

**TAIPA Governing Committee Meeting**  
**Friday, August 1st, 2025**  
**Time: Aug 1, 2025 10:30 AM Central Time (US and Canada)**

Join Zoom Meeting

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**Texas Automobile Insurance Plan Association Governing Committee Meeting Agenda**  
**Friday, August 1, 2025 – 10:30 A.M. Central Time**  
**Insurance Council of Texas**  
**5508 Hwy W 290 #100, Austin, TX 78735**  
**Door Code: 7368**  
Dress: Business Casual

1. Call to Order
2. Introductions
3. Reading of the Anti-Trust Statement
4. Conflict of Interest Disclosures
5. Audit/Finance Committee Report
  - A. Report on 2024 Audit (Exhibit 1) \*
6. Review and Approval of the Minutes of the April 11, 2025 Meeting (Exhibit 2) \*
7. Chair's Report
  - A. Subcommittee Membership
8. Manager's Report
  - A. Application Count Update as of June 2025 (Exhibit 3)
  - B. Financial Update as of June 2025 (Exhibit 4) \*
  - C. Line of Credit Renewal\*
  - D. 2026 Meeting Dates (Exhibit 5) \*
  - E. Electronic applications and not using electronic payments.
  - F. Reminder Governing Committee Members must take the Open Meetings Act training every 2 years.
  - G. Reminder that all Governing Committee members must sign the Conflict of Interest Policy annually (Exhibit 6)
9. Operations Subcommittee Report
  - A. Over/Under Report (Exhibit 7)
  - B. Update
    - I. Plan of Operation changes (Exhibit 8)
    - II. RFPs for Audit (Exhibit 9)
    - III. RFPs for Legal (Exhibit 10)
10. Report of Counsel
  - A. Legislative Update
  - B. Rates
11. Next Meeting—November 21, 2025
12. Personnel Matters
13. 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.*

***Interested parties can attend the meeting in person or by joining the zoom meeting. TAIPA allows public comment about TAIPA related matters listed on the agenda. If you plan on attending in person, please let TAIPA staff know by emailing [areynolds@taipa.org](mailto:areynolds@taipa.org)***

# Exhibit 1



Audit Committee  
Texas Automobile Insurance Plan Association  
Austin, Texas

Attention: Audit Committee

We are pleased to present this report related to our audit of financial statements of Texas Automobile Insurance Plan Association (the Organization) as of and for the year ended December 31, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Organization's financial reporting process.

### **Required Communications**

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

### **Our Responsibilities With Regard to the Financial Statement Audit**

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated September 20, 2024. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

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

We have issued a separate communication dated May 13, 2025, regarding the planned scope and timing of our audit and identified significant risks.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Preferability of Accounting Policies and Practices*

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

#### *Adoption of, or Change in, Accounting Policies*

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

- On January 1, 2024, the Organization adopted the provisions of FASB ASC Topic 326, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). This update establishes the current expected credit loss (CECL) model established by ASU 2016-13, which requires the immediate recognition of estimated expected credit losses over the life of a financial instrument, including trade receivables, net investments in leases (for lessors with sales-type or direct financing leases), and certain off-balance sheet credit exposures. The estimate of expected credit losses considers historical information as well as current and future economic conditions and events.

### *Significant Accounting Policies*

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

### *Significant Unusual Transactions*

We did not identify any significant unusual transactions.

### *Significant Accounting Estimates*

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

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

- The fair value of plan assets and projected benefit obligation of the defined benefit plan which is based on information provided by the plan's actuaries.
- Allocation of functional expenses based on time and effort and square footage.

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

### **Audit Adjustments and Uncorrected Misstatements**

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

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

### **Observations About the Audit Process**

#### *Disagreements With Management*

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

### *Consultations With Other Accountants*

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

### *Significant Issues Discussed With Management*

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

### *Significant Difficulties Encountered in Performing the Audit*

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

### **Shared Responsibilities: AICPA Independence**

The AICPA regularly emphasizes that auditor independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) independence rules. For Atchley & Associates (the Firm) to fulfill its professional responsibility to maintain and monitor independence, management, the Audit Committee, and the Firm each play an important role.

### **Our Responsibilities**

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. The Firm is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.

### **Your Responsibilities**

- Timely inform the Firm, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, officers, or persons in financial reporting oversight roles.
  - Change in corporate structure impacting affiliates such as add-on acquisitions or exits.
- Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Organization and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with the Firm.
- Not entering into relationships resulting in close family members of the firm covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Organization.

### **Significant Written Communications Between Management and Our Firm**

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

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

*Atchley & Associates, LLP*

Austin, Texas

July 21, 2025



**Texas Automobile Insurance Plan Association**  
**Year ended December 31, 2024**  
**Recorded Audit Adjustments**

| <b>Number</b> | <b>Date</b> | <b>Name</b>                    | <b>Account No</b> | <b>Debit</b> | <b>Credit</b> |
|---------------|-------------|--------------------------------|-------------------|--------------|---------------|
| 1             | 12/31/2024  | Accum. Depr.-Computer Equip.   | 15220             | \$ 771       |               |
|               | 12/31/2024  | Accum Amort.-Leasehold         | 15520             | 37           |               |
|               | 12/31/2024  | Accum.Amort.-Computer Software | 15320             | 1            |               |
|               | 12/31/2024  | Depreciation                   | 50700             |              | \$ 809        |

To adjust accumulated depreciation to correct amounts

|   |            |                            |       |        |        |
|---|------------|----------------------------|-------|--------|--------|
| 2 | 12/31/2024 | Long Term Lease Liability  | 24200 | 40,202 |        |
|   | 12/31/2024 | Rigth of use Assset        | 17000 |        | 27,312 |
|   | 12/31/2024 | Short Term Lease Liability | 24100 |        | 6,600  |
|   | 12/31/2024 | Rent                       | 50300 |        | 6,290  |

To adjust lease liability & ROU asset

July 21, 2024

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

This representation letter is provided in connection with your audits of the financial statements of Texas Automobile Insurance Plan Association (the Organization) which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and the supplementary comparison of revenues and expense versus budget. We confirm that we are responsible for the fair presentation in financial statements of financial position, results of activities, and cash flows in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated September 20, 2024, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. With respect to assisting with posting closing entries and drafting the financial statements, we have performed the following:
  - a. Made all management decisions and performed all management functions;
  - b. Assigned a competent individual to oversee the services;
  - c. Evaluated the adequacy of the services performed;
  - d. Evaluated and accepted responsibility for the result of the service performed; and
  - e. Established and maintained internal controls, including monitoring ongoing activities.
7. We have no knowledge of any uncorrected misstatements in the financial statements.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. The following have been properly recorded and/or disclosed in the financial statements:
  - a. Lines of credit or similar arrangements.
  - b. All leases and material amounts of rental obligations under long-term leases.
  - c. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.
  - d. Concentrations of credit risk.
  - e. Allocations of functional expenses based on reasonable basis.

*Information Provided*

10. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in the internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements received in communications from employees, former employees, regulators, or others.
15. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
16. We are not aware of any pending or threatened litigation and claims that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP and we have not consulted legal counsel concerning litigation or claims.



17. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
18. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Organization's ability to record, process, summarize, and report financial data.
19. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
  - a. The Organization has no significant amounts of idle property and equipment.
  - b. The Organization has no plans or intentions to discontinue operations or to discontinue any significant services.
  - c. Provision has been made to reduce all assets that have permanently declined in value to their realizable values.
  - d. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.
21. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
  - a. To reduce receivables to their estimated net collectable amounts.
  - b. For pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through December 31, 2024.
22. There are no:
  - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.
  - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
  - d. Amounts of contractual obligations for construction and/or purchase of real property, equipment, other assets, and intangibles.
  - e. Guarantees, whether written or oral, under which the Organization is contingently liable.
  - f. Agreements to repurchase assets previously sold.
  - g. Security agreements in effect under the Uniform Commercial code.
  - h. Other liens or encumbrances on assets and all other pledges of assets.
  - i. Liabilities that are subordinated to any other actual or possible liabilities of the Organization.
  - j. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.

- k. Composition of assets in amounts needed to comply with all donor restrictions.
  - l. Recordable contributions, by appropriate net asset class.
  - m. Reclassifications between net asset classes.
23. The Organization has satisfactory title to all owned assets.
24. We have complied with all aspects of contractual agreements, grants, and donor restrictions that would have a material effect on financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and Uniform Guidance, because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
25. We have received a determination from the Internal Revenue Service that we are exempt from federal income taxes as a Section 501(c)(6) not-for-profit association, and we have complied with the IRS regulations regarding this exemption.
26. With respect to supplementary information presented in relation to the financial statements as a whole:
- a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditors' report thereon.
27. We are responsible for determining that significant events or transactions that have occurred since the date of the statement of financial position and through the date of this letter have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the statement of financial position date and through the date of this letter that would require recognition or disclosure in the financial statements. We further represent that, as of the date of this letter, the financial statements were complete in a form and format that complied with U.S. GAAP, and all approvals necessary for issuance of the financial statements had been obtained.
28. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Texas Automobile Insurance Plan Association

  
 Stacy Dutton, Association Manager

TEXAS AUTOMOBILE INSURANCE  
PLAN ASSOCIATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

## CONTENTS

| FINANCIAL SECTION                                 | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT                      | 1           |
| STATEMENTS OF FINANCIAL POSITION                  | 4           |
| STATEMENTS OF ACTIVITIES                          | 5           |
| STATEMENT OF FUNCTIONAL EXPENSES                  |             |
| Year Ended December 31, 2024                      | 6           |
| Year Ended December 31, 2023                      | 7           |
| STATEMENTS OF CASH FLOWS                          | 8           |
| NOTES TO FINANCIAL STATEMENTS                     | 9           |
| SUPPLEMENTAL INFORMATION                          |             |
| COMPARISON OF REVENUES AND EXPENSES VERSUS BUDGET | 17          |



## INDEPENDENT AUDITORS' REPORT

Governing Committee  
Texas Automobile Insurance Plan Association

### **Opinion**

We have audited the accompanying financial statements of the Texas Automobile Insurance Plan Association (TAIPA) which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TAIPA as of December 31, 2024, and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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



## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TAIPA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TAIPA's ability to continue as a going concern for a reasonable period of time.

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

**Report on Supplemental Information**

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

*Atchley & Associates, LLP*

Austin, Texas

July 21, 2025

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2024 AND 2023

|  | 2024       | 2023       |
|--|------------|------------|
| <b>ASSETS</b>                                      |            |            |
| Current Assets                                     |            |            |
| Cash and cash equivalents                          | \$ 499,874 | \$ 414,108 |
| Accounts receivable                                | 396        | 60,786     |
| Prepaid expenses                                   | 144,296    | 135,092    |
| Security deposits                                  | 5,379      | 5,379      |
| Total current assets                               | 649,945    | 615,365    |
| Property and Equipment                             |            |            |
| Furniture and equipment                            | 26,653     | 26,653     |
| Computer equipment                                 | 35,435     | 24,155     |
| Leasehold improvements                             | 2,222      | 2,222      |
| Computer software and program development costs    | 25,000     | 25,000     |
|  | 89,310     | 78,030     |
| Less accumulated depreciation                      | (72,353)   | (69,252)   |
| Total property and equipment                       | 16,957     | 8,778      |
| Other Assets                                       |            |            |
| Operating lease right of use asset, net            | 183,433    | 210,745    |
| Total other assets                                 | 183,433    | 210,745    |
| Total assets                                       | \$ 850,335 | \$ 834,888 |
| <b>LIABILITIES AND NET ASSETS</b>                  |            |            |
| Current Liabilities                                |            |            |
| Accounts payable                                   | \$ 8,231   | \$ 6,415   |
| Accrued leave                                      | 48,593     | 44,848     |
| Accrued payroll liabilities                        | 2,670      | 16,350     |
| Deferred revenue                                   | 236        | 236        |
| Other accrued liabilities                          | 24,547     | 22,277     |
| Current portion of operating lease obligation      | 58,013     | 51,413     |
| Total current liabilities                          | 142,290    | 141,539    |
| Other Liabilities                                  |            |            |
| Operating lease obligation, net of current portion | 160,994    | 201,196    |
| Total other liabilities                            | 160,994    | 201,196    |
| Net Assets   |            |            |
| Without donor restrictions                         | 1,186,756  | 1,098,213  |
| Accumulated effect of pension adjustment           | (639,705)  | (606,060)  |
| Total net assets                                   | 547,051    | 492,153    |
| Total liabilities and net assets                   | \$ 850,335 | \$ 834,888 |

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2024 AND 2023

|   | <u>2024</u>              | <u>2023</u>              |
|---|--------------------------|--------------------------|
| Revenues  |                          |                          |
| Member assessments                                  | \$ 990,291               | \$ 866,126               |
| Assessment penalties                                | 6,167                    | 13,391                   |
| Interest income                                     | 19,794                   | 14,588                   |
| Total revenues                                      | <u>1,016,252</u>         | <u>894,105</u>           |
| Expenses  |                          |                          |
| Program services                                    | 568,094                  | 537,835                  |
| Management and general                              | 359,615                  | 397,547                  |
| Total expenses                                      | <u>927,709</u>           | <u>935,382</u>           |
| Other revenues (expenses)                           |                          |                          |
| Pension minimum liability adjustment                | <u>(33,645)</u>          | <u>131,295</u>           |
| Total other revenues (expenses)                     | <u>(33,645)</u>          | <u>131,295</u>           |
| Net change in net assets without donor restrictions | 54,898                   | 90,018                   |
| Net assets at beginning of year                     | <u>492,153</u>           | <u>402,135</u>           |
| Net assets at end of year                           | <u><u>\$ 547,051</u></u> | <u><u>\$ 492,153</u></u> |

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2024

|                                       | Program<br>services | Management and<br>general | Total             |
|---------------------------------------|---------------------|---------------------------|-------------------|
| Expenses                              |                     |                           |                   |
| Salaries and related expenses         | \$ 263,512          | \$ 288,006                | \$ 551,518        |
| Professional services                 | 191,215             | 10,158                    | 201,373           |
| Occupancy expenses                    | 72,217              | 8,024                     | 80,241            |
| Governing committee                   | -                   | 27,470                    | 27,470            |
| Postage and delivery                  | 19,244              | 2,138                     | 21,382            |
| Office supplies and expense           | 14,144              | 4,715                     | 18,859            |
| Computer supplies and expense         | 6,830               | 2,276                     | 9,106             |
| Miscellaneous                         | -                   | 6,531                     | 6,531             |
| Depreciation and amortization         | -                   | 3,101                     | 3,101             |
| Operating committee                   | -                   | 2,971                     | 2,971             |
| Staff expense                         | -                   | 2,816                     | 2,816             |
| Staff education and seminars          | 932                 | 549                       | 1,481             |
| Dues, subscriptions, and publications | -                   | 860                       | 860               |
| Total expenses                        | <u>\$ 568,094</u>   | <u>\$ 359,615</u>         | <u>\$ 927,709</u> |

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2023

|                                       | Program<br>services | Management and<br>general | Total       |
|---------------------------------------|---------------------|---------------------------|-------------|
| <hr/>                                 |                     |                           |             |
| Expenses                              |                     |                           |             |
| Salaries and related expenses         | \$ 292,324          | \$ 334,192                | \$ 626,516  |
| Professional services                 | 136,974             | 12,709                    | 149,683     |
| Occupancy expenses                    | 72,534              | 8,059                     | 80,593      |
| Governing committee                   | -                   | 17,153                    | 17,153      |
| Postage and delivery                  | 11,345              | 1,260                     | 12,605      |
| Office supplies and expense           | 13,279              | 4,426                     | 17,705      |
| Computer supplies and expense         | 6,724               | 2,241                     | 8,965       |
| Miscellaneous                         | -                   | 6,256                     | 6,256       |
| Depreciation and amortization         | -                   | 2,599                     | 2,599       |
| Operating committee                   | -                   | 1,000                     | 1,000       |
| Staff expense                         | -                   | 3,278                     | 3,278       |
| Staff education and seminars          | 4,655               | 3,856                     | 8,511       |
| Dues, subscriptions, and publications | -                   | 518                       | 518         |
|                                       | <hr/>               | <hr/>                     | <hr/>       |
| Total expenses                        | \$ 537,835          | \$ 397,547                | \$ 935,382  |
|                                       | <hr/> <hr/>         | <hr/> <hr/>               | <hr/> <hr/> |

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2024 AND 2023

|  | <u>2024</u>              | <u>2023</u>              |
|--|--------------------------|--------------------------|
| OPERATING ACTIVITIES   |                          |                          |
| Change in net assets   | \$ 54,898                | \$ 90,018                |
| Adjustments to reconcile change in net assets<br>to net cash flows |                          |                          |
| Depreciation and amortization                                      | 3,101                    | 2,599                    |
| Operating lease right of use asset expense, net                    | (6,290)                  | 10,176                   |
| Change in operating assets and liabilities                         |                          |                          |
| Accounts receivable  | 60,390                   | (59,017)                 |
| Prepaid expenses   | (9,204)                  | (61,987)                 |
| Accounts payable   | 1,816                    | (4,011)                  |
| Accrued leave  | 3,745                    | 3,909                    |
| Accrued payroll liabilities  | (13,680)                 | 1,684                    |
| Other accrued liabilities  | <u>2,270</u>             | <u>3,382</u>             |
| Net cash flows from operating activities                           | 97,046                   | (13,247)                 |
| INVESTING ACTIVITIES   |                          |                          |
| Purchases of property and equipment                                | <u>(11,280)</u>          | <u>(6,898)</u>           |
| Net cash flows from investing activities                           | <u>(11,280)</u>          | <u>(6,898)</u>           |
| Net change in cash and cash equivalents                            | 85,766                   | (20,145)                 |
| Cash and cash equivalents - beginning of year                      | <u>414,108</u>           | <u>434,253</u>           |
| Cash and cash equivalents - end of year                            | <u><u>\$ 499,874</u></u> | <u><u>\$ 414,108</u></u> |

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

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

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

Financial Statement Presentation

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

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

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

Net Assets Released From Restrictions

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

Cash and Cash Equivalents

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



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued**

Property and Equipment

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

Revenue Recognition

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

Concentrations of Credit Risk

TAIPA maintains its cash with high credit quality financial institutions which are members of the Federal Deposit Insurance Corporation. Occasionally, balances on deposit exceed federally insured limits; however, management believes there is no significant uninsured risk related to these deposits. At December 31, 2024, TAIPA had \$200,321 in uninsured cash balances.

Income Taxes

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

TAIPA has adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 740, *Accounting for Uncertainty in Income Tax*. The benefits of tax positions are recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the positions will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. As of December 31, 2024 and 2023, TAIPA has not recognized liabilities for uncertain tax positions or associated interest and penalties.

TAIPA's federal exempt organization returns for the years ended December 31, 2021, and after are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued**

Functional Expenses

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

Estimates

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

Significant Accounting Pronouncements

Effective January 1, 2024, the Plan adopted the provisions of FASB ASC Topic 326, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*. This update establishes the current expected credit loss (CECL) model established by ASU 2016-13, which requires the immediate recognition of estimated expected credit losses over the life of a financial instrument, including trade receivables, net investments in leases (for lessors with sales-type or direct financing leases), and certain off-balance sheet credit exposures. The estimate of expected credit losses considers historical information as well as current and future economic conditions and events. The impact of the adoption was not considered material to financial statements.

Subsequent Events

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

**NOTE B - EMPLOYEE BENEFIT PLANS**

Defined Benefit Plan

TAIPA is a member of The Pension Plan for Insurance Organizations (the Pension). The Pension is a multiple-employer defined benefit plan. The trustee of the Pension is the Principal Trust Company, a member of the Principal Financial Group. The Pension's employer identification number is 27-0131295 and Plan Number 001. An employee is eligible to become a member at the beginning of the first twelve-month period during which 1,000 hours of service have been completed with 100% vesting after (a) five or more years of service or (b) four years of service and 1,000 hours. TAIPA's funding policy is to make monthly contributions in conformance with minimum funding requirements. For the year ending December 31, 2024, TAIPA funded more than the minimum funding requirements.

TAIPA has adopted the recognition provisions of ASC 715. As required by ASC 715, TAIPA recognizes a liability for the underfunded status of its defined benefit pension plan and adjusts the ending balance of net assets without donor restrictions for the transition obligation, prior service cost, and net loss that have not been recognized as components of net periodic pension cost. The following tables set forth the status of the defined benefit pension plan and amounts per ASC 715 at December 31, 2024 and 2023.

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

|   | 2024             | 2023              |
|---|------------------|-------------------|
| Service cost                              | \$ 32,521        | \$ 28,853         |
| Interest cost                             | 180,027          | 185,262           |
| Expected return on MRVA                   | (214,225)        | (176,816)         |
| Amortization of net prior service cost    | -                | 1,207             |
| Amortization of net actuarial loss (gain) | 66,143           | 111,611           |
| Net periodic benefit cost                 | <u>\$ 64,466</u> | <u>\$ 150,117</u> |

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

**NOTE B - EMPLOYEE BENEFIT PLANS - Continued**

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

|  | 2024              | 2023              |
|--|-------------------|-------------------|
| Change in benefit obligation                           |                   |                   |
| Benefit obligation at beginning of year                | \$ 3,524,111      | \$ 3,452,745      |
| Service cost   | 32,521            | 28,853            |
| Interest cost  | 180,027           | 185,262           |
| Actuarial loss (gain)                                  | (11,105)          | 148,125           |
| Benefits paid  | (294,420)         | (290,874)         |
| Benefit obligation at end of year                      | <u>3,431,134</u>  | <u>3,524,111</u>  |
| Change in pension plan assets                          |                   |                   |
| Fair value of pension plan assets at beginning of year | 3,651,035         | 3,506,824         |
| Actual return on pension plan assets                   | 103,332           | 343,418           |
| Employer contributions                                 | 96,884            | 91,667            |
| Benefits paid  | (294,420)         | (290,874)         |
| Fair value of pension plan assets at end of year       | <u>3,556,831</u>  | <u>3,651,035</u>  |
| Funded status at end of year                           | <u>\$ 125,697</u> | <u>\$ 126,924</u> |

Amounts recognized in the statements of financial position  
as of December 31:

|   |                     |                     |
|---|---------------------|---------------------|
| Accrued (prepaid) pension benefit costs | <u>\$ (125,697)</u> | <u>\$ (126,924)</u> |
|---|---------------------|---------------------|

Amounts recognized as changes in net assets without donor  
restrictions arising from a defined benefit plan as of  
December 31:

|                             |                   |                   |
|-----------------------------|-------------------|-------------------|
| Accumulated net loss (gain) | <u>\$ 639,705</u> | <u>\$ 606,060</u> |
|-----------------------------|-------------------|-------------------|

Other changes in pension plan assets and benefit  
obligations recognized as changes in net assets without  
donor restrictions not yet included in net periodic benefit  
cost for the years ended December 31:

|                                 |                  |                     |
|---------------------------------|------------------|---------------------|
| Net gain (loss)                 | \$ (66,143)      | \$ (111,611)        |
| Net prior service credit (cost) | -                | (1,207)             |
| New actuarial losses            | 99,788           | (18,477)            |
|                                 | <u>\$ 33,645</u> | <u>\$ (131,295)</u> |

The estimated net loss for the defined benefit pension plan that will be amortized into net periodic benefit cost over the next fiscal year is \$78,917.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

**NOTE B - EMPLOYEE BENEFIT PLANS - Continued**

The accumulated benefit obligation for the Pension was \$3,349,969 and \$3,453,744 as of December 31, 2024 and 2023, respectively.

Employer contributions expected to be paid during the year ending December 31, 2024, is \$82,612.

Weighted average assumptions used to develop benefit obligations were:

|                                | <u>2024</u> | <u>2023</u> |
|--------------------------------|-------------|-------------|
| Discount rate                  | 5.50%       | 5.25%       |
| Rate of compensation increases | 3.50%       | 3.50%       |

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

|  | <u>2024</u> | <u>2023</u> |
|--|-------------|-------------|
| Discount rate                          | 5.50%       | 5.25%       |
| Expected return on pension plan assets | 6.00%       | 5.25%       |
| Rate of compensation increases         | 3.50%       | 3.50%       |

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

|                   | <u>2024</u>   | <u>2023</u>   |
|-------------------|---------------|---------------|
| Equity securities | 36.20%        | 36.70%        |
| Debt securities   | 57.00%        | 58.00%        |
| Real estate       | 4.80%         | 4.80%         |
| Cash              | 2.00%         | 0.50%         |
|                   | <u>100.0%</u> | <u>100.0%</u> |

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

| <u>Fiscal Years Ending</u> |                     |
|----------------------------|---------------------|
| December 31, 2025          | \$ 293,613          |
| December 31, 2026          | 296,292             |
| December 31, 2027          | 303,892             |
| December 31, 2028          | 308,182             |
| December 31, 2029          | 306,173             |
| December 31, 2030-2034     | 1,423,941           |
| Total                      | <u>\$ 2,932,093</u> |

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

**NOTE B - EMPLOYEE BENEFIT PLANS - Continued**

Defined Contribution Plan

TAIPA is also a member of the Insurance Company Supported Organization (ICSO) 401(k) Savings Plan. After one year of employment, all full-time employees are eligible to become plan participants. Employees may contribute up to 16% of their annual compensation to the plan. The employer matches employee contributions at the rate of \$.75 per \$1.00 of employee contributions up to a maximum of 6% of annual compensation. Payments to the plan were \$23,109 and \$25,337 for 2024 and 2023, respectively.

**NOTE C - COMPENSATED ABSENCES**

Employees of TAIPA are entitled to paid sick days and personal days off, depending on their length of service. Effective January 1, 2007, employees are eligible to receive monetary reimbursement for a maximum of 37 1/2 hours of unused All Purpose Leave from the prior year. The compensation will be paid prior to January 31. The employees who have remaining All Purpose Leave available as of December 31 are able to carry up to 350 hours over to the following year. Any amount in excess of 350 hours will be forfeited each January 1. Accrued leave in the amount of \$48,593 and \$44,848 has been recorded in the accompanying statements of financial position as of December 31, 2024 and 2023, respectively.

**NOTE D - LEASE COMMITMENTS**

TAIPA is obligated on leases for office space. For accounting purposes, the leases are treated as operating leases. Lease expense under the operating leases for the years ended December 31, 2024 and 2023, totaled \$73,088 and \$73,890, respectively.

|  | 2024              | 2023              |
|--|-------------------|-------------------|
| Operating lease cost:                          |                   |                   |
| Amortization of right of use asset             | \$ 52,625         | \$ 51,600         |
| Operational cost sharing and short-term leases | 20,463            | 22,290            |
| Total operating lease cost                     | <u>\$ 73,088</u>  | <u>\$ 73,890</u>  |
| Current lease liability                        | \$ 58,013         | \$ 51,413         |
| Long - term lease liability                    | 160,994           | 201,196           |
|  | <u>\$ 219,007</u> | <u>\$ 252,609</u> |
| Weighted average discount rate                 | 2.97%             | 2.90%             |

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

**NOTE D - LEASE COMMITMENTS - Continued**

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

| Due in Years Ending |                   |
|---------------------|-------------------|
| December 31, 2025   | \$ 63,560         |
| December 31, 2026   | 65,180            |
| December 31, 2027   | 61,374            |
| December 31, 2028   | 38,087            |
| December 31, 2029   | 3,074             |
|                     | <u>\$ 231,275</u> |

**NOTE E - LINE OF CREDIT**

TAIPA renewed a bank line of credit totaling \$300,000 on September 23, 2019. Interest, calculated at the bank's prime rate, is payable monthly. At December 31, 2024, there was no outstanding balance on the line, and there were no borrowings on the line of credit during the years ended December 31, 2024 and 2023. The line of credit matures on August 27, 2025.

**NOTE F - LIQUIDITY AND AVAILABILITY**

The following represents TAIPA's financial assets at December 31, 2024 and 2023:

|   | 2024              | 2023              |
|---|-------------------|-------------------|
| Financial assets at year end:           |                   |                   |
| Cash and cash equivalents               | \$ 499,874        | \$ 414,108        |
| Accounts receivable                     | 396               | 60,786            |
| Total financial assets available to use | <u>\$ 500,270</u> | <u>\$ 474,894</u> |

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

SUPPLEMENTAL  
INFORMATION



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
SUPPLEMENTAL INFORMATION  
COMPARISON OF REVENUES AND EXPENSES VERSUS BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2024

|   | <u>Actual</u>    | <u>Budget</u>       | <u>Variance</u>   |
|---|------------------|---------------------|-------------------|
| Revenues  |                  |                     |                   |
| Member assessments                              | \$ 990,291       | \$ 994,360          | \$ (4,069)        |
| Interest income                                 | 19,794           | -                   | 19,794            |
| Assessment penalties                            | 6,167            | -                   | 6,167             |
| Total Revenues                                  | <u>1,016,252</u> | <u>994,360</u>      | <u>21,892</u>     |
| Operating Expenses                              |                  |                     |                   |
| Salaries  | 385,765          | 403,600             | 17,835            |
| Employee benefits and other insurance           | 165,753          | 239,100             | 73,347            |
| Rent  | 73,088           | 79,200              | 6,112             |
| Telephone/internet access                       | 6,273            | 7,300               | 1,027             |
| Property taxes                                  | 880              | 1,200               | 320               |
| Professional services                           |                  |                     |                   |
| Legal   | 62,090           | 84,660              | 22,570            |
| Audit   | 22,569           | 26,400              | 3,831             |
| Systems consultants                             | 68,909           | 72,200              | 3,291             |
| Consultants - other                             | 16,930           | 37,565              | 20,635            |
| Actuary   | 30,875           | 44,000              | 13,125            |
| Depreciation and amortization                   | 3,101            | 3,600               | 499               |
| Postage and delivery                            | 21,382           | 21,800              | 418               |
| Office equipment and supplies                   | 16,186           | 19,100              | 2,914             |
| Printing and stationary                         | 2,673            | 4,300               | 1,627             |
| Governing committee                             | 27,470           | 39,400              | 11,930            |
| Computer supplies and expenses                  | 9,106            | 13,720              | 4,614             |
| Operating subcommittee                          | 2,971            | 3,000               | 29                |
| Employee meetings, seminars, and travel         | 1,481            | 26,800              | 25,319            |
| Staff expense and other                         | 9,347            | 12,000              | 2,653             |
| Dues, subscriptions, and publications           | 860              | 800                 | (60)              |
| Total Operating Expenses                        | <u>927,709</u>   | <u>1,139,745</u>    | <u>212,036</u>    |
| Other Revenues (Expenses)                       |                  |                     |                   |
| Pension minimum liability adjustment            | (33,645)         | -                   | (33,645)          |
| Total Other Revenues (Expenses)                 | <u>(33,645)</u>  | <u>-</u>            | <u>(33,645)</u>   |
| Change in Net Assets Without Donor Restrictions | <u>\$ 54,898</u> | <u>\$ (145,385)</u> | <u>\$ 200,283</u> |

# Exhibit 2

**TAIPA Governing Committee Meeting Notes**  
**Friday, April 11, 2025 at 9:00am CST**  
**Via Zoom Meeting & In-person at Insurance Council of Texas**

**1. Call to order**

- Meeting called to order by Chair Matthew Snyder at 9:03 AM.

**2. Introductions**

- Mimi Leece reviewed technology logistics and participant guidelines (mute etiquette, stating names when speaking, chat support for technical issues).
- Roll call confirmed quorum.

**Attendees:**

**Governing Committee:**

Keith Wechsler  
Matthew Snyder  
Brian Ferguson  
Doug Queenin  
David Weber  
Becky Jackson  
David Nardecchia  
Mary Carol Awalt  
Laura Hausman  
Betsy Blair  
Ramon Montalvo  
Adam Payton  
John Lusardi  
Michael Burke  
Adam Hall

**Legal Counsel:**

Mike Jones

**TDI:**

Dan Paschal  
Jessica Barta  
Doug Danzeiser  
Melissa Herman

**Others:**

Ron Weist

**TAIPA:**

Stacy Dutton  
Mimi Leece  
Ruth Wise  
Amanda Reynolds

**3. Reading of the Anti-Trust Statement**

- Antitrust Statement read by Stacy Dutton.

#### **4. Conflict of Interest Disclosures**

- Conflict of Interest Policy explained by Mike Jones; no conflicts were disclosed.

#### **5. Election of Officers**

##### 2025 Officer Elections

- Slate of Officers presented by Adam Payton:
  - Chair: Matt Snyder
  - 1st Vice Chair: David Weber
  - 2nd Vice Chair: John Lusardi
  - Secretary: Betsy Blair
  - Immediate Past Chair: Becky Jackson
- A motion to approve the nominations was made by Ramon Montalvo and seconded by Mary Carol Awalt. The motion carried unanimously with no abstentions.

##### Honoring Service

- Carmelita Hogan was recognized for 25 years of service.
  - TAIPA had a flag flown over Texas Capitol upon Ms. Hogan's 25<sup>th</sup> anniversary of service. OPIC presented a certificate for Ms. Hogan's service.
- Departing Members: Janet Dewey, Kit Morris, and Keith Wechsler (USAA). TAIPA thanked the members for their service to TAIPA.
- New Members: David Nardecchia (replacing Carmelita Hogan) and Laura Bunts (replacing Keith Wechsler at USAA).

#### **6. Approval of Previous Governing Committee Meeting Minutes**

- Minutes from November 22<sup>nd</sup>, 2024; December 13<sup>th</sup>, 2024; February 14<sup>th</sup>, 2025; and March 7<sup>th</sup>, 2025 were reviewed.
- A motion was made by David Weber to accept all four meeting minutes with no changes. The motion was seconded by Adam Hall. The motion passed unanimously with no abstentions.

#### **7. Manager's Report – Stacy Dutton**

##### Application & Financial Overview

- 2024 Applications: 1,960 (↑11.83% from 2023).
- 2025 Projection: ~1,518 applications based on current trends.

##### Budget Status:

- Operational: 84.56% used.
- Capital: Fully spent (\$11,280).
- Overages: \$60 (subscriptions), depreciation variance due to new wireless security equipment.

A motion to accept budget variances was made by David Weber and seconded by Ramon Montalvo. The motion passed unanimously with no abstentions.

#### Quota Report Errors

- Q2/Q3 2024 issues corrected.
- Q4 TICO data errors led to significant quota miscalculations.
- Proposed solution: \$26,483 redistributed as a “miscellaneous adjustment” to realign company obligations.

#### Other Updates

- All LAD/CLAD carriers rated A or A+ by AM Best.
- Reminders for the Governing Committee members:
  - Open Meetings Act training (every 2 years).
  - Conflict of Interest forms submission annually required.

### **8. Audit & Finance Committee – Matthew Snyder**

- Audit Engagement: Ashley & Associates estimated cost: \$16,250–\$17,750.

A motion was made to approve Atchley & Associates audit engagement letter to conduct TAIPA’s financial audit for 2025 by Becky Jackson. The motion was seconded by Doug Queenin. The motion passed unanimously with no abstentions.

### **9. Operations Subcommittee Report– Brian Ferguson**

- Chair reviewed upcoming items to be studied:
  - Provide staff with a means for avoiding going to the governing committee for minor budget adjustments.
  - Prepare RFPs for auditors and legal counsel.
  - Discussed D&O Insurance and legal liability for board members.
  - Investigating whether board members need independent legal counsel.
  - Review TAIPA Plan of Operation with TDI’s suggested changes.

### **10. Rate Filing Report – Matt Stephenson, Actuary**

- Matt Stephenson provided a presentation of TAIPA's rate data from October 2024's rate filing.
  - Discussion around previous rate indication methodology gathered from 2022 and 2023 industry sources.
  - Discussion around current implications of rate and data credibility.
  - Actuary proposed:
    - Private Passenger increase +4.1%
    - Commercial Auto increase +1.7%

Michael Burke made a motion to accept the private passenger and commercial auto proposed rates as stated by the actuary, with the expectation that the actuary will review the bodily injury indication to make the overall increase supported for commercial auto. This motion was seconded by Adam Payton. The motion passed unanimously with no abstentions.

## **11. AFACT Representative & TDI Clarification**

- TAIPA made an error as AFACT did not dissolve, therefore an AFACT representative was seated for 2025.
- Farm Bureau designated as new representative by AFACT.
- Discussion regarding changes TAIPA needs to make to the amendment request.

## **12. TDI Audit Update**

- Now reframed as an advisory project (not formal audit).
- The audit will be narrow in scope, not formal, and won't result in reports to the Legislative Budget Board, Sunset Committee, or Legislature.
- TDI empowered under §38.001 to request records from TAIPA.
- Initial meeting to be held with TDI, Stacy Dutton, Mike Jones, Operations Subcommittee Chair, and interested board members to review goals.
- TDI will prepare advisory project plan.

## **13. Legislative Update – Mike Jones**

- Mike Jones reported progress on discussions with Jessica Barta from TDI's general counsel regarding the audit process.
- The audit will focus on TAIPA's Plan of Operations and be advisory in nature, aiming to make operational recommendations.

### **Audit Process:**

- The initial meeting will include the auditor, Mike Jones, Stacey, and potentially board members including Operation Subcommittee Chair Brian Ferguson.

- An audit plan will be developed and submitted to Mike for review.
- Operation Subcommittee will assess suggested amendments and consider broader operational changes.
- A final proposal will be presented at the August 2025 meeting, subject to TDI and Commissioner approval.

#### Clarifications:

- David Weber confirmed that Stacy, as General Manager, has the authority to hire additional counsel or vendors as necessary, with or without prior notice.
- If negotiations with TDI become more complex, outside counsel may be engaged to interface with TDI.

#### Legislative Session Details:

- Texas legislative session runs January 14 – June 2, 2025.
- Monitoring legislation related to TAIPA's operations, policies, and insurance market conditions.
- No current bills affecting TAIPA's statutes or open meetings laws have been filed.

#### Key Legislative Developments:

1. SB 1642 – Proposes a 3-member TDI Commission appointed by the Governor.
  - Not out of committee. Opposed by trade associations as inefficient.
2. SB 1643 – Requires prior approval for rate increases under 10%.
  - Does not apply to TAIPA but could impact the broader market.
3. SB 1006 – Requires notice to policyholders on policy decisions (declination, cancellation, non-renewal).
  - May apply to TAIPA policies, depending on final rulemaking.
4. SB 458 – Requires an appraisal provision in policies (personal auto/residential).
  - TAIPA may need to amend its policy accordingly.
5. SB 1791 – Requires insurers to contact insureds at least five times following a third-party liability claim or pay the claim and decline renewal.
  - Likely applicable to TAIPA policies.
6. HB 3840 – Proposes premium discounts for dashboard camera use.
  - Unclear if it applies to TAIPA, but under review.

Final outcomes will be reviewed in more detail at the August meeting.

### 14. Letter to Legislators – Discussion

- Draft letter expressing frustration with TDI interactions with TAIPA post-November 2024.
- Acknowledged good progress with TDI since letter was drafted.

- Decision: Defer final decision to TAIPA officers.
  - Letter may be sent only, if necessary, based on future developments.

A motion was made by Ramon Montalvo to empower the TAIPA officers to decide on whether TAIPA will send the letter to legislators. The motion was seconded by Adam Hall. The motion passed unanimously with no abstentions.

#### **15. Closed Session – Personnel Review**

- Governing Committee held a closed session under Texas Government Code §§551.074 and 551.071.
- Motion was made by David Weber for the Chair to deliver performance review to Association Manager. The motion was seconded by John Lusardi. The motion passed unanimously.

#### **16. Meeting Adjournment**

- Next Meeting Date: Friday, August 1, 2025
- A motion to adjourn the meeting was made by David Weber and seconded by Ramon Montalvo.
- Chair Snyder announced the meeting adjourned at 11:50 AM

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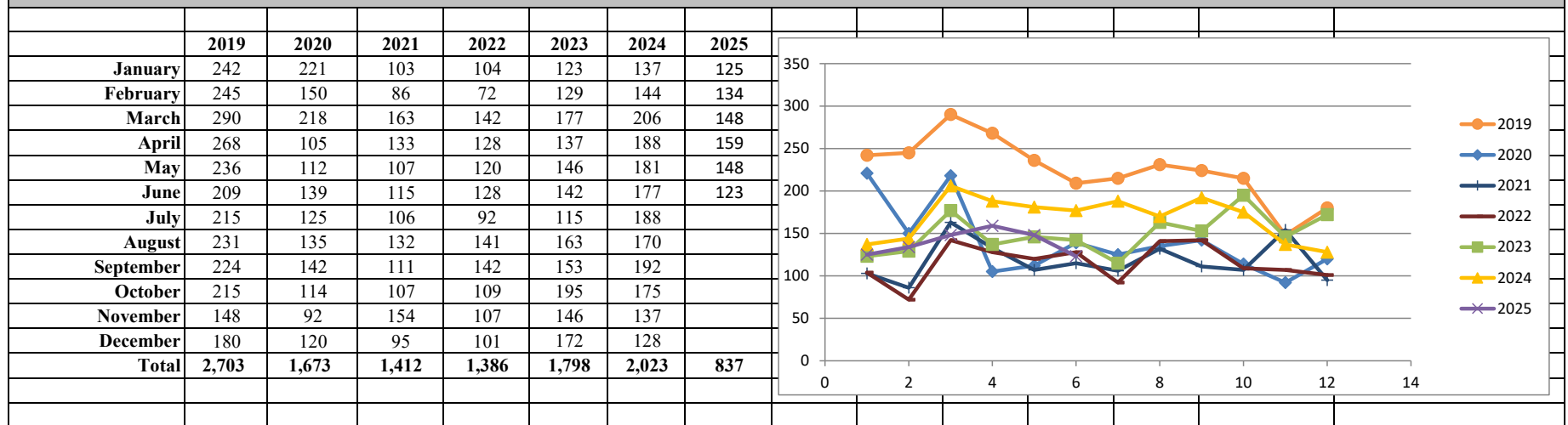
Betsy Blair, Secretary



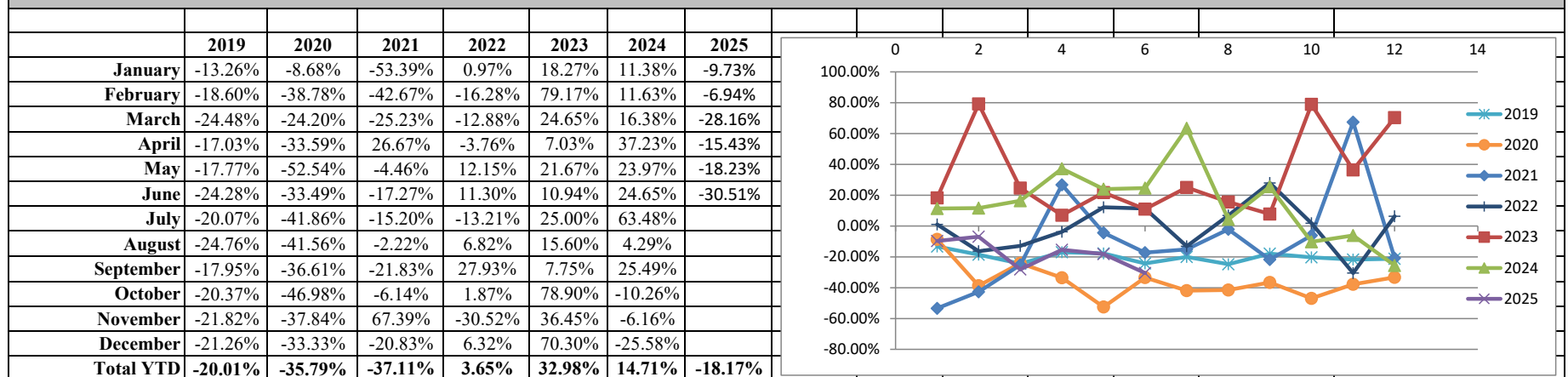
# Exhibit 3

| Monthly Total (June 2025)   |                     |                    |
|---|---------------------|--------------------|
|   | Private Passenger   | Commercial         |
| EASi Applications   | 117                 | 24                 |
| Paper Applications  | 0                   | 0                  |
| <b>Total Applications Received</b>  | <b>101</b>          | <b>22</b>          |
| Applications Assigned   | 100                 | 22                 |
| Apps Returned for Correction  | 1                   | 0                  |
| Applications Deficient  | 3                   | 3                  |
| Applications with SR-22s  | 3                   | 0                  |
| <b>Total Applications Received in June 2024:</b>                              |                     | <b>177</b>         |
| <b>Total Applications Received in June 2025:</b>                              |                     | <b>123</b>         |
| Year to Date Total (as of June 2025)  |                     |                    |
|   | Private Passenger   | Commercial         |
| EASi Applications   | 781                 | 167                |
| Paper Applications  | 0                   | 0                  |
| <b>Total Applications Received</b>  | <b>695</b>          | <b>142</b>         |
| Applications Assigned   | 677                 | 139                |
| Apps Returned for Correction  | 18                  | 3                  |
| Applications Deficient  | 22                  | 10                 |
| Applications with SR-22s  | 30                  | 1                  |
| <b>Total Applications Received YTD (as of June 2024):</b>                     |                     | <b>1,033</b>       |
| <b>Total Applications Received YTD (as of June 2025):</b>                     |                     | <b>837</b>         |
| <b>YTD Percent Change from June 2024 to June 2025:</b>                        |                     | <b>-18.97%</b>     |
| Application Assignment History*   |                     |                    |
| <b>2001:</b> 53,477   | <b>2009:</b> 10,299 | <b>2017:</b> 3,508 |
| <b>2002:</b> 66,153   | <b>2010:</b> 8,725  | <b>2018:</b> 3,338 |
| <b>2003:</b> 74,506   | <b>2011:</b> 7,364  | <b>2019:</b> 2,606 |
| <b>2004:</b> 47,434   | <b>2012:</b> 5,898  | <b>2020:</b> 1,673 |
| <b>2005:</b> 31,517   | <b>2013:</b> 4,708  | <b>2021:</b> 1,381 |
| <b>2006:</b> 23,634   | <b>2014:</b> 3,628  | <b>2022:</b> 1,352 |
| <b>2007:</b> 16,780   | <b>2015:</b> 3,217  | <b>2023:</b> 1,758 |
| <b>2008:</b> 12,896   | <b>2016:</b> 3,089  | <b>2024:</b> 1,960 |
| *Application Assignment History based on applications assigned, not received. |                     |                    |

### Trend of Applications Received from 2018 to 2025



### Percent Change in Applications Received from 2018 to 2025



# Exhibit 4

**TAIPA**  
**ACTUAL VS. BUDGET**  
For the period ended June 30, 2025

|                                 |         | 2025         |          | 2025    |        | 55.00%  |
|---------------------------------|---------|--------------|----------|---------|--------|---|
|                                 |         | Year To Date |          | Annual  |        | 45.00%  |
|                                 | Actual  | Budget       | Variance | Budget  | % Used | Reason for Variance   |
| <b>REVENUE</b>                  |         |              |          |         |        |   |
| Assessments & Penalties         | 487,397 | 478,500      | 8,897    | 957,000 | 50.93% |   |
| Other Revenue                   | 9,812   | 0            | 9,812    | 0       | 0.00%  |   |
| <b>TOTAL</b>                    | 497,209 | 478,500      | 18,709   | 957,000 | 51.95% | <b>Within range.</b>  |
| <b>EXPENDITURES</b>             |         |              |          |         |        |   |
| Salaries                        | 193,925 | 213,950      | 20,025   | 427,900 | 45.32% | <b>Within range.</b>  |
| Emp. Benefits & Other Ins. Exp. | 96,341  | 111,500      | 15,159   | 223,000 | 43.20% | United Health Care medical, life & LTD costs came in lower than expected, there was no significant increase in our other insurance, Payroll Taxes were less than anticipated. We have not paid 401K admin fees to date. Expect to end under budget. |
| Office Equipment Expense        | 7,254   | 9,750        | 2,496    | 19,500  | 37.20% | TAIPA has purchases some Office Supplies & Equip. We expect to end on budget.   |
| Printing & Stationary Exp.      | 0       | 1,550        | 1,550    | 3,100   | 0.00%  | We have not purchased envelopes. We expect to end on budget.  |
| Computer Expenses               | 4,442   | 7,400        | 2,958    | 14,800  | 30.01% | We have not yet purchased all of the recommended computer supplies that Vintage suggested. We expect to end on budget.  |
| Postage & Shipping Exp.         | 9,925   | 11,500       | 1,575    | 23,000  | 43.15% | We continue to try & minimize what we send out by hard copy. TAIPA mailouts are down, also some of the follow up assessment invoices have been sent electronically. We expect to end on budget  |
| Telephone Expense               | 3,132   | 3,450        | 318      | 6,900   | 45.39% | <b>Within range.</b>  |
| Rent Expense                    | 30,790  | 41,050       | 10,260   | 82,100  | 37.50% | TAIPA received a \$7,061.96 credit from Redus Properties on the 2024 CAM Reconciliation. We expect to end under budget.   |
| Moving Expense                  | 0       | 0            | 0        | 0       | 0.00%  | <b>Within range</b>   |

**TAIPA**  
**ACTUAL VS. BUDGET**  
For the period ended June 30, 2025

|  |        | 2025                |          | 2025          |        |  | 55.00% |
|--|--------|---------------------|----------|---------------|--------|--|--------|
|  | Actual | Year To Date Budget | Variance | Annual Budget | % Used | Reason for Variance  | 45.00% |
| Taxes                                      | 0      | 600                 | 600      | 1,200         | 0.00%  | We have not paid any of TAIPA's taxes. We expect to end on budget.   |        |
| Other Office Expenses                      | 3,848  | 7,600               | 3,752    | 15,200        | 25.32% | We have not had any expenses to Bank of America for E-Pay transaction fees. We expect to end under budget because we anticipate E-Pay not being implemented until 2026.  |        |
| Governing Committee                        | 10,507 | 17,700              | 7,193    | 35,400        | 29.68% | To date, we have had 3 meetings total, instead of the 1 meeting as planned. We may end over budget.  |        |
| Subcommittee Meetings                      | 1,815  | 2,650               | 835      | 5,300         | 34.24% | TAIPA has had 1 nominating committee meeting, 1 Ops-Sub Committee meeting & plan to have 1 Op-Sub meeting for August 1st , and plan to have 1 more Ops-Sub by the end of the year. We have an additional Ops-Sub meeting after the August meeting. We expect to end on budget. |        |
| Producer Review Panel                      | 0      | 0                   | 0        | 0             | 0.00%  | Within range   |        |
| Employee Meetings, Seminars & Staff Travel | 70     | 14,600              | 14,530   | 29,200        | 0.24%  | Employees have not attended courses/seminars. We currently expect to end under budget.   |        |
| Legal Expenses                             | 50,976 | 45,950              | -5,026   | 91,900        | 55.47% | We are currently over budget, due to the additional Gov Borad Meetings & legal meetings with TDI on the Plan of Operation & advisory project. The legal work has been completed for the 2025 rate filing & we did not have a rate hearing.                                     |        |
| Audit Expense                              | 15,938 | 13,800              | -2,138   | 27,600        | 57.75% | TAIPA 's 2024 Audit is complete. We expect to end on budget.   |        |
| Dues, Subscriptions & Publications         | 304    | 500                 | 196      | 1,000         | 30.41% | Some of the expected dues will be paid later in the year. We expect to end on budget.  |        |

**TAIPA**  
**ACTUAL VS. BUDGET**  
For the period ended June 30, 2025

|  |                | 2025                   |                | 2025             |               |  |
|--|----------------|------------------------|----------------|------------------|---------------|--|
|  | Actual         | Year To Date<br>Budget | Variance       | Annual<br>Budget | % Used        | Reason for Variance  |
|  |                |                        |                |                  |               | 55.00%<br>45.00%   |
| TAIPA Tradition, Visitor Meals & Gifts     | 1,382          | 1,900                  | 518            | 3,800            | 36.38%        | Events for Governing Committee Members/Employees/Visitors happen randomly throughout the year. We expect to end on budget.   |
| System Consultants                         | 37,636         | 45,950                 | 8,314          | 91,900           | 40.95%        | We are currently under budget & we expect to end under budget because we anticipate E-Pay not being implemented until 2026.  |
| Consultants - Other                        | 5,945          | 16,100                 | 10,155         | 32,200           | 18.46%        | We are currently under budget, but TAIPA has plans to update the customer contact MACRO's, that will happen later in the year and we have not utilized our Sage Consultant as much in 2025. We expect to end under budget. |
| Actuary                                    | 5,825          | 17,500                 | 11,675         | 35,000           | 16.64%        | We are currently under budget, TAIPA has completed the rate filing. Because we did not have a rate hearing in 2025, we expect to end under budget.   |
| Other                                      | 0              | 0                      | 0              | 0                | 0.00%         |  |
| <b>SUBTOTAL</b>                            | <b>480,055</b> | <b>584,999</b>         | <b>104,945</b> | <b>1,170,000</b> | <b>41.03%</b> |  |
| Depreciation                               | 2,216          | 2,750                  | 534            | 5,500            | 40.29%        |  |
| Amortization                               | 0              | 0                      | 0              | 0                | 0.00%         |  |
| Gain (Loss) on Disposition of Fixed Assets | 0              | 0                      | 0              | 0                | 0.00%         |  |
| <b>SUBTOTAL</b>                            | <b>2,216</b>   | <b>2,750</b>           | <b>534</b>     | <b>5,500</b>     | <b>40.29%</b> |  |
| <b>TOTAL OPERATING EXPENSE</b>             | <b>482,271</b> | <b>587,749</b>         | <b>105,479</b> | <b>1,175,500</b> | <b>41.03%</b> | We are currently under budget by 8.97%. We expect to end under budget because we anticipate E-Pay not being implemented until 2026.  |
| <b>NET FROM OPERATIONS</b>                 | <b>14,938</b>  | <b>-109,249</b>        | <b>124,187</b> | <b>-218,500</b>  |               |  |
| Non-Operating Pension Costs                | 0              | 0                      | 0              | 0                | 0.00%         |  |

***TAIPA***  
**ACTUAL VS. BUDGET**  
For the period ended June 30, 2025

|                                  |          | 2025                   |              | 2025             |              |                     |                  |
|----------------------------------|----------|------------------------|--------------|------------------|--------------|---------------------|------------------|
|                                  | Actual   | Year To Date<br>Budget | Variance     | Annual<br>Budget | % Used       | Reason for Variance |                  |
| NET                              | 14,938   | -109,249               | 124,187      | -218,500         |              |                     | 55.00%<br>45.00% |
| <b><u>CAPITAL BUDGET</u></b>     |          |                        |              |                  |              |                     |                  |
| Software Development in Progress | 0        | 0                      | 0            | 0                | 0.00%        |                     |                  |
| Office Furniture & Equipment     | 0        | 0                      | 0            | 0                | 0.00%        |                     |                  |
| Computer Equipment               | 0        | 1,250                  | 1,250        | 2,500            | 0.00%        |                     |                  |
| Computer Software                | 0        | 0                      | 0            | 0                | 0.00%        |                     |                  |
| Leasehold Improvements           | 0        | 0                      | 0            | 0                | 0.00%        |                     |                  |
| <b>TOTAL</b>                     | <b>0</b> | <b>1,250</b>           | <b>1,250</b> | <b>2,500</b>     | <b>0.00%</b> |                     |                  |

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



***TAIPA***  
**Statement of Activities**  
For the period ended June 30, 2025  
Unaudited

Changes in unrestricted net assets

|   | <b>Current<br/>YTD</b>   |
|---|--------------------------|
| Revenues  |                          |
| Member assessments                                    | \$ 478,100               |
| Interest income                                       | 9,812                    |
| Assessment penalties                                  | 9,297                    |
| Total revenues  | <u>497,209</u>           |
| Expenses  |                          |
| Salaries and related expenses                         | 290,266                  |
| Occupancy expenses                                    | 33,922                   |
| Professional Services                                 | 116,320                  |
| Depreciation & amortization                           | 2,216                    |
| Postage and delivery                                  | 9,925                    |
| Office supplies and expense                           | 7,254                    |
| Governing committee                                   | 10,507                   |
| Computer supplies & expenses                          | 4,442                    |
| Subcommittee meetings                                 | 1,815                    |
| Staff education & seminars                            | 70                       |
| Miscellaneous   | 3,848                    |
| Staff expense   | 1,382                    |
| Dues and subscriptions                                | 304                      |
| Total operating expenses                              | <u>482,271</u>           |
| Other revenues (expenses)                             |                          |
| Total other revenue (expenses)                        | <u>-</u>                 |
| <i>Increase (decrease) in unrestricted net assets</i> | 14,938                   |
| <i>Net assets (deficiency) at beginning of year</i>   | <u>547,050</u>           |
| <i>Net assets (deficiency) as of June 30, 2025</i>    | <u><u>\$ 561,989</u></u> |

# ***Texas Auto Ins. Plan Assoc.***

## **Statement of Financial Position**

As Of June 30, 2025

Unaudited

### ASSETS

|   |                         |
|---|-------------------------|
| Current Assets                          |                         |
| Cash and cash equivalents               | \$ 968,397              |
| Accounts receivable                     | 34,443                  |
| Prepaid expenses                        | 24,300                  |
| Total current assets                    | <u>1,027,140</u>        |
| Security Deposits                       | 5,379                   |
| Prepaid Pension Benefit Costs           | 125,697                 |
| Property and Equipment                  |                         |
| Furniture and equipment                 | 26,653                  |
| Computer equipment                      | 35,435                  |
| Leasehold improvements                  | 2,222                   |
| Computer software                       | 25,000                  |
|   | <u>89,310</u>           |
| Less accumulated depreciation           | <u>74,568</u>           |
|   | <u>14,741</u>           |
| Other Assets                            |                         |
| Operating lease right of use asset, net | 183,433                 |
| Total assets                            | <u><u>1,356,391</u></u> |

### LIABILITIES AND NET ASSETS

|                                  |                            |
|----------------------------------|----------------------------|
| Current Liabilities              |                            |
| Accounts payable                 | 34,256                     |
| Accrued vacation                 | 48,593                     |
| Accrued payroll liabilities      | 13,809                     |
| Deferred revenue                 | 478,736                    |
| Short Term Lease Liability       | 58,013                     |
| Total current liabilities        | <u>633,408</u>             |
| Other Liabilities                |                            |
| Long Term Lease Liability        | <u>160,994</u>             |
| Total other liabilities          | <u>160,994</u>             |
| Net (Deficiency) Assets          |                            |
| Without donor restrictions       | <u>561,989</u>             |
| Total net assets                 | <u><u>561,989</u></u>      |
| Total liabilities and net assets | <u><u>\$ 1,356,391</u></u> |

# Exhibit 5

**Proposed TAIPA Governing Committee Meeting Dates for 2026**

Friday, April 10<sup>th</sup>, 2026

Friday, August 7<sup>th</sup>, 2026

Friday, November 20<sup>th</sup>, 2026\*

# 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:

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---

Signature

---

Printed name

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Date



# Exhibit 7

# TAIPA OTPP Over/Under Report

Exhibit 7, Page 1

6/30/2025

| COMPANY                            | Year End 2020  |       | Year End 2021              |        | Year End 2022          |        | Year End 2023     |        | 3rd QTR 2024 |        | 4th QTR 2024 |        | 1st QTR 2025 |        |
|------------------------------------|--|-------|----------------------------|--------|------------------------|--------|-------------------|--------|--------------|--------|--------------|--------|--------------|--------|
|                                    | OVER   | UNDR  | OVER                       | UNDR   | OVER                   | UNDR   | OVER              | UNDR   | OVER         | UNDR   | OVER         | UNDR   | OVER         | UNDR   |
| ACCIDENT INS CO                    | Entered CLAD   |       |                            |        |                        |        |                   |        |              |        |              |        |              |        |
| AMER CONTRACTORS INS RISK RET. GRP | Started writing again<br>16,743 out of storage in 2020 |       |                            | 19,797 |                        | 21,815 |                   | 21,815 |              | 26,145 |              | 27,431 |              | 21,829 |
| AMER COUNTRY INS CO                |  | 1,535 |                            | 1,535  | Company has zeroed out |        |                   |        |              |        |              |        |              |        |
| BRITISH AMERICAN INS CO            | 822  |       | 611                        |        | 264                    |        |                   | 264    |              | 667    |              | 787    |              | 425    |
| CLEAR SPRING PROP & CAS CO         |  |       |                            |        |                        |        |                   | 9      |              |        |              |        |              |        |
| CONCERT INS CO                     |  |       |                            |        |                        |        |                   |        |              |        |              |        | New to quota | 7      |
| CONSUMERS COUNTY MUT INS CO        |  |       |                            |        |                        |        |                   |        |              |        |              |        | New to quota | 281    |
| ELECTRIC INS CO                    |  |       |                            |        |                        |        |                   |        |              |        |              |        | New to quota | 105    |
| GATEWAY INS CO                     |  | 2,739 | Company is in recievership |        |                        |        |                   |        |              |        |              |        |              |        |
| GENERALI US BRANCH                 |  |       |                            |        |                        | 1      |                   | 1      |              | 1      |              | 1      |              | 1      |
| GOVERNMENT EMPLOYEES INS CO        | 478,955  |       | 463,695                    |        | 451,023                |        | 439,170           |        | 430,605      |        | 428,062      |        | 426,149      |        |
| GREAT PLAINS CASUALTY INC          |  |       |                            |        |                        |        |                   |        |              |        |              |        | New to quota | 59     |
| GREYHAWK INS CO                    |  |       |                            |        |                        |        |                   |        |              | 34     |              | 44     |              | 62     |
| HOUSING ENTERPRISE INS CO INC      |  | 12    |                            | 12     |                        | 12     | Went into storage |        |              |        |              |        |              |        |

# TAIPA OTPP Over/Under Report

Exhibit 7, Page 2

6/30/2025

| COMPANY  | Year End 2020  |           | Year End 2021 |           | Year End 2022          |           | Year End 2023  |           | 3rd QTR 2024 |           | 4th QTR 2024 |           | 1st QTR 2025 |           |
|--|----------------|-----------|---------------|-----------|------------------------|-----------|----------------|-----------|--------------|-----------|--------------|-----------|--------------|-----------|
|  | OVER           | UNDR      | OVER          | UNDR      | OVER                   | UNDR      | OVER           | UNDR      | OVER         | UNDR      | OVER         | UNDR      | OVER         | UNDR      |
| HOUSTON GENERAL INS EXCHANGE (co is in liquidation)                        |                |           |               | 372       |                        | 372       |                | 372       |              | 372       |              | 372       |              |           |
| INTEGON NATIONAL INS CO  |                | 1,775,103 |               | 1,874,186 |                        | 1,829,273 |                | 1,815,421 |              | 1,765,391 |              | 1,750,480 |              | 1,800,576 |
| INFINITY INS CO  |                |           |               |           |                        |           |                |           | New to quota | 33,559    |              | 43,519    | Entered CLAD |           |
| INTREPID INS CO  | Became grouped |           |               |           |                        |           |                |           |              |           |              |           |              |           |
| MGT INS CO   |                |           |               |           |                        |           |                |           |              | 5         |              | 6         |              | 6         |
| MIDCONTINENT CAS CO  | 743,230        |           | 742,224       |           | 740,792                |           | 739,272        |           | 737,913      |           | 737,510      |           | 738,843      |           |
| MIDVALE IND CO   |                |           |               |           |                        |           |                | 85        |              | 565       |              | 707       | Entered CLAD |           |
| MOTORISTS COMM MUT INS CO (co has zeroed outprev Amer Hardware Mut Ins Co) | 27,086         |           | 27,086        |           | Company has zeroed out |           |                |           |              |           |              |           |              |           |
| NEXT INS US CO/Restricted Withdrew from the market 11/03/23                |                |           |               | 49        |                        | 566       |                |           |              | 498       |              | 645       |              | 656       |
| NUTMEG INS CO  |                |           |               |           |                        |           | Became grouped | 203       |              |           |              |           |              |           |
| OKLAHOMA SURETY CO   | 676,507        |           | 675,699       |           | 674,694                |           | 673,510        |           | 672,671      |           | 672,423      |           | 673,079      |           |
| RIVERPORT INS CO   | Became grouped |           |               |           |                        |           |                |           |              |           |              |           |              |           |
| SAMSUNG FIRE & MARINE INS CO   |                |           |               |           |                        | 2         |                | 4         |              | 12        |              | 10        | Entered CLAD |           |
| STARNET  |                |           | Entered CLAD  |           |                        |           |                |           |              |           |              |           |              |           |
| STATE FARM MUT AUTO INS CO   |                | 104,930   | Entered CLAD  |           |                        |           |                |           |              |           |              |           |              |           |

TAIPA OTPP Over/Under Report

6/30/2025

| COMPANY   | Year End 2020 |           | Year End 2021 |           | Year End 2022 |           | Year End 2023  |           | 3rd QTR 2024 |           | 4th QTR 2024 |           | 1st QTR 2025 |           |
|---|---------------|-----------|---------------|-----------|---------------|-----------|----------------|-----------|--------------|-----------|--------------|-----------|--------------|-----------|
|   | OVER          | UNDR      | OVER          | UNDR      | OVER          | UNDR      | OVER           | UNDR      | OVER         | UNDR      | OVER         | UNDR      | OVER         | UNDR      |
| TEXAS FARM BUREAU CAS INS CO (prev Southern Farm Bur) |               | 29,114    | Entered CLAD  |           |               |           |                |           |              |           |              |           |              |           |
| TEXAS HOSPITAL INS EXCH                               |               | 13,086    |               | 13,280    |               | 13,498    |                | 13,694    |              | 13,856    |              | 13,905    |              | 13,980    |
| TIG INS CO  |               | 81        |               | 84        |               | 84        |                | 84        |              | 84        |              | 84        |              | 84        |
| WATFORD INS CO  |               |           |               |           |               | 1,150     | Became grouped |           |              |           |              |           |              |           |
| TOTALS  | 1,926,600     | 1,926,600 | 1,909,315     | 1,909,315 | 1,866,773     | 1,866,773 | 1,851,952      | 1,851,952 | 1,841,189    | 1,841,189 | 1,837,995    | 1,837,991 | 1,838,071    | 1,838,071 |

sent email to AIPSO about  
4 difference

|                   |           |           |           |           |                 |                 |                 |
|-------------------|-----------|-----------|-----------|-----------|-----------------|-----------------|-----------------|
| PREMIUMS CREDITED | 1,737,041 | 1,695,128 | 1,750,543 | 1,820,858 | 528,855 3rd qtr | 463,234 4th qtr | 552,770 1st qtr |
|-------------------|-----------|-----------|-----------|-----------|-----------------|-----------------|-----------------|

# TAIPA PP Over/Under Report

Exhibit 7, Page 4

6/30/2025

COMPANY

Year End 2020

Year End 2021

Year End 2022

Year End 2023

3rd QTR 2024

4th QTR 2024

1st QTR 2025

|   | OVER              | UNDR    | OVER              | UNDR    | OVER    | UNDR    | OVER        | UNDR        | OVER         | UNDR    | OVER           | UNDR    | OVER       | UNDR    |
|---|-------------------|---------|-------------------|---------|---------|---------|-------------|-------------|--------------|---------|----------------|---------|------------|---------|
| 21ST CENTURY CENTENNIAL INS CO (SC)             |                   | 82,479  |                   | 173,295 |         | 94,829  |             | 284,547     |              | 174,715 |                | 188,278 |            | 211,508 |
| ACUITY A MUT INS CO                             |                   |         |                   |         |         |         |             | 1           |              |         |                |         |            |         |
| AFFIRMATIVE INS CO (co is in liquidation)       |                   | 2,831   | Went into storage |         |         |         |             |             |              |         |                |         |            |         |
| ALINSCO INS CO                                  |                   |         |                   |         |         |         |             |             |              |         | TICO Error     | 5,013   | TICO Error | 5,013   |
| AMER FAMILY MUT INS CO SI                       |                   | 12      |                   | 12      |         | 0       | Entered LAD |             |              |         |                |         |            |         |
| AXA INS CO                                      |                   | 21      |                   | 50      |         | 59      |             | 59          |              | 59      |                | 59      |            | 59      |
| BERKLEY INS CO                                  | Became grouped    |         |                   |         |         |         |             |             |              |         |                |         |            |         |
| BRANCH INS EXCH                                 |                   |         |                   |         |         | 56      | Entered LAD |             |              |         |                |         |            |         |
| CIMARRON INS CO                                 |                   |         |                   |         |         |         |             |             | New to quota | 3       |                | 15      |            | 54      |
| CLEARCOVER INS CO                               |                   |         | Entered LAD       |         |         |         |             |             |              |         |                |         |            |         |
| DIRECT GEN INS CO                               | Became grouped    |         |                   |         |         |         |             |             |              |         |                |         |            |         |
| FREESTONE INS CO                                | Went into storage |         |                   |         |         |         |             |             |              |         |                |         |            |         |
| GATEWAY INS CO                                  |                   |         |                   |         |         |         |             |             |              |         | TICO Error     | 1,177   | TICO Error | 1,177   |
| GM NATIONAL INS CO                              |                   |         |                   |         |         |         |             |             | New to quota | 1       | Became grouped |         |            |         |
| GOAUTO INS CO                                   |                   |         |                   |         |         | 6       |             |             |              |         |                |         |            |         |
| GOVERNMENT EMPLOYEES INS CO                     |                   | 28,150  |                   | 58,246  |         | 73,402  | 3           | Entered LAD |              |         |                |         |            |         |
| GREENWICH INS CO                                |                   |         | New to quota      | 1       |         | 21      |             | 86          |              | 224     |                |         |            |         |
| HALLMARK COUNTY MUT INS CO                      | 440,269           |         | 440,169           |         | 440,105 |         | 439,975     |             | 439,877      |         | 439,298        |         | 439,816    |         |
| HOUSTON GENERAL INS EXCH (co is in liquidation) | New to quota      | 190     |                   | 235     |         | 249     |             | 249         |              | 249     |                | 249     |            | 249     |
| INTEGON NATIONAL INS CO                         |                   | 185,414 |                   | 207,690 |         | 271,688 |             | 155,542     |              | 264,770 |                | 223,977 |            | 199,679 |
| LOYA INS CO                                     |                   |         |                   |         |         |         |             |             |              |         | Tico Error     | 18,812  | Tico Error | 18,812  |

# TAIPA PP Over/Under Report

Exhibit 7, Page 5

6/30/2025

COMPANY

Year End 2020

Year End 2021

Year End 2022

Year End 2023

3rd QTR 2024

4th QTR 2024

1st QTR 2025

|  | OVER              | UNDR    | OVER         | UNDR    | OVER         | UNDR         | OVER    | UNDR    | OVER           | UNDR    | OVER  | UNDR    | OVER       | UNDR    |
|--|-------------------|---------|--------------|---------|--------------|--------------|---------|---------|----------------|---------|---|---------|------------|---------|
| MAIDSTONE INSURANCE COMPANY (prev AUTOONE INS CO)  | Went into Storage |         |              |         |              |              |         |         |                |         |   |         |            |         |
| METROPOLITAN GEN INS CO (this co has zero basic quotaresearch)                               |                   |         |              |         |              |              | 24      |         | 24             |         | 24  |         | 26         |         |
| NATIONAL UNITY INS CO  |                   |         |              |         | Entered LAD  |              |         |         |                |         |   |         |            |         |
| NOBLR RECIPROCAL EXCHANGE  |                   |         |              |         | Entered LAD  |              |         |         |                |         |   |         |            |         |
| QUALITAS INS CO  |                   |         |              |         |              |              |         |         |                |         | TICO Error this co has zero basic quota & is the difference of the totals | 86      | TICO Error | 86      |
| SPINNAKER INS CO   |                   |         |              |         | Co is in LAD | 5            |         |         |                |         |   |         |            |         |
| STATE FARM MUT AUTO INS CO   |                   | 104,343 | Entered LAD  |         | 15           | Co is in LAD |         |         |                |         |   |         |            |         |
| TESLA INS CO   |                   |         |              |         |              |              |         |         |                |         | New to quota  | 212     |            | 1,518   |
| TEXAS FARM BUREAU CAS INS CO   |                   | 36,078  | Entered LAD  |         |              |              |         |         |                |         |   |         |            |         |
| TREXIS ONE INS CORP (prev co ALFA SPECIALTY INS CORP)  |                   | 663     |              | 613     | 377          |              | 569     |         | 168            |         | 85  |         | 2          |         |
| UNITED SEC HEALTH & CAS INS CO/UNITED SECURITY INS CO  |                   |         |              |         |              | 3            |         | 39      | Became grouped |         |   |         |            |         |
| VAULT RECIPROCAL EXCHANGE  |                   |         | New to quota | 17      |              | 155          |         |         |                |         |   |         |            |         |
| VISION INS CO  |                   |         |              |         |              |              |         |         |                |         | TICO Error  | 1,395   | TICO Error | 1,395   |
| WINDHAVEN NATIONAL INS. CO (10348 ATX PREMIER INS CO) Co is in receivership as of 03/05/2020 |                   | 88      |              | 10      |              | 3            |         |         |                |         |   |         |            |         |
| TOTALS   | 440,269           | 440,269 | 440,169      | 440,169 | 440,497      | 440,476      | 440,547 | 440,547 | 440,045        | 440,045 | 439,383   | 439,297 | 439,818    | 439,576 |

TAIPA PP Over/Under Report

6/30/2025

| COMPANY          | Year End 2020 |      | Year End 2021 |      | Year End 2022  |      | Year End 2023 |      | 3rd QTR 2024    |  | 4th QTR 2024    |      | 1st QTR 2025  |      |
|------------------|---------------|------|---------------|------|--|------|---------------|------|-----------------|--|-----------------|------|---|------|
|                  | OVER          | UNDR | OVER          | UNDR | OVER   | UNDR | OVER          | UNDR | OVER            | UNDR   | OVER            | UNDR | OVER  | UNDR |
|                  |               |      |               |      | Out of balance 21. Sent email to AIPSO See State Farm +15 & Amer Family Mut 0, Spinnaker 5 |      |               |      |                 | Out of balance 86. sent email to AIPSO about the difference. |                 |      | Out of balance 242. sent email to AIPSO about the difference. |      |
| PREMIUMS WRITTEN | 1,262,528     |      | 1,000,446     |      | 928,016  |      | 1,319,669     |      | 3rd qtr 456,247 |  | 4th qtr 407,775 |      | 1st qtr 370,817   |      |

# Exhibit 8



Edits Key:

**Red** - Suggested by TD

**Blue/Purple** - Suggested by TAIPA

**Yellow Highlight** - Op Sub Committee Agreed to

2.25.25 18309705.v4

Texas Automobile Insurance Plan Association

# TEXAS Plan of Operation

A Publication of the  
Texas Automobile Insurance Plan Association  
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Original Printing

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February 2008

**Commented [DD1]:** Recommend having a single adoption date for the entire document rather than dating each page separately.

## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

**INTRODUCTION**

The Texas Automobile Insurance Plan Association ("the Association" or "TAIPA") was created to provide automobile insurance coverage to eligible risks who seek coverage and are unable to obtain such coverage through the voluntary market. The coverage is provided at limits as required by the Texas Motor Vehicle Safety-Responsibility Act (Chapter 601, Texas Transportation Code). For complete eligibility requirements, see Sections 2 and 18. Eligible risks are shared among insurance companies writing automobile insurance in the state of Texas.

The Plan of Operation is divided into three parts as follows:

**Part I Personal Automobile Part**

- Eligibility
- Coverages
- Take-Out Programs
- Other applicable provisions

**Part II Commercial Automobile Part**

- Eligibility
- Coverages
- Other applicable provisions

**Part III Administration**

- Administrative Provisions
- Assignment Quotas
- Limited Assignment Distribution Procedure (LAD)
- Commercial Limited Assignment Distribution Procedure (CLAD)
- Producer Certification Program

Before submitting an application for coverage, it is strongly recommended that users of this Manual read "How to Submit an Application to the Association." However, it is required that users of this Manual read the Personal and Commercial Plan Manual contained in Parts I and II and the Administrative Provisions in Part III, and review the General Rules. To the extent to which "How to Submit an Application to the Association" conflicts with the Personal or Commercial Automobile Parts or the Administrative Provisions of this Plan of Operation, the provisions of the respective Personal or Commercial Automobile Part or Administrative Provisions shall apply.

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

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

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

Incomplete applications, application supplements, or requests for changes in the policy that are not readily identifiable to the assigned insurer only delay the processing of Association assignments and endorsements. An application produced by the Electronic Application Submission interface (EASI) must be used for each submission. Facsimiles are not acceptable. Before an

application is mailed to the Association, it should be reviewed to ensure it contains all the information necessary for issuance of the policy or completion of the transaction.

**HOW TO APPLY TO THE ASSOCIATION**

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

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

In completing the application, the producer must be certain that

- the application is completed in the name of the individual or entity requesting coverage;
- the application is signed by the applicant and the producer of record;
- if the application requires an effective date in the future for coverage, the future date must be shown on the application;

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I-1

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## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

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

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

**WHAT TO SEND TO THE ASSOCIATION**

EASi applications – forward the submitted application with signatures.

Private passenger applications should be accompanied by the following documents:

- Deposit check
- Driver Improvement Course Certificate, if a credit has been applied

- Check payable to the Texas Department of Public Safety, if TAIPA is to file an SR-22 requiring a fee, directly with TDPS. Refer to subsection 7.A.6.

Commercial applications should be accompanied by the following documents:

- Deposit check
- Supplemental operator schedule, if applicable

**HOW TO APPLY FOR ADDITIONAL COVERAGES OR CHANGES IN THE POLICY**

All requests for changes to a policy must be submitted in writing. If an insurer has been assigned, the policy change request should be forwarded directly to the assigned insurer no later than the first working day after completion, NOT to the Association office. Be certain that the insured's policy number and other identification numbers, if any, are included in your written request. If an elimination of coverage is requested, the policy change request must be signed by the insured.

Only those coverages shown in Sections 5 and 21 of the Plan are available.

**AVAILABILITY OF FORMS, MANUALS, ETC.**

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

- The Texas Automobile Insurance Plan Association Plan of Operation and the TAIPA Rules and Rating Manual.
- Producer Certification Application Form
- Policy Change Request Form
- Company Complaint Form
- Producer Complaint Form
- Electronic Application Submission Interface (EASi) Brochure
- Electronic Application Submission Interface Retraction Form
- Producer Certification Program—Rules of Operation

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

**Commented [DD2]:** Consider reviewing the "stars" that have been added to the document for placement and necessity.

**Commented [SD3R2]:** Agreed to remove all stars

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
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TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION  
TABLE OF CONTENTS

|  |            |
|--|------------|
| <b>PERSONAL AUTOMOBILE PART</b> .....  | <b>P-1</b> |
| Sec. 1. PURPOSES OF THE ASSOCIATION .....  | P-1        |
| Sec. 2. ELIGIBILITY.....   | P-1        |
| A. Applicant Eligible for the Association .....  | P-1        |
| B. Risks Eligible for Assignment.....  | P-1        |
| C. Applicant Not Eligible for the Association.....   | P-1        |
| D. Renewals .....  | P-2        |
| E. Re-Application to the Association .....   | P-2        |
| Sec. 3. RESERVED FOR FUTURE USE.....   | P-2        |
| Sec. 4. RESERVED FOR FUTURE USE.....   | P-2        |
| Sec. 5. EXTENT OF COVERAGE .....   | P-2        |
| A. Coverages and Limits .....  | P-2        |
| B. Personal Auto Policy Coverage .....   | P-2        |
| Sec. 6. PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS.....  | P-3        |
| A. Full Annual Premium Option .....  | P-3        |
| B. Advance Premium Payment Option.....   | P-3        |
| C. Installment Premium Payment Option.....   | P-3        |
| D. Deposit, Installment or Additional Premium Payments Applicable to A, B, or C, above .....                           | P-4        |
| E. Dishonored Producer and Finance Company Checks .....  | P-4        |
| F. Premium Owed on Prior Policy .....  | P-4        |
| Sec. 7. APPLICATION FOR ASSIGNMENT, DESIGNATION OF INSURER, EVIDENCE OF INSURANCE, AND EFFECTIVE DATE OF COVERAGE..... | P-4        |
| A. Original Application .....  | P-4        |
| B. Additional Vehicles or Coverages .....  | P-5        |
| C. Elimination of Coverage.....  | P-5        |
| D. Incomplete Applications .....   | P-5        |
| E. Applications Returned to the Association.....   | P-5        |
| Sec. 8. RESERVED FOR FUTURE USE.....   | P-5        |
| Sec. 9. THREE-YEAR ASSIGNMENT PERIOD .....   | P-5        |
| Sec. 10. TAKE-OUT.....   | P-6        |
| A. Mandatory Offer to Write.....   | P-6        |
| B. Voluntary Offer to Write .....  | P-6        |
| C. Right of Insured to Reapply to Association .....  | P-7        |
| D. Failure to Comply with the Provisions of this Section.....  | P-7        |
| E. Reporting Take-Out Credits .....  | P-7        |
| Sec. 11. CANCELLATION/TERMINATION.....   | P-7        |
| Sec. 12. RESERVED FOR FUTURE USE.....  | P-7        |
| Sec. 13. COMPENSATION TO PRODUCER OF RECORD .....  | P-7        |
| Sec. 14. PERFORMANCE STANDARDS FOR INSURERS WRITING ASSOCIATION PRIVATE PASSENGER ASSIGNMENTS .....                    | P-7        |
| A. Performance Standards .....   | P-7        |

**Commented [DD4]:** Note: Table of Contents will need to be updated if new sections or subsections are added.

**Commented [SD5R4]:** Agreed to update Table of Contents when Plan of Operation document is complete

**Commented [DD6]:** Recommend editing the entire document for formatting. For instance, such as variations in margins and column and section breaks.

**Commented [SD7R6]:** Agreed - TAIPA will reformat to degree possible.

## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

|  |      |
|--|------|
| B. Procedures For Compliance With Performance Standards .....  | P-8  |
| Sec. 15. PERFORMANCE STANDARDS FOR PRODUCERS WRITING ASSOCIATION PRIVATE PASSENGER ASSIGNMENTS .....                     | P-9  |
| A. Performance Standards .....   | P-9  |
| B. Procedures For Compliance With Performance Standards .....  | P-9  |
| Sec. 16. RESERVED FOR FUTURE USE .....   | P-10 |
| COMMERCIAL AUTOMOBILE PART .....   | C-1  |
| Sec. 17. PURPOSES OF THE ASSOCIATION .....   | C-1  |
| Sec. 18. ELIGIBILITY .....   | C-1  |
| A. Applicant Eligible for the Association .....  | C-1  |
| B. Risks Eligible for Assignment .....   | C-1  |
| C. Applicant Not Eligible for the Association .....  | C-1  |
| D. Renewals .....  | C-1  |
| E. Re-Application to the Association .....   | C-2  |
| Sec. 19. RESERVED FOR FUTURE USE .....   | C-2  |
| Sec. 20. RESERVED FOR FUTURE USE .....   | C-2  |
| Sec. 21. EXTENT OF COVERAGE .....  | C-2  |
| A. Coverages and Limits .....  | C-2  |
| B. Standard Policy Coverage .....  | C-2  |
| Sec. 22. PREMIUM DEPOSIT REQUIREMENTS AND PAYMENT OPTIONS .....  | C-2  |
| A. Full Annual Premium Option .....  | C-2  |
| B. Advance Premium Payment Option .....  | C-2  |
| C. Installment Premium Payment Option .....  | C-2  |
| D. Deposit, Installment or Additional Premium Payments Applicable to A, B, or C, above .....                             | C-3  |
| E. Dishonored Producer and Finance Company Checks .....  | C-3  |
| F. Premium Owed on Prior Policy .....  | C-3  |
| Sec. 23. APPLICATION FOR ASSIGNMENT, DESIGNATION OF INSURER, EVIDENCE OF INSURANCE, AND EFFECTIVE DATE OF COVERAGE ..... | C-4  |
| A. Original Application .....  | C-4  |
| B. Additional Vehicles or Coverages .....  | C-4  |
| C. Elimination of Coverage .....   | C-5  |
| D. Incomplete Applications .....   | C-5  |
| E. Applications Returned to the Association .....  | C-5  |
| Sec. 24. RESERVED FOR FUTURE USE .....   | C-5  |
| Sec. 25. THREE-YEAR ASSIGNMENT PERIOD .....  | C-5  |
| Sec. 26. RESERVED FOR FUTURE USE .....   | C-5  |
| Sec. 27. RESERVED FOR FUTURE USE .....   | C-5  |
| Sec. 28. CANCELLATION/TERMINATION .....  | C-5  |
| Sec. 29. RESERVED FOR FUTURE USE .....   | C-5  |
| Sec. 30. RESERVED FOR FUTURE USE .....   | C-5  |
| Sec. 31. COMPENSATION TO PRODUCER OF RECORD .....  | C-5  |
| Sec. 32. PERFORMANCE STANDARDS FOR INSURERS WRITING ASSOCIATION COMMERCIAL ASSIGNMENTS .....                             | C-6  |

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION  
TABLE OF CONTENTS

|  |     |
|--|-----|
| A. Performance Standards .....   | C-6 |
| B. Procedures For Compliance With Performance Standards .....  | C-7 |
| Sec. 33. PERFORMANCE STANDARDS FOR PRODUCERS WRITING ASSOCIATION OTHER THAN PRIVATE PASSENGER ASSIGNMENTS..... | C-7 |
| A. Performance Standards .....   | C-7 |
| B. Procedures For Compliance With Performance Standards .....  | C-8 |
| Sec. 34. RESERVED FOR FUTURE USE.....  | C-9 |
| ADMINISTRATIVE PROVISIONS.....   | A-1 |
| Sec. 35. ASSOCIATION MEMBERSHIP .....  | A-1 |
| Sec. 36. ADMINISTRATION .....  | A-1 |
| A. Governing Committee Composition .....   | A-1 |
| B. Selection of Insurer Governing Committee Representatives.....   | A-2 |
| C. Association Annual Meeting.....   | A-2 |
| D. Terms of Office .....   | A-2 |
| E. Vacant Seats.....   | A-2 |
| Sec. 37. COST OF ADMINISTRATION .....  | A-2 |
| A. Membership Fee .....  | A-2 |
| B. Assessment .....  | A-2 |
| C. Late Payment Charge .....   | A-2 |
| D. Insurers Not Writing .....  | A-3 |
| Sec. 38. DUTIES OF GOVERNING COMMITTEE .....   | A-3 |
| Sec. 39. AMENDMENT OF PLAN .....   | A-3 |
| Sec. 40. RESERVED FOR FUTURE USE.....  | A-3 |
| Sec. 41. DETERMINATION AND FULFILLMENT OF PRIVATE PASSENGER QUOTAS .....                                       | A-3 |
| A. Assignment of Private Passenger Applications.....   | A-3 |
| B. Quota Determination .....   | A-3 |
| C. Distribution of Private Passenger Quota Reports.....  | A-4 |
| D. Data Corrections/Adjustments .....  | A-4 |
| E. Limited Assignment Distribution Procedure (LAD) .....   | A-4 |
| Sec. 42. DETERMINATION AND FULFILLMENT OF OTHER THAN PRIVATE PASSENGER QUOTAS .....                            | A-5 |
| A. Assignment of Commercial Applications.....  | A-5 |
| B. Quota Determination.....  | A-5 |
| C. Distribution of Other Than Private Passenger Quota Reports.....   | A-5 |
| D. Data Corrections/Adjustments .....  | A-6 |
| E. Commercial Limited Assignment Distribution Procedure (CLAD) .....   | A-6 |
| Sec. 43. QUOTA DISTRIBUTION RESTRICTIONS .....   | A-7 |
| Sec. 44. QUOTA ADJUSTMENT .....  | A-7 |
| Sec. 45. TAKE-OUT.....   | A-7 |
| A. Mandatory Offer to Write Private Passenger Risks.....   | A-7 |
| B. Voluntary Offer to Write or the Writing of Private Passenger Risks .....                                    | A-7 |
| C. Take-Out Credits.....   | A-7 |

## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

|   |      |
|---|------|
| D. Failure to Comply with the Provisions of this Section .....        | A-7  |
| Sec. 46. RESERVED FOR FUTURE USE.....                                 | A-7  |
| Sec. 47. GENERAL PROVISIONS .....                                     | A-7  |
| A. Assignments .....  | A-7  |
| B. Mergers and Consolidation of Insurers .....                        | A-8  |
| C. Insurer Groups .....   | A-8  |
| D. Insurers Discontinuing Writing .....                               | A-8  |
| E. Insurers Exempt Under Section 35.....                              | A-8  |
| Sec. 48. RULES AND RATE DETERMINATION .....                           | A-8  |
| Sec. 49. CONSUMER BILL OF RIGHTS .....                                | A-8  |
| Sec. 50. AUTOMOBILE THEFT PREVENTION AUTHORITY PASS THROUGH FEE ..... | A-8  |
| Sec. 51. RESERVED FOR FUTURE USE.....                                 | A-8  |
| Sec. 52. RIGHT OF APPEAL.....   | A-8  |
| Sec. 53. IMMUNITY AND INDEMNIFICATION .....                           | A-9  |
| A. Immunity .....   | A-9  |
| B. Indemnity .....  | A-9  |
| C. Procedures for Indemnification .....                               | A-9  |
| Sec. 54. PRODUCER CERTIFICATION PROGRAM .....                         | A-9  |
| Sec. 55. RESERVED FOR FUTURE USE.....                                 | A-10 |



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

**PERSONAL AUTOMOBILE PART**

**Sec. 1. PURPOSES OF THE ASSOCIATION**

The purposes of the Association are to:

- A. provide a means by which automobile bodily injury and property damage liability, personal injury protection and uninsured/underinsured motorist coverage insurance may be assigned to an authorized insurer for persons required by the Texas Motor Vehicle Safety-Responsibility Act (Chapter 601, Texas Transportation Code) to show proof of financial responsibility for the future, following the procedures contained in this Plan of Operation.
- B. establish an efficient, economical procedure for the equitable, nondiscriminatory assignment of risks to authorized insurers; and,
- C. provide for the efficient, economical, fair and non-discriminatory administration of the Association.

The Association has the powers granted to non-profit corporations under the Texas Non-Profit Corporation Act.

**Sec. 2. ELIGIBILITY**

**A. Applicant Eligible for the Association**

Eligibility of applicants to the Association will be determined as provided in this Section.

- 1. An applicant is eligible for assignment if the following requirements are met:
  - a. The applicant is required by the Texas Motor Vehicle Safety-Responsibility Act (Chapter 601, Texas Transportation Code) to show proof of financial responsibility for the future.
  - b. The applicant and the producer must certify as part of the application that within 60 days prior to the date of application, the applicant has been rejected for automobile insurance by at least two insurers licensed to do business in this state and actually writing automobile liability insurance in this state.
  - c. Non-residents of Texas are not eligible unless their motor vehicles are registered or will be registered in the state within 15 days. Non-residents who are members of the United States military forces are eligible with respect to motor vehicles registered in other states provided such military non-residents are stationed in this state at the time the application is made and are otherwise eligible for insurance under the Plan of Operation.
- 2. An applicant who meets the eligibility requirements for assignment is eligible even though the applicant:
  - a. has been offered insurance by an insurer;
  - b. has obtained physical damage coverage through another insurer;

- c. has been denied coverage by only one company group if that company group has more than one company licensed to do business in this state and actually writing automobile insurance in this state; or
- d. has been offered coverage by a company in a company group if that company group has two additional companies licensed to do business in this state and actually writing automobile insurance in this state whose rates for the applicant would be less than the rates in the company offering coverage.

**B. Risks Eligible for Assignment**

The following eligible risks shall be assigned to an insurer:

- 1. Private passenger vehicles
- 2. Motor homes (self propelled)
- 3. Dune buggies
- 4. Miscellaneous personal vehicles, individually owned and not used in business, including the following types that are registered:
  - a. Campers and travel trailers
  - b. All-terrain vehicles
  - c. Antique autos
  - d. Golf carts
  - e. Motorcycles, mopeds, motorscooters, motorbikes, go-carts and other similar vehicles
- 5. Named nonowner applicants

**C. Applicant Not Eligible for the Association**

An applicant who is otherwise eligible is not entitled to assignment, nor is an insurer required to afford or continue coverage if any person who usually drives the motor vehicle does not hold or is not eligible to obtain a drivers license (other than for lack of insurance) or fails to obtain such license as required by law. An applicant or insured denied previously for a lack of a valid drivers license may reapply when a license has been obtained or a good faith attempt is being made to obtain a drivers license.

An application is not eligible for assignment if the coverage is sought for the purpose of showing proof of financial responsibility required by any statute or ordinance other than Chapter 601, Texas Transportation Code.

If an insured is required, by law, to obtain limits in excess of the financial responsibility limits, required by the Texas Motor Vehicle Safety-Responsibility Act, that insured is not eligible for TAIPA. \*

**Commented [AR8]:** This is not stated in commercial section.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

**PERSONAL**

**D. Renewals**

An insured who fails to pay the renewal premium quoted by the assigned insurer in accordance with the provisions of Section 14.A.4. of this Plan of Operation, may re-apply for assignment if the applicant is otherwise eligible and the application is accompanied by the deposit prescribed in Section 6.

**E. Re-Application to the Association**

Any re-application to the Association shall be considered a new application and the applicant shall be assigned to an insurer in accordance with the provisions of Section 41.

**Sec. 3. RESERVED FOR FUTURE USE**

**Sec. 4. RESERVED FOR FUTURE USE**

**Sec. 5. EXTENT OF COVERAGE**

**A. Coverages and Limits**

Bodily Injury, Property Damage, Uninsured/Underinsured Motorists Coverage, and Personal Injury Protection

1. The assigned insurer is required to write a policy for the minimum limits required by the Texas Motor Vehicle Safety-Responsibility Act.
2. In addition, the policy shall include the following coverage unless rejected in writing by the applicant:
  - a. Uninsured/Underinsured Motorists Coverage at minimum limits of liability;
  - b. Personal Injury Protection Coverage at a limit of \$2,500.
3. Personal Injury Protection and Uninsured/Underinsured Motorist coverages are available to an applicant only in conjunction with a policy written in accordance with this Plan of Operation affording Bodily Injury and Property Damage coverage.

**B. Personal Auto Policy Coverage**

**1. Personal Auto Policy**

- a. A Personal Auto Policy shall be used to afford coverage, or personal auto coverage shall be afforded, to private passenger autos and motor vehicles considered a private passenger auto or trailers if:
  - (1) they are written on a specified auto basis, and
  - (2) they are owned or hired under a long-term contract by an individual or by husband and wife who are residents in the same household or jointly by relatives other than husband and wife or jointly by resident individuals.
- b. A Personal Auto Policy shall be used to afford coverage or personal auto coverage shall be

afforded to vehicles referred to in Section 2.B except 2.B.1, 4.c and 5, if

- (1) they are written on a specified auto basis, and
- (2) they are owned or hired under a long-term contract by an individual or by husband and wife who are residents in the same household or jointly by relatives other than husband and wife or jointly by resident individuals.
- (3) they are not used in a business of rental or leasing, and
- (4) coverage is limited in accordance with the Miscellaneous Type Vehicle Endorsement.

**Exception:** Exposures in Section 5.B.1.a or b above may be written under a Commercial Auto Policy when combined with a commercial risk or when an auto is used in business. The insurer must attach the Individual Named Insured Endorsement.

- c. The Personal Auto Policy shall be used to afford coverage to a named individual who does not own an auto. The applicable endorsement must be attached.
- d. "Owned" as used in this Section includes an auto leased under written contract for a continuous period of at least six months. If an auto lease contract requires the lessee to provide primary insurance for the lessor, attach the applicable endorsement.
- e. The Personal Auto Policy may be used to afford coverage to joint named insureds who are residents of the same household even if such joint named insureds do not jointly own the automobile(s).

The Personal Auto Policy may be used to afford coverage to joint named insureds who are related by blood, marriage or adoption, including a ward or foster child; and who are not residents of the same household, even if such joint named insureds do not jointly own the auto, if:

- (1) the auto is owned by one or more of the joint named insureds who are residents of the household address shown in the policy, and
- (2) the joint named insured who is a resident of the different household is the primary operator of the auto.

**Note:** The name of each named insured must be shown in the policy Declarations. The address of the first named insured shall be the address shown in the policy and shall be the address used by the insurer for notice purposes.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

PERSONAL

2. Policy Term

All policies, new and renewal, shall be issued for a period of one year.

If a policy is being issued to comply with Section 601.262, Texas Transportation Code, the insurer will issue a certificate by which it is bound to issue a renewal policy so that the current policy and the commitment for renewal together cover a period of at least two years.

3. Certified Risks – Financial Responsibility Laws

A policy for which an SR-22 must be made shall be amended to conform with the definition, if any, of motor vehicle liability policy in any applicable financial responsibility, Safety-Responsibility, or compulsory automobile liability law.

The insurer must attach the appropriate Financial Responsibility Certificate Endorsement. Policies certified under an SR-22 filing must describe the motor vehicle so certified. If a Non-Owner Policy is involved, the certificate must so indicate. Further, the Texas Motor Vehicle Safety-Responsibility Act (Chapter 601, Texas Transportation Code) requires with respect to an "owners policy of liability insurance" that such policy shall provide coverage for the insured named therein and any other person, as insured, using a vehicle so certified with the express or implied permission of such named insured.

If this sub-section conflicts with Sec.7.A.6, this sub-section will control.

4. Policy and Endorsement Forms

The Association shall file policy forms and endorsements with the Department of Insurance to be approved by the Commissioner of Insurance for use with Association business. Insurers may use only those policy and endorsement forms adopted or approved by the Commissioner of Insurance as designated by the Association.

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

The EASI application with signatures must be submitted to the Association accompanied by the full gross annual premium or a deposit on a gross basis as indicated below.

A. **Full Annual Premium Option**

No deposit

- B. **Advance Premium Payment Option**—where the total annual premium is to be paid within 30 days of the date of the premium notice, a deposit of at least 25% of the annual premium, or \$40 per vehicle, whichever is greater, is required.

C. **Installment Premium Payment Option**

**This option is available to all risks assigned through the Association unless any portion of the annual premium is financed by a premium finance company.** If any portion of the annual premium is financed after the Installment Premium Payment Option is elected, the insurer may bill the insured immediately for the unpaid balance of the annual premium. If an applicant requests an SR-22A with an SR-22, the full annual premium must accompany the application.

1. Deposit

A deposit of at least 20% of the total annual premium, or \$40 per vehicle, whichever is greater, is to accompany the new application and as the initial payment on renewal policies. No installment charge may be made on the deposit premium.

2. Installments

The first installment is due no sooner than 30 days after the inception of the policy. The first bill shall show the current annual premium plus the installment charge minus the deposit. Each installment bill thereafter shall display the status of the account showing the minimum amount payable.

One-eighth of the remainder of the premium, plus an installment charge of \$3 on each installment, will be due monthly thereafter. The installment charge shall be increased by \$0.50 for each \$250 or fraction thereof by which the annual premium exceeds \$500.

The application form shall contain a statement signed by the applicant and producer certifying that the installment payment option above has been offered and explained by the producer.

At any point during the installment billing period, should the insured elect to pay the outstanding balance, the installment charge only for the current bill would apply.

3. Additional Premium—Changes

Additional premium resulting from changes to the policy requested by the insured shall be spread over the remaining installments, if any. Compensation on the additional premium is payable by the insurer to the producer within 40 days after receipt of the requested change.

4. Return Premium—Changes

Return premium resulting from changes to the policy may be used to reduce the outstanding balance, or, if the outstanding balance is eliminated, any amount remaining from the return premium will be returned in accordance with Chapter 558, Texas Insurance Code and the rules promulgated under that Chapter. If any outstanding balance remains, the number and amounts of the remaining installments will be adjusted accordingly, unless the policyholder requests otherwise. If the return amount is less than \$20 it may be treated as a separate transaction, unless the policyholder requests otherwise.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

PERSONAL

5. Premium Notices

Copies of all premium notices must be provided to the producer at the same time as being mailed to the insured.

D. **Deposit, Installment or Additional Premium Payments Applicable to A, B, or C, above**

All deposit premiums, installments and additional premium payments shall be submitted in full, without reduction for producer's compensation. Compensation will be paid in accordance with Section 13. Payments shall be made by one instrument.

The deposit accompanying the application shall be either by producer's check, applicant's check, certified check, money order, or cashier's check payable to the Texas Automobile Insurance Plan Association. If the applicant is ineligible for assignment, the deposit shall be returned.

If the premium is not in the form of a certified check, cashier's check or money order, the Manager of the Association may require such safeguards as may in his or her judgment be deemed necessary.

Installment payments shall be in the form of a producer's check, insured's check, certified check, money order, or cashier's check payable to the assigned insurer.

Additional premium payments shall be by producer's check, insured's check, certified check, money order, cashier's check, or premium finance company check payable to the assigned insurer.

If the deposit premium is 20% or more inadequate, the insurer may bill for the deficiency immediately.

E. **Dishonored Producer and Finance Company Checks**

Producers who have submitted dishonored checks issued by the agency or by the producer individually, on more than one occasion during a one-year period, must submit future payments by applicant's check, premium finance company check, certified check, cashier's check or money order. This shall not negate any rights of the Association to pursue action against a producer.

The Manager may refuse to accept checks from a premium finance company if its checks have been dishonored on more than one occasion during a one year period.

F. **Premium Owed on Prior Policy**

The insurer may deduct from the deposit premium any unpaid premium owed to the insurer by an applicant for a prior assigned policy issued by the insurer during the 12 months immediately preceding the effective date of the policy.

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

A. **Original Application**

1. The Association will designate an insurer to which the application shall be assigned and advise the producer and applicant of the designated insurer. The notice of designation shall state that coverage becomes effective on 12:01 A.M. on the effective date shown on such notice.

2. **Electronic Application Submission Procedure**

Producers must use the electronic submission procedure to establish the effective date of coverage if such date is earlier than that established by sub-sections 7.A.3 and 4. The electronic submission procedure is the Electronic Application Submission interface (EASI). Coverage will be effective only when procedures established by the Association are followed.

The requested coverage shall become effective to cover losses at the time and date of the EASI electronic transmittal of the application. The assignment notification and policy shall be issued effective 12:01 A.M. the following day subject to the rates in effect on that date.

All original applications complete with signatures and deposit premiums for applicants for whom an electronic submission is used must be submitted to the Association at the address shown on the application no later than the working day following the date of the EASI electronic transmittal of the application. The electronic reference number must be included on the upper right hand corner of the application.

3. [The electronic submission procedure provided in subsection 7.A.2 or the delayed effective date method provided in subsection 7.A.4, the effective date for coverage is the day following the date of receipt in the Association office.
4. If the applicant does not desire coverage until a later date, not to exceed 30 days from the date of application, or in the event there is in force a policy terminating at a date later than the date which would be fixed per this Section, the applicant shall indicate such date in the application and the Association shall fix the date when the coverage becomes effective at 12:01 A.M. on the desired date of coverage.
5. **Association Submission to Designated Insurer**

The Association shall forward to the designated insurer the original copy of the application, the notice of the effective date of coverage and the deposit. The deposit is to be credited by the insurer against the policy premium. In the event the insurer finds the premium submitted with the application to be incorrect, the insurer shall make a premium

**Commented [AR9]:** Remove "other than" as TAIPA only accepts electronic application.

**Commented [SD10R9]:** Agreed to remove "other than."

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

adjustment directly with the insured with a copy sent to the producer.

**6. Financial Responsibility Certificates**

If the applicant is eligible for assignment through the Association and the applicant or spouse requires proof of financial responsibility for the future (SR-22), the Association, on behalf of the designated insurer, will issue the certificate required by the State of Texas. However, if the applicant or spouse is required to file a form SR-22A with the State of Texas, the SR-22 and SR-22A will be issued by the insurer. If a separate payment for the required SR-22 fee is enclosed with the application, and if a request is made to file the certificate with the Texas Department of Public Safety, the Association will deliver the certificate to that agency for filing. If no separate payment is made, or if there is no request for direct filing, the certificate will be sent to the producer. Such certificate shall become effective as of the effective date of the coverage. Any out of state or subsequent filings, such as SR-26 or amended SR-22, are to be issued by the designated insurer.

**7. Minimum Premium**

The minimum premium rule contained in the Association Manual applies. For Personal Auto Policies, there is a non-refundable minimum premium for any period of coverage.

**8. Standard Application Form**

The application form for assignment through the Association will be adopted and amended by the Governing Committee. The application form and any changes are to be filed with the Commissioner of Insurance prior to use. The Commissioner of Insurance may disapprove the use of the form if it contains a prohibited eligibility standard.

**B. Additional Vehicles or Coverages**

1. If additional available coverages are desired or additional vehicles are to be insured, during the policy period, a completed policy change request shall be submitted directly to the designated insurer no later than the first working day after completion.
2. Coverage for additional vehicles to an existing policy will become effective in accordance with policy conditions. No coverage will become effective if a substitution or additional vehicle is of a different type or class than those eligible for coverage on the existing policy. To obtain coverage in this situation, a new application must be submitted to the Association at the address shown on the application.
3. Additional available coverage may be added to an existing policy. The additional coverage will become effective at 12.01A.M on the day following the written request or the effective date specified in the request, whichever is later, except when one of the following applies:
  - a. the policy change request is not mailed within one working day after completion; or

PERSONAL

- b. the request is not mailed U.S. mail, postage prepaid, or the request is received by fax or electronic mail.

If a, or b applies coverage will become effective at 12.01A.M the day following the date such request is received by the insurer, or the effective date specified in the request, whichever is later.

4. If such coverages are not available with the assigned insurer, a new application for such coverages shall be submitted to the Association at the address shown on the application and shall become effective in accordance with Section 7.A.

**C. Elimination of Coverage**

In the event an elimination of coverage is desired during the policy period, a completed policy change request must be signed by the insured and submitted to the insurer.

**D. Incomplete Applications**

Applications shall be accepted by the Association and assignments shall be processed by the assigned insurer if the requirements shown in Sections 6 and 7 are reasonably met. It is the responsibility of the Association and the assigned insurer to communicate clearly to the insured and producer in what respect an application is incomplete and requires correction.

The assigned insurer shall give at least 15 days to the insured and to the producer for remedying any deficiencies in the application. No part of the deposit premium shall be returned to the insured or to the producer except upon proper cancellation in accordance with the provisions of Section 11 of this Plan of Operation.

**E. Applications Returned to the Association**

An assignment to any insurer contrary to either the provisions of this Section or Section 41 shall be returned promptly to the Association for reassignment.

**Sec. 8. RESERVED FOR FUTURE USE**

**Sec. 9. THREE-YEAR ASSIGNMENT PERIOD**

An applicant shall be assigned to a designated insurer for a period of three consecutive years, at which time proper notice of non-renewal shall be mailed. If an insured is unable to obtain insurance at the end of the three-year period, re-application for insurance may be made to the Association. Such re-application shall be considered as a new application.

In the case of non-resident military personnel, as described under Section 2.A.1.c of the Plan of Operation, the insurer is not required to renew, if at the time of renewal the insured is stationed in another state in which the insurer is not authorized to do business or if the insured is stationed in another state and the automobile is not registered in Texas.

**Sec. 10. TAKE-OUT**

This Section is applicable to private passenger classed vehicles written on a Texas Personal Auto Policy form.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

PERSONAL

**A. Mandatory Offer to Write**

**1. Eligibility**

An insured is eligible for mandatory take-out if during the three successive years prior to the end of the three-year assignment period the named insured and all other persons who usually operate the vehicle:

- a. have been licensed to operate an automobile for at least three consecutive years; and
- b. have not been involved in an accident or convicted of a traffic violation for which premium charges are imposed in accordance with the Texas Automobile Insurance Plan Association [Rules and Ratings Manual](#).

**2. Offer to Write**

- a. The assigned insurer or any authorized insurer within the group under the same ownership and management as the assigned insurer shall offer to write the coverage previously afforded by the assigned policy for a period of one year.
- b. The coverages and limits of liability to be offered for such insureds shall not be less than those afforded by the assigned policy. The rates offered shall be below those in effect for the Association at the time the new policy becomes effective. The offer to write may include any other coverages offered by the assigned insurer on a voluntary basis.
- c. The offer to insure may require the payment of a membership fee, as long as the membership fee is a uniform requirement of the insurer as a condition of providing insurance, is applied uniformly throughout the state and the total of the premium and membership fee is below the premium which would be charged for the equivalent coverage at rates in effect for the Association at the time the new policy becomes effective. The offer to insure may not require any other membership qualifications.

**3. Notification**

- a. On a prescribed form, the assigned insurer shall provide the insured with a notice of intent to offer coverage at expiration of the assigned policy. A copy of the notice shall be simultaneously provided to the producer of record. The offer to write must be mailed to the insured at least 30 days prior to the expiration of the assigned policy.
- b. The prescribed form will be adopted and amended by the Governing Committee. The prescribed form and any changes are to be filed with the Commissioner of Insurance prior to use. The Commissioner of Insurance may disapprove the use of the form if it contains a prohibited mandatory take-out eligibility standard.

**4. Insurer Obligation**

- a. If the insured does not accept the offer, the assigned insurer has no further obligation to the insured or to the producer of record.
- b. If the offer is accepted, the insurer is required to issue a voluntary policy for coverage for a period of one year. The insurer may, at its option, offer to service the voluntary policy through the producer of record.

**B. Voluntary Offer to Write**

**1. Eligibility**

An insured is eligible for voluntary take-out if the insured has been insured through the Association for at least one year immediately preceding the issuance of the voluntary policy.

**2. Offer to Write**

- a. The coverage and limits of liability to be offered for such voluntary policies shall not be less than those afforded by the assigned policy. The rates offered shall be below those in effect for the Association at the time the new policy becomes effective. The offer to write may include any other coverages offered by the insurer on a voluntary basis.
- b. The offer to insure may require payment of a membership fee, as long as the membership fee is a uniform requirement of the insurer as a condition of providing insurance, is applied uniformly throughout the state and the total of the premium and membership fee is below the premium which would be charged for the equivalent coverages at rates in effect for the Association at the time the new policy becomes effective. The offer to insure may not require any other membership qualification.

**3. Notification**

The assigned insurer or other insurer shall provide the insured with notice of intent to offer coverage. A copy of the notice shall be simultaneously provided to the producer of record.

**4. Insurer Obligations**

- a. If the insured does not accept the offer, the offering insurer has no further obligation to the insured or the producer of record, unless the offering insurer is also the assigned insurer.
- b. If the offer is accepted, the offering insurer is required to issue a policy for a period of one year. The offering insurer may, at its option, offer to service the voluntary policy through the producer of record. If the offering insurer issues a replacement voluntary policy, the assigned insurer has no further obligation to the insured or the producer of record, unless the assigned insurer is also the offering insurer.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

PERSONAL

**C. Right of Insured to Reapply to Association**

This Section does not render the insured ineligible for coverage through the Association. The insured has the option to continue the policy with the assigned insurer, unless the three-year assignment period has expired. In that case, the insured may reapply for assignment.

**D. Failure to Comply with the Provisions of this Section**

If the Governing Committee finds that any insurer without good cause is not complying with the provisions of this Section, it shall notify the Texas Department of Insurance deputy commissioner designee.

**E. Reporting Take-Out Credits**

Refer to Administrative Provisions Section 45 for the procedures outlining insurer reporting of all take-out credits

**Sec. 11. CANCELLATION/TERMINATION**

A. If the premium remittance which accompanies the application is dishonored, the insurer must resubmit the check to the institution before proceeding with termination of the policy.

B. An insurer which has issued a policy or binder under this Plan of Operation has the right to cancel the insurance by following the terms of the policy.

Cancellation is effective on the date specified in the notice of cancellation and coverage ceases on that date.

C. At the option of the insurer, the nonpayment cancellation date may be the date at which all collected premium is earned as computed pro rata.

D. If default occurs in the payment of premium upon any policy subject to interim adjustment, the policy is subject to cancellation in accordance with the cancellation condition in the policy.

**Sec. 12. RESERVED FOR FUTURE USE**

**Sec. 13. COMPENSATION TO PRODUCER OF RECORD**

Compensation shall be paid to the licensed producer designated by the insured in the application as follows:

A. 10% of the policy premium.

B. Compensation is to be paid by the insurer on the full annual premium.

C. A producer accounting system may be utilized by an insurer in its payment of producer compensation.

D. Compensation will not be paid on installment charges.

E. In the event of cancellation or a policy change involving return or additional premium, compensation will be adjusted directly with the producer. The producer is to refund unearned compensation within 40 days from policy adjustment or cancellation. The insurer shall pay the additional compensation on policy changes within 40 days of the effective date of the endorsement.

F. Should the producer fail to provide his or her tax identification number, the insurer may defer payment of compensation until the proper identification is provided.

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TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

PERSONAL

**Sec. 14. PERFORMANCE STANDARDS FOR  
INSURERS WRITING ASSOCIATION  
PRIVATE PASSENGER  
ASSIGNMENTS**

**A. Performance Standards**

Insurers will provide insureds assigned under this Plan of Operation with the same level of service provided to customers in the voluntary market. The Performance Standards listed below set forth the specific time during which insurers must perform in accordance with the rules of this Plan of Operation.

**1. Issuance of Original Policy**

Upon receipt from the Association of the Notice of Designation and the premium deposit prescribed by Section 6 the designated insurer shall:

- a. within two working days following the effective date of coverage or receipt of Notice of Designation, whichever occurs last, make filings on policies and Financial Responsibility Certificates (for states other than Texas) as may be required, provided all information necessary is contained in the application form. Such filings will indicate the effective date specified by the Association in the Notice of Designation.

However, if the applicant or spouse is required to file a form SR-22A with the Texas Department of Public Safety, the insurer will issue the SR-22 and SR-22A only upon receipt of the full annual policy premium.

The day the Notice of Designation—and premium or deposit are received from the Association is deemed the first working day, regardless of the time of such receipt. No Saturday, Sunday or legal holiday in the place of receipt, shall be deemed a working day.

- b. deliver a policy in accordance with Chapter 525, Texas Insurance Code. The policy will become effective in accordance with the provisions of Section 7.

**2. Policy Term**

Policies assigned through the Association shall be written for a 12 month period only.

If a policy is being issued to comply with Section 601.262, Texas Transportation Code, the insurer will issue a certificate by which it is bound to issue a renewal policy so that the current policy and the commitment for renewal together cover a period of at least two years.

**3. Policy Fee**

A policy fee may not be charged by an insurer.



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

4. Renewal Policies Or Certificates

At least 30 days prior to the inception date of renewals the designated insurer shall notify the insured that:

- a. a renewal will be issued, provided the premium as outlined in Section 6 is received on or before the inception date;
- b. a renewal will not be issued for the reason that the insured is not entitled to insurance under the Plan of Operation.

If an insurer is unable to quote rates to be effective on renewal, it must notify the insured of a possible rate change. Using language authorized by the Association shall be deemed sufficient notice.

A copy of such notice shall be sent to the producer.

Renewal policies shall be delivered in accordance with Chapter 525, Texas Insurance Code.

**Note:** Policies may be renewed by renewal certificates. When renewal certificates are used, they must conform in every respect with current rules, rates, and forms at the time of renewal.

5. End of Assignment Period

At least 30 days prior to the expiration date of the final renewal of the assignment period, the insurer shall notify the insured that the period of assignment under the Plan of Operation will terminate on said expiration date. A copy of such notice shall be sent to the producer.

6. Endorsements

Any endorsement requested by the insured shall be delivered in accordance with Chapter 525, Texas Insurance Code.

7. Return Premium

The insurer must refund return premiums in accordance with Chapter 558, Texas Insurance Code, and the rules promulgated under that Chapter.

8. Collection Of Premium

Insurers are to follow rules outlined in Section 6 of this Plan of Operation.

9. Producer Compensation

Within 40 days of receipt of the gross premium, the insurer must issue the proper compensation check unless the producer fails to provide his/her proper identification number. Compensation shall be paid on the full annual premium. A producer accounting system may be utilized by an insurer in its payment of producer compensation. Compensation will not

PERSONAL

be paid on installment charges. Final compensation adjustment will be in accordance with Section 13. Only an insurer which issues producer compensation statements on personal auto policies reporting all activity for that producer for no more than the preceding 31 days may file producer complaints concerning repayment of unearned compensation.

10. Claim Handling

Insurers shall provide policyholders and producers with information on how and where to report claims. Claim adjustment practices and procedures of each insurer shall correspond with those followed for voluntary business.

11. Additional Charges

At the time of the initial application of an additional charge based on a driving record, the insurer will furnish to the insured and producer a listing of the undisclosed accidents/convictions which determined the additional charge(s).

12. Miscellaneous

The Manager may evaluate a complaint not clearly within any of the preceding standards to determine whether the action complained of was reasonable within the purpose and intent of the Plan of Operation. If the action is deemed unreasonable, it may be considered as a valid complaint against the insurer.

**B. Procedures for Compliance with Performance Standards**

1. A copy of the complaint mailed to the insurer is to be sent to the Association. Such complaint is to be based upon non-compliance with Insurer Performance Standards.

The insurer must give a written response to the producer and the Association within 20 days of receipt of the complaint.

2. Upon receipt by the Association of the producer complaint:

- a. the type of complaint for each insurer is logged;
- b. the Association copy is to be filed; and
- c. a copy shall be forwarded to the insurer with a request for a written response within 20 days.

3. If the complaint is determined to be invalid, the Association shall so record it and advise the insurer and the producer.

4. In the absence of an acknowledgment from the insurer stating resolution of the complaint within 20 days, a follow-up letter will be sent to the insurer giving 10 days to respond.

5. If after 10 days the insurer does not respond, the Association will contact an executive of the insurer and notify the producer.

6. If after an executive of the insurer is contacted, the matter is not resolved, the files will be turned over

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

PERSONAL

to the Governing Committee for further action and the producer will be advised of such action.

7. If, in a single month, the number of valid complaints against an insurer exceeds the greater of two or 1/10 of 1% of the most recent three month total of assignments of the insurer, then the Association will send a letter to the insurer asking for an explanation as to why these monthly limits were exceeded. The insurer must respond in writing within 20 days. The response must include its intended plans to resolve any problems.

If an insurer fails to timely or adequately respond, or exceeds the prescribed limits in three consecutive months, it will be referred to the Governing Committee for further action.

Once an insurer is referred to the Governing Committee, the Manager will report any subsequent valid complaint during the 12-month period following referral. If any valid complaints are reported during this period, the Governing Committee may take further action, including action under Section 14.B.8 below.

8. If the Governing Committee finds that any insurer without good cause is not complying with the provisions of this Section, it shall notify the Texas Department of Insurance commissioner's designee.

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

**A. Performance Standards**

1. Original Applications
  - a. Original applications shall be submitted through EASI. Applications not submitted through EASI will be returned to the producer. Original applications shall be fully completed and must include:
    - (1) necessary information to rate and write the policy, prepare a bill, and make any required filings;
    - (2) name, address and Texas license number of producer;
    - (3) signature of applicant and producer; and
    - (4) premium payment submitted gross with the application in accordance with Association rules. The premium payment or deposit shall be either by producer's check, applicant's check, certified check, cashier's check, premium finance company check, or money order payable to the Texas Automobile Insurance Plan Association.
  - b. A producer may not charge an administrative or other service charge to an applicant for completion of an application for insurance under the Association.
  - c. A producer may not submit an application for assignment for a person who has no Texas

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P-9

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TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

PERSONAL

c. Driver's License and who was previously assigned but whose policy was either terminated or non-renewed for failure to obtain or to make a good faith effort to obtain a Texas driver's license. This provision applies only if the producer submitted the application that resulted in the previous assignment.

2. Renewals

- a. The renewal premium shall be submitted gross to the assigned insurer in accordance with Association rules.
- b. The renewal premium must be in the form of a producer's check, insured's check, certified check, cashier's check, premium finance company check, or money order payable to the assigned insurer.

3. Return Compensation

Return compensation shall be paid within 40 days from the date of notice to the producer.

4. Policy Change Request

Producers must submit policy change requests in writing to the designated insurer.

Claims

When an insured reports an accident or claim to the producer, the producer shall report it to the insurer within one working day in accordance with the instructions of the insurer.

5. Payments

- a. Additional premium payments shall be submitted gross by producer's check, insured's check, certified check, cashier's check, premium finance company check, or money order payable to the assigned insurer.
- b. Dishonored producer checks shall be reported to the Association.

6. Fraud or Misrepresentation

A producer shall not engage either in fraud or misrepresentation with regard to the contents of an application, the necessary information to rate and write a policy, a claim, or any other information material to underwriting a risk.

7. Take-out Offers

When an insured receives a take-out offer pursuant to Section 10 of this Plan of Operation and contacts the producer, the producer shall inform the insured of his or her options pursuant to the take-out offer. A producer shall not engage in misrepresentation with regard to the contents of the take-out offer letter or the take-out program.

**B. Procedures For Compliance With Performance Standards**

The Association shall maintain a record of infractions of Performance Standards.

1. A copy of the complaint mailed to the producer is to be sent to the Association. Such complaint is to be based upon non-compliance with Producer Performance Standards.
2. Upon receipt by the Association of the complaint:
  - a. the type of complaint for each producer is logged.
  - b. the Association copy is to be filed.
  - c. a copy shall be forwarded to the producer with a request for a written response within 20 days.
3. If the complaint is determined to be invalid, the Association shall so record it and advise the producer and insurer.
4. In the absence of acknowledgment from the producer to the Association request, a follow-up letter will be sent to the producer giving 10 days to respond.
5. If after 10 days the producer does not respond to the Association request, the Association will refer the matter to the Governing Committee for further action in accordance with subsections 15.B.6.a. and b. below and shall so advise the producer.
6. Violations of Producer Performance Standards shall result in the following action:
  - a. The Governing Committee shall bring repeated violations to the producer's attention and offer to assist the producer with any education deemed necessary to avoid future violations. The Governing Committee may establish a probationary period for improvement.
  - b. If the producer fails to respond to the Association request within 10 days after the date of the follow-up letter, or if significant violations or continued repetition of violations under subsections 15.B.1–5 are alleged to have occurred, the Association Manager shall notify the producer in writing of a hearing before the Producer Review Panel to review the nature and extent of such violations. At such hearing the Producer Review Panel will hear evidence. Its findings and recommendations will be reported in writing to the Governing Committee.
  - c. If the Governing Committee determines that such violations have occurred, it may refer the matter, in writing, to the Texas Department of Insurance commissioner's designee, may recommend appropriate action.
  - d. The Producer Review Panel consists of two certified producers selected by approval of the Governing Committee, one insurer

representative, and one public member of the Governing Committee. The insurer and public member will be selected by the Chair of the Governing Committee. Each of the five panel members shall have an alternate. Panel members serve for a term of two years. Each member of the panel is entitled to reimbursement of expenses and producer and public members are entitled to compensation all as provided in Section 36.A.4. A person who serves on the panel is entitled to immunity and indemnification as provided in Section 53.

- e. Meetings of the Producer Review Panel are to be held at a site determined by the Governing Committee. A quorum of the panel is three members at least two of whom are producers. Hearings before the panel will be conducted under the provisions of the Plan of Operation.

**Sec. 16. RESERVED FOR FUTURE USE**

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

**COMMERCIAL AUTOMOBILE PART**

**Sec. 17. PURPOSES OF THE ASSOCIATION**

The purposes of the Association are to:

- A. provide a means by which automobile bodily injury and property damage liability, personal injury protection and uninsured/underinsured motorist coverage insurance may be assigned to an authorized insurer for persons required by the Texas Motor Vehicle Safety-Responsibility Act (Chapter 601, Texas Transportation Code) to show proof of financial responsibility for the future, following the procedures contained in this Plan of Operation;
- B. establish an efficient, economical procedure for the equitable, nondiscriminatory assignment of risks to authorized insurers; and,
- C. provide for the efficient, economical, fair and non-discriminatory administration of the Association.

The Association has the powers granted to non-profit corporations under the Texas Non-Profit Corporation Act.

**Sec. 18. ELIGIBILITY**

**A. Applicant Eligible for the Association**

Eligibility of applicants to the Association will be determined as provided in this Section.

- 1. An applicant is eligible for assignment if the following requirements are met:
  - a. The applicant is required by the Texas Motor Vehicle Safety-Responsibility Act (Chapter 601, Texas Transportation Code) to show proof of financial responsibility for the future.
  - b. The applicant and the producer must certify as part of the application that within 60 days prior to the date of application, the applicant has been rejected for automobile insurance by at least two insurers licensed to do business in this state and actually writing automobile liability insurance in this state.
  - c. Non-residents of Texas are not eligible unless their motor vehicles are registered or will be registered in the state within 15 days. Non-residents who are members of the United States military forces are eligible with respect to motor vehicles registered in other states provided such military non-residents are stationed in this state at the time the application is made and are otherwise eligible for insurance under the Plan of Operation.
- 2. An applicant who meets the eligibility requirements for assignment is eligible even though the applicant:
  - a. has been offered insurance by an insurer;
  - b. has obtained physical damage coverage through another insurer;

- c. has been denied coverage by only one company group if that company group has more than one company licensed to do business in this state and actually writing automobile insurance in this state; or
- d. has been offered coverage by a company in a company group if that company group has two additional companies licensed to do business in this state and actually writing automobile insurance in this state whose rates for the applicant would be less than the rates in the company offering coverage.

**B. Risks Eligible for Assignment**

All eligible applicants shall be assigned to an insurer EXCEPT for the following types of risks that qualify for a Personal Auto Policy:

- 1. Private passenger vehicles
- 2. Motor homes (self-propelled)
- 3. Dune buggies
- 4. Miscellaneous personal vehicles, individually owned and not used in business, including the following types that are registered:
  - a. Campers and travel trailers
  - b. All-terrain vehicles
  - c. Antique autos
  - d. Golf carts
  - e. Motorcycles, mopeds, motorscooters, motorbikes, go-carts and other similar vehicles
- 5. Named nonowner applicants

**C. Applicant Not Eligible for the Association**

An applicant who is otherwise eligible is not entitled to assignment, nor is an insurer required to afford or continue coverage if any person who usually drives the motor vehicle does not hold or is not eligible to obtain a drivers license (other than for lack of insurance) or fails to obtain such license as required by law. An applicant or insured denied previously for a lack of a valid drivers license may reapply when a license has been obtained or a good faith attempt is being made to obtain a drivers license.

An application is not eligible for assignment if the coverage is sought for the purpose of showing proof of financial responsibility required by any statute or ordinance other than Chapter 601, Texas Transportation Code.

**D. Renewals**

An insured who fails to pay the renewal premium quoted by the assigned insurer in accordance with the provisions of Section 32.A.4. of this Plan of Operation, may re-apply for assignment if the applicant is

**Commented [AR11]:** Question regarding eligibility for commercial auto, please see Sec 2.C third paragraph.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

COMMERCIAL

otherwise eligible and the application is accompanied by the deposit prescribed in Section 22.

**E. Re-Application to the Association**

Any re-application to the Association shall be considered a new application and the applicant shall be assigned to an insurer in accordance with the provisions of Section 42.

**Sec. 19. RESERVED FOR FUTURE USE**

**Sec. 20. RESERVED FOR FUTURE USE**

**Sec. 21. EXTENT OF COVERAGE**

**A. Coverages and Limits**

Bodily Injury, Property Damage, Uninsured/Underinsured Motorists Coverage, and Personal Injury Protection

1. The assigned insurer is required to write a policy for the minimum limits required by the Texas Motor Vehicle Safety-Responsibility Act.
2. In addition, the policy shall include the following coverage unless rejected in writing by the applicant:
  - a. Uninsured/Underinsured Motorists Coverage at minimum limits of liability;
  - b. Personal Injury Protection Coverage at a limit of \$2,500.
3. Personal Injury Protection and Uninsured/Underinsured Motorist coverages are available to an applicant only in conjunction with a policy written in accordance with this Plan of Operation affording Bodily Injury and Property Damage coverage.

**B. Standard Policy Coverage**

1. Business Auto Policy  
Business autos shall be provided coverage under the policy forms and endorsements approved by the Commissioner of Insurance for use with Association business.
2. Policy Term  
All policies, new and renewal, shall be issued for a period of one year.  
If a policy is being issued to comply with Section 601.262, Texas Transportation Code, the insurer will issue a certificate by which it is bound to issue a renewal policy so that the current policy and the commitment for renewal together cover a period of at least two years.

**3. Certified Risks – Financial Responsibility Laws**

A policy for which an SR-22 must be made shall be amended to conform with the definition, if any, of motor vehicle liability policy in any applicable financial responsibility, Safety-Responsibility, or compulsory automobile liability law.

The insurer must attach the appropriate Financial Responsibility Certificate Endorsement. Policies certified under an SR-22 filing must describe the motor vehicle so certified. If a Non-Owner Policy is involved, the certificate must so indicate. Further, the Texas Motor Vehicle Safety-Responsibility Act (Chapter 601, Texas Transportation Code) requires with respect to an "owners policy of liability insurance" that such policy shall provide coverage for the insured named therein and any other person, as insured, using a vehicle so certified with the express or implied permission of such named insured.

If this sub-section conflicts with Sec. 23.A.6 this sub-section will control.

**4. Policy and Endorsement Forms**

The Association shall file policy forms and endorsements with the Department of Insurance to be approved by the Commissioner of Insurance for use with Association business. Insurers may use only those policy and endorsement forms adopted or approved by the Commissioner of Insurance as designated by the Association.

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

The EASi application with signatures must be submitted to the Association accompanied by the full gross annual premium or a deposit on a gross basis as indicated below.

**A. Full Annual Premium Option**

No deposit

**B. Advance Premium Payment Option—**where the total annual premium is to be paid within 30 days of the date of the premium notice, a deposit of at least 25% of the annual premium, or \$40 per vehicle, whichever is greater, is required.

**C. Installment Premium Payment Option**

This option is available to all risks assigned through the Association unless any portion of the annual premium is financed by a premium finance company. If any portion of the annual premium is financed after the Installment Premium Payment Option is elected, the insurer may bill the insured immediately for the unpaid balance of the annual premium. If an applicant requests an SR- 22A with an SR-22, the full annual premium must accompany the application.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

COMMERCIAL

1. Deposit

A deposit of at least 20% of the total annual premium, or \$40 per vehicle, whichever is greater, is to accompany the new application and as the initial payment on renewal policies. No installment charge may be made on the deposit premium.

2. Installments

The first installment is due no sooner than 30 days after the inception of the policy. The first bill shall show the current annual premium plus the installment charge minus the deposit. Each installment bill thereafter shall display the status of the account showing the minimum amount payable.

One-eighth of the remainder of the premium, plus an installment charge of \$3 on each installment, will be due monthly thereafter. The installment charge shall be increased by \$0.50 for each \$250 or fraction thereof by which the annual premium exceeds \$500.

The application form shall contain a statement signed by the applicant and producer certifying that the installment payment option above has been offered and explained by the producer.

At any point during the installment billing period, should the insured elect to pay the outstanding balance, the installment charge only for the current bill would apply.

3. Additional Premium—Changes

Additional premium resulting from changes to the policy requested by the insured shall be spread over the remaining installments, if any. Compensation on the additional premium is payable by the insurer to the producer within 40 days after receipt of the requested change.

4. Return Premium—Changes

Return premium resulting from changes to the policy may be used to reduce the outstanding balance, or, if the outstanding balance is eliminated, any amount remaining from the return premium will be returned immediately. If any outstanding balance remains, the number and amounts of the remaining installments will be adjusted accordingly. If the return amount is less than \$20 it may be treated as a separate transaction.

5. Premium Notices

Copies of all premium notices must be provided to the producer at the same time as being mailed to the insured.

**D. Deposit, Installment or Additional Premium Payments Applicable to A, B, or C, above**

All deposit premiums, installments and additional premium payments shall be submitted in full, without reduction for producer's compensation. Compensation

will be paid in accordance with Section 31. Payments shall be made by one instrument.

The deposit accompanying the application shall be either by producer's check, applicant's check, certified check, money order, or cashiers check payable to the Texas Automobile Insurance Plan Association. If the applicant is ineligible for assignment, the deposit shall be returned.

If the premium is not in the form of a certified check, cashiers check or money order, the Manager of the Association may require such safeguards as may in his or her judgment be deemed necessary.

Installment payments shall be in the form of a producer's check, insured's check, certified check, money order, or cashier's check payable to the assigned insurer.

Additional premium payments shall be by producer's check, insured's check, certified check, money order, cashier's check, or premium finance company check payable to the assigned insurer.

If the deposit premium is 20% or more inadequate, the insurer may bill for the deficiency immediately.

**E. Dishonored Producer and Finance Company Checks**

Producers who have submitted dishonored checks issued by the agency or by the producer individually, on more than one occasion during a one-year period, must submit future payments by applicant's check, premium finance company check, certified check, cashier's check or money order. This shall not negate any rights of the Association to pursue action against a producer.

The Manager may refuse to accept checks from a premium finance company if its checks have been dishonored on more than one occasion during a one-year period.

**F. Premium Owed on Prior Policy**

The insurer may deduct from the deposit premium any unpaid premium owed to the insurer by an applicant for a prior assigned policy issued by the insurer during the 12 months immediately preceding the effective date of the policy.

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

**A. Original Application**

1. The Association will designate an insurer to which the application shall be assigned and advise the producer and applicant of the designated insurer. The notice of designation shall state that coverage

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

becomes effective on 12:01 A.M. on the effective date shown on such notice.

2. Electronic Submission Procedure

Producers must use the electronic submission procedures to establish the effective date of coverage if such date is earlier than that established by subsections 23.A.3 and 4. The electronic submission procedure is the Electronic Application Submission interface (EASI) by electronic transmittal of the application. Coverage will be effective only when procedures established by the Association are followed.

The requested coverage shall become effective to cover losses at the time and date of the EASI electronic transmittal of the application. The assignment notification and policy shall be issued effective 12:01 A.M. the following day subject to the rates in effect on that date.

All original applications complete with signatures and deposit premiums for applicants for whom an electronic submission is used must be submitted to the Association at the address shown on the application no later than the working day following the date of the EASI electronic transmittal of the application. The electronic reference number must be included on the upper right hand corner of the application.

3. The electronic submission procedure provided in subsection 23.A.2 or the delayed effective date method provided in subsection 23.A.4, the effective date for coverage is the day following the date of receipt in the Association office.

4. If the applicant does not desire coverage until a later date, not to exceed 30 days from the date of application, or in the event there is in force a policy terminating at a date later than the date which would be fixed per this Section, the applicant shall indicate such date in the application and the Association shall fix the date when the coverage becomes effective at 12:01 A.M. on the desired date of coverage.

5. Association Submission to Designated Insurer

The Association shall forward to the designated insurer the original copy of the application, the notice of the effective date of coverage and the deposit. The deposit is to be credited by the insurer against the policy premium. In the event the insurer finds the premium submitted with the application to be incorrect, the insurer shall make a premium adjustment directly with the insured with a copy sent to the producer.

6. Financial Responsibility Certificates

If the applicant is eligible for assignment through the Association and the applicant or spouse requires proof of financial responsibility for the future (SR-22), the Association, on behalf of the designated insurer, will issue the certificate required by the State of Texas. However, if the

COMMERCIAL

applicant or spouse is required to file a form SR- 22A with the State of Texas, the SR-22 and SR- 22A will be issued by the insurer. If a separate payment for the required SR-22 fee is enclosed with the application, and if a request is made to file the certificate with the Texas Department of Public Safety, the Association will deliver the certificate to that agency for filing. If no separate payment is made, or if there is no request for direct filing, the certificate will be sent to the producer. Such certificate shall become effective as of the effective date of the coverage. Any out of state or subsequent filings, such as SR-26 or amended SR- 22, are to be issued by the designated insurer.

7. Minimum Premium

The minimum premium rule contained in the Association Manual applies. For Business Auto Policies, there is a non-refundable minimum premium for any period of coverage.

8. Standard Application Form

The application form for assignment through the Association will be adopted and amended by the Governing Committee. The application form and any changes are to be filed with the Commissioner of Insurance prior to use. The Commissioner of Insurance may disapprove the use of the form if it contains a prohibited eligibility standard.

B. Additional Vehicles or Coverages

1. If additional available coverages are desired or additional vehicles are to be insured, during the policy period, a completed policy change request shall be submitted directly to the designated insurer no later than the first working day after completion.

2. Coverage for additional vehicles to an existing policy will become effective in accordance with policy conditions. No coverage will become effective if a substitution or additional vehicle is of a different type or class than those eligible for coverage on the existing policy. To obtain coverage in this situation, a new application must be submitted to the Association at the address shown on the application.

3. Additional available coverage may be added to an existing policy. The additional coverage will become effective at 12:01A.M on the day following the written request or the effective date specified in the request, whichever is later, except when one of the following applies:

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TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

COMMERCIAL

- a. the policy change request is not mailed within one working day after completion; or
- b. the request is not mailed U.S. mail, postage prepaid, or the request is received by fax or electronic mail.

If a, or b applies coverage will become effective at 12.01A.M the day following the date such request is received by the insurer, or the effective date specified in the request, whichever is later.

4. If such coverages are not available with the assigned insurer, a new application for such coverages shall be submitted to the Association at the address shown on the application and shall become effective in accordance with Section 23.A.

**C. Elimination of Coverage**

In the event an elimination of coverage is desired during the policy period, a completed policy change request must be signed by the insured and submitted to the insurer.

**D. Incomplete Applications**

Applications shall be accepted by the Association and assignments shall be processed by the assigned insurer if the requirements shown in Sections 22 and 23 are reasonably met. It is the responsibility of the Association and the assigned insurer to communicate clearly to the insured and producer in what respect an application is incomplete and requires correction.

The assigned insurer shall give at least 15 days to the insured and to the producer for remedying any deficiencies in the application. No part of the deposit premium shall be returned to the insured or to the producer except upon proper cancellation in accordance with the provisions of Section 28 of this Plan of Operation.

**E. Applications Returned to the Association**

An assignment to any insurer contrary to either the provisions of this Section or Section 42 shall be returned promptly to the Association for reassignment.

**Sec. 24. RESERVED FOR FUTURE USE**

**Sec. 25. THREE-YEAR ASSIGNMENT PERIOD**

An applicant shall be assigned to a designated insurer for a period of three consecutive years, at which time proper notice of non-renewal shall be mailed. If an insured is unable to obtain insurance at the end of the three-year period, re-application for insurance may be made to the Association. Such re-application shall be considered as a new application.

In the case of non-resident military personnel, as described under Section 18.A.1.c of the Plan of Operation, the insurer is not required to renew, if at the time of renewal the insured is stationed in another state in which the insurer is not authorized to do business or if the insured is stationed in another state and the automobile is not registered in Texas.

**Sec. 26. RESERVED FOR FUTURE USE**

**Sec. 27. RESERVED FOR FUTURE USE**

**Sec. 28. CANCELLATION/TERMINATION**

- A. If the premium remittance which accompanies the application is dishonored, the insurer must resubmit the check to the institution before proceeding with termination of the policy.
- B. An insurer which has issued a policy or binder under this Plan of Operation has the right to cancel the insurance by following the terms of the policy.  
Cancellation is effective on the date specified in the notice of cancellation and coverage ceases on that date.
- C. At the option of the insurer, the nonpayment cancellation date may be the date at which all collected premium is earned as computed pro rata.
- D. If default occurs in the payment of premium upon any policy subject to interim adjustment, the policy is subject to cancellation in accordance with the cancellation condition in the policy.

**Sec. 29. RESERVED FOR FUTURE USE**

**Sec. 30. RESERVED FOR FUTURE USE**

**Sec. 31. COMPENSATION TO PRODUCER OF RECORD**

- A. Compensation shall be paid to the licensed producer designated by the insured in the application as follows:
  1. For motor vehicles of a truck-type operating beyond a radius of 200 miles from the limits of the city or town of principal garaging and public passenger carrying vehicles, 5% of the policy premium.
  2. For other classes of risks, 10% of the policy premium.
- B. Compensation is to be paid by the insurer on the full annual premium.
- C. A producer accounting system may be utilized by an insurer in its payment of producer compensation.
- D. Compensation will not be paid on installment charges.
- E. In the event of cancellation or a policy change involving return or additional premium, compensation will be adjusted directly with the producer. The producer is to refund unearned compensation within 40 days from policy adjustment or cancellation. The insurer shall pay the additional compensation on policy changes within 40 days of the effective date of the endorsement.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

COMMERCIAL

- F. Should the producer fail to provide his or her tax identification number, the insurer may defer payment of compensation until the proper identification is provided.

**Sec. 32. PERFORMANCE STANDARDS FOR  
INSURERS WRITING ASSOCIATION  
COMMERCIAL ASSIGNMENTS**

**A. Performance Standards**

Insurers will provide insureds assigned under this Plan of Operation with the same level of service provided to customers in the voluntary market. The Performance Standards listed below set forth the specific time during which insurers must perform in accordance with the rules of this Plan of Operation.

**1. Issuance Of Original Policy**

Upon receipt from the Association of the Notice of Designation and the premium deposit prescribed by Section 22 the designated insurer shall:

- a. within two working days following the effective date of coverage or receipt of Notice of Designation, whichever occurs last, make filings on policies and Financial Responsibility Certificates (for states other than Texas) as may be required, provided all information necessary is contained in the application form. Such filings will indicate the effective date specified by the Association in the Notice of Designation.

However, if the applicant or spouse is required to file a form SR-22A with the Texas Department of Public Safety, the insurer will issue the SR-22 and SR-22A only upon receipt of the full annual policy premium.

The day the Notice of Designation and premium or deposit are received from the Association is deemed the first working day, regardless of the time of such receipt. No Saturday, Sunday or legal holiday in the place of receipt, shall be deemed a working day.

- b. within 30 days issue a policy if all information necessary for the insurer to fix the proper rate is contained on the application form. The policy will become effective in accordance with the provisions of Section 23.

**2. Policy Term**

Policies assigned through the Association shall be written for a 12-month period only.

If a policy is being issued to comply with Section 601.262, Texas Transportation Code, the insurer will issue a certificate by which it is bound to issue a renewal policy so that the current policy and the commitment for renewal together cover a period of at least two years.

**3. Policy Fee**

A policy fee may not be charged by an insurer.

**4. Renewal Policies or Certificates**

At least 60 days prior to the inception date of renewals the designated insurer shall notify the insured that:

- a. a renewal will be issued, provided the premium as outlined in Section 22 is received on or before the inception date, except for insureds subject to certified filings on Business Auto Coverage forms which may be due 30 days prior to renewal;
- b. a renewal will not be issued for the reason that the insured is not entitled to insurance under the Plan of Operation.

If an insurer is unable to quote rates to be effective on renewal, it must notify the insured of a possible rate change. Using language authorized by the Association shall be deemed sufficient notice.

A copy of such notice shall be sent to the producer.

Renewal policies must be mailed within 30 days of the insurer's receipt of the renewal premium specified under subsection 32.A.4 above.

**Note:** Policies may be renewed by renewal certificates. When renewal certificates are used, they must conform in every respect with current rules, rates, and forms at the time of renewal.

**5. End of Assignment Period**

At least 60 days prior to the expiration date of the final renewal of the assignment period, the insurer shall notify the insured that the period of assignment under the Plan of Operation will terminate on said expiration date. A copy of such notice shall be sent to the producer.

**6. Endorsements**

Any endorsement requested by the insured shall be issued and mailed within 30 days.

**7. Return Premium**

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

COMMERCIAL

8. Collection of Premium  
Insurers are to follow rules outlined in Section 22 of this Plan of Operation.
  9. Producer Compensation  
Within 40 days of receipt of the gross premium, the insurer must issue the proper compensation check unless the producer fails to provide his/her proper identification number. Compensation shall be paid on the full annual premium. A producer accounting system may be utilized by an insurer in its payment of producer compensation. Compensation will not be paid on installment charges. Final compensation adjustment will be in accordance with Section 31. Only an insurer which issues producer compensation statements on personal auto policies reporting all activity for that producer for no more than the preceding 31 days may file producer complaints concerning repayment of unearned compensation.
  10. Claim Handling  
Insurers shall provide policyholders and producers with information on how and where to report claims. Claim adjustment practices and procedures of each insurer shall correspond with those followed for voluntary business.
  11. Additional Charges  
At the time of the initial application of an additional charge based on a driving record, the insurer will furnish to the insured and producer a listing of the undisclosed accidents/convictions which determined the additional charge(s).
  12. Miscellaneous  
The Manager may evaluate a complaint not clearly within any of the preceding standards to determine whether the action complained of was reasonable within the purpose and intent of the Plan of Operation. If the action is deemed unreasonable, it may be considered as a valid complaint against the insurer.
- B. Procedures For Compliance with Performance Standards**
1. A copy of the complaint mailed to the insurer is to be sent to the Association. Such complaint is to be based upon non-compliance with Insurer Performance Standards.  
  
The insurer must give a written response to the producer and the Association within 20 days of receipt of the complaint.  
  
A complaint form can be found on TAIPA's website [TAIPA.org](http://TAIPA.org).
  2. Upon receipt by the Association of the producer complaint:
    - a. the type of complaint for each insurer is logged;
    - b. the Association copy is to be filed; and
- c. a copy shall be forwarded to the insurer with a request for a written response within 20 days.
  3. If the complaint is determined to be invalid, the Association shall so record it and advise the insurer and the producer.
  4. In the absence of an acknowledgment from the insurer stating resolution of the complaint within 20 days, a follow-up letter will be sent to the insurer giving 10 days to respond.
  5. If after 10 days the insurer does not respond, the Association will contact an executive of the insurer and notify the producer.
  6. If after an executive of the insurer is contacted, the matter is not resolved, the files will be turned over to the Governing Committee for further action and the producer will be advised of such action.
  7. If, in a single month, the number of valid complaints against an insurer exceeds the greater of two or 1/10 of 1% of the most recent three month total of assignments of the insurer, then the Association will send a letter to the insurer asking for an explanation as to why these monthly limits were exceeded. The insurer must respond in writing within 20 days. The response must include its intended plans to resolve any problems.  
  
If an insurer fails to timely or adequately respond, or exceeds the prescribed limits in three consecutive months, it will be referred to the Governing Committee for further action.  
  
Once an insurer is referred to the Governing Committee, the Manager will report any subsequent valid complaint during the 12-month period following referral. If any valid complaints are reported during this period, the Governing Committee may take further action, including action under Section 32.B.8 below.
  8. If the Governing Committee finds that any insurer without good cause is not complying with the provisions of this Section, it shall notify the Texas Department of Insurance commissioner's designee.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

COMMERCIAL

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

**A. Performance Standards**

1. Original Applications

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

- (1) necessary information to rate and write the policy, prepare a bill, and make any required filings;

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

COMMERCIAL

- (2) name, address and Texas license number of producer;
- (3) signature of applicant and producer; and
- (4) premium payment submitted gross with the application in accordance with Association rules. The premium payment or deposit shall be either by producer's check, applicant's check, certified check, cashier's check, premium finance company check, or money order payable to the Texas Automobile Insurance Plan Association.
- b. A producer may not charge an administrative or other service charge to an applicant for insurance under the Association.
- c. A producer may not submit an application for assignment for a person who has no Texas Driver's License and who was previously assigned but whose policy was either terminated or non-renewed for failure to obtain or to make a good faith effort to obtain a Texas driver's license. This provision applies only if the producer submitted the application that resulted in the previous assignment.
- 2. Renewals
  - a. The renewal premium shall be submitted gross to the assigned insurer in accordance with Association rules.
  - b. The renewal premium must be in the form of a producer's check, insured's check, certified check, cashier's check, premium finance company check, or money order payable to the assigned insurer.
- 3. Return Compensation
 

Return compensation shall be paid within 40 days from the date of notice to the producer.
- 4. Policy Change Request
 

Producers must submit policy change requests in writing to the designated insurer.
- 5. Claims
 

When an insured reports an accident or claim to the producer, the producer shall report it to the insurer within one working day in accordance with the instructions of the insurer.
- 6. Payments
  - a. Additional premium payments shall be submitted gross by producer's check, insured's check, certified check, cashier's check, premium finance company check, or money order payable to the assigned insurer.
  - b. Dishonored producer checks shall be reported to the Association.
- 7. Fraud or Misrepresentation

Commented [AR13]: Add for clarification.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

COMMERCIAL

A producer shall not engage either in fraud or misrepresentation with regard to the contents of an application, the necessary information to rate and write a policy, a claim, or any other information material to underwriting a risk.

**B. Procedures For Compliance With Performance Standards**

The Association shall maintain a record of infractions of Performance Standards.

1. A copy of the complaint mailed to the producer is to be sent to the Association. Such complaint is to be based upon non-compliance with Producer Performance Standards.
2. Upon receipt by the Association of the complaint:
  - a. the type of complaint for each producer is logged.
  - b. the Association copy is to be filed.
  - c. a copy shall be forwarded to the producer with a request for a written response within 20 days.
3. If the complaint is determined to be invalid, the Association shall so record it and advise the producer and insurer.
4. In the absence of acknowledgment from the producer to the Association request, a follow-up letter will be sent to the producer giving 10 days to respond.
5. If after 10 days the producer does not respond to the Association request, the Association will refer the matter to the Governing Committee for further action in accordance with subsections 33.B.6.a. and b. below and shall so advise the producer.
6. Violations of Producer Performance Standards shall result in the following action:
  - a. The Governing Committee shall bring repeated violations to the producer's attention and offer to assist the producer with any education deemed necessary to avoid future violations. The Governing Committee may establish a probationary period for improvement.
  - b. If the producer fails to respond to the Association request within 10 days after the date of the follow-up letter, or if significant violations or continued repetition of violations under subsections 33.B.1–5 are alleged to have occurred, the Association Manager shall notify the producer in writing of a hearing before the Producer Review Panel to review the nature and extent of such violations. At such hearing the Producer Review Panel will hear evidence. Its findings and recommendations will be reported in writing to the Governing Committee.
  - c. ~~If the Governing Committee determines that such violations have occurred, it may refer the matter, in writing, to the Texas Department of Insurance commissioner's designee, and may recommend appropriate action.~~
  - d. ~~The Producer Review Panel consists of two certified producers selected by approval of the Governing Committee, one insurer representative, and one public member of the Governing Committee. The insurer and public member will be selected by the Chair of the Governing Committee. Each of the five panel members shall have an alternate. Panel members serve for a term of two years. Each member of the panel is entitled to reimbursement of expenses and producer and public members are entitled to compensation all as provided in Section 36.A.4. A person who serves on the panel is entitled to immunity and indemnification as provided in Section 53.~~
  - e. Meetings of the Producer Review Panel are to be held at a site determined by the Governing Committee. A quorum of the panel is three members at least two of whom are producers. Hearings before the panel will be conducted under the provisions of the Plan of Operation.

**Commented [DD14]:** Edits seem to have caused renumbering. Needs to go back to original numbering.

**Commented [DD15]:** Recommend deleting immunity as that can only be granted by statute.

**Sec. 34. RESERVED FOR FUTURE USE**

COMMERCIAL

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

NOTES

**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)

Insurance Council of Texas (ICT)

National Association of Mutual Insurance Companies (NAMIC)

- 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. Nominations shall be made as soon as possible following a vacancy. The public members serve staggered two-year terms.

Terms for three public members shall expire in odd numbered years and terms for two public members 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 staggered two year terms ~~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 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.

5. Each member of the Governing Committee shall annually reaffirm in writing to the Governing Committee and to TDI that they are eligible to continue to serve in their position.

6. Each member of the Governing Committee shall annually complete the TAIPA conflict of interest form.

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**Commented [DD16]:** Recommend that the Plan create a public advisory committee.

**Commented [DD17]:** Recommend aligning producer terms with public terms.

**Commented [DD18]:** Note that no other TDI board pays compensation beyond expenses.



7. Each member of the Governing Committee must document completion of a course of training of not less than two hours regarding compliance with Texas open meetings and open records laws within 90 days of their first Governing Committee meeting. Reasonable additional training on open

meetings and open records must be provided prior to each term thereafter. The Association will also provide written training materials prior to the representative's first meeting regarding the law and plan of operations governing the association and the Association's functions, programs, processes, and budget.

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A-1

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**Commented [DD19]:** Recommendations for continuing eligibility, conflict of interest, and training issues.

**Commented [DD20]:** Recommendations for continuing eligibility, conflict of interest, and training issues.

**Commented [DD21]:** Recommendations for continuing eligibility, conflict of interest, and training issues.

## 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. 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. However, representatives that are not appointed by the Commissioner whose terms expire without re-selection and without a successor may only serve until the election at the next annual meeting.

## 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 an appointment is made pursuant to 36.A.2. An individual may not serve under this section for more than six months, the next annual meeting.

4. The Independent Insurance Agents of Texas will select an Independent Insurance Agents of Texas replacement if a vacancy occurs, to serve until the next annual meeting.

## F. Term Limits

No individual may serve as a representative on the Governing Committee for more than ten consecutive years. However, any service on the governing committee prior to January 1, 2020, will not be considered in this calculation.

**Commented [DD23]:** Recommend clarification to temporary term of office.

**Commented [DD24]:** Recommend clarification of interim term of office.

**Commented [DD25]:** Recommend term limits for board members.

## Sec. 37. COST OF ADMINISTRATION

### A. Membership Fee

Each member of the Association shall pay an annual membership fee, the amount of which is determined by the Governing Committee.

### B. Assessment

Each member's ratio of voluntary private passenger liability writings and voluntary all other automobile liability writings to the statewide industry respective totals is the basis of apportionment of all Association expense incurred in excess of the membership fees. If at the time of assessment for any calendar year, data for the second prior year is not available, the assessment shall be based upon the latest available year's data. In such event, the assessment shall be adjusted subsequently using the data for the second prior year.

**Commented [DD22]:** Recommend eliminating holdovers.

### C. Late Payment

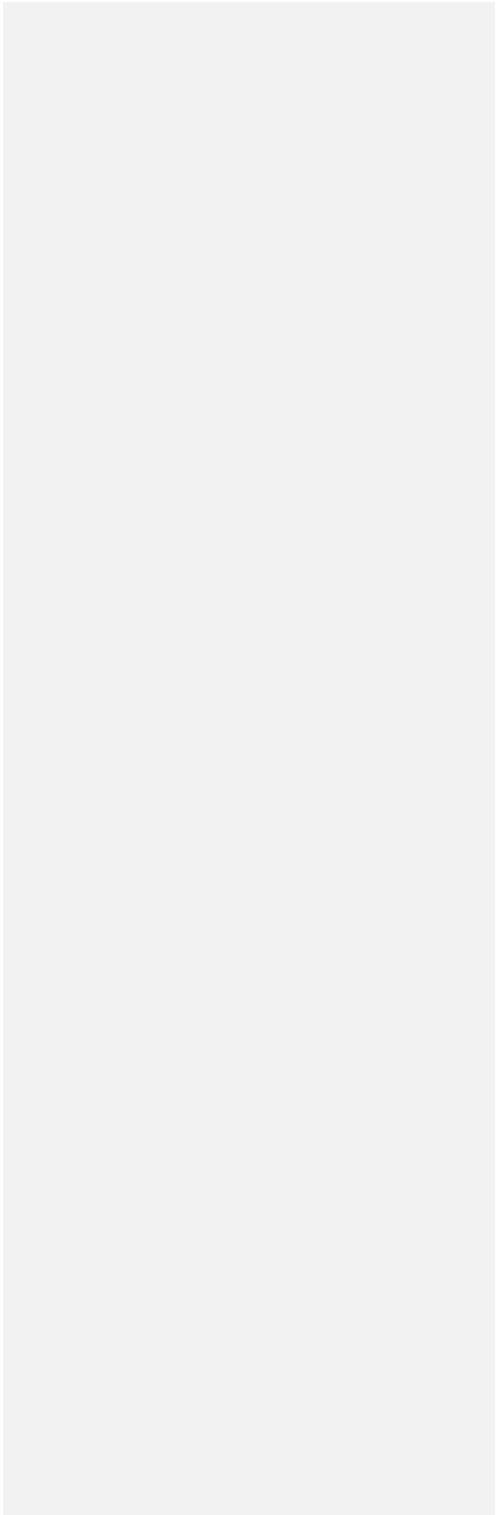
Charge-If an assessment or membership fee is not postmarked on or before the due date shown on the invoice, a late payment charge will be applied. The late payment charge will be 0.05 percent per day (1.50 percent per month) subject to a minimum charge of \$50. In addition, the Association may report such fact to the Texas Department of Insurance commissioner's designee for disciplinary action as provided in Chapter 82, Insurance Code.

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PLAN OF OPERATION

ADMINISTRATION

**D. Insurers Not Writing**

No assessment other than the annual fee may be levied against an insurer which has written no automobile liability insurance other than for Association insureds during the period for which the assessments are based.

**Sec. 38. DUTIES OF GOVERNING COMMITTEE**

The Governing Committee shall meet as often as may be required to perform the general duties of administration of the Association. The presence of nine members of the Governing Committee, which includes at least one public member, constitutes a quorum.

In the event a member of the Governing Committee ~~or an alternate for that member~~ does not attend two consecutive meetings of the Governing Committee the appropriate insurer, association or agency that made the appointment will be notified.

All meetings of the Governing Committee are to be conducted in accordance with Chapter 551, Government Code. Texas Department of Insurance Staff may attend meetings held in executive session if invited.

The Governing Committee is to appoint a Manager, budget expenses, levy assessments, disburse funds and perform all duties essential to the proper administration of the Association. The Manager shall perform the duties under the supervision and control of the Governing Committee, and shall employ personnel, secure office space, equipment and supplies necessary to the administration of the Association. The Manager shall maintain on the TAIPA website the TAIPA plan of operations, administrative rules, and any bylaws, as well as a current roster of Governing Committee and subcommittee members. The Manager shall notify the Texas Department of Insurance deputy commissioner of the Property and Casualty Division, or the deputy commissioner's designee, within ten business days of changes in the membership of the Governing Committee, including any vacancies.

Annually, the Manager shall prepare an operating budget for Governing Committee review and approval. The budget shall be furnished to member companies upon request.

Expenditures must not exceed their approved allocations or incur any unbudgeted expenses without prior approval of the Governing Committee. However, funds may be reallocated between related general-ledger accounts—such as 15200 (Computer Equipment) and 41500 (Computer Supplies & Expense)—to cover eligible costs without further committee approval.

No expenditure in excess of an approved budgeted amount or which has not been included in the budget may be made without Governing Committee approval.

The Governing Committee shall furnish to all members of the Association and to the Texas Department of Insurance commissioner's designee, a written report annually in such form and detail as the Governing Committee shall determine.

Instances of reasonably suspected fraud, waste, or abuse by any member of the board or association employee must

be promptly reported to the Texas Department of Insurance deputy commissioner of the Property and Casualty Division, or the deputy commissioner's designee, and, if necessary, to any other authorized governmental agency.

**Sec. 39. AMENDMENT OF PLAN**

Any interested party may file amendments to this Plan of Operation in writing with the Manager, who shall submit each amendment to the membership of the Governing Committee prior to the meeting at which the amendment is to be considered.

The Plan of Operation will be reviewed for necessary updates at least every five years. The manager will notify the Texas Department of Insurance deputy commissioner of the Property and Casualty Division, or the deputy commissioner's designee, regarding the result of the review.

Amendments to the Plan of Operation become effective when approved by a majority of the Governing Committee members present and voting, with a quorum present, and approved by the Commissioner of Insurance.

If the Commissioner of Insurance at any time believes that any part of the Plan of Operation is not in keeping with the purposes of the Texas Motor Vehicle Safety-Responsibility Act (Chapter 601, Texas Transportation Code), the Commissioner of Insurance shall notify the Governing Committee in writing so that the Governing Committee may take corrective action.

**Commented [DD29]:** Recommend a schedule for reviewing the POO.

**Commented [DD26]:** Recommend TDI staff be able to attend executive sessions.

**Commented [DD27]:** Recommend notice to TDI of membership changes, annual report, and suspected fraud.

**Commented [AR28]:** Request to change wording on small budget changes. See above section.

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PLAN OF OPERATION

**Sec. 40. RESERVED FOR FUTURE USE**

**Sec. 41. DETERMINATION AND  
FULFILLMENT OF PRIVATE  
PASSENGER QUOTAS**

**A. Assignment of Private Passenger Applications**

The Association shall assign eligible applicants classified as private passenger in a random manner so that each member will receive its assignment quota. For purposes of calculating the assignment quota, the Texas Private Passenger Automobile Statistical Plan Quarterly Market Report provided by the Texas Department of Insurance is the source of information for the "vehicles on policies in force" and "territorial credits." Records provided to the Association are used to determine take-out credits and take-out credits sold between members.

\*

"Private passenger" also includes "named non-owner" and miscellaneous personal vehicles, individually owned and written on a Personal Auto Policy form such as:

1. Motor homes, (self-propelled)
2. Campers and travel trailers
3. Dune buggies
4. All-terrain vehicles
5. Antique autos
6. Golf carts
7. Motorcycles, mopeds, motorscooters, motorbikes, go-carts and other similar motor vehicles

**B. Quota Determination**

Using data for voluntary business, the assignment quota for each member shall be calculated quarterly as follows:

1. Determine the total of the member's average vehicles on policies in force for the most recent four calendar quarters. "Average vehicles on policies in force" means the average of the vehicles with bodily injury liability coverage on policies in force at the end of a quarter and the vehicles on policies in force at the end of the previous quarter. The total of the average vehicles on policies in force is the sum of the average vehicles on policies in force for each of the previous four quarters.
2. Determine the total of the member's territorial credits for the most recent four calendar quarters. For each quarter, multiply the member's average vehicles in each underserved ZIP code category by the applicable credits for that ZIP code category as set out below. The sum of the credits of all categories is the total credits for that quarter. The sum of the credits for each of the most recent four calendar quarters is

ADMINISTRATION

the "territorial credits." Members may not buy or sell "territorial credits."

By rule, the Commissioner of Insurance will maintain a listing of all Texas ZIP codes indicating a category based on the degree to which a ZIP code area is "underserved".

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

Each member will receive credits for all vehicles according to the following schedule:

| Commissioner of Insurance's ZIP Code Designation | Number of Credits |
|--|-------------------|
| Category 0                                       | 0                 |
| Category 1                                       | 1                 |
| Category 2                                       | 2                 |
| Category 3                                       | 3                 |
| Category 4                                       | 4                 |

3. Determine the member's total credits for voluntary take-out activity for the most recent four quarters.
4. Determine the net total of credits bought or sold by the member for the previous four calendar quarters.
5. A member's credit-adjusted vehicle count may not go below zero for the purpose of calculating credit-adjusted quotas.
6. Calculate the credit-adjusted vehicle count for the most recent four calendar quarters. The member's credit-adjusted vehicle count is the average vehicles on policies in force minus territorial credits, take-out credits, and credits purchased from other members, plus credits sold to other members.
7. Repeat steps 1-6 for the aggregate of all members to obtain state-wide totals.
8. Calculate the credit-adjusted quota. The credit-adjusted quota is the ratio of the member's credit-adjusted vehicle count to the credit-adjusted vehicle count for all members.
9. Calculate the adjusted new business quota. Determine the member's new business quota by modifying the credit-adjusted quota to recognize the renewal premium a member is expected to write. Adjust this quota to reflect prior over or under assignments to determine the adjusted new business quota, which is the quota of state-wide new premium that is to be assigned to a member.

A member may earn credits in excess of total vehicles and may sell credits to any other member. The Association may not place restrictions on the sale of credits other than to require that the sale of such credits be within a period of time sufficient to allow the timely calculation of quarterly quotas. A member may sell any or all credits. The terms of the sale of credits sold are to be reported by members to the Texas Department of Insurance.

**C. Distribution of Private Passenger Quota Reports**

The Association will provide a quarterly report of private passenger quota calculation to members. The report to a member will list each member's credit adjusted quota, new business quota, adjustments for over/under assignments and adjusted new business quota. The Association will also make available to all members and producers upon request a list of all valid Texas ZIP

Codes separated by Category as determined by the Commissioner of Insurance.

**D. Data Corrections/Adjustments**

Insurers making corrections to data used for private passenger quota determination are to be guided by the following:

1. Corrections and adjustments to voluntary base data will be accepted for a period of 17 months from the close of the quarter.
2. Corrections for Association data will be accepted for 8 months following the close of the calendar year.

**Note:** For example, corrections for 2003 Association data will be accepted until August 31, 2004.

**E. Limited Assignment Distribution Procedure (LAD)**

This sub-section sets forth the Limited Assignment Distribution Program (LAD), which applies to private passenger automobile liability. A member which elects to be excused from assignments and thereby become an "excused member" must enter into a written agreement with an approved servicing carrier. The agreement must be approved by the Manager and will be subject to the provisions of that agreement and this program. Non-participating companies are not subject to this program and will continue to receive their normal assignments under the other provisions of this Section.

1. Any member which satisfies the requirements of Chapter 2151 Insurance Code may elect to be a servicing carrier and thereafter receive assignments in addition to its normal premium quota under the other provisions of the Plan of Operation.

To be eligible as a LAD servicing carrier, a member must:

- a. have been licensed in Texas to write automobile liability insurance for a minimum period of five years, or be currently engaged as a servicing carrier for automobile insurance plan business in at least one other state;
- b. demonstrate to the satisfaction of the Governing Committee its successful performance servicing auto mobile insurance plan business and ability to perform satisfactorily as a servicing carrier in this state;
- c. have at least \$15,000,000 Policyholder Surplus and a ratio of Net Premiums Written to Policyholder Surplus of no greater than 3 to 1 based on the most recent annual or quarterly financial statement;
- d. have applied for servicing carrier status and been approved by the Governing Committee for a specified maximum premium volume which may be assumed as a servicing carrier;

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

ADMINISTRATION

**Sec. 42. DETERMINATION AND FULFILLMENT  
OF OTHER THAN PRIVATE  
PASSENGER QUOTAS**

- e. have and maintain an A.M. Best financial rating not less than A- for a continuous three-year period;
- f. notify the Association Manager in writing within 30 days that the servicing carrier has fallen below the criteria in c. or e. above; and
- g. reapply every five years to continue as a servicing carrier.

The Governing Committee may prospectively modify the limit on the volume of assignments to be assumed by an approved servicing carrier in order to assure the ability to perform satisfactorily as a servicing carrier.

**2. Monitoring Servicing Carrier Eligibility**

The Association Manager will annually (or sooner as necessary) review the eligibility of each servicing carrier to ensure it continues to meet all eligibility requirements.

If the Association Manager determines that a servicing carrier does not continue to meet one or more of the eligibility requirements in this subsection, the Manager shall immediately notify the Governing Committee. The Governing Committee may take action as deemed necessary.

- 3. The terms of the LAD agreement, including the buy-out fee, shall be determined by negotiations between the excused member and the servicing carrier. The Governing Committee shall adopt reasonable standards for the agreement.
- 4. Upon receipt of a signed LAD agreement from the servicing carrier, the Association will transfer to the servicing carrier the assignment quota of the excused member covered under the agreement. Annually, the Association will indicate how much of the servicing carrier's contract business was needed to fulfill each excused member's quota. Any over/under assignment of the excused member will be attributed to the servicing carrier.
- 5. The servicing carrier must assume each policy of the excused member at the renewal date. At least 30 days prior to the renewal date of each policy, the excused member shall give notice to the insured that the servicing carrier will provide coverage at the renewal date for the balance of the three year assignment period. Such notice is to be given in the form prescribed by the Governing Committee. The servicing carrier shall provide a renewal offer in accordance with Section 14.A.4.  
  
When there is a termination of participation by an excused member, each servicing carrier shall continue its policies in force under this program for the remainder of the assignment period provided in Section 9.
- 6. This program does not limit in any manner the authority of the Governing Committee to make assessments on an excused member or a servicing carrier for operations of the Association.

**A. Assignment of Commercial Applications**

The Association shall assign eligible applicants classified as commercial in a random manner so that each member will receive its assignment quota. For purposes of calculating other than private passenger assignment quota, the Association shall utilize statistical data provided by the statistical agent designated by the Texas Department of Insurance as the source of information for the "net direct written premium" and "voluntary OTPP premiums" and any other information necessary to calculate the assignment quota in accordance with this section.

No applicant with a public automobile classification, other than school or church bus is to be assigned to a member which did not, during the calendar year ending December 31 of the prior year, and currently does not, write as voluntary business in this state any automobile liability insurance in such classification.

Assignment of buses and public automobiles will be made with due regard to the state insurance licenses held by the member.

A member is entitled to a credit of two dollars of premium for every dollar of premium for an assignment which is classified as a public auto, other than school or church bus.

A member which has received an assignment may return it to the Association if the member's surplus to policyholders, as determined by the latest financial statement filed with the Commissioner of Insurance, is insufficient to cover the risk. In this case, the risk shall be reassigned.

**B. Quota Determination**

The Association shall assign eligible applicants other than private passenger ("OTPP") in a random manner so that each member will receive the same portion of the OTPP premiums of the Association that its net direct "voluntary OTPP premiums" bear to the total of such "voluntary OTPP premiums" of all authorized insurers in the state.

- 1. "Net direct written premium" means gross direct premiums, less return premiums and premiums on policies not taken, without including reinsurance assumed and without deducting reinsurance ceded, but include premiums for OTPP excess of loss policies except in the case of a member which writes no basic limits automobile liability insurance. Policyholder dividends are not deemed to be return premiums.
- 2. "Voluntary OTPP premiums" means the net direct written premiums for commercial automobile bodily injury and property damage liability, personal injury protection and uninsured/underinsured motorists coverages shown on the Exhibit of Premiums and Losses of the members' Annual Statement minus the OTPP direct written premiums for those

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

coverages written by the member through the Association during the calendar year ending December 31 of the second prior year.

**C. Distribution of Other Than Private Passenger Quota Reports**

The Association will provide a quarterly report of other than private passenger quota calculation to members. The report will list each member's new business quota, adjustments for over/under assignments and adjusted new business quota.

**D. Data Corrections/Adjustments**

Insurers making corrections to data used for other than private passenger quota determination are to be guided by the following:

1. Corrections and adjustments to voluntary base data will be accepted for a period of 30 months from the close of the calendar year.

**Note:** For example, companies may submit corrections to calendar year 2003 voluntary base data until June 30, 2006.

2. Corrections for Association data will be accepted for 8 months following the close of the calendar year.

**Note:** For example corrections for 2003 Association data will be accepted until August 31, 2004.

**E. Commercial Limited Assignment Distribution Procedure (CLAD)**

This sub-section sets forth the Commercial Limited Assignment Distribution Program (CLAD) which applies to other than private passenger (OTPP) automobile liability insurance. A member which elects to be excused from assignments and thereby become an "excused member" must enter into a written agreement with an approved servicing carrier. The agreement must be approved by the Manager and will be subject to the provisions of that agreement and this program. Non-participating companies are not subject to this program and will continue to receive their normal assignments under the other provisions of this Section.

1. Any member which satisfies the requirements of Chapter 2151 Insurance Code may elect to be a servicing carrier and thereafter receive assignments in addition to its normal premium quota under the other provisions of the Plan of Operation.

To be eligible as a CLAD servicing carrier, a member must:

- a. have been licensed in Texas to write automobile liability insurance for a minimum period of five years, or be currently engaged as a servicing carrier for automobile insurance plan business in at least one other state;
- b. demonstrate to the satisfaction of the Governing Committee its successful performance servicing automobile insurance

ADMINISTRATION

plan business and ability to perform satisfactorily as a servicing carrier in this state;

- c. have at least \$15,000,000 Policyholder Surplus and a ratio of Net Premiums Written to Policyholder Surplus of no greater than 3 to 1 based on the most recent annual or quarterly financial statement;
- d. have applied for servicing carrier status and been approved by the Governing Committee for a specified maximum premium volume which may be assumed as a servicing carrier;
- e. write all classes of other than private passenger automobile liability business without restriction;
- f. have and maintain an A.M. Best financial rating not less than A- for a continuous three-year period;
- g. notify the Association Manager in writing within 30 days that the servicing carrier has fallen below the criteria in c. or f. above; and
- h. reapply every five years to continue as a servicing carrier.

The Governing Committee may prospectively modify the limit on the volume of assignments to be assumed by an approved servicing carrier in order to assure the ability to perform satisfactorily as a servicing carrier.

**2. Monitoring Servicing Carrier Eligibility**

The Association Manager will annually (or sooner as necessary) review the eligibility of each servicing carrier to ensure it continues to meet all eligibility requirements.

If the Association Manager determines that a servicing carrier does not continue to meet one or more of the eligibility requirements in this subsection, the Manager shall immediately notify the Governing Committee. The Governing Committee may take action as deemed necessary.

3. The terms of the CLAD agreement, including the buy-out fee, shall be determined by negotiations between the excused member and the servicing carrier. The Governing Committee shall adopt reasonable standards for the agreement.
4. Upon receipt of a signed CLAD agreement from the servicing carrier, the Association will transfer to the servicing carrier the assignment quota of the excused member covered under the agreement. Annually, the Association will indicate how much of the servicing carrier's contract business was needed to fulfill each excused member's quota. Any over/under assignment of the excused member will be attributed to the servicing carrier.
5. The servicing carrier must assume each policy of the excused member at the renewal date. At least 60 days prior to the renewal date of each policy, the excused member shall give notice to the



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

ADMINISTRATION

insured that the servicing carrier will provide coverage at the renewal date for the balance of the three-year assignment period. Such notice is to be given in the form prescribed by the Governing Committee. The servicing carrier shall provide a renewal offer in accordance with Section 32.A.4.

When there is a termination of participation by an excused member, each servicing carrier shall continue its policies in force under this program for the remainder of the assignment period provided in Section 25.

6. This program does not limit in any manner the authority of the Governing Committee to make assessments on an excused member or a servicing carrier for operations of the Association.

**Sec. 43. QUOTA DISTRIBUTION RESTRICTIONS**

Except as provided in Section 41.E and Section 42, distribution will be made on the basis that any applicant may be assigned to any member.

- A. An insurer is required to accept assignment to insure up to five motor vehicles. The assignment of applicants with more than five motor vehicles is subject to the following restrictions:
  1. due consideration will be given to the ability of the respective member to provide service to the applicant;
  2. no applicant will be assigned to more than one member unless it is inequitable to assign it to one member by reason of the unusual hazard or unusual accident record of the applicant;
  3. if the unusual hazard or unusual accident record of an applicant requires assignment to more than one member, no member is obligated to accept an assignment of more than five motor vehicles of that applicant.

**B. Reassignment to Prior Insurer**

Any eligible reapplicant to the Association is to be reassigned to the prior member in accordance with usual Association procedures.

**Sec. 44. QUOTA ADJUSTMENT**

The Association will adjust the current estimated assignment quota of each member quarterly to reflect the amount of Association premium which was less than or in excess of its proportionate share of the total Association premium for such quarter.

**Sec. 45. TAKE-OUT**

**A. Mandatory Offer to Write Private Passenger Risks**

Refer to Personal Automobile Part – Section 10.A. for provisions pertaining to risk eligibility, offer to write, notification, and company obligations to the insured and producer of record.

**B. Voluntary Offer to Write or the Writing of Private Passenger Risks**

Refer to Personal Automobile Part – Section 10.B for provisions applicable to voluntary offer to write by the assigned company or a company other than the assigned company.

**C. Take-Out Credits**

1. The amount of credit provided for policies written under the terms of Sections 45.A and B is as follows:
  - a. Mandatory Take-out: No credit given
  - b. Voluntary Take-out: 2.0 credits for each average vehicle on policies in-force written in accordance with Section 45.B. However, no credit shall be given to the assigned insurer which voluntarily writes its own assigned risk within 6 months of eligibility for mandatory takeout.

Credits are applied to the insurer's assignment quota by subtracting the insurer's total credits from the average vehicles for the most recent four quarters in accordance with Section 41.

The take-out credits allowed under this Section are cumulative with other credits provided under Section 41. The take-out credits shall be applied for four quarters.

An insurer may earn excess take-out credits and may sell take-out credits to any other insurer in accordance with Section 41.

2. All of the following requirements must be met:
  - a. The insurer must provide the proper notification to the producer of record as specified in Sections 10.A.3 and 10.B.3.
  - b. The voluntary policy must remain in effect for at least 60 days.
  - c. The take-out policy must be written at rates below the rates in effect for the Association at the time the take-out policy becomes effective.
  - d. To claim for voluntary take-out, the insurer must submit an approved reporting form to the Texas Department of Insurance and the Association or its designee quarterly for all policies qualifying during the calendar quarter. The report is due 30 days following the end of the quarter. An insurer is required to submit supporting data up on request to the Texas Department of Insurance or the Association.

**D. Failure to Comply with the Provisions of this Section**

If the Governing Committee finds that any insurer without good cause is not complying with the provisions of this Section, it shall notify the Texas Department of Insurance commissioner's designee.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

ADMINISTRATION

**Sec. 46. RESERVED FOR FUTURE USE**

**Sec. 47. GENERAL PROVISIONS**

**A. Assignments**

1. Assignment Exceptions

There are no exceptions to the type or class of insurance assigned to a member other than as provided in Section 42.A. The Association may not agree with a member to refrain from making assignments in any territory or area of the state.

2. Assignment Suspensions

Assignments to a member may not be suspended for any period of time for any reason without approval by the Manager and notice to the Governing Committee. Assignments will only be suspended if:

a. Being Grouped

b. Being in a buyout (LAD/CLAD)

c. Not writing Public Autos (Excludes Church and School Buses)

d. Other miscellaneous reasons, TDI declares that a company may not write policies: when they are in "Receivership" either for "Rehabilitation" or "Permanent", or have "Disciplinary Actions"

3. If assignments to a member are suspended, the Manager will notify the Texas Department of Insurance deputy commissioner of the Property and Casualty Division, or the deputy commissioner's designee, within five business days.

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.

**Commented [DD30]:** Need more detail.

**Commented [ML31]:** TAIPA's Current Restriction Procedure  
Approved at 10/27/10 Gov. Comm. Mtg.

**Commented [DD32]:** Recommend clarifying the suspension process and providing notice to TDI.

**B. Mergers and Consolidation of Insurers**

If a member merges with another member or there is a consolidation of members, the continuing member is to receive the assignments and assessments of the member merged or consolidated until the quota of such merged or consolidated member as established by its writings prior to such merger or consolidation has been filled. The continuing member may be relieved from such obligations if another member agrees, in a manner satisfactory to the Governing Committee, to assume such obligations.

**C. Insurer Groups**

A group of members under the same ownership may elect to be treated as a single member to receive assignments and assessments.

**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.

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ADMINISTRATION

**Sec. 48. RULES AND RATE DETERMINATION**

All insureds assigned under the Plan of Operation shall be subject to the classifications, rules, rates, rating plans, and minimum premiums filed with the Texas Department of Insurance by the Association and approved by the Commissioner of Insurance. A policy fee may not be charged by an insurer.

**Sec. 49. CONSUMER BILL OF RIGHTS**

All insurers writing personal automobile insurance policies must provide with each new policy of personal auto insurance a copy of the "Consumer Bill of Rights for Personal Automobile Insurance promulgated by the Texas Department of Insurance." The Consumer Bill of Rights shall accompany each renewal notice for personal automobile insurance unless the current version of the Bill of Rights has been previously provided to the insured by the insurer. The Bill of Rights must appear in no less than 10-point type and be on separate pages with no other text on those pages. The Spanish language version of the Consumer Bill of Rights promulgated by the Texas Department of Insurance must be provided to any consumer who requests it from the company.

**Sec. 50. AUTOMOBILE THEFT  
PREVENTION AUTHORITY  
PASS THROUGH FEE**

Chapter 1006 of the Texas Transportation Code requires each insurer to pay a fee per motor vehicle year to the Motor Vehicle Crime Prevention Authority. An insurer may recoup this fee from the policyholder. Any insurer recouping the fee from the policyholder must provide a notice to the policyholder pursuant to applicable statute, administrative rule, or as may be approved by the Texas Department of Insurance.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

ADMINISTRATION

**Sec. 51. RESERVED FOR FUTURE USE**

**Sec. 52. RIGHT OF APPEAL**

- A. The Governing Committee may hear any appeal from an applicant, insured, producer or insurer on a matter pertaining to the administration of the Association. Each notice of cancellation or denial of insurance under the provisions of the Association shall contain or be accompanied by a statement that the insured or applicant has a right of appeal to the Governing Committee. The Association shall promptly notify the insured or applicant, and the insurer and producer of the disposition of the appeal. The action of the Governing Committee may be appealed to the Commissioner of Insurance.
- B. In no event shall an appeal operate as a stay of cancellation pending resolution of the appeal by the Governing Committee or Commissioner of Insurance. If the Governing Committee or Commissioner of Insurance refuses to sustain a cancellation or denial of coverage, the insurer shall either issue a new policy or reinstate the former policy, with an effective date as determined by the Governing Committee or Commissioner of Insurance.
- C. If a new policy is to be issued, upon receipt of the proper premium deposit or outstanding premium balance from the applicant or insured within 30 days after the determination of the appeal, the insurer shall issue a policy or binder within two working days, reflecting no lapse in coverage.
- D. In the event of a reinstatement of a policy previously issued by the insurer, upon receipt of the outstanding premium balance due to date from the insured within 30 days after the determination of the appeal, the insurer shall issue a reinstatement of the policy within two working days using the cancellation date as the reinstatement effective date.
- E. The Governing Committee may form a subcommittee to review any appeal and to make recommendations to the Governing Committee with regard to such appeal.

**Sec. 53. IMMUNITY AND INDEMNIFICATION**

**A. Immunity**

Chapter 2151 Insurance Code, provides that the Association, a member of the Governing Committee, and any employee of the Association is not personally liable for any act performed in good faith within the scope of the person's authority as determined under that article or the Plan of Operation or for damages occasioned by his or her official acts or omissions except for an act or omission that is corrupt or malicious. The Association shall provide counsel to defend any action brought against a member of the Governing Committee or any employee by reason of the person's official act or omission whether or not at the time of the institution of the action the defendant has terminated service with the Association.

**B. Indemnity**

In addition to providing counsel as required by statute, the Association shall indemnify any present or former officer, member of the Governing Committee or any subcommittee, employee, ~~or agent or member of the Association or its predecessor~~ against judgments, penalties, fines, settlements, and reasonable expenses incurred by the person in connection with any proceeding in which the person was, is, or is threatened to be made a named defendant or respondent in litigation or other proceeding because a person is or was a member of the Governing Committee or any subcommittee, officer, employee or agent of the Association or its predecessor. ~~Alternate public and producer members are also covered by this Section.~~

**C. Procedures for Indemnification**

1. All requests for indemnification under this section shall be reviewed by the Governing Committee. Legal expenses exceeding \$5000 in a single matter must be reviewed and approved by the Governing Committee in advance. Indemnification shall be provided upon the request of the person ~~or member~~ unless the Governing Committee finds any of the following:

a. that the person seeking indemnification is not legally entitled to be indemnified;

b. indemnification is sought for unreasonable legal expenses;

c. ~~The Governing Committee may withhold indemnity only if it believes that the act or omission of the person or member seeking indemnity, which forms the basis of the complaint against such person or member, was:~~

i. not in good faith;

ii. not within the scope of the person's authority under law, from the Plan of Operation or from direction of the Association; or

iii. corrupt or malicious.

2. The Association may elect to defend, pay, or otherwise dispose of any claim and will promptly advise the person ~~or member~~ seeking indemnification of its election. Any settlement of any claim must be made with the prior approval of the Governing Committee in order for the indemnification under this section to be available.

3. A person ~~or member~~ seeking to be indemnified under the provisions of this section shall promptly notify the Association of any demand or suit giving rise to a claim for indemnity.

4. The cost of fulfilling the obligations of the Association under this section shall be apportioned in the same manner as Cost of Administration under Section 37 among all members, ~~including the member or members named in the claim which is the basis of the claim for indemnification.~~

**Commented [DD33]:** While TIC 2151.056 provides that the association shall provide counsel for members of the governing committee and employees, this section extends indemnification beyond legal fees and also extends it to member companies. Recommend eliminating indemnification to member companies because of the risk of making the association liable to indemnify insurers for traditional lawsuits by their TAIPA policyholders. Also recommend strengthening review of indemnification by the board.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
PLAN OF OPERATION

ADMINISTRATION

**Sec. 54. PRODUCER CERTIFICATION PROGRAM**

The Governing Committee of the Association shall certify qualifying insurance producers licensed to transact property and casualty insurance in Texas to submit applications to the Association on behalf of their clients. A producer requesting certification must provide proof that he/she holds a valid Texas license as a general property and casualty agent, a personal lines property and casualty agent, a limited property and casualty agent, or a county mutual agent, and must agree to abide by the Performance Standards for Producers and the rules and procedures of the Association. A Personal Lines Property and Casualty licensed producer may only submit applications for Personal Automobile Policy coverage and may not submit applications for Business Automobile Policy coverage. The producer must include a copy of his/her General Lines or

Personal Lines Property and Casualty License, Limited Lines – Property and Casualty License, or County Mutual Agent License with the Application for – Certification. All changes of address and renewal licenses must also be submitted to the Association. Producer information on an application for insurance that does not match the Association's Producer Certification records may result in the loss of commission on that application.

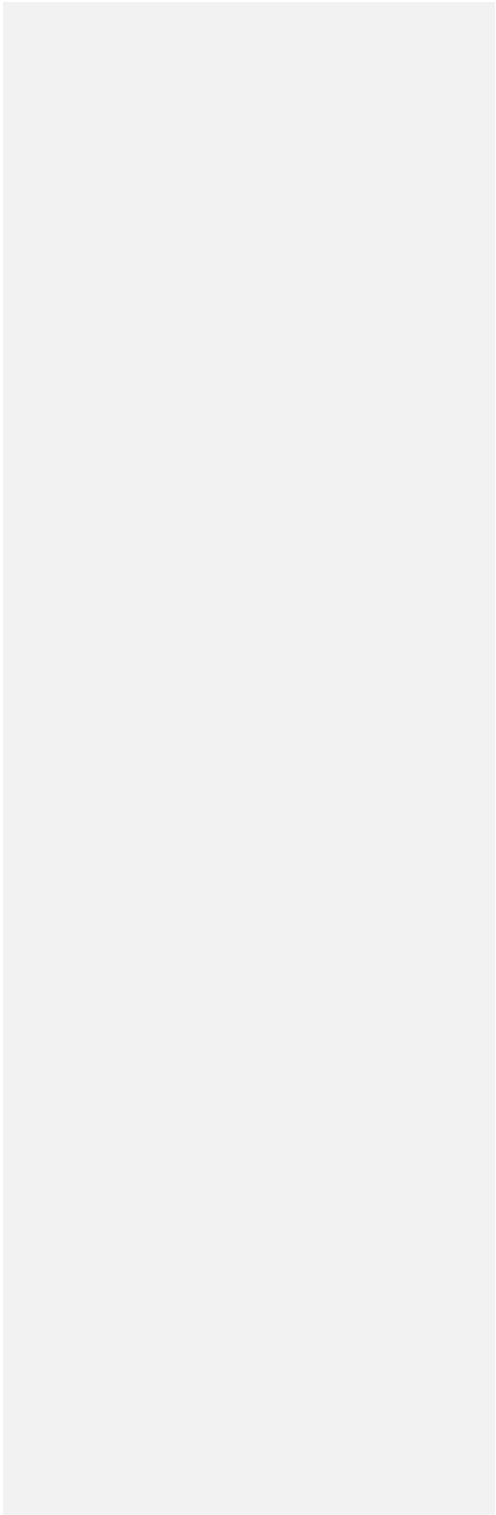
The Governing Committee, or its designated subcommittee, shall be responsible for creating and establishing a Producer Procedures Course and for developing an instructor's manual for use in presentation of such course. Attendance at such course is suggested but not required. Any subsequently revoked producer who makes an application for re-certification at the conclusion of his/her revocation period must complete the course.

**Sec. 55. RESERVED FOR FUTURE USE**

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PLAN OF OPERATION

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ADMINISTRATION

EFFECTIVE DATE OF AMENDMENT

**PERSONAL AUTOMOBILE PART**

|         |                         |
|---------|-------------------------|
| Sec. 1  | December 1, 2004        |
| Sec. 2  | February 15, 2008       |
| Sec. 3  | Reserved for Future Use |
| Sec. 4  | Reserved for Future Use |
| Sec. 5  | January 3, 2011         |
| Sec. 6  | November 9, 2018        |
| Sec. 7  | August 1, 2015          |
| Sec. 8  | Reserved for Future Use |
| Sec. 9  | November 21, 2016       |
| Sec. 10 | December 1, 2004        |
| Sec. 11 | December 1, 2004        |
| Sec. 12 | Reserved for Future Use |
| Sec. 13 | December 1, 2004        |
| Sec. 14 | November 9, 2018        |
| Sec. 15 | August 1, 2015          |
| Sec. 16 | Reserved for Future Use |

**ADMINISTRATIVE PROVISIONS**

|         |                         |
|---------|-------------------------|
| Sec. 35 | November 21, 2016       |
| Sec. 36 | February 26, 2009       |
| Sec. 37 | December 1, 2004        |
| Sec. 38 | December 2, 2005        |
| Sec. 39 | December 1, 2004        |
| Sec. 40 | Reserved for Future Use |
| Sec. 41 | April 9, 2010           |
| Sec. 42 | April 9, 2010           |
| Sec. 43 | December 1, 2004        |
| Sec. 44 | December 1, 2004        |
| Sec. 45 | December 1, 2004        |
| Sec. 46 | Reserved for Future Use |
| Sec. 47 | November 21, 2016       |
| Sec. 48 | December 1, 2004        |
| Sec. 49 | December 1, 2004        |
| Sec. 50 | January 9, 2015         |
| Sec. 51 | Reserved for Future Use |
| Sec. 52 | December 1, 2004        |
| Sec. 53 | February 26, 2009       |
| Sec. 54 | February 15, 2008       |
| Sec. 55 | Reserved for Future Use |

**COMMERCIAL AUTOMOBILE PART**

|         |                         |
|---------|-------------------------|
| Sec. 17 | December 1, 2004        |
| Sec. 18 | December 1, 2004        |
| Sec. 19 | Reserved for Future Use |
| Sec. 20 | Reserved for Future Use |
| Sec. 21 | January 3, 2011         |
| Sec. 22 | August 1, 2015          |
| Sec. 23 | August 1, 2015          |
| Sec. 24 | Reserved for Future Use |
| Sec. 25 | November 21, 2016       |
| Sec. 26 | Reserved for Future Use |
| Sec. 27 | Reserved for Future Use |
| Sec. 28 | December 1, 2004        |
| Sec. 29 | Reserved for Future Use |
| Sec. 30 | Reserved for Future Use |
| Sec. 31 | December 1, 2004        |
| Sec. 32 | January 3, 2011         |
| Sec. 33 | August 1, 2015          |
| Sec. 34 | Reserved for Future Use |

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# Exhibit 9



## **Texas Automobile Insurance Plan Association (TAIPA)**

### **Request for Proposal (RFP)**

#### ***Independent Financial Audit and Advisory Services***

---

#### **Introduction**

Texas Automobile Insurance Plan Association (TAIPA) is requesting proposals from qualified Certified Public Accountants (CPAs) or CPA firms to perform annual independent financial audits and provide related advisory services. The selected firm will work closely with TAIPA's Association Manager, Manager of Operations/Financial Management and Governing Committee to ensure compliance with applicable laws and best financial practices. The Operation Subcommittee will review all proposals and intends to select finalists to present to the Governing Committee. The Committee reserves the right to reject all proposals.

If you are interested in providing such services, please submit your proposal no later than July 21, 2025 via email to [sdutton@taipa.org](mailto:sdutton@taipa.org) and mail to:

Stacy Dutton  
(Personal & Confidential)  
Association Manager  
Texas Automobile Insurance Plan Association  
P.O. Box 162890  
Austin, TX 78716-2890

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#### **Timeline for RFP Process**

*June 26, 2025 Release RFP to interested parties*

*June 27, 2025 – July 11, 2025 Interested parties submit questions to TAIPA and answers are provided*

*July 21, 2025 RFP's must be submitted to TAIPA*

July 21-31, 2025 Staff reviews submissions and creates RFP review packets for subcommittee

August 1: Staff provides qualified RFPs to Ops subcommittee for review and selection of finalists and finalists are submitted to Governing Committee

---

## **The Organization**

TAIPA is a corporate entity created under Texas Insurance Code, Chapter 2151. Its primary function is to assign automobile liability insurance to individuals unable to secure it in the voluntary market. The organization operates on a daily basis under its Plan of Operation which is approved by the Texas Department of Insurance (“TDI”).

Key facts about TAIPA:

- Membership includes all insurance companies authorized to write automobile liability insurance in Texas.
- Each member must accept assignments of insurance from TAIPA at rates promulgated by the Texas Commissioner of Insurance.
- The Governing Committee is made up of 15 members:
  - 8 insurer members
  - 5 public members
  - 2 licensed General Lines or Personal Lines Property and Casualty Agents
- TAIPA is subject to the Open Meetings Act.

For conflict-of-interest considerations, a list of Governing Committee members is attached to this RFP.

---

## **Description of Duties**

The selected financial auditor will be expected to provide services including but not limited to:

### **1. Annual Financial Audit**

- Conduct annual independent audits in accordance with Generally Accepted Auditing Standards (GAAS) and GAAP.
- Prepare and present audited financial statements and reports to TAIPA’s Governing Committee at Governing Committee Meeting including:

## **2. Regulatory Compliance**

- Ensure compliance with state and federal regulations applicable to nonprofit corporate entities.

## **3. Internal Controls Review**

- Evaluate TAIPA's internal control systems and provide recommendations for improvements.

## **4. Advisory Services**

- Offer financial guidance on accounting procedures, reporting changes, and tax obligations.
- Advise TAIPA on financial implications of operational decisions.
- Review TAIPA financials periodically
- Prepare annual journal entries for TAIPA's pension plan, deferred lease benefit, etc.

## **5. Reporting**

- Prepare and file TAIPA's 990 form

## **6. Record Retention and Access**

- Maintain documentation in accordance with applicable retention policies and provide access to supporting records as needed.

---

## **Qualifications**

Proposals should demonstrate the following qualifications:

- CPA licensure in the State of Texas
- Experience conducting audits for similar nonprofit, quasi-governmental, or insurance-related organizations
- Familiarity with public accountability standards
- Proven record of delivering accurate, timely, and actionable financial reports

- Strong communication and presentation skills
  - Capacity to advise on accounting best practices and process improvements
- 

### Proposal Requirements

Please include the following in your submission:

- **Firm Background:** Overview of firm history, size, and areas of specialization
  - **Key Personnel:** Biographies of lead auditors and team members
  - **Experience:** Details of relevant experience and examples of prior audit work
  - **References:** Contact information for at least three recent audit clients
  - **Audit Approach:** Description of proposed audit methodology and timeline
  - **Fee Structure:** Breakdown of hourly rates, estimated costs, and any retainer requirements
- 

### Submission Guidelines

- **Deadline:** July 21, 2025
  - **Submission Format:** Proposals must be submitted via [email and hard copy]
  - **Contact:** Stacy Dutton, Association Manager, at [sdutton@taipa.org](mailto:sdutton@taipa.org) or 512-531-7271
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### Evaluation and Timeline

- **Proposals Reviewed:** Following review and consideration of all proposals by the Operation Subcommittee and finalists will be submitted to the TAIPA Governing Committee.
  - **Final Selection:** TAIPA Governing Committee will make the final selection.
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### Terms and Conditions

- TAIPA reserves the right to accept or reject any or all proposals.
- All submissions will be treated as confidential.

- The organization may amend or withdraw this RFP at any time.

| <b>RFP Requirement</b>                    | <b>Details from RFP</b>   | <b>Atchley &amp; Associates Response</b>   | <b>Aprio LLP Response</b>  | <b>Alignment/Notes</b>   |
|---|---|--|--|--|
| <b>Scope of Services</b>                  | Annual GAAS/GAAP audit; regulatory compliance; internal control review; advisory services; journal entries for pensions/benefits; Form 990 preparation. | Provides full audit and tax services including Form 990; uses risk-based audit approach; management letter with recommendations; ongoing advisory support. | Provides audit, tax, and broad advisory services; adds cybersecurity, risk management, benefit plan consulting; serves 900+ exempt organizations.  | Both meet scope; Aprio adds broad advisory; Atchley more focused on local personalized service.  |
| <b>Experience &amp; Qualifications</b>    | CPA licensure in Texas; experience with nonprofit/quasi-governmental audits; familiarity with public accountability standards.                          | Austin-based firm; 60% nonprofit/government audits; CPA-licensed; strong local experience; peer review pass rating.  | National top 25 CPA firm; 2,100+ staff; 300+ nonprofit audits annually; deep 501(c)(6) experience; thought leadership and industry involvement.  | Both exceed qualifications; Aprio offers broader national reach; Atchley offers strong local specialization.   |
| <b>Approach &amp; Methodology</b>         | Clear audit methodology, communication plan, contingency coverage; ability to advise on compliance improvements.  | Risk-based approach with planning, testing, balances, reporting; continuous communication; year-round relationship focus.                                  | Phased audit timeline (planning in Nov, fieldwork in Mar, reporting in May); integrates tax team; offers year-round updates and risk advisory.   | Both align; Aprio integrates more tech/risk advisory; Atchley emphasizes relationship and local continuity.  |
| <b>Governance &amp; Board Interaction</b> | Present findings to Governing Committee; advise on financial implications and compliance.   | Presents audited statements and management letters to Board; proactive recommendations for governance improvements.  | Regular interaction with executives/Board; provides training for board members on financial best practices; leadership support and policy improvement.   | Both cover governance; Aprio includes board training; Atchley provides proactive recommendations but less formal training.   |
| <b>Fee Structure</b>                      | Provide hourly rates and total cost estimates for services.   | Audit: \$15,000 to \$16,000;<br>Form 990: \$3,250;<br>Rates for Ad Hoc Assistance (hourly):<br>Partner \$450<br>Manager \$255<br>Staff \$150 to \$160      | Audit: \$23,000 to \$24,000;<br>First Year Audit Procedures \$1500<br>Form 990: \$3750 to \$4,000;<br>Rates for Ad Hoc Assistance (hourly):<br>Partner \$530 to \$580;<br>Director \$460 to \$510<br>Staff/Senior \$230 to \$320;<br>5% tech overhead fee on services - charged on all invoices. So \$24,000 audit costs would be \$25,200.<br>Direct out-of Pocket expenses | Atchley significantly lower fees; Aprio higher cost with added service depth and tech focus.<br>*Atchley is our current vendor, obviously knows us and our business. Atchley also doesn't charge us for questions that don't take a lot of time or research to answer.<br>*Aprio has offices in Austin and San Antonio so we would have local people - but Greg would be the partner. As a plus, they have |

|                                  |  |   |  |   |
|----------------------------------|--|---|--|---|
|                                  |  |   |  | used TAIPA's Sage software and they use Suralink as a means of communicating and receiving audit information and TAIPA staff is familiar with this since this is what Atchley uses. |
| <b>Additional Considerations</b> | Ensure independence, conflict-of-interest checks, and relevant peer review compliance. | Confirms independence; peer review compliance; focus on long-term client relationships and tailored services. | Confirms independence; peer review rating pass with deficiency (SOC 2 only); broad additional services (outsourced accounting, tech advisory). | Both confirm independence; Aprio offers more ancillary services; Atchley highlights peer review and long-standing nonprofit focus.  |

# Exhibit 10



## **Texas Automobile Insurance Plan Association (TAIPA)**

### **Request for Proposal (RFP)**

#### **Legal Services**

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##### **Introduction**

The Texas Automobile Insurance Plan Association (TAIPA) seeks proposals from qualified attorneys or law firms to provide comprehensive legal services as outlined in the Description of Duties in this RFP. Proposals will be evaluated alongside others and presented to TAIPA's Operation Subcommittee and ultimately to the TAIPA Governing Committee. The Operation Subcommittee will review all proposals and intends to select finalists to present to the Governing Committee. The Committee reserves the right to reject all proposals.

If you are interested in providing such services, please submit your proposal no later than July 21, 2025 via email to [sdutton@taipa.org](mailto:sdutton@taipa.org) and mail to:

Stacy Dutton  
(Personal & Confidential)  
Association Manager  
Texas Automobile Insurance Plan Association  
P O Box 162890  
Austin TX 78716-2890

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##### **Timeline for RFP Process**

*June 26, 2025 Release RFP to interested parties*

*June 27, 2025 – July 11, 2025 Interested parties submit questions to TAIPA and answers are provided*

*July 21, 2025 RFP's must be submitted to TAIPA*

July 21-31, 2025 Staff reviews submissions and creates RFP review packets for subcommittee

August 1: Staff provides qualified RFPs to Ops subcommittee for review and selection of finalists and finalists are submitted to Governing Committee

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##### **The Organization**

TAIPA is a corporate entity created under Texas Insurance Code, Chapter 2151. Its primary function is to assign automobile liability insurance to individuals unable to secure it in the voluntary market.

The organization operates on a daily basis under its Plan of Operation which is approved by the Texas Department of Insurance (“TDI”).

Key facts about TAIPA:

- Membership includes all insurance companies authorized to write automobile liability insurance in Texas.
- Each member must accept assignments of insurance from TAIPA at rates promulgated by the Texas Commissioner of Insurance.
- The Governing Committee is made up of 15 members:
  - 8 insurer members
  - 5 public members
  - 2 licensed General Lines or Personal Lines Property and Casualty Agents
- TAIPA is subject to the Open Meetings Act.

For conflict-of-interest considerations, a list of Governing Committee members is attached to this RFP.

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## **Description of Duties**

The selected legal counsel or firm will perform the following duties:

### **1. General Legal Services**

- Conduct general legal research and draft memoranda as directed by the Governing Committee or TAIPA Association Manager.
- Assist in amending the Plan of Operation when necessary, including filing of amendments with the TDI, ensuring the updated plan when approved, and communicating issues related to compliance as appropriate.

### **2. Texas Open Meetings Act (TOMA) Compliance**

- Provide legal advice related to compliance with TOMA.
- Monitor and notify TAIPA leadership of any statutory changes or agency interpretations to TOMA that may require changes to existing internal or external procedures.

### **3. Legislative and Regulatory Representation**

- Represent TAIPA on matters before the Texas Department of Insurance and the Texas Legislature concerning legislation or proposed rules that impact TAIPA.
- Monitor and report on proposed legislation and rules that could impact TAIPA operations.

- If necessary, lobby on behalf of TAIPA and represent TAIPA in legislative hearings or rulemaking by providing necessary testimony or participating in stakeholder meetings.

#### **4. Rate-Making Procedures**

- Provide legal representation for TAIPA in rate-making procedures before the State Office of Administrative Hearings and the Commissioner of Insurance, as directed by the Governing Committee.
- Assist TAIPA's actuary in obtaining data from TDI for rate filing purposes.
- Coordinate with TAIPA staff to prepare, sign, and submit filings to the Commissioner of Insurance. Assist in responding to filing-related inquiries from the Texas Department of Insurance (TDI).
- Report the status of filings at each Governing Committee meeting and as needed to TAIPA staff.

#### **5. Operational and Employment Legal Advice**

- Offer legal guidance on operational, contractual, or employment matters as requested by the Governing Committee, subcommittee or Association Manager.

#### **6. Litigation Representation**

- Represent TAIPA in litigation initiated by or against the organization, whether by insureds, producers, or other entities including regulatory entities.
- Supervise any outside counsel hired to assist with litigation on behalf of TAIPA.

#### **7. Meeting Attendance and Legal Advice**

- Attend and provide legal advice at all TAIPA Governing Committee meetings (approximately three per year) and subcommittee meetings as requested by the Governing Committee or TAIPA Association Manager.

#### **8. Publications and Correspondence**

- Review and provide comments on TAIPA publications, communications, bulletins, and pertinent correspondence prior to their distribution, as requested.

#### **9. Statutory and Regulatory Interpretation**

- Interpret applicable statutes, regulations, and case law as they pertain to or affect TAIPA.

#### **10. Contractual Review**

- Review and advise TAIPA management on contracts, leases, or licenses required by TAIPA.

#### **11. Producer Review Panel Support**

- Attend Producer Review Panel meetings and prepare the minutes for each meeting, as established in the Plan of Operation.

## **12. Appeals Assistance**

- Provide legal assistance for appeals to the Governing Committee, as requested, and outlined in the Plan of Operation.

## **13. Meeting Agendas, Exhibits, and Minutes**

- Provide TAIPA staff a list of items that Counsel wants to discuss at upcoming meetings as well as any applicable exhibits.
- Provide guidance to TAIPA staff for Governing Committee meetings and subcommittee meetings to ensure compliance with TOMA on agenda posting, item description, access, related exhibits, and executive sessions.
- Review Governing Committee and Subcommittee meeting minutes.

## **14. Special Assignments**

- Perform additional duties and tasks as specifically assigned by the Governing Committee or TAIPA Association Manager.

## **Qualifications**

The ideal candidate or firm will demonstrate:

### **Proven Expertise in Relevant Areas**

- Substantial Experience in insurance law, business law, litigation regulatory and legislative advocacy.
- At least ten years as a practicing attorney.
- Knowledge of Texas insurance law, including regulations related to rate-making and automobile liability insurance.
- Experience representing organizations in legislative, administrative settings, and regulatory matters, with a strong understanding of lobbying and compliance requirements.

### **2. Effective Communication and Collaboration**

- Ability to provide legal advice clearly and to collaborate effectively with governing bodies, committees, and management both orally and in written formats.

### **3. Organizational Governance Experience**

- Experience working with corporate boards, governing committees, or associations.

## Proposal Requirements

- **Firm/Attorney Background:** Overview of the firm's history and attorney profiles.
  - **Experience:** Details of relevant legal, litigation, and lobbying experience.
  - **Approach:** Outline the methodology for addressing TAIPA's needs, including contingency plans for attorney coverage during absences (e.g., due to illness or other unforeseen circumstances).
  - **Fee Structure:** Hourly rates, retainer options, and cost estimates.
  - **Lobbying:** If not already registered to lobby, be willing to register as a lobbyist.
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| <b>RFP Requirement</b>                 | <b>Details from RFP</b>  | <b>Foley &amp; Lardner<br/>Response</b>   | <b>Mitchell<br/>Williams<br/>Response</b>  | <b>Alignment/Notes</b>  |
|--|--|---|--|---|
| <b>Scope of Services</b>               | Comprehensive legal services: general legal, TOMA compliance, legislative/regulatory representation, rate-making, operational/employment advice, litigation, meeting attendance, publications review, contractual interpretation, producer panel support, appeals assistance, and special assignments. | Offers broad general counsel services with Texas and national insurance expertise; includes litigation, compliance, legislative lobbying, employment law, and governance support. | Addresses all RFP service areas; emphasizes representation of quasi-governmental entities; deep Texas regulatory focus.                      | Both meet or exceed scope; Foley offers national reach; Mitchell Williams highlights Texas regulatory and quasi-governmental experience.      |
| <b>Experience &amp; Qualifications</b> | At least 10 years of legal practice; expertise in insurance, business, litigation, and legislative advocacy; knowledge of Texas insurance law and lobbying experience.   | Firm with 1,100 lawyers, deep Texas presence; lead attorneys with 10+ years of insurance regulatory and legislative experience, including government roles.                       | 70-year-old firm; multiple former TDI regulators and in-house counsel; extensive insurance regulatory and legislative experience.            | Both exceed qualifications; Foley provides broader national resources; Mitchell Williams offers deep insurance-specific regulatory expertise. |
| <b>Approach &amp; Methodology</b>      | Outline methodology for addressing TAIPA's needs, including contingency plans for attorney coverage and ongoing communication with committees.   | Proposes onboarding meetings, lean staffing, cost-efficiency, and continuity planning with national resources.  | Primary attorney with backups; deep bench for coverage; proven service to similar quasi-governmental clients.                                | Both align; Foley adds detailed onboarding; Mitchell Williams emphasizes redundancy and proven state-level regulatory support.                |
| <b>Governance &amp; Board Support</b>  | Attend Governing Committee and subcommittee meetings; provide agenda/minute review and ensure TOMA compliance; support producer review panels and appeals.   | Provides governance support: meeting attendance, agenda/minute prep, ethics programs, and board evaluations beyond RFP baseline.  | Experienced in governance for quasi-governmental clients (TIGA, Surplus Lines Stamping Office); ensures TOMA compliance and meeting support. | Both cover governance; Foley adds corporate best practices; Mitchell Williams focuses on proven compliance in quasi-governmental settings.    |

|  |  |  |   |  |
|--|--|--|---|--|
| <b>Legislative &amp; Regulatory Representation</b> | Represent TAIPA before TDI and Legislature; monitor and report on proposed rules and legislation; provide testimony; support rate-making procedures and filings. | Deep experience with TDI, Legislature, and NAIC; strong advocacy and compliance support.   | Strong Texas legislative advocacy; multiple attorneys with lobbying experience; includes a registered lobbyist.   | Both exceed; Foley brings NAIC connections. Foley's designated attorney is a lobbyist; Mitchell Williams provides direct Texas lobbying with registered lobbyists. |
| <b>Fee Structure</b>                               | Provide hourly rates, retainer options, and cost estimates for legal services.   | Hourly rates<br>Of Counsel \$775<br>Special Counsel \$765<br>Associate \$615<br>discounted and flexible with alternative arrangements. | Hourly rates from \$250 to \$900 for attorney<br>Member \$508 discounted from \$565<br>Counsel \$472 discounted from \$525<br>Counsel \$810 discounted from \$900<br>Associate \$225 discounted from \$250<br>Paralegal rates \$149 discounted from 165 | Mitchell Williams offers lower rates; Foley is slightly higher but flexible; cost predictability may favor Mitchell Williams.                                      |
| <b>Additional Considerations</b>                   | Ensure confidentiality, conflict-of-interest awareness, and willingness to register as lobbyists if required.  | Confirms confidentiality and lobbying capability; does not explicitly confirm registration readiness.                                  | Explicitly states willingness to register as lobbyists; confirms confidentiality and has registered lobbyists on team.  | Both Foley and Mitchell Williams explicitly meets lobbying registration requirement.   |