Committee recommends that TAIPA continue with their current HR Counsel and General Counsel.

Corise Morrison stated that the officers will work with General Counsel and TAIPA staff to get the invoices to reflect the Attorney RFP Committee's desires.

It was moved by Mary Carol Awalt and seconded by Laura Hausman to:

“Reject the proposals and continue under the current arrangements with Thompson, Coe, Cousins & Irons and Ted Smith.”

The motion carried unanimously.

Corise Morrison stated that she believed that the creation of the matrix was a good tool to evaluate each bid. Pete Hamel thanked Corise Morrison for her help in creating the matrix.

Richard Geiger and Michael Jones reentered the meeting.

ITEM 8: SYSTEMS RFP

Corise Morrison stated that the members of the Systems RFP Committee are Peter Kelly, Dick Lonquist, Thomas Rolling, George Cooper, and Kit Morris. She thanked them for volunteering.

Corise Morrison stated that a Chair of the committee will need to be appointed. She asked for the members to let her know if one of them would be interested.

Cathleen Beavers stated that four responses to the RFP have been received—three local Austin vendors and the current Rhode Island vendor.

Corise Morrison stated that the response period is now closed, so these four will be the only bids to evaluate.

ITEM 9: REPORT OF COUNSEL

A. LETTER TO COMMISSIONER

Richard Geiger stated that the Governing Committee asked him to draft a letter to the Commissioner in response to the rate hearing. He stated that he emailed a copy of the letter to the Governing Committee members. He distributed a copy of the letter to the Governing Committee for review, but stated that he would like the handout to be passed back after review.

It was moved by Carol Berthold and seconded by Bill Jeter to:
"Accept the letter to the Commissioner as amended."
The motion carried unanimously.

The handouts of the letter were returned to Richard Geiger.

A discussion of the letter followed with suggestions for changes.

Richard Geiger stated that he would make the changes to the letter and then send a copy to the Commissioner, the Governing Committee, Tammy Lara, and OPIC.

B. RATE DATA

Richard Geiger stated that TAIPA's new rates just became effective on November 1st.

Richard Geiger stated that the 2008 data is now available and will be the basis for next year's rate filing. He stated that he will ensure that Mike Miller receives the data and begins his evaluation. He stated that the evaluation will be ready to present sometime in the spring. He stated that their intention is for the rates to become effective on November 1st of next year. To accomplish that, they will need the Commissioner's decision by August 1st, which would call for a rate hearing in May or June.

Corise Morrison stated that hopefully they will be able to discuss it at a Governing Committee in April.

ITEM 10: PUBLIC RELATIONS REPORT

Jerry Johns presented the Public Relations Report.

Jerry Johns stated that SIIS believes that the letters that will be sent out by TexasSure will probably be interpreted as direct mail instead of as an enforcement letter. He stated that the response rate for direct mail is only about 3%. He stated that there are currently about 17-18 million drivers in Texas, an estimated 20-25% of which are uninsured.

Jerry Johns stated that there is currently a move to revisit credit-scoring for insurance. He stated that there was recently an article published in the newspaper, to which SIIS issued a letter to the editor.

Jerry Johns distributed copies of the fact sheet and letter to the editor (Attachments #1, 2, 3).

ITEM 11: 2010 MEETINGS

Corise Morrison stated that the meetings for 2010 are not set yet. She stated that the first meeting will likely be in late January. The second meeting will likely be in April.

Corise Morrison thanked Cathleen Beavers and the officers for their work. She stated that she herself has been unavailable for the last few weeks due to personal reasons and she just wanted to extend her appreciation to them.

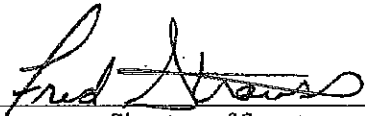
ITEM 12: ADJOURNMENT

With no further business to discuss, it was moved by Carol Berthold and seconded by Ron Lawson that:

“The meeting be adjourned.”

The motion carried unanimously.

The meeting adjourned at 12:13 PM.



Signature of Secretary

1/29/2010

Date Signed

Fred Strauss

Printed Name of Secretary

TAIPA Application Analysis

Exhibit 2

Monthly Total (Jan. 2010)		
	Private Passenger	Commercial
ESP Applications	0	0
EASi Applications	662	57
Paper Applications	51	14
Total Applications Received	713	71
Applications Assigned	677	70
Applications Suspended	36	1
Applications Rejected	0	0
Applications Deficient	31	4
Applications with SR-22s	129	0
Total Applications Received in Jan. 2009:		1,114
Total Applications Received in Jan. 2010:		784
Year to Date Total (Jan. 2010)		
	Private Passenger	Commercial
ESP Applications	0	0
EASi Applications	662	57
Paper Applications	51	14
Total Applications Received	713	71
Applications Assigned	677	70
Applications Suspended	36	1
Applications Rejected	0	0
Applications Deficient	31	4
Applications with SR-22s	129	0
Total Applications Received YTD (as of Jan. 2009):		1,114
Total Applications Received YTD (as of Jan. 2010):		784
Application Assignment History*		
1993: 723,165	1999: 47,108	2005: 31,517
1994: 716,036	2000: 44,945	2006: 23,634
1995: 461,059	2001: 53,477	2007: 16,780
1996: 214,744	2002: 66,153	2008: 12,896
1997: 95,461	2003: 74,506	2009: 10,299
1998: 55,041	2004: 47,434	

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

Texas Auto Ins. Plan Assoc.
ACTUAL VS. BUDGET
 As of December 31, 2009

	2009			2009 Annual Assessment/ Carryover	% Invoiced
	Actual	Year To Date Budget	Variance		
REVENUE					
Assessments & Penalties	1,607,786	1,600,000	7,786	1,600,000	100.00%
Other Revenue	3,106	0	3,106	0	0.00%
TOTAL	1,610,892	1,600,000	10,892	1,600,000	100.00%
	2009			2009 Annual Budget	% Used
	Actual	Year To Date Budget	Variance		
EXPENDITURES					
Salaries	592,975	649,000	56,025	649,000	91.37% Budget included one additional staff member.
Emp. Benefits & Other Ins. Exp.	397,173	353,300	-43,873	353,300	112.42% Pension liability adjustment made due to 12/31/09 numbers received from pension actuary.
Office Equipment Expense	33,380	38,000	4,620	38,000	87.84% Used less supplies than anticipated.
Printing & Stationary Exp.	3,137	1,000	-2,137	1,000	313.68% Printed assignment cards and envelopes.
Computer Expenses	10,430	13,000	2,570	13,000	80.23% Deer, due to 2010 prepaids, which reduces % of budget used.
Postage & Shipping Exp.	26,144	32,000	5,856	32,000	81.70% Used less postage than expected.
Telephone Expense	11,480	11,000	-480	11,000	104.36% Within range.
Rent Expense	185,817	191,000	5,183	191,000	97.29% Received refund for operating expenses.
Taxes	398	2,000	1,602	2,000	19.91% Paid prop. tax; Rec'd franchise tax refund from 2008.
Other Office Expenses	8,782	17,500	8,718	17,500	50.18% Kitchen supp. retirement & anniv. items, sale dept box.
Governing Committee	32,184	28,000	-4,184	28,000	114.94% All mtgs held; addtl Officers Mtgs and Fin. Com. Mtgs.
Operation Sub-committee	10,285	7,000	-3,285	7,000	146.93% All mtgs held; Quota Task Force mtgs were added.
Producer Review Panel	2,184	6,000	3,816	6,000	36.40% Only one meeting in 2009; exp. lower than expected.
Employee Meetings, Seminars & Staff Travel	27,667	33,000	5,333	33,000	83.84% Used less educational exp. than expected.
Legal Expenses	86,184	100,000	13,816	100,000	86.18% Had less legal exp. than expected.

	2009		2009	
	Actual	Year To Date Budget	Annual Budget	% Used
Audit Expense	17,053	20,000	20,000	85.26% Annual Audit complete; used auditors on consulting basis & to meet with Fin. Com.
Dues, Subscriptions & Publications	1,623	2,000	2,000	81.17% Deccr. due to 2010 prepaids, which reduces % of budget used.
TAIPA Tradition, Visitor Meals & Gifts	3,117	4,200	4,200	74.21% Fewer TAIPA tradition expenses than anticipated.
System Consultants	75,948	110,000	110,000	69.04% Had less system consultant exp. than expected.
Consultants - Other	9,968	25,000	25,000	39.87% Had less other consultant exp. than expected; deccr. due to prepaid booked that was already fully expensed in prior year
Actuary	15,362	57,000	57,000	26.95% Paid all ISO fees; next rate change planned for May 2010.
Other	0	0	0	0.00%
SUBTOTAL	1,551,291	1,700,000	1,700,000	91.25% 8.75% Below Budget
Depreciation	14,545	15,000	15,000	96.97% Within range.
Amortization	0	0	0	0.00% No amortization this year.
Gain (Loss) on Sale of Fixed Assets	-1,728	0	0	0.00% Sold two servers at a gain.
SUBTOTAL	12,817	15,000	15,000	85.45% 14.55 Below Budget
TOTAL OPERATING EXPENSE	1,564,108	1,715,000	1,715,000	91.20% 8.8% Below Budget
NET FROM OPERATIONS	46,784	-115,000	-115,000	
Non-Operating Pension Income (Costs)	608,940	0	0	0.00% Pension liability adjustment made due to 12/31/09 numbers received from pension actuary.
NET	655,724	-115,000	770,723	-115,000
CAPITAL BUDGET				
Office Furniture & Equipment	0	1,000	1,000	0.00% No furn. & fixt. expenses.
Computer Equipment	2,818	2,000	2,000	140.90% New server purchased in December.
Computer Software	0	0	0	0.00% No computer software expenses
Leasehold Improvements	1,155	1,000	1,000	115.50% Painted two areas of office in January
TOTAL	3,973	4,000	4,000	99.33% Capital Budget is 0.67% Under Budget

Texas Auto Ins. Plan Assoc.

Statement of Financial Position

December 31, 2009

Unaudited

ASSETS

Current Assets	
Cash and cash equivalents	\$ 450,892
Accounts receivable	200
Prepaid expenses	40,569
Total current assets	491,661
Property and Equipment	
Furniture and equipment	376,109
Computer equipment	61,552
Leasehold improvements	2,562
Computer software and program development costs	99,815
	540,038
Less accumulated depreciation	482,401
	57,638
Total assets	549,298

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	25,607
Accrued vacation	48,105
Accrued payroll liabilities	21,937
Total current liabilities	95,649
Other Liabilities	
Accrued pension benefit costs	968,943 *
Deferred lease benefit	86,028
Total other liabilities	1,054,971
Net (Deficiency) Assets	
Unrestricted	(601,321)
Total net assets	(601,321)
Total liabilities and net assets	\$ 549,298

**Pension liability adjustment made due to 12/31/09 numbers received from pension actuary.*

Texas Auto Ins. Plan Assoc.

Statement of Activities
For The Year Ending December 31, 2009
Unaudited

Changes in unrestricted net assets

	Current YTD
Member assessments	\$ 1,600,585
Interest income	2,980
Assessment penalties	7,201
Miscellaneous income	126
Total revenues	1,610,892

Expenses

Salaries and related expenses	990,147 *
Occupancy expenses	197,695
Professional Services	204,515
Depreciation & amortization	14,545
Postage and delivery	26,144
Office supplies and expense	36,517
Governing committee	32,184
Computer supplies & expenses	10,430
Operation Sub-committee	10,285
Staff education & seminars	27,667
Miscellaneous	8,782
Staff expense	3,117
Dues and subscriptions	1,623
Producer review	2,184
Total operating expenses	1,565,837

Other revenues (expenses)

Gain (loss) on disposition of assets	1,728
Pension minimum Liability adjustment	608,940 *
Total other revenue expenses	610,668
 Increase (decrease) in unrestricted net assets	 655,724
 Net assets (deficiency) at beginning of year	 (1,257,042)
 Net assets (deficiency) at end of year	 \$ (601,318)

*Pension liability adjustment made due to 12/31/09 numbers received from pension actuary.