

Texas Automobile Insurance Plan Association Governing Committee Meeting
Friday, November 30, 2012 - 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 9, 2012 Meeting (Exhibit 1)
4. Manager's Report
 - A. Application Count Update (Exhibit 2)
 - B. Financial Update (Exhibit 3)
 - C. Requests for Proposal in 2013
 - D. 2013 Budget (Exhibit 4)
5. Operations Subcommittee Report
 - A. Over/Under Report (Exhibit 5)
 - B. Proposed Changes to Statute Language (Exhibit 6)
6. Strategic Planning Subcommittee Report
7. Report of Counsel
 - A. Rate Filing Presentation
 - B. ProAce Update
8. Application System Subcommittee Report
9. 2013 Meeting Dates (Exhibit 7)
10. 2014 Meeting Dates (Exhibit 8)
11. Personnel Matters
12. 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 9, 2012

**TAIPA GOVERNING COMMITTEE MEETING MINUTES
AUGUST 9, 2012 AT 9:00 AM
OMNI AUSTIN HOTEL SOUTHPARK**

ATTENDEES:

MEMBERS:

Carol Berthold, GEICO
Bill Brooks, Texas Farm Bureau Casualty
George Cooper, State Farm
Kevin Curry, Travelers
Terry Fain, Public Member (Alternate for Mary Carol Awalt)
Pete Hamel, Producer Member
Laura Hausman, Public Member
Carmelita Hogan, Public Member
Becky Jackson, Public Member
Dick Lonquist, Public Member
Pamela McQuaid, Liberty Mutual/Safeco
Kit Morris, Producer Member
Corise Morrison, USAA
Thomas Rolling, Farmers (Acted as Chair in Fred Strauss's absence)
Rick Smith, Allstate (Alternate for Fred Strauss)

COUNSEL:

Richard Geiger, Thompson, Coe, Cousins & Irons
Michael Jones, Thompson, Coe, Cousins & Irons
Ted Smith, Cornell, Smith & Mierl (Attended part of meeting)

TAIPA STAFF:

James Langford (Association Manager)
Nicole Morgan (Minute Taker)
Stacy Midkiff

OTHERS:

Sandra Helin, SIIS
Leslie Hurley, TDI
John Lusardi, Universal Casualty
David Nardecchia, OPIC
Stacy Rives, TDI
Dan Shaner, Atchley & Associates, LLP (Attended part of meeting)

ITEM 1: CALL TO ORDER

Thomas Rolling called the meeting to order at 9:00 AM.

A moment of silence was observed in Bill Jeter's memory.

ITEM 2: READING OF ANTI-TRUST STATEMENT

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.”

Introductions were made.

ITEM 3: REVIEW AND APPROVAL OF THE MINUTES OF THE MARCH 23, 2012 MEETING (EXHIBIT 1)

There was discussion regarding if it was stated that moving costs were included in the budget during the Strategic Planning Subcommittee’s report. It was agreed to add a note to the minutes stating that moving costs were not included in the budget.

It was agreed to change the Personnel Matters section to read “No action was taken on this matter.”

It was moved by Dick Lonquist and seconded by Carol Berthold to:

“Approve the minutes as amended.”

The motion carried unanimously.

ITEM 4: AUDIT/FINANCE COMMITTEE REPORT

B. AUDIT FINDINGS/RECOMMENDATION REPORT (EXHIBIT 3)

Dan Shaner stated the auditors’ responsibility is to inform the Governing Committee of any significant issues with 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.

A. FINANCIAL YEAR END REPORT (EXHIBIT 2)

Dan Shaner stated no adjustments were made to the trial balance, so the audited financials are in line with the yearend financials previously distributed by TAIPA. This year, there was a loss of about \$148,000, but almost all of that is due to the pension liability. Operations-wise, TAIPA is managing expenses well.

It was moved by Dick Lonquist and seconded by Laura Hausman to:

“Accept the audited 2011 financials.”
The motion carried unanimously.

ITEM 5: MANAGER’S REPORT

A. APPLICATION COUNT UPDATE (EXHIBIT 4)

James Langford stated in June 2012, TAIPA received 532 applications, which is a decline of 7.32% from June 2011. The total number of applications received year-to-date is 3,751, which is a decline of 12.42% from 2011. We’ve also received the July counts, which seem to have been impacted by the rate change effective July 1st. In July 2012, TAIPA received 493 applications, which is a decline of about 16.86% from July 2011. The total number of applications received year-to-date through July is 4,244, which is a decline of 12.96% from 2011. At this point, we estimate we will receive no more than 6,500 applications in 2012.

B. FINANCIAL UPDATE (EXHIBIT 5)

James Langford stated at the end of June, TAIPA expected to be at 50% of the budget used and are slightly under-budget at about 48%. The items that are currently over-budget were explained.

It was asked if the amount paid for the new application system should still be reflected as an asset. Dan Shaner advised that it should until we have a distinct determination that the asset is useless. Once we hear more from ProAce, we will make a decision on how to handle the asset and will make the necessary adjustments.

C. TAIPA OFFICE SPACE UPDATE

James Langford stated a contract was negotiated to move the TAIPA office to the Setting Building for a five-year lease. Our monthly rent will be about half of what we currently pay. However, there were some delays with the City of Austin during the build-out, so we have had to extend our stay at the current building through September at 1.5 times the base rate. However, we will have six months of free rent at the new location, so we will still end under-budget.

TAIPA has started an electronic filing project to convert all of their paper files to electronic files to cut down on the amount of file cabinets that need to be moved. After being filed electronically, the paper files are shredded by TAIPA’s shredding vendor. Additionally, there is a lot of other furniture that will not be needed. TAIPA will also need to contract with a moving company.

The landlord at the new building agreed to pay \$83,000 towards TAIPA’s build-out, which would be \$20/square foot. TAIPA chose everything for the new building as economically as possible, but the build-out still came out to \$27/square foot. As such, TAIPA will need to pay for the difference. The landlord has agreed to bill TAIPA for half now and half upon completion.

We expect to move to the new building mid-September. We will make notification of the new physical location at that time, but our PO boxes will not change. TAIPA will also update their website.

James Langford stated that TAIPA's line of credit with Frost Bank is up for renewal and a motion is needed to authorize the renewal. There is a nominal fee of about \$275 for the line of credit and paperwork.

It was moved by Carol Berthold and seconded by Corise Morrison to:

“Authorize James Langford to renew TAIPA's line of credit.”

The motion carried unanimously.

Dan Shaner left the meeting.

ITEM 6: OPERATIONS SUBCOMMITTEE REPORT

A. OVER/UNDER REPORT (EXHIBIT 6)

Bill Brooks stated in keeping with their usual procedure, TAIPA has been reviewing companies that have maintained an over- or under-assignment for five years and as such, need to be moved to storage. American Safety Casualty was one company that was scheduled to be moved to storage. However, they recently started writing again and as such, will not be moved to storage.

ITEM 7: PERSONNEL MATTERS

Acting under authority of Government Code 551.074, the Governing Committee commenced a closed meeting at 9:36 AM.

Ted Smith entered the meeting.

The open meeting resumed at 11:00 AM.

James Langford has been made an employee instead of a consultant. It was moved by Corise Morrison and seconded by Carol Berthold to:

“Change James Langford's title from Interim Association Manager to Association Manager.”

The motion carried unanimously.

It was moved by Kit Morris and seconded by Carmelita Hogan to:

“Authorize James Langford to create a job description for an Assistant Manager and designate an existing employee as the Assistant Manager.”

The motion carried unanimously.

It was moved by Carol Berthold and seconded by Kit Morris to:

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“Authorize James Langford to make staff reductions as discussing in the closed meeting.”

The motion carried unanimously.

ITEM 8: STRATEGIC PLANNING SUBCOMMITTEE REPORT

Dick Lonquist stated the Strategic Planning Subcommittee has met regularly by conference call and will still continue to meet. They made a staff reduction proposal in the closed session, but have nothing further to report.

ITEM 9: REPORT OF COUNSEL

A. PROPOSED CHANGE TO STATUTE LANGUAGE

Richard Geiger distributed a memo regarding proposed legislative changes (Attachment #1). Because of the low application volume, we need to reduce expenses and one way we can do that is by making some changes to Chapter 2151. One change would be to allow the Governing Committee to hold meetings by telephone, video conference, etc., which would save money on per diems, mileage, lodging, meeting rooms, meals, etc. Additionally, it would be a benefit to the manager because the manager would no longer be handicapped by having to wait until an in-person meeting to receive guidance on issues. The Chair would still need to be present wherever the call originates from, so the Chair would still be required to travel to the meeting site, but everyone else could dial in.

A member stated that she also sits on another committee that follows the Open Meetings Act and allows conference calls. There have been some occasions when a quorum was suddenly put in jeopardy, such as in bad weather, and having the ability to hold a conference call has saved the meeting.

The wording of Sec. 2151.151.d.2 was referenced and it was asked if members of the public would only be allowed to come to the TAIPA office or if they would have the ability to dial into the conference call. They would be allowed to do either; the wording just means there must be a physical meeting site. It was agreed to add a call-in capability for the public to the wording to make it clearer.

The next proposed change would be to eliminate the mandate for an underserved area credit program. When the program was adopted, application volumes were 100 times higher than the current climate, so it doesn't make much sense to keep the mandate in place. Additionally, the Governing Committee could also consider eliminating the program altogether.

The history of the program was discussed. The program was adopted in 1993 and was created to make insurance available in underserved areas (areas in which there were a high percentage of uninsured motorists and motorists insured through a county mutual). The goal of the program was to depopulate TAIPA. It was asked if other states have this program. Only Texas has this program.

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It was stated that we need to know what effect the elimination of the plan would have on quota before we can discuss eliminating the program. It was stated that this change to the statute is just to eliminate the mandate for such a program, not to eliminate the program.

It was asked if there are still uninsured geographic areas. The Commissioner defined the underserved zip codes initially and we've asked for these zip codes to be updated on three occasions. These underserved zip codes have not been updated. It was stated that updating the areas seems to be a better solution than eliminating the program altogether.

It was agreed to change the wording to read that TAIPA may offer the program instead of must offer the program.

It was stated that more research should be done before eliminating the program altogether. It was suggested that the issue be referred to the Operations Subcommittee to see if the program should be continued or not.

The next item that could be changed in the statute to save money is the requirement for an annual rate filing. We currently have to file each year and have a hearing before the Commissioner, who may then approve, disapprove, or modify the rate. The proposed change is to put TAIPA on a basis similar to insurers—a "file and use" system. This would eliminate the mandate of annual filings, although we would keep the restriction that we cannot make a filing more than once in a 12 month period. As proposed, if the rate filing doesn't exceed 110% of the current rate, the Commissioner has 30 days to approve or disapprove the rate. If the Commissioner takes no action during the 30 days, the rate is approved. There is also a one-time extension of 30 days. If the rate filing exceeds 110% of the current rate, the Commissioner would have to approve or disapprove the rate. The current statute also requires that we make a filing for each coverage, but the proposed change would allow us to make a change only to those coverages we think a change is needed.

It was stated that it sounds like OPIC is eliminated from the filing process. This would not be the case, as an aggrieved person (OPIC, for example) could appeal the Commissioner's decision on a filing within 30 days of the decision. This is in our existing statute and would not be changed.

It was stated that if the Commissioner did approve the filing, it would save us actuarial and attorney time since we wouldn't have to have a hearing. If the Commissioner denied a rate, we could always decide to have a hearing.

It was stated that we would have to make a filing 150 days in advance of the effective date to account for 30-60 days of the Commissioner's time to approve/disapprove, 30 days to appeal, and 60 days for companies to make changes to their system.

It was stated it doesn't seem in the public's interest to be able to increase the rate every year. It was stated that if rates were being raised arbitrarily, the Governing Committee wouldn't approve the motion. Additionally, the Commissioner has actuaries that could review the filing and the Commissioner could decide to disapprove it based on their

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analysis. Furthermore, an aggrieved party could choose to file an appeal if they disputed the Commissioner's decision.

It was stated there seems to be no disagreement on removing the requirement to file annually. We could still file every year if desired, but this would give the flexibility to file less frequently if a rate change wasn't necessary.

If the Governing Committee chose to seek a legislative change, the process would involve finding a sponsor in the House and the Senate. All TAIPA can do is offer their proposed language, but that doesn't guarantee that we'll get what we ask for. If the Governing Committee thinks this change is a rational way to try to save money, they should appoint either the Operations Subcommittee or another subcommittee to be responsible for monitoring this legislation and enlisting the aid of the PCI, AIA, AFACT, etc. We would also want to make the Commissioner and OPIC aware. Pre-filing starts in December, so we should try to file as soon as possible in December.

It was moved by Corise Morrison and seconded by Becky Jackson that:

“The proposed legislation changes be referred to the Operations Subcommittee and for the Operations Subcommittee to report back at the next Governing Committee meeting.”

The motion carried unanimously.

The next Operations Subcommittee meeting will be held by teleconference on October 1, 2012.

B. PROACE UPDATE

Michael Jones stated the Officers authorized counsel to send a demand letter to ProAce for the \$115,000 spent on the application system. The demand letter stated that they have 60 days to reply. Counsel tried to contact ProAce's president several times by both phone and email, but hasn't heard back. Counsel recommends that we wait the 60 days to see if ProAce replies to the demand letter, but if not, he would recommend a lawsuit for breach of contract.

It was asked if we know if ProAce is still in business. ProAce does have a working phone number and website, but we don't know how much business they're doing. It was asked what TAIPA would achieve by filing a lawsuit. Counsel stated if ProAce has revenue, we could be paid from that. We can assume they are probably still in business since they have a working website and someone answering their phones.

It was asked if we have to file a lawsuit right away. We have up to four years from the breach of the contract, which would have been November 2011.

It was asked if TAIPA could use any of the programming done by ProAce. Although some programming has been completed, there are concerns about the quality of the code, as there are extensive bugs in the programming. Additionally, much of the programming is still incomplete. It was asked if the code is proprietary to TAIPA. It is. It was stated

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that we would want to make sure that proprietary code wouldn't be used by ProAce again.

Counsel was asked for an estimated cost for filing the lawsuit. It would be approximately \$2,000-\$4,000 to file the lawsuit. If ProAce didn't contest the suit, we could go for a summary judgment approach and the total cost would be probably \$5,000-\$10,000. However, if ProAce did contest, we'd have to go from there. It was stated that we should see if ProAce responds within the 60 days and if so, get a dialogue going with them.

It was moved by Dick Lonquist and seconded by Corise Morrison to:

“Give the Officers the ability to enter into settlement discussions/decisions or file a lawsuit, between now and the next Governing Committee meeting.”

It was asked if all of the negotiations with ProAce occurred when James Langford was Interim Association Manager. James Langford signed the contract and was involved in subsequent discussions.

The motion was amended. It was moved by Dick Lonquist and seconded by Corise Morrison to:

“Authorize the Officers to enter into a lawsuit against ProAce and/or enter into settlement discussions/decisions either inside or outside of a lawsuit, between now and the next Governing Committee meeting.”

The motion carried unanimously.

ITEM 10: APPLICATION SYSTEM SUBCOMMITTEE REPORT

Thomas Rolling stated he and James Langford have had several discussions regarding this issue, but the subcommittee hasn't met yet.

James Langford stated that he has had multiple conversations with AIPSO and there is no pressure from AIPSO for us to move off of our current system. TAIPA and AIPSO both agree that we'd like to get off of our current system, but AIPSO has reiterated that they are not going to “pull the plug” on us. Another thing to consider is that as long as we are using our current AIPSO system, we must use Microsoft XP as our operating system, which Microsoft plans to stop supporting. Although this will not happen until 2014, we are currently experiencing issues when it comes to peripherals for our computers, as many do not work with the operating system we're currently using.

Although there are lots of companies selling insurance software, TAIPA's uniqueness means that there aren't any off-the-shelf products that work for us. As such, our only choice may be to use AIPSO. There were a number of concerns previously raised against AIPSO's system, most notably TAIPA's lack of ownership of the code. However, TAIPA and AIPSO have come to an agreement that AIPSO won't make changes to our system without us first being aware and agreeing that the change is necessary. It was suggested that we go back to AIPSO and see what solutions they could provide for TAIPA. James Langford stated that his opinion is that we currently have a very good relationship with AIPSO.

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The subcommittee will meet between now and the next Governing Committee meeting and will report back with a recommendation.

ITEM 11: PUBLIC RELATIONS REPORT

Sandra Helin reported the following recent events:

- A press release was released regarding Becky Jackson's appointment to the Governing Committee and the election of the new officers.
- There has been some media interest regarding proposals to raise the speed limit in some parts of Texas, but TAIPA was not mentioned at all.
- The Dallas Morning News published an article stating that the number of uninsured drivers in Texas has dropped sharply (Attachment #2). Previous reports stated the uninsured rate was about 25%, but the uninsured rate is now about 13%.

ITEM 12: NEXT MEETING—NOVEMBER 30, 2012

The next meeting will be held on November 30, 2012.

ITEM 13: ADJOURNMENT

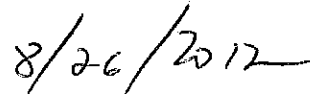
There being no further business to discuss, it was moved by Corise Morrison and seconded by Laura Hausman to:

“Adjourn the meeting.”

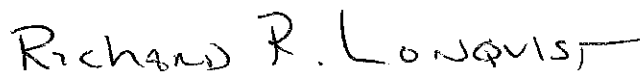
The motion carried unanimously. The meeting adjourned at 12:29 PM.



Signature of Secretary



Date Signed




Printed Name of Secretary

THOMPSON COE

Thompson, Coe, Cousins & Irons, L.L.P.
Attorneys and Counselors

Memorandum

To: Members of the Governing Committee and Interim Manager
Texas Automobile Insurance Plan Association

From: Richard S. Geiger 

Date: August 9, 2012

Re: Proposed Legislative Changes

The next regular session of the Texas Legislature convenes January 8, 2013. The regular session is 140 calendar days ending May 27, 2013.

At the March meeting of the governing committee we were instructed to prepare legislation to address the current ratemaking procedures and other matters with an eye toward reducing a substantial amount of expense incurred by the governing committee from year to year. With this in mind we have prepared the attached re-write of Chapter 2151, Insurance Code which is the governing statute for TAIPA.. Additions to the statute are shown by underlining and removals are shown by ~~strikethroughs~~. All of the section numbers start with 2151 but in this memorandum we will use only the suffix to identify the section where changes are being proposed.

These legislative changes start with the addition to Sec. 151.CONTENTENTS OF PLAN OF OPERATION; AMENDMENTS. Subsections (c) and (d) are added to permit the governing committee to meet by way of electronic means as described in the new language.

The next change is to Sec.153 Incentive Programs. The mandate that incentive programs be adopted is changed to an option and the current "underserved areas" incentive is deleted.

This statute has been in effect since 1993 and has always contained a requirement of this incentive program. However, the "underserved areas" have been identified only once by the Commissioner. TAIPA has made several requests that "underserved areas" be updated, but no action has taken place. When the statute was adopted, the volume of the Plan was *one hundred times* what it is today. It is doubtful there is an "underserved area" in Texas today.

Sec. 202 Rate Filings. The change here starts with discontinuance of the need for annual rate reviews. The restriction against filings more frequently than once in any 12 month period is retained.

Mainly, what is proposed is a "file and use" rate system. If the filed rate does not exceed 110% of any rate used prior to the filing and the Commissioner has taken no action before the expiration of 30 days, the rates are deemed approved. The deemer can be extended only once for an additional 30 days. The deemer does not apply if the filing represents an increase of 10% or more from rates currently in use. Under the deemer the rates go into effect on the date specified in the filing.

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New Sec. 203, Commissioner Action, The Commissioner still has authority to approve or disapprove a filing based on compliance with the rate standards in Sec. 201, Rate Standards. (Rates must be just, reasonable, adequate, etc.).

New Sec. 204 Rate Filing Approval by Commissioner; Use of Rate, The Commissioner is required to approve or disapprove a rate filing based upon compliance with Sec. 201.

New Sec. 205 is a re-numbering of the old Section 203.

New Sec. 206 RATE FILING DISAPPROVAL BY COMMISSIONER; HEARING The association is given the right to request a hearing, if the commissioner disapproves a filing.

New Sec. 207 is a re-numbering of the old Sec. 211.

New Sec. 208 is a re-numbering of the old Sec. 212.

All provisions relating to the current method of determining rates are deleted. (Sections 205-210)

Other Possible Changes

- ◆ Reduce governing committee to nine members (five companies, three public and one agent).
- ◆ Create an option to assign all applications to one or more servicing carriers.
- ◆ Others ?

INSURANCE CODE

TITLE 10. PROPERTY AND CASUALTY INSURANCE

SUBTITLE G. POOLS, GROUPS, PLANS, AND SELF-INSURANCE

CHAPTER 2151. TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION.

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2151.001. DEFINITIONS. In this chapter:

- (1) "Association" means the Texas Automobile Insurance Plan Association.
- (2) "Authorized insurer" means an insurer authorized by the department to write automobile liability coverage under this title. Except as provided by Section 2251.204, the term does not include a county mutual insurance company organized under Chapter 912.
- (3) "Insurance" means an insurance policy that meets the requirements of Chapter 601, Transportation Code.

SUBCHAPTER B. TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Sec. 2151.051. NATURE AND COMPOSITION OF ASSOCIATION. (a) The Texas Automobile Insurance Plan Association is a nonprofit corporate body composed of all authorized insurers.

(b) Each authorized insurer must be a member of the association as a condition of the insurer's authority to write automobile liability insurance in this state.

Sec. 2151.052. AUTHORITY OF GOVERNING COMMITTEE. The association is administered by a governing committee under a plan of operation.

Sec. 2151.053. MEMBERSHIP OF GOVERNING COMMITTEE. The governing committee is composed of 15 members selected as follows:

- (1) eight members who represent the interests of insurers, elected by the association members according to a method the members determine;
- (2) five public members, nominated by the office of public insurance counsel and selected by the commissioner; and
- (3) two members who are general or personal lines property and casualty agents, as required by the plan of operation.

Sec. 2151.054. ELIGIBILITY TO SERVE AS INSURER REPRESENTATIVE. To be eligible to serve on the governing committee as a representative of insurers, an individual must be a full-time employee of an authorized insurer.

Sec. 2151.055. INELIGIBILITY TO SERVE AS PUBLIC MEMBER. An individual may not serve on the governing committee as a public member if the individual, another individual related to that individual within the second degree by consanguinity or affinity, or another individual residing in the same household with that individual:

- (1) is required to be registered or licensed under this code or another insurance law of this state;
- (2) is employed by or acts as a consultant to a person required to be registered or licensed or required to hold a certificate of authority under this code or another insurance law of this state;
- (3) is the owner of, has a financial interest in, or participates in the management of an organization required to be registered or licensed or required to hold a certificate of authority under this code or another insurance law of this state;
- (4) is an officer, employer, or consultant of an association in the field of insurance; or
- (5) is required to register as a lobbyist under Chapter 305, Government Code.

Sec. 2151.056. IMMUNITY FROM LIABILITY. (a) The association, a member of the governing committee, or an employee of the association is not personally liable for:

- (1) an act performed in good faith within the scope of the person's authority as determined under this chapter or the plan of operation; or
- (2) damages occasioned by the person's official act or omission except an act or omission that is corrupt or malicious.

(b) The association shall provide counsel to defend an action brought against a member of the governing committee or an employee because of the person's official act or omission regardless of whether the person has terminated service with the association when the action is instituted.

(c) This section is cumulative of and does not affect or modify a common law or statutory privilege or immunity.

SUBCHAPTER C. POWERS AND DUTIES OF ASSOCIATION

Sec. 2151.101. POWERS OF NONPROFIT CORPORATION. ~~[(a)]~~ The association has the powers granted to a nonprofit corporation under the Business Organizations Code.

~~[(b) Expired.]~~

~~[(c) Expired.]~~

Sec. 2151.102. ASSIGNMENT OF INSURANCE; ELIGIBILITY. (a) The association shall provide for the assignment of insurance to an authorized insurer for a person required by Chapter 601, Transportation Code, to show proof of financial responsibility for the future.

(b) An applicant is not eligible for insurance through the association unless the applicant and the servicing agent certify as part of the application to the association that the applicant has been rejected for insurance by at least two insurers that are authorized to engage in business in this state and that are writing automobile insurance in this state.

Sec. 2151.103. ASSESSMENTS. (a) The association may assess authorized insurers to provide money to operate the association.

(b) The amount assessed against an authorized insurer must be in proportion to the insurer's writing of automobile liability insurance in this state.

(c) The association may bring an action to collect an assessment against an authorized insurer that does not pay the assessment within a reasonable time. In addition, the association may report to the commissioner an authorized insurer's failure to pay the assessment [~~to the commissioner~~]. The commissioner may institute a disciplinary action against the insurer under Chapter 82.

SUBCHAPTER D. PLAN OF OPERATION

Sec. 2151.151. CONTENTS OF PLAN OF OPERATION; AMENDMENTS. (a) The plan of operation must:

(1) provide for the efficient, economical, fair, and nondiscriminatory administration of the association; and

(2) provide a means by which insurance may be provided in accordance with Section 2151.102(a).

(b) Subject to the commissioner's approval, the governing committee may amend the plan of operation.

(c) Meetings of the governing committee and the members are to be held in accordance with Chapter 551, Government Code. Members of the governing committee may meet by telephone conference call, video conference, or other similar telecommunication method. The governing committee may use telephone conference call, video conference, or other similar telecommunication method for purposes of establishing a quorum or voting or for any other meeting purpose in accordance with this subsection and Subsection (b). This subsection applies without regard to the subject matter discussed or considered by the members of the governing committee at the meeting.

(d) A meeting held by telephone conference call, video conference, or other similar telecommunication method:

(1) is subject to the notice requirements applicable to other meetings of the governing committee;

(2) may not be held unless notice of the meeting specifies the location of the meeting at which at least one member of the governing committee is physically present;

(3) must be audible to the public at the location specified in the notice under Subdivision (2); and

(4) must provide two-way audio communication between all members of the governing committee attending the meeting during the entire meeting, and if the two-way audio communication link with members attending the meeting is disrupted so that a quorum of the governing committee is no longer participating in the meeting, the meeting may not continue until the two-way audio communication link is reestablished.

Sec. 2151.152. CORRECTIVE ACTION TO PLAN OF OPERATION. If the commissioner at any time believes that any part of the plan of operation is inconsistent with the purposes of Chapter 601, Transportation Code, the commissioner shall notify the governing committee in writing so that the governing committee may take corrective action.

Sec. 2151.153. INCENTIVE PROGRAMS. (a) The plan of operation ~~[must]~~ may include incentive programs to encourage authorized insurers to write insurance on a voluntary basis and to minimize the use of the association as a means to obtain insurance.

~~(b) [One incentive program must target underserved geographic areas, which the commissioner by rule shall designate. In designating underserved areas, the commissioner shall consider with respect to an area:~~

- ~~(1) the availability of insurance;~~
- ~~(2) the number of uninsured drivers;~~
- ~~(3) the number of drivers insured through the association; and~~
- ~~(4) any other relevant factor.~~

~~(c) The incentive programs are effective on the commissioner's approval.~~

Sec. 2151.154. ASSIGNMENT DISTRIBUTION PLAN. (a) The plan of operation must include a voluntary, competitive limited assignment distribution plan that allows an authorized insurer to contract directly with a servicing carrier to accept assignments to the servicing carrier by the association.

(b) A servicing carrier must be authorized to write automobile insurance in this state and must:

- (1) have written automobile liability insurance in this state for at least five years; or
- (2) be currently engaged as a servicing carrier for assigned risk automobile business in

at least one other state.

(c) After notice and hearing, the commissioner may prohibit an insurer from acting as a servicing carrier.

(d) An authorized insurer and a servicing carrier shall determine through negotiation the terms of a contract described by this section, including the buy-out fee.

(e) The governing committee may:

- (1) adopt reasonable rules for the conduct of business under a contract described by this section; and
- (2) establish reasonable standards of eligibility for servicing carriers.

SUBCHAPTER E. RATES FOR INSURANCE; [HEARING]

Sec. 2151.201. RATE STANDARDS. Rates for insurance provided under this chapter must be:

- (1) just, reasonable, adequate, not excessive, not confiscatory, and not unfairly discriminatory for the risks to which the rates apply; and
- (2) sufficient to carry all claims to maturity and meet the expenses incurred in the writing and servicing of the business.

Sec. 2151.202. RATE FILINGS. (a) The association shall file ~~[annually]~~ with the department rates to be charged for insurance provided through the association ~~[for approval by the commissioner]~~.

(b) The association may not file rates under this section more than once in any 12-month period.

(c) Member insurers will use a rate filed under this subchapter on and after the date specified in the filing, if the filed rate does not exceed 110% of any rate used by the member insurers for risks written through the association.

Sec. 2151.203. COMMISSIONER ACTION. (a) Not later than the 30th day after the date a rate is filed with the department under this subchapter, the commissioner shall:

(1) approve the rate if the commissioner determines that the rate complies with the requirements of this chapter; or

(2) disapprove the rate if the commissioner determines that the rate does not comply with the requirements of this chapter.

(b) Except as provided by Subsection (c), if a rate has not been approved or disapproved by the commissioner before the expiration of the 30-day period described in Subsection (a), the rate is considered approved and the member insurers writing risks through the association will use the rate unless the rate proposed in the filing represents an increase of 10% or more from the association's previously filed rate.

(c) For good cause, the commissioner may, on the expiration of the 30-day period described by Subsection (a), extend the period for approval or disapproval of a rate for one additional 30-day period. The commissioner and the association may not by agreement extend the 30-day period described by Subsection (a).

Sec. 2151.204. RATE FILING APPROVAL BY COMMISSIONER; USE OF RATE.

(a) The commissioner shall approve a rate filing under this subchapter if the proposed rate meets the standards of Section 2151.201.

(b) If the commissioner approved a rate filing under this section, the commissioner shall provide the association with a written or electronic notification of the approval. The member insurers may use the rate on receipt of the approval notice or a later date specified in the filing.

Sec. ~~[2151.203]~~ 2151.205. RECORDING AND REPORTING OF PREMIUM, LOSS, AND EXPENSE EXPERIENCE. (a) The commissioner shall adopt reasonable rules and statistical plans for the recording and reporting of premium, loss, and expense experience and other required data by each authorized insurer. The premium, loss, and expense experience must be reported separately for business assigned to the insurer.

(b) Each authorized insurer shall use the statistical plans adopted under this section to record and report premium, loss, and expense experience and other required data in accordance with the rules adopted by the commissioner.

(c) In approving rates under this subchapter, the commissioner shall consider the reports collected under the statistical plan regarding aggregated premiums earned and losses and expenses incurred in the writing of automobile insurance through the association.

~~[Sec. 2151.204. NOTICE OF FILING. (a) The department shall file with the secretary of state for publication in the Texas Register notice that a filing has been made under Section 2151.202 not later than the seventh day after the date the filing is received by the department.~~

~~(b) The notice must include information relating to:~~

~~(1) the availability of the filing for public inspection at the department during regular business hours;~~

~~(2) the procedures for obtaining copies of the filing;~~

~~(3) procedures for making written comments related to the filing; and~~

~~(4) the time, place, and date of the hearing scheduled under Section 2151.206.]~~

~~[Sec. 2151.205. OPPORTUNITY TO REVIEW FILING. Before approving, disapproving, or modifying a filing made under Section 2151.202, the commissioner must provide to all interested persons a reasonable opportunity to:~~

~~(1) review the filing;~~

~~(2) obtain a copy of the filing on payment of any legally required copying cost; and~~

~~(3) submit to the commissioner written comments, analyses, or information related to~~

~~the filing.]~~

Sec. 2151.206. RATE FILING DISAPPROVAL BY COMMISSIONER; HEARING

(a) If the commissioner disapproves a rate filing under Section 2151.203 the commissioner shall issue an order disapproving the filing in accordance with Section 2251.103(d).

(b) If a rate filing of the association is disapproved it is entitled to a hearing in accordance with Section 2251.103(e).

~~[Sec. 2151.206. HEARING ON FILING. (a) Not later than the 45th day after the date the department receives a filing required by Section 2151.202, the commissioner shall schedule a hearing at which interested persons may present written or oral comments relating to the filing.~~

~~(b) The association, the public insurance counsel, and any other interested person or entity that submits proposed changes or actuarial analyses may ask questions of any person testifying at the hearing.~~

~~(c) A hearing held under this section is not a contested case hearing under Chapter 2001, Government Code.]~~

~~[Sec. 2151.207. ACTION OF COMMISSIONER ON FILING. (a) After the conclusion of the hearing under Section 2151.206, the commissioner shall approve, disapprove, or modify the filing in writing.~~

~~(b) If the commissioner disapproves a filing, the commissioner shall state in writing the reasons for the disapproval and the criteria to be met by the association to obtain approval.]~~

~~[Sec. 2151.208. AMENDED FILING. The association may file with the commissioner an amended filing to comply with the commissioner's comments not later than the 10th day after the date the association receives the commissioner's written disapproval.]~~

~~[Sec. 2151.209. OPPORTUNITY TO REVIEW AMENDED FILING. Before approving or disapproving an amended filing, the commissioner must provide to all interested persons a reasonable opportunity, in the same manner an opportunity is provided under Section 2151.205, to:~~

~~(1) review the amended filing;~~

~~(2) obtain a copy of the amended filing on payment of any legally required copying cost;~~

~~and~~

~~(3) submit to the commissioner written comments or information related to the amended filing.]~~

~~[Sec. 2151.210. HEARING ON AMENDED FILING. (a) The commissioner may hold a hearing in the manner provided by Section 2151.206 not later than the 20th day after the date the department receives an amended filing.~~

~~(b) Not later than the 10th day after the date the hearing on the amended filing is concluded, the commissioner shall approve or disapprove the amended filing.~~

~~(c) Not later than the 30th day after the date the amended filing is received by the department, the commissioner shall disapprove the amended filing or the filing is considered approved.~~

~~(d) The requirements provided under Sections 2151.204 and 2151.207 apply to a hearing conducted under this section.]~~

Sec. 2151.207.~~[Sec. 2151.211.]~~ APPEAL. (a) A person aggrieved by a decision of the commissioner under this subchapter may appeal the decision not later than the 30th day after the date of the decision.

(b) An appeal of a commissioner's decision under this subchapter must be made in accordance with Subchapter D, Chapter 36.

Sec. 2151.208.~~[Sec. 2151.212.]~~ HEARINGS BY DEPARTMENT. Subchapter B, Chapter 40, does not apply to this subchapter.



Number of uninsured drivers on Texas roads drops sharply

By TERRENCE STUTZ

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AUSTIN — The number of uninsured drivers in Texas has dropped dramatically from a year ago — more than 38 percent — thanks in part to a 4-year-old program aimed at getting those drivers either insured or off the road.

State officials, however, are not giving all the credit to the TexasSure vehicle insurance program, saying that a large part of the decline is attributable to cleaning up the database on the state's nearly 20 million licensed drivers. Previous reports identified many drivers who actually had coverage as uninsured.

Statistics compiled in June indicate that just 13 percent of motorists, about 2.6 million Texans, are driving without minimum insurance coverage in violation of state law. One year ago, the state reported that 4.2 million had no insurance — about 21.6 percent of all drivers.

In Dallas County, the uninsured rate decreased from 24.1 percent a year ago to 14.8 percent this year. Dallas has had one of the highest uninsured rates among urban areas for several years.

Jerry Hagins, a spokesman for the Texas Department of Insurance, said Monday the drop in the number of uninsured drivers resulted from two factors — fixing the state's driver database to make it more accurate and improved compliance with the mandatory insurance law.

Hagins said officials could not determine exactly how much each factor contributed to the decline.

"But the TexasSure program is moving in the direction we hoped for over time," he said. "We have sent out more than 2.2 million notices since the fall of 2009 and are still sending out 25,000 notices a week." Those letters are sent to drivers who are found to have a car registered without an insurance policy on file.

Drivers are asked to verify coverage by mail, email or telephone — with a warning that they are subject to fines and loss of license if they don't comply with the law.

Problems in the insured-uninsured database were discovered earlier this year by HDI Solutions Inc., the private contractor paid by the state to compile the information for the insurance department and other state agencies. One report indicated that the data cleanup produced a drop of more than 4 percent in the number of uninsured drivers.

A major source of erroneous information involved drivers who sold or traded in their cars. Those vehicles continued to be shown in the TexasSure database as registered to the original owners but without any insurance coverage.

Hagins said the problem has been cleared up and HDI Solutions is now confident that its numbers are accurate.

Insurance industry representatives voiced surprise over the dramatic drop, particularly since the number of uninsured motorists in the state has been estimated at between 20 percent and 25 percent for the past few decades. Even with the past inaccurate numbers, they said the program deserves some of the credit for improved compliance.

TexasSure relies on a massive database containing the names of all insured drivers and their insurance companies, matched to their license plate numbers and VINs.

When a driver is involved in an accident or stopped for an infraction, the law enforcement officer can enter the license plate number or VIN into the TexasSure system to verify insurance coverage. In addition, the data is available to county tax assessor-collectors, who can use it to confirm whether a driver has insurance before issuing or renewing a registration sticker.

Those who lack insurance are ticketed, subject to a fine of up to \$350 on the first offense and up to \$1,000 and possible suspension of their license on the second offense. They also face a state surcharge of \$250 a year for three years. Those who rack up multiple offenses and take no action are subject to arrest.

Funded with an annual \$1 fee paid by all Texans when renewing their vehicle registration, the program was intended to crack down on the millions of drivers violating the state's mandatory insurance law, passed several years ago but ignored by many until recently.

"If these are good numbers, it's great news for Texas drivers," said Mark Hanna of the Insurance Council of Texas. "A crash with an uninsured driver can be a life-altering event."

Texas drivers now pay an estimated \$1 billion a year to protect themselves from those who have no coverage.

Helin also credited several cities, including Dallas, that have ordinances requiring the towing of uninsured vehicles stopped by police or involved in accidents.

"Towing fees put a huge dent in anyone's pocketbook," she said.

Helin and Hanna also credited competition in the auto insurance market in Texas, which has made coverage more affordable.

South Texas counties had the highest percentages of uninsured drivers in the latest report, with nearly 22 percent of the vehicles uninsured in Cameron County.

Texas has had a financial responsibility law requiring drivers to buy insurance for several years. The minimum policy must contain liability coverage to pay for injuries and damages caused by the driver.

Largest urban counties

Bexar: 13.65%

Dallas: 14.79%

El Paso: 14.46%

Harris: 14.46%

Tarrant: 12.61%

Travis: 12.54%

Dallas-area counties

Collin: 8.52%

Denton: 9.06%

Ellis: 10.49%

Johnson: 10.73%

Kaufman: 10.80%

Rockwall: 9.50%

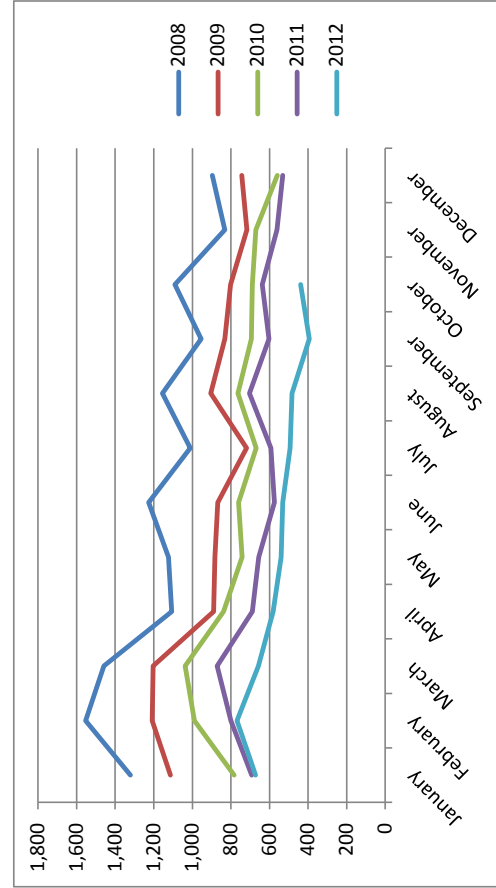
Statewide: 13.07%

SOURCE: Texas Department of Insurance

Monthly Total (October 2012)		
	Private Passenger	Commercial
EASi Applications	373	31
Paper Applications	30	4
Total Applications Received	403	35
Applications Assigned	<i>371</i>	<i>33</i>
Applications Suspended	<i>32</i>	<i>2</i>
Applications Rejected	<i>0</i>	<i>0</i>
Applications Deficient	<i>30</i>	<i>2</i>
Applications with SR-22s	<i>105</i>	<i>0</i>
Total Applications Received in October 2011:		637
Total Applications Received in October 2012:		438
Year to Date Total (as of October 2012)		
	Private Passenger	Commercial
EASi Applications	4682	487
Paper Applications	325	65
Total Applications Received	5007	552
Applications Assigned	<i>4687</i>	<i>521</i>
Applications Suspended	<i>315</i>	<i>22</i>
Applications Rejected	<i>5</i>	<i>9</i>
Applications Deficient	<i>276</i>	<i>19</i>
Applications with SR-22s	<i>1064</i>	<i>3</i>
Total Applications Received YTD (as of October 2011):		6,820
Total Applications Received YTD (as of October 2012):		5,559
YTD Percent Change from Sept. 2011 to Sept.2012:		-18.49%
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: 8,724
1997: 95,461	2004: 47,434	2011: 7,364
1998: 55,041	2005: 31,517	
1999: 47,108	2006: 23,634	

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

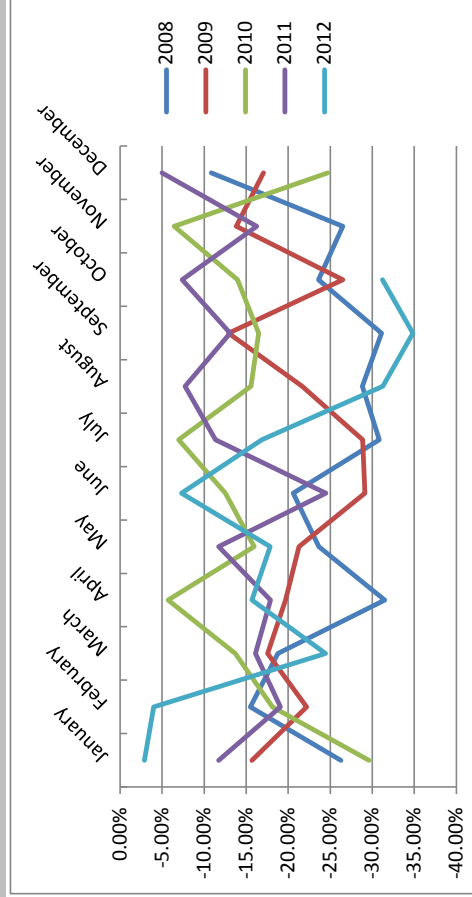
Trend of Applications Received from 2008 to 2012



	2008	2009	2010	2011	2012
January	1,321	1,114	784	692	672
February	1,554	1,209	990	801	769
March	1,459	1,203	1,038	871	658
April	1,108	890	839	689	581
May	1,123	884	743	656	539
June	1,226	869	760	574	532
July	1,011	719	669	593	493
August	1,155	905	764	704	484
September	954	831	694	603	393
October	1,091	802	689	638	438
November	832	717	671	561	561
December	897	744	560	532	532
Total	13,731	10,887	9,200	7,914	5,559

2012 Estimate of Applications Received: 6,390

Percent Change in Applications Received



	2008	2009	2010	2011	2012
January	-26.28%	-15.67%	-29.62%	-11.74%	-2.89%
February	-15.50%	-22.20%	-18.11%	-19.09%	-4.00%
March	-18.76%	-17.55%	-13.72%	-16.09%	-24.46%
April	-31.48%	-19.68%	-5.73%	-17.88%	-15.68%
May	-23.66%	-21.28%	-15.95%	-11.71%	-17.84%
June	-20.60%	-29.12%	-12.54%	-24.47%	-7.32%
July	-30.85%	-28.88%	-6.95%	-11.36%	-16.86%
August	-28.84%	-21.65%	-15.58%	-7.73%	-31.25%
September	-31.12%	-12.89%	-16.49%	-13.11%	-34.83%
October	-23.60%	-26.49%	-13.98%	-7.40%	-31.24%
November	-26.50%	-13.82%	-6.42%	-16.24%	-5.00%
December	-10.84%	-17.06%	-24.73%	-5.00%	-13.98%
Total YTD	-24.12%	-20.72%	-15.49%	-13.98%	-17.18%

Texas Auto Ins. Plan Assoc.
ACTUAL VS. BUDGET
 For the period ended September 30, 2012

	Actual	2012 Year To Date Budget	Variance	2012 Annual Budget	% Used	Reason for Variance
REVENUE						
Assessments & Penalties	1,081,562	1,077,375	4,187	1,436,500	75.29%	
Other Revenue	1,041	0	1,041	0	0.00%	
TOTAL	1,082,603	1,077,375	5,228	1,436,500	75.36%	
EXPENDITURES						
Salaries	369,085	327,900	-41,185	437,200	84.42%	Interim Manager's status changed from consultant to employee and those expenses were reclassified into this category; this category will end over-budget, but "Consultants - Other" will end well under budget.
Emp. Benefits & Other Ins. Exp.	322,890	347,625	24,735	463,500	69.66%	Saved money by switching insurance vendors; expect to end under budget.
Office Equipment Expense	18,137	26,025	7,888	34,700	52.27%	Saved money by switching copier vendors; expect to end well under budget.
Printing & Stationary Exp.	1,081	2,625	1,544	3,500	30.90%	Have only ordered assignment notices and some envelopes so far; expect to end well under budget.
Computer Expenses	6,552	7,950	1,398	10,600	61.81%	Have not spent as much as expected on misc. computer supplies and printer ink cartridges; expect to end under budget.
Postage & Shipping Exp.	19,285	21,000	1,715	28,000	68.87%	Have not spent as much on overnight packages as expected (due to decrease in Governing Committee meetings and change in delivery speed); expect to end under budget.
Telephone Expense	6,947	6,825	-122	9,100	76.34%	Within range.
Rent Expense	147,451	127,350	-20,101	169,800	86.84%	Expected expenses for first 7 months of year to be higher and last five months to be lower because of free rent; had to extend lease at current location for two months at 1.5 X base rent; will still end under-budget though since remaining months of 2012 at new location are free rent.
Moving Expense	8,101	0	-8,101	0	0.00%	Didn't budget for moving expenses, as we thought they would be negotiated in new lease agreement
Taxes	0	1,125	1,125	1,500	0.00%	Taxes aren't due until later in the year.
Other Office Expenses	3,506	8,325	4,819	11,100	31.59%	Saved money by hiring new vending machine vendor; did not have to write off as many assessments as expected; have not had all TAIPA outings yet.
Governing Committee	14,326	29,100	14,774	38,800	36.92%	Have held two Governing Committee meetings to date; per diems, hotel fees, and mileage reimbursements were less than expected; expect to end under budget since we budgeted for four meetings and will only hold three.
Operation Sub-committee	1,151	4,725	3,574	6,300	18.27%	Have only held conference calls and one in-person Strategic Planning Subcommittee to date; expect to end under budget.
Producer Review Panel	0	2,700	2,700	3,600	0.00%	Budgeted for one Producer Review Panel meeting; do not expect to hold any this year.
Employee Meetings, Seminars & Staff Travel	9,163	14,250	5,087	19,000	48.23%	Only some employees have taken classes; expect to end under budget.
Legal Expenses	64,769	75,300	10,531	100,400	64.51%	Expect to end under budget since legal fees for Operations Subcommittee, Producer Review Panel, and the rate filing were less than budgeted.

	Actual	2012 Year To Date Budget	Variance	2012 Annual Budget	% Used	Reason for Variance
Audit Expense	18,911	15,300	-3,611	20,400	92.70%	Have already been billed for annual audit; still expect 990 fees and consulting fees, but should end on budget.
Dues, Subscriptions & Publications	1,440	1,425	-15	1,900	75.79%	Within range.
TAIPA Tradition, Visitor Meals & Gifts	2,234	2,775	541	3,700	60.36%	Remaining events are later in year; expect to end under budget.
System Consultants	33,535	36,600	3,065	48,800	68.72%	Budgeted for services from VIN verification company for new application system; since new system has not been implemented, will end under budget.
Consultants - Other	5,935	58,650	52,715	78,200	7.59%	Interim Manager's status changed from consultant to employee and those expenses were reclassified out of this category; category will end well under budget.
Actuary	25,889	36,225	10,336	48,300	53.60%	Will not have any other rate filing-related expenses in 2012 (just ISO expenses); will end well under budget.
Other	0	0	0	0	0.00%	No other expenses to date.
SUBTOTAL	1,080,389	1,153,800	73,411	1,538,400	70.23%	
Depreciation	6,269	5,925	-344	7,900	79.36%	Within range.
Amortization	0	17,250	17,250	23,000	0.00%	Amortization was expected for new application system, which has not been implemented; will end under budget.
Gain (Loss) on Disposition of Fixed Assets	88	0	-88	0	0.00%	Have not sold any assets to date.
SUBTOTAL	6,357	23,175	16,818	30,900	20.57%	
TOTAL OPERATING EXPENSE	1,086,746	1,176,975	90,229	1,569,300	69.25%	
NET FROM OPERATIONS	-4,143	-99,600	95,457	-132,800		
Non-Operating Pension Costs	0	0	0	0	0.00%	Pension adjustment will be made at end of year.
NET	-4,143	-99,600	95,457	-132,800		
CAPITAL BUDGET						
Software Development in Progress	0	0	0	0	0.00%	New application system has already been paid for.
Office Furniture & Equipment	0	0	0	0	0.00%	No furniture & fixture expenditures to date.
Computer Equipment	0	0	0	0	0.00%	No computer equipment expenditures to date.
Computer Software	0	0	0	0	0.00%	No computer software expenditures to date.
Leasehold Improvements	17,365	0	-17,365	0	0.00%	Had to pay for excess construction fees and cabling at new location, which was not budgeted for.
TOTAL	17,365	0	-17,365	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, 2012

Unaudited

ASSETS

Current Assets	
Cash and cash equivalents	\$ 597,610
Accounts receivable	28,385
Prepaid expenses	38,748
Total current assets	664,743
Property and Equipment	
Software development in progress	115,000
Furniture and equipment	43,713
Computer equipment	25,569
Leasehold improvements	17,364
Computer software	9,858
	211,504
Less accumulated depreciation	56,304
	155,200
Total assets	819,943

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	4,322
Accrued vacation	31,432
Accrued payroll liabilities	10,383
Deferred revenue	359,383
Total current liabilities	405,520
Other Liabilities	
Accrued pension benefit costs	1,276,737
Total other liabilities	1,276,737
Net (Deficiency) Assets	
Unrestricted	(862,314)
Total net assets	(862,314)
Total liabilities and net assets	\$ 819,943

Texas Auto Ins. Plan Assoc.

Statement of Activities

For the period ended September 30, 2012

Unaudited

Changes in unrestricted net assets

	Current YTD
Member assessments	\$ 1,077,817
Interest income	981
Assessment penalties	3,745
Miscellaneous income	60
Total revenues	1,082,603
Expenses	
Salaries and related expenses	691,975
Occupancy expenses	162,499
Professional Services	149,040
Depreciation & amortization	6,269
Postage and delivery	19,285
Office supplies and expense	19,219
Governing committee	14,326
Computer supplies & expenses	6,552
Operation Sub-committee	1,151
Staff education & seminars	9,163
Miscellaneous	3,506
Staff expense	2,234
Dues and subscriptions	1,440
Total operating expenses	1,086,658
Other revenues (expenses)	
<i>Gain (loss) on disposition of assets</i>	(88)
Total other revenue expenses	(88)
<i>Increase (decrease) in unrestricted net assets</i>	(4,143)
<i>Net assets (deficiency) at beginning of year</i>	(858,171)
<i>Net assets (deficiency) as of September 30, 2012</i>	\$ (862,314)

<i>Texas Auto Ins. Plan Assoc.</i>				
2013 REQUESTED BUDGET: \$1,300,300				
2013 REQUESTED ASSESSMENT: \$1,150,000				
	2012	2013	Increase	
	Approved	Requested	(Decrease)	
	Budget	Budget	in Budget	Reason for Increase (Decrease)
Salaries	437,200	371,700	(65,500)	Budget decreased due to reduction of two employees.
Emp. Benefits & Other Ins. Exp.	463,500	375,600	(87,900)	Budget decreased due to reduction of two employees.
Office Equipment Expense	34,700	22,200	(12,500)	Budget decreased due to signing service contracts with new vendors at better prices and cancelling contracts that were no longer necessary.
Printing & Stationary Exp.	3,500	2,000	(1,500)	Within range.
Computer Expenses	10,600	10,300	(300)	Within range.
Postage & Shipping Exp.	28,000	26,400	(1,600)	Within range.
Telephone Expense	9,100	8,100	(1,000)	Within range.
Rent Expense	169,800	71,900	(97,900)	Budget decreased due to signing new lease that better meets TAIPA's office space requirements.
Taxes	1,500	2,200	700	Within range.
Other Office Expenses	11,100	8,500	(2,600)	Within range.
Governing Committee	38,800	27,600	(11,200)	Budget decreased due to holding three meetings per year instead of four.
Operation Sub-committee	6,300	6,000	(300)	Within range.
Producer Review Panel	3,600	3,500	(100)	Within range.
Employee Meetings, Seminars & Staff Travel	19,000	16,000	(3,000)	Within range.
Legal Expenses	100,400	117,500	17,100	Budget increased due to increase in rates for general counsel and HR counsel; additional \$15K added to budget to monitor proposed legislation.
Audit Expense	20,400	22,600	2,200	Within range.
Dues, Subscriptions & Publications	1,900	1,900	-	Within range.
TAIPA Tradition, Visitor Meals & Gifts	3,700	3,600	(100)	Within range.
System Consultants	48,800	104,200	55,400	Budget increased due to expectation to upgrade to AIPSO's latest versions of APS and EASI, which requires higher annual fees and upfront customization costs.
Consultants - Other	78,200	29,400	(48,800)	Budget decreased due to costs for Association Manager being included in Salaries now.
Actuary	48,300	55,400	7,100	Budget increased due to expected actuarial study on simplifying rate filing methodology, as well as estimated 6% increase in ISO fees.
SUBTOTAL	1,538,400	1,286,600	(251,800)	
Depreciation	7,900	13,700	5,800	Budget increased due to new assets on the books (construction at new building, including phone/data cabling).
Amortization	23,000	0	(23,000)	No amortization expected in 2013.
SUBTOTAL	30,900	13,700	(17,200)	
TOTAL OPERATING EXPENSE	1,569,300	1,300,300	(269,000)	
Office Furniture & Equipment	0	0	-	Within range.
Computer Equipment	0	0	-	Within range.
Computer Software	0	0	-	Within range.
Leasehold Improvements	0	0	-	Within range.
TOTAL	0	0	-	

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

2013 Recommended Assessment

Total 2013 Budget	\$ 1,300,300
2013 Depreciation	- \$ 13,700
Cash Needed	= \$ 1,286,600
Recommended Carryover	- \$ 136,600
Recommended Assessment Amount	= <u>\$ 1,150,000</u>

2012/2013 Comparison

	2013	2012	Difference	Decrease
Budget Amount	\$ 1,300,300	\$ 1,569,300	\$ (269,000)	-17.14%
Depr./Amort.	\$ 13,700	\$ 30,900		
Carryover Used	\$ 136,600	\$ 101,900		
Assessment Amount	\$ 1,150,000	\$ 1,436,500	\$ (286,500)	-19.94%

TAIPA PP Over/Under Report

COMPANY

Year-End 2007

Year-End 2008

Year-End 2009

Year-End 2010

Year-End 2011

1st QTR 2012

2nd QTR 2012

10/05/2012

	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	
21ST CENTURY CENTENNIAL INS CO (SC) (prev -AIG CENT'L -Am Int'l)	517,717		434,421		374,290		100,816		90,492		124,571		76,608
ACE AMERICA						0	45	404				641	828
ALFA SPECIALTY INS CORP						2	71	333			1,451		1,224
ALLSTATE INS CO		53,937		17,398		62,945	20,681	25,531				22,473	
AMER MERCURY INS CO		5,227	7,188			2,471	2,559		5,250		779		2,079
AMER SERVICE INS								31			(buy out)		(buy out)
ARROWOOD IND CO (prev Royal Ind)		30		30		30			Storage		Storage		Storage
ASSURANCEAMERICA INS CO							40	68				68	
AutoOne INS CO (prev Penn General [SC])		311,119		253,008		220,909	61,581		1,239		159,671		204,049
COLONIAL LLOYDS				3		346	1,101	1,272				1,276	1,276
COMPANION PROP & CAS INS CO						0	8	44				64	81
CORNERSTONE NATL INS CO						81	486	867				1,009	1,114
GOVERNMENT EMPLOYEES INS CO		91,437		67,506		38,449	13,521		721			5,661	5,448
GREAT AMER INS CO OF NY	155,225		155,225		155,225		155,225		Storage		Storage		Storage
HALLMARK COUNTY MUT INS CO								180			(buy out)		(buy out)
HIGHLANDS INS CO (receivership)		201		201		201	201		Storage		Storage		Storage
HOMEOWNERS OF AMER INS CO						0	198	1,649				2,283	2,684
HOUSTON GENERAL INS EXCH		20		803		2,415	3,000	3,006					
ICM INS CO							19	939			(buy out)		(buy out)
IMPERIAL FIRE & CAS		2,308		1,357		1,586	1,903		316		257		1,108

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COMPANY

Year-End 2007

Year-End 2008

Year-End 2009

Year-End 2010

Year-End 2011

1st QTR 2012

2nd QTR 2012

10/05/2012

	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
LINCOLN GENERAL		129,532	85,908	101,427	51,328	51,337		51,337		51,337		51,337
MILEMETER INS CO				36	542	1,296		1,562		1,740		
MILLERS INS CO (receitvship 2003)		115	115	115	Storage	Storage		Storage		Storage		
NATIONAL LIABILITY & FIRE (SC)				0	36,708	1,826		57,271		80,245		
NATIONWIDE MUT INS CO		27,747	31,038	17,622	14,032	9,142		15,497		16,019		
PRIVILEGE UNDERWRITERS RECIP EXCH						32		85		140		
QBE INS CORP				4	29	40		40		40		
SECURITY NATIONAL			49,779	49,779	49,779	49,779		49,779		49,779		49,779
SERVICE LLOYDS INS CO	885		885	885		885		885		885		
SHELBY GAS INS CO (Permanent Receitvship)		36	36	36	Storage	Storage		Storage		Storage		
SOMPO JAPAN INS CO (prev Yasuda F&M)	2,110		2,016	1,977	1,976	1,976		1,976		1,976		
SOUTHLAND LLOYDS INS CO		314	175	235	274	292		293		293		293
STARR INDEMNITY & LIABILITY CO					1	147		277		378		
STATE FARM MUT AUTO INS CO		151,021	188,467	128,622	18,467	56,449		32,542		51,294		
TEXAS FARM BUREAU CAS INS CO (Southern Farm Bur)		45,629	24,805	36,261	19,163	4,514		45,792		33,435		
TOKIO MARINE & NICHIDO FIRE INS						5		5		5		
UNIVERSAL INSURANCE EXCHANGE (receitvship)			7	15	15	15		15		15		
VISION INS CO				28	522	1,444		1,620		1,669		
TOTALS	902,441	902,441	832,103	832,103	768,553	768,553	329,719	329,719	159,154	289,590	289,590	293,377

PREMIUMS WRITTEN	7,505,268	5,856,958	4,906,293	4,237,673	3,381,187	1,045,110	1st qtr	724,092	2nd qtr
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TAIPA OTTP Over/Under Report

COMPANY Year-end 2007

Year-end 2008

Year-end 2009

Year-end 2010

Year-end 2011

1st Qrt 2012

2nd Qrt 2012

10/05/2012

COMPANY	Year-end 2007	Year-end 2008	Year-end 2009	Year-end 2010	Year-end 2011	1st Qrt 2012	2nd Qrt 2012							
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR						
ALASKA NATL		18		27		36		48		54		59		63
ALLMERICA FIN BENEFIT INS CO								2,730		5,943		6,892		7,818
ALLMERICA FIN ALLIANCE INS CO								57		120		120		120
AMER BANKERS INS CO OF FLORIDA		22		172		490		819		1,053		1,156		1,257
AMER CONTRACTORS INS RISK RET. GRP								5,329		6,495		7,793		9,089
AMER MERCURY INS CO		41,108		32,511		21,941		15,326		16,052		17,071		15,371
AMER MODERN HOME INS CO		3,649		33,382		85		85		85		90		95
AMER MODERN LLOYD'S		29,720		232		29,515		25,931		22,389		22,508		22,626
AMER NATIONAL PROP & CAS CO		0		128		437		755		1,032		1,134		1,235
AMERICAN SAFETY CAS INS CO		806		806		806		806		806		360		1,528
AMER SERVICE INS CO INC.								8		23		24		24
ASSOCIATION INS CO												New to quota		6
AUTOONE INS CO (servicing carrier)		806,114		585,212		379,647		66,176		219,499		225,738		292,095
AXIS Ins Co (prev Fireman's Fund Ins co of WI)										New to quota		51		192
BRITISH AMERICAN INS CO		15,376		15,833		15,503		15,388		14,946		15,025		15,103
CENTENNIAL INS CO				1		1		1		1		1		1
CLARENDON NATIONAL INS CO	55,281		52,443		51,574		51,569		51,569		51,569		51,569	
COLUMBIA INS CO		938	1,237		1,235		1,233		1,233		1,233		1,233	
COMMERCIAL ALLIANCE INS CO								69		453		455		453
COMPANION PROP & CAS INS CO										68		111		154

TAIPA OTPP Over/Under Report

COMPANY Year-end 2007

Year-end 2008

Year-end 2009

Year-end 2010

Year-end 2011

1st Qrt 2012

10/05/2012

2nd Qrt 2012

	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
COREPOINTE INS CO (prev Chrysler & Daimlerchrysler)		46,169		44,898		40,297		39,316		39,649		39,650		39,649
FIREMEN'S INS CO WASHINGTON DC							439			1,623		grped w/ Continental Western in CLAD		
GENERAL SECURITY NATL INS CO		826		826		826						Storage		826
GENERAL STAR NATIONAL INS CO										23		34		46
GOVERNMENT EMPLOYEES INS CO		7		5,081		9,698						13,517		13,194
GREAT MIDWEST INS CO								548		857		1,298		1,737
HALLMARK COUNTY MUT INS CO (prev State & County Mut Fire)	(buy-out)	12,271	EXEMPT 2008 (no qta report generated)											
HOUSING ENTERPRISE INS CO INC												(buy out)		
KNIGHTBROOK INS CO										81		224		366
LINCOLN GENERAL		361,479		265,294		269,471		50,217		73,630		73,630		73,630
LUMBERMENS MUT CAS CO (Cease & Desist)		201,002		201,002		200,776		200,776				Storage		
MAXUM CAS INS CO												New to quota		603
MID-CONTINENT CAS CO	813,308			797,232		784,074		774,568				766,474		765,066
MOTORISTS COMM MUT INS CO (prev Amer Hardware Mut Ins Co)	33,790			32,651		31,488		30,409				29,659		29,467
NATIONAL LIABILITY & FIRE INS CO (SC)								597,786		1,258,536		1,333,544		1,382,582
NATIONAL SPECIALTY INS CO				0		725		3,288		7,389		grped w/ State National in CLAD		
NAVIGATORS INS CO										20		53		85
NORTH AMER SPECIALTY INS CO												New to quota		8
NORTHLAND INS CO	3,616			3,616		3,616		3,616				Storage		

TAIPA OTPP Over/Under Report
COMPANY

Year-end 2007

Year-end 2008

Year-end 2009

Year-end 2010

Year-end 2011

1st Qrt 2012

2nd Qrt 2012

10/05/2012

	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
OAK BROOK COUNTY MUTUAL	(generating qta)	1	1	1	1	1	1	1	1	1	1	1
OKLAHOMA SURETY CO	686,367		685,290	685,107	684,987		684,930		684,873			
PENN NATIONAL MUT CAS INS CO	7,409		7,409	7,409	Storage		7,409		Storage			
PLAZA INS CO				Missed grouped			466 (buy out)		(buy out)			
PREFERRED PROFESSIONAL INS CO					263				572			628
PRESERVER INS CO									730			1,461
PROCENTURY INS CO							(no qta report generated)		1			1
PROTECTIVE INS CO									566 (grp'd w/ Sagamore)			
QBE INS CORP									1,432			2,339
REDWOOD FIRE & CAS INS CO									1,639			3,291
RELIANT AMER INS CO (receivership)		19,355				19,355		19,355	Storage			
REPUBLIC WESTERN INS CO	(buy-out)					0		5	13			19
RIVERPORT INS CO								4	6			12
ROCHDALE INS CO						15		15	15			15
SAGAMORE INS CO		2,722							84 (buy out)			(buy out)
SAFETY NATL CAS CORP									New to quota			52
SEATON INS CO		0				8		8	quota moved to Natl Liab & Fire			8
SECURITY NATIONAL								22,051	33,007			
SENECA INS CO		1				1		4	53			67

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10/05/2012

Year-end 2007

Year-end 2008

Year-end 2009

Year-end 2010

Year-end 2011

1st Qrt 2012

2nd Qrt 2012

COMPANY	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
SOMPO JAPAN F & M INS CO AMER													New to quota	1
SPARTA INS CO									3,518				5,832	6,451
STARR IND & LIABILITY CO													New to quota	26
STATE FARM MUT AUTO INS CO		270,612		255,742		207,368		165,126		162,606		163,210		166,829
STATE NATIONAL INS CO		1,468		5,058		(buy out)		(buy out)		22,766		(buy out)		
TECHNOLOGY INS CO INC								94		487		589		687
TEXAS FARM BUREAU CAS INS CO (prev Southern Farm Bur)		58,422		52,975		42,968		31,376		38,165		38,931		37,651
TEXAS HOSPITAL INS EXCH		9,173		9,509		9,849		10,153		10,430		10,501		10,570
TOWER NATL INS CO										277		745		1,213
UNITRIN AUTO & HOME INS CO				2,909		31,357		32,159		32,159		32,159		32,159
UNIVERSAL INS EXCH (receivership)		4,670		4,670		4,670		4,670		Storage		Storage		
VININGS INS CO													New to quota	14
TOTALS	2,171,971	2,171,971	1,861,351	1,861,351	1,576,537	1,576,537	1,563,609	1,563,609	1,768,909	1,768,909	1,780,529	1,780,529	1,837,497	1,837,497
PREMIUMS CREDITED	3,113,073	3,182,043	3,040,994	2,391,554	1,696,221	546,102	1st qtr	548,389	2nd qtr					

INSURANCE CODE

TITLE 10. PROPERTY AND CASUALTY INSURANCE

SUBTITLE G. POOLS, GROUPS, PLANS, AND SELF-INSURANCE

CHAPTER 2151. TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2151.001. DEFINITIONS. In this chapter:

- (1) "Association" means the Texas Automobile Insurance Plan Association.
- (2) "Authorized insurer" means an insurer authorized by the department to write automobile liability coverage under this title. Except as provided by Section 2251.204, the term does not include a county mutual insurance company organized under Chapter 912.
- (3) "Insurance" means an insurance policy that meets the requirements of Chapter 601, Transportation Code.

SUBCHAPTER B. TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Sec. 2151.051. NATURE AND COMPOSITION OF ASSOCIATION. (a) The Texas Automobile Insurance Plan Association is a nonprofit corporate body composed of all authorized insurers.

(b) Each authorized insurer must be a member of the association as a condition of the insurer's authority to write automobile liability insurance in this state.

Sec. 2151.052. AUTHORITY OF GOVERNING COMMITTEE. The association is administered by a governing committee under a plan of operation.

Sec. 2151.053. MEMBERSHIP OF GOVERNING COMMITTEE. The governing committee is composed of 15 members selected as follows:

- (1) eight members who represent the interests of insurers, elected by the association members according to a method the members determine;
- (2) five public members, nominated by the office of public insurance counsel and selected by the commissioner; and
- (3) two members who are general or personal lines property and casualty agents, as required by the plan of operation.

Sec. 2151.054. ELIGIBILITY TO SERVE AS INSURER REPRESENTATIVE. To be eligible to serve on the governing committee as a representative of insurers, an individual must be a full-time employee of an authorized insurer.

Sec. 2151.055. INELIGIBILITY TO SERVE AS PUBLIC MEMBER. An individual may not serve on the governing committee as a public member if the individual, another individual related to that individual within the second degree by consanguinity or affinity, or another individual residing in the same household with that individual:

(1) is required to be registered or licensed under this code or another insurance law of this state;

(2) is employed by or acts as a consultant to a person required to be registered or licensed or required to hold a certificate of authority under this code or another insurance law of this state;

(3) is the owner of, has a financial interest in, or participates in the management of an organization required to be registered or licensed or required to hold a certificate of authority under this code or another insurance law of this state;

(4) is an officer, employer, or consultant of an association in the field of insurance; or

(5) is required to register as a lobbyist under Chapter 305, Government Code.

Sec. 2151.056. IMMUNITY FROM LIABILITY. (a) The association, a member of the governing committee, or an employee of the association is not personally liable for:

(1) an act performed in good faith within the scope of the person's authority as determined under this chapter or the plan of operation; or

(2) damages occasioned by the person's official act or omission except an act or omission that is corrupt or malicious.

(b) The association shall provide counsel to defend an action brought against a member of the governing committee or an employee because of the person's official act or omission regardless of whether the person has terminated service with the association when the action is instituted.

(c) This section is cumulative of and does not affect or modify a common law or statutory privilege or immunity.

SUBCHAPTER C. POWERS AND DUTIES OF ASSOCIATION

Sec. 2151.101. POWERS OF NONPROFIT CORPORATION. ~~(a)~~ The association has the powers granted to a nonprofit corporation under the Business Organizations Code.

~~(b) Expired.~~

~~(c) Expired.]~~

Sec. 2151.102. ASSIGNMENT OF INSURANCE; ELIGIBILITY. (a) The association shall provide for the assignment of insurance to an authorized insurer for a person required by Chapter 601, Transportation Code, to show proof of financial responsibility for the future.

(b) An applicant is not eligible for insurance through the association unless the applicant and the servicing agent certify as part of the application to the association that the applicant has been rejected for insurance by at least two insurers that are authorized to engage in business in this state and that are writing automobile insurance in this state.

Sec. 2151.103. ASSESSMENTS. (a) The association may assess authorized insurers to provide money to operate the association.

(b) The amount assessed against an authorized insurer must be in proportion to the insurer's writing of automobile liability insurance in this state.

(c) The association may bring an action to collect an assessment against an authorized insurer that does not pay the assessment within a reasonable time. In addition, the association may report to the commissioner an authorized insurer's failure to pay the assessment [~~to the commissioner~~]. The commissioner may institute a disciplinary action against the insurer under Chapter 82.

SUBCHAPTER D. PLAN OF OPERATION

Sec. 2151.151. CONTENTS OF PLAN OF OPERATION; AMENDMENTS. (a) The plan of operation must:

(1) provide for the efficient, economical, fair, and nondiscriminatory administration of the association; and

(2) provide a means by which insurance may be provided in accordance with Section 2151.102(a).

(b) Subject to the commissioner's approval, the governing committee may amend the plan of operation.

(c) Meetings of the governing committee and the members are to be held in accordance with Chapter 551, Government Code. Members of the governing committee may meet by telephone conference call, video conference, or other similar telecommunication method. The governing committee may use telephone conference call, video conference, or other similar telecommunication method for purposes of establishing a quorum or voting or for any other meeting purpose in accordance with this subsection and Subsection (b). This subsection applies without regard to the subject matter discussed or considered by the members of the governing committee at the meeting.

(d) A meeting held by telephone conference call, video conference, or other similar telecommunication method:

(1) is subject to the notice requirements applicable to other meetings of the governing committee;

(2) may not be held unless notice of the meeting specifies the location of the meeting at which at least one member of the governing committee is physically present;

(3) the notice of meeting is to include the requirements for electronic attendance;

(4) must be audible to the public at the location specified in the notice under Subdivision (2); and

(5) must provide two-way audio communication among all members of the governing committee attending the meeting during the entire meeting, and if the two-way audio communication link with members attending the meeting is disrupted so that a quorum of the governing committee is no longer participating in the meeting, the meeting may not continue until the two-way audio communication link is re-established.

Sec. 2151.152. CORRECTIVE ACTION TO PLAN OF OPERATION. If the commissioner at any time believes that any part of the plan of operation is inconsistent with the purposes of Chapter 601, Transportation Code, the commissioner shall notify the governing committee in writing so that the governing committee may take corrective action.

Sec. 2151.153. INCENTIVE PROGRAMS. (a) The plan of operation ~~must~~ may include incentive programs to encourage authorized insurers to write insurance on a voluntary basis and to minimize the use of the association as a means to obtain insurance.

(b) One incentive program must target underserved geographic areas, which the commissioner by rule shall designate. In designating underserved areas, the commissioner shall consider with respect to an area:

- (1) the availability of insurance;
- (2) the number of uninsured drivers;
- (3) the number of drivers insured through the association; and
- (4) any other relevant factor.

(c) The incentive programs are effective on the commissioner's approval.

Sec. 2151.154. ASSIGNMENT DISTRIBUTION PLAN. (a) The plan of operation must include a voluntary, competitive limited assignment distribution plan that allows an authorized insurer to contract directly with a servicing carrier to accept assignments to the servicing carrier by the association.

(b) A servicing carrier must be authorized to write automobile insurance in this state and must:

- (1) have written automobile liability insurance in this state for at least five years; or
- (2) be currently engaged as a servicing carrier for assigned risk automobile business in

at least one other state.

(c) After notice and hearing, the commissioner may prohibit an insurer from acting as a servicing carrier.

(d) An authorized insurer and a servicing carrier shall determine through negotiation the terms of a contract described by this section, including the buy-out fee.

(e) The governing committee may:

- (1) adopt reasonable rules for the conduct of business under a contract described by this section; and
- (2) establish reasonable standards of eligibility for servicing carriers.

SUBCHAPTER E. RATES FOR INSURANCE; HEARING

Sec. 2151.201. RATE STANDARDS. Rates for insurance provided under this chapter must be:

- (1) just, reasonable, adequate, not excessive, not confiscatory, and not unfairly discriminatory for the risks to which the rates apply; and
- (2) sufficient to carry all claims to maturity and meet the expenses incurred in the writing and servicing of the business.

Sec. 2151.~~203~~202. RECORDING AND REPORTING OF PREMIUM, LOSS, AND EXPENSE EXPERIENCE. (a) The commissioner shall adopt reasonable rules and statistical plans for the recording and reporting of premium, loss, and expense experience and other required data by each authorized insurer. The premium, loss, and expense experience must be reported separately for business assigned to the insurer.

(b) Each authorized insurer shall use the statistical plans adopted under this section to record and report premium, loss, and expense experience and other required data in accordance with the rules adopted by the commissioner.

(c) In approving rates under this subchapter, the commissioner shall consider the reports collected under the statistical plan regarding aggregated premiums earned and losses and expenses incurred in the writing of automobile insurance through the association.

Sec. 2151.~~202~~203. RATE FILINGS. (a) The association shall file ~~annually~~ with the department rates to be charged for insurance provided through the association ~~[for approval by the commissioner]~~.

(b) The association may not file rates under this section more than once in any 12-month period.

(c) Member insurers will use a rate filed under this subchapter on and after the date specified in the filing, if the filed rate does not exceed 110% of any statewide coverage rate used by the member insurers for risks written through the association.

Sec. 2151.204. COMMISSIONER ACTION. (a) Not later than the 30th day after the date a subsection 202(c) rate filing is made with the department, the commissioner shall:

(1) approve the rate if the commissioner determines that the rate complies with the requirements of this chapter; or

(2) disapprove the rate if the commissioner determines that the rate does not comply with the requirements of this chapter.

(b) Except as provided by subsection (c), if a rate has not been approved or disapproved by the commissioner before the expiration of the 30-day period described in Subsection (a), the rate is considered approved and the member insurers writing risks through the association will use the rate proposed in the filing.

(c) The commissioner may, on the expiration of the 30-day period described by Subsection (a), extend the period for approval or disapproval of a rate for one additional 30-day period. The commissioner and the association may agree to additional 30-day extension periods.

Sec. 2151.205. RATE FILING APPROVAL BY COMMISSIONER; USE OF RATE.

(a) The commissioner shall approve a rate filing under this subchapter if the proposed rate meets the standards of Section 2151.201.

(b) If the commissioner approves a rate filing under this section, the commissioner shall provide the association with a written or electronic notification of the approval. The member insurers may use the rate on receipt of the approval notice or a later date specified in the filing.

Sec. 2151.~~204~~206. NOTICE OF FILING. (a) If a rate proposed exceeds 110% of any statewide coverage used by the member insurers for risks written through the association, t[~~F~~]he department shall file with the secretary of state for publication in the Texas Register notice that a filing has been made under [~~Section 2151.202~~]this subsection not later than the seventh day after the date the filing is received by the department.

(b) The notice must include information relating to:

- (1) the availability of the filing for public inspection at the department during regular business hours;
- (2) the procedures for obtaining copies of the filing;
- (3) procedures for making written comments related to the filing; and
- (4) the time, place, and date of the hearing scheduled under Section 2151.206.

Sec. 2151.~~205~~207. OPPORTUNITY TO REVIEW FILING. Before approving, disapproving, or modifying a filing made under Section 2151.~~202~~206, the commissioner must provide to all interested persons a reasonable opportunity to:

- (1) review the filing;
- (2) obtain a copy of the filing on payment of any legally required copying cost; and
- (3) submit to the commissioner written comments, analyses, or information related to the filing.

Sec. 2151.~~206~~208. HEARING ON FILING. (a) Not later than the 45th day after the date the department receives a filing required by Section 2151.~~202~~206, the commissioner shall schedule a hearing at which interested persons may present written or oral comments relating to the filing.

(b) The association, the public insurance counsel, and any other interested person or entity that submits proposed changes or actuarial analyses may ask questions of any person testifying at the hearing.

(c) A hearing held under this section is not a contested case hearing under Chapter 2001, Government Code.

Sec. 2151.~~207~~209. ACTION OF COMMISSIONER ON FILING. (a) After the conclusion of the hearing under Section 2151.~~206~~208, the commissioner shall approve, disapprove, or modify the filing in writing.

(b) If the commissioner disapproves a filing, the commissioner shall state in writing the reasons for the disapproval and the criteria to be met by the association to obtain approval.

Sec. 2151.~~208~~210. AMENDED FILING. The association may file with the commissioner an amended filing to comply with the commissioner's comments not later than the 10th day after the date the association receives the commissioner's written disapproval.

Sec. 2151.~~209~~211. OPPORTUNITY TO REVIEW AMENDED FILING. Before approving or disapproving an amended filing, the commissioner must provide to all interested persons a reasonable opportunity, in the same manner an opportunity is provided under Section 2151.~~205~~207, to:

- (1) review the amended filing;
- (2) obtain a copy of the amended filing on payment of any legally required copying cost;

and

(3) submit to the commissioner written comments or information related to the amended filing.

Sec. 2151.~~210~~212. HEARING ON AMENDED FILING. (a) The commissioner may hold a hearing in the manner provided by Section 2151.~~206~~208 not later than the 20th day after the date the department receives an amended filing.

(b) Not later than the 10th day after the date the hearing on the amended filing is concluded, the commissioner shall approve or disapprove the amended filing.

(c) Not later than the 30th day after the date the amended filing is received by the department, the commissioner shall disapprove the amended filing or the filing is considered approved.

(d) The requirements provided under Sections 2151.~~204~~206 and 2151.~~207~~209 apply to a hearing conducted under this section.

Sec. 2151.~~211~~213. APPEAL. (a) A person aggrieved by a decision of the commissioner under this subchapter may appeal the decision not later than the 30th day after the date of the decision.

(b) An appeal of a commissioner's decision under this subchapter must be made in accordance with Subchapter D, Chapter 36.

Sec. 2151.~~213~~214. HEARINGS BY DEPARTMENT. Subchapter B, Chapter 40, does not apply to this subchapter.

ADMINISTRATION

THE SETTING, BLDG. 3 • 1120 S. CAPITAL OF TEXAS HWY., STE. 105 • AUSTIN, TX 78746-6464
P.O. BOX 162890 • AUSTIN, TX 78716-2890
TEL. 512/444-4441 • FAX 512/444-7368
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2013 SCHEDULED GOVERNING COMMITTEE MEETING DATES**MARCH 2013:**

Friday, March 22, 2013
Omni Austin Hotel Southpark

AUGUST 2013:

Friday, August 9, 2013
Marriott Austin South Hotel

NOVEMBER 2013:

Friday, November 8, 2013
Marriott Austin South Hotel

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2014 PROPOSED GOVERNING COMMITTEE MEETING DATES**MARCH 2014:**

Friday, March 21, 2014

AUGUST 2014:

Friday, August 8, 2014

NOVEMBER 2014:

Friday, November 7, 2014