

Texas Automobile Insurance Plan Association Governing Committee Meeting
Friday, August 9, 2013 - 9:00 A.M.
Marriot Austin South Hotel, 4415 South IH-35, Austin, Texas 78704
Dress: Business Casual

1. Call to Order
2. Reading of the Anti-Trust Statement
3. Review and Approval of the Minutes of the March 22, 2013 Meeting (Exhibit 1)
4. Audit/Finance Committee Report
 - A. Report on 2012 Audit (Exhibit 2)
5. Manager's Report
 - A. Application Count Update (Exhibit 3)
 - B. Financial Update (Exhibit 4)
 - C. RFP Updates
 - D. Application System Update
 - E. Current Staffing
 - F. Teleconference Options (Exhibits 5 and 6)
6. Operations Subcommittee Report
 - A. Over/Under Report (Exhibit 7)
 - B. Recommendations Regarding 2013 Legislation Affecting TAIPA (Exhibits 8 and 9)
7. Strategic Planning Subcommittee Report
8. Report of Counsel
 - A. Rate Filing Update
9. Next Meeting: Friday, November 8, 2013
10. Personnel Matters
11. Update on ProAce
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
March 22, 2013

**TAIPA GOVERNING COMMITTEE MEETING MINUTES
MARCH 22, 2013 AT 9:00 AM
OMNI AUSTIN HOTEL SOUTHPARK**

ATTENDEES:

MEMBERS:

Mary Carol Awalt, Public Member
Carol Berthold, GEICO
Bill Brooks, Texas Farm Bureau Casualty
George Cooper, State Farm
Kevin Curry, Travelers
Pete Hamel, Producer Member
Melanie Hartwell, USAA (Alternate for Corise Morrison)
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
Thomas Rolling, Farmers (Acted as Chair)

COUNSEL:

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

TAIPA STAFF:

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

OTHERS:

Douglas Beck, Farmers
Terry Fain, Public Member (Alternate)
Leslie Hurley, TDI
John Lusardi, Universal Casualty
David Nardecchia, OPIC

ITEM 1: CALL TO ORDER

Thomas Rolling called the meeting to order at 9:01 AM.

ITEM 2: READING OF ANTI-TRUST STATEMENT

The Anti-Trust Statement was read in the TAIPA Annual Meeting:

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“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.”

ITEM 3: ELECTION OF OFFICERS

Pete Hamel stated the Nominating Committee nominates the current slate of officers to serve in 2013:

- Chair: Fred Strauss
- Vice Chair: Thomas Rolling
- Second Vice Chair: Bill Brooks
- Secretary: Dick Lonquist

It was moved by Laura Hausman and seconded by Carol Berthold to:

“Accept the nominations as outlined by the Nominating Committee.”

The motion carried unanimously.

Introductions were made.

ITEM 4: REVIEW AND APPROVAL OF THE MINUTES OF THE NOVEMBER 30, 2012 GOVERNING COMMITTEE MEETING (EXHIBIT 1)

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

“Approve the minutes.”

The motion carried unanimously.

ITEM 5: MANAGER’S REPORT

A. APPLICATION COUNT UPDATE (EXHIBIT 2)

James Langford stated TAIPA received about 20% fewer applications in 2012 than 2011. In February 2013, TAIPA received about 35% fewer applications than in February 2012. The total number of applications received year-to-date in 2013 is about 36% fewer than in 2012. At this point, we estimate we will receive 4,500 applications in 2013.

B. FINANCIAL UPDATE (EXHIBIT 3)

James Langford stated TAIPA ended 2012 about 12% under budget. The items that were over budget were explained. At the end of January 2013, TAIPA expected to be at 8% of

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the budget used and are currently under budget at about 7%. The items that are over budget were explained. TAIPA expects to end the year under budget.

C. RFP UPDATES

James Langford provided an update on the two RFPs recently sent out. The salary survey/job description update RFP was sent to five companies. Three companies plan to bid, the fourth is not interested, and we have not heard from the fifth. Stacy Midkiff and James Langford will review the bids and make a selection. The IT consultant RFP was sent to 14 companies, including TAIPA's current consultant. Bids are not due until July 1st, so no responses have been received yet. Once the bids are received, James Langford will review and make a selection.

D. APPLICATION SYSTEM UPDATE

James Langford stated TAIPA has begun discussions with AIPSO regarding upgrading to the newest APS and EASi 2.0. Several teleconferences have been held to identify TAIPA's requirements and demonstrate how AIPSO's countrywide system operates. Differences between TAIPA's current system and the countrywide system are being analyzed to see if workarounds exist or if customization needs to be done. TAIPA was given the Nebraska EASi 2.0 test login information to review system functionality and has provided their feedback to AIPSO. Additional conference calls are scheduled throughout April and May to continue the analysis.

E. CONFLICT OF INTEREST POLICY

James Langford stated each Governing Committee member needs to complete the last page of the Conflict of Interest form and return it to Stacy Midkiff.

ITEM 6: OPERATIONS SUBCOMMITTEE REPORT

A. OVER/UNDER REPORT (EXHIBIT 4)

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

ITEM 7: STRATEGIC PLANNING SUBCOMMITTEE REPORT

Dick Lonquist stated the Strategic Planning Subcommittee will meet in the first quarter of each year to assess if further planning is needed and will make recommendations to the Governing Committee as necessary. They will not meet in 2013 since the voluntary staff reduction and move to a smaller office space took place at the end of 2012. Their next meeting will be held at the beginning of 2014.

ITEM 8: AUDIT/FINANCE COMMITTEE REPORT

A. AUDIT ENGAGEMENT LETTER (EXHIBIT 5)

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It was moved by Dick Lonquist and seconded by Kevin Curry to:

“Authorize Dick Lonquist as Chair of the Audit/Finance Committee, James Langford as Association Manager, and Nicole Morgan as Accounting Coordinator to sign the audit engagement letter.”

The motion carried unanimously.

ITEM 9: REPORT OF COUNSEL

SKIPPED TO ITEM 9B. PROACE UPDATE

Michael Jones stated the Officers were authorized at the November 2012 Governing Committee Meeting to work with counsel to seek a refund of the money paid to ProAce. Negotiations are ongoing.

A. RATE FILING UPDATE

Richard Geiger stated a rate filing was made as authorized by the Governing Committee at the November 2012 meeting. The overall requested increase was 7.2% with an effective date of July 1, 2013. At the hearing, OPIC did not offer testimony, but recommended that the rate level not change. We expect the Commissioner will not take action until the 2013 legislative session is completed.

The Governing Committee previously discussed the issue of the data for rate-making becoming increasingly less reliable due to low application volumes. Counsel will discuss possible alternatives to the current rate-making procedures with TAIPA's actuary and TDI's actuary once the 2013 legislative session is completed.

C. UPDATE ON PROPOSED CHANGES TO CHAPTER 2151

Richard Geiger stated TAIPA's legislation is being sponsored by Sen. Corona in the Senate (SB 733) and Rep. Sheets in the House (HB 1936). The most substantial change made to the legislation so far was to lower the file-and-use threshold to 5% instead of 10%. In the Senate, the bill has been voted out of committee and recommended for the Local & Consent Calendar. No discussion or debate takes place on those bills and all the bills are uniformly passed unless items are removed. In the House, our sponsor has requested a hearing, but it has not yet been set. We may decide to wait for the Senate bill to come over to the House and have the hearing on the Senate bill instead. Our legislation did get support from PCI, AFACT, AIA, and IIAT, which is a good indication of how the bill is being received.

It was asked when the legislation would be effective, assuming the Governor signs the bill. It would be effective September 1, 2013.

Richard Geiger reported on the following bills, which could impact TAIPA if passed:

- HB 1810, which would prohibit permissive driver exclusions. TAIPA currently has an endorsement that allows for exclusion of a named driver. If passed, this legislation would eliminate that endorsement.

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- HB 949, regarding vehicles acquired during the policy period. TAIPA currently requires that an insured report substitute or additional vehicles within 20 days, but this bill would change the timeframe to 30 days. If passed, we would have to amend our policy to be consistent with the new timeframe. Additionally, the bill defines a Private Passenger vehicle as being less than 30,000 pounds, whereas our threshold is 25,000 pounds. If passed, we would have to change our policy form and Rules & Rating Manual.
- HB 1774, which states that you may not obtain non-economic damages in a civil action if you're in an accident and don't carry insurance coverage. Counsel does not believe the bill will be passed.
- HB 1407, which would require policies to provide an arbitration option on a third-party claim. If passed, TAIPA would have to incorporate the additional language into our policy.

If legislation impacting TAIPA passes, we will know by early June, and will then need to start making changes to our Plan of Operations, Rules & Rating Manual, policy form, endorsements, etc.

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

“Authorize the Association Manager to refer any needed changes to the Operations Subcommittee based on his judgment of the legislation and its impact on TAIPA.”

The motion carried unanimously.

The Operations Subcommittee should meet and prepare their recommendations before the next Governing Committee meeting. There is not currently an Operations Subcommittee meeting scheduled, but one will be arranged.

ITEM 10: 2013/2014 MEETING DATES (EXHIBIT 6)

The remaining 2013 meeting dates are listed in Exhibit 6.

The proposed 2014 meeting dates are:

- March 21st
- August 22nd (not 21st as shown in Exhibit #6)
- November 21st (not 20th as shown in Exhibit #6).

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

“Approve the meeting dates for 2014 and authorize staff to solidify the contracts.”

The motion carried unanimously.

ITEM 11: PERSONNEL MATTERS

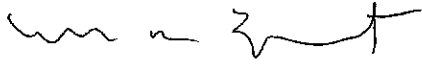
No action was taken on this matter.

ITEM 12: ADJOURNMENT

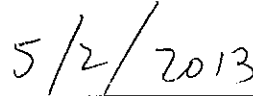
There being no further business to discuss, it was moved by Carol Berthold and seconded by Kit Morris to:

“Adjourn the meeting.”

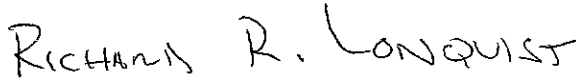
The motion carried unanimously. The meeting adjourned at 9:59 AM.



Signature of Secretary



Date Signed



Printed Name of Secretary

TEXAS AUTOMOBILE INSURANCE
PLAN ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

Governing Committee
Texas Automobile Insurance
Plan Association

Report on the Financial Statements

We have audited the accompanying financial statements of the Texas Automobile Insurance Plan Association (TAIPA) which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas Automobile Insurance Plan Association as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Atehly & Associates, LLP

Austin, Texas
April 22, 2013

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 177,710	\$ 309,254
Accounts receivable	100	150
Prepaid expenses	52,648	62,014
Total current assets	230,458	371,418
Property and Equipment		
Furniture and equipment	38,921	73,635
Computer equipment	25,569	37,601
Leasehold improvements	50,008	2,562
Computer software and program development costs	9,858	12,733
Computer software and program in development	-	115,000
	124,356	241,531
Less accumulated depreciation	62,094	97,340
	62,262	144,191
Total assets	\$ 292,720	\$ 515,609
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 20,864	\$ 26,016
Accrued vacation	20,446	31,432
Accrued payroll liabilities	6,657	22,226
Total current liabilities	47,967	79,674
Other Liabilities		
Accrued pension benefit costs	1,058,887	1,276,737
Deferred lease benefit	17,435	17,369
Total other liabilities	1,076,322	1,294,106
Net Assets (Deficiency)		
Accumulated effect of pension adjustment	(1,301,057)	(1,388,788)
Unrestricted	469,488	530,617
Total net assets (deficiency)	(831,569)	(858,171)
Total liabilities and net assets (deficiency)	\$ 292,720	\$ 515,609

The accompanying notes are an integral part of these financial statements.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Changes in unrestricted net assets		
Revenues		
Member assessments	\$ 1,437,400	\$ 1,601,200
Interest income	1,100	2,052
Assessment penalties	3,745	4,896
Miscellaneous income	56	464
Total revenues	<u>1,442,301</u>	<u>1,608,612</u>
Expenses		
Salaries and related expenses	870,360	837,970
Occupancy expenses	186,309	173,109
Professional services	207,502	253,960
Depreciation and amortization	13,896	14,024
Postage and delivery	22,605	24,828
Office supplies and expense	25,771	33,654
Governing committee	20,908	33,883
Computer supplies and expense	9,144	14,314
Operating committee	1,151	4,815
Staff education and seminars	10,093	11,442
Miscellaneous	13,303	10,663
Staff expense	2,831	3,395
Dues and subscriptions	1,914	1,942
Producer review	-	1,344
Total expenses	<u>1,385,787</u>	<u>1,419,343</u>
Other revenues (expenses)		
Loss from disposals of property and equipment	(117,643)	-
Pension minimum liability adjustment	87,731	(337,702)
Total other revenues (expenses)	<u>(29,912)</u>	<u>(337,702)</u>
Net change in unrestricted net assets	26,602	(148,433)
Net assets (deficiency) at beginning of year	<u>(858,171)</u>	<u>(709,738)</u>
Net assets (deficiency) at end of year	<u><u>\$ (831,569)</u></u>	<u><u>\$ (858,171)</u></u>

The accompanying notes are an integral part of these financial statements.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ 26,602	\$ (148,433)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,896	14,024
Loss (gain) on sale of property and equipment	117,643	-
(Increase) decrease in operating assets		
Accounts receivable	50	500
Prepaid expenses	9,366	568
Increase (decrease) in operating liabilities		
Accounts payable	(2,005)	22,632
Accrued vacation	(10,986)	(28,241)
Payroll liabilities	(18,716)	(1,679)
Accrued pension benefit costs	(217,850)	178,422
Deferred lease benefits	66	(27,238)
	(81,934)	10,555
Cash flows from investing activities		
Proceeds from disposal of property and equipment	400	-
Purchases of property and equipment	(50,010)	(115,000)
	(49,610)	(115,000)
Net increase (decrease) in cash and cash equivalents	(131,544)	(104,445)
Cash and cash equivalents at beginning of year	309,254	413,699
Cash and cash equivalents at end of year	\$ 177,710	\$ 309,254

The accompanying notes are an integral part of these financial statements.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Texas Automobile Insurance Plan (the Plan) was formed in January 1952 for the purposes of (1) making automobile liability insurance (both bodily injury and property damage) available to drivers in Texas who cannot obtain such insurance in the voluntary market, and (2) establishing a procedure for the equitable distribution of these risks among all automobile insurance companies admitted to do business in Texas.

During 1993, the Texas Legislature established The Texas Automobile Insurance Plan Association (TAIPA). TAIPA provides a means by which insurance may be assigned to an authorized insurer and essentially provides the same function as the Plan. The TAIPA Plan of Operation became effective as of January 1, 1995, at which time the Plan was abolished.

Basis of Accounting

These financial statements are presented on the accrual basis of accounting in accordance with United States generally accepted accounting principles.

Income Taxes

TAIPA is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(6). Accordingly, no provision for federal income taxes has been provided in these financial statements.

TAIPA has adopted FASB ASC 740, *Income Taxes*. That standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Revenue Recognition

Member assessments and the related penalties are recognized as revenues in the statement of activities as they are earned.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

TAIPA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Concentrations of Credit Risk

TAIPA maintains its cash with high credit quality financial institutions which are members of the Federal Deposit Insurance Corporation. Occasionally, balances on deposit exceed federally insured limits; however, management believes there is no significant uninsured risk related to these deposits.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

TAIPA capitalizes all expenditures in excess of \$1,000 for property and equipment at cost. Depreciation and amortization are provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful service lives, generally five to ten years. Leasehold improvements are amortized over the life of the lease or the service life of the improvements, whichever is shorter. The straight-line method of depreciation is followed for substantially all assets.

Financial Statement Presentation

TAIPA's financial statements follow the requirements of Accounting Standard Codification (FASB ASC) 958-205-05, issued by the Financial Accounting Standards Board. Under ASC 958-205-05, TAIPA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, TAIPA is required to present a statement of cash flows. For 2012 and 2011, TAIPA had no temporarily or permanently restricted net assets.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Subsequent Events

The management of TAIPA has evaluated subsequent events for disclosure through the date of the independent auditor's report, the date the financial statements were available to be issued.

NOTE B - EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

TAIPA is a member of the Insurance Company Supported Organization (ICSO) 401(k) Savings Plan. After one year of employment, all full-time employees are eligible to become plan participants. Employees may contribute up to 16% of their annual compensation to the plan. The employer matches employee contributions at the rate of \$.75 per \$1.00 of employee contributions up to a maximum of 6% of annual compensation. Payments to the plan were \$19,520 and \$24,393 for 2012 and 2011, respectively.

Defined Benefit Plan

TAIPA is a member of the Insurance Company Supported Organization (ICSO) Pension Plan (the Plan). The Plan is a multiple-employer defined benefit plan administered by Prudential. An employee is eligible to become a member at the beginning of the first twelve month period during which 1,000 hours of service have been completed with 100% vesting after (a) five or more years of service or (b) four years of service and 1,000 hours. TAIPA's funding policy is to make monthly contributions in conformance with minimum funding requirements.

TAIPA has adopted the recognition provisions of ASC 715. As required by ASC 715, TAIPA recognizes a liability for the underfunded status of its defined benefit pension plan and adjusts the ending balance of unrestricted net assets for the transition obligation, prior service cost, and net loss that have not been recognized as components of net periodic pension cost. The following tables set forth the Plan's status and amounts per ASC 715 at December 31, 2012 and 2011.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE B - EMPLOYEE BENEFIT PLANS - Continued

	<u>2012</u>	<u>2011</u>
Components that have been recognized as changes to unrestricted net assets arising from the Plan but not yet reclassified as components of net periodic benefit costs for the year ended December 31:		
Service cost	\$ 35,029	\$ 34,204
Interest cost	164,122	183,238
Expected return on MRVA	(171,865)	(200,104)
Amortization of net actuarial loss (gain)	107,435	70,281
	<u>\$ 134,721</u>	<u>\$ 87,619</u>
	<u>2012</u>	<u>2011</u>
The status of the Plan for the year ended December 31:		
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 3,915,390	\$ 3,620,465
Service cost	35,029	34,204
Interest cost	164,122	183,238
Actuarial loss	200,022	274,427
Benefits paid	(228,707)	(196,944)
Benefit obligation at end of year	<u>4,085,856</u>	<u>3,915,390</u>
Change in plan assets		
Fair value of plan assets at beginning of year	2,638,653	2,522,150
Actual return on plan assets	352,183	66,547
Employer contributions	264,840	246,900
Benefits paid	(228,707)	(196,944)
Fair value of plan assets at end of year	<u>3,026,969</u>	<u>2,638,653</u>
Funded status at end of year	<u>\$ (1,058,887)</u>	<u>\$ (1,276,737)</u>

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE B - EMPLOYEE BENEFIT PLANS - Continued

	<u>2012</u>	<u>2011</u>
Amounts recognized in the statement of financial position as of December 31:		
Noncurrent liabilities	<u>\$ 1,058,887</u>	<u>\$ 1,276,737</u>
Amounts recognized as changes in unrestricted net assets arising from a defined benefit plan as of December 31:		
Accumulated net loss (gain)	<u>\$ 1,301,057</u>	<u>\$ 1,388,788</u>
Other changes in plan assets and benefit obligations recognized as changes in unrestricted net assets not yet included in net periodic benefit cost for the year ended December 31:		
Net loss (gain)	\$ (107,435)	\$ (70,282)
New actuarial losses	19,704	407,984
	<u>\$ (87,731)</u>	<u>\$ 337,702</u>

The estimated net loss for the defined benefit pension plan that will be amortized into net periodic benefit cost over the next fiscal year is \$113,636.

The accumulated benefit obligation for the defined benefit pension plan was \$3,969,420 and \$3,832,334 as of December 31, 2012 and 2011, respectively.

Employer contributions expected to be paid during the year ending December 31, 2013 is \$205,740.

Weighted average assumptions used to develop benefit obligations were:

Discount rate	3.75%	4.50%
Rate of compensation increases	3.00%	3.00%

Weighted average assumptions used to develop net periodic pension benefit costs were:

Discount rate	4.50%	5.25%
Expected return on plan assets	6.50%	8.00%
Rate of compensation increases	3.00%	4.00%

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE B - EMPLOYEE BENEFIT PLANS - Continued

TAIPA's target investment allocation is 60% equity securities and 40% debt securities and its asset diversification as of December 31, 2012 and 2011, were as follows:

	<u>2012</u>	<u>2011</u>
Equity securities	51.4%	50.8%
Debt securities	45.4%	46.7%
Cash	3.2%	2.5%
	<u>100.0%</u>	<u>100.0%</u>

The following represents the estimated future benefit payments to be paid by the pension plan:

<u>Fiscal year beginning</u>	
January 1, 2013	\$ 256,415
January 1, 2014	256,628
January 1, 2015	244,929
January 1, 2016	242,176
January 1, 2017	239,367
January 1, 2018-2022	1,153,601
Total	<u>\$ 2,393,116</u>

NOTE C - COMPENSATED ABSENCES

Employees of TAIPA are entitled to paid sick days and personal days off, depending on their length of service. Effective January 1, 2007, employees are eligible to receive monetary reimbursement for a maximum of 37 1/2 hours of unused All Purpose Leave from the prior year. The compensation will be paid prior to January 31st. The employees who have remaining All Purpose Leave available as of December 31, 2012 and 2011, are able to carry up to 350 hours over to the following year. Any amount in excess of 350 hours will be forfeited each January 1st. Accrued leave in the amount of \$20,446 and \$31,432 has been recorded in the accompanying statements of financial position as of December 31, 2012 and 2011, respectively.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE D - LEASE COMMITMENTS

TAIPA leases office space and certain equipment under noncancelable operating leases. The lease for office space terminates on March 31, 2018, while the leases for equipment expire through 2017. Minimum future obligations from leases in effect at December 31, 2012 are as follows:

Due in Year Ending	
December 31, 2013	\$ 50,367
December 31, 2014	67,909
December 31, 2015	72,725
December 31, 2016	74,810
December 31, 2017	75,487
Thereafter	56,309
	\$ 397,607

Lease expense for operating leases were \$175,094 and \$174,927 for the years ended December 31, 2012 and 2011, respectively.

NOTE E - DEFERRED LEASE BENEFIT

TAIPA's office lease agreement contains provisions for future rent increases, rent free periods, or periods in which rent payments are reduced. Per ASC 840, the total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited to "deferred lease benefit", and is included in the accompanying statements of financial position.

NOTE F - LINE OF CREDIT

TAIPA renewed a bank line of credit totaling \$300,000, on September 26, 2012. Interest, calculated at the bank's prime rate, is payable monthly. At December 31, 2012, there was no outstanding balance on the line, and there were no borrowings on the line of credit during the years ended December 31, 2012 and 2011. The line of credit matures on September 26, 2013.

NOTE G - SOFTWARE DEVELOPMENT

In 2011, TAIPA entered into a \$115,000 contract with a third party software developer to develop a custom software application system. TAIPA paid the software developer \$115,000 as of December 31, 2011. The software developer provided a product that is not useable and was written off in its entirety as of December 31, 2012. TAIPA's attorneys are currently in negotiations with the software developer to recover the \$115,000.

SUPPLEMENTAL
INFORMATION



REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS ON SUPPLEMENTAL INFORMATION

Governing Committee
Texas Automobile Insurance
Plan Association

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental comparison of revenues and expenses versus budget is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Atchley & Associates, LLP

Austin, Texas
April 22, 2013

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
SUPPLEMENTAL INFORMATION
COMPARISON OF REVENUES AND EXPENSES VERSUS BUDGET
For the Year Ended December 31, 2012

	Actual	Budget	Variance
Revenues			
Member assessments	\$ 1,437,400	\$ 1,436,500	\$ 900
Interest income	1,100	-	1,100
Assessment penalties	3,745	-	3,745
Miscellaneous income	56	-	56
Total Revenues	<u>1,442,301</u>	<u>1,436,500</u>	<u>5,801</u>
Expenses			
Salaries	574,026	437,200	(136,826)
Employee benefits & other insurance	296,334	463,500	167,166
Rent	164,886	169,800	4,914
Telephone/internet access	9,539	9,100	(439)
Relocation	11,008	-	(11,008)
Property taxes	876	1,500	624
Professional services			
Legal	85,652	100,400	14,748
Audit	20,999	20,400	(599)
Systems consultants	44,865	48,800	3,935
Consultants - other	7,685	78,200	70,515
Actuary	48,301	48,300	(1)
Depreciation and amortization	13,896	30,900	17,004
Postage & shipping	22,605	28,000	5,395
Office equipment & supplies	24,287	34,700	10,413
Printing & stationary	1,484	3,500	2,016
Governing Committee	20,908	38,800	17,892
Computer supplies	9,144	10,600	1,456
Operation Sub-committee	1,151	6,300	5,149
Employee meetings, seminars & travel	10,093	19,000	8,907
Other	13,303	11,100	(2,203)
Staff expense	2,831	3,700	869
Dues, subscriptions & publications	1,914	1,900	(14)
Producer Review	-	3,600	3,600
Total Operating Expenses	<u>1,385,787</u>	<u>1,569,300</u>	<u>183,513</u>
Other expenses			
Loss from disposals of property and equipment	(117,643)	-	(117,643)
Pension minimum liability adjustment	87,731	-	87,731
	<u>(29,912)</u>	<u>-</u>	<u>(29,912)</u>
Change in Unrestricted Net Assets	<u>\$ 26,602</u>	<u>\$ (132,800)</u>	<u>\$ 159,402</u>



To the Audit Committee
Texas Automobile Insurance Plan Association
1120 South Capital of Texas Highway
City View Bldg 3, Ste. 105
Austin, Texas 78746

We have audited the financial statements of Texas Automobile Insurance Plan Association (the Association) as of and for the year ended December 31, 2012, and have issued our report thereon dated April 22, 2013. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated February 11, 2013, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Association solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Association is included in Note A to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2012. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are those related to the defined benefit plan detailed in Note B of the financial statements. Management's estimates are based on information provided by the plan's actuaries.

We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements that we identified as a result of our audit procedures which were brought to the attention of, and corrected by management, are attached.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Association's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated April 22, 2013.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Association, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Association's auditors.

This report is intended solely for the information and use of the Audit Committee, Governing Committee, and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to Texas Automobile Insurance Plan Association.

Atehly & Associates, LLP

Austin, Texas
April 22, 2013

Texas Automobile Insurance Plan Association

Year End: Monday, December 31, 2012

Uncorrected Misstatements

Date	Name	Account No	Debit	Credit
12/31/2012	Fund Balance	25100	9,605.00	
12/31/2012	Legal-Rate Changes	65145		9,605.00
	To correct for legal expense that was incurred in FY 2011 but recorded in 2012			

Texas Automobile Insurance Plan Association
Year End: December 31, 2012
Adjusting Entries

Date	Name	Account No	Debit	Credit
12/31/2012	Construction in Progress	15000		115,000.00
12/31/2012	Gain (Loss) on Disposition of Fixed	66200	115,000.00	
	To write off software costs.			
12/31/2012	Accum. Depr.-Computer Equip.	15220		1,937.00
12/31/2012	Accum Amort.-Leasehold	15520		203.00
12/31/2012	Depreciation	50700	2,140.00	
	To adjust depreciation expense.			
12/31/2012	Leasehold Improvements	15500	4,463.00	
12/31/2012	Accrued Expenses	20126		4,463.00
	To record leasehold improvements and payable.			
12/31/2012	Accrued Expenses	20126		4,959.00
12/31/2012	Legal-Daily Association Requirements	65120	743.00	
12/31/2012	Legal-Governing Committee	65125	409.00	
12/31/2012	Legal-Rate Changes	65145	3,791.00	
12/31/2012	Legal-Rate Changes	65145	16.00	
	To record liability.			

TAIPA

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

James Langford, CPCU, AIM, ARP, ARE
Association Manager
jlangford@taipa.org

CITYVIEW BLDG. 3 • 1120 S. CAPITAL OF TEXAS HWY., STE. 105 • AUSTIN, TX 78746-6464
P.O. BOX 162890 • AUSTIN, TX 78716-2890
TEL. 512/531-7250 • FAX 512/444-7368
<http://www.taipa.org>

April 22, 2013

Atchley & Associates, LLP
6850 Austin Center Blvd., Ste 180
Austin, Texas 78731

This representation letter is provided in connection with your audits of the financial statements of Texas Automobile Insurance Plan Association (the Association) which comprise the statements of financial position as of December 31, 2012 and 2011, the related statements of activities and cash flows, and the related notes to the financial statements for the years then ended. We confirm that we are responsible for the fair presentation in the financial statements of financial position, results of activities, and cash flows in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated February 11, 2013, for the preparation and fair presentation of the financial statements referred to above in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Lines of credit or similar arrangements.
 - b. All leases and material amounts of rental obligations under long-term leases.
 - c. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting

Standards Codification. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.

Information Provided

9. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
10. All transactions have been recorded in the accounting records and are reflected in the financial statements.
11. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
12. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
13. We have no knowledge any allegations of fraud or suspected fraud affecting the Association's financial statements received in communications from employees, former employees, regulators, or others.
14. We have no knowledge noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
15. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
16. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
17. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Association's ability to record, process, summarize, and report financial data.
18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
 - a. The Association has no significant amounts of idle property and equipment or permanent excess plant capacity.

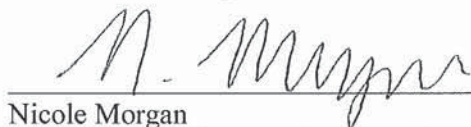
- b. The Association has no plans or intentions to discontinue the operations of any subsidiary or division or to discontinue any significant product lines.
 - c. Provision has been made to reduce all assets that have permanently declined in value to their realizable values.
 - d. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.
20. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
- a. To reduce receivables to their estimated net collectable amounts.
 - b. For pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through December 31, 2012.
 - c. For any material loss to be sustained in the fulfillment of or from the inability to fulfill any commitment, including promises to give.
21. There are no:
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
 - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - d. Agreements to repurchase assets previously sold.
 - e. Security agreements in effect under the Uniform Commercial Code.
 - f. Other liens or encumbrances on assets and all other pledges of assets.
 - g. Uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2012, and/or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2012.
 - h. Liabilities that are subordinated to any other actual or possible liabilities of the Association.
 - i. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.
 - j. Concentrations of credit risk.
 - k. Reclassifications between net asset classes.
22. The Association has satisfactory title to all owned assets.
23. We have received a determination from the Internal Revenue Service that we are exempt from federal income taxes as a Section 501(c)(6) not-for-profit corporation, and we have complied with the IRS regulations regarding this exemption.

24. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
25. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through the date of this letter have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the balance sheet date and through the date of this letter that would require recognition or disclosure in the financial statements. We further represent that, as of the date of this letter, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America, and all approvals necessary for issuance of the financial statements had been obtained.
26. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Texas Automobile Insurance Plan Association



James Langford
Association Manager



Nicole Morgan
Special Projects/Accounting Coordinator

Texas Automobile Insurance Plan Association

Year End: Monday, December 31, 2012

Uncorrected Misstatements

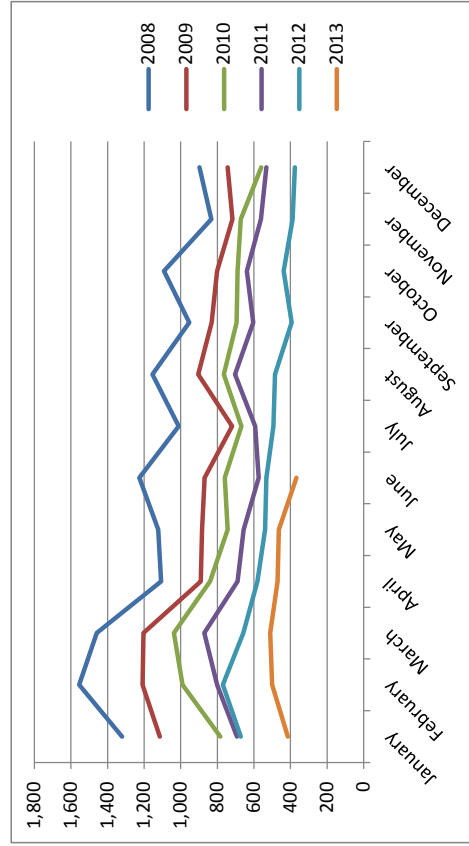
Date	Name	Account No	Debit	Credit
12/31/2012	Fund Balance	25100	9,605.00	
12/31/2012	Legal-Rate Changes	65145		9,605.00

To correct for legal expense that
was incurred in FY 2011 but recorded in 2012

Monthly Total (June 2013)		
	Private Passenger	Commercial
EASi Applications	308	27
Paper Applications	23	9
Total Applications Received	331	36
Applications Assigned	299	35
Applications Suspended	32	1
Applications Rejected	0	0
Applications Deficient	42	5
Applications with SR-22s	100	0
	Total Applications Received in June 2012:	532
	Total Applications Received in June 2013:	367
Year to Date Total (as of June 2013)		
	Private Passenger	Commercial
EASi Applications	2,286	230
Paper Applications	150	61
Total Applications Received	2,436	291
Applications Assigned	2,235	268
Applications Suspended	196	24
Applications Rejected	5	0
Applications Deficient	244	20
Applications with SR-22s	672	0
	Total Applications Received YTD (as of June 2012):	3,751
	Total Applications Received YTD (as of June 2013):	2,727
	YTD Percent Change from June 2012 to June 2013:	-27.30%
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	2012: 5,898
1999: 47,108	2006: 23,634	

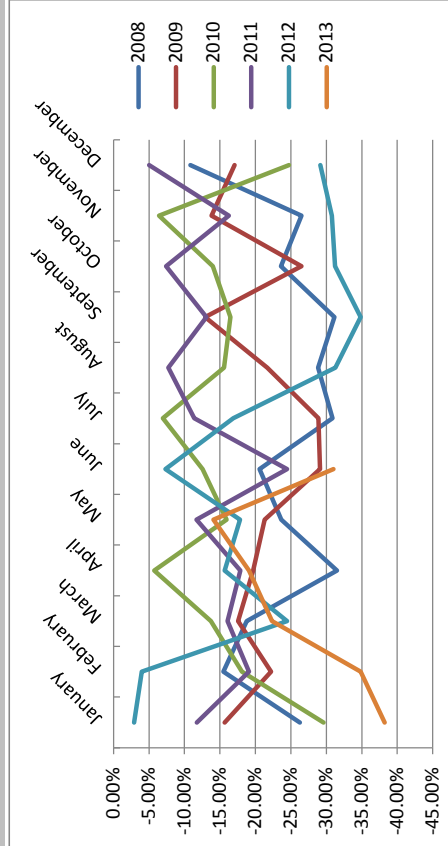
*Application Assignment History based on applications assigned, not received.

Trend of Applications Received from 2008 to 2013



2013 Estimate of Applications Received: 4,806

Percent Change in Applications Received



Texas Auto Ins. Plan Assoc.
ACTUAL VS. BUDGET
 For the period ended May 31, 2013

	Actual	2013 Year To Date Budget	Variance	2013 Annual Budget	% Used	Reason for Variance
REVENUE						
Assessments & Penalties	484,781	479,167	5,614	1,150,000	42.15%	
Other Revenue	349	0	349	0	0.00%	
TOTAL	485,130	479,167	5,964	1,150,000	42.19%	
EXPENDITURES						
Salaries	152,980	154,875	1,895	371,700	41.16%	Within range.
Emp. Benefits & Other Ins. Exp.	149,387	156,500	7,113	375,600	39.77%	Renewal of insurance takes place in May; price increase will not be as high as expected; will end on budget.
Office Equipment Expense	7,635	9,250	1,615	22,200	34.39%	Haven't purchased as many office supplies as expected or had to make many repairs; will end under budget.
Printing & Stationary Exp.	759	833	75	2,000	37.93%	Within range.
Computer Expenses	3,185	4,292	1,106	10,300	30.93%	Haven't purchased as many miscellaneous computer supplies as expected; will end on budget.
Postage & Shipping Exp.	9,660	11,000	1,340	26,400	36.59%	Haven't purchased as much postage as expected; will end on or under budget.
Telephone Expense	3,973	3,375	-598	8,100	49.04%	Taxes and fees on phone/internet service at new location are higher than at previous location; expect to end over budget by about \$1,600.
Rent Expense	23,655	29,958	6,304	71,900	32.90%	First 2.5 months at new location were "free" rent; will end over-budget due to reconciliation of operating expenses at previous location (property value increased significantly, so property taxes increased).
Taxes	0	917	917	2,200	0.00%	Taxes aren't due until later in the year.
Other Office Expenses	1,856	3,542	1,686	8,500	21.83%	Will not pay bank fees until later in the year; events are later in the year; will end on budget.
Governing Committee	6,468	11,500	5,032	27,600	23.43%	One of three meetings held to date; meals and lodging were less than expected; will end under budget.
Operation Sub-committee	0	2,500	2,500	6,000	0.00%	No Operations Subcommittee meetings held yet.
Producer Review Panel	0	1,458	1,458	3,500	0.00%	No Producer Review Panel meetings held yet.
Employee Meetings, Seminars & Staff Travel	5,003	6,667	1,664	16,000	31.27%	Only one employee has taken classes to date.
Legal Expenses	32,505	48,958	16,453	117,500	27.66%	Haven't had any Ops Sub or Review Panel expenses yet; expenses for March Gov. Comm. meeting were less than expected due to short meeting.
Audit Expense	16,105	9,417	-6,688	22,600	71.26%	Have already been billed for annual audit; will end on budget.
Dues, Subscriptions & Publications	643	792	148	1,900	33.86%	Several subscription renewals are not until later in the year; will end on budget.
TAIPA Tradition, Visitor Meals & Gifts	805	1,500	695	3,600	22.37%	Events are later in the year; will end on budget.

	2013 Year To Date Actual	2013 Year To Date Budget	Variance	Annual Budget	% Used	Reason for Variance
System Consultants	19,511	43,417	23,906	104,200	18.72%	Budgeted for option for future EASi upgrades (such as 3.0), which will not be pursued at this time; also, have not paid customization fees for new APS/EASi 2.0 yet (will be paid upon completion); will end under budget.
Consultants - Other	6,253	12,250	5,997	29,400	21.27%	Budgeted for salary survey, which has not been completed yet; will end on budget.
Actuary	21,779	23,083	1,305	55,400	39.31%	Within range.
Other	0	0	0	0	0.00%	No other expenses to date.
SUBTOTAL	462,162	536,083	73,922	1,286,600	35.92%	
Depreciation	6,014	5,708	-306	13,700	43.90%	Within range.
Amortization	0	0	0	0	0.00%	No amortization expected this year.
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0.00%	Have not sold any assets to date.
SUBTOTAL	6,014	5,708	-306	13,700	43.90%	
TOTAL OPERATING EXPENSE	468,175	541,792	73,616	1,300,300	36.01%	
NET FROM OPERATIONS	16,955	-62,625	79,580	-150,300		
Non-Operating Pension Costs	0	0	0	0	0.00%	Pension adjustment will be made at end of year.
NET	16,955	-62,625	79,580	-150,300		
CAPITAL BUDGET						
Software Development in Progress	0	0	0	0	0.00%	No software development in progress.
Office Furniture & Equipment	0	0	0	0	0.00%	No furniture & fixture expenditures 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	0	0	0	0	0.00%	No leasehold improvement expenditures to date.
TOTAL	0	0	0	0	0.00%	

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

Texas Auto Ins. Plan Assoc.

Statement of Financial Position

As Of May 31, 2013

Unaudited

ASSETS

Current Assets	
Cash and cash equivalents	\$ 775,012
Accounts receivable	121,480
Prepaid expenses	41,470
Total current assets	937,962
Property and Equipment	
Furniture and equipment	38,921
Computer equipment	25,569
Leasehold improvements	50,007
Computer software	9,858
	124,356
Less accumulated depreciation	68,109
	56,247
Total assets	994,209

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	26,054
Accrued vacation	20,446
Accrued payroll liabilities	14,864
Deferred revenue	671,137
Total current liabilities	732,501
Other Liabilities	
Accrued pension benefit costs	1,058,887
Deferred lease benefit	17,435
Total other liabilities	1,076,322
Net (Deficiency) Assets	
Unrestricted	(814,614)
Total net assets	(814,614)
Total liabilities and net assets	\$ 994,209

Texas Auto Ins. Plan Assoc.

Statement of Activities
For the period ended May 31, 2013
Unaudited

Changes in unrestricted net assets

	Current YTD
Member assessments	\$ 479,263
Interest income	349
Assessment penalties	5,518
Total revenues	485,130
Expenses	
Salaries and related expenses	302,367
Occupancy expenses	27,627
Professional Services	96,153
Depreciation & amortization	6,014
Postage and delivery	9,660
Office supplies and expense	8,394
Governing committee	6,468
Computer supplies & expenses	3,185
Staff education & seminars	5,003
Miscellaneous	1,856
Staff expense	805
Dues and subscriptions	643
Total operating expenses	468,175
Other revenues (expenses)	
Total other revenue expenses	-
<i>Increase (decrease) in unrestricted net assets</i>	16,955
<i>Net assets (deficiency) at beginning of year</i>	(831,569)
<i>Net assets (deficiency) as of May 31, 2013</i>	\$ (814,614)

Teleconference Options for Governing Committee Meetings

	GoToWebinar	WebEx Meetings	TAIPA-Hosted Call
Main Benefits	Participants could raise their hand and be called on before speaking; software identifies the name of the person speaking	Participants could use chat option to inform TAIPA they'd like to speak; software identifies the name of the person speaking	No extra costs to TAIPA; no extra equipment for participants
Main Drawbacks	Participants would need to use a computer; the software may be confusing for first-timers	Participants would need to use a computer; the software may be confusing for first-timers; can't raise your hand; participants may not remember to identify themselves before speaking	Meetings could be chaotic due to participants speaking over one another since there is no way to raise your hand; participants may not remember to identify themselves before speaking
Equipment Requirements	Participants would need a Windows PC or Mac for web-conference and can use either a phone or speakers/mic for audio; smart phones/tablets with iOS, Android, or Windows 8/RT can use an app for web and audio; if a participant only has access to a "regular" phone, they will only be able to hear, not speak	Participants would need a Windows PC or Mac for web-conference and can use either a phone or speakers/mic for audio; smart phones/tablets with iOS, Android, or Blackberry 10 can use an app for web and audio; if a participant only has access to a "regular" phone, they will be able to hear and speak	Participants would use phone only
Max Number of Callers	100 (only 25 can be unmuted at once; would need to unmute one at a time)	100	42
RSVP Process	TAIPA would sent out an email with a link to RSVP; interested parties would register with name and email (can also add custom fields like "affiliation")	TAIPA would sent out an email to have all participants RSVP by a certain date; interested parties would receive email from WebEx with call-in information	TAIPA would sent out an email to have all participants RSVP by a certain date; interested parties would inform TAIPA and then we'd email them call-in information
Call-In Process for Participants	Participants would click the link in their confirmation email or calendar event to join the meeting; meeting would instruct participant what phone number to dial for audio (if using phone)	Participants would click the link from the WebEx email; would be prompted for name and email when joining the call; meeting would instruct participant what phone number to dial for audio (if using phone)	Would call into the phone number provided by TAIPA
Option for Password Protection	Yes	Yes	No
Administering the Meeting	Would need someone to act as moderator, notifying James when someone raises their hand, types in chat, etc.	Would need someone to act as moderator, notifying James when someone types in chat, etc.	Would not require any in-meeting administration
Ability to Mute Participants	Yes	Yes	No (participants can mute themselves, though)
Speaker Identification	Software indicates the name of the person currently speaking	Software indicates the name of the person currently speaking	None; speakers would have to identify themselves when speaking
Asking Questions	Push a button to "raise your hand"; could also use "chat" function to message TAIPA that they'd like to speak	Cannot "raise your hand"; would either just begin speaking or could use "chat" function to message TAIPA that they'd like to speak	Cannot "raise your hand"; would just begin speaking
Handling Voting for Motions	Would call roll and have each member state their vote (there is a "polling" function, but it doesn't give names, only vote count)	Would call roll and have each member state their vote	Would call roll and have each member state their vote
Handling Closed Meetings	Would end conference, then send out a "meet now" invitation to GC members via Outlook; would send out another "meet now" to non-GC members once open meeting resumes	Would end conference, then send out a "meet now" invitation to GC members via Outlook; would send out another "meet now" to non-GC members once open meeting resumes	All non-GC members would need to hang up ("honor system", basically); would send out an email to non-GC members when open meeting is to be resumed
Call Recording	Yes, records audio & video at the click of a button (but does not show speaker identification during recording)	Yes, records audio & video at the click of a button (but does not show speaker identification during recording)	Yes, but we'd have to have RJ set it up beforehand
Document Sharing	Can pull up documents live for everyone to see on their screen	Can pull up documents live for everyone to see on their screen	No live document sharing
Cost to TAIPA	\$948/year	\$828/year	None
Cost to Participants	If phone is used for audio: local/long distance charges (toll-free packages available at additional cost to TAIPA); if speaker/mic is used for audio: none	If phone is used for audio: local/long distance charges (toll-free packages available at additional cost to TAIPA); if speaker/mic is used for audio: none	Local/long distance charges

Other solutions reviewed but not selected for comparison due to limits on number of callers or lack of key features: Skype, IBM Web Meetings, Adobe Connect, Google conferencing, GoToMeeting, AnyMeeting, Infinite Conferencing, ReadyTalk, AT Conferencing, Watchitoo.

The following is enumerated in the Administrative Provisions of the Texas Automobile Insurance Plan (TAIPA) Plan of Operation:

SEC 36. ADMINISTRATION

4. Public and producer members and any alternate members are entitled to be reimbursed for reasonable expenses incurred and to be compensated in the amount of \$250 for each day that they participate in any meeting as authorized by the Governing Committee.

APISO provided the following information regarding per diem paid to producers for other auto insurance plans:

STATE/PLAN	IN PERSON MEETINGS	TELECONFERENCE MEETINGS
California	\$250	\$250
Connecticut	\$0	\$0
Delaware, D.C., Virginia, West Virginia	\$0	\$0
Illinois	\$250	\$100
Michigan	\$300	\$150
Minnesota	\$100	\$100
New Jersey	\$250	\$100
New York	\$300 as of 1/14/2014	\$150 as of 1/14/2014
Pennsylvania	\$250	\$100
Rhode Island	\$0	\$0

COMPANY

Year-End 2008

Year-End 2009

Year-End 2010

Year-End 2011

1st QTR 2012

2nd QTR 2012

3rd QTR 2012

4th QTR 2012

PRIVATE PASSENGER	OVER	UNDR	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)	434,421		374,290		100,816		90,492		124,571		76,608		9,253		23,935
ACE AMERICA		0		45		404		641		828		1,051		1,226	
ALFA SPECIALTY INS CORP		2		71		333		1,451		1,224		301		161	
ALLSTATE INS CO		62,945		20,681		25,531		22,473		925		15,830		37,164	
AMER MERCURY INS CO	7,188			2,559		5,250		779		2,079		2,559		2,343	
ASSURANCEAMERICA INS CO				40		68		68		80		125		175	
AutoOne INS CO (prev Petn General)		220,909		61,581		1,239		159,671		204,049		225,603		254,925	
COLONIAL LLOYDS		346		1,101		1,272		1,276		1,276		1,276		1,276	
COMPANION PROP & CAS INS CO		0		8		44		64		81		101		117	
CORNERSTONE NATL INS CO		81		486		867		1,009		1,114		1,232		1,319	
ELEPHANT INS CO													New to OTA	3	28
GOVERNMENT EMPLOYEES INS CO		67,506		13,521		721		5,661		5,448		904		4,809	
HOMEOWNERS OF AMER INS CO				198		1,649		2,283		2,684		3,057		3,281	
IMPERIAL FIRE & CAS		1,357		1,903		316		257		1,108		1,655		1,577	
LINCOLN GENERAL		85,908		51,328		51,337		51,337		51,337		51,337		51,337	
MILEMETER INS CO				542		1,296		1,562		1,740		1,900		1,977	
NATIONAL LIABILITY & FIRE (SC)				36,708		1,826		57,271		80,245		63,104		55,502	
NATIONWIDE MUT INS CO		31,038		14,032		9,142		15,497		16,019		7,547		1,098	
PRIVILEGE UNDERWRITERS RECIP EXCH						32		85		140		219 (buy out)		290	
QBE INS CORP				4		29		40		40		41		43	

COMPANY

Year-End 2008

Year-End 2009

Year-End 2010

Year-End 2011

1st QTR 2012

2nd QTR 2012

3rd QTR 2012

4th QTR 2012

PRIVATE PASSENGER	OVER		UNDR		OVER		UNDR		OVER		UNDR		OVER		UNDR	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
SECURITY NATIONAL		49,779		49,779		49,779		49,779		49,779		49,779		49,779		49,779
SERVICE LLOYDS INS CO	885		885		885		885		885		885		885		885	
SOMPO JAPAN INS CO (prev Yasuda F&M)	2,016		1,976		1,976		1,976		1,976		1,976		1,976		1,976	
SOUTHLAND LLOYDS INS CO		175		235		274		292		293		293		293		293
STARR INDEMNITY & LIABILITY CO						1		147		277		378		495		577
STATE FARM MUT AUTO INS CO		188,467		128,622		18,467		56,449		32,542		51,294		14,448		9,468
TEXAS FARM BUREAU CAS INS CO (Southern Farm Bur)		24,805		36,261		19,163		4,514		45,792		33,435		29,609		18,680
TOKIO MARINE & NICHIDO FIRE INS								5		5		5		5		5
UNIVERSAL INSURANCE EXCHANGE (receivership)								15		15		15		15		15
VISION INS CO								1,444		1,620		1,669		1,669		1,669
TOTALS	832,103	832,103	768,553	768,553	329,719	329,719	159,154	159,154	289,590	289,590	293,377	293,377	243,136	243,136	262,965	262,965

PREMIUMS WRITTEN	5,856,958	4,906,293	4,237,673	3,381,187	1,045,110	1st qtr	724,092	2nd qtr	772,187	3rd qtr	541,545	4th qtr
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COMPANY

Year-end 2007

Year-end 2008

Year-end 2009

Year-end 2010

Year-end 2011

1st Oct 2012

2nd Oct 2012

3rd Oct 2012

4th Oct 2012

OTHER THAN PP	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR				
ALASKA NATL		18		27		36		48		54		59		63		66		68
ALLAMERICA FIN BENEFIT INS CO								2,730		5,943		6,892		7,818		8,474		8,859
ALLAMERICA FIN ALLIANCE INS CO								57		120		120		120		120		120
AMER BANKERS INS CO OF FLORIDA		22		172		490		819		1,053		1,156		1,257		1,329		1,371
AMER CONTRACTORS INS RISK RET. GRP								5,329		6,495		7,793		9,089		9,996		10,528
AMER MERCURY INS CO		41,108		32,511		21,941		15,326		16,052		17,071		15,371		3,592		5,567
AMER MODERN HOME INS CO		3,649		33,382		85		85		85		90		95		98		100
AMER MODERN LLOYD'S		29,720		232		29,515		25,931		22,389		22,508		22,626		22,708		22,757
AMER NATIONAL PROP & CAS CO		0		128		437		755		1,032		1,134		1,235		1,306		1,348
AMERICAN SAFETY CAS INS CO		806		806		806		806		806		360		1,528		1,781		1,929
AMER SERVICE INS CO INC.								8		23		24		24		25		25
ASSOCIATION INS CO																		20
AUTOONE INS CO (prev Penn General)		806,114		585,212		379,647		66,176		219,499		225,738		292,095		347,387		388,603
AXIS Ins Co (prev Fireman's Fund Ins co of WI)										New to quota		192		329		377		405
BRITISH AMERICAN INS CO		15,376		15,833		15,503		15,388		14,946		15,025		15,103		15,158		15,190
CENTENNIAL INS CO				1		1		1		1		1		1		1		1
CLARENDON NATIONAL INS CO		55,281		52,443		51,574		51,569		51,569		51,569		51,569		51,569		51,569
COLUMBIA INS CO		938		1,237		1,235		1,233		1,233		1,233		1,233		1,233		1,233
COMMERCIAL-ALLIANCE INS CO								69		453		455		453		453		453
COMPANION PROP & CAS INS CO										68		111		154		185		202

TAIPA OTPP Over/Under Report

06/24/2012

Exhibit 7, Page 4

COMPANY Year-end 2007 Year-end 2008 Year-end 2009 Year-end 2010 Year-end 2011 1st Qrt 2012 2nd Qrt 2012 3rd Qrt 2012 4th Qrt 2012

OTHER THAN PP	OVER	UNDR	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		39,649
GENERAL STAR NATIONAL INS CO										23		34		46		54
GOVERNMENT EMPLOYEES INS CO		7		86		5,081		9,698		13,838		13,517		13,194		12,969
GREAT MIDWEST INS CO							548			857		1,298		1,737		2,044
HOUSING ENTERPRISE INS CO INC																4
KNIGHTBROOK INS CO										81		224		366		466
LINCOLN GENERAL		361,479		265,294		269,471		50,217		73,630		73,630		73,630		73,630
MAXUM CAS INS CO																603
MID-CONTINENT CAS CO		813,308		797,232		784,074		774,568		767,927		766,474		765,066		764,066
MOTORISTS COMM MUT INS CO (prev Amer Hardware Mut Ins Co)		33,790		32,651		31,488		30,409		29,856		29,659		29,467		29,330
NATIONAL LIABILITY & FIRE INS CO (SC)								597,786		1,258,536		1,333,544		1,382,582		1,438,035
NAVIGATORS INS CO										20		53		85		108
NORTH AMER SPECIALTY INS CO																10
OAK BROOK COUNTY MUTUAL (generating qta)				1		1		1		1		1		1		1
OKLAHOMA SURETY CO		686,367		685,720		685,290		685,107		684,987		684,930		684,873		684,834
PREFERRED PROFESSIONAL INS CO										514		572		628		669
PRESERVER INS CO										3		730		1,461		1,970
PROCENTURY INS CO																1
OBE INS CORP										1,432		1,891		2,339		2,657
REDWOOD FIRE & CAS INS CO										1,639		2,469		3,291		3,869

COMPANY

Year-end 2007

Year-end 2008

Year-end 2009

Year-end 2010

Year-end 2011

1st Qrt 2012

2nd Qrt 2012

3rd Qrt 2012

4th Qrt 2012

OTHER THAN PP	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR		
REPUBLIC WESTERN INS CO	(buy-out)			0		5		13		16		19		21		22
RIVERPORT INS CO						4		6		9		12		14		15
ROCHDALE INS CO				15		15		15		15		15		15		15
SAFETY NATL CAS CORP								New to quota		26		52		70		80
SECURITY NATIONAL			36,861	0		22,051		33,007								
SENECA INS CO		1		1		4		53		67		81		91		97
SOMPO JAPAN F & M INS CO AMIER												New to quota		1		2
SPARTA INS CO						3,518		5,202		5,832		6,451		6,888		7,144
STARR IND & LIABILITY CO										13		26		35		40
STATE FARM MUT AUTO INS CO		270,612	255,742	207,368		165,126		162,606		163,210		166,829		171,812		175,422
TECHNOLOGY INS CO INC						94		487		589		687		757		798
TEXAS FARM BUREAU CAS INS CO (prev Southern Farm Bur)		58,422	52,975	42,968		31,376		38,165		38,931		37,651		37,680		37,262
TEXAS HOSPITAL INS EXCH		9,173	9,509	9,849		10,153		10,430		10,501		10,570		10,620		10,648
TOWER NATL INS CO								277		745		1,213		1,540		1,732
UNITRIN AUTO & HOME INS CO			2,909	31,357		32,159		32,159		32,159		32,159		32,159		32,159
VININGS INS CO										7		14		19		22
TOTALS	2,171,971	2,171,971	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	1,891,388	1,937,349	1,937,349
PREMIUMS CREDITED	3,113,073	3,182,043	3,040,994	3,040,994	3,182,043	2,391,554	1,696,221	546,102 1st qtr	548,389 2nd qtr	382,622 3rd qtr	213,418 4th qtr					

H.B. No. 949

1

AN ACT

2 relating to continuation of automobile insurance coverage for
3 certain motor vehicles acquired during a personal automobile
4 insurance policy term.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 1952.001, Insurance Code, is amended to
7 read as follows:

8 Sec. 1952.001. APPLICABILITY OF CHAPTER. Except as
9 otherwise provided by this chapter [~~Section 1952.201~~], this chapter
10 applies to an insurer writing automobile insurance in this state,
11 including an insurance company, corporation, reciprocal or
12 interinsurance exchange, mutual insurance company, association,
13 Lloyd's plan, or other insurer.

14 SECTION 2. Subchapter B, Chapter 1952, Insurance Code, is
15 amended by adding Section 1952.059 to read as follows:

16 Sec. 1952.059. REQUIRED PROVISION: COVERAGE FOR CERTAIN
17 VEHICLES ACQUIRED DURING POLICY TERM. (a) This section applies to
18 an insurer authorized to write automobile insurance in this state,
19 including an insurance company, reciprocal or interinsurance
20 exchange, mutual insurance company, capital stock company, county
21 mutual insurance company, Lloyd's plan, or other entity.

22 (b) A personal automobile insurance policy must contain a
23 provision defining a covered vehicle in accordance with this
24 section for a motor vehicle acquired by the insured during the

H.B. No. 949

1 policy term.

2 (c) Coverage under this section is required only for a
3 vehicle that is:

4 (1) a private passenger automobile; or

5 (2) a pickup, utility vehicle, or van with a gross
6 vehicle weight of 25,000 pounds or less that is not used for the
7 delivery or transportation of goods, materials, or supplies, other
8 than samples, unless:

9 (A) the delivery of the goods, materials, or
10 supplies is not the primary use for which the vehicle is employed;
11 or

12 (B) the vehicle is used for farming or ranching.

13 (d) Coverage under this section is required only for a
14 vehicle that is acquired during the policy term and of which the
15 insurer is notified on or before:

16 (1) the 20th day after the date on which the insured
17 becomes the owner of the vehicle; or

18 (2) a later date specified by the policy.

19 (e) Coverage under this section for a vehicle that replaces
20 a covered vehicle shown in the declarations for the policy must be
21 the same as the coverage for the vehicle being replaced. An insured
22 must notify the insurer of a replacement vehicle during the time
23 prescribed by Subsection (d) only if the insured wishes to:

24 (1) add coverage for damage to the vehicle; or

25 (2) continue existing coverage for damage to the
26 vehicle after the period prescribed by Subsection (d) expires.

27 (f) Coverage under this section for a vehicle that is

H.B. No. 949

1 acquired during the policy term in addition to the covered vehicles
2 shown in the declarations for the policy and of which the insurer is
3 notified as prescribed by Subsection (d) must be the broadest
4 coverage provided under the policy for any covered vehicle shown in
5 the declarations.

6 SECTION 3. The change in law made by this Act applies only
7 to an insurance policy delivered, issued for delivery, or renewed
8 on or after January 1, 2014. An insurance policy delivered, issued
9 for delivery, or renewed before January 1, 2014, is governed by the
10 law in effect immediately before the effective date of this Act, and
11 that law is continued in effect for that purpose.

12 SECTION 4. This Act takes effect September 1, 2013.

H.B. No. 949

President of the Senate

Speaker of the House

I certify that H.B. No. 949 was passed by the House on April 11, 2013, by the following vote: Yeas 144, Nays 1, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 949 on May 15, 2013, by the following vote: Yeas 143, Nays 0, 3 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 949 was passed by the Senate, with amendments, on May 9, 2013, by the following vote: Yeas 30, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor

CURRENT LANGUAGE IN TAIPA PERSONAL AUTO POLICY

DEFINITIONS

- G. "Your covered auto" means:
1. Any vehicle shown in the Declarations;
 2. I. Any of the following types of vehicles on the date you become the owner:
 - a. a private passenger auto; or
 - b. a utility type vehicle, with a G.V.W. of 25,000 lbs. or less, of the pickup body, panel truck, van type and multi-use type, not used for the delivery or transportation of goods, materials or supplies other than samples; unless, (1) the delivery of goods, materials or supplies is not the primary usage of the vehicle, or (2) used for farming or ranching.
 - II. This provision (G.2) applies only if you:
 - a. acquire the vehicle during the policy period; and
 - b. notify us within 30 days after you become the owner.

If the vehicle you acquire replaces one shown in the Declarations, it will have the same coverage as the vehicle it replaced.

If the vehicle you acquire is in addition to any shown in the Declarations, it will have the broadest coverage we now provide for any vehicle shown in the Declarations.
 3. Any trailer you own.
 4. Any auto or trailer you do not own while used as a temporary substitute for any other vehicle described in this definition which is out of normal use because of its
 - a. breakdown;
 - b. repair;
 - c. servicing;
 - d. loss; or
 - e. destruction.
- H. "Business day" means a day other than a Saturday, Sunday or holiday recognized by the state of Texas.

PROPOSED LANGUAGE IN TAIPA PERSONAL AUTO POLICY TO COMPLY WITH HOUSE BILL 949

DEFINITIONS

G. "Your covered auto" means:

1. Any vehicle shown in the Declarations;
2. I. Any of the following types of vehicles on the date you become the owner:
 - a. a private passenger ~~auto~~ automobile; or
 - b. ~~a utility type vehicle, with a G.V.W. of 25,000 lbs. or less, of the pickup body, panel truck, van type and multi-use type, not used for the delivery or transportation of goods, materials or supplies other than samples; unless, (1) the delivery of goods, materials or supplies is not the primary usage of the vehicle, or (2) used for farming or ranching.~~
a pickup, utility vehicle, or van with a gross vehicle weight of 25,000 pounds or less that is not used for the delivery or transportation of goods, materials or supplies, other than samples, unless:
 - (A) the delivery of the goods, materials, or supplies is not the primary use for which the vehicle is employed; or
 - (B) the vehicle is used for farming or ranching.
- II. ~~This provision (G.2) applies only if you:~~
 - ~~a. acquire the vehicle during the policy period; and~~
 - ~~b. notify us within 30 days after you become the owner.~~~~If the vehicle you acquire replaces one shown in the Declarations, it will have the same coverage as the vehicle it replaced.~~
~~If the vehicle you acquire is in addition to any shown in the Declarations, it will have the broadest coverage we now provide for any vehicle shown in the Declarations.~~
Coverage under this section is required only for a vehicle that is acquired during the policy term.
 - a. Coverage under this section for a vehicle that replaces a covered vehicle shown in the Declarations for the policy must be the same as the coverage for the vehicle being replaced.
 - b. Coverage under this section for a vehicle that is acquired during the policy term in addition to the covered vehicles shown in the Declarations for the policy must be the broadest coverage provided under the policy for any covered vehicle shown in the Declarations and of which the insurer is notified on or before the 30th day after the date on which the insured becomes the owner of the vehicle.
3. Any trailer you own.
4. Any auto or trailer you do not own while used as a temporary substitute for any other vehicle described in this definition which is out of normal use because of its
 - a. breakdown;
 - b. repair;
 - c. servicing;

d. loss; or

e. destruction.

H. "Business day" means a day other than a Saturday, Sunday or holiday recognized by the state of Texas.

S.B. No. 698

1 AN ACT
2 relating to the refund of unearned premium for a personal
3 automobile or residential property insurance policy.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 558.002, Insurance Code, is amended by
6 adding Subsections (d), (e), and (f) to read as follows:

7 (d) An insurer shall refund the appropriate portion of any
8 unearned premium to the policyholder not later than the 15th
9 business day after the effective date of cancellation or
10 termination of a policy of personal automobile or residential
11 property insurance, as those terms are defined by Section 2301.051.

12 (e) Notwithstanding Subsection (d), a guaranty association
13 shall refund any unearned premium as described by Subchapter E,
14 Chapter 462, not later than the 30th business day after the date the
15 guaranty association receives any necessary and accurate financial
16 information, including supporting accounting information, required
17 to determine unearned premium under a policy of personal automobile
18 or residential property insurance, as those terms are defined by
19 Section 2301.051.

20 (f) For purposes of this section, "business day" means a day
21 other than a Saturday, Sunday, or holiday recognized by this state.

22 SECTION 2. Section 558.002, Insurance Code, as amended by
23 this Act, applies only to an insurance policy delivered, issued for
24 delivery, or renewed on or after September 1, 2013. A policy that

S.B. No. 698

1 is delivered, issued for delivery, or renewed before September 1,
2 2013, is governed by the law as it existed immediately before the
3 effective date of this Act, and that law is continued in effect for
4 that purpose.

5 SECTION 3. This Act takes effect immediately if it receives
6 a vote of two-thirds of all the members elected to each house, as
7 provided by Section 39, Article III, Texas Constitution. If this
8 Act does not receive the vote necessary for immediate effect, this
9 Act takes effect September 1, 2013.

S.B. No. 698

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 698 passed the Senate on March 21, 2013, by the following vote: Yeas 31, Nays 0; and that the Senate concurred in House amendment on May 8, 2013, by the following vote: Yeas 30, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 698 passed the House, with amendment, on April 25, 2013, by the following vote: Yeas 137, Nays 0, one present not voting.

Chief Clerk of the House

Approved:

Date

Governor

CURRENT LANGUAGE IN TAIPA PLAN OF OPERATION

SEC. 14. PERFORMANCE STANDARDS FOR INSURERS WRITING ASSOCIATION PRIVATE PASSENGER BUSINESS

A. Performance Standards

7. Return Premium

Within 30 days of a receipt of a request for either cancellation or an endorsement resulting in return premium, the insurer must mail the return premium check.

PROPOSED LANGUAGE IN TAIPA PLAN OF OPERATION TO COMPLY WITH SENATE BILL 698

SEC. 14. PERFORMANCE STANDARDS FOR INSURERS WRITING ASSOCIATION PRIVATE PASSENGER BUSINESS

A. Performance Standards

7. Return Premium

The insurer must mail the check for the unearned premium for the cancellation or termination of the policy to the policyholder not later than 15 business days after the effective date of cancellation.

The insurer must mail the check for the unearned premium resulting from an endorsement to the policy to the policyholder within 30 days of the receipt of the request for the endorsement.