

Texas Automobile Insurance Plan Association Governing Committee Meeting
Friday, November 8, 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. Moment of Silence in Memory of Dick Geiger
4. Review and Approval of the Minutes of the August 9, 2013 Meeting (Exhibit 1)
5. Manager's Report
 - A. Application Count Update (Exhibit 2)
 - B. Financial Update (Exhibit 3)
 - C. Update on 2013 Requests for Proposal
 - a. 2013 Compensation Study (Exhibit 4)
 - b. Information Technology Consultant
 - D. 2014 Requests for Proposal
 - E. 2014 Budget (Exhibit 5)
 - F. Application System Update
 - G. Current Staffing
6. Operations Subcommittee Report
 - A. Over/Under Report (Exhibit 6)
7. Strategic Planning Subcommittee Report
8. Report of Counsel
9. 2014 Meeting Dates (Exhibit 7)
10. Personnel Matters
11. Adjournment

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

TAIPA Governing Committee Meeting
August 9, 2013

**TAIPA GOVERNING COMMITTEE MEETING MINUTES
AUGUST 9, 2013 AT 9:00 AM
MARRIOTT AUSTIN SOUTH HOTEL**

ATTENDEES:

MEMBERS:

Mary Carol Awalt, Public Member
Carol Berthold, GEICO
Bill Brooks, Texas Farm Bureau Casualty
Jason Callahan, Liberty Mutual/Safeco
George Cooper, State Farm
Kevin Curry, Travelers
Pete Hamel, Producer Member
Laura Hausman, Public Member
Carmelita Hogan, Public Member
Becky Jackson, Public Member
Dick Lonquist, Public Member
Corise Morrison, USAA
Kit Morris, Producer Member
Thomas Rolling, Farmers
Fred Strauss, Allstate (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:

Marianne Baker, TDI
Ed Holman, State Farm
John Lusardi, Universal Casualty
Robert Marchbanks, Atchley & Associates
David Nardecchia, OPIC
Dan Shaner, Atchley & Associates
Mark Worman, TDI

ITEM 1: CALL TO ORDER

Fred Strauss called the meeting to order at 9:01 AM.

Introductions were made.

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.”

Richard Geiger is retiring from Thompson, Coe, Cousins, & Irons. He was presented with a plaque and thanked for his 30+ years of service as TAIPA Counsel.

ITEM 3: REVIEW AND APPROVAL OF THE MINUTES OF THE MARCH 22, 2013 MEETING (EXHIBIT 1)

It was moved by George Cooper and seconded by Carol Berthold to:

“Approve the minutes.”

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

ITEM 4: AUDIT/FINANCE REPORT

A. REPORT ON 2012 AUDIT (EXHIBIT 2)

Dan Shaner stated the auditors’ responsibility is to give an opinion on the financial statements and inform the Governing Committee of any significant issues encountered during the audit. The auditors also consider TAIPA’s internal controls and if any material weaknesses or significant deficiencies are found, they are required to report it. There was nothing to report. There were a few adjustments made this year, which are shown in the audit report, but they were nothing out of the ordinary. There was also an uncorrected misstatement, but it is not material and is really just a timing difference between two years. No correction was needed since the situation had already resolved itself.

Robert Marchbanks reviewed the audited 2012 financials. The financials received an unqualified opinion from the auditors.

There was discussion regarding TAIPA’s pension funding requirements. In 2013, TAIPA elected to contribute more than the required amount to work towards decreasing our pension liability. Additionally, we can expect the liability to decrease as the market improves.

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

“Accept the 2012 audit as presented.”

The motion carried unanimously.

TAIPA’s line of credit with Frost Bank is up for renewal. There is a \$325 fee for the line of credit paperwork, but no additional fees unless we drew on the line.

It was moved by Dick Lonquist and seconded by George Cooper to:

“Authorize James Langford to renew the \$300,000 line of credit from Frost Bank for a term of one year.”

The motion carried unanimously.

Robert Marchbanks and Dan Shaner left the meeting.

ITEM 5: MANAGER’S REPORT

A. APPLICATION COUNT UPDATE (EXHIBIT 3)

James Langford stated TAIPA received about 27% fewer applications in June 2013 than in June 2012. In July 2013, TAIPA received about 25% fewer applications than in July 2012. At this point, we estimate we will receive 4,300 applications in 2013, compared to 5,800 in 2012.

B. FINANCIAL UPDATE (EXHIBIT 4)

James Langford stated TAIPA expected to be at 42% of the budget used at the end of May and are currently under budget at about 36%. The items that are over budget were explained. At this point, we estimate we’ll end 2013 about 3-4% under budget.

C. RFP UPDATES

James Langford stated Intelligent Compensation’s report on the salaries/job descriptions has been received and is currently being reviewed. The report will be provided to the Governing Committee and the salary ranges will be used in the 2014 budget.

The IT consultant RFP was sent to 14 companies. Four bids were received, including one from TAIPA’s current consultant. All of the bids are less than current costs, which will be factored into the 2014 budget. James Langford will review the bids and make a selection.

D. APPLICATION SYSTEM UPDATE

James Langford stated AIPSO has begun the programming on the EASi 2.0 system, which is the external part of the system used by producers. AIPSO estimates the system will be ready for TAIPA staff to test in October. The target launch date is January 2014. TAIPA hopes to eliminate “paper” applications (applications which have not been bound

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in the EASi system) when the new system is launched. The producer Governing Committee members and IIAT agree that this is a good step. A major problem with “paper” applications is that many of them are incomplete or illegible. Eliminating them will provide better service to insureds and companies since there will be fewer application issues.

TAIPA is currently reviewing a test version of the new APS, which is the internal portion of the system used by staff. TAIPA and AIPSO will then discuss customization and workarounds. The target launch date is the end of the first quarter of 2014.

It was asked if the elimination of “paper” applications will affect producers without internet service. The producer members stated that a computer/internet connection is necessary for writing business with most companies in the standard market. Additionally, the Texas Fair Plan requires use of a computer/internet connection. Furthermore, consumer demand and technological improvements have made it so that even small towns have reliable connections these days.

It was suggested TAIPA ask agents who use “paper” applications why they don’t use the EASi system. TAIPA has asked producers informally and most of the responses are that they’ve always done it by paper, so that’s what they’ve continued to do. Additionally, we’ve actually received some responses that it’s easier for producers because they can just write in the same premium each time and know that the company will correct it when they issue the policy. No producers have stated that they lack a computer/internet connection.

If it is decided to eliminate “paper” applications, there will need to be a review of TAIPA’s Plan of Operation, Producer Rules of Certification, etc. There was a consensus to give the Operations Subcommittee the authority to review this issue.

E. CURRENT STAFFING

The Officers asked James Langford to put this item on the agenda as a standing item. James Langford stated TAIPA had eight employees when he began as Association Manager. After a retirement and a voluntary exit program, TAIPA now has six employees, including James. TAIPA is adequately staffed and can handle even two times the current application volume. It should also be noted that there are certain functions that must be performed regardless of volume, and that we also need sufficient staff to cover employees on vacation or out sick. If volume did ever increase significantly, TAIPA has the benefit of two former employees that would likely be available to assist us.

F. TELECONFERENCE OPTIONS (EXHIBITS 5 & 6)

James Langford stated Senate Bill 733 has passed, which means TAIPA now has the ability to hold electronic meetings. TAIPA staff has reviewed a number of electronic meeting services which would make the process smoother than just a telephone call. TAIPA recommends using GoToWebinar, which is less than \$1,000/year and includes features like allowing participants to raise their hand when they want to speak. The target

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date for the first electronic meeting is the August 2014 meeting. The software would most likely be tested during an Operations Subcommittee meeting beforehand.

It was asked why we chose GoToWebinar over other services. Of the services reviewed, GoToWebinar had the most useful features.

Concerns were raised about some of the company members possibly having firewall issues when downloading the GoToWebinar software. TAIPA staff will look into solutions for this issue.

It was asked if someone could use GoToWebinar to call into a regularly scheduled meeting. That would present some issues, as we'd need a TAIPA staff member to moderate the call. The hotels often have conferencing capabilities, but there would be additional costs.

James Langford stated that TAIPA currently pays \$250 per diems to public and producer members for in-person meetings. We checked with AIPSO to see what other states pay for teleconferences, and many also pay \$250 per diems.

There was discussion regarding if public and producer members are paid for teleconferences. Members and named alternates are paid, but individuals who come voluntarily are not. Some members stated they may not have been paid for some teleconferences. TAIPA will check into this.

ITEM 6: OPERATIONS SUBCOMMITTEE REPORT

A. OVER/UNDER REPORT (EXHIBIT 7)

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

B. RECOMMENDATION REGARDING 2013 LEGISLATION AFFECTING TAIPA (EXHIBITS 8 & 9)

Bill Brooks stated House Bill 949 was passed, which will require TAIPA to change their personal auto policy. The proposed language includes changes to the definition of a covered auto (which are mostly editorial in nature) and changes to the reporting requirements for additional vehicles and replacement vehicles. For replacement vehicles, the insured does not have to report to the insurer unless they would like physical damage coverage. Since TAIPA doesn't offer physical damage coverage, we cannot impose any reporting requirements. For additional vehicles, the insured must report to the insurer within 20 days, or a later date as specified in the policy. The Operations Subcommittee recommends keeping the current requirement of 30 days. They also agreed that we should be consistent with the voluntary market. So far, it does not appear any companies have made filings to shorten the reporting requirement to 20 days. If companies begin making filings to change the requirement, TAIPA's reporting requirement can be revisited.

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It was moved by Bill Brooks and seconded by Kevin Curry to:

“Adopt the change to the personal auto policy as presented, and for the Association Manager to make a filing.”

The motion carried with 13 in favor and two abstentions (Berthold, Jackson).

Bill Brooks stated Senate Bill 698 was passed, which will require TAIPA to change the Plan of Operation. The bill requires insurers to return unearned premium to the policyholder no later than the 15th business day after the effective date of cancellation or termination of a personal auto or residential property policy. The bill does not change the timing for endorsements or commercial policies.

There was discussion regarding back-dated cancellation dates. If the cancellation date has already passed, the company would obviously not be able to issue the refund in compliance with the new language. There was also discussion regarding cancellation for non-payment, specifically for companies that wait a few days before cancelling in case payment is in the mail. TDI plans to adopt rules to address these issues. Once TDI issues the rule, this change will be revisited.

It was moved by Bill Brooks and seconded by Carol Berthold to:

“Adopt the change to the Plan of Operation as presented, and to direct the Association Manager to update the Plan of Operation.”

The motion carried unanimously.

The Governing Committee recessed for a break at 10:38 AM. The meeting resumed at 10:50 AM.

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 have not met 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: REPORT OF COUNSEL

A. RATE FILING UPDATE

A handout was distributed (Attachment #1).

Richard Geiger stated new TAIPA rates have been approved effective October 1, 2013. TAIPA recommended an overall rate change of +7.2%. The Commissioner approved an overall rate change of +5.6%.

This is the last year that TAIPA will be required to make an annual rate filing, due to the passage of Senate Bill 733. Additionally, if the indicated rate change is less than 5%, we

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will not have to have a rate hearing, but will instead be able to use a simpler process akin to a "file and use" procedure.

TAIPA's counsel and actuary were previously authorized by the Governing Committee to begin a discussion with TDI regarding alternatives to traditional ratemaking for private passenger rates. Early discussions with the actuary included using a loss cost multiplier, similar to commercial. Discussions with TDI will be held soon.

ITEM 9: NEXT MEETING: FRIDAY, NOVEMBER 8, 2013

The next meeting will be held at the Marriott Austin South Hotel on Friday, November 8, 2013.

The 2014 dates are March 21, August 22, and November 21.

The Governing Committee members were emailed proposed 2015 dates. TAIPA will work with the hotel to solidify the dates and will then send out confirmation of the dates.

Acting under authority of Government Code 551.074, the Governing Committee commenced a closed meeting at 11:20 AM.

The open meeting resumed at 11:25 AM.

ITEM 10: PERSONNEL MATTERS

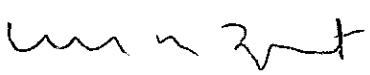
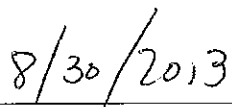
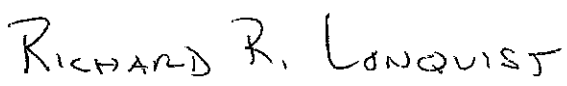
No action was taken on this matter.

ITEM 11: UPDATE ON PROACE

No action was taken on this matter.

ITEM 12: ADJOURNMENT

There being no further business to discuss, the meeting adjourned at 11:25 AM.

 <hr/> Signature of Secretary	 <hr/> Date Signed
 <hr/> Printed Name of Secretary	

THOMPSON COE

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

Memorandum

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

From: Richard S. Geiger *RSG*
Michael W. Jones

Date: August 9, 2013

Re: TAIPA Rates

Commissioner's Order No. 2670 was issued July 26, 2013, and signed by the new Commissioner, Julia Rathegeber. The Commissioner ordered, effective October 1, 2013, the rate level changes for private passenger as follows:

<u>Required Coverages</u>	<u>Selected Change</u>
Bodily Injury Liability	6.4%
Property Damage Liability	5.3%
Weighted Subtotal	5.8%
Optional Coverages	
Personal Injury Protection	0.0%
Uninsured Motorist – BI	0.0%
Uninsured Motorist – PD	0.0%
Subtotal	0.0%
 WEIGHTED TOTAL – ALL COVERAGES	 5.6%

TAIPA had recommended an overall rate change of +7.2% as follows:

Private Passenger

Bodily Injury Liability	+7.4%
Property Damage Liability	+7.5%
Personal Injury Protection	+3.5%

THOMPSON
COE
Attorneys and Counselors

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Uninsured Motorists – BI	+3.5%
Uninsured Motorists – PD	1.6%
Overall	+7.2%

The difference in the overall percentage change arises from two factors:

1. the elimination of TAIPA's proposed small rate increases for PIP, UMBI, and UMPD, and
2. the reduction in the recommended fixed-expense provision of 14.0% to only 10.9%.

TDI did not change PIP, UMBI, and UMPD on the basis that the low volume of data provided very little credibility. It should be noted, however, that it has now been four years since the last rate adjustment for these coverages.

This year, TAIPA's analysis of loss trends, expense trends, and loss development factors have been accepted. The majority of the difference between the overall rate indication filed vs. allowed is attributable to fixed expenses. This is primarily attributable to the difference wherein TDI makes a reduction to fixed expenses under the assumption that expenses in TAIPA are lower because TAIPA does not issue physical damage coverages. Mike Miller, TAIPA's consulting actuary, has testified that this expense reduction is inappropriate as there really is no savings to the expenses involved with issuing a policy that has liability coverages only.

TDI did agree with TAIPA's methodology for the installment payment plan. In prior years we have always asserted that the expenses of administering that plan largely offset the increased revenue.

With this latest rate order, the differences between TDI's approach and that of TAIPA's and its consulting actuary have been significantly narrowed.

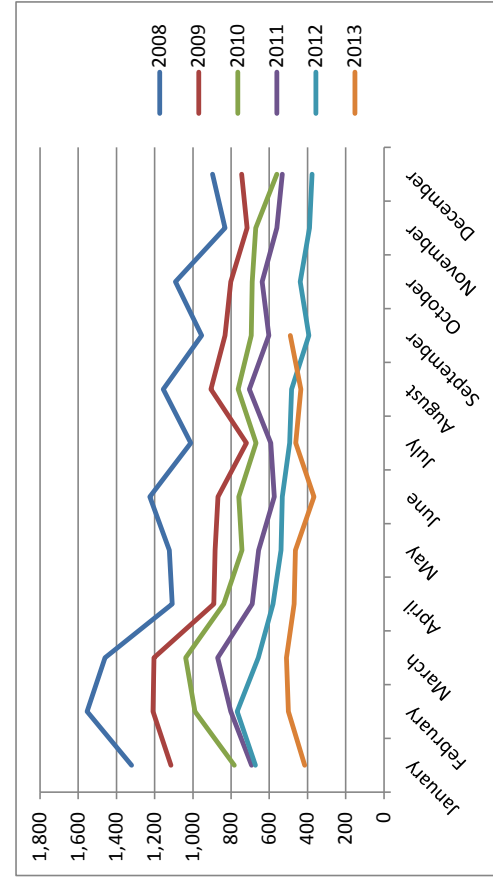
For commercial auto insurance rates, the Commissioner has approved of the use of ISO's most recently accepted loss costs to be used in conjunction with the previously adopted TAIPA loss cost multipliers as requested by TAIPA. We have not calculated the effect of these changes on the rates.

The machine letter for both private passenger and commercial auto and corresponding rate pages were published by the Department on its website on Tuesday, August 6, 2013.

Monthly Total (Sept. 2013)		
	Private Passenger	Commercial
EASi Applications	408	47
Paper Applications	27	9
Total Applications Received	435	56
Applications Assigned	397	49
Applications Suspended	38	7
Applications Rejected	0	0
Applications Deficient	42	4
Applications with SR-22s	96	0
	Total Applications Received in Sept. 2012:	393
	Total Applications Received in Sept. 2013:	491
Year to Date Total (as of Sept. 2013)		
	Private Passenger	Commercial
EASi Applications	3,424	380
Paper Applications	226	85
Total Applications Received	3,650	465
Applications Assigned	3,339	423
Applications Suspended	305	42
Applications Rejected	6	1
Applications Deficient	358	31
Applications with SR-22s	983	6
	Total Applications Received YTD (as of Sept. 2012):	5,121
	Total Applications Received YTD (as of Sept. 2013):	4,115
	YTD Percent Change from Sept. 2012 to Sept. 2013:	-19.65%
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	

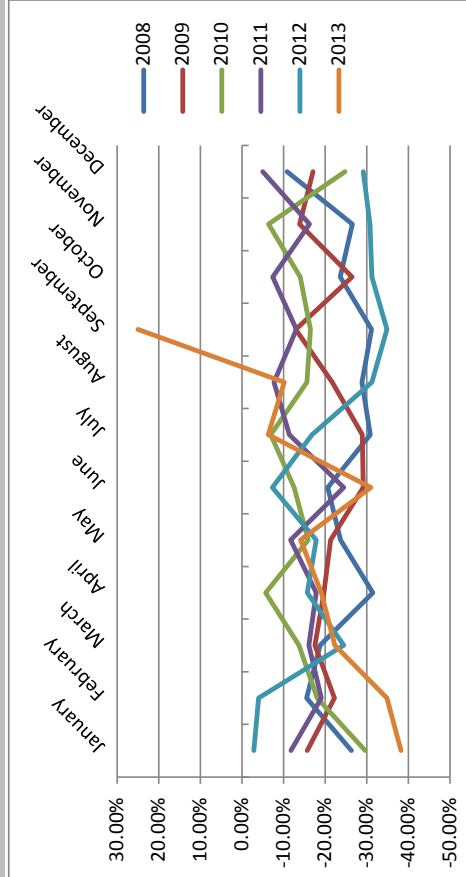
*Application Assignment History based on applications assigned, not received.

Trend of Applications Received from 2008 to 2013



2013 Estimate of Applications Received: 5,176

Percent Change in Applications Received



Total YTD -24.12%

Texas Auto Ins. Plan Assoc.
ACTUAL VS. BUDGET
 For the period ended September 30, 2013

	2013 Year To Date Actual	2013 Year To Date Budget	Variance	2013 Annual Budget	% Used	Reason for Variance
REVENUE						
Assessments & Penalties	868,581	862,500	6,082	1,150,000	75.53%	
Other Revenue	589	0	589	0	0.00%	
TOTAL	869,171	862,500	6,671	1,150,000	75.58%	
EXPENDITURES						
Salaries	273,662	278,775	5,113	371,700	73.62%	APL buyback doesn't occur until yearend; will end on budget.
Emp. Benefits & Other Ins. Exp.	269,335	281,700	12,365	375,600	71.71%	Insurance renewal took place in May and price increase was not as high as expected; will end on budget.
Office Equipment Expense	13,590	16,650	3,060	22,200	61.22%	Haven't purchased as many office supplies as expected or had to make many repairs; will end under budget.
Printing & Stationary Exp.	759	1,500	742	2,000	37.93%	Expect to purchase more assignment notices and envelopes later in the year; will still end under budget.
Computer Expenses	6,269	7,725	1,456	10,300	60.86%	Haven't purchased as many miscellaneous computer supplies as expected; will not upgrade operating system until new application system is in place; will end under budget.
Postage & Shipping Exp.	18,170	19,800	1,630	26,400	68.83%	Increase in postage costs was not as high as expected; will end under budget.
Telephone Expense	7,326	6,075	-1,251	8,100	90.44%	Taxes and fees on phone/internet service at new location are higher than at previous location; expect to end over budget by about \$1,700.
Rent Expense	53,772	53,925	153	71,900	74.79%	Within range.
Taxes	-150	1,650	1,800	2,200	-6.80%	Taxes aren't due until later in the year; received refund for excess taxes paid on copier in prior year; will end under budget.
Other Office Expenses	5,372	6,375	1,003	8,500	63.20%	Events are later in the year; will actually end over budget by about \$2,000 due to writing off more assessments than expected for companies that liquidated/cancelled their COA's.
Governing Committee	13,939	20,700	6,761	27,600	50.50%	Two of three meetings held to date; meals and lodging were less than expected; will end under budget.
Operation Sub-committee	5,011	4,500	-511	6,000	83.51%	Back-paid per diems for conference calls; will actually end under budget due to having fewer Ops Sub meetings than expected.
Producer Review Panel	0	2,625	2,625	3,500	0.00%	Will not hold a Producer Review Panel meeting in 2013; will end under budget.
Employee Meetings, Seminars & Staff Travel	10,124	12,000	1,876	16,000	63.27%	Half of staff has pursued education, the other half has not elected to do so; will end under budget.
Legal Expenses	45,878	88,125	42,247	117,500	39.05%	Have had very few Ops Sub expenses, no Review Panel expenses, and less Rate Filing expense than expected; will end under budget.

	2013 Year To Date Budget	Variance	2013 Annual Budget	% Used	Reason for Variance
Audit Expense	19,954	-3,004	22,600		
Dues, Subscriptions & Publications	1,254	171	1,900		Have already been billed for annual audit; will actually end under budget due to audit and pension disclosure cost being less than expected.
TAIPA Tradition, Visitor Meals & Gifts	1,544	2,700	3,600		Several subscription renewals are not until later in the year; will end on budget.
System Consultants	34,476	43,674	104,200		Events are later in the year; will end under budget.
Consultants - Other	19,345	2,705	29,400		Budgeted for option for future EASI upgrades (such as 3.0), which will not be pursued at this time; have not paid customization fees for new APS/EASI 2.0 yet (will be paid upon completion); will end under budget.
Actuary	27,047	14,504	55,400		Salary survey has now been completed and cost less than expected; will end under budget.
Other	0	0	0		Do not expect to begin another rate filing this year; will end under budget.
SUBTOTAL	826,674	138,276	1,286,600	64.25%	
Depreciation	10,825	-550	13,700		79.01% Within range.
Amortization	0	0	0		0.00% No amortization expected this year.
Gain (Loss) on Disposition of Fixed Assets	0	0	0		0.00% Have not sold any assets to date.
SUBTOTAL	10,825	-550	13,700	79.01%	
TOTAL OPERATING EXPENSE	837,499	137,726	1,300,300	64.41%	
NET FROM OPERATIONS	31,672	144,397	-150,300		
Non-Operating Pension Costs	0	0	0		0.00% Pension adjustment will be made at end of year.
NET	31,672	144,397	-150,300		
CAPITAL BUDGET					
Software Development in Progress	0	0	0		0.00% No software development in progress.
Office Furniture & Equipment	0	0	0		0.00% No furniture & fixture expenditures to date.
Computer Equipment	0	0	0		0.00% No computer equipment expenditures to date.
Computer Software	0	0	0		0.00% No computer software expenditures to date.
Leasehold Improvements	0	0	0		0.00% No leasehold improvement expenditures to date.
TOTAL	0	0	0	0.00%	

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

Texas Auto Ins. Plan Assoc.

Statement of Financial Position

As Of September 30, 2013

Unaudited

ASSETS

Current Assets	
Cash and cash equivalents	\$ 498,299
Accounts receivable	8,481
Prepaid expenses	37,887
Total current assets	544,666
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	72,919
	51,437
Total assets	596,103

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	1,957
Accrued vacation	20,446
Accrued payroll liabilities	9,400
Deferred revenue	287,875
Total current liabilities	319,678
Other Liabilities	
Accrued pension benefit costs	1,058,887
Deferred lease benefit	17,435
Total other liabilities	1,076,322
Net (Deficiency) Assets	
Unrestricted	(799,897)
Total net assets	(799,897)
Total liabilities and net assets	\$ 596,103

Texas Auto Ins. Plan Assoc.

Statement of Activities

For the period ended September 30, 2013

Unaudited

Changes in unrestricted net assets

	Current YTD
Member assessments	\$ 862,925
Interest income	589
Assessment penalties	5,656
Total revenues	869,171
Expenses	
Salaries and related expenses	542,997
Occupancy expenses	60,948
Professional Services	146,699
Depreciation & amortization	10,825
Postage and delivery	18,170
Office supplies and expense	14,348
Governing committee	13,939
Computer supplies & expenses	6,269
Operation Sub-committee	5,011
Staff education & seminars	10,124
Miscellaneous	5,372
Staff expense	1,544
Dues and subscriptions	1,254
Total operating expenses	837,499
Other revenues (expenses)	
Total other revenue expenses	-
<i>Increase (decrease) in unrestricted net assets</i>	31,672
<i>Net assets (deficiency) at beginning of year</i>	(831,569)
<i>Net assets (deficiency) as of September 30, 2013</i>	\$ (799,897)

Texas Automobile Insurance Plan Association

Overview of the 2013 Cash Compensation Study Conducted for the Association

Presented By:

Bob Cartwright, SPHR

President / CEO

Intelligent Compensation LLC

bob.cartwright@intelligentcomp.net

512-415-8080

www.intelligentcomp.net

August 8, 2013

TAIPA Association Manager Presentation on
Compensation Study August 8, 2013



**Compensation & Performance
Management Consultants 512-415-8080**

Executive Overview

TAIPA 2013 Cash Compensation Study

- ◆ A Job Analysis / Job Assessment exercise was conducted on all TAIPA positions (6) to get an accurate assessment of what employees were doing for the organization. Employees were given the opportunity to submit a job analysis and job assessment form to describe their jobs and this information was reviewed with and subsequently approved by management.
- ◆ Based on job information obtained from the job analysis / job assessment exercise, this information was utilized to conduct a base & total cash compensation market study on the 6 TAIPA positions. Survey pay information was then compared to TAIPA employee pay to determine how competitive TAIPA employee pay was to the area marketplace.

Executive Overview

TAIPA 2013 Cash Compensation Study

- ◆ TAIPA revenue and employee size scope data utilized for this study was: **\$1.15 million & 5 FTE's**
- ◆ August 1, 2013 was utilized as the target date to age survey data. A **3% escalation factor was used to normalize survey data to the same target date.**
- ◆ Intelligent Compensation took a conservative and reasonable approach in conducting this study utilizing sound compensation practice

TAIPA Association Manager Presentation on
Compensation Study August 8, 2013



Compensation & Performance
Management Consultants 512-415-8080

TAIPA 2013 Cash Compensation Study

Key Points

- ◆ 6 compensation survey sources were utilized for the study;
 - Economic Research Institute Salary Assessor / Kenexa CompAnalyst / The Comp Report / PayScale / PRM Management Compensation / American Society of Association Executives
- ◆ Geographic locations used for market study
 - Austin, Texas & USA National Data
- ◆ Industry & organizational size scope data utilized for the market study
 - Insurance Support and Services (NAICS 524298) / Nonprofit – Industry Associations / Education – Government – Nonprofit / **Revenue Size** – various ranges from \$1 Mil to \$4.9 Mil / **Employee Size** - FTE < 25

TAIPA 2013 Cash Compensation Study

Key Points

- ◆ Based on the external Market Study results and based on internal job valuation considerations, a pay grade and salary range structure was developed for the organization.
 - 7 Grades were created

* Note that the 7th grade represented the range of a Customer Service Rep with less experience that could be hired in the future.

TAIPA 2013 Cash Compensation Study

- ◆ **A Compensation Manual has been developed for the organization to utilize going forward to assist with the administration of pay**
- ◆ **TAIPA's Employee Performance Assessment Form has been reviewed and revised to enhance the effectiveness of the employee assessment process.**

TAIPA Association Manager Presentation on
Compensation Study August 8, 2013



**Intelligent
Compensation**
Compensation & Performance
Management Consultants 512-415-8080

TAIPA 2013 Cash Compensation Study Recommendations Going Forward

- ◆ **Key Recommendations:**
 - Consider adopting a Compensation Policy / Philosophy to include a minimum and upper limit on total cash and total compensation.
 - Utilize sound pay practices in consideration of 2013 proposed pay increases.
 - The Executive Committee of the Board should consider having a total compensation study conducted on the top executive position in 2013 - 2014.

**TEXAS AUTOMOBILE INSURANCE
PLAN ASSOCIATION**

COMPENSATION MANUAL

EFFECTIVE

August 2013

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OVERVIEW

The Texas Automobile Insurance Plan Association's (TAIPA) 2013-2014 Compensation Manual has been developed to assist management with implementation of TAIPA's pay policies, practices and revised base compensation system. The purpose of this manual is to provide basic information to assist the organization in compensating its employees.

TAIPA's management wishes to create an environment fostering excellence in the quality and performance of its employees and in the services it provides. As a result, TAIPA is committed to a "Pay-For-Performance" philosophy whereas each employee will be paid based on his/her overall value, contribution, and performance towards the success of the Organization.

Compensation guidelines in this Compensation Manual have been established based on prevailing and projected business conditions; therefore, they may be subject to change as dictated by future economic, financial, legal, or competitive practices. The information presented in this manual shall not in any way constitute a binding contract between the Organization and its employees.

Pay Philosophy

The Texas Automobile Insurance Plan Association (TAIPA) has established a total compensation, rewards, and performance management strategy that strives to deliver competitive pay to our employees for achieving business results and organizational excellence. It is through this strategy that we strive to recognize and reward our employee contributions towards the success of our organization.

TAIPA's Total Compensation and Rewards Program is designed to provide an environment that motivates employees toward excellence, and rewards them according to their education, skills, competencies, performance, contribution, and successful achievement of organizational strategies, goals and objectives.

The premise behind our Compensation Program is to "Pay for Performance, Success, and Excellence". The system is designed to: Support the mission and culture of our organization; Support our ability to attract and retain qualified and productive employees; Provide a fair and equitable compensation and rewards package; Ensure compliance with all applicable federal, state and local laws; and Reward for results, contributions, and performance excellence.

To support this philosophy, it is the policy of TAIPA to provide our employees a fair total compensation and rewards package. Depending on employment status, various elements to our total compensation and rewards package may include base salary, incentive, vacation, sick leave, holidays, insurance benefits, dues for professional memberships, education and training opportunities, and retirement/savings plans. The TAIPA Total Compensation and Rewards Program is designed to be:

- Commensurate with the job assigned
- Reflective of the value of the individual's education, skills, competencies, and experience
- Competitive in the local marketplace at a competitive salary range between the Minimum and the Maximum of the marketplace for comparable positions similar to TAIPA.
- Reflective of the value of the individual's contribution and performance towards the success of the Organization
- Administered in accordance with TAIPA policies and resources

Performance Assessment

A Performance Assessment System will continue to be utilized at TAIPA by Leadership and employees to establish performance initiatives and to develop performance goals. These goals should be developed based on their relative importance to the job and prioritized based on operational importance. Employees are expected to meet or exceed their performance criteria's and to achieve their goals during the year. At the end of the assessment period, employees will be formally reviewed by leadership to determine level of performance and contribution.

Salary Assessment/Merit Increase Review

As before, the performance of all employees will be reviewed annually utilizing our Performance Planning and Review process. Base salaries will also be reviewed annually during the formal assessment period with salary increases, as appropriate, effective on a date designated by Leadership each year.

The remainder of this manual provides salary administration guidance. In addition, job titles, salary grades, salary ranges, and compensation related definitions are also provided.

Texas Automobile Insurance Plan Association Compensation System

The Texas Automobile Insurance Plan Association is committed to compensating each employee with a fair wage for the value of his/her contribution to the success of our organization. The purpose of our Compensation System is to attract quality personnel and to motivate and retain individuals who make a difference and contribute to the success of TAIPA. We believe that our base salary system and salary administration processes are effective in establishing and maintaining competitive salaries.

Total compensation at TAIPA may include base pay, rewards, Paid Time Off (PTO), holidays, educational assistance/tuition reimbursement programs, health insurance, disability and group life insurance, 401k matching funds, as well as the contribution the organization makes toward the employee's social security.

In concert with our pay philosophy, TAIPA strives for employee salaries to be competitive with the external labor market, internally equitable, and reflective of performance contributions towards the organization's success. This philosophy is maintained through our salary administration and performance measurement systems.

JOB VALUATION

TAIPA's job value system is market based and has been developed to reflect current and future values. It has been designed to reflect internal relationships among positions within the organization, as well as, to ensure that the organization remains competitive with similar non-profit associations and insurance service industries in the external market. Texas Automobile Insurance Plan Association Compensation Manual Page 3

There are three major steps in the job valuation process:

- 1) Jobs in the organization are compared with similar jobs in our industry and region. Using extensive compensation survey data, the responsibilities and content of jobs at TAIPA are benchmarked for comparison with similar jobs found in salary surveys.
- 2) Information developed in the first step and additional data from employees, and TAIPA Leadership are used to review the description of each job to make sure that its duties and responsibilities have been described accurately. Then a market analysis is conducted utilizing these job descriptions. Jobs are also compared internally through a job slotting process to insure best fit when assigning an equitable salary grade and pay range.
- 3) Based on extensive marketplace assessment and internal job relationship review, a pay rate or range is assigned to each job. This range represents the value of that job expressed in dollars and reflects TAIPA's marketplace in regards to pay.

SALARY ADMINISTRATION

Under TAIPA's pay policy, an individual's contribution to the Organization is the prime factor in determining the wage level of employees. Each year, TAIPA's Leadership will review employee salaries with respect to employees' responsibilities, job performance and their contributions to the Organization, both as an individual and in comparison to their peers. As a result of this review, employees may be eligible to receive a merit based salary increase.

Merit Pay Review System

The Texas Automobile Insurance Plan Association will be utilizing a merit pay system that enables the Organization to identify top-producing employees, and to improve the relationship between pay and employee contributions to the Organization.

Merit pay is administered as follows:

1. Salaries and Performance of all employees will be reviewed on an annual basis.
2. Merit increases for employees will be determined by a performance planning and review process. During this process, employees are assessed based on their job and level of contribution towards the success of the organization.
3. Salary increases (Increases to base pay or a lump sum payment) will be recommended and approved by Leadership, as appropriate.

Promotions And Upgrades

TAIPA's policy provides for priority to be given to qualified employees to fill promotional vacancies. A promotion is an upward change of position to a higher level of accountability. It is a distinct and permanent change in scope resulting in movement to a position requiring greater skill, effort, and responsibility as well as a higher salary pay grade than the previous job.

An upgrade is a promotion which occurs within the same job family, and normally reflects employee growth, and development within the scope of the current job responsibilities.

Employees being considered for a promotion must meet the eligibility requirements associated with the proposed job. The requirements are as follows:

- The minimum educational and experience requirements for the proposed job must be met in order for an employee to be considered for a promotion. Questions regarding these requirements should be referred to the Human Resources Office.

All promotions require signature approval of appropriate Leadership and the Human Resources Office. Promotions may occur independent of the annual merit review process.

Salary increases associated with promotions are determined on an individual basis and should be coordinated with Human Resources to ensure consistency with organization practice.

PERFORMANCE MEASUREMENT

Texas Automobile Insurance Plan Association's performance measurement system has been designed to reflect corporate values and objectives relative to service, quality, growth, opportunity and the achievement of excellence through maximum performance. The purpose of the system is to encourage employee/Leadership communication, to include employees in goal planning and achievement, and to encourage TAIPA employees to develop and guide their career objectives.

The objective of this system is to achieve optimum organization results while meeting the essential needs of our employees and the organization.

PERFORMANCE PLANNING

Performance Planning provides an opportunity for the employee to participate in setting goals and objectives which directly support those of the department/organization.

With an understanding of the objectives of TAIPA Leadership, and with specific knowledge of the purpose of their own job and its (Line-of-Sight) accountabilities, employees are encouraged to set goals in order to make the maximum contribution during the year.

During the Performance Planning process, the role of Leadership is to evaluate the goals submitted by the employee for the plan year and work with the employee to ensure that the established goals, targets, and performance expectations support the overall mission of the organization.

This exercise gives the employee input to the performance expectations that will be used to evaluate his or her performance and ensures that both Leadership and employee have a clear understanding of these expectations. Leadership and employees should work together to develop goals and performance measures however, where total agreement is unattainable, Association Leadership will make the final decision.

Once finalized, the goals will be committed to writing. These performance goals will be used as part of the process to assess job performance at the end of the period.

PERFORMANCE PROGRESS

Performance progress discussions are intended to enhance communication between the employee and Leadership to ensure that the employee is positively moving toward attainment of his or her performance goals.

Meetings should occur regularly during the performance period to discuss goal status and job performance. There are no limits to how many progress meetings may occur in a performance period and discussions should be on-going throughout the year.

Progress discussions are essential for a successful performance assessment process. They enable the employee and Leadership to communicate, monitor performance, and update goals and objectives if necessary. If an employee has not been performing to expectations, these discussions give Leadership an opportunity to constructively counsel the employee on ways to improve performance. Formal meetings will also help eliminate any "surprises" during the performance assessment process at the end of the performance period.

Any changes identified during progress reviews should be documented. Changes to goals or objectives must be explained and justified.

PERFORMANCE ASSESSMENT

Employees will be rated in relation to their job responsibilities, contributions, goal attainment, and job performance during the performance period. TAIPA's performance planning and review process will be used to capture assessed performance and to determine a rating at the end of the performance period.

Following the guidelines outlined for this process should eliminate any surprises on an employee's performance assessment. The employee and TAIPA Leadership will have maintained adequate communication during the performance period so that no one is surprised by the overall assessment of performance.

PERFORMANCE IMPROVEMENT PLANNING (PIP)

In the event an employee is not performing his/her responsibilities adequately, Leadership should work with that employee to resolve the problem area(s). The purpose of corrective action planning is to guide an employee's work performance or behavior that in some way is unproductive or unacceptable back to a productive and/or acceptable level.

Formally defined, corrective action should be taken for employees not performing to desired results. Expected performance actions and outcomes, as well as time frames should be established and communicated with the employee. Leadership is advised to document these plans.

CAREER DEVELOPMENT

TAIPA strives to provide a quality work environment with ample opportunity for employees to develop and guide their long-term goals and career objectives.

TAIPA 2013 - 2014 Proposed Pay Grades and Salary Ranges

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION PROPOSED 2013-2014 SALARY RANGE STRUCTURE - ANNUAL SPREADS						
GRADE	Job Title	MINIMUM	MID POINT	MAXIMUM	Range SPRD \$	Range SPRD %
A	General Office Clerk	\$26,832	\$34,736	\$42,848	\$16,016	60%
C	Customer Service Representative	\$32,240	\$41,808	\$51,584	\$19,344	60%
D	Customer Service/Data Analyst/Accts Pay/Rec. Clerk	\$39,104	\$50,752	\$62,608	\$23,504	60%
E	Special Projects/Accounting Coordinator	\$42,432	\$58,240	\$67,808	\$25,376	60%
F	Organizational Development Analyst	\$63,024	\$85,072	\$107,120	\$44,096	70%
G	Association Manager	\$101,504	\$139,568	\$177,632	\$76,128	75%

*Note: The above listed ranges are based on full time employment status. Part time employees pay would be based on a percentage of the above listed ranges.

Non-Supervisory

Employee Performance Appraisal

Employee Name_____
Job Title_____
Department_____
Appraisal Date_____
Type of Review (Probation, Annual, Other)_____
Date of Last Appraisal

INSTRUCTIONS

The performance appraisal is an important process for both employees and employers. To be most effective, the appraisal interview must involve two-way communication: both talking and listening. The employee should be receptive to constructive criticism as well as praise and other feedback. The appraiser will actively listen to the employee; try to understand the employee's feelings and provide advice and counseling in a positive manner so as to develop and motivate the employee.

It is important that all employees be evaluated on their performance as an employee. This appraisal will become part of the individual's work record. Both parties will give it appropriate care and attention.

Each category will be addressed, except when the appraise form is being used for follow-up on a specific item or items, and an explanation of clarification of the rating will be given on the comment line. On the last page, space is provided for collective comments by both the evaluator and the employee.

Since this a permanent record, it will be prepared in ink or typewritten. The completed signed form will be sent to the Human Resources Department to be placed in the employee's personnel file. A copy will be given to the employee.

Performance Rating Scale				
<p>5. Distinguished</p> <p><u>Consistently exceeds</u> requirements of job. Work produced is consistently very high quality and complete overall. Performance <u>far exceeds</u> reasonable expectations.</p>	<p>4. Commendable</p> <p><u>Frequently exceeds</u> requirements of job. Work is of high quality, on time and complete. Overall performance is beyond what would reasonably be expected.</p>	<p>3. Competent</p> <p><u>Consistently meets</u> requirements of job. Work produced is of expected quality, on time, and consistent. Solid overall job performance.</p>	<p>2. Provisional</p> <p>This level of performance indicates either progressive learning and achievement (the newcomer) or the employee does not consistently meet requirements of the job. Work product is not always of the expected quality, on time or complete. Need to improve level and/or consistency of performance.</p>	<p>1. Marginal</p> <p>This level of performance is reserved either for the inexperience newcomer to the job or the employee who does not meet the requirements of the job and/or does not follow through the work assignments. Does not meet expected levels of performance.</p>

Please circle the appropriate number as it relates to the employee's job responsibilities and performance. Additional comments may be made to further explain the rating. Any rating other than "3" should be explained in the adjoining comments section.

Quality of Work	Comments
<p>Rating: 5 4 3 2 1</p> <p>Consider Among Others:</p> <ol style="list-style-type: none"> 1. Work is thorough 2. Work is Accurate 3. Work is Legible 4. Accepts ownership of work produced 	

Productivity	Comments
<p>Rating: 5 4 3 2 1</p> <p>Consider Among Others:</p> <ol style="list-style-type: none"> 5. Produces work assignments as required 6. Completes work requirements and assignments on time 7. Meets deadlines and schedules 8. Develops innovative approaches and readily provides new ideas to strategically improve business processes, work output and overall work product. 	

Work Habits	Comments
<p>Rating: 5 4 3 2 1</p> <p>Consider Among Others:</p> <ol style="list-style-type: none"> 9. Supervision required? 10. Organization skills 11. Ability to adapt to change 12. Good initiative 13. Uses time wisely 14. Assertive and confident 15. Plans most work without assistance 16. Self-starter 17. Accepts responsibility for work and workplace actions 	

Attitude/Cooperation	Comments
<p>Rating: 5 4 3 2 1</p> <p>Consider Among Others:</p> <ul style="list-style-type: none"> 18. Cooperates with others 19. Willing to take and follow directions 20. Establishes and maintains positive working relationships 21. Exhibits positive approach to the job 22. Offers options and alternatives for improving work, problem solving and resolution 	

Communication Skills	Comments
<p>Rating: 5 4 3 2 1</p> <p>Consider Among Others:</p> <ul style="list-style-type: none"> 23. Presents ideas and thought in a clear manner 24. Demonstrates a positive image 25. Communicates competently - orally 26. Communicates competently – writing 27. Takes initiative to establish and maintain effective, timely communications 	

Job Development	Comments
<p>Rating: 5 4 3 2 1</p> <p>Consider Among Others:</p> <ul style="list-style-type: none"> 28. Develops skills through training and educational opportunities. 29. Actively seeks ways to add to job experience and improve job knowledge and performance 	

Dependability/Attendance/Punctuality	Comments
<p>Rating: 5 4 3 2 1</p> <p>Consider Among Others:</p> <ul style="list-style-type: none"> 30. Attendance 31. Total days absent 32. Frequency of absences 33. Absence patterns - Missing Fridays and Mondays 34. Frequency of tardiness 35. Punctuality to meetings 36. Observance of lunch and break schedules 37. Dependable – Present and ready to work 	

Creativity	Comments
<p>Rating: 5 4 3 2 1</p> <p>Consider Among Others:</p> <ul style="list-style-type: none"> 38. Demonstrates innovation and creativity 39. Suggests new ways to do things 40. Thinks quickly and logically 	

Technical Competence	Comments
<p>Rating: 5 4 3 2 1</p> <p>Consider Among Others:</p> <ul style="list-style-type: none"> 41. Demonstrates application of knowledge and skills 42. Exercises sound judgment and discretion in work activities 43. Readily learns concepts, systems and procedures to successfully execute job requirements 44. Provides quality deliverables that meet technical requirements 45. Demonstrates an ability to go outside the box to create solutions and implement them 	

Versatility & Responsiveness	Comments
<p>Rating: 5 4 3 2 1</p> <p>Consider Among Others:</p> <ul style="list-style-type: none"> 46. Handles multiple tasks concurrently 47. Exercises sound judgment in prioritizing workload 48. Accepts changes in assignments and workload willingly to better the organization 49. Demonstrates willingness to take on work projects and new assignments 50. Offers new ideas to create positive change and organizational value 51. Willingly gives extra effort to get the job done 	

Performance / Continuous Improvement Goals	Comments
<p>Rating: 5 4 3 2 1</p> <p>List 4 Annual Performance and / or Continuous Improvement Goals:</p> <ul style="list-style-type: none"> 52. Success toward achievement of departmental and functional goals 53. Success toward achievement of personal & continuous improvement goals 1. Goal 2. Goal 3. Goal 4. Goal 	

PERFORMANCE / CONTINUOUS WORK IMPROVEMENT (SUPERVISOR COMMENTS):

SUPERVISOR'S OVERALL COMMENTS:

Supervisor's Signature: _____

Date: _____

Supervisor's Manager: _____

Date: _____

Date for next scheduled evaluation: January, 2015

EMPLOYEE COMMENTS:

Employee's Signature: _____

Date: _____

*Note: Signing this form means only that you have seen this form; it does not mean you agree with the evaluation.

Received by Human Resources by: _____

Date: _____

Copy to Employee: Yes No
(Employee Initials) _____

Texas Auto Ins. Plan Assoc.					
2014 REQUESTED BUDGET: \$1,175,800					
2014 REQUESTED ASSESSMENT: \$1,000,000					
	2013	2014	Increase	% Increase	
	Approved	Requested	(Decrease)	(Decrease)	
	Budget	Budget	in Budget	in Budget	Reason for Increase (Decrease)
Salaries	\$ 371,700	\$ 383,300	\$ 11,600	3.12%	Budget increased due to proposed raises of 3% (amount recommended in salary survey).
Emp. Benefits & Other Ins. Exp.	375,600	384,500	8,900	2.37%	Budget increased due to expected increases in insurance costs (note: pension is being funded at the same amount as in 2013).
Office Equipment Expense	22,200	19,600	(2,600)	-11.71%	Budget decreased due to expecting to purchase fewer office supplies.
Printing & Stationary Exp.	2,000	2,700	700	35.00%	Budget increased due to restocking on envelopes we haven't needed to purchase for several years.
Computer Expenses	10,300	12,800	2,500	24.27%	Budget increased due to replacing three computers.
Postage & Shipping Exp.	26,400	26,100	(300)	-1.14%	Within range.
Telephone Expense	8,100	9,900	1,800	22.22%	Budget increased due to higher taxes on phones/internet at new location.
Rent Expense	71,900	99,100	27,200	37.83%	Budget increased due to scheduled increase in monthly rent payments.
Taxes	2,200	2,200	-	0.00%	Within range.
Other Office Expenses	8,500	9,900	1,400	16.47%	Budget increased due to increasing the amount of assessment write-offs expected.
Governing Committee	27,600	22,500	(5,100)	-18.48%	Budget decreased due to expectation of holding one of the three scheduled meetings by conference call.
Operation Sub-committee	6,000	2,000	(4,000)	-66.67%	Budget decreased due to expectation of holding all meetings by conference call.
Producer Review Panel	3,500	3,500	-	0.00%	Within range.
Employee Meetings, Seminars & Staff Travel	16,000	13,900	(2,100)	-13.13%	Budget decreased due to some employees choosing not to pursue education.
Legal Expenses	117,500	50,000	(67,500)	-57.45%	Budget decreased due to expected streamlining of rate filings; only having one attorney now, who is local; Legislature not meeting in 2014, so no need to budget for any legislative initiatives.
Audit Expense	22,600	23,000	400	1.77%	Within range.
Dues, Subscriptions & Publications	1,900	1,900	-	0.00%	Within range.
TAIPA Tradition, Visitor Meals & Gifts	3,600	3,600	-	0.00%	Within range.
System Consultants	104,200	38,200	(66,000)	-63.34%	Budget decreased due to signing new contract with IT consultant at a lower cost and deciding not to pursue future EASi upgrades (such as 3.0) at this time.
Consultants - Other	29,400	3,500	(25,900)	-88.10%	Budget decreased due to not needing to budget for a salary survey (performed in 2013).
Actuary	55,400	50,600	(4,800)	-8.66%	Budget decreased due to not expecting a rate hearing.
SUBTOTAL	\$ 1,286,600	\$ 1,162,800	\$ (123,800)	-9.62%	
Depreciation	13,700	13,000	(700)	-5.11%	Budget decreased as some items will become fully depreciated in 2013.
Amortization	-	-	-	0.00%	Within range.
SUBTOTAL	\$ 13,700	\$ 13,000	\$ (700)	-5.11%	
TOTAL OPERATING EXPENSE	\$ 1,300,300	\$ 1,175,800	\$ (124,500)	-9.57%	
Office Furniture & Equipment	\$ -	\$ -	\$ -	0.00%	Within range.
Computer Equipment	-	-	-	0.00%	Within range.
Computer Software	-	-	-	0.00%	Within range.
Leasehold Improvements	-	-	-	0.00%	Within range.
TOTAL	\$ -	\$ -	\$ -	0.00%	

NOTE: Items that are considered "within range" are within 5% or \$5,000 of 2013's approved budget.

2014 Recommended Assessment

Total 2014 Budget	\$ 1,175,800
2014 Depreciation	- \$ 13,000
Cash Needed	= \$ 1,162,800
Recommended Carryover	- \$ 162,800
Recommended Assessment Amount	= <u>\$ 1,000,000</u>

2013/2014 Comparison

	2014	2013	Difference	Decrease
Budget Amount	\$ 1,175,800	\$ 1,300,300	\$ (124,500)	-9.57%
Depr./Amort.	\$ 13,000	\$ 13,700		
Carryover Used	\$ 162,800	\$ 136,600		
Assessment Amount	\$ 1,000,000	\$ 1,150,000	\$ (150,000)	-13.04%

Below is a list of companies and their overage amounts that were removed from storage for calendar year 2012.

Co Code	Company Name	PP
05069	ACE INS CO OF TX	\$249,907 Ace Ins Co of TX merged into Ace American Ins Co \$249,907 PP stored amount removed from storage - stored amount to go to Ace American Ins Co
09981	AMER HALLMARK INS CO OF TX	\$455,009 \$455,009 PP stored amount removed from storage - stored amount to go to group lead Hallmark County Mut

Current TAIPA processes:

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

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

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 Year-End 2012 1st QTR 2013 2nd QTR 2013

PRIVATE PASSENGER	OVE	UND	OVE	UND	OVE	UND	OVE	UND	OVE	UND	OVE	UND	OVE	UND	OVE	UND	OVE	UND	
21ST CENTURY CENTENNIAL INS CO (SC)	434,421		374,290		100,816		124,571		76,608		9,253		23,935		177,367		67,198		212,034
ACE AMERICA				0		404		641		828		1,051		1,226	248,681		1,538	248,102	
ALFA SPECIALTY INS CORP				2		333	1,451		1,224		301		161		16		82		426
ALLSTATE INS CO	17,398			62,945		20,681		22,473		925		15,830		37,164	109,444		4,594		67,032
AMER MERCURY INS CO	7,188			2,471	2,559		779		2,079		2,559		2,343		1,232		197		2,378
ASSURANCEAMERICA INS CO						40		68		80		125		175	205		277		386
AutoOne INS CO (prev Penn General)	253,008			220,909		61,581	1,239		204,049		225,603		254,925		254,916		298,722		320,378
COLONIAL LLOYDS		3		346		1,101		1,276		1,276		1,276		1,276	1,277		1,276		1,277
COMPANION PROP & CAS INS CO				0		8		64		81		101		117	133		145		188
ELEPHANT INS CO											New to quota	3		28			156		
GOVERNMENT EMPLOYEES INS CO				38,449		13,521		5,661		5,448		904		4,809	56,090		11,945		59,439
GRAMERCY INS CO																	New to quota	60	68
HALLMARK COUNTY MUT INS CO						180	(buy out)								445,440		567	444,485	
HOMEOWNERS OF AMER INS CO				0		198		2,283		2,684		3,057		3,281	3,644		3,596		4,173
HOUSTON GENERAL INS EXCH (withdrawn & sold PP Auto		803		2,415		3,000	(buy out)								3,006				3,006
IMPERIAL FIRE & CAS		1,357		1,586		1,903	257		1,108		1,655		1,577		1,543		1,546		1,491
LINCOLN GENERAL		85,908		101,427		51,328		51,337		51,337		51,337		51,337	51,337		51,337		51,337
MILEMETER INS CO				36		542		1,296		1,740		1,900		1,977	2,125		2,044		2,210
NATIONAL LIABILITY & FIRE (SC)				0		36,708		57,271		80,245		63,104		55,502	244,401		46,841		240,910
NATIONWIDE MUT INS CO				17,622		14,032		15,497		16,019		7,547		1,098	19,483		7,309		37,469
	31,038																		

RWD

RWD

RWD

Exhibit 6, Page 2

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 Year-End 2012 1st QTR 2013 2nd QTR 2013

13/stor: RWD RWD RWD

PRIVATE PASSENGER	OVE	UND	OVE	UND	OVER	UNDR	OVER	UNDR	OVE	UND	OVE	UNDR	OVER	UNDR	OVE	UND	OVE	UNDR	OVER	UNDR
QBE INS CORP				4		29		40		40		41		43		44		48		54
SECURITY NATIONAL		49,779		49,779		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		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		1,976		1,976	
SOUTHLAND LLOYDS INS CO		175		235		274		292		293		293		293		293		293		293
STARR INDEMNITY & LIABILITY CO						1		147		277		495		577		678		697		871
STATE FARM MUT AUTO INS CO		188,467		128,622		18,467		56,449		32,542		14,448		9,468		168,680		24,806		208,398
TEXAS FARM BUREAU CAS INS CO (Southern Farm Bur)		24,805		36,261		19,163		4,514		45,792		29,609		18,680		64,219		26,065		75,569
TOKIO MARINE & NICHIDO FIRE INS								5		5		5		5		5		5		5
UNIVERSAL INSURANCE EXCHANGE (receivership)		7		15		15		15		15		15		15		15		15		15
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	303,129	303,129	1,017,317	1,017,317

PREMIUMS WRITTEN	5,856,988	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	3,381,187	878,401	1st qtr	687,263	2nd qtr
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Below is a list of companies and their coverage amounts that were removed from storage for calendar year 2012.

Co Code	Company Name	OTPP
09981	AMER HALLMARK INS CO OF TX	\$11,494 OTPP stored amount removed from storage - stored amount to go to servicing carrier National Liability & Fire
05283	AMER NATIONAL PROP & CAS CO	\$1,671 OTPP stored amount removed from storage
04262	CANAL INS CO	\$2,683 OTPP stored amount removed from storage
02149	PENN MANUFACTURERS ASSN INS CO	\$1,525 OTPP stored amount removed from storage
05062	SENECA INS CO	\$188 OTPP stored amount removed from storage

Current TAIPA processes:

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

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

COMPANY	Year-end 2008		Year-end 2009		Year-end 2010		Year-end 2011		1st Qrt 2012		2nd Qrt 2012		3rd Qrt 2012		4th Qrt 2012		Year-end 2012		1st Qrt 2013		2nd Qrt 2013		
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	
OTHER THAN PP																							
ALASKA NATL		27		36		48		54		59		66		68		68		68		71		73	
AMER CONTRACTORS INS RISK RET. GRP					5,329		6,495		7,793		9,996		10,528		10,584		11,454		11,454			12,056	
AMER MERCURY INS CO		32,511		21,941		15,326		16,052		17,071		3,592		5,567		5,499		3,676				3,535	
AMER MODERN HOME INS CO		33,382		85		85		85		90		98		100		100		218		218		291	
AMER MODERN LLOYD'S	232			29,615		25,931		22,389		22,508		22,708		22,757		22,762		22,904		22,904		22,997	
AMER NATIONAL PROP & CAS CO		128		437		755		1,032		1,134		1,306		1,348		323		1,512		1,512		60	
AMER ROAD INS CO																		New to quota		New to quota		41	
AMERICAN SAFETY CAS INS CO		806		806		806		806		360		1,781		1,929		1,945		2,373		2,373		2,655	
AMER SERVICE INS CO INC.						8		23		24		25		25		25		25		25		26	
ASSOCIATION INS CO										New to quota		17		20		20		46		46		62	
AUTOONE INS CO (prev Penn General)		585,212		379,647		66,176		219,499		225,738		347,387		388,603		388,603		407,841		407,841		405,136	
AXIS Ins Co (prev Fireman's Fund Ins co of Wj)						51		192		261		377		405		408		(buy-out)		(buy-out)			
BERKSHIRE HATHAWAY HOMESTATE INS CO																		New to quota		New to quota		2	
BRITISH AMERICAN INS CO		15,833		15,503		15,388		14,946		15,025		15,158		15,190		15,193		15,325		15,325		15,410	
CANAL INS CO																		New to quota		New to quota			
CENTENNIAL INS CO		1		1		1		1		1		1		1		1		1		1		1	
CLARENDON NATIONAL INS CO	52,443			51,574		51,569		51,569		51,569		51,569		51,569		51,569		51,569		51,569		51,569	
COLUMBIA INS CO	1,237			1,235		1,233		1,233		1,233		1,233		1,233		1,233		1,233		1,233		1,233	
COMMERCIAL ALLIANCE INS CO						69		453		455		453		453		453		453		453		(buy-out)	
COMPANION PROP & CAS INS CO								66		111		185		202		204		(buy-out)		(buy-out)			
COREPOINTE INS CO (prev Chrysler & DaimlerChrysler)		44,888		40,297		39,316		39,649		39,650		39,649		39,649		39,160		39,709		39,709		39,257	
FIRST NONPROFIT INS CO																		New to quota		New to quota		20	
GENERAL STAR NATIONAL INS CO								23		34		54		59		59		59		59		59	
GOVERNMENT EMPLOYEES INS CO		86		5,081		9,698		13,838		13,517		12,837		12,837		17,837		17,302		17,302		16,975	
GRAMERCY INS CO				219		11,077		(buy out)										New to quota		New to quota		5,955	

COMPANY	Year-end 2008		Year-end 2009		Year-end 2010		Year-end 2011		1st Qrt 2012		2nd Qrt 2012		3rd Qrt 2012		4th Qrt 2012		Year-end 2012		1st Qrt 2013		2nd Qrt 2013	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
GREAT MIDWEST INS CO				548		857	1,288		1,737	2,044	2,224	2,244		2,983		2,444		2,983				3,460
HDI-GERLING AMERICA INS CO																						458
HOUSING ENTERPRISE INS CO INC							New to quota	1		4	4											9
KNIGHTBROOK INS CO						81	224		366	466	524	531									1,326 (buy-out)	
LINCOLN GENERAL	265,294			50,217		73,630	73,630		73,630	73,630	73,630	73,630									73,630	73,631
MAXUM CAS INS CO							New to quota	301	603	813	937	950										
MID-CONTINENT CAS CO	797,232		784,074		767,927	765,066	765,474		764,066	763,479	763,479	763,416									761,799	760,729
MOTORISTS COMM MUT INS CO (prev Amer Hardware Mut Ins Co)	32,651		31,488		29,856	29,467	29,659		29,330	29,251	29,251	29,242									29,090	28,985
NATIONAL LIABILITY & FIRE INS CO (SC)				597,796		1,258,536	1,333,544		1,382,882	1,438,035	1,481,541	1,492,370									1,505,048	1,490,970
NAVIGATORS INS CO						20	53		85	108	122	123									146	162
NORTH AMER SPECIALTY INS CO							New to quota	4	8	10	12	12									16	19
OKLAHOMA SURETY CO	685,720		685,107		684,987	684,873	684,930		684,834	684,810		684,808									684,725	684,672
PENN MANUFACTURERS ASSN INS CO		0	0 (buy out)	0								1,024									New to quota	781
PREFERRED PROFESSIONAL INS CO				283		514	572		628	669	692	694									775	826
PRESERVER INS CO						3	730		1,461	1,970	2,269	2,301									2,793	3,134
PROCENTURY INS CO						1	1		1	1	1	1										
QBE INS CORP						1,432	1,891		2,339	2,657	2,843	2,862									3,472	3,868
REDWOOD FIRE & CAS INS CO						1,639	2,469		3,291	3,869	4,207	4,243										
REPUBLIC WESTERN INS CO				5		13	16		19	21	22	22									26	28
RIVERPORT INS CO				4		6	9		12	14	15	15									25	32
ROCHDALE INS CO				15		15	15		15	15	15	15									15	15
SAFETY NATL CAS CORP							New to quota	26	52	70	80	81									274	394
SAFWAY COUNTY MUTUAL INS CO/OAK BROOK COUNTY MUTUAL		1		1		1	1		1	1	1	1									1	1
SENECA INS CO		1		4		53	67		81	91	97	91									131	36
SOMPO JAPAN F & M INS CO AMER							New to quota	1	1	1	2	2									3	4

TAIPA OTPP Over/Under Report

COMPANY Year-end 2008 Year-end 2009 Year-end 2010 Year-end 2011 1st Qrt 2012 2nd Qrt 2012 3rd Qrt 2012 4th Qrt 2012 Year-end 2012 1st Qrt 2013 2nd Qrt 2013

OTHER THAN PP	Year-end 2008		Year-end 2009		Year-end 2010		Year-end 2011		1st Qrt 2012		2nd Qrt 2012		3rd Qrt 2012		4th Qrt 2012		Year-end 2012		1st Qrt 2013		2nd Qrt 2013	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
SPARTA INS CO					3,518	5,202	5,832	6,451	6,888	7,144	7,172	(buy-out)										
STARR IND & LIABILITY CO						New to quota	13	26	35	40	41									916	(buy-out)	1,453
STATE FARM MUT AUTO INS CO	255,742		207,368	165,126	163,210	166,829	171,812	175,422	176,180	176,180	176,180									179,263		190,197
TECHNOLOGY INS CO INC				94	487	589	687	757	798	802										994		1,116
TEXAS FARM BUREAU CAS INS CO (prev. Southern Farm Bur)	52,975		42,968	31,376	38,931	37,651	37,651	37,651	37,651	37,262	37,445									40,170		39,424
TEXAS HOSPITAL INS EXCH	9,509		9,649	10,153	10,501	10,570	10,570	10,620	10,620	10,648	10,651									10,737		10,793
TIG INS CO																				New to quota	145	co 0 due to QTA gen from Torus
TORUS NATIONAL INS CO																						233
TOWER MATL INS CO						277	745	1,213	1,540	1,732	1,753										2,246	2,576
ULLICO CAS CO																						436
UNINTRN AUTO & HOME INS CO	2,909		31,357	32,159	32,159	32,159	32,159	32,159	32,159	32,159	32,159										32,159	32,159
WININGS INS CO																						62
TOTALS	1,861,351	1,861,351	1,576,537	1,576,537	1,563,609	1,768,909	1,780,529	1,837,497	1,891,388	1,937,349	1,946,328	1,946,328	1,957,235	1,957,235	1,957,235	1,957,235	1,957,235	1,957,235	1,957,235	1,957,235	1,954,305	1,954,305

PREMIUMS CREDITED	3,132,043	3,040,994	2,391,554	1,696,221	546,102 1st qtr	548,389 2nd qtr	382,622 3rd qtr	213,418 4th qtr	1,702,128	721,859 1st qtr	441,039 2nd qtr
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ADMINISTRATION

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

Friday, March 21, 2014
Omni Austin Hotel Southpark

AUGUST 2014:

Friday, August 22, 2014
Held by teleconference

NOVEMBER 2014:

Friday, November 21, 2014
Omni Austin Hotel Southpark