

**TAIPA Governing Committee Meeting - Friday, August 18th, 2023
Friday, Aug 18, 2023 at 09:00 AM Central Time (US and Canada)
Held at Austin Southpark Hotel & Via Zoom Meeting**

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Meeting ID: 867 185 2835

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Texas Automobile Insurance Plan Association Governing Committee Meeting Agenda

Friday, August 18, 2023 – 9:00 A.M.

Austin Southpark Hotel 4140 Governor's Row, Austin, TX 78744

Dress: Business Casual

Interested parties can attend the meeting in person or by joining the zoom meeting. TAIPA allows public comment about TAIPA related matters listed on the agenda.

1. Call to Order
2. Introductions
3. Reading of the Anti-Trust Statement
4. Conflict of Interest Disclosures
5. Audit/Finance Committee Report
 - A. Report on 2022 Audit (Exhibit 1) *
5. Review and Approval of the Minutes of the March 24, 2023 Meeting (Exhibit 2) *
6. Chair's Report
 - A. David Nardecchia left the Governing Committee
 - B. Subcommittee Membership (Exhibit 3)
7. Manager's Report
 - A. Application Count Update as of July 2023 (Exhibit 4)
 - B. Financial Update as of June 2023 (Exhibit 5) *
 - C. Line of Credit Renewal*
 - D. 2024 Meeting Dates (Exhibit 6) *
 - E. Update on Actuary – (Exhibit 7) *
 - F. Reminder Governing Committee Members must take the Open Meetings Act training every 2 years.
 - G. Reminder that all Governing Committee members must sign the Conflict of Interest Policy annually (Exhibit 8)
9. Operations Subcommittee Report
 - A. Over/Under Report (Exhibit 9)
10. Report of Counsel
 - A. Legislative Update
 - B. \$5 Crime Prevention Fee – Company Administration
 - C. Rates
12. Next Meeting—November 17, 2023
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, if permitted under Chapter 551, Government Code.

*Indicates item on which the Manager believes the Governing Committee will take action.

Exhibit 1



Audit Committee
Texas Automobile Insurance Plan Association
Austin, Texas

We are pleased to present this report related to our audit of financial statements of Texas Automobile Insurance Plan Association (the Organization) as of and for the year ended December 31, 2022. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Organization's financial reporting process.

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated January 20, 2023. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated May 23, 2023, regarding the planned scope and timing of our audit and identified significant risks.

Qualitative Aspects of the Entity's Significant Accounting Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Organization. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year:

- During the year ended December 31, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The Organization applied the ASU during 2022.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Significant Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements are management's estimate of:

- Defined benefit plan which is based on information provided by the plan's actuaries.
- Allocation of functional expenses based on time and effort and square footage.

We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the Organization are shown in the attached list of Recorded Audit Adjustments.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or the subject of correspondence with management

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Organization, including the representation letter provided to us by management, is included in an attached letter.

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

Atchley & Associates, LLP

Austin, Texas

July 21, 2023

Texas Automobile Insurance Plan Association
Year ended December 31, 2022
Recorded Audit Adjustments

Number	Date	Name	Account No	Debit	Credit
1	12/31/2022	Fund Balance	25100	\$ 7,948	
		Assessments	30100		\$ 7,948
<i>To roll net assets</i>					
2	12/31/2022	Right of Use Asset	17000	254,568	
		Deferred Lease payment	23000	6,355	
		Deferred Lease Benefit	23100		5,242
		Short Term Lease Liability	24100		33,647
		Long Term Lease Liability	24200		252,609
		Rent	50300	30,575	

To adjust lease liability and right-of-use asset for Le

Stacy Dutton
 Association Manager
 sdutton@taipa.org

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July 21, 2023

Atchley & Associates, LLP
 1005 La Posada Drive
 Austin, Texas 78752

This representation letter is provided in connection with your audits of the financial statements of Texas Automobile Insurance Plan Association (the Organization) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and the supplementary comparison of revenues and expense versus budget. We confirm that we are responsible for the fair presentation in financial statements of financial position, results of activities, and cash flows in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated January 20, 2023, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. With respect to assisting with posting closing entries and drafting the financial statements, we have performed the following:
 - a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;
 - c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.
7. We have no knowledge of any uncorrected misstatements in the financial statements.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Lines of credit or similar arrangements.
 - b. All leases and material amounts of rental obligations under long-term leases.

- c. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.
- d. Concentrations of credit risk.
- e. Allocations of functional expenses based on reasonable basis.

Information Provided

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

- d. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.
21. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
 - a. To reduce receivables to their estimated net collectable amounts.
 - b. For pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through December 31, 2022.
22. There are no:
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - d. Agreements to repurchase assets previously sold.
 - e. Security agreements in effect under the Uniform Commercial code.
 - f. Other liens or encumbrances on assets and all other pledges of assets.
 - g. Uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2022, and/or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2022.
 - h. Liabilities that are subordinated to any other actual or possible liabilities of the Organization.
 - i. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.
 - j. Reclassifications between net asset classes
23. The Organization has satisfactory title to all owned assets.
24. We have complied with all aspects of contractual agreements, grants, and donor restrictions that would have a material effect on financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and Uniform Guidance, because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
25. We have received a determination from the Internal Revenue Service that we are exempt from federal income taxes as a Section 501(c)(6) not-for-profit association, and we have complied with the IRS regulations regarding this exemption.
26. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
27. We are responsible for determining that significant events or transactions that have occurred since the statement of financial position date and through the date of this letter have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the statement of

financial position date and through the date of this letter that would require recognition or disclosure in the financial statements. We further represent that, as of the date of this letter, the financial statements were complete in a form and format that complied with U.S. GAAP, and all approvals necessary for issuance of the financial statements had been obtained.

28. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Texas Automobile Insurance Plan Association



Stacy Dutton, Association Manager

TEXAS AUTOMOBILE INSURANCE
PLAN ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

Governing Committee
Texas Automobile Insurance Plan Association

Opinion

We have audited the accompanying financial statements of the Texas Automobile Insurance Plan Association (TAIPA) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TAIPA as of December 31, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TAIPA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TAIPA's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TAIPA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The comparison of revenues and expenses versus budget information is presented for purposes of additional analysis of the financial statements and it is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Atchley & Associates, LLP

Austin, Texas

July 21, 2023

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

ASSETS	2022	2021
Current Assets		
Cash and cash equivalents	\$ 434,253	\$ 404,047
Accounts receivable	1,769	7,148
Prepaid expenses	73,105	118,720
Security deposits	5,379	5,379
Total current assets	514,506	535,294
Property and Equipment		
Furniture and equipment	26,653	26,653
Computer equipment	17,257	15,105
Leasehold improvements	2,222	2,222
Computer software and program development costs	25,000	25,000
	71,132	68,980
Less accumulated depreciation	(66,653)	(64,791)
Total Property and equipment	4,479	4,189
Other Assets		
Operating lease right of use asset, net	254,568	-
Total other assets	254,568	-
Total assets	\$ 773,553	\$ 539,483
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 10,426	\$ 11,587
Accrued leave	40,939	40,319
Accrued payroll liabilities	14,666	18,271
Deferred revenue	236	236
Other accrued liabilities	18,895	3,422
Current portion of operating lease obligation	33,647	-
Total current liabilities	118,809	73,835
Other Liabilities		
Deferred lease benefit	-	4,273
Operating lease obligation, net of current portion	252,609	-
Total other liabilities	252,609	4,273
Net Assets (Deficiency)		
Without donor restrictions	1,139,490	1,177,463
Accumulated effect of pension adjustment	(737,355)	(716,088)
Total net assets (deficiency)	402,135	461,375
Total liabilities and net assets (deficiency)	\$ 773,553	\$ 539,483

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Revenues		
Member assessments	\$ 748,893	\$ 849,300
Assessment penalties	3,718	11,749
Interest income	4,032	502
Total revenues	<u>756,643</u>	<u>861,551</u>
Expenses		
Program services	493,850	481,307
Management and general	300,766	271,429
Total expenses	<u>794,616</u>	<u>752,736</u>
Other revenues (expenses)		
Pension minimum liability adjustment	(21,267)	210,021
Total other revenues (expenses)	<u>(21,267)</u>	<u>210,021</u>
Net change in net assets without donor restrictions	(59,240)	318,836
Net assets (deficiency) at beginning of year	<u>461,375</u>	<u>142,539</u>
Net assets (deficiency) at end of year	<u>\$ 402,135</u>	<u>\$ 461,375</u>

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	<u>Program services</u>	<u>Management and general</u>	<u>Total</u>
Expenses			
Salaries and related expenses	\$ 224,381	\$ 229,767	\$ 454,148
Professional services	144,061	12,995	157,056
Occupancy expenses	92,054	10,228	102,282
Postage and delivery	11,158	10,721	21,879
Office supplies and expense	9,656	3,218	12,874
Governing committee	-	13,765	13,765
Computer supplies and expense	9,531	3,177	12,708
Miscellaneous	-	6,716	6,716
Depreciation and amortization	-	1,862	1,862
Staff education and seminars	3,009	577	3,586
Staff expense	-	2,328	2,328
Operating committee	-	3,250	3,250
Dues, subscriptions, and publications	-	2,162	2,162
	<u>\$ 493,850</u>	<u>\$ 300,766</u>	<u>\$ 794,616</u>
Total expenses	<u>\$ 493,850</u>	<u>\$ 300,766</u>	<u>\$ 794,616</u>

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	<u>Program services</u>	<u>Management and general</u>	<u>Total</u>
Expenses			
Salaries and related expenses	\$ 250,813	\$ 225,330	\$ 476,143
Professional services	139,027	3,436	142,463
Occupancy expenses	67,784	7,465	75,249
Postage and delivery	9,425	9,055	18,480
Office supplies and expense	8,180	2,727	10,907
Governing committee	-	8,022	8,022
Computer supplies and expense	4,319	1,439	5,758
Miscellaneous	-	5,736	5,736
Depreciation and amortization	833	3,057	3,890
Staff education and seminars	926	308	1,234
Staff expense	-	2,771	2,771
Operating committee	-	1,500	1,500
Dues, subscriptions, and publications	-	583	583
	<u>\$ 481,307</u>	<u>\$ 271,429</u>	<u>\$ 752,736</u>
Total expenses	<u>\$ 481,307</u>	<u>\$ 271,429</u>	<u>\$ 752,736</u>

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (59,240)	\$ 318,836
Adjustments to reconcile change in net assets to net cash flows		
Depreciation and amortization	1,862	3,890
Operating lease right of use asset expense, net	31,688	-
Change in operating assets and liabilities		
Accounts receivable	5,379	(6,330)
Prepaid expenses	45,615	(98,603)
Accounts payable	(1,161)	(2,844)
Accrued leave	620	4,484
Accrued payroll liabilities	(3,605)	6,839
Deferred revenue	-	236
Other accrued liabilities	15,473	204
Accrued pension benefit costs	-	(135,148)
Deferred lease benefit	(4,273)	(2,082)
	<u>32,358</u>	<u>89,482</u>
Net cash flows from operating activities	32,358	89,482
INVESTING ACTIVITIES		
Purchases of property and equipment	(2,152)	(1,830)
	<u>(2,152)</u>	<u>(1,830)</u>
Net cash flows from investing activities	(2,152)	(1,830)
Net change in cash and cash equivalents	30,206	87,652
Cash and cash equivalents - beginning of year	404,047	316,395
Cash and cash equivalents - end of year	<u>\$ 434,253</u>	<u>\$ 404,047</u>

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

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

Financial Statement Presentation

TAIPA's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, TAIPA is required to report information regarding their financial position and activities, as applicable, according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based on the absence or existence of donor-imposed restrictions.

Net Assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired or been satisfied.

Net Assets with donor restrictions - Net assets that are subject to donor-imposed restriction either for use during a specific time period or for a particular purpose.

Net Assets Released From Restrictions

When a restriction is fulfilled or when a time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

TAIPA reports property and equipment at historical cost if purchased, or at fair value if donated, less accumulated depreciation. Property and equipment purchased in excess of \$1,000 are capitalized. Repairs and maintenance costs are expensed as incurred while betterments and improvements are capitalized. Provision for depreciation is recognized using primarily the straight-line method over the estimated useful lives of the depreciable assets which is generally five to ten years. Upon the sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of activities.

Revenue Recognition

Member assessments and the related penalties are recognized as revenues as they are earned.

Concentrations of Credit Risk

TAIPA maintains its cash with high credit quality financial institutions which are members of the Federal Deposit Insurance Corporation. Occasionally, balances on deposit exceed federally insured limits; however, management believes there is no significant uninsured risk related to these deposits. At December 31, 2022, TAIPA had \$178,283 in uninsured cash balances.

Income Taxes

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

TAIPA has adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 740, *Accounting for Uncertainty in Income Tax*. The benefits of tax positions are recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the positions will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. As of December 31, 2022 and 2021, TAIPA has not recognized liabilities for uncertain tax positions or associated interest and penalties.

TAIPA's federal exempt organization returns for the years ended December 31, 2019, and after are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Expenses

The costs of administering TAIPA and other activities have been summarized on a functional basis in the statements of activities. Such allocations are determined by management on an equitable basis. Occupancy expenses and depreciation and amortization are allocated based on square footage. All other expenses are allocated based on time and effort.

Estimates

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

Newly Adopted Accounting Pronouncements

Effective January 1, 2022, TAIPA adopted the new lease accounting guidance in FASB Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. TAIPA has elected the package of practical expedients permitted in FASB ASC Topic 842. Accordingly, TAIPA accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of December 31, 2021) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, TAIPA recognized on January 1, 2022 (the beginning of the period of adoption) (a) lease liabilities of \$301,200, which represents the present value of the remaining lease payments, discounted using a risk-free interest rates ranging from 2.84% to 3.64%, and (b) right-of-use assets of \$272,678 which represents the lease liability of \$301,200 adjusted for deferred rent of \$28,522. See Note D.

Subsequent Events

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE B - EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

TAIPA is a member of the Insurance Company Supported Organization (ICSO) 401(k) Savings Plan. After one year of employment, all full-time employees are eligible to become plan participants. Employees may contribute up to 16% of their annual compensation to the plan. The employer matches employee contributions at the rate of \$.75 per \$1.00 of employee contributions up to a maximum of 6% of annual compensation. Payments to the plan were \$16,146 and \$13,582 for 2022 and 2021, respectively.

Defined Benefit Plan

TAIPA is a member of The Pension Plan for Insurance Organizations (the Pension). The Pension is a multiple-employer defined benefit plan. The trustee of the Pension is the Principal Trust Company, a member of the Principal Financial Group. The Pension's employer identification number is 27-0131295 and Plan Number 001. An employee is eligible to become a member at the beginning of the first twelve-month period during which 1,000 hours of service have been completed with 100% vesting after (a) five or more years of service or (b) four years of service and 1,000 hours. TAIPA's funding policy is to make monthly contributions in conformance with minimum funding requirements. For the year ending December 31, 2022, TAIPA funded more than the minimum funding requirements.

TAIPA has adopted the recognition provisions of ASC 715. As required by ASC 715, TAIPA recognizes a liability for the underfunded status of its defined benefit pension plan and adjusts the ending balance of net assets without donor restrictions for the transition obligation, prior service cost, and net loss that have not been recognized as components of net periodic pension cost. The following tables set forth the status of the defined benefit pension plan and amounts per ASC 715 at December 31, 2022 and 2021.

Components that have been recognized as changes to net assets without donor restrictions arising from the Pension, but not yet reclassified as components of net periodic benefit costs for the years ended December 31:

	2022	2021
Service cost	\$ 41,906	\$ 42,223
Interest cost	123,568	115,818
Expected return on MRVA	(202,257)	(200,618)
Amortization of net prior service cost	5,736	5,736
Amortization of net actuarial loss (gain)	71,524	93,137
Net periodic benefit cost	<u>\$ 40,477</u>	<u>\$ 56,296</u>

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE B - EMPLOYEE BENEFIT PLANS - Continued

The status of the Pension for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 4,530,700	\$ 4,684,310
Service cost	41,906	42,223
Interest cost	123,568	115,818
Actuarial loss (gain)	(955,342)	(26,241)
Benefits paid	<u>(288,087)</u>	<u>(285,410)</u>
Benefit obligation at end of year	<u>3,452,745</u>	<u>4,530,700</u>
Change in pension plan assets		
Fair value of pension plan assets at beginning of year	4,638,190	4,549,162
Actual return on pension plan assets	(851,612)	285,525
Employer contributions	8,333	88,913
Benefits paid	<u>(288,087)</u>	<u>(285,410)</u>
Fair value of pension plan assets at end of year	<u>3,506,824</u>	<u>4,638,190</u>
Funded status at end of year	<u>\$ 54,079</u>	<u>\$ 107,490</u>
Amounts recognized in the statements of financial position as of December 31:		
Accrued (prepaid) pension benefit costs	<u>\$ (54,079)</u>	<u>\$ (107,490)</u>
Amounts recognized as changes in net assets without donor restrictions arising from a defined benefit plan as of December 31:		
Accumulated net loss (gain)	<u>\$ 737,355</u>	<u>\$ 716,088</u>
Other changes in pension plan assets and benefit obligations recognized as changes in net assets without donor restrictions not yet included in net periodic benefit cost for the years ended December 31:		
Net gain (loss)	\$ (71,524)	\$ (93,137)
Net prior service credit (cost)	(5,736)	(5,736)
New actuarial losses	<u>98,527</u>	<u>(111,148)</u>
	<u>\$ 21,267</u>	<u>\$ (210,021)</u>

The estimated net loss for the defined benefit pension plan that will be amortized into net periodic benefit cost over the next fiscal year is \$88,511.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE B - EMPLOYEE BENEFIT PLANS - Continued

The accumulated benefit obligation for the Pension was \$3,389,647 and \$4,437,411 as of December 31, 2022 and 2021, respectively.

Employer contributions expected to be paid during the year ending December 31, 2022, is \$91,667.

Weighted average assumptions used to develop benefit obligations were:

	<u>2022</u>	<u>2021</u>
Discount rate	5.50%	2.75%
Rate of compensation increases	3.00%	3.00%

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

	<u>2022</u>	<u>2021</u>
Discount rate	5.50%	2.75%
Expected return on pension plan assets	4.50%	4.50%
Rate of compensation increases	3.00%	3.00%

TAIPA's target investment allocation is 60% debt securities and 40% equity securities and its asset diversifications were as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Equity securities	38.60%	37.00%
Debt securities	55.70%	57.00%
Real estate	4.80%	5.20%
Cash	0.90%	0.80%
	<u>100.0%</u>	<u>100.0%</u>

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

<u>Fiscal Years Ending</u>	
December 31, 2023	\$ 289,961
December 31, 2024	286,168
December 31, 2025	280,401
December 31, 2026	284,938
December 31, 2027	294,286
December 31, 2027-2031	1,420,203
Total	<u>\$ 2,855,957</u>

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE C - COMPENSATED ABSENCES

Employees of TAIPA are entitled to paid sick days and personal days off, depending on their length of service. Effective January 1, 2007, employees are eligible to receive monetary reimbursement for a maximum of 37 1/2 hours of unused All Purpose Leave from the prior year. The compensation will be paid prior to January 31. The employees who have remaining All Purpose Leave available as of December 31 are able to carry up to 350 hours over to the following year. Any amount in excess of 350 hours will be forfeited each January 1. Accrued leave in the amount of \$40,939 and \$40,319 has been recorded in the accompanying statements of financial position as of December 31, 2022 and 2021, respectively.

NOTE D - LEASE COMMITMENTS

TAIPA is obligated on leases for retail space. For accounting purposes, the leases are treated as operating leases. Lease expense under the operating leases for the year ended December 31, 2022, totaled \$94,644 and \$63,721, respectively.

Operating lease cost:

Amortization of right of use asset	\$ 67,042
Interest on lease obligation	8,062
Operational cost sharing and short-term leases	19,540
Total operating lease cost	<u>\$ 94,644</u>
Current lease liability	\$ 33,647
Long - term lease liability	252,609
	<u>\$ 286,256</u>

Aggregate future minimum lease payments on all operating leases are as follows:

Due in Years Ending	
December 31, 2023	\$ 79,404
December 31, 2024	57,889
December 31, 2025	59,462
December 31, 2026	60,625
December 31, 2027	57,275
Thereafter	33,988
	<u>\$ 348,643</u>

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE E - LINE OF CREDIT

TAIPA renewed a bank line of credit totaling \$300,000 on September 23, 2019. Interest, calculated at the bank's prime rate, is payable monthly. At December 31, 2022, there was no outstanding balance on the line, and there were no borrowings on the line of credit during the years ended December 31, 2022 and 2021. The line of credit matures on September 26, 2023.

NOTE F - LIQUIDITY AND AVAILABILITY

The following represents TAIPA's financial assets at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 434,253	\$ 404,047
Accounts receivable	1,769	7,148
Total financial assets available to use	<u>\$ 436,022</u>	<u>\$ 411,195</u>

In addition to financial assets available to meet general expenditures over the next 12 months, TAIPA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. TAIPA regularly monitors liquidity required to meet its operating needs and other contractual commitments. TAIPA's goal is to maintain financial assets to meet approximately one year of operating expenses. This is achieved by determining: 1. TAIPA's budget for the upcoming year, 2. what, if any, amount of carryover cash can be applied to the budget, and 3. the proper membership fees and assessments to cover that budget. As part of TAIPA's liquidity plan, excess cash is moved to TAIPA's savings account to maximize the interest income. TAIPA also maintains a \$300,000 line of credit to meet any unexpected cash flow needs.

SUPPLEMENTAL
INFORMATION

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
SUPPLEMENTAL INFORMATION
COMPARISON OF REVENUES AND EXPENSES VERSUS BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues			
Member assessments	\$ 748,893	\$ 870,450	\$(121,557)
Interest income	4,032	-	4,032
Assessment penalties	3,718	-	3,718
Total Revenues	<u>756,643</u>	<u>870,450</u>	(113,807)
Operating Expenses			
Salaries	325,348	362,700	37,352
Employee benefits and other insurance	128,800	126,550	(2,250)
Rent	94,644	67,800	(26,844)
Telephone/internet access	7,034	12,200	5,166
Property taxes	604	1,100	496
Professional services			
Legal	46,229	55,600	9,371
Audit	17,793	25,700	7,907
Systems consultants	48,776	53,700	4,924
Consultants - other	34,198	34,800	602
Actuary	10,060	8,500	(1,560)
Depreciation and amortization	1,862	3,700	1,838
Postage and delivery	21,879	24,900	3,021
Office equipment and supplies	10,608	12,600	1,992
Printing and stationary	2,266	4,300	2,034
Governing committee	13,765	22,400	8,635
Computer supplies and expenses	12,708	12,100	(608)
Operating subcommittee	3,250	4,500	1,250
Employee meetings, seminars, and travel	3,586	25,900	22,314
Staff expense and other	9,044	10,800	1,756
Dues, subscriptions, and publications	2,162	600	(1,562)
Total Operating Expenses	<u>794,616</u>	<u>870,450</u>	<u>75,834</u>
Other Revenues (Expenses)			
Pension minimum liability adjustment	(21,267)	-	(21,267)
Total Other Revenues (Expenses)	<u>(21,267)</u>	<u>-</u>	<u>(21,267)</u>
Change in Net Assets Without Donor Restrictions	<u>\$ (59,240)</u>	<u>\$ -</u>	<u>\$ (59,240)</u>

Exhibit 2

**Texas Automobile Insurance Plan Association Governing Committee Meeting
Friday, March 24, 2023 – 9:00 A.M.**

Zoom Call

Topic: TAIPA Annual Meeting & Governing Committee Meeting - Friday, March 24th, 2023

Time: Mar 24, 2023 08:45 AM Central Time (US and Canada)

Join Zoom Meeting

<https://us02web.zoom.us/j/8671852835?pwd=TmxTVi9MUU1vSG0wWUk3bTNhNlpZQT09>

Meeting ID: 867 185 2835

Passcode: 936615

One tap mobile

+13462487799,,8671852835#,,,,*936615# US (Houston)

+12532050468,,8671852835#,,,,*936615# US

Dial by your location

+1 346 248 7799 US (Houston)

+1 253 215 8782 US (Tacoma)

+1 669 900 6833 US (San Jose)

+1 312 626 6799 US (Chicago)

+1 929 436 2866 US (New York)

+1 301 715 8592 US (Washington DC)

Meeting ID: 867 185 2835

Passcode: 936615

Find your local number: <https://us02web.zoom.us/j/8671852835?pwd=TmxTVi9MUU1vSG0wWUk3bTNhNlpZQT09>

TAIPA will be holding the TAIPA Annual Governing Committee Meeting as a Zoom Meeting.

If you are interested in attending via zoom, please contact Amanda Reynolds at areynolds@taipa.org so we can add you to our attendance list.

If you plan to attend in person at 807 Las Cimas Parkway, Building Conference Room, Austin, TX 78746, please let Mimi Leece at mleece@taipa.org know so that we can make arrangements.

**Texas Automobile Insurance Plan Association Governing Committee Meeting
Friday, March 24, 2023 – 9:00 A.M.**

1. Call to Order
2. Introductions
3. Reading of the Anti-Trust Statement
4. Conflict of Interest Disclosures
5. Election of Officers*
6. Review and Approval of the Minutes of the November 18, 2022 Meeting (Exhibit 1)*

7. Chair's Report
 - A. Update on Governing Committee Members

8. Manager's Report
 - A. Application Count Update
 - a. For Yearend 2022(Exhibit 2)
 - b. As of February, 2023 (Exhibit 3)
 - B. Financial Update -
 - a. Financials for Yearend 2022 (Exhibit 4)
 - b. Request to update 2023 Budget due to not moving office locations.
 - C. LAD Recertification Completed*
 - D. Administrative Rules (Exhibit 5)
 - E. Reminder Governing Committee Members must take the Open Meetings Act training every 2 years.
 - F. Reminder that all Governing Committee members must sign the Conflict of Interest Policy annually (Exhibit 6).

9. Audit/Finance Committee Report
 - A. Audit Engagement Letter (Exhibit 7)*

10. Operations Subcommittee Report
 - A. Over/Under Report (Exhibit 8)

11. Report of Counsel
 - A. Discussion of Rate Process for 2022/2023 (Exhibit 9)
 - B. Update on Plan of Operation Changes (Exhibit 10)
 - C. Legislative Update
 - D. Update on Actuary
12. Next Meeting – August 18, 2023

13. Personnel Matters – Closed Session
 - A. Manager’s Review*

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, if permitted under Chapter 551, Government Code

*Indicates item on which the Manager believes the Governing Committee will take action.

Attendees:

TAIPA Staff

Stacy Dutton
Mimi Leece
Amanda Reynolds
Ruth Wise

Governing Committee Members

Becky Jackson
Matthew Snyder
David Weber
Michael Burke
Michael Hass
Mike Voigt
Brian Ferguson
Carmelita Hogan
David Nardecchia
Mary Carol Awalt
Laura Hausman
Adam Payton
John Lusardi
Keith Wechsler

TAIPA Counsel

Mike Jones

TDI

John Mooney
Katelyn Boehm

OPIC

Mariah Holm

Other Company Members

Ron Wiest
Brent McGill

1. Call to Order

Chair Jackson called the meeting to order at 9:00 AM.
Mimi Leece explained how the Zoom meeting would proceed.

2. Introductions

Chair Jackson turned the meeting over to Stacy Dutton to call roll.

3. Reading of the Anti-Trust Statement

Stacy Dutton read the Anti-Trust Statement:

“The creation and operation of the Texas Automobile Insurance Plan Association is set forth in Chapter 2151 of the Texas Insurance Code. The Association is a non-profit corporate body composed of all authorized insurers. The organization was created to provide a means by which insurance may be assigned to an authorized insurer for a person required by the Texas Motor Vehicle Safety-Responsibility Act to show proof of financial responsibility for the future. Members of the Association and of its Governing Committee, when involved in meetings or other activities of the Association, are bound to limit their discussions and actions to matters relating to the business of the Association, and shall not discuss or pursue the business interest of individual insurers or others.”

4. Conflict of Interest Disclosures

The meeting was turned over to Mike Jones to review TAIPA’s Conflict of Interest Policy and disclosures.

5. Election of Officers*

The meeting was turned over to Matthew Snyder for the Nominating Subcommittee report. The nominating committee members are Carmelita Hogan, Matthew Snyder, and Adam Payton. Mr. Snyder presented the proposed 2023 officers for the TAIPA Governing Committee. The nominees were as follows:

Chair-Becky Jackson
1st Vice Chair-Matthew Snyder
2nd Vice Chair-David Weber
Secretary- John Lusardi

Chair Jackson asked for a motion to accept the nominees presented by the Nominating Committee. David Nardecchia made the motion. Keith Weschler seconded the motion. John Lusardi abstained. The motion carried. No other nominations were made. Chair Jackson asked for a motion to close nominations. Mike Voigt made the motion. Adam Payton seconded the motion. John Lusardi abstained. The motion carried. There was no further discussion regarding the nominees. Chair Jackson asked for a motion to elect the presented nominees. David Nardecchia made the motion. Mike Voigt seconded the motion. John Lusardi abstained. The motion carried.

6. Review and Approval of the Minutes of the November 18, 2022 Meeting (Exhibit 1) *
Chair Jackson turned the meeting over to David Weber for the review of the meeting minutes from the November 18, 2022 Governing Committee meeting. Mr. Weber reviewed what was discussed during the meeting. There were no changes needed and Chair Jackson asked for a motion to approve the minutes that were presented. John Lusardi made the motion to approve. Matt Snyder seconded the motion. The motion carried unanimously.

7. Chair's Report

A. Update on Governing Committee Members

Chair Jackson started the Chair's report by thanking Anh Vo and Ryan Shapiro for their service to TAIPA. Ms. Jackson welcomed Michael Burke, Janet Dewey, and Brian Ferguson to the committee. She also noted that John Lusardi previously served as the non-affiliated representative but has now moved to an At-Large member.

Chair Jackson thanked John Mooney and Marianne Baker of TDI for helping with the change to TAIPA's Plan of Operations.

The meeting was turned over to Stacy Dutton for the Manager's Report.

8. Manager's Report

A. Application Count Update

Ms. Dutton gave an update on the application counts. She gave an update on the applications as of December 31, 2022 (Exhibit 2) and the February 2023 application counts (Exhibit 3). Ms. Dutton stated that: In 2022 TAIPA assigned 1,352 applications compared to 1,381 applications received in 2021. In February, 2023 TAIPA received 129 applications compared to 72 applications received in February of 2022. Year to Date through February 2023 TAIPA received 252 applications compared to 176 applications received YTD through February 2022. This is 57 more applications or a 43.18% increase.

B. Financial Update

Ms. Dutton explained that TAIPA used 87.29% of its 2022 budget. There were two categories that were over budget for the year. The expense for the actuary were over budget as expected as well as employee benefits and computer equipment. Mrs. Dutton reminded the committee that TAIPA was approved to stay in the current location. To make up for the difference it was requested that TAIPA move funds from lease hold improvements and moving expenses to rent budget. This would be \$3,500 from lease hold improvements and \$12,300 from moving expense and put it into the rent. Chair Jackson asked for a motion to approve the transfer of funds. David Weber made the motion to approve the budget transfer. Matt Snyder seconded the motion. The motion carried.

C. LAD Recertification Completed*

TAIPA asked Integon National Insurance Company and 21st Century Centennial to reapply for LAD/CLAD servicing carrier status in Texas. This is required every five

years. Ms. Dutton stated that both companies met all of the requirements and both companies had reapplied. There were no questions or comments. There was a motion to approve Integon National's LAD/CLAD status. David Weber made the motion. Keith Weschler seconded the motion. John Lusardi abstained. The motion carried. A motion was made to approve 21st Century Centennial's LAD status. David Weber made the motion and David Nardecchia seconded the motion. John Lusardi, Matt Snyder, and Ron Wiest abstained. The motion carried.

D. Administrative Rules (Exhibit 5)

The administrative rules were distributed. It is TAIPA's policy to distribute these at the first Governing Committee meeting of the year as a reminder to all members. There were no questions or concerns regarding this.

E. Reminder Governing Committee Members must take the Open Meetings Act training every 2 years.

Mrs. Dutton gave a reminder to the Governing Board members that they must complete the online Open Meetings Act training once every two years. Mrs. Dutton noted that Amanda Reynolds would be contacting anyone that needs to take the training again.

F. Reminder that all Governing Committee members must sign the Conflict of Interest Policy annually. (Exhibit 6).

Mrs. Dutton reminded the Governing Committee members that they are all required to sign TAIPA's Conflict of Interest agreement once every year. A copy of the conflict of interest was provided as Exhibit 6. There were not comments regarding this and that concluded the manager's report.

9. Audit/Finance Committee Report

Mr. Snyder went over the Audit Engagement Letter from Atchley and Associates (Exhibit 7). He noted that it is the same letter that Atchley provides each year stipulating their responsibilities, TAIPA's responsibilities and what they will do and provide in the financial audit. The estimated cost for the audit is between \$14,500 and \$15,500. Mr. Snyder asked for a motion to approve the financial audit to be performed by Atchley and Associates. The motion was made by Mike Voigt. John Lusardi seconded the motion. The motion carried.

Chair Jackson turned the meeting over to David Weber for the Operations Subcommittee report.

10. Operations Subcommittee Report

A. Over/Under Report (Exhibit 8)

David Weber noted that the Over/Under Report was provided as Exhibit 8 and stated that other than providing the report, there was nothing of significance to report at the meeting.

The meeting was turned over to Mike Jones for the report of counsel.

11. Report of Counsel

A. Discussion of Rate Process for 2022/2023 (Exhibit 9)

Mr. Jones stated that the November 2022 meeting TAIPA approved to have a 5% rate increase for all coverages across the board in both commercial auto and private passenger. TAIPA's rate filing was made on January 3, 2023 to TDI. TDI approved the filing by Commissioner's order No. 2023-7832 which was issued on March 6, 2023. The rate change will be effective June 1, 2023. The filing also included a change to TAIPA's Rules and Rating Manual to remove a \$1 charge from the uninsured motorist coverages. He noted that no changes to class or territory relativities were made. There were no questions regarding this and there was no further discussion.

B. Update on Plan of Operation Changes (Exhibit 10)

Mr. Jones reminded everyone that on March 21, 2023 it was approved that TAIPA would eliminate the unaffiliated member on the Governing Committee and would instead increase the number of At-Large members to five. He also stated that now there is a provision in the Plan of Operations that states that companies can satisfy their obligations by entering into a LAD or CLAD. There were no questions regarding this and there was no further discussion.

C. Legislative Update

Mr. Jones gave an overview of the Texas legislative process and insurance bill that could affect TAIPA policies. He noted that there was nothing concrete to report about any particular bill, but he would be monitoring those and will give a report of the bills that passed at the August meeting. There was general discussion regarding proposed bills and when those would go into effect if passed.

D. Update on Actuary

Mr. Jones explained that TAIPA's current actuary is retiring so TAIPA is currently search for a new actuary. He noted that requests for proposals had been sent to nine firms with a due date for those proposals of mid-May so a recommendation could be made at the August meeting. Mrs. Dutton confirmed that one firm said that they would not be providing a proposal and they had not heard back from the others. John Lusardi asked about a timeline regarding when the new firm would be hired and when the next rate filing would be due. Mrs. Dutton explained that the only timeline that had been given to the firms was the mid-May proposal date and that there would be a Governing Committee meeting in November and that the rates would be due at that meeting. This concluded the report.

12. Next Meeting – August 18, 2023

Chair Jackson reiterated that the next meeting will be held August 18, 2023 and that this meeting will be held in-person in Austin, TX.

13. Personnel Matters – Closed Session

A. Manager’s Review*

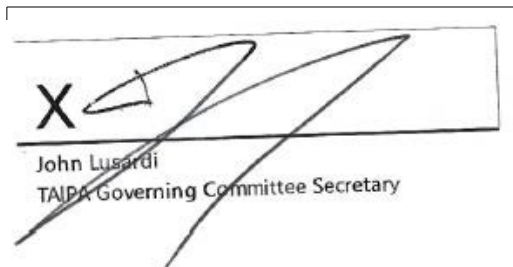
Chair Jackson announced that a closed meeting will be held pursuant to Texas Government Code Sec. 551.074 relating to personnel matters. All Governing Board members were stay on the zoom call while all other attendees were put into a waiting room on Zoom, TAIPA staff left the conference room, and the zoom recording was stopped. The closed meeting was regarding the Plan Manager’s self-evaluation.

The closed sessions ended at 10:17 AM and the meeting returned to open session.

A motion was needed to have Becky Jackson meet with the Association Manager and go over her performance review. The motion was made by Matt Snyder and seconded by Mike Burke. The motion carried unanimously.

14. Adjournment

Chair Jackson stated that if there was nothing else to discuss, we would need a motion to adjourn the meeting. The motion to adjourn was made by John Lusardi and seconded by David Nardecchia. The motion carried unanimously. The meeting was adjourned at 10:18 AM.



X
John Lusardi
TAIPA Governing Committee Secretary

Exhibit 3

Standing TAIPA Subcommittees 2023

Operations Subcommittee

Created by:

By motion of Governing Committee on August 17, 2010, as part of our Administrative Rules.

NOTE: committee was already in existence, but this motion formalized the committee

Members:

At least 5 members and 1 alternate public member* Members must include:

- 3 Insurer members
- 1 Producer members
- 1 Public member
- 1 Public alternate

Purpose:

Review/study any issues referred to it by the Governing Committee. Typically, these are more complex issues that the Governing Committee wants additional discussion/research on before making decisions about how to proceed, such as: Plan of Operation amendments, changes to internal procedures, creation of specifications for RFP's, etc.

Meeting Frequency:

Depends on items referred by the Governing Committee, but typically 1-3 times per year (usually via teleconference)

Roles/Responsibilities:

- Review latest Over/Under Reports
- Study any issues referred by the Governing Committee
- Present recommendations to the Governing Committee

Strategic Planning Subcommittee

Created by:

By motion of Governing Committee during May 19, 2011 meeting

Members:

At least 4 members* Members must include:

- 3 Insurer members
- 1 Public member

Purpose:

Discuss and make recommendations regarding TAIPA's staffing levels, office space, long-term contracts, etc.

Meeting Frequency:

Annually (usually via teleconference)

Roles/Responsibilities:

- Review TAIPA's Enterprise Risk Management Plan annually and determine if changes are needed
- Discuss TAIPA's current staffing levels, office space, long-term contracts, and other significant changes for the organization to determine if changes are needed
- Present recommendations to the Governing Committee

Audit/ Finance Subcommittee

Created by:

By motion of Governing Committee on August 17, 2010, as part of our Administrative Rules.

NOTE: committee was already in existence, but this motion formalized the committee

Members:

At least 2 members* Members must include:

- 1 Insurer member
- 1 Public member

Purpose:

Provide recommendations to the Governing Committee regarding audit/financial matters.
Represent the board in conversations with the auditors during the annual audit.

Meeting Frequency:

No meetings held; most work done over email

Roles/Responsibilities:

- Assist the Governing Committee in its oversight of the Association's financial and accounting matters.
- Propose the hiring of the auditors for TAIPA's annual audits (Audit/Finance Chair will ask for motion at the March Governing Committee Meeting for them to sign the engagement letter)
- Oversee the work of any independent auditor selected by the Governing Committee including TAIPA's monthly financials
- Answer questions from TAIPA's auditor during the audit regarding knowledge of any fraud, any issues with financials, etc.
- Review annual audit report (Audit/Finance Chair will ask for motion at the August Governing Committee Meeting to accept the annual audit)

Producer Review Panel

Created by:

Authority granted in Sections 15.B. and 33.B. and of the TAIPA Plan of Operation

Members:

At least 3 Producer members* Members must include:

- 1 Insurer member
- 1 Public member

Purpose:

Review records of producers that TAIPA staff reports to the Panel for review, and determine if disciplinary action is need. Make recommendations to the Governing Committee regarding those producers.

Meeting Frequency:

Depends on if there are producers that need to be reviewed. The Panel has not met in several years because there have not been enough issues to necessitate a meeting. In years past, would not exceed one meeting per year. In-person attendance required.

Roles/Responsibilities:

- Review the history and complaint records of producers who have been reported to the Panel
- Ask questions of the producers reported to the Panel, if in attendance
- Determine if disciplinary action is needed; make recommendations to the Governing Committee

Nominating Subcommittee

Created by:

By motion of Governing Committee on August 17, 2010, as part of our Administrative Rules.

NOTE: committee was already in existence, but this motion formalized the committee

Members:

At least 3 members* Members must include:

- 1 Insurer member
- 1 Producer member
- 1 Public member

Purpose:

Recommend a slate of officers to the Governing Committee annually.

Meeting Frequency:

Annually, before the first Governing Committee meeting of the year (usually via teleconference)

Roles/Responsibilities:

- Discuss potential nominees for slate of officers for the next year
- Talk with potential nominees to gauge interest
- Make recommendation to the Governing Committee regarding the slate of officers for the next year

*Note that

- TAIPA subcommittees were formed to gather information and report back to the Governing Committee.
- No Subcommittee has the authority to make a decision for the Governing Committee except in the rare circumstance that the Governing Committee formally gives them authority to make a decision on a very specific situation/issue.
- Each of the listed committees below have a minimum number of Committee Members but may have additional members due to member interest in the sub-committee.
 - The actual number of members on each of the subcommittee will be at the discretion of the current Chair.
 - However, no subcommittee will have so many members that it would form a quorum of the Governing Committee as defined by the Plan of Operations. A quorum of the Governing Committee is defined as 9 members that includes one public member.
 - Only one representative from each company/affiliated/subsidiary/grouped companies can serve on a particular subcommittee.
- Only actual members of the subcommittee are allowed to vote.
- The makeup of these subcommittees is not prescribed in the Plan of Operations or elsewhere.

TAIPA SUBCOMMITTEE MEMBERS AS OF
August 3, 2023

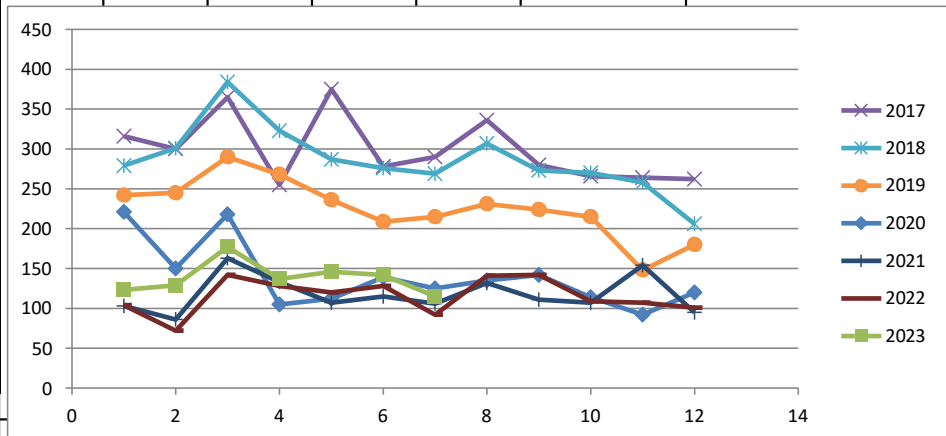
Governing Board Member	Operations Subcommittee	Audit/Finance Subcommittee	Nominating Committee	Producer Review Committee	Strategic Planning Committee
Becky Jackson (Chair)	Alternate Member				
Matthew Snyder-Farmers (Vice Chair)		Chair	Member		
David Weber-Hochhiem Prairie (Second Vice Chair)	Chair	Member		Member	Member
John Lusardi-Allstate (Secretary)	Member				
Mike Voight- Texas Farm Bureau					
Michael Burke - Travelers					
Mike Hass-Liberty Mutual					
Brian Ferguson - State Farm Ins Co					
Keith Wechsler -USAA					
Janet Dewey -Alternate Public Member					
Laura Hausman (TAIPA Liaison)		Member			
Carmelita Hogan			Chair	Member	
Mary Carol Awalt	Member				Chair
Adam Payton			Member	Chair	Member
Ramon Montalvo	Member			Member	
Kit Morris				Member	
	Open Company Position				2 Open Company Positions
Non-Governing Committee Members					
Mike Jones-TAIPA Legal Counsel					

Exhibit 4

Monthly Total (July 2023)		
	Private Passenger	Commercial
EASi Applications	102	15
Paper Applications	0	0
Total Applications Received	100	15
Applications Assigned	97	15
Apps Returned for Correction	3	0
Applications Deficient	6	0
Applications with SR-22s	3	0
Total Applications Received in July 2022:		92
Total Applications Received in July 2023:		115
Year to Date Total (as of July 2023)		
	Private Passenger	Commercial
EASi Applications	862	153
Paper Applications	0	0
Total Applications Received	822	147
Applications Assigned	807	143
Apps Returned for Correction	15	2
Applications Deficient	38	3
Applications with SR-22s	23	0
Total Applications Received YTD (as of July 2022):		786
Total Applications Received YTD (as of July 2023):		969
YTD Percent Change from July 2022 to July 2023:		23.28%
Application Assignment History*		
1999: 47,108	2007: 16,780	2015: 3,217
2000: 44,945	2008: 12,896	2016: 3,089
2001: 53,477	2009: 10,299	2017: 3,508
2002: 66,153	2010: 8,725	2018: 3,338
2003: 74,506	2011: 7,364	2019: 2,606
2004: 47,434	2012: 5,898	2020: 1,673
2005: 31,517	2013: 4,708	2021: 1,381
2006: 23,634	2014: 3,628	2022: 1,352
*Application Assignment History based on applications assigned, not received.		

Trend of Applications Received from 2016 to 2023

	2017	2018	2019	2020	2021	2022	2023
January	316	279	242	221	103	104	123
February	300	301	245	150	86	72	129
March	365	384	290	218	163	142	177
April	255	323	268	105	133	128	137
May	375	287	236	112	107	120	146
June	278	276	209	139	115	128	142
July	290	269	215	125	106	92	115
August	336	307	231	135	132	141	
September	280	273	224	142	111	142	
October	266	270	215	114	107	109	
November	264	258	148	92	154	107	
December	262	206	180	120	95	101	
Total	3,587	3,433	2,703	1,673	1,412	1,386	969



Percent Change in Applications Received from 2016 to 2023

	2017	2018	2019	2020	2021	2022	2023
January	20.61%	-11.71%	-13.26%	-8.68%	-53.39%	0.97%	18.27%
February	9.09%	0.33%	-18.60%	-38.78%	-42.67%	-16.28%	79.17%
March	22.48%	5.21%	-24.48%	-24.20%	-25.23%	-12.88%	24.65%
April	-10.84%	26.67%	-17.03%	-33.59%	26.67%	-3.76%	7.03%
May	40.98%	-23.47%	-17.77%	-52.54%	-4.46%	12.15%	21.67%
June	-10.32%	-0.72%	-24.28%	-33.49%	-17.27%	11.30%	10.94%
July	17.89%	-7.24%	-20.07%	-41.86%	-15.20%	-13.21%	25.00%
August	12.75%	-8.63%	-24.76%	-41.56%	-2.22%	6.82%	
September	-5.08%	-2.50%	-17.95%	-36.61%	-21.83%	27.93%	
October	-5.67%	1.50%	-20.37%	-46.98%	-6.14%	1.87%	
November	-2.94%	-2.27%	-21.82%	-37.84%	67.39%	-30.52%	
December	6.50%	-21.37%	-21.26%	-33.33%	-20.83%	6.32%	
Total YTD	7.52%	-4.29%	-20.01%	-35.79%	-37.11%	3.65%	26.68%

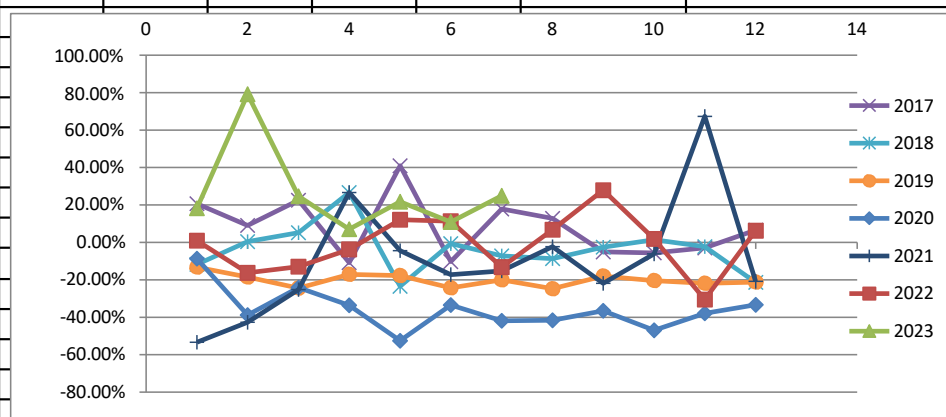


Exhibit 5

Texas Auto Ins. Plan Assoc.

ACTUAL VS. BUDGET

For the period ended June 30, 2023

<u>REV</u>	Actual	2023 Year To Date Budget	Variance	2023 Annual Budget	% Used	Reason for Variance
Assessments & Penalties	446,517	433,500	13,017	867,000	51.50%	
Other Revenue	8,164	0	8,164	0	0.00%	
TOTAL	<u>454,681</u>	<u>433,500</u>	<u>21,181</u>	<u>867,000</u>	<u>52.44%</u>	
<u>EXP</u>	Actual	2023 Year To Date Budget	Variance	2023 Annual Budget	% Used	Reason for Variance
Salaries	170,456	192,250	21,794	384,500	44.33%	We have not had any turnover, so we have not had to pay temp agency fees.
Emp. Benefits & Other Ins. Exp.	100,305	115,550	15,245	231,100	43.40%	There have been no changes to TAIPA's Med/Dent/Vis coverages because we are able to continue with our current medical plans & did not have move to an Affordable Healthcare Plan.
Office Equipment Expense	6,469	8,250	1,781	16,500	39.21%	TAIPA has purchases some Office Supplies & Equip. We expect to end on budget.
Printing & Stationary Exp.	0	2,150	2,150	4,300	0.00%	We have not purchased envelopes. We expect to end on budget.
Computer Expenses	4,016	7,400	3,384	14,800	27.13%	We have not yet purchased all of the recommended computer supplies that Vintage suggested. We expect to end on budget.
Postage & Shipping Exp.	8,564	13,200	4,636	26,400	32.44%	We continue to try & minimize what we send out by hard copy. TAIPA mailouts are down, also some of the follow up assessment invoices have been sent electronically. We expect to end under budget
Telephone Expense	2,906	5,150	2,244	10,300	28.21%	TAIPA's telephones are now all using VIOP, through the internet. We expect to end under budget.

Texas Auto Ins. Plan Assoc.**ACTUAL VS. BUDGET**

For the period ended June 30, 2023

	Actual	2023 Year To Date Budget	Variance	2023 Annual Budget	% Used	Reason for Variance
Rent Expense	29,042	35,156	6,114	70,313	41.30%	TAIPA signed a new lease with Las Cimas, the free rent from the old lease was reduced the last three months; however, the new increased rate of rent started August 2023.
Moving Expense	0	0	0	0	0.00%	Within range. (moving expense funds were moved to "rent" in order to cover the additional expense for increased rent)
Taxes	0	600	600	1,200	0.00%	Have not paid any of TAIPA's taxes. We expect to end on budget.
Other Office Expenses	1,526	3,500	1,974	7,000	21.79%	TAIPA has not had very many assessment write-offs, and service awards happen more towards the end of the year.
Governing Committee	2,202	19,450	17,248	38,900	5.66%	TAIPA has had only 1 Governing Board Meeting that was held by teleconference, thus travel expenses have been reduced. Expect to end under budget, because only 2 in person meetings are scheduled.
Subcommittee Meetings	500	2,250	1,750	4,500	11.11%	TAIPA only had 1 Ops-Sub Committee meeting prior to the August 2023 Gov. Board Meeting. We expect to end on budget.
Producer Review Panel	0	0	0	0	0.00%	Within range
Employee Meetings, Seminars & Staff Travel	1,552	13,000	11,448	26,000	5.97%	Employees are starting to attend more courses/seminars as well do some one-on-one training with accounting consultants. We expect to end on budget.

Texas Auto Ins. Plan Assoc.**ACTUAL VS. BUDGET**

For the period ended June 30, 2023

	Actual	2023 Year To Date Budget	Variance	2023 Annual Budget	% Used	Reason for Variance
Legal Expenses	21,910	30,300	8,390	60,600	36.16%	Legal expenses are currently under budget, but we expect them to go up given that we will have a new actuary for the next rate filing. We expect to end on budget.
Audit Expense	13,190	13,400	210	26,800	49.22%	Within range
Dues, Subscriptions & Publications	225	1,650	1,425	3,300	6.82%	Some of the expected dues will be paid later in the year. We expect to end on budget.
TAIPA Tradition, Visitor Meals & Gifts	824	1,650	826	3,300	24.98%	We have had only had 1 life event for Governing Committee Members/Employees this year. We expect to end on budget.
System Consultants	29,165	33,200	4,035	66,400	43.92%	TAIPA has not been billed by AIPSO for preliminary annual & annual 2022 quota reports. We expect to end on budget.
Consultants - Other	7,858	15,150	7,292	30,300	25.94%	TAIPA has not been billed for some accounting programing that is still in process. We expect to end on budget.
Actuary	0	4,250	4,250	8,500	0.00%	TAIPA has not used any actuarial services to date. We expect to end on budget.
Other	0	0	0	0	0.00%	
SUBTOTAL	400,709	517,507	116,797	1,035,013	38.72%	
Depreciation	1,272	2,550	1,278	5,100	24.95%	
Amortization	0	0	0	0	0.00%	

Texas Auto Ins. Plan Assoc.**ACTUAL VS. BUDGET**

For the period ended June 30, 2023

	Actual	2023 Year To Date Budget	Variance	2023 Annual Budget	% Used	Reason for Variance
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0.00%	
SUBTOTAL	1,272	2,550	1,278	5,100	24.95%	
TOTAL OPERATING EXPENSE	401,982	520,057	118,075	1,040,113	38.65%	We are currently under budget by 11.35%. We'd expect to be at 50% of budget at the end of this period.
NET FROM OPERATIONS	52,699	-86,557	139,256	-173,113		
Non-Operating Pension Costs	0	0	0	0	0.00%	
NET	52,699	-86,557	139,256	-173,113		
ITA						
Software Development in Progress	0	0	0	0	0.00%	
Office Furniture & Equipment	0	0	0	0	0.00%	
Computer Equipment	3,585	1,750	-1,835	3,500	102.44%	We have purchased two new laptops, they are expensed on TAIPA's depreciation schedule and are being depreciated.
Computer Software	0	0	0	0	0.00%	
Leasehold Improvements	0	0	0	0	0.00%	
TOTAL	3,585	1,750	-1,835	3,500	102.44%	

NOTE: Items that are considered "within range"

Texas Auto Ins. Plan Assoc.

Statement of Activities

For the period ended June 30, 2023

Unaudited

Changes in unrestricted net assets	Current YTD
Revenues	
Member assessments	\$ 432,926
Interest income	8,164
Assessment penalties	13,591
Total revenues	454,681
Expenses	
Salaries and related expenses	270,760
Occupancy expenses	31,948
Professional Services	72,123
Depreciation & amortization	1,272
Postage and delivery	8,564
Office supplies and expense	6,469
Governing committee	2,202
Computer supplies & expenses	4,016
Subcommittee meetings	500
Staff education & seminars	1,552
Miscellaneous	1,526
Staff expense	824
Dues and subscriptions	225
Total operating expenses	401,982
Other revenues (expenses)	
Total other revenue (expenses)	-
<i>Increase (decrease) in unrestricted net assets</i>	52,699
<i>Net assets (deficiency) at beginning of year</i>	401,651
<i>Net assets (deficiency) as of June 30, 2023</i>	\$ 454,350

Texas Auto Ins. Plan Assoc.

Statement of Financial Position

As Of June 30, 2023

Unaudited

ASSETS

Current Assets	
Cash and cash equivalents	\$ 804,783
Accounts receivable	90,807
Prepaid expenses	<u>20,173</u>
Total current assets	915,763
Security Deposits	5,379
Prepaid Pension Benefit Costs	54,079
Property and Equipment	
Furniture and equipment	26,653
Computer equipment	20,842
Leasehold improvements	2,222
Computer software	<u>25,000</u>
	74,717
Less accumulated depreciation	<u>67,925</u>
	<u>6,792</u>
Other Assets	
Operating lease right of use asset, net	254,568
Total assets	<u><u>1,236,582</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	7,122
Accrued vacation	40,939
Accrued payroll liabilities	14,178
Deferred revenue	433,736
Short Term Lease Liability	<u>33,647</u>
Total current liabilities	529,622
Other Liabilities	
Deferred lease benefit	0
Long Term Lease Liability	<u>252,609</u>
Total other liabilities	252,609
Net (Deficiency) Assets	
Without donor restrictions	<u>454,350</u>
Total net assets	<u>454,350</u>
Total liabilities and net assets	<u><u>\$ 1,236,582</u></u>

Exhibit 6

Proposed 2024 TAIPA Governing Committee Dates

Friday, April 5th, 2024

Friday, August 16th, 2024

Friday, November 22nd, 2024

Exhibit 7

Firm	Experience/Qualifications	Method to Be Used for TAIPA Filings	Pricing Structure	Rate Filing Costs	Costs for Presenting to Gov. Comm.	Costs for Testifying at Rate
<p>AIPSO</p> <p>+Non-profit +Similar to TAIPA. +Provides other services to TAIPA +Overall Cost is good if can be completed in 37.5 hours. +Hourly Cost is lower than other organizations as well.</p> <p>+/-Provides actuarial services across the country. + due to experience with other TAIPA like entities- -may assume that TAIPA will go along with what others have done just because they have done it a specific way.</p>	<ul style="list-style-type: none"> • Non-profit Organization - expect to only recover its costs • -Provides services ONLY to residual market mechanisms, • Specialize in development of residual market services since 1973. • Started performing actuarial services for FAIR plans in 2008. • Currently provides the actuarial services to the majority of AIPs across the country. • Present actuarial analysis, provide rate recommendations, answer inquiries, and execute filing with state's ins. Regulators is a common process for AIPSO they perform daily. • 2 actuaries resume incl success rate on filings made • Made a commercial rate filing for TAIPA in 2005; • Provide other services to TAIPA since 1992 	<p>Consistent with what TAIPA has done and following TAIPA's approved rate filing procedures. Including:</p> <p>Private Passenger Indexing rates to historical annual change in industrywide Texas loss costs. Will rely primarily on 3-year loss trends from Quarterly Details Experience Report of Texas Private Passenger Auto Statistical Plan. (will use excel file "Auto Industry Loss Trends from TDI.</p> <p>Commercial Rates</p> <p>Will be based on loss cost change and rate change data from TDI's commercial Auto Biennial Report.</p> <p>-Will provide support to TAIPA's legal counsel explaining rate filing calculations and justifications to Governing Committee and TDI, providing testimony, etc.</p> <ul style="list-style-type: none"> - Anticipate 3-month lead time. 	<p>Hourly</p> <p>\$176.00 per hour</p> <p>For TAIPA's current process expect to spend 37.5 hours</p> <p>Proposal doesn't include costs for:</p> <ul style="list-style-type: none"> - territory or class rating factors since not using these now. - Rate hearing testimony. <p>For any additional hours the \$176 fee would apply.</p> <p>Plus any out of pocket costs for travel would also be charged as applicable.</p>	<p>Current Process Only</p> <p>\$176 X 37.5 hours = \$6600.00</p> <p>\$176 per hour – anticipate presentations would be done via teleconference.</p> <p>Additional hourly fees and costs for travel for in-person presentation.</p>	<p>-\$176 per hour – anticipate presentations would be done via teleconference.</p> <p>Additional hourly fees and costs for travel for in-person presentation.</p>	

Firm	Experience/Qualifications	Method to Be Used for TAIPA Filings	Pricing Structure	Rate Filing Costs	Costs for Presenting to Gov. Comm.	Costs for Testifying at Rate
<p>The Burkhalter Group</p> <p>+Mr. Whatley is known to TAIPA and I believe that he is thought highly of by both OPIC, TDI, and company members.</p> <p>+Like that they are considering reviewing data from the loss costs to determine if it really fits TAIPA applicants.</p>	<ul style="list-style-type: none"> Started operation in 2018 but came from reorganization of Bickerstaff, Whatley, Ryan & Burkhalter founded in 1990. Mr. Whatley was member of actuarial committee for TAIPA from 1990-1991. Actuaries exp include Southern Farm Bureau Cas Ins Co., providing testimony at Benchmark Auto Rates hearing for ICT, Deputy Dir of Illinois Ins. Dept., Commercial VP of ISO, Pres of Nat. Council. On Comp. Ins., Deputy Comm of Ins for California, Service ins carriers, self-insured groups, captive insurers, individual self-insured, deductible bearing entities, govt. agencies, regulatory bodies incl rate filing services Extensive exp with unique role residual markets play in ins market and specifically pools in Mississippi Alabama, and South Carolina. Work for TAIPA would be done by Madison Mississippi office. 3 actuary resumes incl 	<p>Will complete extensive work on data and analyses building analysis templates, collecting and inspecting the data, make actuarial selections, consult with other actuaries in the office and company to review the actuarial work product.</p> <p>Consistent with what TAIPA has done and following TAIPA's approved rate filing procedures. Including: Private Passenger Indexing rates to historical annual change in industrywide Texas loss costs. Will rely on loss trends</p> <p>Commercial Rates Will be based on loss cost change and rate change data from TDI's commercial Auto Biennial Report.</p> <p>-Will also review the past several rate analyses and associated filings prepared by previous actuary to evaluate 5.0% limit & review details of TAIPA's in force policies along with TAIPA's historical prem, losses, & expenses.</p>	<p>Hourly</p> <p>Pricing is determined by billing rate of actuaries which are:</p> <p>\$300 to \$400/hr.</p> <p>Set an annual cap of \$9,000 for the proposed services</p> <p>Proposal doesn't include costs for:</p> <p>Depositions and testimony Travel Expenses</p> <p>They are willing to consider capping these expenses also after understanding what TAIPA/Legal expectations are.</p>	<p>Current Process Only</p> <p>\$300 to \$400 per hour X hours = with a cap of \$9,000</p>	<p>-\$300 to \$400 per hour – anticipate presentations would be done via teleconference.</p> <p>Additional hourly fees and costs for travel for in-person presentation.</p>	<p>-\$300 to \$400 per hour – anticipate presentations would be done via teleconference.</p> <p>Additional hourly fees and costs for travel for in-person presentation.</p>

Firm	Experience/Qualifications	Method to Be Used for TAIPA Filings	Pricing Structure	Rate Filing Costs	Costs for Presenting to Gov. Comm.	Costs for Testifying at Rate
<p>Pinnacle Actuarial Resources</p> <p>+Like their concern that they keep other affiliations out of the picture to give most objective consultations to their clients.</p> <p>+Like that responsible actuary is in Texas.</p> <p>-Work process was very vague with regard to work they will complete.</p> <p>-Dislike costs – seem incredibly high compared to others.</p>	<ul style="list-style-type: none"> • Current corporation started operation in 2003 core operations and relationships have been continuous since 1994. • One of the largest independent property/casualty actuarial consulting firms in US. • Owned by 7 of its professional staff. • Value their independence/affiliations with auditors, agents, brokers, captive managers and reinsurance carriers to preserve objective consultations to clients. • 91 employees with some remote actuaries in Texas • Serve 45 Texas clients currently • Roosevelt Mosley Jr will be responsible for services under this agreement. He is located in Dallas. • Have high ratings from clients. 	<p>Provide project timelines,</p> <p>Collect necessary data from TAIPA</p> <p>Discuss any issues that might affect loss and loss adj expense.</p> <p>Develop projections of loss and LAE experience.</p> <p>Conduct technical and peer review procedures</p> <p>Meet with TAIPA management to discuss key issues</p> <p>Make necessary changes and generate rate filings to TDI & attest to reasonableness of the rate level indications.</p> <p>Respond to TDI</p> <p>Represent TAIPA at TDI hearing if necessary</p>	<p>Based on time and expense basis</p> <p>Rates range from \$285 to 790 per hour.</p>	<p>Rates range from \$285 to 790 per hour.</p> <p>Estimate for work excluding attending and defending TAIPA at rate hearing is expected to be between \$40,000 and \$50,000</p> <p>Will let us know if actual charges will significantly exceed estimate.</p>	<p>Not addressed but assume they would answer questions for Governing Committee and it would be included in the \$40,000 to \$50,000.</p>	<p>Not addressed – but it would be something over the \$40,000 to \$50,000 for the rate filing work.</p> <p>I assume it would be based on Roosevelt Mosley Jr. of \$790 per hour times the amount of time he spent testifying and answering questions.</p>

Firm	Experience/Qualifications	Method to Be Used for TAIPA Filings	Pricing Structure	Rate Filing Costs	Costs for Presenting to Gov. Comm.	Costs for Testifying at Rate
<p>Willis Towers Watson</p> <p>+Provides other services to TAIPA but they are unrelated.</p> <p>+One of their actuaries worked for Mike Miller and worked on TAIPA rates and he would assist the actuary in charge of TAIPA's plan.</p>	<p>-Experience consulting for insurers across many lines, sizes, and geographies, including TAIPA</p> <p>-Understanding of regulatory approvals, with broad knowledge of filing strategies for successful approvals.</p> <ul style="list-style-type: none"> • WTW provides actuarial services for TAIPA's pension plan and has for as long as I can remember. • Justin Milam will be the lead on this project and is out of St Louis Office. • Klayton Southwood out of the Bloomington office would assist him. Klayton previously worked with Mike Miller on actuarial work for TAIPA. 	<p>Consistent with what TAIPA has done and following TAIPA's approved rate filing procedures. Including:</p> <p>Private Passenger Indexing rates to historical annual change in industrywide Texas loss costs. This could also be described as tracking the annual trend in claim losses. Traditionally calculated using 3-year loss trends. TAIPA staff will obtain the data from TDI and forward it to WTW</p> <p>-Will work with TAIPA staff and attorneys to prepare rate filing.</p> <p>-Will provide support to TAIPA's legal counsel and staff to answer questions and implement the approved rates.</p> <p>Will providing testimony, for rate hearing if necessary at additional cost.</p> <p>Because of TAIPA's current size and decreasing size over the last decade, there is little additional value in completing an actuarial analysis more complex than current methods.</p> <p>-</p>	<p>Fixed Fee of: \$15,000 for rate work without a rate hearing.</p> <p>Maximum of \$50,000 if Rate hearing is necessary.</p>	<p>Fixed Fee of: \$15,000 for rate work without a rate hearing.</p> <p>Maximum of \$50,000 if Rate hearing is necessary.</p>	<p>Not really addressed but assume they would answer questions if asked.</p> <p>Fixed Fee of: \$15,000 for rate work without a rate hearing.</p> <p>Maximum of \$50,000 if Rate hearing is necessary.</p>	<p>Fixed Fee of: \$15,000 for rate work without a rate hearing.</p> <p>Maximum of \$50,000 if Rate hearing is necessary.</p>

Exhibit 8

Texas Automobile Insurance Plan Association Conflict of Interest Policy

Purpose

The purpose of this conflict-of-interest policy is to prevent the institutional, business or personal interests of members of the Governing Committee or other committees, officers, and staff (“Interested Persons”) of the Texas Automobile Insurance Plan Association (TAIPA) from influencing them when making decisions for TAIPA that may benefit or gives the appearance of benefitting an Interested Person, or their relative, or any other relationship they have with a third party.

This policy is intended to supplement but not replace any applicable laws governing conflict of interest including the provisions of the Texas Business Organizations Code applicable to nonprofit corporations.

A conflict of interest may exist when the interests or potential interests of any Interested Person or that person’s close relative, or any individual, group, or organization they are associated with (including, as to a committee member, the company they represent), may be seen as competing with the interests of TAIPA, or may impair such person’s independence or loyalty to TAIPA. A conflict of interest is defined as an interest that might affect, or might reasonably appear to affect, the judgment, conduct or vote in a manner that is adverse to the interests of TAIPA.

Examples

A conflict of interest may exist if an Interested Person or the company they represent:

- a. has a material ownership or investment interest in any entity with which TAIPA has or proposes to have a transaction or arrangement;
- b. has a compensation arrangement with TAIPA or with any entity or individual with which TAIPA has or proposes to have a transaction or arrangement;
- c. serves as a board member of the entity which has or proposes to have a transaction or arrangement with TAIPA; and,
- d. has a compensation arrangement with any entity or individual with which TAIPA is negotiating a transaction or arrangement.

Duty to Disclose

In connection with any actual or possible conflict of interest of a Governing Committee or other committee member, the Interested Person must disclose the conflict along with all material facts to the committee or Governing Committee when considering the matter for which the conflict exists.

An employee must identify any conflict of interest and disclose all material facts to the Association Manager. The Association Manager will report to the Governing Committee any employee conflicts of interest, including those of the Association Manager.

Conduct of Meeting

After disclosure of a conflict at a meeting, the Interested Person may be present at and participate in the meeting; however, they cannot vote on the matter. The matter may be authorized by the majority vote of the remaining members of the committee, regardless of whether the remaining committee members constitute a quorum. If requested by a majority of the committee, the Interested Person is to leave the meeting for the vote on the matter. Then, if desired, additional discussion may be had prior to the vote.

Meeting Minutes

The minutes of a meeting shall reflect that the conflict of interest was disclosed; that the Interested Person did not vote on the matter; and, whether they left the meeting during the vote.

Violations of the Conflicts of Interest Policy

If the Governing Committee has reasonable cause to believe an Interested Person has failed to disclose actual or perceived conflicts of interest, it shall inform the Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose.

If, after hearing the Interested Person's response and after making further investigation as warranted by the circumstances, the Governing Committee determines the Interested Person has failed to disclose an actual or possible conflict of interest, it shall take appropriate corrective action.

Annual Statements

Each Governing Committee member, each employee of TAIPA and each member of a committee shall annually sign a statement which affirms such person:

- a. has received a copy of this conflict-of-interest policy;
- b. has read and understands this policy; and,
- c. has agreed to comply with this policy.

Supplemental Statements

When an Interested Person becomes aware of a new conflict of interest after submitting the annual statement, the Interested Person shall provide an updated disclosure.

CERTIFICATION

I have read the foregoing conflict of interest policy of TAIPA and agree to abide by its terms. I know of no possible conflict of interest except as described below:

Signature

Printed name

Date

Exhibit 9

TAIPA PP Over/Under Report

COMPANY

Year End 2018

Year End 2019

Year End 2020

Year End 2021

1st QTR 2022

2nd QTR 2022

3rd QTR 2022

4th QTR 2022

1st QTR 2023

	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	
21ST CENTURY CENTENNIAL INS CO (SC)		266,162		269,040		82,479		173,295		172,068		142,675		233,295		161,857		148,038	
ACE AMERICA	Entered LAD																		
AFFIRMATIVE INS CO (co is in liquidation)		2,831		2,831		2,831	Went into storage												
AMER FAMILY MUT INS CO SI	New to quota	6		12		12		12		12		12		12		12		12	
AMER MERCURY INS CO		4,047	Entered LAD																
AXA INS CO			New to quota	3		21		50		56		58		59		59		59	
BERKLEY INS CO					Became grouped														
BRANCH INS EXCH										New to quota	2		20			57	Entered LAD		
CLEARCOVER INS CO							Entered LAD												
DIRECT GEN INS CO					Became grouped														
FIRST CHICAGO INS CO										232	Entered LAD								
FREESTONE INS CO		443		443	Went into storage														
GENERAL SECURITY NATL INS CO									Entered LAD										
GOVERNMENT EMPLOYEES INS CO		63,079		55,194		28,150		58,246		62,415		99,811	Entered LAD						
GREENWICH INS CO								New to quota	1		5		10		16		21		36
HALLMARK COUNTY MUT INS CO	440,802		440,404		440,269		440,169		440,146		440,128		440,118		440,107		440,075		

TAIPA PP Over/Under Report

COMPANY

Year End 2018

Year End 2019

Year End 2020

Year End 2021

1st QTR 2022

2nd QTR 2022

3rd QTR 2022

4th QTR 2022

1st QTR 2023

	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
HOMEOWNERS OF AMER INS CO		4,639	Went into storage															
HOUSTON GENERAL INS EXCH (co is in liquidation)			New to quota	26	New to quota	190		235		235		235		235		235		249
ICM INS CO	Went into storage																	
INTEGON NATIONAL INS CO		201,462		249,885		185,414		207,690		204,395		196,518		206,342		278,083		291,575
MAIDSTONE INSURANCE COMPANY (prev AUTOONE INS CO)	330,038		330,038		Went into Storage													
MIDVALE IND CO	New to quota	1																
NATIONAL UNITY INS CO																	New to quota	171
NOBLR RECIPROCAL EXCHANGE						>			Became grouped									
RIVERPORT INS CO	New to quota	51	Entered LAD															
STARR INDEMNITY & LIABILITY CO	Went into storage																	
STATE FARM MUT AUTO INS CO		170,618		147,124		104,343	Entered LAD											
SUSSEX INS CO (prior Companion Pro & Cas Ins Co) Effective 12/31/2017, Sussex Ins Co merged into CLARENDON NATIONAL INS CO	CO / Inactive Merged																	
TEXAS FARM BUREAU CAS INS CO		57,078		44,783		36,078	Entered LAD											
TREXIS ONE INS CORP (prev co ALFA SPECIALTY INS CORP)		138		659		663		613		679		723		11	376		313	
UNITED SEC HEALTH & CAS INS CO										New to quota	1		2		3			6

TAIPA PP Over/Under Report

COMPANY

Year End 2018

Year End 2019

Year End 2020

Year End 2021

1st QTR 2022

2nd QTR 2022

3rd QTR 2022

4th QTR 2022

1st QTR 2023

	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
UNIVERSAL NORTH AMERICA	Went into storage																	
VAULT RECIPROCAL EXCHANGE							New to quota	17		49		83		126		156		242
WINDHAVEN NATIONAL INS. CO (10348 ATX PREMIER INS CO) Co is in receivership as of 03/05/2020		285		442		88		10	Company has zeroed out, sent email to AIPSO.									
TOTALS	770,840	770,840	770,442	770,442	440,269	440,269	440,169	440,169	440,146	440,146	440,128	440,128	440,118	440,118	440,483	440,483	440,388	440,388

PREMIUMS WRITTEN	2,346,137	1,785,296	1,262,528	1,000,446	1st qtr 328,771	2nd qtr 238,158	3rd qtr 228,760	4th qtr 131,573	1st qtr 327,481
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TAIPA OTPP Over/Under Report

COMPANY

Year End 2018

Year End 2019

Year End 2020

Year End 2021

1st QTR 2022

2nd QTR 2022

3rd QTR 2022

4th QTR 2022

1st QTR 2023

	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
ACCIDENT INS CO		154		243	Entered CLAD													
AMALGAMATED CAS INS CO	Entered CLAD																	
AMER BANKERS INS CO OF FLORIDA	Became ungrouped co has no Vol Premium (co w/ quota moved to Diamond StateCo is in a CLAD)																	
AMER CONTRACTORS INS RISK RET. GRP	Went into storage				Started writing again 16,743 out of storage in 2020		19,797	20,297	20,767	21,393	21,845	22,432						
AMER COUNTRY INS CO			767	1,535	1,535	Company has zeroed out, sent email to AIPSO.		1,535	1,535	1,535	1,535							
AMER MERCURY INS CO		12,787	Entered CLAD															
BERKLEY CAS CO							461	Became grouped										
BRITISH AMERICAN INS CO	1,489		1,067		822		611	1,346	AIPSO to correct next qtr	444	336	259	121					
CIMARRON INS CO INC																	New to quota	47
CLEAR SPRING PROP & CAS CO																	New to quota	3
GATEWAY INS CO						2,739			Entered CLAD								New to quota	22
GENERALI US BRANCH																	New to quota	1
GOVERNMENT EMPLOYEES INS CO	24,233		485,639		478,955		463,695	939,458	AIPSO to correct next qtr	457,602	453,670	450,835	447,799					
HOUSING ENTERPRISE INS CO INC		6		12		12		12	AIPSO to correct next qtr	24	12	12	12					12
HOUSTON GENERAL INS EXCHANGE (co is in liquidation)							372	373	372	372	372	372	372					372
INTEGON NATIONAL INS CO		1,715,041		1,764,552		1,775,103		1,874,186	AIPSO to correct next qtr	3,783,814	1,864,877	1,858,871	1,855,704					1,825,934

TAIPA OTPP Over/Under Report

COMPANY

Year End 2018

Year End 2019

Year End 2020

Year End 2021

1st QTR 2022

2nd QTR 2022

3rd QTR 2022

4th QTR 2022

1st QTR 2023

	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
INTREPID INS CO			New to quota	1	Became grouped													
KNIGHTBROOK INS CO								New to quota	9	Entered CLAD								
LUMBERMENS CAS INS CO																	New to quota	23
MAIDSTONE INSURANCE COMPANY (prev AUTOONE INS CO & Penn General)	414,900		Went into storage															
MIDCONTINENT CAS CO	746,030		744,560		743,230		742,224		1,485,096	AIPSO to correct next qtr	741,536		741,092		740,771		740,379	
MOTORISTS COMM MUT INS CO (co has zeroed out prev Amer Hardware Mut Ins Co)	27,086		27,086		27,086		27,086		54,172	AIPSO to correct next qtr	27,086		27,086		27,086			
NEXT INS US CO								49		177		298		458		574		
NUTMEG INS CO																	New to quota	55
OKLAHOMA SURETY CO	679,207		677,660		676,507		675,699		1,351,954	AIPSO to correct next qtr	675,216		674,904		674,679		674,372	
PREFERRED PROFESSIONAL INS CO																	New to quota	54
RIVERPORT INS CO		83	their adj zeroed them out	10	Became grouped													
SAMSUNG FIRE & MARINE INS CO											Co has Zeroed out	1		1		2		2
STARNET							Entered CLAD		Entered CLAD									
STATE FARM MUT AUTO INS CO		123,853		127,745		104,930	Entered CLAD											
TEXAS FARM BUREAU CAS INS CO (prev Southern Farm Bur)		28,473		29,789		29,114	Entered CLAD											
TEXAS HOSPITAL INS EXCH		12,469		12,824		13,086		13,280	AIPSO to correct next qtr	26,421		13,385		13,452		13,501		13,551
TIG INS CO	New to quota	79		79		81		84	AIPSO to correct next qtr	165		84		84		84		84

TAIPA OTPP Over/Under Report

COMPANY	Year End 2018		Year End 2019		Year End 2020		Year End 2021		1st QTR 2022		2nd QTR 2022		3rd QTR 2022		4th QTR 2022		1st QTR 2023	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
TRISURA INS CO																	New to quota	79
ULLICO CAS CO	Went into storage																	
WATFORD INS CO									New to quota	285		553		910	Entered CLAD		Entered CLAD	
WESTPORT INS CORP									Became grouped									
TOTALS	1,892,945	1,892,945	1,936,012	1,936,012	1,926,600	1,926,600	1,909,315	1,909,315	3,832,026	3,832,026	1,901,884	1,901,884	1,897,088	1,897,088	1,893,630	1,893,630	1,862,671	1,862,671

PREMIUMS CREDITED	1,679,205	1,953,284	1,737,041	1,695,128	427,337 1st qtr	403,886 2nd qtr	535,152 3rd qtr	386,050 4th qtr	496,278 1st qtr
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