

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

1. Call to Order
2. Reading of the Anti-Trust Statement
3. Election of Officers
4. Recognition of Fred Strauss's Service to TAIPA
5. Recognition of Carol Berthold's Service to TAIPA
6. Review and Approval of the Minutes of the November 8, 2013 Meeting (Exhibit 1)
7. Manager's Report
  - A. Application Count Update
    - a. Year End 2013 (Exhibit 2)
    - b. As of February 2014 (Exhibit 3)
  - B. Financial Update
    - a. Year End 2013 (Exhibit 4)
    - b. As of January 2014 (Exhibit 5)
  - C. Application System Update
  - D. Conflict of Interest Policy
8. Strategic Planning Subcommittee Report
  - A. Current Staffing
  - B. 2014 Recommendations
  - C. Enterprise Risk Management
9. Operations Subcommittee Report
  - A. Over/Under Report (Exhibit 6)
  - B. Changes Required to Implement "Mandatory EASi"
    - a. Transition Procedure (Exhibit 7)
    - b. Changes to Plan of Operation (Exhibit 8)
    - c. Changes to Producer Certification Manual (Exhibit 9)
10. Audit/Finance Committee Report
  - A. Audit Engagement Letter (Exhibit 10)
11. Report of Counsel
  - A. TAIPA Rates
12. Next Meeting—August 22, 2014 (To be held by teleconference)
13. Personnel Matters
14. 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, as permitted under Chapter 551, Government Code.

TAIPA Governing Committee Meeting  
November 8, 2013

**TAIPA GOVERNING COMMITTEE MEETING MINUTES  
NOVEMBER 8, 2013 AT 9:00 AM  
MARRIOTT AUSTIN SOUTH HOTEL**

**ATTENDEES:**

**MEMBERS:**

Mary Carol Awalt, Public Member  
Carol Berthold, GEICO (Via telephone)  
Bill Brooks, Texas Farm Bureau Casualty (Via telephone)  
Jason Callahan, Liberty Mutual/Safeco (Via telephone)  
George Cooper, State Farm  
Pete Hamel, Producer 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:**

Michael Jones, Thompson, Coe, Cousins & Irons

**TAIPA STAFF:**

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

**OTHERS:**

Marianne Baker, TDI  
Doug Beck, Farmers (Via telephone)  
John Lusardi, Universal Casualty (Via telephone)  
Ramon Montalvo, Producer Member Alternate (Via telephone)  
David Nardecchia, OPIC  
Salina Perez, TDI

**ITEM 1: CALL TO ORDER**

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

**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

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

Introductions were made.

**ITEM 3: MOMENT OF SILENCE IN MEMORY OF DICK GEIGER**

A moment of silence was observed in memory of Dick Geiger, who recently passed away.

**ITEM 4: REVIEW AND APPROVAL OF THE MINUTES OF THE AUGUST 9, 2013 MEETING (EXHIBIT 1)**

It was moved by Dick Lonquist and seconded by Corise Morrison to:  
“Accept the minutes of the August meeting.”  
The motion carried unanimously.

**ITEM 5: MANAGER’S REPORT**

**A. APPLICATION COUNT UPDATE (EXHIBIT 2)**

James Langford stated the September 2013 count was unique because it’s the first time applications received in a month in the current year exceeded applications received in the same month the prior year. TAIPA received 491 applications in September 2013, compared to 393 in September 2012. However, with the October counts, we’ve reverted back to the “normal” trend of receiving fewer applications in the current month than in the same month the prior year, receiving about 5% fewer applications in October 2013 than in October 2012. At this point, we estimate we will receive 5,000-5,100 applications in 2013.

**B. FINANCIAL UPDATE (EXHIBIT 3)**

James Langford stated TAIPA expected to be at 75% of the budget used at the end of September and is currently under budget at about 64%. The items that are over budget were explained. At this point, we estimate we’ll end 2013 about 12-14% under budget.

**C. UPDATE ON 2013 REQUESTS FOR PROPOSAL**

**A. 2013 COMPENSATION STUDY (EXHIBIT 4)**

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James Langford stated Intelligent Compensation performed a study of job descriptions and salary levels at TAIPA. Their proposed compensation manual, including salary ranges and a performance appraisal form, is shown in Exhibit 4.

It was moved by Thomas Rolling and seconded by Kit Morris to:

“Adopt the new compensation manual.”

It was asked if there are any major philosophical changes in the proposed compensation manual from what TAIPA does currently. There aren't any major changes; the study was performed more to review and formalize the compensation procedure, salary levels, and job descriptions.

There was discussion regarding if counsel should review the proposed compensation manual. The motion and second were amended to:

“Adopt the new compensation manual, subject to review by HR counsel.”

The motion carried unanimously.

Intelligent Compensation also recommended that the Governing Committee consider having a total compensation study performed on the Association Manager position. TAIPA does not feel this is necessary, as the Association Manager doesn't receive any compensation other than salary (which was already reviewed as part of the compensation study). The Governing Committee's consensus was not to perform the total compensation study on the Association Manager position.

#### **B. INFORMATION TECHNOLOGY CONSULTANT**

James Langford stated the IT Consultant RFP was sent to 14 companies. Four bids were received, including one from TAIPA's current consultant. The decision was made to continue with the current consultant, as his costs were the lowest and his expertise will be needed as we make the upgrade to a new application system.

#### **D. 2014 REQUESTS FOR PROPOSAL**

James Langford stated the Governing Committee previously adopted a procedure that contracts in place for five years are to be evaluated regardless of contract amount for certain categories of expenses. This year, the Governing Committee should consider if an RFP should be done for TAIPA's legal counsel, actuary, and auditor. TAIPA recommends forgoing each, as legal counsel and the actuary are currently working on an alternative ratemaking strategy for Private Passenger, and as we have a very good relationship with the auditors. The Governing Committee's consensus was to forgo the RFP's for 2014. These will be reviewed again next year to determine if RFP's should be done in 2015.

#### **E. 2014 BUDGET (EXHIBIT 5)**

James Langford presented the 2014 budget request. The 2014 proposed budget is \$1,175,800, which is 9.57% less than in 2013. The 2014 proposed assessment is

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\$1,000,000, which is 13.04% less than in 2013. Budget categories with increases and decreases were explained.

It was asked why the budget for the actuary isn't decreasing more if we aren't expecting to have a rate hearing. Although we don't expect a hearing, there are still significant fees for analyzing the data and proposing a rate change. Additionally, extra funds were budgeted for the actuary to work with counsel on an alternative ratemaking strategy for Private Passenger, so we should see more of a decrease in future years.

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

“Approve the 2014 budget of \$1,175,800 as shown in Exhibit 5.”

The motion carried with 12 in favor and one abstention (Jackson).

It was moved by Corise Morrison and seconded by George Cooper to:

“Give TAIPA the authority to assess the industry for \$1,000,000.”

The motion carried with 12 in favor and one abstention (Jackson).

#### **F. APPLICATION SYSTEM UPDATE**

James Langford stated AIPSO has completed the initial programming of the EASi 2.0 system, which is the external part of the system used by producers. It was turned over to TAIPA for user acceptance testing in late October, and testing is expected to continue through early December. The target launch date is February 2014, although this could change depending on how extensive the feedback from testing is. TAIPA staff has reviewed a test version of the APS system, which is the internal part of the system used for keying applications and making assignments. There are a few outstanding issues to discuss with AIPSO regarding modifications needed, and then programming can begin. The target launch date is end of first quarter 2014, although this is very preliminary.

As discussed previously, TAIPA plans to eliminate use of “paper” applications in 2014. Staff will review the Plan of Operation and other documents to see what changes will be required in order to eliminate “paper” applications, and will then present to the Operations Subcommittee. Additionally, staff will present information on the communication that will be sent to producers about the change, as well as a procedure for handling applications that don't follow the new procedure. The Governing Committee's consensus was for the Operations Subcommittee to review this information and make a recommendation at the next Governing Committee meeting.

#### **G. CURRENT STAFFING**

James Langford stated TAIPA currently has five full-time employees and one part-time employee (the Association Manager). TAIPA is adequately staffed for next year's anticipated application volume, and could handle additional applications if volume were to increase.

### **ITEM 6: OPERATIONS SUBCOMMITTEE REPORT**

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**A. OVER/UNDER REPORT (EXHIBIT 7)**

Bill Brooks stated both the Private Passenger and Other Than Private Passenger reports include a coversheet showing over- and under-assignments that were removed from storage during the last quarter, as the companies developed quotas. There were no other items of note.

**ITEM 7: STRATEGIC PLANNING SUBCOMMITTEE REPORT**

Dick Lonquist stated the Strategic Planning Subcommittee will meet in the first quarter of each year to review staffing and TAIPA's ability to perform in an efficient and cost-effective manner. Their next meeting will be held at the beginning of 2014, and they will provide their report at the next Governing Committee meeting.

**ITEM 8: REPORT OF COUNSEL**

Michael Jones stated he will work with TAIPA's actuary in the beginning of 2014 to develop an alternative ratemaking strategy for Private Passenger. He will also review the Open Meetings Act to see if we are required to have an Officer physically in attendance at teleconference meetings, or if any board member will suffice.

**ITEM 9: 2014 MEETING DATES (EXHIBIT 7)**

The 2014 dates are shown in Exhibit 7. The August meeting will be held as a teleconference. For the March and November meetings, there will be a conference line available for those who wish to call into the meetings instead of attending in-person.

**ITEM 10: PERSONNEL MATTERS**

No action was taken on this matter.

**ITEM 11: ADJOURNMENT**

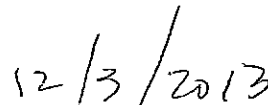
There being no further business to discuss, it was moved by Thomas Rolling and seconded by Mary Carol Awalt to:

“Adjourn the meeting.”

The motion carried unanimously. The meeting adjourned at 10:09 AM.



Signature of Secretary



Date Signed

RICHARD R. LONQUIST

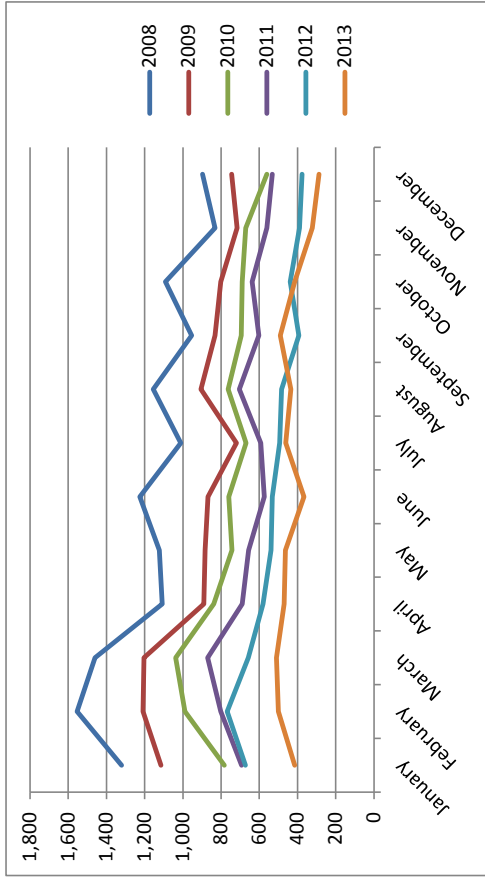
Printed Name of Secretary

| <b>Monthly Total (Dec. 2013)</b>            |   |                     |
|---|---|---------------------|
|   | <b>Private Passenger</b>                                  | <b>Commercial</b>   |
| <b>EASi Applications</b>                    | <b>243</b>  | <b>28</b>           |
| <b>Paper Applications</b>                   | <b>13</b>   | <b>3</b>            |
| <b>Total Applications Received</b>          | <b>256</b>  | <b>31</b>           |
| <b>Applications Assigned</b>                | <b>236</b>  | <b>29</b>           |
| <b>Applications Suspended</b>               | <b>20</b>   | <b>2</b>            |
| <b>Applications Rejected</b>                | <b>0</b>  | <b>0</b>            |
| <b>Applications Deficient</b>               | <b>32</b>   | <b>5</b>            |
| <b>Applications with SR-22s</b>             | <b>69</b>   | <b>1</b>            |
|   |   |                     |
|   | <b>Total Applications Received in Dec. 2012:</b>          | <b>376</b>          |
|   | <b>Total Applications Received in Dec. 2013:</b>          | <b>287</b>          |
| <b>Year to Date Total (as of Dec. 2013)</b> |   |                     |
|   | <b>Private Passenger</b>                                  | <b>Commercial</b>   |
| <b>EASi Applications</b>                    | <b>4,276</b>  | <b>486</b>          |
| <b>Paper Applications</b>                   | <b>278</b>  | <b>100</b>          |
| <b>Total Applications Received</b>          | <b>4,554</b>  | <b>586</b>          |
| <b>Applications Assigned</b>                | <b>4,168</b>  | <b>540</b>          |
| <b>Applications Suspended</b>               | <b>380</b>  | <b>46</b>           |
| <b>Applications Rejected</b>                | <b>6</b>  | <b>1</b>            |
| <b>Applications Deficient</b>               | <b>467</b>  | <b>42</b>           |
| <b>Applications with SR-22s</b>             | <b>1,227</b>  | <b>7</b>            |
|   |   |                     |
|   | <b>Total Applications Received YTD (as of Dec. 2012):</b> | <b>6,324</b>        |
|   | <b>Total Applications Received YTD (as of Dec. 2013):</b> | <b>5,140</b>        |
|   | <b>YTD Percent Change from Dec. 2012 to Dec. 2013:</b>    | <b>-18.72%</b>      |
| <b>Application Assignment History*</b>      |   |                     |
| <b>1993:</b> 723,165                        | <b>2000:</b> 44,945                                       | <b>2007:</b> 16,780 |
| <b>1994:</b> 716,036                        | <b>2001:</b> 53,477                                       | <b>2008:</b> 12,896 |
| <b>1995:</b> 461,059                        | <b>2002:</b> 66,153                                       | <b>2009:</b> 10,299 |
| <b>1996:</b> 214,744                        | <b>2003:</b> 74,506                                       | <b>2010:</b> 8,724  |
| <b>1997:</b> 95,461                         | <b>2004:</b> 47,434                                       | <b>2011:</b> 7,364  |
| <b>1998:</b> 55,041                         | <b>2005:</b> 31,517                                       | <b>2012:</b> 5,898  |
| <b>1999:</b> 47,108                         | <b>2006:</b> 23,634                                       | <b>2013:</b> 4,708  |

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

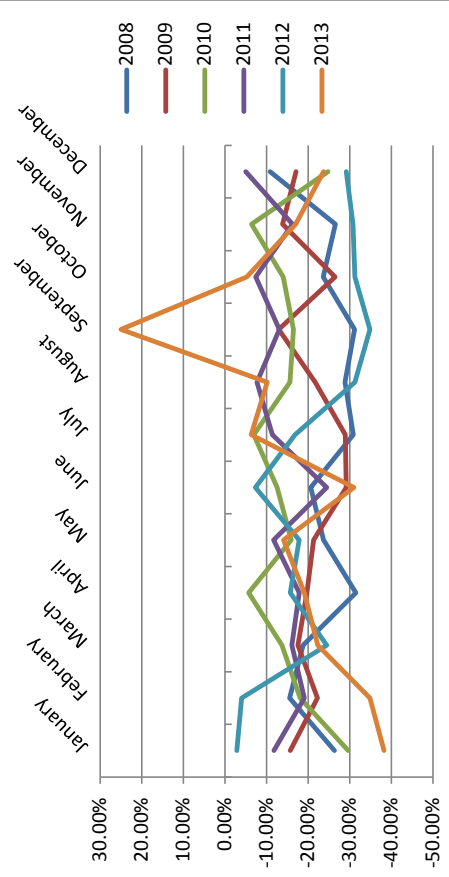
### Trend of Applications Received from 2008 to 2013

|              | 2008          | 2009          | 2010         | 2011         | 2012         | 2013         |
|--------------|---------------|---------------|--------------|--------------|--------------|--------------|
| January      | 1,321         | 1,114         | 784          | 692          | 672          | 415          |
| February     | 1,554         | 1,209         | 990          | 801          | 769          | 501          |
| March        | 1,459         | 1,203         | 1,038        | 871          | 658          | 511          |
| April        | 1,108         | 890           | 839          | 689          | 581          | 470          |
| May          | 1,123         | 884           | 743          | 656          | 539          | 463          |
| June         | 1,226         | 869           | 760          | 574          | 532          | 367          |
| July         | 1,011         | 719           | 669          | 593          | 493          | 462          |
| August       | 1,155         | 905           | 764          | 704          | 484          | 435          |
| September    | 954           | 831           | 694          | 603          | 393          | 491          |
| October      | 1,091         | 802           | 689          | 638          | 438          | 415          |
| November     | 832           | 717           | 671          | 561          | 389          | 323          |
| December     | 897           | 744           | 560          | 532          | 377          | 287          |
| <b>Total</b> | <b>13,731</b> | <b>10,887</b> | <b>9,200</b> | <b>7,914</b> | <b>6,325</b> | <b>5,140</b> |



### Percent Change in Applications Received

|                  | 2008           | 2009           | 2010           | 2011           | 2012           | 2013           |
|------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| January          | -26.28%        | -15.67%        | -29.62%        | -11.74%        | -2.89%         | -38.24%        |
| February         | -15.50%        | -22.20%        | -18.11%        | -19.09%        | -4.00%         | -34.85%        |
| March            | -18.76%        | -17.55%        | -13.72%        | -16.09%        | -24.46%        | -22.34%        |
| April            | -31.48%        | -19.68%        | -5.73%         | -17.88%        | -15.68%        | -19.11%        |
| May              | -23.66%        | -21.28%        | -15.95%        | -11.71%        | -17.84%        | -14.10%        |
| June             | -20.60%        | -29.12%        | -12.54%        | -24.47%        | -7.32%         | -31.02%        |
| July             | -30.85%        | -28.88%        | -6.95%         | -11.36%        | -16.86%        | -6.29%         |
| August           | -28.84%        | -21.65%        | -15.58%        | -7.73%         | -31.25%        | -10.12%        |
| September        | -31.12%        | -12.89%        | -16.49%        | -13.11%        | -34.83%        | 24.94%         |
| October          | -23.60%        | -26.49%        | -13.98%        | -7.40%         | -31.24%        | -5.25%         |
| November         | -26.50%        | -13.82%        | -6.42%         | -16.24%        | -30.78%        | -16.97%        |
| December         | -10.84%        | -17.06%        | -24.73%        | -5.00%         | -29.14%        | -23.67%        |
| <b>Total YTD</b> | <b>-24.12%</b> | <b>-20.72%</b> | <b>-15.49%</b> | <b>-13.98%</b> | <b>-20.08%</b> | <b>-18.72%</b> |

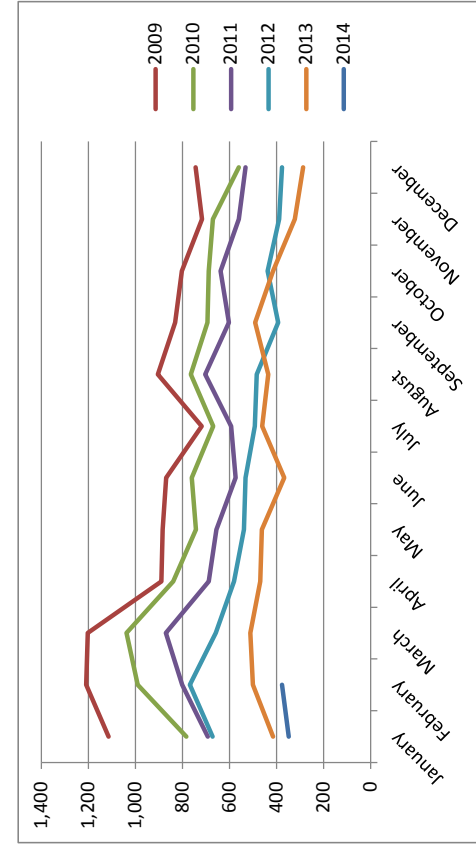




| <b>Monthly Total (February 2014)</b>                          |                          |                     |
|---|--------------------------|---------------------|
|   | <b>Private Passenger</b> | <b>Commercial</b>   |
| <b>EASi Applications</b>                                      | <b>313</b>               | <b>27</b>           |
| <b>Paper Applications</b>                                     | <b>26</b>                | <b>11</b>           |
| <b>Total Applications Received</b>                            | <b>339</b>               | <b>38</b>           |
| <b>Applications Assigned</b>                                  | <i>309</i>               | <i>33</i>           |
| <b>Applications Suspended</b>                                 | <i>29</i>                | <i>5</i>            |
| <b>Applications Rejected</b>                                  | <i>1</i>                 | <i>0</i>            |
| <b>Applications Deficient</b>                                 | <i>50</i>                | <i>16</i>           |
| <b>Applications with SR-22s</b>                               | <i>87</i>                | <i>0</i>            |
| <b>Total Applications Received in February 2013:</b>          | <b>501</b>               |                     |
| <b>Total Applications Received in February 2014:</b>          | <b>377</b>               |                     |
| <b>Year to Date Total (as of February 2014)</b>               |                          |                     |
|   | <b>Private Passenger</b> | <b>Commercial</b>   |
| <b>EASi Applications</b>                                      | <b>601</b>               | <b>69</b>           |
| <b>Paper Applications</b>                                     | <b>43</b>                | <b>13</b>           |
| <b>Total Applications Received</b>                            | <b>644</b>               | <b>82</b>           |
| <b>Applications Assigned</b>                                  | <i>592</i>               | <i>75</i>           |
| <b>Applications Suspended</b>                                 | <i>50</i>                | <i>7</i>            |
| <b>Applications Rejected</b>                                  | <i>2</i>                 | <i>0</i>            |
| <b>Applications Deficient</b>                                 | <i>90</i>                | <i>19</i>           |
| <b>Applications with SR-22s</b>                               | <i>158</i>               | <i>0</i>            |
| <b>Total Applications Received YTD (as of February 2013):</b> | <b>916</b>               |                     |
| <b>Total Applications Received YTD (as of February 2014):</b> | <b>726</b>               |                     |
| <b>YTD Percent Change from Feb. 2013 to Feb. 2014:</b>        | <b>-20.74%</b>           |                     |
| <b>Application Assignment History*</b>                        |                          |                     |
| <b>1993:</b> 723,165  | <b>2000:</b> 44,945      | <b>2007:</b> 16,780 |
| <b>1994:</b> 716,036  | <b>2001:</b> 53,477      | <b>2008:</b> 12,896 |
| <b>1995:</b> 461,059  | <b>2002:</b> 66,153      | <b>2009:</b> 10,299 |
| <b>1996:</b> 214,744  | <b>2003:</b> 74,506      | <b>2010:</b> 8,725  |
| <b>1997:</b> 95,461   | <b>2004:</b> 47,434      | <b>2011:</b> 7,364  |
| <b>1998:</b> 55,041   | <b>2005:</b> 31,517      | <b>2012:</b> 5,898  |
| <b>1999:</b> 47,108   | <b>2006:</b> 23,634      | <b>2013:</b> 4,708  |

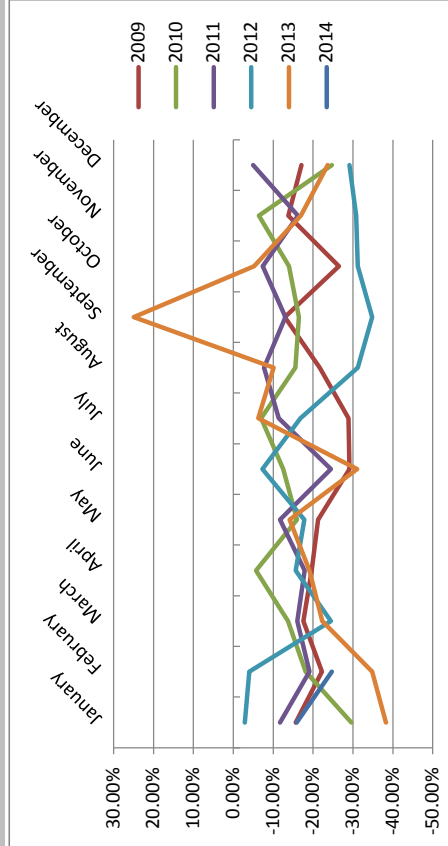
\*Application Assignment History based on applications assigned, not received.

### Trend of Applications Received from 2009 to 2014



Estimate of Applications to be Received in 2014: 3,670

### Percent Change in Applications Received



**Texas Auto Ins. Plan Assoc.**  
**ACTUAL VS. BUDGET--ADJUSTED**  
 For the period ended December 31, 2013

|  | 2013             | 2013                |              | 2013             |                |  |
|--|------------------|---------------------|--------------|------------------|----------------|--|
|  | Actual           | Year To Date Budget | Variance     | Annual Budget    | % Used         | Reason for Variance  |
| <b>REVENUE</b>                             |                  |                     |              |                  |                |  |
| Assessments & Penalties                    | 1,156,557        | 1,150,000           | 6,557        | 1,150,000        | 100.57%        |  |
| Other Revenue                              | 675              | 0                   | 675          | 0                | 0.00%          |  |
| <b>TOTAL</b>                               | <b>1,157,231</b> | <b>1,150,000</b>    | <b>7,231</b> | <b>1,150,000</b> | <b>100.63%</b> |  |
| <b>EXPENDITURES</b>                        |                  |                     |              |                  |                |  |
| Salaries                                   | 371,392          | 371,700             | 308          | 371,700          | 99.92%         | Within range.  |
| Emp. Benefits & Other Ins. Exp.            | 164,552          | 375,600             | 211,048      | 375,600          | 43.81%         | Line includes \$708 adjustment for vacation accrual and -\$198,266 for pension liability. Without adjustments, line was at 96.41% (price increase of insurance renewal was not as high as expected).   |
| Office Equipment Expense                   | 18,439           | 22,200              | 3,761        | 22,200           | 83.06%         | Did not need to purchase as many office supplies as expected; did not need to make many repairs.   |
| Printing & Stationary Exp.                 | 1,419            | 2,000               | 581          | 2,000            | 70.94%         | Did not need to purchase as many envelopes as expected.  |
| Computer Expenses                          | 8,237            | 10,300              | 2,063        | 10,300           | 79.97%         | Did not purchase upgraded operating system like expected, as we cannot do so until new application system is in place.   |
| Postage & Shipping Exp.                    | 21,453           | 26,400              | 4,947        | 26,400           | 81.26%         | Increase in postage costs was not as high as expected.   |
| Telephone Expense                          | 9,766            | 8,100               | -1,666       | 8,100            | 120.57%        | Taxes and fees on phone/internet service at new location are higher than at previous location (previous location was used for budgeting purposes).   |
| Rent Expense                               | 96,848           | 71,900              | -24,948      | 71,900           | 134.70%        | Line includes \$19,445 adjustment for deferred lease payment. Without adjustment, line was at 107.65% (operating expense reconciliation at old location was completed and all tenants owed additional fees due to a significant increase in property value, which increased property taxes). |
| Taxes                                      | 1,166            | 2,200               | 1,034        | 2,200            | 52.98%         | Property taxes weren't as high as expected due to disposing of excess inventory during the office move; received refund for excess taxes paid on copier in prior year.   |
| Other Office Expenses                      | 8,537            | 8,500               | -37          | 8,500            | 100.43%        | Within range.  |
| Governing Committee                        | 20,264           | 27,600              | 7,336        | 27,600           | 73.42%         | Meals and lodging were much less than expected due to decrease in in-person attendance.  |
| Operation Sub-committee                    | 5,011            | 6,000               | 989          | 6,000            | 83.51%         | Held fewer Ops Sub meetings than expected.   |
| Producer Review Panel                      | 0                | 3,500               | 3,500        | 3,500            | 0.00%          | Did not hold a Producer Review Panel meeting in 2013.  |
| Employee Meetings, Seminars & Staff Travel | 10,436           | 16,000              | 5,564        | 16,000           | 65.23%         | Half of staff pursued education, the other half elected not to do so.  |
| Legal Expenses                             | 48,588           | 117,500             | 68,912       | 117,500          | 41.35%         | Had very few Ops Sub expenses, no Review Panel expenses, less Daily Association expense than expected, and less Rate Filing expense than expected.   |

|  | 2013<br>Actual | 2013<br>Year To Date<br>Budget | Variance         | 2013<br>Annual<br>Budget | % Used         | Reason for Variance   |
|--|----------------|--------------------------------|------------------|--------------------------|----------------|---|
| Audit Expense                              | 19,954         | 22,600                         | 2,646            | 22,600                   | 88.29%         | Annual audit expense was less than expected.  |
| Dues, Subscriptions & Publications         | 1,783          | 1,900                          | 117              | 1,900                    | 93.85%         | Did not subscribe to any new publications; cost of current subscriptions did not increase as much as expected.  |
| TAIPA Tradition, Visitor Meals & Gifts     | 2,328          | 3,600                          | 1,272            | 3,600                    | 64.68%         | Did not have as many funerals/"life events" as budgeted.  |
| System Consultants                         | 38,816         | 104,200                        | 65,384           | 104,200                  | 37.25%         | 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). |
| Consultants - Other                        | 19,845         | 29,400                         | 9,555            | 29,400                   | 67.50%         | Salary survey cost less than expected.  |
| Actuary                                    | 28,372         | 55,400                         | 27,028           | 55,400                   | 51.21%         | First half of the 2013 rate filing took place in 2012; a new filing was not started in 2013.  |
| Other                                      | 0              | 0                              | 0                | 0                        | 0.00%          | No other expenses in 2013.  |
| <b>SUBTOTAL</b>                            | <b>897,206</b> | <b>1,286,600</b>               | <b>389,394</b>   | <b>1,286,600</b>         | <b>69.73%</b>  | Without adjustments, line was at 83.58%.  |
| Depreciation                               | 14,378         | 13,700                         | -678             | 13,700                   | 104.95%        | Within range.   |
| Amortization                               | 0              | 0                              | 0                | 0                        | 0.00%          | No amortization in 2013.  |
| Gain (Loss) on Disposition of Fixed Assets | 0              | 0                              | 0                | 0                        | 0.00%          | Did not sell any assets in 2013.  |
| <b>SUBTOTAL</b>                            | <b>14,378</b>  | <b>13,700</b>                  | <b>-678</b>      | <b>13,700</b>            | <b>104.95%</b> |   |
| <b>TOTAL OPERATING EXPENSE</b>             | <b>911,584</b> | <b>1,300,300</b>               | <b>388,716</b>   | <b>1,300,300</b>         | <b>70.11%</b>  | Without adjustments, line was at 83.80%.  |
| <b>NET FROM OPERATIONS</b>                 | <b>245,648</b> | <b>-150,300</b>                | <b>395,948</b>   | <b>-150,300</b>          |                |   |
| Non-Operating Pension Costs                | -683,242       | 0                              | 683,242          | 0                        | 0.00%          | Line reflects adjustment for decrease in the pension liability.   |
| <b>NET</b>                                 | <b>928,890</b> | <b>-150,300</b>                | <b>1,079,190</b> | <b>-150,300</b>          |                |   |
| <b>CAPITAL BUDGET</b>                      |                |                                |                  |                          |                |   |
| Software Development in Progress           | 0              | 0                              | 0                | 0                        | 0.00%          | No software development in progress in 2013.  |
| Office Furniture & Equipment               | 0              | 0                              | 0                | 0                        | 0.00%          | No furniture & fixture expenditures in 2013.  |
| Computer Equipment                         | 0              | 0                              | 0                | 0                        | 0.00%          | No computer equipment expenditures in 2013.   |
| Computer Software                          | 0              | 0                              | 0                | 0                        | 0.00%          | No computer software expenditures in 2013.  |
| Leasehold Improvements                     | 0              | 0                              | 0                | 0                        | 0.00%          | No leasehold improvement expenditures in 2013.  |
| <b>TOTAL</b>                               | <b>0</b>       | <b>0</b>                       | <b>0</b>         | <b>0</b>                 | <b>0.00%</b>   |   |

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--Adjusted**

As Of December 31, 2013

Unaudited

## ASSETS

## Current Assets

|                           |                |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 239,218     |
| Accounts receivable       | 2,500          |
| Prepaid expenses          | 53,323         |
| Total current assets      | <u>295,042</u> |

## Property and Equipment

|                               |                |
|-------------------------------|----------------|
| Furniture and equipment       | 38,921         |
| Computer equipment            | 25,569         |
| Leasehold improvements        | 50,007         |
| Computer software             | 9,858          |
|                               | <u>124,356</u> |
| Less accumulated depreciation | <u>76,472</u>  |
|                               | <u>47,884</u>  |

|              |                       |
|--------------|-----------------------|
| Total assets | <u><u>342,925</u></u> |
|--------------|-----------------------|

## LIABILITIES AND NET ASSETS

## Current Liabilities

|                             |               |
|-----------------------------|---------------|
| Accounts payable            | 5,568         |
| Accrued vacation            | 21,153        |
| Accrued payroll liabilities | 4,624         |
| Total current liabilities   | <u>31,345</u> |

## Other Liabilities

|                               |                |
|-------------------------------|----------------|
| Accrued pension benefit costs | 177,379        |
| Deferred lease benefit        | 36,880         |
| Total other liabilities       | <u>214,259</u> |

## Net (Deficiency) Assets

|              |               |
|--------------|---------------|
| Unrestricted | <u>97,321</u> |
|--------------|---------------|

|                  |               |
|------------------|---------------|
| Total net assets | <u>97,321</u> |
|------------------|---------------|

|                                  |                          |
|----------------------------------|--------------------------|
| Total liabilities and net assets | <u><u>\$ 342,925</u></u> |
|----------------------------------|--------------------------|

# *Texas Auto Ins. Plan Assoc.*

## Statement of Activities--Adjusted

For the period ended December 31, 2013

Unaudited

### Changes in unrestricted net assets

|  | <b>Current<br/>YTD</b> |
|--|------------------------|
| Member assessments                                     | \$ 1,150,900           |
| Interest income  | 675                    |
| Assessment penalties                                   | 5,656                  |
| Total revenues   | 1,157,231              |
| <br>   |                        |
| Expenses   |                        |
| Salaries and related expenses                          | 535,944                |
| Occupancy expenses                                     | 107,780                |
| Professional Services                                  | 155,575                |
| Depreciation & amortization                            | 14,378                 |
| Postage and delivery                                   | 21,453                 |
| Office supplies and expense                            | 19,858                 |
| Governing committee                                    | 20,264                 |
| Computer supplies & expenses                           | 8,237                  |
| Operation Sub-committee                                | 5,011                  |
| Staff education & seminars                             | 10,436                 |
| Miscellaneous  | 8,537                  |
| Staff expense  | 2,328                  |
| Dues and subscriptions                                 | 1,783                  |
| Total operating expenses                               | 911,584                |
| <br>   |                        |
| Other revenues (expenses)                              |                        |
| <i>Pension minimum liability adjustment</i>            | 683,242                |
| Total other revenue expenses                           | 683,242                |
| <br>   |                        |
| <i>Increase (decrease) in unrestricted net assets</i>  | 928,890                |
| <br>   |                        |
| <i>Net assets (deficiency) at beginning of year</i>    | (831,569)              |
| <br>   |                        |
| <i>Net assets (deficiency) as of December 31, 2013</i> | \$ 97,321              |

**Texas Auto Ins. Plan Assoc.**

**ACTUAL VS. BUDGET**

For the period ended January 31, 2014

|  | 2014          | 2014                | 2014      | 2014             | Reason for Variance   |
|--|---------------|---------------------|-----------|------------------|---|
|  | Actual        | Year To Date Budget | Variance  | Annual Budget    | % Used  |
| <b>REVENUE</b>                             |               |                     |           |                  |   |
| Assessments & Penalties                    | 83,342        | 83,333              | 8         | 1,000,000        | 8.33%   |
| Other Revenue                              | 18            | 0                   | 18        | 0                | 0.00%   |
| <b>TOTAL</b>                               | <b>83,360</b> | <b>83,333</b>       | <b>26</b> | <b>1,000,000</b> | <b>8.34%</b>  |
| <b>EXPENDITURES</b>                        |               |                     |           |                  |   |
| Salaries                                   | 33,306        | 31,942              | -1,364    | 383,300          | 8.69% Within range.   |
| Emp. Benefits & Other Ins. Exp.            | 32,871        | 32,042              | -829      | 384,500          | 8.55% Within range.   |
| Office Equipment Expense                   | 1,650         | 1,633               | -17       | 19,600           | 8.42% Within range.   |
| Printing & Stationary Exp.                 | 0             | 225                 | 225       | 2,700            | 0.00% Have not had any assignment notices or envelopes printed yet.   |
| Computer Expenses                          | 649           | 1,067               | 418       | 12,800           | 5.07% Within range.   |
| Postage & Shipping Exp.                    | 3,185         | 2,175               | -1,010    | 26,100           | 12.20% Within range.  |
| Telephone Expense                          | 814           | 825                 | 11        | 9,900            | 8.23% Within range.   |
| Rent Expense                               | 7,952         | 8,258               | 307       | 99,100           | 8.02% Within range.   |
| Taxes                                      | 0             | 183                 | 183       | 2,200            | 0.00% Taxes are not due until later in the year.  |
| Other Office Expenses                      | 240           | 825                 | 585       | 9,900            | Have not had to write-off many assessments to date; other events are later in 2.42% the year.   |
| Governing Committee                        | 0             | 1,875               | 1,875     | 22,500           | 0.00% No Governing Committee meetings held yet.   |
| Operation Sub-committee                    | 500           | 167                 | -333      | 2,000            | Held Strategic Planning Subcommittee meeting in January; planning two 25.00% Ops Sub meetings later in the year; expect to end on budget. |
| Producer Review Panel                      | 0             | 292                 | 292       | 3,500            | 0.00% No Producer Review Panel meetings held yet.   |
| Employee Meetings, Seminars & Staff Travel | 3,961         | 1,158               | -2,802    | 13,900           | Have already paid spring semester tuition for one employee, plus several 28.49% courses for another employee; expect to end on budget.    |
| Legal Expenses                             | 0             | 4,108               | 4,108     | 49,300           | 0.00% Have not had any legal work yet.  |
| Audit Expense                              | 0             | 1,917               | 1,917     | 23,000           | 0.00% Haven't had annual audit or incurred any consulting fees yet.   |

|  | 2014          |                     | 2014         |                  | Reason for Variance  |
|--|---------------|---------------------|--------------|------------------|--|
|  | Actual        | Year To Date Budget | Variance     | Annual Budget    |  |
| Dues, Subscriptions & Publications         | 345           | 158                 | -186         | 1,900            | 18.14% <i>Already paid for annual renewals of some subscriptions; expect to end under budget, as actual prices of some renewals were less than expected.</i> |
| TAPA Tradition, Visitor Meals & Gifts      | 126           | 300                 | 174          | 3,600            | 3.50% Within range.  |
| System Consultants                         | 2,125         | 3,183               | 1,058        | 38,200           | 5.56% Within range.  |
| Consultants - Other                        | 620           | 292                 | -328         | 3,500            | 17.70% <i>Already paid annual fee to one consultant; expect to end on budget.</i>  |
| Actuary                                    | 3,760         | 4,217               | 456          | 50,600           | 7.43% Within range.  |
| Other                                      | 0             | 0                   | 0            | 0                | 0.00% No other expenses to date.   |
| <b>SUBTOTAL</b>                            | <b>92,102</b> | <b>96,842</b>       | <b>4,740</b> | <b>1,162,100</b> | <b>7.93%</b>   |
| Depreciation                               | 1,076         | 1,083               | 7            | 13,000           | 8.28% Within range.  |
| Amortization                               | 0             | 0                   | 0            | 0                | 0.00% No amortization expected this year.  |
| Gain (Loss) on Disposition of Fixed Assets | 0             | 0                   | 0            | 0                | 0.00% Have not sold any assets in 2014.  |
| <b>SUBTOTAL</b>                            | <b>1,076</b>  | <b>1,083</b>        | <b>7</b>     | <b>13,000</b>    | <b>8.28%</b>   |
| <b>TOTAL OPERATING EXPENSE</b>             | <b>93,178</b> | <b>97,925</b>       | <b>4,747</b> | <b>1,175,100</b> | <b>7.93%</b>   |
| <b>NET FROM OPERATIONS</b>                 | <b>-9,818</b> | <b>-14,592</b>      | <b>4,773</b> | <b>-175,100</b>  |  |
| Non-Operating Pension Costs                | 0             | 0                   | 0            | 0                | 0.00% Pension adjustment will not be made until year end.  |
| <b>NET</b>                                 | <b>-9,818</b> | <b>-14,592</b>      | <b>4,773</b> | <b>-175,100</b>  |  |
| <b>CAPITAL BUDGET</b>                      |               |                     |              |                  |  |
| Software Development in Progress           | 0             | 0                   | 0            | 0                | 0.00% No software development in progress.   |
| Office Furniture & Equipment               | 0             | 0                   | 0            | 0                | 0.00% No furniture & fixture expenditures in 2014.   |
| Computer Equipment                         | 0             | 0                   | 0            | 0                | 0.00% No computer equipment expenditures in 2014.  |
| Computer Software                          | 0             | 0                   | 0            | 0                | 0.00% No computer software expenditures in 2014.   |
| Leasehold Improvements                     | 0             | 0                   | 0            | 0                | 0.00% No leasehold improvement expenditures in 2014.   |
| <b>TOTAL</b>                               | <b>0</b>      | <b>0</b>            | <b>0</b>     | <b>0</b>         | <b>0.00%</b>   |

*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 January 31, 2014

Unaudited

### ASSETS

|                               |            |
|-------------------------------|------------|
| Current Assets                |            |
| Cash and cash equivalents     | \$ 787,828 |
| Accounts receivable           | 366,003    |
| Prepaid expenses              | 50,798     |
| Total current assets          | 1,204,630  |
| 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 | 77,548     |
|                               | 46,808     |
| Total assets                  | 1,251,437  |

### LIABILITIES AND NET ASSETS

|                                  |              |
|----------------------------------|--------------|
| Current Liabilities              |              |
| Accounts payable                 | 4,555        |
| Accrued vacation                 | 21,153       |
| Accrued payroll liabilities      | 7,210        |
| Deferred revenue                 | 916,758      |
| Total current liabilities        | 949,676      |
| Other Liabilities                |              |
| Accrued pension benefit costs    | 177,379      |
| Deferred lease benefit           | 36,880       |
| Total other liabilities          | 214,259      |
| Net (Deficiency) Assets          |              |
| Unrestricted                     | 87,502       |
| Total net assets                 | 87,502       |
| Total liabilities and net assets | \$ 1,251,437 |

# *Texas Auto Ins. Plan Assoc.*

## Statement of Activities

For the period ended January 31, 2014

Unaudited

### Changes in unrestricted net assets

|   | <b>Current<br/>YTD</b> |
|---|------------------------|
| Member assessments                                    | \$ 83,342              |
| Interest income                                       | 18                     |
| Total revenues  | 83,360                 |
| <b>Expenses</b>                                       |                        |
| Salaries and related expenses                         | 66,177                 |
| Occupancy expenses                                    | 8,766                  |
| Professional Services                                 | 6,505                  |
| Depreciation & amortization                           | 1,076                  |
| Postage and delivery                                  | 3,185                  |
| Office supplies and expense                           | 1,650                  |
| Computer supplies & expenses                          | 649                    |
| Operation Sub-committee                               | 500                    |
| Staff education & seminars                            | 3,961                  |
| Miscellaneous   | 240                    |
| Staff expense   | 126                    |
| Dues and subscriptions                                | 345                    |
| Total operating expenses                              | 93,178                 |
| <b>Other revenues (expenses)</b>                      |                        |
| Total other revenue expenses                          | -                      |
| <i>Increase (decrease) in unrestricted net assets</i> | (9,818)                |
| <i>Net assets (deficiency) at beginning of year</i>   | 97,320                 |
| <i>Net assets (deficiency) as of January 31, 2014</i> | \$ 87,502              |

COMPANY 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 3rd QTR 2013

| COMPANY  | 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 | 3rd QTR 2013 |         |        |         |  |         |  |        |        |         |         |  |  |         |              |
|--|---------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|---------|--------|---------|--|---------|--|--------|--------|---------|---------|--|--|---------|--------------|
|  | OVER          | UNDR          | OVER          | UNDR         | OVER         | UNDR         | OVER         | UNDR          | OVER         | UNDR         | OVER         | UNDR    |        |         |  |         |  |        |        |         |         |  |  |         |              |
| PRIVATE PASSENGER                              | 374,290       |               | 100,816       |              | 90,492       |              | 124,571      |               | 76,608       |              | 828          | 9,253   |        |         |  | 177,367 |  | 61,198 |        | 212,034 |         |  |  | 256,646 |              |
| 21ST CENTURY CENTENNIAL INS CO (SC)            |               |               |               |              |              |              |              |               |              |              |              |         |        |         |  |         |  |        |        |         |         |  |  |         |              |
| ACE AMERICA                                    |               | 0             |               | 45           |              | 404          |              | 641           |              |              | 828          |         | 1,051  |         |  |         |  |        | 1,538  |         | 248,102 |  |  |         | 247,859      |
| ALFA SPECIALTY INS CORP                        |               | 2             |               | 71           |              | 333          | 1,451        |               | 1,224        |              |              |         |        |         |  |         |  |        | 82     |         |         |  |  |         | 143          |
| ALLSTATE INS CO                                |               | 62,945        |               | 20,881       |              | 25,531       |              | 22,473        |              |              | 925          |         | 15,830 |         |  |         |  |        | 4,594  |         | 67,032  |  |  |         | 75,836       |
| AMER MERCURY INS CO                            |               | 2,471         | 2,559         |              | 5,250        |              | 779          |               | 2,079        |              |              | 2,343   |        |         |  |         |  |        | 197    |         | 2,378   |  |  |         | 626          |
| ASSURANCEAMERICA INS CO                        |               |               |               | 40           |              | 68           |              | 68            |              |              | 80           |         | 125    |         |  |         |  |        | 277    |         | 386     |  |  |         | 435          |
| AutoOne INS CO (prev Penn General)             |               | 220,909       |               | 61,581       | 1,239        |              | 159,671      |               | 204,049      |              |              | 254,925 |        | 254,916 |  |         |  |        |        |         | 320,378 |  |  |         | 322,390      |
| COLONIAL LLOYDS                                |               | 346           |               | 1,101        |              | 1,272        |              | 1,276         |              |              | 1,276        |         |        |         |  |         |  |        | 1,276  |         | 1,277   |  |  |         | 1,277        |
| COMPANION PROP & CAS INS CO                    |               | 0             |               | 8            |              | 44           |              | 64            |              |              | 81           |         | 101    |         |  |         |  |        | 145    |         | 188     |  |  |         | 213          |
| GOVERNMENT EMPLOYEES INS CO                    |               | 38,449        |               | 13,521       | 721          |              |              | 5,661         | 5,448        |              |              |         |        |         |  |         |  |        | 11,945 |         | 59,439  |  |  |         | 74,488       |
| GRAMERCY INS CO                                |               |               |               |              |              |              |              |               |              |              |              |         |        |         |  |         |  |        | 60     |         |         |  |  |         | 68           |
| HALLMARK COUNTY MUT INS CO                     |               |               |               | 180          |              | 6,967        | (buy out)    |               |              |              |              |         |        |         |  |         |  |        |        |         |         |  |  |         |              |
| HOMEOWNERS OF AMER INS CO                      |               | 0             |               | 198          |              | 1,649        |              | 2,283         |              |              | 2,684        |         | 3,057  |         |  |         |  |        | 3,596  |         |         |  |  |         | 4,329        |
| HOUSTON GENERAL INS EXCH (withdrawn & sold PP) |               | 2,415         |               | 3,000        |              | 3,006        | (buy out)    |               |              |              |              |         |        |         |  |         |  |        |        |         |         |  |  |         | 3,006        |
| IMPERIAL FIRE & CAS                            |               | 1,586         |               | 1,903        | 316          |              | 257          |               | 1,108        |              |              |         |        |         |  |         |  |        |        |         | 1,491   |  |  |         | 1,475        |
| KNIGHTBROOK INS CO                             |               |               |               |              |              |              |              |               |              |              |              |         |        |         |  |         |  |        |        |         |         |  |  |         | New to quota |
|  |               |               |               |              |              |              |              |               |              |              |              |         |        |         |  |         |  |        |        |         |         |  |  |         | 2            |

RWD

R/R/CVR

RWD

RWD

COMPANY 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 3rd QTR 2013

|   | OVER    | UNDR    | OVER    | UNDR    | OVER    | UNDR    | OVER    | UNDR    | OVER    | UNDR      | OVER      | UNDR      | OVER      | UNDR      | OVER      | UNDR      | OVER      | UNDR      |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| PRIVATE PASSENGER                           |         |         |         |         |         |         |         |         |         |           |           |           |           |           |           |           |           |           |
| LINCOLN GENERAL                             |         | 101,427 | 51,328  | 51,337  | 51,337  | 51,337  | 51,337  | 51,337  | 51,337  | 51,337    | 51,337    | 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     | 2,210     | 2,210     | 2,210     | 2,210     | 2,210     | 2,210     | 2,210     | 2,210     |
| NATIONAL LIABILITY & FIRE (SC)              |         | 0       | 36,708  | 1,826   | 80,245  | 63,104  | 55,502  | 244,401 | 46,841  | 240,910   | 240,910   | 240,910   | 240,910   | 240,910   | 240,910   | 240,910   | 240,910   | 240,910   |
| QBE INS CORP                                |         | 4       | 29      | 40      | 40      | 41      | 43      | 44      | 48      | 54        | 54        | 54        | 54        | 54        | 54        | 54        | 54        | 54        |
| SECURITY NATIONAL                           |         | 49,779  | 49,779  | 49,779  | 49,779  | 49,779  | 49,779  | 49,779  | 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       | 885       | 885       | 885       | 885       | 885       | 885       | 885       |
| SOMPO JAPAN INS CO (prev Yasuda F&M)        | 1,977   |         | 1,976   | 1,976   | 1,976   | 1,976   | 1,976   | 1,976   | 1,976   | 1,976     | 1,976     | 1,976     | 1,976     | 1,976     | 1,976     | 1,976     | 1,976     | 1,976     |
| SOUTHLAND LLOYDS INS CO                     |         | 235     | 274     | 292     | 293     | 293     | 293     | 293     | 293     | 293       | 293       | 293       | 293       | 293       | 293       | 293       | 293       | 293       |
| STARR INDEMNITY & LIABILITY CO              |         |         | 1       | 147     | 378     | 495     | 577     | 678     | 697     | 871       | 871       | 871       | 871       | 871       | 871       | 871       | 871       | 871       |
| STATE FARM MULT AUTO INS CO                 |         | 128,622 | 18,467  | 56,449  | 51,294  | 14,448  | 9,468   | 168,680 | 24,806  | 208,398   | 208,398   | 208,398   | 208,398   | 208,398   | 208,398   | 208,398   | 208,398   | 208,398   |
| TEXAS FARM BUREAU CAS INS CO                |         | 36,261  | 19,163  | 4,514   | 33,435  | 29,609  | 18,680  | 64,219  | 26,065  | 75,569    | 75,569    | 75,569    | 75,569    | 75,569    | 75,569    | 75,569    | 75,569    | 75,569    |
| TOKIO MARINE & NICHIDO FIRE INS             |         |         |         | 5       | 5       | 5       | 5       | 5       | 5       | 5         | 5         | 5         | 5         | 5         | 5         | 5         | 5         | 5         |
| UNIVERSAL INSURANCE EXCHANGE (receivership) |         | 15      | 15      | 15      | 15      | 15      | 15      | 15      | 15      | 15        | 15        | 15        | 15        | 15        | 15        | 15        | 15        | 15        |
| TOTALS                                      | 768,553 | 768,553 | 329,719 | 159,154 | 293,377 | 243,136 | 262,965 | 953,457 | 303,129 | 1,017,317 | 1,017,317 | 1,017,317 | 1,017,317 | 1,017,317 | 1,017,317 | 1,017,317 | 1,017,317 | 1,017,317 |

|                  | OVER      | UNDR      | OVER      | UNDR      | OVER    | UNDR    | OVER    | UNDR      | OVER    | UNDR    | OVER    | UNDR      | OVER      | UNDR      | OVER      | UNDR      |
|------------------|-----------|-----------|-----------|-----------|---------|---------|---------|-----------|---------|---------|---------|-----------|-----------|-----------|-----------|-----------|
| PREMIUMS WRITTEN | 4,906,293 | 4,237,673 | 3,381,187 | 1,045,110 | 724,092 | 772,187 | 541,545 | 3,079,634 | 878,401 | 687,263 | 591,417 | 1,018,784 | 1,018,784 | 1,018,784 | 1,018,784 | 1,018,784 |

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Yearend 2009

Yearend 2010

Yearend 2011

1st Qrt 2012

2nd Qrt 2012

3rd Qrt 2012

4th Qrt 2012

Yearend 2012

1st Qrt 2013

2nd Qrt 2013

3rd Qrt 2013

| OTHER THAN PP  | Yearend 2009 |         | Yearend 2010 |        | Yearend 2011 |         | 1st Qrt 2012 |                 | 2nd Qrt 2012 |         | 3rd Qrt 2012 |         | 4th Qrt 2012 |         | Yearend 2012 |         | 1st Qrt 2013 |                 | 2nd Qrt 2013 |         | 3rd Qrt 2013 |         |
|--|--------------|---------|--------------|--------|--------------|---------|--------------|-----------------|--------------|---------|--------------|---------|--------------|---------|--------------|---------|--------------|-----------------|--------------|---------|--------------|---------|
|  | OVER         | UNDR    | OVER         | UNDR   | OVER         | UNDR    | OVER         | UNDR            | OVER         | UNDR    | OVER         | UNDR    | OVER         | UNDR    | OVER         | UNDR    | OVER         | UNDR            | OVER         | UNDR    | OVER         | UNDR    |
| ALASKA NATL  |              | 36      |              | 48     |              | 54      |              | 59              |              | 63      |              | 66      |              | 68      |              | 68      |              | 71              |              | 73      |              | 75      |
| AMER CONTRACTORS INS RISK<br>RET. GRP                  |              |         |              | 5,329  |              | 6,495   |              | 7,793           |              | 9,089   |              | 9,996   |              | 10,528  |              | 10,584  |              | 11,454          |              | 12,056  |              | 12,721  |
| AMER MERCURY INS CO                                    |              | 21,941  |              | 15,326 |              | 16,052  |              | 17,071          |              | 15,371  |              | 3,592   |              | 5,567   |              | 5,499   |              | 3,676           |              | 3,535   |              | 13,806  |
| AMER MODERN HOME INS CO                                |              | 85      |              | 85     |              | 85      |              | 90              |              | 95      |              | 98      |              | 100     |              | 100     |              | 218             |              | 291     |              | 377     |
| AMER MODERN LLOYD'S                                    |              | 29,515  |              | 25,931 |              | 22,389  |              | 22,508          |              | 22,626  |              | 22,708  |              | 22,757  |              | 22,762  |              | 22,904          |              | 22,997  |              | 23,103  |
| AMER NATIONAL PROP & CAS CO                            |              | 437     |              | 755    |              | 1,032   |              | 1,134           |              | 1,235   |              | 1,306   |              | 1,348   |              | 323     |              | 1,512           |              | 60      |              | 58      |
| AMER ROAD INS CO                                       |              |         |              |        |              |         |              |                 |              |         |              |         |              |         |              |         |              | New to<br>quota |              | 41      |              | 59      |
| AMERICAN SAFETY CAS INS CO                             |              | 806     |              | 806    |              | 806     |              | 360             |              | 1,528   |              | 1,787   |              | 1,929   |              | 1,945   |              | 2,373           |              | 2,655   |              | 2,976   |
| AMER SERVICE INS CO INC.                               |              |         |              | 8      |              | 23      |              | 24              |              | 24      |              | 25      |              | 25      |              | 25      |              | 25              |              | 26      |              | 26      |
| ASSOCIATION INS CO                                     |              |         |              |        |              |         |              | New to<br>quota |              | 6       |              | 17      |              | 20      |              | 20      |              | 46              |              | 62      |              | 80      |
| AUTOONE INS CO (prev Penn<br>General)                  |              | 379,647 |              | 66,176 |              | 219,499 |              | 225,738         |              | 292,095 |              | 347,387 |              | 388,603 |              | 388,603 |              | 407,841         |              | 405,136 |              | 441,473 |
| BERKSHIRE HATHAWAY<br>HOMESTATE INS CO                 |              |         |              |        |              |         |              |                 |              |         |              |         |              |         |              |         |              | New to<br>quota |              | 2       |              | 3       |
| BRITISH AMERICAN INS CO                                |              | 15,503  |              | 15,388 |              | 14,946  |              | 15,025          |              | 15,103  |              | 15,158  |              | 15,190  |              | 15,193  |              | 15,325          |              | 15,410  |              | 15,507  |
| CANAL INS CO   |              |         |              |        |              |         |              |                 |              |         |              |         |              |         |              |         |              | New to<br>quota |              | 594     |              | 460     |
| CENTENNIAL INS CO                                      |              | 1       |              | 1      |              | 1       |              | 1               |              | 1       |              | 1       |              | 1       |              | 1       |              | 1               |              | 1       |              | 1       |
| CLARENDON NATIONAL INS CO                              |              | 51,574  |              | 51,569 |              | 51,569  |              | 51,569          |              | 51,569  |              | 51,569  |              | 51,569  |              | 51,569  |              | 51,569          |              | 51,569  |              | 51,569  |
| COLUMBIA INS CO  |              | 1,235   |              | 1,233  |              | 1,233   |              | 1,233           |              | 1,233   |              | 1,233   |              | 1,233   |              | 1,233   |              | 1,233           |              | 1,233   |              | 1,233   |
| COREPOINTE INS CO (prev<br>Chrysler & Daimlerchrysler) |              | 40,297  |              | 39,316 |              | 39,649  |              | 39,650          |              | 39,649  |              | 39,649  |              | 39,649  |              | 39,160  |              | 39,709          |              | 39,257  |              | 39,039  |
| FIRST NONPROFIT INS CO                                 |              |         |              |        |              |         |              |                 |              |         |              |         |              |         |              |         |              | New to<br>quota |              | 20      |              | 29      |
| GENERAL STAR NATIONAL INS CO                           |              |         |              |        |              | 23      |              | 34              |              | 46      |              | 54      |              | 59      |              | 59      |              | 59              |              | 59      |              | 59      |
| GOVERNMENT EMPLOYEES INS<br>CO                         |              | 5,081   |              | 9,698  |              | 13,838  |              | 13,517          |              | 13,194  |              | 12,969  |              | 12,837  |              | 17,837  |              | 17,302          |              | 16,975  |              | 16,587  |
| GREAT MIDWEST INS CO                                   |              |         |              | 548    |              | 857     |              | 1,298           |              | 1,737   |              | 2,044   |              | 2,224   |              | 2,244   |              | 2,983           |              | 3,460   |              | 4,009   |
| HD/GERLING AMERICA INS CO                              |              |         |              |        |              |         |              |                 |              |         |              |         |              |         |              |         |              | New to<br>quota |              | 458     |              | 665     |

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4th Qrt 2012

Yearend 2012

1st Qrt 2013

2nd Qrt 2013

3rd Qrt 2013

| OTHER THAN PP  | Yearend 2009 |         |     | Yearend 2010 |        |      | Yearend 2011 |      |        | 1st Qrt 2012 |      |         | 2nd Qrt 2012 |        |      | 3rd Qrt 2012 |      |      | 4th Qrt 2012 |      |        | Yearend 2012 |      |      | 1st Qrt 2013 |         |      | 2nd Qrt 2013 |      |      | 3rd Qrt 2013 |  |  |
|--|--------------|---------|-----|--------------|--------|------|--------------|------|--------|--------------|------|---------|--------------|--------|------|--------------|------|------|--------------|------|--------|--------------|------|------|--------------|---------|------|--------------|------|------|--------------|--|--|
|  | OVER         | UNDR    | RWD | OVER         | UNDR   | R/OV | OVER         | UNDR | R/OV   | OVER         | UNDR | R/OV    | OVER         | UNDR   | R/OV | OVER         | UNDR | R/OV | OVER         | UNDR | R/OV   | OVER         | UNDR | R/OV | OVER         | UNDR    | R/OV | OVER         | UNDR | R/OV |              |  |  |
| HOUSING ENTERPRISE INS CO INC                                |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| LINCOLN GENERAL  |              | 269,471 |     | 50,217       | 73,630 |      |              |      | 73,630 |              |      |         |              | 73,630 |      |              |      |      |              |      | 73,630 |              |      |      |              |         |      |              |      |      |              |  |  |
| MIDCONTINENT CAS CO  | 784,074      |         |     | 774,568      |        |      | 767,927      |      |        |              |      | 765,066 |              |        |      | 763,479      |      |      |              |      |        |              |      |      |              | 760,729 |      |              |      |      |              |  |  |
| MOTORISTS COMM MUT INS CO<br>(prev Amer Hardware Mut Ins Co) | 31,488       |         |     | 30,409       |        |      | 29,856       |      |        |              |      | 29,467  |              |        |      | 29,251       |      |      |              |      |        |              |      |      |              | 29,990  |      |              |      |      |              |  |  |
| NATIONAL LIABILITY & FIRE INS<br>CO (SC)                     |              |         |     | 597,786      |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| NAVIGATORS INS CO  |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| NORTH AMER SPECIALTY INS CO                                  |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| OKLAHOMA SURETY CO   |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| PENN MANUFACTURERS ASSN INS<br>CO                            |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| PREFERRED PROFESSIONAL INS<br>CO                             |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| REP WEST INS CO (REPUBLIC<br>WESTERN INS CO)                 |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| RIVERPORT INS CO   |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| ROCHDALE INS CO  |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| SAFETY NATL CAS CORP   |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| SAFWAY COUNTY MUTUAL INS<br>CO/OAK BROOK COUNTY MUTUAL       |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| SENECA INS CO  |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| STATE FARM MUT AUTO INS CO                                   |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| TECHNOLOGY INS CO INC  |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| TEXAS FARM BUREAU CAS INS CO<br>(prev Southern Farm Bur)     |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| TEXAS HOSPITAL INS EXCH                                      |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| TORUS NATIONAL INS CO  |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| ULLICO CAS CO  |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |
| UNITRIN AUTO & HOME INS CO                                   |              |         |     |              |        |      |              |      |        |              |      |         |              |        |      |              |      |      |              |      |        |              |      |      |              |         |      |              |      |      |              |  |  |

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| OTHER THAN PP     | Yearend 2009 |           | Yearend 2010 |           | Yearend 2011 |                 | 1st Qrt 2012    |                 | 2nd Qrt 2012    |                 | 3rd Qrt 2012    |                 | 4th Qrt 2012    |           | Yearend 2012 |                 | 1st Qrt 2013    |                 | 2nd Qrt 2013    |                 | 3rd Qrt 2013    |           |
|-------------------|--------------|-----------|--------------|-----------|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------|
|                   | OVER         | UNDR      | OVER         | UNDR      | OVER         | UNDR            | OVER            | UNDR            | OVER            | UNDR            | OVER            | UNDR            | OVER            | UNDR      | OVER         | UNDR            | OVER            | UNDR            | OVER            | UNDR            | OVER            | UNDR      |
| VININGS INS CO    |              |           |              |           |              |                 | New to quota    | 7               | 14              | 19              | 22              | 22              |                 | 47        | 62           |                 | 81              |                 |                 |                 |                 |           |
| TOTALS            | 1,576,537    | 1,576,537 | 1,563,609    | 1,563,609 | 1,768,909    | 1,780,529       | 1,780,529       | 1,837,487       | 1,837,487       | 1,891,388       | 1,891,388       | 1,937,349       | 1,937,349       | 1,946,328 | 1,946,328    | 1,957,235       | 1,957,235       | 1,954,305       | 1,954,305       | 1,998,347       | 1,998,347       | 1,998,347 |
| PREMIUMS CREDITED | 3,040,994    |           | 2,391,554    |           | 1,696,221    | 546,102 1st qtr | 546,102 1st qtr | 546,389 2nd qtr | 546,389 2nd qtr | 382,622 3rd qtr | 382,622 3rd qtr | 213,418 4th qtr | 213,418 4th qtr | 1,702,128 | 1,702,128    | 721,859 1st qtr | 721,859 1st qtr | 441,039 2nd qtr | 441,039 2nd qtr | 524,904 3rd qtr | 524,904 3rd qtr |           |

## **“Mandatory EASi”: Transition Procedure**

TAIPA staff recommends the following “transition procedure” for making the EASi system mandatory and eliminating paper applications.

### **PRIOR TO IMPLEMENTATION OF “MANDATORY EASi”**

A notice of the impending implementation will be posted on the TAIPA website, a newsletter will be sent out to all producers/companies on the TAIPA email list, and a flyer will be included in any correspondence sent to producers. (Note: there are over 4,000 certified/active producers, so a mailed bulletin does not seem cost-effective.)

### **AFTER IMPLEMENTATION OF “MANDATORY EASi”**

If a producer submits a non-EASi application after the “Mandatory EASi” implementation date, the application will be returned to the producer along with a cover letter explaining that they must utilize the EASi program to submit the application. The producer will be given a violation.



## “Mandatory EASi”: Changes to Plan of Operation

TAIPA staff has reviewed the Plan of Operation and recommends the following changes in order to make the EASi system mandatory and eliminate paper applications.

### INTRODUCTION

#### **HOW TO SUBMIT AN APPLICATION TO THE ASSOCIATION HOW, WHEN, AND WHERE**

Producers who hold a general property and casualty agent license, a personal lines property and casualty, a limited property and casualty license, or a county mutual agent license in Texas may apply for producer certification. A producer must be certified prior to submitting applications to the Association. For further information on Association producer certification requirements, see Administrative Provisions, Section 54 – Producer Certification Program.

A producer of record can assist the assigned insurer in providing better service to insureds by making every effort to facilitate the insurer’s handling of assignments made under the Association.

Incomplete applications, application supplements, or requests for changes in the policy that are not readily identifiable to the assigned insurer only delay the processing of Association assignments and endorsements. An ~~original application form or the original~~ application produced by the Electronic Application Submission interface (EASi) must be used for each submission. ~~Copies and Facsimiles~~ are not acceptable. Before an application is mailed to the Association, it should be reviewed to ensure it contains all the information necessary for issuance of the policy or completion of the transaction.

#### **HOW TO APPLY TO THE ASSOCIATION**

Producers should refer to the rules and rates in the Manual when making premium quotations. However, producers may contact the Association if further assistance is required.

The producer should advise the applicant that the policy is being issued as part of the Texas Automobile Insurance Plan Association.

In completing the application, the producer must be certain that

- the application is completed in the name of the individual or entity requesting coverage;
- the application is signed by the applicant and the producer of record;
- if the application requires an effective date in the future for coverage, the future date must be shown on the application;
- ~~if using the Electronic Application Interface (EASi)~~, the producer and applicant must certify the date and time of coverage are correct

## “Mandatory EASi”: Changes to Plan of Operation

- all applicable questions are answered fully. Blank or incomplete answers will necessitate that the Association return the application before an assignment can be made.
- any and all attachments pertinent to the application are attached;
- the deposit accompanying the application must be correctly drafted and be correct for the method of payment chosen in accordance with the payment option selected from Sections 6 or 22 of this Plan. All deposits must be in the form of an applicant’s check, producer’s check, certified check, cashier’s check, or money order payable to the Texas Automobile Insurance Plan Association;
- the applicant has read the application and concurs that all answers are correct and complete;
- the ~~original~~ application produced by Electronic Application Submission interface (EASi) is mailed to the Association no later than the first working day after the application is completed. The effective date of EASi applications will be determined in accordance with subsections 7.A.2 and 23.A.2.
- ~~for application forms not subject to EASi, mail the original application and one copy of the application to the Association. The effective date of coverage will be the date following the date of receipt in the Association office, unless a later date is requested in accordance with subsections 7.A.3, 7.A.4, 23.A.3, or 23.A.4.~~
- the name and address of the producer of record are ~~included~~ correct.
- an administrative or other service charge may not be charged to an applicant for completion of an application for insurance.

Specific questions on the TAIPA Rules and Rating Manual, or any portion thereof, should be directed to the Texas Automobile Insurance Plan Association, P.O. Box 149144, Austin, TX 78714, by telephone at (512) 444-4441, by fax at (512) 444-7639, or by e-mail at [customer.service@taipa.org](mailto:customer.service@taipa.org). E-mail inquiries must include detailed information and the sender’s telephone number to facilitate Association response.

### WHAT TO SEND TO THE ASSOCIATION

~~Non EASi applications – The original application and one copy must be forwarded to the Association office.~~

EASi applications – forward the ~~original~~ submitted application with signatures. Private passenger applications should be accompanied by the following documents:

- Deposit check
- Driver Improvement Course Certificate, if a credit has been applied
- Check payable to the Texas Department of Public Safety, if TAIPA is to file an SR-22 requiring a fee, directly with TDPS. Refer to subsection 7.A.6.

Commercial applications should be accompanied by the following documents:

- Deposit check

## “Mandatory EASi”: Changes to Plan of Operation

- Supplemental operator schedule, if applicable

### AVAILABILITY OF FORMS, MANUALS, ETC.

#### ~~HARD COPIES~~

~~Association forms, such as policy change request forms, insurer performance complaint forms, producer performance complaint forms, computer generated applications, and rating disks are available at a charge from vendors approved by the Association. For complete information access the Association website at <http://www.taipa.org>.~~

~~The Texas Automobile Insurance Plan Association Plan of Operation and the TAIPA Rules and Rating Manual are available from the Association website at <http://www.taipa.org>.~~

#### ~~ELECTRONIC FORMAT~~

The following Plan materials are available in electronic format by accessing <http://www.taipa.org>.

- The Texas Automobile Insurance Plan Association Plan of Operation and the TAIPA Rules and Rating Manual.
- ~~• Application Forms~~
- ~~• Private Passenger Application~~
- ~~• Commercial Application~~
- Producer Certification Application Form
- Policy Change Request Form
- ~~• Supplemental Application~~
- Company Complaint Form
- Producer Complaint Form
- Electronic Application Submission Interface (EASi) Brochure
- Electronic Application Submission Interface Retraction Form
- Producer Certification Program—Rules of Operation
- ~~• Vendor information for the purchase of Association forms other than applications~~

Note: EASi offers electronic private passenger and Commercial application forms that are transmitted to the Association office. [A link to EASi can be found on the TAIPA website.](#)

## PERSONAL AUTOMOBILE SECTION

### Sec. 6. PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS

~~The application for assignment, other than EASi applications, must be submitted to the Association on a prescribed form in duplicate accompanied by the full gross annual premium or a deposit on a gross basis as indicated below.~~

## “Mandatory EASi”: Changes to Plan of Operation

~~If the application for assignment is submitted through EASi, the EASi original application with signatures, must be submitted to the Association on a prescribed form accompanied by the full gross annual premium or a deposit on a gross basis as indicated below.~~

### Sec. 7. APPLICATION FOR ASSIGNMENT, DESIGNATION OF INSURER, EVIDENCE OF INSURANCE, AND EFFECTIVE DATE OF COVERAGE

#### A. 2. Electronic Application Submission Procedure

Producers ~~who are certified as provided in Section 54 of this Plan have the option to~~ must use the electronic submission procedure to establish the effective date of coverage if such date is earlier than that established by sub-sections 7.A.3 and 4. The electronic submission procedure is the Electronic Application Submission interface (EASi). Coverage will be effective only when procedures established by the Association are followed.

### Sec. 15. PERFORMANCE STANDARDS FOR PRODUCERS WRITING ASSOCIATION PRIVATE PASSENGER ASSIGNMENTS

#### A. 1. Original Applications

a. Original applications shall be submitted through EASi. Applications not submitted through EASi will be returned to the producer. Original applications shall be fully completed and must include:

## COMMERCIAL AUTOMOBILE SECTION

### Sec. 22. PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS

~~The application for assignment, other than EASi applications, must be submitted to the Association on a prescribed form in duplicate accompanied by the full gross annual premium or a deposit on a gross basis as indicated below.~~

~~If the application for assignment is submitted through EASi, the EASi original application with signatures, must be submitted to the Association on a prescribed form accompanied by the full gross annual premium or a deposit on a gross basis as indicated below.~~

### Sec. 23. APPLICATION FOR ASSIGNMENT, DESIGNATION OF INSURER, EVIDENCE OF INSURANCE, AND EFFECTIVE DATE OF COVERAGE

#### A. 2. Electronic Application Submission Procedure

Producers ~~who are certified as provided in Section 54 of this Plan have the option to~~ must use the electronic submission procedure to establish the effective date of coverage if such date is earlier than that established by sub-sections 23.A.3 and 4. The electronic submission procedure is the

## “Mandatory EASi”: Changes to Plan of Operation

Electronic Application Submission interface (EASi). Coverage will be effective only when procedures established by the Association are followed.

### **Sec. 33. PERFORMANCE STANDARDS FOR PRODUCERS WRITING ASSOCIATION OTHER THAN PRIVATE PASSENGER ASSIGNMENTS**

#### A. 1. Original Applications

a. Original applications shall be submitted through EASi. Applications not submitted through EASi will be returned to the producer. Original applications shall be fully completed and must include:

## “Mandatory EASi”: Changes to Producer Certification Manual

TAIPA staff has reviewed the Producer Certification Program Rules of Operation and recommends the following changes in order to make the EASi system mandatory and eliminate paper applications.

### B. APPLICATION FOR CERTIFICATION

Any General Lines-Property and Casualty License, Personal Lines-Property and Casualty License, Limited Lines-Property and Casualty License, or County Mutual Agent who becomes licensed in Texas after the effective date of this program, who wishes to submit applications to the Association, must first complete the Application for Certification and be certified by the Association Manager on behalf of the Governing Committee. A producer who has not submitted an Application for Certification may not ~~submit applications to the Association, or~~ utilize the Electronic Application Submission interface (EASi).

### H. PERFORMANCE STANDARDS FOR PRODUCERS

Certified producers shall comply with the following Performance Standards:

1. Original applications shall be submitted through EASi. Applications not submitted through EASi will be returned to the producer. Original applications shall be fully completed and must include:

### J. PROCEDURES FOR SUSPENSION, REVOCATION OR CONDITIONING CERTIFICATION

4. Definition of Revoked, Suspended or Conditioned Producer
  - a. A producer whose certification is revoked may not ~~submit new applications to the Association or~~ utilize the Electronic Application Submission interface (EASi) procedure, service any existing policies, or be entitled to compensation for either new business applications, in force policies, or renewals during such period of revocation.
  - b. A producer whose certification has been suspended may not ~~submit new applications to the Association,~~ utilize the Electronic Application Submission interface (EASi) procedure; or receive compensation for new business.

### L. UNCERTIFIED PRODUCER

1. Currently Licensed Producer
 

Any producer licensed to transact property and casualty insurance in the State of Texas who fails to submit an Application for Certification, after having been given opportunity to do so, or who fails to maintain producer certification through renewal re-certification, shall not be authorized to ~~submit applications to the Association or~~ utilize the Electronic Application Submission interface (EASi).

## “Mandatory EASi”: Changes to Producer Certification Manual

### ~~M. NEW APPLICATIONS FROM REVOKED/SUSPENDED/UNCERTIFIED PRODUCER~~

~~Should a producer whose certification has been revoked or suspended continue to submit new business applications to the Association, such applications will be assigned to an insurer as required by the Plan of Operation. In such event, the revoked/suspended/uncertified producer will not be recognized as the producer of record under any such assignment and shall not be entitled to any compensation under policies written for such assignments. The assignment notice advising such shall be forwarded to the producer.~~

~~The assigned insurer shall furnish the applicant with the following information:~~

- ~~a. An explanation of the Producer Certification Program;~~
- ~~b. Instructions to seek the services of a certified producer and to notify the insurer of the new producer of record; and~~
- ~~c. Include a toll free number to enable the insured to contact the assigned insurer for temporary service on their policy until he/she has designated a certified producer as the producer of record.~~

~~The assigned insurer shall issue the policy indicating no designated producer with a reminder to the insured to provide the assigned insurer with the name of a newly designated certified producer of record. During this time, the assigned insurer will be entitled to all compensation since the insurer will be responsible for servicing the insured's policy. Once a new certified producer has been designated, any future compensation will be paid to the newly designated producer.~~

~~The Association will report to the Commissioner of Insurance any producer who continues to submit applications to the Association after certification has been revoked or suspended or who does so without certification.~~

## EXHIBIT 1

Exhibit 1 will be replaced with an updated Action Code Listing (printed directly from the Application Processing System). A new violation will be created:

### NON-EASi SUBMITTED

Producers must use the EASi program for all TAIPA applications. Please submit the application through the EASi website.



January 16, 2014

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

This letter is to explain our understanding of the arrangements for the services that Atchley & Associates, LLP (the Firm) is to perform for Texas Automobile Insurance Plan Association (TAIPA) for the year ending December 31, 2013. We ask that you either confirm or amend this understanding.

#### **The Objective and Scope of the Audit of the Financial Statements**

You have requested that we audit the financial statements of TAIPA, which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and the supplementary comparison of revenues and expenses versus budget. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

#### **The Responsibilities of the Auditor**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.



In making our risk assessments, we consider internal control relevant to TAIPA'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 TAIPA's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the audit committee (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

Our services under this Engagement Letter do not include services for tax return preparation, tax advice, or representation in any tax matter. Nevertheless, we may discuss with you certain tax considerations or provide you with tax information that may be relevant to our services. Any such discussions or information would be based upon limited tax research, limited due diligence, and limited analysis regarding the underlying facts. Because additional research or a more complete review of the facts could affect our analysis and conclusions the information provided during these discussions should not be used as the basis for proceeding with any transaction or any tax return reporting.

### **The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. 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; and
- c. To provide us with:
  - (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
  - (2) Additional information that we may request from management for the purpose of the audit; and
  - (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management and, when appropriate, those charged with governance written confirmation concerning representations made to us in connection with the audit including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and

- b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that TAIPA complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to 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.

The audit committee is responsible for informing us of its views about the risks of fraud within TAIPA, and its knowledge of any fraud or suspected fraud affecting TAIPA.

Because the Firm will rely on TAIPA and its management and audit committee to discharge the foregoing responsibilities, TAIPA holds harmless and releases the Firm, its partners, and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of TAIPA's management which has caused, in any respect, the Firm's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

### **TAIPA's Records and Assistance**

If circumstances arise relating to the condition of TAIPA's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in TAIPA's books and records. TAIPA will determine that all such data, if necessary, will be so reflected. Accordingly, TAIPA will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by TAIPA personnel is described in the attached client participation list, which outlines the specific schedules and analyses that should be completed by TAIPA personnel, including the dates when the information should be available to us. The participation list has been discussed with and agreed to by Nicole Morgan, Accounting Coordinator. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

If, in connection with our audit, you request us to perform accounting services necessary for the preparation of the financial statements (such as maintaining depreciation schedules, computing the provision for income taxes, drafting the financial statements, etc.), you agree to designate an appropriate individual to oversee the services, make all management decisions involved in those services, evaluate the adequacy and results of the services, and accept responsibility for the results of the services.

### **Fees, Costs, and Access to Workpapers**

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work is based upon the following criteria:

- a. Anticipated cooperation from TAIPA personnel
- b. Timely responses to our inquiries
- c. Timely completion and delivery of client assistance requests
- d. Timely communication of all significant accounting and financial reporting matters
- e. The assumption that unexpected circumstances will not be encountered during the engagement

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. We will notify you immediately of any circumstances we encounter which could significantly affect our initial estimate of fees, excluding direct out-of-pocket expenses, estimated to be \$17,500 for the audit and \$3,000 for consulting and reviewing monthly financial statements. All other provisions of this letter will survive any fee adjustment. In accordance with our firm policies, work may be suspended if your account becomes sixty or more days overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

You may terminate the arrangement at any time by written notice to us. Termination for any reason will not affect your obligation to pay us for fees and expenses incurred prior to termination or in transferring files to and otherwise cooperating with any successor auditor. All provisions of this arrangement will survive termination or cancellation, except that (a) we will not have any obligation to provide services after termination and (b) you will not have any obligation to pay us for any services that we perform after termination, except for costs incurred to cooperate with a successor auditor or regulatory agency subpoena or inquiry.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, TAIPA agrees it will compensate the Firm for any additional costs incurred as a result of TAIPA's employment of a partner or professional employee of the Firm.

In the event we are requested or authorized by TAIPA or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for TAIPA, TAIPA will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

In a legal action in which the Firm or its partners are not the defendants, we shall also be entitled to fees at \$350.00 per hour and reimbursements for testimony if we are subpoenaed as a witness in a subsequent litigation by third parties and such testimony involves the work we performed pursuant to this agreement. If we are ordered by a state or federal judge to permit the subsequent inspection and/or reproduction of files, records, and other documents relating to work performed by us pursuant to this agreement, then you agree that we may comply with these orders without prior notice to you.

### **Claim Resolution**

TAIPA and the Firm agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by the Firm or the date of this arrangement letter if no report has been issued. TAIPA waives any claim for punitive damages. The Firm's liability for all claims, damages and costs of TAIPA arising from this engagement is limited to the amount of fees paid by TAIPA to the Firm for the services rendered under this arrangement letter.

Indemnification is intended to protect the Firm and its principals and employees against being named in any lawsuit arising from this engagement as a result of having completed this engagement. You shall indemnify the Firm and its principals and employees and hold us harmless from all claims, liabilities, losses, and counsel fees and expenses unless it shall have been determined by a court of competent jurisdiction that we have acted negligently in the performance of the work covered by our engagement. In no event shall the Firm and its principals and employees be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.) even if we have been advised of their possible existence.

If a dispute arises out of or relates to this contract or engagement letter, or the obligations of the parties therein, and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation using the Commercial Mediation Rules of the American Arbitration Association (AAA) before resorting to arbitration, litigation, or some other dispute resolution procedure. Thereafter, any unresolved controversy or claim arising from or relating to this contract or the obligations of the parties hereunder shall be settled by arbitration administered using the American Arbitration Association or another mutually agreeable arbitration service using the AAA Arbitration Rules for Professional Accounting and Related Services Disputes and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

**Reporting**

We will issue a written report upon completion of our audit of TAIPA's financial statements. Our report will be addressed to the audit committee of TAIPA. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

This letter constitutes the complete and exclusive statement of agreement between the Firm and TAIPA, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

*Atchley & Associates, LLP*

Atchley & Associates, LLP

Confirmed on behalf of Texas Automobile Insurance Plan Association:

\_\_\_\_\_  
Audit Committee or Board Chair

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Date