

**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

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Find your local number: <https://us02web.zoom.us/u/kInN27TI4>

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.
Meeting Agenda

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.

Exhibit 1

Texas Automobile Insurance Plan Association Governing Committee Meeting Minutes
Friday, November 18, 2022
9:00 A.M.
Meeting Held via Zoom

This meeting is scheduled to be a zoom meeting. The Zoom Meeting Address is:

Topic: TAIPA Governing Committee Meeting Friday, November 18th, 2022

Time: Nov 18, 2022 09:00 AM Central Time (US and Canada)

Join Zoom Meeting

<https://us02web.zoom.us/j/83324322262?pwd=NVDPa0p3NmZLRXpRVmlZKzJpUGYrUT09>

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Passcode: 242264

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Attendees:

TAIPA Governing Committee Members:

Ryan Shapiro, APCIA rep

Michael Hass, Liberty Mutual

Mike Voigt, AFACT rep

Becky Jackson, consumer

Matthew Snyder, Farmers

Anh Vo, State Farm

John Lusardi, Allstate

David Weber, NAMIC rep

Carmelita Hogan, consumer

David Nardecchia, consumer

Mary Carol Awalt, consumer

Laura Hausman, consumer

Adam Payton, agent

Ramon Montalvo, agent

Kit Morris, agent

Keith Wechsler, USAA

Counsel:

Mike Jones

Other Company Members:

Carol Berthold, GEICO

Ron Weist, 21st Century

TDI:

John Mooney

Katelyn Marak

OPIC:

Talia Bright

Melissa Heggins

David Bolduc

TAIPA Staff:

Stacy Dutton

Mimi Leece

Ruth Wise

Amanda Reynolds

1. Call to Order

Chair Becky Jackson called the meeting to order at 9:04am.

2. Introductions

Stacy Dutton called roll.

3. Reading of the Anti-Trust Statement

Stacy Dutton read the Anti-Trust Statement.

TAIPA 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 Policy/Disclosures

Chair Jackson asked Mike Jones to go over the conflict of interest disclosures.

Mr. Jones reminded the committee the meeting may contain topics which would make certain committee members ineligible to vote based on the company or organization the member works for or is a board member of.

5. Review and Approval of the Minutes of the August 19, 2022 Meeting (Exhibit 1)

Chair Jackson asked David Weber to go over the last TAIPA Governing Committee Meeting minutes from August 19th, 2022. Mr. Weber went over the topics of the last TAIPA Governing Committee per the minutes. David Weber and John Lusardi pointed out two corrections within the minutes. Mr. Weber asked the committee if there were any other changes or questions regarding the minutes. No other changes or questions were mentioned. David Weber made the motion to accept the August 18th, 2022 Governing Committee Minutes with amendments. David Nardecchia seconded the motion. The motion carried unanimously.

6. Chair's Report

Becky Jackson went over the Chair's report. She noted Corise Morrison officially retired from USAA and the TAIPA Governing Committee as of November 1st, 2022. Ms. Morrison asked the Chair to thank everyone for the Texas Flag presented to her at the August meeting. Chair Jackson welcomed Keith Wechsler from USAA to the committee. Mr. Wechsler has taken Corise Morrison's place on the Governing Committee. Chair Jackson also announced the Strategic Planning Subcommittee is seeking another company member, and to contact the Chair or Stacy Dutton if interested in the position.

7. Manager's Report

Becky Jackson asked Stacy Dutton to go over the Managers Report.

A. Application Count Update as of October 31, 2022 (Exhibit 2)

Stacy Dutton stated at the end of October 2022 TAIPA had assigned 109 applications, which is up from 107 applications in October 2021. Ms. Dutton noted this is 1.8% increase from the previous year or two applications. Ms. Dutton also stated Year-to-Date at the end of October 2022, TAIPA had assigned 1178 applications compared to 1163 applications assigned Year-to-Date through October 2021. She noted this increase is only 15 applications but this is the first time TAIPA's Year to Date numbers have been higher than the previous year since 2017.

Stacy Dutton asked if there were any questions on the application counts. Matt Snyder asked if the increase was in private passenger or commercial applications. Stacy Dutton confirmed the increase is mostly in commercial applications.

B. Financial Update as of September, 2022 (Exhibit 3)

Stacy Dutton noted this is the first time she has been reporting the budget numbers TAIPA has been within range or under budget in every single category. Ms. Dutton stated she expects for TAIPA to end the year under budget as well. She explained it is possible for TAIPA to have to complete a rate filing so there is a chance to end over budget in this category. Ms. Dutton noted TAIPA did not transfer the \$4000 to the Producer Review Panel budget as planned, this was due to the fact while Ruth Wise was pulling information together for the rate hearing, she discovered some additional information. Stacy Dutton explained after discussing this information with Mike Jones, it was decided TAIPA will need to send this information to TDI for resolution. Stacy Dutton asked the committee if anyone had any questions in regards to the financials. No questions were asked.

C. Line of Credit Renewal is complete and in place until September of 2023

Ms. Dutton confirmed the line of credit renewal is in place with Frost bank until September 2023 for \$300,000.

D. Issue with Non-Affiliated position on the Governing Committee*

Recommendations for Plan of Operation Change (Exhibit 4)

Stacy Dutton stated TAIPA sent out Bulletin #250 Notice of Non-Affiliated Governing Committee Representative Nominations, which was followed up with an addendum to Bulletin #250 indicating Allstate would not be nominating itself for this position for 2023. Ms. Dutton stated she discussed the situation with the officers and they decided to send the addendum letting the companies know TAIPA did not have anyone nominated for the Non-affiliated position and asking any non-affiliated companies to seriously consider becoming a member of the Governing Committee.

Prior to the addendum going out, Ms. Dutton stated she had four insurance companies let her know they were not affiliated with AFACT, APCIA, or NAMIC. She contacted them to encourage them to apply for the Non-Affiliated position. She received 2 responses from the 4 companies. One indicated it was being sold and the other indicated it did not sell auto insurance in Texas even though they were licensed.

Ms. Dutton explained by October 26, 2022 she had not received any interest from any Non-Affiliated Company to be a member of TAIPA's Governing Committee. Ms. Dutton talked with the officers group regarding the fact Allstate would not be pursuing the Non-Affiliated position, and the officers discussed what might be done if TAIPA did not receive any interest from a Non-Affiliated company.

Ms. Dutton stated she assumed the following:

- The insurance companies are not going to want to leave this position unfilled for 2023.
- TAIPA would need to decide how they want to proceed at this Governing Committee meeting because whatever solution we come up with will require a Plan of Operation Change.
- TAIPA would request a rush from TDI on any proposed change, but it was still pushing it to have it be resolved prior to the March 24, 2023 annual meeting.

- The solutions the Officers' group developed were related to adding a possible 5th At Large member. Since these members are elected at the annual meeting, it adds some additional time constraints.

Stacy Dutton asked Mike Jones to go over the change options for the revision to the Non-Affiliated member position. Mr. Jones summarized each of the options:

Option 1: Eliminate the non-affiliated position, have five at-large members with at least one Texas Company who only writes in Texas.

Option 2: Eliminate the non-affiliated position, and have five at-large members from any company.

Option 3: Keep the non-affiliated position, but if in a particular year TAIPA does not receive nominations or do not fill the position then we would add a fifth at-large position for that year to serve until the next annual meeting. This option would also include language in the case where no Texas companies step up to the position then it goes back to the five at-large.

Option 4: Keep the non-affiliated position, but if in a particular year there not nominated or do not fill the position than a fifth at-large member position for a Texas company would be added for that year to serve until the next annual meeting. This option would also include language in the case where no Texas companies step up to the position then it goes back to the five at-large.

Discussion:

- Carmelita Hogan stated she was in favor of keeping a Texas company member which would be either Option 1 or Option 4.
- John Lusardi stated he would prefer to have 5 At-large members to avoid a Texas company member taking the position automatically without the Governing Committee approving the member's position due to the member's attendance or qualifications.
- Mike Jones stated there is language in the Plan of Operation stating committee members must attend meetings and the governing committee would elect the member with a vote.
- John Lusardi stated he would rather have the option with 5 At-Large members and the non-affiliated member eliminated.
- David Nardecchia stated he would rather have the option where a Texas company member has a position.
- John Lusardi asked Stacy Dutton how many non-affiliates have applied in the last few year.
- Stacy Dutton stated there was one in the last five years, but prior to that there were more.
- David Weber stated we should eliminate the Non-Affiliate position because there aren't many members out there and in the past the board has had trouble finding someone who knows they are not affiliated. He noted in regards to an additional member, he believes it is very important to have a Texas company because TAIPA is a Texas entity and serves Texans. Mr. Weber discussed currently we have representation for Texas companies through the Association of Fire and Casualty Companies in Texas (AFACT). Mr. Weber stated his recommendation is Option 1, because it allows a Texas company to be on the board and in the event we do not have a Texas company an At-large nomination would be allowed.
- Carol Berthold stated she believes Option 1 is the best option.
- Matt Snyder asked in the event where six companies run with one being a Texas domestic company, and they are not represented currently, would a current company be compelled to vote for them.

- Mike Jones stated if a Texas domestic company was nominated they would receive the position. He explained in the situation where two Texas domestic companies ran for the position, the company with the higher vote would receive the fifth position.
- Matt Snyder asked if the current bulletin would give the option for companies to select either At-Large, Non-Affiliated, or Texas Domestic.
- Stacy Dutton stated TAIPA would have to wait until we have the plan of Operation change before we can change the bulletin.
- Carmelita Hogan asked Stacy Dutton which option would include the above bulletin option. Stacy Dutton replied it would be Option 4 because right now that is the only bulletin sent out for Non-Affiliated but in the future TAIPA could add a box to check for Texas domestic companies to check to identify themselves.
- Becky Jackson asked if it would be better in the board's opinion to give the preference to a Texas domestic company over a Non-Affiliated.
- Mike Jones explained over the years it has been hard to find a Non-Affiliate position. He stated this has been hard due to most companies being members of trade associations.

David Weber made the motion to approve Option 1. Ramon Montalvo seconded the motion. The motion carried unanimously.

Mike Jones stated he will send to the commissioner and ask for her approval for the amended plan of operation language.

E. 2022 Review of 3rd Party Relationships & TAIPA Recommendations (Exhibit 5)

- i. Actuary* (Epic Consulting – Mike Miller)
- ii. Legal (Thompson Coe – Mike Jones)
- iii. Auditors (Atchley & Associates – Tyler Mosley)
- iv. Systems (Application processing, and Quota - AIPSO)

Stacy Dutton explained the exhibit shows the:

- Category
- Name of the organization
- Services provided
- 2022 Rate and Expected Expenses
- 2023 Rate and/or Expected Expenses
- Any changes

*Note this also includes information on the last RFP performed or the how long the 3rd Party has worked with TAIPA.

Ms. Dutton reminded everyone the TAIPA Vendor and Service Provider Selection Procedure was changed at our August 2021 meeting. The procedure states the manager will do an analysis and let you know annually (or sooner if necessary) about:

- Any 3rd Party Relationships contracts that have been in place for 5 years.
- Any vendor with poor performance.

Ms. Dutton stated TAIPA has not had any vendors with poor performance, however all of the 3rd Party Relationships have been in place 5 or more years. She pointed out TAIPA's actuary, Mike Miller with Epic Consulting has let her know he plans to retire in 2023.

Last year, the Governing Committee made a consensus to continue the existing arrangements with legal counsel, auditors, actuary, application processing system, and quota system for another year.

Stacy Dutton stated TAIPA's staff recommendation is to continue with all of the vendors as there is no compelling reason to change vendors.

Ms. Dutton announced it is up to the Governing Committee to determine if they would like TAIPA staff to come up with either:

- A list of potential vendors/providers who may be interested in providing the services identified; or
- If they would like TAIPA to do an RFP for any of our 3rd party relationships.

Chair Jackson stated we will be taking motions to continue each of the vendors individually.

A motion to continue legal counsel with Thompson Coe was made Ramon Montalvo and seconded by Mike Voigt. All were in favor, none were against, and there were no abstentions. The motion carried unanimously.

A motion to continue financial auditing services with Atchley & Associates under Tyler Mosely. Matt Snyder made a motion to continue, John Lusardi seconded the motion. All were in favor, none were against, and there were no abstentions. The motion carried unanimously.

A motion to continue with the current application processing system and quota system AIPSO was made by Keith Weischler, Matt Snyder seconded the motion. John Lusardi abstained from this vote due to a conflict of interest. None were against. The motion carried unanimously.

A motion to continue with the actuary services of Epic Consulting by Mike Miller was made by John Lusardi and seconded by Ramon Montalvo. All were in favor, none were against, and there were no abstentions. The motion carried unanimously.

Ms. Dutton stated when she received Mike Miller's email regarding his future retirement, she gathered names of potential actuaries from committee member's contacts as well as the names of the actuaries who responded to our 2017 RFP including AIPSO.

Stacy Dutton also mentioned the benefits and drawbacks of doing an RFP versus just networking to find an actuary who would be interested in completing TAIPA's rate filing. She stated she has some reservations about going through the RFP process since it was quite a bit of work for not much information in the way of new ideas or even actuaries who are were willing to work with the current practices.

Ms. Dutton explained she reviewed the RFP she wrote in 2017. She explained the RFP states what the current process is, but also asks for new ideas, and it goes so far as to say TAIPA may decide to take ideas from this process and send out an addendum with the "new idea" and get prices.

Stacy Dutton stated TAIPA's current actuary is telling us the current rate filing process may not work going forward. Ms. Dutton talked about how Mike Miller will help TAIPA review all the suggestions and come up with a new rate filing procedure. TAIPA can document the new procedure and send it out and get bids. She explained we are in a good situation since TAIPA is planning on going through a rate process soon and we would have until the rate filing for 2024 to find a new actuary and rate filing process.

Stacy Dutton turned the discussion over to Mike Jones to discuss the networking process.

Discussion:

- Mike Jones explained this issue has recently come up. He also stated Mike Miller has an associate who may be able to take over the rate filing process going forward. Mr. Jones explained he believes our current rate filing procedure will be reasonable moving forward.
- David Weber made the point the methodology for our rates has been a problem in the past, and he believes it is time to look at the statute to find a different way to set our rates. He explained TWIA made a recommendation to get their rates from TDI. He stated maybe it would be a good option for TAIPA to look into having TDI give us rates.
- Mary Carol Awalt asked if all of the actuaries would be contacted to get ideas from. She also made the point networking may be the best idea to find a suitable actuary replacement to give to Stacy Dutton and staff.
- Mike Jones voiced his concerns about finding a suitable actuary for TAIPA's rate filing.

David Weber made a motion to allow staff and counsel to find a replacement for Mike Miller, and if unsuccessful by the next meeting then move to a RFP process considered by the governing committee. Ramon Montalvo seconded the motion. The motion carries unanimously.

F. 2023 Budget

Stacy Dutton went over the 2023 budget details in Exhibit 6.

Ms. Dutton noted for the most part, the budget for 2023 is very similar to 2022. She discussed it includes:

- A 6% salary in increase over 2022's budget. This includes a 5% budget for staff increases and a 1% hold back to address compensation and other economic gaps in 2023 which was recommended by TAIPA's compensation consultant.

Ms. Dutton explained the largest increase in the 2023 budget is due to the fact TAIPA has to make a \$100,000 contribution to the pension plan this next year. She stated this is due to the investments made by the plan not performing as expected. The plan did not need any contributions in 2022 due to a surplus, however in years prior contribution was also needed.

The other potential increases Ms. Dutton went over \$5,000 are:

- \$12,300 for moving expense
- \$16,500 for Governing Committee Expenses since we are planning on having 3 in person meetings next year. This is not new per se, but TAIPA has only had one in person meeting since 2019
- \$5000 for Legal Expenses – Thompson Coe estimated a 5% increase and \$2000 was added for the HR Attorney to review the TAIPA handbook in 2023.
- \$12,700 increase in System Consultants because TAIPA wants to move to a different service level agreement without IT vendor Vintage. The new plan would assign a part time IT manager to TAIPA, use 170 Best Practices Audit, includes quarterly business reviews, checks for compliance, assist with budgeting, planning, Office 365 conversion, backups are included and manages SOC. Stacy Dutton pointed out she feels this service is necessary given TAIPA does not have employees with any IT background and due to the continued issues with security.

- Two new laptops were budgeted for staff since current laptops are 4 years old.
- The other new things less than a \$5000 per year increase are: a new postage machine, adding ICT membership, and cabling for a new office.

Stacy Dutton stated the 2023 requested operating budget is \$1,052,100. She noted is an increase of \$178,850 from TAIPA's 2022 budget.

Ms. Dutton explained the recommended 2022 Assessments is \$867,000.

- This is the total 2023 budget minus amortization and depreciation (which are non-cash expenditures), and minus \$180,000 of "excess cash" at yearend 2022 to be used to reduce the assessment.
- She explained after applying the "excess cash" to reduce the assessment fees, she expects to have \$230,593 at 2022 yearend. This cash will be used to carry over into the first quarter of 2023 operating expenses.
- She also noted TAIPA does have the \$300,000 line of credit with Frost.

Stacy Dutton asked the committee for any questions. No questions or concerns were mentioned.

Chair Jackson asked for a motion to accept TAIPA's recommended budget of \$1,052,100 and the assessment of \$867,000. David Nardecchia made a motion to approve this budget. Mary Carol Awalt seconded the motion. The motion carried.

G. 2022 Meeting Dates

Stacy Dutton went over the 2023 approved meeting dates shown in Exhibit 7.

Friday, March 24, 2023
Friday, August 18, 2023
November 1, 2023

Ms. Dutton explained the hotel where TAIPA planned to have the March 24th, 2023 meeting has a scheduling conflict that week and hotel rooms are no longer available at the agreed upon rate. Stacy Dutton asked the committee to decide if TAIPA wants to keep that date, and make it a zoom meeting or move the date.

Chair Jackson requested a motion to move the date or have a zoom meeting on March 24, 2023. John Lusardi made a motion to have the meeting via zoom on the same date. Matt Snyder seconded the motion. The motion carried.

8. **Strategic Planning Subcommittee Report**

Becky Jackson passed the meeting over to Mary Carol Awalt to give the Strategic Planning Subcommittee Report.

A. TAIPA's current staffing/salary grades

Ms. Awalt explained the Strategic Planning Subcommittee feels comfortable with TAIPA's current staffing level, however the committee wanted to find out the compensations consultant's thoughts as well. She stated the consultant indicated he agreed with TAIPA's staffing level of 4 employees based on the amount of work the Association has and even though the application numbers are going down. Mary Carol Awalt stated the compensation consultant

recommended the Governing Committee consider approving a 5% staff pay increase budget based on total payroll to be used for 2022-2023 staff pay increases. She explained it was also recommend adding an additional 1% hold back budget for any pay adjustments that might be required for the rest of 2023. She explained the compensation consultant stated TAIPA's current salary grades are still correct for what they have found in the market. Mary Carol Awalt asked if there were any questions, no questions were asked from the committee.

B. TAIPA Office Space Lease

Mary Carol Awalt went over TAIPA's office space lease and potential properties.

Ms. Awalt explained:

- TAIPA's current lease does not end until April 30, 2023.
- TAIPA spoke to Texas Windstorm Insurance Association regarding their move and new space.
- TAIPA also spoke to the Texas Property and Casualty Insurance Guaranty Association about their property and they voiced concerns about their buildings area and their staffs' safety.
- TAIPA staff visited and toured nine potential office spaces. The top three locations were shown in Exhibit 8.

Option 1: 805 Las Cimas Parkway, Suite 210, Austin, TX 78746 (current leased space)

Ms. Awalt stated TAIPA Staff's first choice is to stay where they are currently at. She explained staff would prefer not to move because their current location is very nice, has many perks, is close to everyone's homes, and probably most importantly they all feel safe there by themselves and at any hour. She also stated staff agrees the lease is expensive and the property management would likely turn down a negotiated offer due to the increase in companies moving into the building.

Option 2: 110 Wild Basin, Suite 360, Austin, TX 78746

Mary Carol Awalt stated TAIPA Staff's second choice is 110 Wild Basin and is about a mile north of their current location. She explained TAIPA staff felt safe at this location and the building had the same look and feel as TAIPA's current location. She noted a perk about this building is a very large conference room that could accommodate TAIPA's Governing Committee Meetings in the future.

Option 3: 5508 West 290, Suite 203, Austin, TX 78735

Mary Carol Awalt explained the most attractive thing about this office is Insurance Council of Texas and Texas Insurance Checking Office will be moving into this space. However, per Insurance Council of Texas and Texas Insurance Checking Office only around five employees will be onsite at their office on a given day. She noted staff is most concerned about the safety in this building due to the other companies in the building. Ms. Awalt pointed out Stacy Dutton did not feel comfortable allowing staff to work at this office by themselves or at late hours.

Ms. Awalt pointed out the comparison in exhibit 8, the locations rents are:

- Highest at 805 Las Cimas,
- Reduced by 83,450 over the 5 year lease agreement at 110 Wild Basin, and
- Reduced by \$149,187 at the 5508 Hwy 290 W location.

Discussion:

- Ramon Montalvo asked if TAIPA's current property would negotiate the current lease.

- Ms. Awalt stated per TAIPA's broker, the existing property management is not prone to negotiation.
- Mike Jones asked if the management would keep the rate the same but have months of free rent. Ms. Dutton stated she believes the broker may be able to negotiate another free month of rent in TAIPA's current building but they are not for certain.
- Chair Jackson asked if the 110 Wild Basin meeting room would incur more costs for the committee to drive to this location for meetings. Stacy Dutton stated it would likely not save to use this buildings conference room.
- John Lusardi asked how much the moving expense would be and pointed out the moving expenses would costs would cause TAIPA to not save anything on the first year of being at a new location.
- David Weber asked if the broker believes there would be a drop in the market in the upcoming year. Stacy Dutton stated the broker does not believe the market will drop rates any time soon.
- Laura Hausman stated she believes TAIPA has it in the budget to stay where they are. Since the staff feels safe and does not want to go through the moving process.

Chair Jackson asked the committee to make a motion on the office space lease. Mary Carol Awalt made a motion to stay at the current location or Option 1. Ramon Montalvo seconded the motion. The motion passed with all in favor.

Stacy Dutton noted the approved budget did not include the current office space rent but she believes the budget would not be too far off from what was approved. Ms. Dutton stated she would make it work.

C. Enterprise Risk Management Update (Exhibit 9)*

Mary Carol Awalt stated the Strategic Planning Subcommittee asked TAIPA staff to consider what they would do if the application volume increased substantially and specifically address how they would communicate to Insurance Agents. TAIPA has done the following to prepare for an increase in volume and to assist insurance agents with additional information and/or training.

- Have verified where they can get lists of insurance agents to communicate with.
- Have contacted Independent Insurance Agents of Texas to see what they could help them with and made suggestions on how TAIPA might be able to assist IIAT as well.
- Created a document to start the process of reminding insurance agents who TAIPA is and how they can assist the agent, with the idea it could be changed up for different communications to agents who have never heard of TAIPA.
- Verified which agents could become TAIPA certified and determined it is not difficult to become TAIPA certified - Anyone who has a general, county mutual, limited, personal, temporary insurance license is eligible to be certified with TAIPA.
 - o Ruth Wise created a document to walk producers through the application rating process.
- Looked into taking electronic payments which was actually brought up when they were talking about space but ties into assisting agents and insureds;
 - Mike Jones looked into this and TAIPA can take electronic payments but there would have to be a change of the Plan of Operation.
 - The EASi forms TAIPA currently uses can be used with electronic payments and TAIPA would not have to pay anything to use the EASi system in this manner.
 - AIPSO is concerned about security and privacy with regard to insured electronic payments so they use a third party for these payments. The third

party does charge a fee so it would have to be determined who would pay for this fee – the insured or TAIPA.

- There would probably be some charges from AIPSO to change our EASi application to print out with this option, and some programming fees.
- Plan to look at having our website mobile friendly and more searchable by google.

9. Operations Subcommittee Report

A. Over and Under Report (Exhibit 10)

Chair Jackson asked David Weber to go over the Over and Under report in Exhibit 10.

Mr. Weber noted companies Windhaven and American Country had their underage's drop off the last report. Mr. Weber noted American Country's underage has been restored on the new report. He explained nothing was changed with Windhaven because it is in receivership and the underage was negligible and wouldn't be put into storage.

Mr. Weber stated after TAIPA's last meeting staff found additional errors in the previous Over/Under Report. He noted on the previous Over/Under report for commercial (Other than Private Passenger -OTPP-):

- Most companies reporting data showed their quota responsibility was doubled. An example of this is British American which had an:
 - overage of 611 at the end of 2021,
 - overage of 1346 at the end of first quarter 2022, and now
 - overage of 444 at the end of 2nd quarter 2022

Mr. Weber explained TAIPA worked with AIPSO to correct this for second quarter 2022 and noted the affected companies were overstated in 1st QTR 2022 are back on trend in 2nd QTR 2022. There was no further discussion on the Over and Under report.

B. Update on Review of the TAIPA Policies by Staff and Counsel*

David Weber turned the meeting over to Mike Jones to give an update on TAIPA's review of TAIPA policies.

Mike Jones stated he and TAIPA staff reviewed the Texas Department of Insurance's family code requirement for a minor's examination under oath with a parent present. Mr. Jones explained this came up due to TDI's checklist requirement for an automobile policy. Mr. Jones stated because TAIPA policies are approved by the commissioner pursuant to TAIPA's Plan of Operation, there is no need to change the policy language as the minor examination should be done in adherence to the family code law.

It was discussed there should be no action taken and no vote needed at this time as counsel's advice was to leave TAIPA's policy language as is until the policy is revised for other reasons. When the policy is revised, TAIPA will add the required language.

C. Update on Peer to Peer language in TAIPA policy.*

Mr. Weber went over the update to Peer to Peer language in the TAIPA policy. This update is related to the passage of House Bill 113 in 2021 which allows people to share their vehicles with each other. Mr. Weber stated he and Mike Jones went through the bill and TAIPA's policies regarding this update. Mr. Jones explained a TAIPA policy already includes an exclusion for

coverage while the vehicle is being rented or leased to another. No action was needed to change TAIPA policies.

D. Update on Recommendation for Plan of Operation Change on what companies leaving the market must do. (Exhibit 11)*

David Weber explained the proposed plan of operation language was discussed at the TAIPA Operations Subcommittee meeting. Mr. Weber explained the first proposed language includes a buy-out fee of \$3500 for companies or having staff calculate a fee based on a five year loss ratio. Mr. Weber explained the Operations Subcommittee believed this fee or a calculation would be difficult to enforce with companies who may be leaving the market due to going out of business. Mr. Weber stated the proposed language was amended by the Operations Subcommittee. He explained the new language and stated a company leaving the market may group or enter into a LAD/CLAD agreement.

David Weber asked for a motion to accept this new language into the Plan of Operation. Ramon Montalvo made a motion, David Weber seconded the motion. John Lusardi abstained from the motion. The motion carried.

E. Update on the discussion of what to do if LAD carriers leave Texas Market (exhibit 11)

David Weber explained the issue of LAD/CLAD carriers leaving the Texas market has been discussed many times in the past. David Weber stated the current LAD/CLAD carriers in Texas have stated they will not be pulling out of the market.

Mr. Weber went on to explain he does not believe this issue is a crisis occurring in Texas. Mr. Weber stated it was his suggestion to look at options outside of AIPSO for this issue. He also stated he believes when TAIPA looks at this issue in the future it should be reviewed by the entire Governing Committee because this would change how TAIPA works as a whole. He went on to explain this change would require a legislative change.

Mr. Weber stated there could be future changes in the legislature that may impact the marketplace in the future but at this time it is his opinion to wait on addressing this issue. Mr. Weber asked the Governing Committee their thoughts on making any changes or moving forward in regards to this issue.

Discussion:

David Nardecchia stated he also does not believe there is a problem at this time with carriers leaving the market, therefore he does not believe there should be any action taken on this issue. Mr. Nardecchia stated if and when we believe the market will change or the carriers indicate they will pull out of the market, we can look into this issue further.

David Nardecchia indicated it has always been his experience he can't solve a problem he doesn't have. He made a motion to table this issue until a change in the market occurs, David Weber seconded the motion. John Lusardi abstained from this vote. The motion carried.

Carol Berthold made the point if there is a concern with LAD/CLAD carriers leaving the market it will take a year or two to make any legislative changes in Texas. Ms. Berthold explained with legislative sessions only meeting every two years she does not want the committee to be short

sighted on this issue which is why she brought this issue to the committee's attention in past meetings.

10. Report of Counsel

Chair Jackson asked Mike Jones to give his report of counsel.

Mr. Jones explained the committee will be asked to approve a rate recommendation to make a rate filing as soon as possible. Mr. Jones explained this was discussed at the August Governing Committee.

Mike Jones went explained the last private passenger and commercial rate filing was submitted in September 2019 and this was for an overall rate increase of 4.9%. In 2020 due to COVID, TAIPA did not file a private passenger rate filing. In 2020 a commercial passenger rate filing was completed with a 4.8% overall rate increase. In 2021 the three year loss trend data for private passenger would not support a rate increase. In 2021 for commercial passenger rates, a 1.5% increase overall rate increase was indicated. Mr. Jones pointed out TAIPA elected to defer a rate filing for 2021 at the March 2022 Governing Committee meeting to see how the data would develop in the private passenger area.

Mike Jones explained he was able to obtain the latest Texas Insurance Checking Office quarterly trend data provided to TAIPA by the Texas Department of Insurance for the first two quarters of 2022. Mike Jones stated he shared this report with TAIPA's actuary, Mike Miller, who from looking at the report believes the data can support a rate increase of 5% for private passenger and commercial passenger from an inflation standpoint.

Chair Jackson asked the committee to make a motion on what to do with regard to the rate filing for a 5% increase for commercial and private passenger. Matt Snyder made a motion, John Lusardi seconded the motion. The motion carries unanimously.

11. Next Governing Committee Meeting

Becky Jackson announced the next TAIPA Governing Committee Meeting will be held on Friday, March 24, 2023 via Zoom.

12. Personnel Matters

There were no personnel matters brought to attention.

13. Adjournment

Chair Jackson asked for a motion to adjourn the meeting. David Nardecchia made a motion to adjourn, this motion was seconded by David Weber. The motion carries unanimously.

Chair Jackson announced the meeting adjourned at 11:31am.



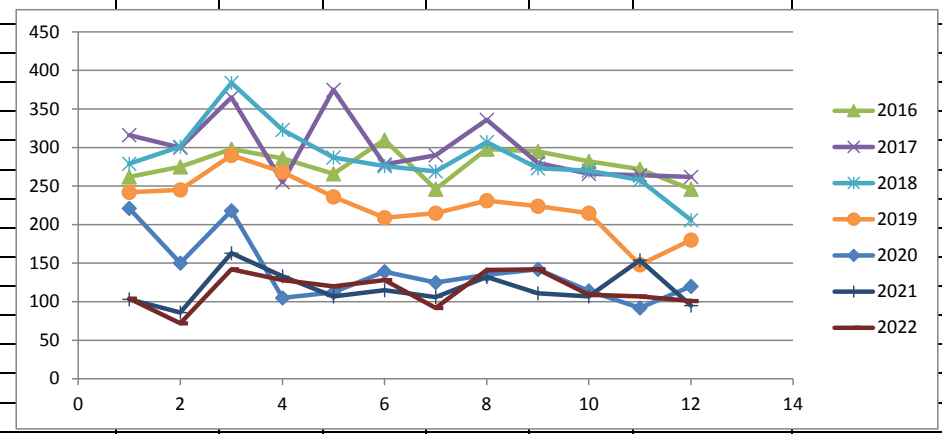
David T. Weber, Secretary

Exhibit 2

Monthly Total (December 2022)		
	Private Passenger	Commercial
EASi Applications	83	19
Paper Applications	0	0
Total Applications Received	83	18
Applications Assigned	82	18
Apps Returned for Correction	1	0
Applications Deficient	3	0
Applications with SR-22s	2	0
Total Applications Received in December 2021:	95	95
Total Applications Received in December 2022:	101	101
Year to Date Total (as of December 2022)		
	Private Passenger	Commercial
EASi Applications	1276	289
Paper Applications	0	0
Total Applications Received	1116	270
Applications Assigned	1087	265
Apps Returned for Correction	28	5
Applications Deficient	79	8
Applications with SR-22s	63	0
Total Applications Received YTD (as of December 2021):	1,412	1,412
Total Applications Received YTD (as of December 2022):	1,386	1,386
YTD Percent Change from December 2021 to December 2022:	-1.84%	-1.84%
Application Assignment History*		
1998: 55,041	2006: 23,634	2015: 3,217
1999: 47,108	2007: 16,780	2016: 3,089
2000: 44,945	2008: 12,896	2017: 3,508
2001: 53,477	2009: 10,299	2018: 3,338
2002: 66,153	2010: 8,725	2019: 2,606
2003: 74,506	2011: 7,364	2020: 1,673
2004: 47,434	2013: 4,708	2021: 1,381
2005: 31,517	2014: 3,628	2022: 1,352
*Application Assignment History based on applications assigned, not received.		

Trend of Applications Received from 2016 to 2022

	2016	2017	2018	2019	2020	2021	2022
January	262	316	279	242	221	103	104
February	275	300	301	245	150	86	72
March	298	365	384	290	218	163	142
April	286	255	323	268	105	133	128
May	266	375	287	236	112	107	120
June	310	278	276	209	139	115	128
July	246	290	269	215	125	106	92
August	298	336	307	231	135	132	141
September	295	280	273	224	142	111	142
October	282	266	270	215	114	107	109
November	272	264	258	148	92	154	107
December	246	262	206	180	120	95	101
Total	3,336	3,587	3,433	2,703	1,673	1,412	1,386



Estimate of Applications to be Received in 2021:

Percent Change in Applications Received from 2016 to 2022

	2016	2017	2018	2019	2020	2021	2022
January	-8.71%	20.61%	-11.71%	-13.26%	-8.68%	-53.39%	0.97%
February	-24.66%	9.09%	0.33%	-18.60%	-38.78%	-42.67%	-16.28%
March	-21.37%	22.48%	5.21%	-24.48%	-24.20%	-25.23%	-12.88%
April	-7.74%	-10.84%	26.67%	-17.03%	-33.59%	26.67%	-3.76%
May	-2.92%	40.98%	-23.47%	-17.77%	-52.54%	-4.46%	12.15%
June	9.15%	-10.32%	-0.72%	-24.28%	-33.49%	-17.27%	11.30%
July	-0.81%	17.89%	-7.24%	-20.07%	-41.86%	-15.20%	-13.21%
August	4.20%	12.75%	-8.63%	-24.76%	-41.56%	-2.22%	6.82%
September	8.86%	-5.08%	-2.50%	-17.95%	-36.61%	-21.83%	27.93%
October	-10.48%	-5.67%	1.50%	-20.37%	-46.98%	-6.14%	1.87%
November	2.26%	-2.94%	-2.27%	-21.82%	-37.84%	67.39%	-30.52%
December	9.33%	6.50%	-21.37%	-21.26%	-33.33%	-20.83%	6.32%
Total YTD	-4.96%	7.52%	-4.29%	-20.01%	-35.79%	-37.11%	3.65%

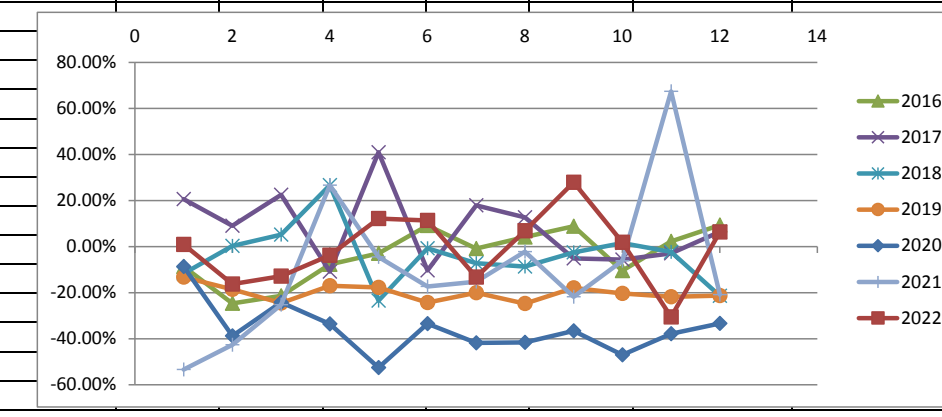
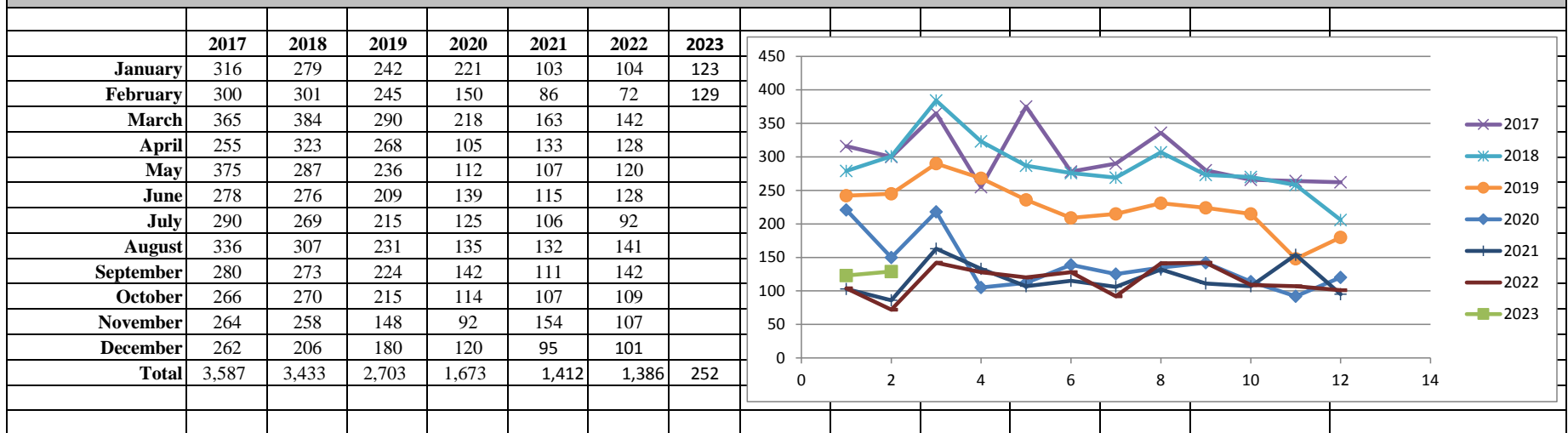


Exhibit 3

Monthly Total (February 2023)		
	Private Passenger	Commercial
EASi Applications	113	21
Paper Applications	0	0
Total Applications Received	112	17
Applications Assigned	111	17
Apps Returned for Correction	1	0
Applications Deficient	6	0
Applications with SR-22s	4	0
Total Applications Received in February 2022:		72
Total Applications Received in February 2023:		129
Year to Date Total (as of February 2023)		
	Private Passenger	Commercial
EASi Applications	213	45
Paper Applications	0	0
Total Applications Received	212	40
Applications Assigned	210	38
Apps Returned for Correction	2	2
Applications Deficient	13	1
Applications with SR-22s	7	0
Total Applications Received YTD (as of February 2022):		176
Total Applications Received YTD (as of February 2023):		252
YTD Percent Change from February 2022 to February 2023:		43.18%
Application Assignment History*		
1998: 55,041	2006: 23,634	2015: 3,217
1999: 47,108	2007: 16,780	2016: 3,089
2000: 44,945	2008: 12,896	2017: 3,508
2001: 53,477	2009: 10,299	2018: 3,338
2002: 66,153	2010: 8,725	2019: 2,606
2003: 74,506	2011: 7,364	2020: 1,673
2004: 47,434	2013: 4,708	2021: 1,381
2005: 31,517	2014: 3,628	2022: 1,352
*Application Assignment History based on applications assigned, not received.		

Trend of Applications Received from 2016 to 2023



Percent Change in Applications Received from 2016 to 2023

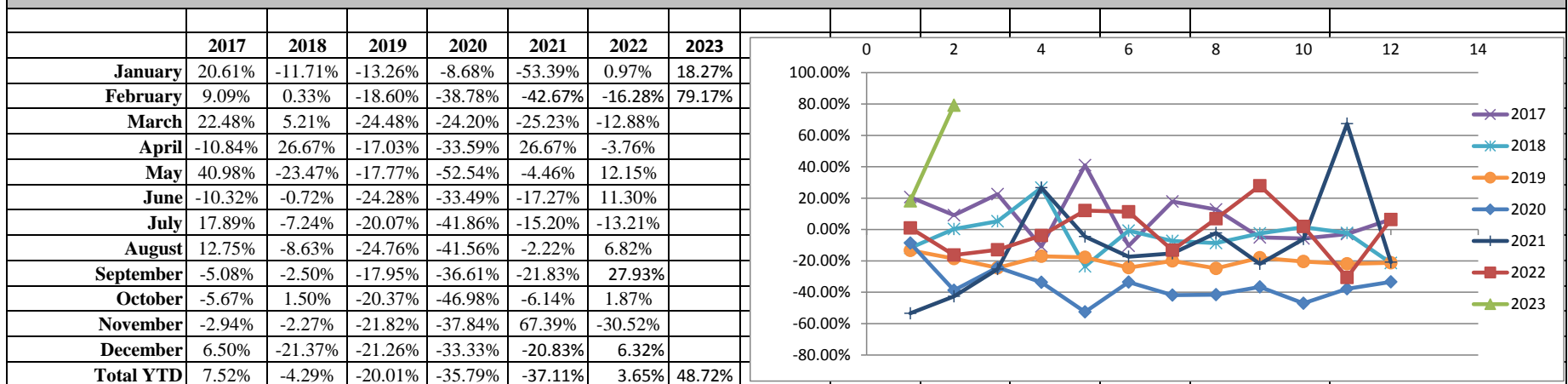


Exhibit 4

Texas Auto Ins. Plan Assoc.
ACTUAL VS. BUDGET
For the period ended December 31, 2022

<u>REVENUE</u>	Actual	2022 Year To Date Budget	Variance	2022 Annual Budget	% Used	Reason for Variance
Assessments & Penalties	749,355	743,000	6,355	743,000	100.86%	105.00%
Other Revenue	4,032	0	4,032	0	0.00%	95.00%
TOTAL	753,388	743,000	10,388	743,000	101.40%	
 <u>EXPENDITURES</u>						
Salaries	324,728	362,700	37,972	362,700	89.53%	Ended under budget. TAIPA did not have anyone promoted, and we did not have any turnover, therefore we did not have temp service fees.
Emp. Benefits & Other Ins. Exp.	129,420	126,550	-2,871	126,550	102.27%	Within range.
Office Equipment Expense	10,607	12,600	1,993	12,600	84.18%	Ended under budget. TAIPA purchases less in anticipation of moving.
Printing & Stationary Exp.	2,266	4,300	2,034	4,300	52.69%	Ended under budget. TAIPA purchases less in anticipation of moving.
Computer Expenses	12,708	12,100	-608	12,100	105.02%	Within range.
Postage & Shipping Exp.	19,959	24,900	4,941	24,900	80.16%	Ended under budget. Between the carryover and the fact that we are trying to minimize what we send out hard copy, will send electronically if possible.
Telephone Expense	7,025	12,200	5,175	12,200	57.58%	all of TAIPA's phone numbers have been ported over to 1 account.
Rent Expense	64,159	67,800	3,641	67,800	94.63%	Within range.
Moving Expense	0	0	0	0	0.00%	Within range.
Taxes	604	1,100	496	1,100	54.89%	Ended under budget. Because Ricoh copier taxes are included in monthly bill and not paid separately.
Other Office Expenses	6,716	7,900	1,184	7,900	85.01%	Ended under budget. TAIPA has not had as many assessment write-offs as anticipated.

Texas Auto Ins. Plan Assoc.

ACTUAL VS. BUDGET

For the period ended December 31, 2022

	Actual	2022 Year To Date Budget	Variance	2022 Annual Budget	% Used	Reason for Variance
Governing Committee	13,766	22,400	8,634	22,400	61.45%	Ended under budget. 2 of 3 TAIPA Governing Board Meetings have been held by teleconference, thus travel expenses have been reduced.
Subcommittee Meetings	3,250	4,500	1,250	4,500	72.22%	Ended under budget. TAIPA had less sub-committee meetings than anticipated.
Producer Review Panel	0	0	0	0	0.00%	We did not move these monies to this account, "TAIPA to move \$4000 from Staff education to Producer review before the end of the year".
Employee Meetings, Seminars & Staff Travel	3,173	25,900	22,727	25,900	12.25%	Ended under budget. Employees didn't enrolled in courses in 2022, management have enrolled in online seminars, and the manager has only attended one off site symposium.
Legal Expenses	46,229	55,600	9,371	55,600	83.15%	Ended under budget. TAIPA did not complete the rate filing process in 2022.
Audit Expense	17,793	25,700	7,907	25,700	69.23%	Ended under budget. Audit didn't take as long & needed less assistance.
Dues, Subscriptions & Publications	413	600	188	600	68.75%	Ended under budget.
TAIPA Tradition, Visitor Meals & Gifts	2,328	2,900	572	2,900	80.26%	Ended under budget. Less employee events.
System Consultants	48,776	53,700	4,924	53,700	90.83%	Ended under budget. TAIPA did not have any APS programming fees in 2022.
Consultants - Other	34,198	34,800	602	34,800	98.27%	Within range.
Actuary	10,060	8,500	-1,560	8,500	118.35%	Ended over budget. We have spent \$1,560 to evaluate 2022 rate filing and ended up submitting a rate filing in 2022.
Other	0	0	0	0	0.00%	
SUBTOTAL	758,176	866,750	108,574	866,750	87.47%	
Depreciation	1,674	3,300	1,626	3,300	50.73%	

Texas Auto Ins. Plan Assoc.
ACTUAL VS. BUDGET
For the period ended December 31, 2022

	Actual	2022 Year To Date Budget	Variance	2022 Annual Budget	% Used	Reason for Variance
Amortization	0	400	400	400	0.00%	
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0.00%	
SUBTOTAL	1,674	3,700	2,026	3,700	45.24%	
TOTAL OPERATING EXPENSE	759,850	870,450	110,599	870,450	87.29%	Ended under budget. We ended 2022 under budget by 12.71%.
NET FROM OPERATIONS	-6,463	-127,450	120,987	-127,450		
Non-Operating Pension Costs	21,267	0	-21,267	0	0.00%	
NET	14,804	-127,450	99,720	-127,450		
<u>CAPITAL BUDGET</u>						
Software Development in Progress	0	0	0	0	0.00%	
Office Furniture & Equipment	0	0	0	0	0.00%	
Computer Equipment	2,152	2,800	648	2,800	76.86%	
Computer Software	0	0	0	0	0.00%	
Leasehold Improvements	0	0	0	0	0.00%	
TOTAL	2,152	2,800	648	2,800	76.86%	

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

Texas Auto Ins. Plan Assoc.

Statement of Activities

For the period ended December 31, 2022

Unaudited

Changes in unrestricted net assets

	Current YTD
Revenues	
Member assessments	\$ 745,637
Interest income	4,032
Assessment penalties	3,718
Total revenues	<u>753,388</u>
Expenses	
Salaries and related expenses	454,148
Occupancy expenses	71,788
Professional Services	157,056
Depreciation & amortization	1,674
Postage and delivery	19,959
Office supplies and expense	12,873
Governing committee	13,766
Computer supplies & expenses	12,708
Subcommittee meetings	3,250
Staff education & seminars	3,173
Miscellaneous	6,716
Staff expense	2,328
Dues and subscriptions	413
Total operating expenses	<u>759,850</u>
Other revenues (expenses)	
<i>Pension minimum liability adjustment</i>	<u>(21,267)</u>
Total other revenue (expenses)	<u>(21,267)</u>
<i>Increase (decrease) in unrestricted net assets</i>	(27,730)
<i>Net assets (deficiency) at beginning of year</i>	<u>469,323</u>
<i>Net assets (deficiency) as of December 31, 2022</i>	<u><u>\$ 441,593</u></u>

Texas Auto Ins. Plan Assoc.

Statement of Financial Position

As Of December 31, 2022

Unaudited

ASSETS

Current Assets	
Cash and cash equivalents	\$ 438,945
Accounts receivable	1,769
Prepaid expenses	6,874
Total current assets	<u>447,587</u>
Security Deposits	5,379
Prepaid Pension Benefit Costs	54,079
Property and Equipment	
Furniture and equipment	26,653
Computer equipment	17,257
Leasehold improvements	2,222
Computer software	25,000
	<u>71,132</u>
Less accumulated depreciation	<u>66,465</u>
	<u>4,667</u>
Total assets	<u><u>511,713</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	13,163
Accrued vacation	40,939
Accrued payroll liabilities	14,668
Deferred revenue	236
Total current liabilities	<u>69,006</u>
Other Liabilities	
Deferred lease benefit	1,113
Total other liabilities	<u>1,113</u>
Net (Deficiency) Assets	
Without donor restrictions	<u>441,593</u>
Total net assets	<u>441,593</u>
Total liabilities and net assets	<u><u>\$ 511,713</u></u>

Exhibit 5

TAIPA GOVERNING COMMITTEE

ADMINISTRATIVE RULES

1. **Governing Committee Meetings**

- 1.1 Regular Meetings. The Governing Committee will set its schedule of meetings for the coming year at its last meeting of each year. The schedule may be revised at any meeting.
- 1.2 Special Meetings. Special meetings may be called by the Chair or upon written request to the Chair by at least three members, one of whom must be a public member.
- 1.3 Notice of Meetings. Meetings will be called in accordance with the Texas Open Meetings Act.
- 1.4 Meeting Agenda. Meeting agendas are prepared by Manager in consultation with the Chair. Members may request the addition of an item on the agenda by a written request to the Manager at least 15 days prior to a scheduled meeting.
- 1.5 Voting. Any required votes by the Governing Committee will be voice vote unless a member requests voting by a show of hands or in writing. Proxy voting is not permitted.

2. **Officers**

- 2.1 Officers will include: Chair, 1st Vice-Chair, 2nd Vice-Chair, Secretary, and the Immediate Past Chair.
- 2.2 The Immediate Past Chair serves as an officer only if that person continues to serve on the Governing Committee after leaving the position of Chair. An immediate past Chair cannot serve as an officer if that person is removed or resigns from the Chair during that person's term. In the event the immediate past Chair does not remain on the Governing Committee after leaving the position of Chair, no other person will fill this position.
- 2.3 With the exception of the immediate past Chair, officers are to be elected at the first meeting of the Governing Committee following the annual meeting of members and serve until the following annual meeting of members.
- 2.4 At least one officer is to be a public member of the Governing Committee.
- 2.5 An officer may be removed at any meeting of the Governing Committee. An officer may resign at any time by giving written notice to the Governing Committee or to the Chair or to the Secretary. A resignation shall take effect at the date of the receipt of the notice or at a later time specified therein.

- 2.6 The Chair presides at all meetings of the Governing Committee and is responsible for the orderly conduct of such meetings. The Chair shall direct the Manager and staff of the Association in the preparation and publication of the Notice of Meeting and Agenda for all meetings of the Governing Committee. The Chair is authorized to appoint members to standing or special subcommittees. If the Chair will be absent from a meeting, the Chair may designate an officer to preside at such meeting. In the absence of such a designation, the officers shall serve in order of their seniority as set forth in Section 2.1.
- 2.7 The Vice-Chair succeeds to the office of Chair in the event of the resignation or removal of the Chair.
- 2.8 The Second Vice-Chair succeeds to the office of Chair in the event of the resignation or removal of the Chair and Vice-Chair.
- 2.9 The Secretary has the responsibility for the preparation of all minutes of the Governing Committee. In this responsibility, the Secretary will be assisted by the Manager and the staff of the Association. The Secretary is authorized to certify to actions of the Governing Committee.
- 2.10 The Chair, and such officers as the Chair may request, shall, subject to the control of the Governing Committee, generally interact with and direct the Manager of the Association. This may include day-to-day matters which may arise, and shall include giving performance reviews and making compensation adjustments.
- 2.11 Industry representatives serving as officers of the Association do so in their personal capacities. The office is not held by the member company by whom any officer is employed.
- 2.12 The officers may consult as a group in discharging their duties and responsibilities.
- 2.13 The officers have no authority to act for the Association, or to commit it to any obligation except as specifically authorized or directed by the Governing Committee.

3. **Standing Subcommittees**

- 3.1 Purpose. The Chair shall appoint standing subcommittees to facilitate the work and responsibilities of the Governing Committee; study key issues; and make recommendations to the Governing Committee.
- 3.2 Subcommittees. The following subcommittees are created as standing committees:
 - (i) Operations. This subcommittee consists of one public member, one agent member and three company members. It has responsibility to review matters directed to it by the Governing Committee affecting the Plan of Operation or other business deemed necessary by the Governing

Committee and to make recommendations for action to be taken on those matters. It shall keep regular minutes of its meetings and report the same to the Governing Committee when required. In this responsibility, this subcommittee will be assisted by the Manager and the staff of the Association.

- (ii) **Audit & Finance.** This subcommittee is composed of three members, one of whom is a public member. It has the responsibility to assist the Governing Committee in its oversight of the Association's financial and accounting matters. It will also oversee the work of any independent auditor selected by the Governing Committee. If the Governing Committee wishes to change independent auditors, the subcommittee will be responsible to recommend independent auditors.
- (iii) **Nominations.** This subcommittee consists of one public member, one agent member and one company member. It has the responsibility to nominate members to serve as officers of the Association. It is to submit a slate of officers to be presented for election at the Governing Committee meeting following the annual meeting of members.
- (iv) **Strategic Planning.** This subcommittee consists of one public member, one agent member and three company members. It has the responsibility of meeting annually to discuss any significant changes expected in the near future, discuss current staffing levels, discuss if changes are needed to TAIPA's Enterprise Risk Management plan, and other related tasks.

3.3 **Task Forces.** A subcommittee may create a "Task Force" of its members to facilitate the business of that subcommittee.

3.4 **Telephone Meetings or Participation by Telephone.** Meetings of subcommittees may be held by means of conference telephone or other similar means of remote communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation in such a meeting shall constitute presence in person at the meeting.

3.5 The Governing Committee may appoint special subcommittees to facilitate the work and responsibilities of the Governing Committee. A special subcommittee may hold telephonic meetings as provided in section 3.4.

4. TAIPA Liaison to Association Staff

4.1 The Governing Committee will select and appoint a Governing Committee member to serve as the TAIPA Liaison to employees of the association that will allow the employee to report activity directly to the TAIPA Liaison bypassing the Manager.

- 4.2 When appropriate and necessary, the TAIPA Liaison may bring matters before the Governing Committee for consideration or action by the Governing Committee.
- 4.3 Additional procedures and responsibilities of the TAIPA Liaison will be outlined in the TAIPA employee manual.

5. **Amendments**

- 5.1 These Administrative Rules are to continue in effect as an act of the Governing Committee until they are withdrawn or changed by further act of this or any succeeding Governing Committee of the Association.

Exhibit 6

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 7



January 20, 2023

Audit Committee
Texas Automobile Insurance Plan Association
805 Las Cimas Pkwy suite 210
Austin, TX 78746

This letter is to explain our understanding of the arrangements for the services that Atchley & Associates, LLP (the Firm) is to perform for Texas Automobile Insurance Plan Association for the year ending December 31, 2022. We ask that you either confirm or amend this understanding.

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of Texas Automobile Insurance Plan Association (the Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, the related notes to the financial statements, and the supplemental comparison of revenues and expenses versus budget. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

The objectives of our audit 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 auditor's 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 auditing standards generally accepted in the United States of America (GAAS) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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. 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 controls.

The Responsibilities of the Auditor

We will conduct our audit in accordance with GAAS. Those standards require that we comply with applicable ethical requirements. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, based on an understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control, design and perform audit procedures

responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider the entity's system of internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- 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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of controls, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

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

We will maintain our independence in accordance with the standards of the American Institute of Certified Public Accountants (AICPA).

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

Management is responsible for:

- a. Identifying and ensuring that the Organization complies with the laws and regulations applicable to its activities, and for informing us about all known violations of such laws or regulations, other than those that are clearly inconsequential;
- b. The design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements; and
- c. Informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, vendors, customers or others.

Management is responsible for the preparation of the supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include

the auditor's report on the supplementary information in any document that contains the supplementary information and indicates that the auditor has reported on such supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

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

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. To evaluate subsequent events through the date the financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that it will not evaluate subsequent events earlier than the date of the management representation letter referred to below;
- c. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- d. To provide us with:
 - (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - (2) Additional information that we may request from management for the purpose of the audit; and
 - (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

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

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

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

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

Reporting

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

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

The Organization's Records and Assistance

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

The assistance to be supplied by Organization personnel is described in the attached client participation list, which outlines the specific schedules and analyses that should be completed by TAIPA personnel. The participation list has been discussed with and agreed to by Stacy Dutton, Association Manager. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Accounting and Tax Services

In connection with our audit, you have requested us to perform the following accounting services:

1. Assist with posting closing entries (bank reconciliations, audit adjustments, payroll adjustments, etc.)
2. Drafting the financial statements

Stacy Dutton, Association Manager, will oversee the services, make all significant judgments that are the proper responsibility of management, evaluate the adequacy of the services, make an informed judgment about the results of the services, and accept responsibility for them. You also agree to establish and maintain internal control over these services, including ongoing monitoring activities. At the conclusion of our audit, we will ask you to provide written representations to that effect.

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

Separate arrangements, including fee arrangements, are required for tax preparation, tax advice or tax representation services.

Fees, Costs, and Access to Workpapers

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

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

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. We will notify you immediately of any circumstances we encounter which could significantly affect our initial estimate of fees, excluding direct out-of-pocket expenses, estimated to be \$14,500 to \$15,500. All other provisions of this letter will survive any fee adjustment. In accordance with our firm policies, work may be suspended if your account becomes sixty or more days overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

All matters related to the Organization's adoption of FASB ASC 842, *Leases*, will be accounted for and billed separately.

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

In a legal action in which the Firm or its partners are not the defendants, we shall also be entitled to fees at \$400.00 per hour and reimbursements for testimony if we are subpoenaed as a witness in a subsequent

litigation by third parties and such testimony involves the work we performed pursuant to this agreement. If we are ordered by a state or federal judge to permit the subsequent inspection and/or reproduction of files, records, and other documents relating to work performed by us pursuant to this agreement, then you agree that we may comply with these orders without prior notice to you.

Use of Subcontractors and Third-Party Products

From time to time and depending upon the circumstances, we may, in our sole discretion, use affiliates of ours or qualified third-party service providers, located within or outside the United States, to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose Confidential Information (as such term is defined below) to them. Those third-party service providers we use to assist us in providing services to you are collectively referred to herein as “Subcontractors.” You hereby consent to us sharing your information, including Confidential Information, with our Subcontractors, within or outside of the United States; provided that such recipients are bound by written obligations of confidentiality that are as protective of your Confidential Information as the confidentiality terms set forth herein. You acknowledge and agree that our use of Subcontractors may involve the processing, input, disclosure, movement, transfer, and storage of your information and data outside of our technology infrastructure.

We also may provide services to you using certain third-party hardware, software, software services, and applications, (collectively, Third-Party Products). You acknowledge that your or our use of a Third-Party Product may involve the processing, input, disclosure, movement, transfer, and storage of information provided by you to us, including Personal Information and Confidential Information, within the Third-Party Product’s infrastructure and not ours. You further acknowledge that the terms of use and service, including, but not limited to, applicable laws, set forth in the end-user license, end-user subscription agreement, or other end-user agreement for such Third-Party Product (collectively, EULA(s)) will govern all obligations of such licensor relating to data privacy, storage, recovery, security, and processing within such Third-Party Product’s infrastructure, as well as, the service levels associated with such Third-Party Product. You hereby consent to the disclosure of your information, including your Confidential Information and Personal Information, to the licensors of such Third-Party Products for the purpose described herein.

Use and Ownership; Access to Audit Documentation

The Audit Documentation for this engagement is the property of the Firm. For the purposes of this Arrangement Letter, the term “Audit Documentation” shall mean the confidential and proprietary records of the Firm’s audit procedures performed, relevant audit evidence obtained, other audit-related workpapers, and conclusions reached. Audit Documentation shall not include custom-developed documents, data, reports, analyses, recommendations, and deliverables authored or prepared by the Firm for the Organization under this Arrangement Letter, or any documents belonging to the Organization or furnished to the Firm by the Organization.

Review of Audit Documentation by a successor auditor or as part of due diligence is subject to applicable Firm policies, and will be agreed to, accounted for and billed separately. Any such access to our Audit Documentation is subject to a successor auditor signing an Access & Release Letter substantially in the Firm’s form. The Firm reserves the right to decline a successor auditor’s request to review our workpapers.

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

Claim Resolution

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

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

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

Personal Information

As used herein, the term "Personal Information" means any personal information that directly or indirectly identifies a natural person as may be defined by applicable privacy, data protection or cybersecurity laws, and includes, but is not limited to, nonpublic, personally identifiable information such as Social Security numbers, Social Insurance numbers, driver's license numbers or state- or province-issued identification card numbers, credit or debit card numbers with or without any required security code, number or passwords, health information, and other personal information as defined by applicable laws, whether of the Organization or the Organization's customers or other third parties.

Each party agrees to transmit Personal Information consistent with applicable laws and any other obligations the respective party may have. In the event you transmit to us Personal Information in an

unencrypted format or via unencrypted means, you agree that we have no obligation to notify you of the foregoing.

You represent and warrant that you have provided all notices and obtained all consents required under applicable data protection laws prior to your collection, use and disclosure to us or our Subcontractors of such Personal Information and shall take reasonable steps to ensure that such Personal Information does not include irrelevant or unnecessary information about individuals.

Retention of Records

We will return to you all original records you provide to us in connection with this engagement. Further, in addition to providing you with those deliverables set forth in this Arrangement Letter, we will provide to you a copy of any records we prepare or accumulate in connection with such deliverables which are not otherwise reflected in your books and records without which your books and records would be incomplete. You have the sole responsibility for retaining and maintaining in your possession or custody all of your financial and nonfinancial records related to this engagement. We will not host, and will not accept responsibility to host, any of your records. We, however, may maintain a copy of any records of yours necessary for us to comply with applicable law and/or professional standards or to exercise our rights under this Arrangement Letter. Any such records retained by us will be subject to the confidentiality obligations set forth herein and destroyed in accordance with our record retention policies.

Termination

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

Electronic Signatures and Counterparts

Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities or (iv) a digital signature. This agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative

proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

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

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

Atchley & Associates, LLP
Atchley & Associates, LLP

Confirmed on behalf of Texas Automobile Insurance Plan Association:

Audit Committee Chair

Date

Stacy Dutton, Association Manager

Date

Texas Automobile Insurance Plan Association
Items Needed for Audit
December 31, 2022

Schedules and copies requested should be completed as soon as possible after receiving this letter and no later than our arrival for field work on May 24, 2023. **Where possible, we prefer items to be provided electronically, in Excel or Adobe format.**

Organizational Items

Please make copies of the following documents **if there have been any changes** since the prior year:

1. Articles of Incorporation
2. Organization By-laws
3. Letter from Internal Revenue Service granting Tax Exempt Status
4. Organization Chart as of 12/31/22
5. Policies and procedures manuals for accounting, personnel, etc
6. Any long-term agreements (over 1 year period) e.g., leases, loans, lines of credit agreements, subcontracts, pensions or other employee benefit plans, etc.

Current Year Items

7. Minutes of meetings of Board of Directors from 1/1/22 through the most current meeting prior to the end of our fieldwork.
8. Current Chart of Accounts (Used as of 12/31/22)
9. Copy of final adjusted trial balance as of 12/31/22 (**electronic copy preferable**) and access to general ledger detail as of and for the year ended 12/31/22. Please provide the trial balance to us as soon as possible.
11. Copies of all bank reconciliations for all accounts as of 12/31/22
11. Detail of any other investments (certificates of deposit, securities, etc.)
12. Schedules showing details of accounts receivable
 - a. Schedules showing details of any other receivables, prepaid expenses or other miscellaneous assets.
13. Schedule of Fixed Asset roll-forward from 1/1/22 to 12/31/22 for both cost and accumulated depreciation in the following format (*if you are using fixed asset software, then please print a report directly from the software*).

Balance	2022	2022	Balance
1/1/22	Additions	Deletions	12/31/22

14. List of all fixed asset additions and deletions from 1/1/20 through 12/31/22 in the following formats (if you are using fixed asset software, then please print a report directly from the software).

Additions

Date of			
Purchase	Vendor	Description	Cost

Dispositions

Date of		Accumulated.	Sales
Disposition	Description	Cost	Depreciation.
			Proceeds

15. Depreciation schedule as of 12/31/22 showing cost, current depreciation expense and accumulated depreciation for each asset (if you are using fixed asset software, then please print a report directly from the software).
16. Detail of accounts payable as of 12/31/22.
17. Information relating to other accounts payable or accrued liabilities as of 12/31/22, such as vacations, salaries, payroll taxes, utilities, etc. (Check vacation accrual report is prepared after year-end so that excess vacation time is not accrued.)
18. List of assessments for 2022, by member organization, showing dates paid and any amounts unpaid as of the end of the year.
19. Detail of selected expense accounts - legal, repairs & maintenance, miscellaneous income and miscellaneous expense.
20. List of all officers and directors and any salaries and other benefits paid on their behalf.
21. Payroll reports filed with the TWC and the 941's filed for the year with total wages per the general ledger reconciled to the total wages per the 941's.
22. Information from the actuary needed to complete the Defined Benefit Plan disclosure (footnote B) as in the December 31, 2022 financial statements.
23. List of and details of any EEOC complaints filed against the organization that are still unsettled as of 12/31/22, and details of any that have been settled
24. Details of any lawsuits filed against the organization and the status of such lawsuits as of 12/31/22.

25. Confirmations (other than the electronic ones) and attorney letters completed, signed, and **returned to auditor** before start of fieldwork. **We will mail all confirmations from our office.**
26. Details of deferred lease benefit calculations.
27. Copy for the final approved budget for 2022 in the format needed for inclusion in the supplemental schedules of the financial statements.
28. We will also need access to the following items during our fieldwork:
 - Bank statements for all accounts from 1/1/22 through 3/31/23.
 - Cash receipts journal(s) for the year (**electronic format preferable**)
 - Cash disbursements journal(s) for the year (**electronic format preferable**)
 - Detail general ledger for the entire year

Exhibit 8

TAIPA PP Over/Under Report

COMPANY

Year End 2017

Year End 2018

Year End 2019

Year End 2020

Year End 2021

1st QTR 2022

2nd QTR 2022

3rd QTR 2022

PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
21ST CENTURY CENTENNIAL INS CO (SC)		315,137		266,162		269,040		82,479		173,295		172,068		142,675		233,295
ACE AMERICA	236,537		Entered LAD													
AFFIRMATIVE INS CO (co is in liquidation)		2,831		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
AMER MERCURY INS CO		7,174		4,047	Entered LAD											
AXA INS CO				New to quota	3		21		50		56		58		59	
BERKLEY INS CO							Became grouped									
BRANCH INS EXCH												New to quota	2			20
CLEARCOVER INS CO									Entered LAD							
DIRECT GEN INS CO							Became grouped									
FIRST CHICAGO INS CO											232	Entered LAD				
FREESTONE INS CO		443		443		443	Went into storage									
GENERAL SECURITY NATL INS CO											Entered LAD					
GOVERNMENT EMPLOYEES INS CO		96,915		63,079		55,194		28,150		58,246		62,415		99,811		
GREENWICH INS CO									New to quota	1		5		10		16
HALLMARK COUNTY MUT INS CO	441,819		440,802		440,404		440,269		440,169		440,146		440,128		440,118	

TAIPA PP Over/Under Report

COMPANY Year End 2017 Year End 2018 Year End 2019 Year End 2020 Year End 2021 1st QTR 2022 2nd QTR 2022 3rd QTR 2022

PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
HOMEOWNERS OF AMER INS CO		4,639		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
ICM INS CO		13	Went into storage													
INTEGON NATIONAL INS CO		322,579		201,462		249,885		185,414		207,690		204,395		196,518		206,342
MAIDSTONE INSURANCE COMPANY (prev AUTOONE INS CO)	330,040		330,038		330,038		Went into Storage									
MIDVALE IND CO			New to quota	1												
NOBLR RECIPROCAL EXCHANGE											Became grouped					
RIVERPORT INS CO			New to quota	51	Entered LAD											
STARR INDEMNITY & LIABILITY CO		955	Went into storage													
STATE FARM MUT AUTO INS CO		193,430		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		324	CO / Inactive Merged													
TEXAS FARM BUREAU CAS INS CO		63,251		57,078		44,783		36,078	Entered LAD							
TREXIS ONE INS CORP (prev co ALFA SPECIALTY INS CORP)		352		138		659		663		613		679		723		11
UNITED SEC HEALTH & CAS INS CO													New to quota	1		2
UNIVERSAL NORTH AMERICA		89	Went into storage													
VAULT RECIPROCAL EXCHANGE								New to quota	17		49			83		126

COMPANY Year End 2017 Year End 2018 Year End 2019 Year End 2020 Year End 2021 1st QTR 2022 2nd QTR 2022 3rd QTR 2022

PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
WINDHAVEN NATIONAL INS. CO (10348 ATX PREMIER INS CO) Co is in receivership as of 03/05/2020		264		285		442		88		10	Company has zeroed out, sent email to AIPSO.					
TOTALS	1,008,396	1,008,396	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

PREMIUMS WRITTEN	2,424,419	2,346,137	1,785,296	1,262,528	1,000,446	1st qtr 328,771	2nd qtr 238,158	3rd qtr 228,760
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TAIPA OTPP Over/Under Report

COMPANY	Year End 2017		Year End 2018		Year End 2019		Year End 2020		Year End 2021		1st QTR 2022		2nd QTR 2022		3rd QTR 2022	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
ACCIDENT INS CO		132		154		243	Entered CLAD									
AMALGAMATED CAS INS CO	New to quota	531	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		16,743	Went into storage				Started writing again 16,743 out of storage in 2020			19,797		20,297		20,767		21,393
AMER COUNTRY INS CO						767		1,535		1,535	Company has zeroed out, sent email to AIPSO.			1,535		1,535
AMER MERCURY INS CO		13,859		12,787	Entered CLAD											
BERKLEY CAS CO												461	Became grouped			
BRITISH AMERICAN INS CO	3,696		1,489		1,067		822		611		1,346	AIPSO to correct next qtr	444		336	
GATEWAY INS CO								2,739			Entered CLAD					
GOVERNMENT EMPLOYEES INS CO	25,871		24,233		485,639		478,955		463,695		939,458	AIPSO to correct next qtr	457,602		453,670	
HOUSING ENTERPRISE INS CO INC	Entered CLAD 1st QTR 2017 *Cancelled CLAD 4th QTR 2017			6		12		12		12	AIPSO to correct next qtr	24		12		12
HOUSTON GENERAL INS EXCHANGE (co is in liquidation)										372		373		372		372
INTEGON NATIONAL INS CO		1,695,119		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

TAIPA OTPP Over/Under Report

COMPANY	Year End 2017		Year End 2018		Year End 2019		Year End 2020		Year End 2021		1st QTR 2022		2nd QTR 2022		3rd QTR 2022	
	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		
MAIDSTONE INSURANCE COMPANY (prev AUTOONE INS CO & Penn General)	414,900		414,900		Went into storage											
MIDCONTINENT CAS CO	746,849		746,030		744,560		743,230		742,224		1,485,096	AIPSO to correct next qtr	741,536		741,092	
MOTORISTS COMM MUT INS CO (co has zeroed out prev Amer Hardware Mut Ins Co)	27,288		27,086		27,086		27,086		27,086		54,172	AIPSO to correct next qtr	27,086		27,086	
NEXT INS US CO										49		177		298		458
OKLAHOMA SURETY CO	681,118		679,207		677,660		676,507		675,699		1,351,954	AIPSO to correct next qtr	675,216		674,904	
REP WEST INS CO (REPUBLIC WESTERN INS CO)																
RIVERPORT INS CO		83		83	their adj zeroed them out		0	Became grouped								
SAMSUNG FIRE & MARINE INS CO													Co has Zeroed out	1		1
STARNET									Entered CLAD		Entered CLAD					
STATE FARM MUT AUTO INS CO		129,892		123,853		127,745		104,930	Entered CLAD							
TEXAS FARM BUREAU CAS INS CO (prev Southern Farm Bur)		29,894		28,473		29,789		29,114	Entered CLAD							
TEXAS HOSPITAL INS EXCH		12,178		12,469		12,824		13,086		13,280	AIPSO to correct next qtr	26,421		13,385		13,452
TIG INS CO			New to quota	79		79		81		84	AIPSO to correct next qtr	165		84		84

TAIPA OTPP Over/Under Report

COMPANY	Year End 2017		Year End 2018		Year End 2019		Year End 2020		Year End 2021		1st QTR 2022		2nd QTR 2022		3rd QTR 2022	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
ULLICO CAS CO		1,291	Went into storage													
WATFORD INS CO											New to quota	285		553		910
WESTPORT INS CORP											Became grouped					
TOTALS	1,899,722	1,899,722	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
PREMIUMS CREDITED	1,942,623		1,679,205		1,953,284		1,737,041		1,695,128		427,337 1st qtr		403,886 2nd qtr		535,152 3rd qtr	

Exhibit 9

TAIPA MARCH 24, 2023 GOVERNING COMMITTEE MEETING
REPORT ON RATES

1. TAIPA's rate filing was made with TDI on January 3, 2023 for both private passenger and commercial auto. The filing was for an increase of 5% for all coverages:

Bodily Injury Liability
Property Damage Liability
Personal Injury Protection
Uninsured Motorists - BI
Uninsured Motorists – PD

2. TDI approved the filing by Commissioner's order No. 2023-7832 issued March 6, 2023.
3. The rate change effective date is June 1, 2023.
4. The filing also included a change to the TAIPA manual to remove a \$1 charge from the uninsured motorists coverages.
5. No changes to class or territory relativities were made.

Exhibit 10

THOMPSON COE

Thompson, Coe, Cousins & Irons LLP
Attorneys and Counselors

Michael Jones
Direct Dial: 512-703-5055
mjones@thompsoncoe.com

Austin
Dallas
Houston
New Orleans
Saint Paul
San Antonio

November 22, 2022

The Honorable Cassie Brown

via email cassie.brown@tdi.texas.gov
chiefclerk@tdi.texas.gov

Commissioner of Insurance
Texas Department of Insurance
1601 Congress Avenue
Austin, Texas 78701

Re: TAIPA Plan of Operation Amendments to Section 36 (Administration) and
Section 47 D (Insurers Discontinuing Writing)

Dear Commissioner Brown:

Under Chapter 2151 of the Insurance Code, the Governing Committee of the Texas Automobile Insurance Plan Association (TAIPA) has the responsibility for the administration of the Association through its Plan of Operation. The Governing Committee is empowered to adopt and amend the Plan of Operation subject to the approval of the Commissioner.

At its meeting on November 18, 2022, the Governing Committee approved amendments to Sections 36 and 47 D of the TAIPA Plan of Operation. Section 36 addresses the election of representatives to the Governing Committee and section 47 D deals with the obligations of insurers that leave the market.

The amendments to Section 36 delete the position of an unaffiliated insurer as a member of the Governing Committee. We have found there are fewer and fewer insurers that are not affiliated with one of the trade associations named in the Plan that appoint an insurer member to the Governing Committee. This year we did not have any unaffiliated members that said they would serve in this position. This was even after the Plan Manager, Stacy Dutton, contacted the 4 known unaffiliated insurers within the last month or so.

The Governing Committee decided to delete this position and replace it with a fifth at large position. The amendments further require that this insurer is to be a Texas domestic company that only writes insurance in Texas and is not part of a holding company system that writes insurance in other states. As a fall back, the amendments do provide that if a Texas company does not get elected that the insurer with the next highest vote count will be elected to the fifth at large position.

November 22, 2022
Page 2

Section 47 D addresses what happens when a member insurer discontinues writing automobile liability insurance. But the current language only provides limited options. The language approved by the Governing Committee expands the options for the member carrier, including the option of entering into a contract with a servicing carrier to take the assignments it would otherwise be required to take.

The changes to the TAIPA Plan of Operation are set forth in the attached pages.

We hope this information will be sufficient for you to approve our requested amendments. Should additional information be required we will be happy to furnish it.

Please note that the amendments to Section 36 are time sensitive as TAIPA will be sending notices to insurers at the end of December (and possibly thereafter) in conjunction with its annual meeting at the end of March. We ask that you consider this amendment as soon as possible, and if considering the amendment to Section 47 D at the same time might affect the timing of the approval requested, that you consider the Section 36 amendment first.

If you or your staff require further information regarding these amendments, please contact Stacy Dutton at 512-531-7263 or e-mail to sdutton@taipa.org, or contact me.

Thank you.

Very truly yours,



Michael W. Jones

Attachments

Cc: Stacy Dutton, Association Manager via email
John Mooney Texas Department of Insurance via email

PLAN AMMENDMENT ADOPTED NOVEMBER 18, 2022 - BLACKLINED

Sec. 36. ADMINISTRATION**A. Governing Committee Composition**

The Association is administered by a Manager and a Governing Committee consisting of fifteen members.

1. Eight members shall represent the interests of insurers. To be eligible to act as a representative of insurers, a person must be a full time employee of an authorized insurer. Representatives of the insurers shall be elected by the members of the Association as follows:

a. One insurer member shall be selected by each of the following trade associations:

American Property Casualty Insurance Association (APCIA)

Association of Fire & Casualty Companies in Texas (AFACT)

National Association of Mutual Insurance Companies (NAMIC)

b.

~~[One insurer member shall be selected to represent members of the Association which are not affiliated with any of these trade associations.~~

~~c.]~~

Five [Four] insurer members shall be elected to represent the membership at large. At least one of the five insurer members must be a Texas domestic insurance company that writes only in the State of Texas and is not an affiliate or a subsidiary of an insurance company or holding company system writing automobile insurance outside of Texas. In the event a Texas domestic insurance company is not elected at the annual meeting, then the insurer receiving the next highest votes shall be elected to represent the membership at large.

Insurer members of the Governing Committee shall be selected to represent the trade associations ~~[and unaffiliated insurers]~~ as prescribed under Section 36.B. The five [four] member insurers to serve at-large shall be elected by ballot of the members of the Association at the annual meeting.

2. Five public members shall be nominated by the Office of Public Insurance Counsel

and selected by the Commissioner of Insurance. Appointments shall be made by December 31 of each year. The public members serve staggered two year terms.

Terms for three public members shall expire in odd shall expire in even numbered years. A person may not serve as a public member if that person, an individual related to that person within the second degree of consanguinity or affinity, or an individual residing in the same household with that person is:

a. required to be registered or licensed under the Insurance Code;

b. employed by or acts as a consultant to a person required to be registered or licensed under the Insurance Code;

c. the owner of, or has a financial interest in, or participates in the management of an organization required to be registered or licensed under the Insurance Code;

d. an officer, employer or consultant of an association in the field of insurance or;

e. required to register as a lobbyist under Chapter 305, Government Code.

The Office of Public Insurance Counsel may nominate and the Commissioner of Insurance may appoint up to three additional persons who meet these qualifications to act as alternates for public members. The alternate public members shall serve two year terms or until a replacement alternate is appointed by the Commissioner of Insurance. If a public member is unable to attend a meeting of the Governing Committee, that person may designate one of these alternates to attend the meeting and act for the absent member.

3. Two members shall be licensed General Lines or Personal Lines Property and Casualty Agents, one of whom is selected by the Independent Insurance Agents of Texas and the other by the Commissioner of Insurance. The producer representatives to the Governing Committee serve a one year term.

PLAN AMMENDMENT ADOPTED NOVEMBER 18, 2022 - BLACKLINED

The Independent Insurance Agents of Texas may appoint an alternate, subject to the approval of the Commissioner of Insurance. The alternate producer member shall serve a two year term or until a replacement alternate is approved by the Commissioner of Insurance. If either producer member is unable to attend a meeting of the Governing Committee, that person may designate the alternate to attend the meeting and act for the absent member.

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

B. Selection of Insurer Governing Committee Representatives

1. Trade Associations

Prior to the annual meeting, each trade association shown above shall select its representative to the Governing Committee. Each trade association will advise the Manager of the insurer chosen.

2. ~~Non-Affiliated Insurers~~

~~The Manager shall poll the non-affiliated insurers by mail ballot annually to determine those insurers desiring to serve on the Governing Committee. Prior to the annual meeting, the Manager will conduct a mail ballot for the non-affiliated insurers to select their representatives.~~

a. ~~Weighted Voting Procedure~~

~~Non-Affiliated insurers shall select representatives in accordance with the following weighted voting procedure:~~

~~Each non-affiliated insurer shall cast a proportionate vote based on its total voluntary automobile liability and physical damage premiums as stated on the Exhibit of Premiums and Losses of the insurer's Annual Statement written in the State for the calendar year~~

~~ending December 31 of the second prior year by non-affiliated insurers.~~

b. ~~Completion of Mail Ballot~~

~~If one or more non-affiliated insurers are members of a group under the same ownership or management, the insurers must vote as a group for one insurer. A group of insurers which is non-affiliated may not split its votes between individual insurers.~~

~~3.] At-Large Representatives~~

At-Large representatives of insurers shall be elected at the annual meeting.

C. Association Annual Meeting

1. The Association shall hold an annual meeting on a date and at a place selected by the Governing Committee. At least 45 days prior to the meeting, the Manager shall send written notice to all member insurers, producer representatives of the Governing Committee and public members of the Governing Committee. An agenda for the meeting shall accompany the notice of meeting. The purpose of the meeting is the election of insurer representatives to serve on the Governing Committee.
2. At the annual meeting, ten percent of member insurers present or by proxy constitutes a quorum. Member insurer voting by proxy shall be permitted. Prior to the annual meeting, the Manager shall distribute proxies to all member insurers.
3. Each class of insurers shall select its representatives to the Governing Committee in the manner stated in Section 36.B above to serve for a term of one year.

D. Terms of Office

Terms of office for members of the Governing Committee commence on the day of the annual meeting and each member shall continue to serve until a successor for that member of the Governing Committee is selected.

PLAN AMMENDMENT ADOPTED NOVEMBER 18, 2022 - BLACKLINED

E. Vacant Seats

1. In the event a trade association insurer vacancy occurs on the Governing Committee, it shall be filled by the respective trade association by appointing a successor to serve until the next annual meeting.

~~2. [If a non-affiliated insurer vacancy occurs, the nonaffiliated insurers shall elect a successor to serve until the next annual meeting.]~~

~~[3]. If an at-large insurer vacancy occurs, the remaining representatives of insurers shall select an insurer to serve until the next annual meeting but the vacancy of an elected Texas domestic insurance company as defined under Section 36.A.1.b is to be filled with another Texas domestic insurance company selected by the remaining representatives of insurers. In the event, a Texas domestic insurance company is not available for the vacant position, the remaining representatives of insurers shall select an insurer to represent the membership at large until the next annual meeting.~~

~~3.[4.] The Commissioner of Insurance will select a public member or a Commissioner of Insurance appointed insurance producer if a vacancy occurs, to serve until the next annual meeting.~~

~~4.[5.] The Independent Insurance Agents of Texas will select an Independent Insurance Agents of Texas replacement if a vacancy occurs.~~

PLAN AMENDMENT ADOPTED NOVEMBER 18, 2022 - CLEAN

Sec. 36. ADMINISTRATION**A. Governing Committee Composition**

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b. Five insurer members shall be elected to represent the membership at large. At least one of the five insurer members must be a Texas domestic insurance company that writes only in the State of Texas and is not an affiliate or a subsidiary of an insurance company or holding company system writing automobile insurance outside of Texas. In the event a Texas domestic insurance company is not elected at the annual meeting, then the insurer receiving the next highest votes shall be elected to represent the membership at large.

Insurer members of the Governing Committee shall be selected to represent the trade associations as prescribed under Section 36.B. The five member insurers to serve at-large shall be elected by ballot of the members of the Association at the annual meeting.

2. Five public members shall be nominated by the Office of Public Insurance Counsel and selected by the Commissioner of Insurance. Appointments shall be made by December 31 of each year. The public members serve staggered two year terms.

Terms for three public members shall expire in odd shall expire in even numbered years. A person may not serve as a public member if that person, an individual related to that person within the second degree of consanguinity or affinity, or an individual residing in the same household with that person is:

- a. required to be registered or licensed under the Insurance Code;
- b. employed by or acts as a consultant to a person required to be registered or licensed under the Insurance Code;
- c. the owner of, or has a financial interest in, or participates in the management of an organization required to be registered or licensed under the Insurance Code;
- d. an officer, employer or consultant of an association in the field of insurance or;
- e. required to register as a lobbyist under Chapter 305, Government Code.

The Office of Public Insurance Counsel may nominate and the Commissioner of Insurance may appoint up to three additional persons who meet these qualifications to act as alternates for public members. The alternate public members shall serve two year terms or until a replacement alternate is appointed by the Commissioner of Insurance. If a public member is unable to attend a meeting of the Governing Committee, that person may designate one of these alternates to attend the meeting and act for the absent member.

3. Two members shall be licensed General Lines or Personal Lines Property and Casualty Agents, one of whom is selected by the Independent Insurance Agents of Texas and the other by the Commissioner of Insurance. The producer representatives to the Governing Committee serve a one year term.

The Independent Insurance Agents of Texas may appoint an alternate, subject to the approval of the Commissioner of Insurance. The alternate producer

PLAN AMENDMENT ADOPTED NOVEMBER 18, 2022 - CLEAN

member shall serve a two year term or until a replacement alternate is approved by the Commissioner of Insurance. If either producer member is unable to attend a meeting of the Governing Committee, that person may designate the alternate to attend the meeting and act for the absent member.

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

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2. At the annual meeting, ten percent of member insurers present or by proxy constitutes a quorum. Member insurer voting by proxy shall be permitted. Prior to the annual meeting, the Manager shall distribute proxies to all member insurers.

3. Each class of insurers shall select its representatives to the Governing Committee in the manner stated in Section 36.B above to serve for a term of one year.

D. Terms of Office

Terms of office for members of the Governing Committee commence on the day of the annual meeting and each member shall continue to serve until a successor for that member of the Governing Committee is selected.

E. Vacant Seats

1. In the event a trade association insurer vacancy occurs on the Governing Committee, it shall be filled by the respective trade association by appointing a successor to serve until the next annual meeting.
2. If an at-large insurer vacancy occurs, the remaining representatives of insurers shall select an insurer to serve until the next annual meeting, but the vacancy of an elected Texas domestic insurance company as defined under Section 36.A.1.b is to be filled with another Texas domestic insurance company selected by the remaining representatives of insurers. In the event, a Texas domestic insurance company is not available for the vacant position, the remaining representatives of insurers shall select an insurer to represent the membership at large until the next annual meeting.
3. The Commissioner of Insurance will select a public member or a Commissioner of Insurance appointed insurance producer if a vacancy occurs, to serve until the next annual meeting.
4. The Independent Insurance Agents of Texas will select an Independent Insurance Agents of Texas replacement if a vacancy occurs.

CURRENT PLAN LANGUAGE Section 47 D Current

Sec. 47. GENERAL PROVISIONS

D. Insurers Discontinuing Writing

If a member discontinues writing automobile liability insurance in this state but retains its license to write such business, it must continue to pay assessments and receive assignments until its quota established by its writings prior to discontinuance of business has been filled. If the automobile liability business of a member discontinuing the writing of automobile liability insurance in this state is purchased by, transferred to, or assumed by another member, the latter is to receive the assignments and assessments of the former until the quota of the former as established by its writings prior to such transfer has been filled, unless another member has agreed, in a manner satisfactory to the Governing Committee, to assume such obligation.

PROPOSED PLAN LANGUAGE Section 47 D

D. Insurers Discontinuing Writing

If a member discontinues writing automobile liability insurance in this state but retains its license to write such business, it must continue to pay assessments and receive assignments until its quota established by its writings prior to discontinuance of business has been filled unless one of the following alternatives applies.

If the automobile liability business of a member discontinuing the writing of automobile liability insurance in this state is purchased by, transferred to, or assumed by another member, including by grouping with another member under the same ownership, the latter is to receive the assignments and assessments of the former until the quota of the former as established by its writings prior to such transfer has been filled, unless another member has agreed, in a manner satisfactory to the Governing Committee, to assume such obligation.

A member that discontinues writing may also satisfy its obligation by:

Entering into a LAD/CLAD agreement (refer to Section 41.E for private passenger coverage or Section 42.E for other than private passenger coverage).