

Texas Automobile Insurance Plan Association Governing Committee Meeting
Friday, April 1, 2016 - 9:00 A.M.
Austin Marriott South, 4415 S. IH-35 Frontage Rd., Austin, TX 78744
Dress: Business Casual

1. Call to Order
2. Introductions
3. Reading of the Anti-Trust Statement
4. Election of Officers
5. Review and Approval of the Minutes of the November 20, 2015 Meeting (Exhibit 1)
6. Manager's Report
 - A. Application Count Update
 - a. Year End 2015 (Exhibit 2)
 - b. As of February 2016 (Exhibit 3)
 - B. Financial Update
 - a. Year End 2015 (Exhibit 4)
 - b. As of January 2016 (Exhibit 5)
 - C. Application System Update
 - D. Conflict of Interest Policy
7. Strategic Planning Subcommittee Report
 - A. Current Staffing
 - B. 2016 Recommendations
 - C. Enterprise Risk Management (Exhibit 6)
8. Audit/Finance Committee Report
 - A. Audit Engagement Letter (Exhibit 7)
9. Operations Subcommittee Report
 - A. Over/Under Report (Exhibit 8)
 - B. Plan of Operation Filing Due to Senate Bill 956: Delivery of Insurance Policies (Exhibit 9)
 - C. TAIPA Procedure Changes Due to Senate Bill 956
10. Report of Counsel
 - A. Pending Plan of Operation Filing: Refunds for Cancellations
 - B. TAIPA Rates
11. Next Meeting—August 19, 2016 (To be held by teleconference)
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.

TAIPA Governing Committee Meeting
November 20, 2015

**TAIPA GOVERNING COMMITTEE MEETING MINUTES
NOVEMBER 20, 2015 AT 9:00 AM
AUSTIN MARRIOTT SOUTH**

ATTENDEES:

VOTING MEMBERS:

Mary Carol Awalt, Public Member
Bill Brooks, Texas Farm Bureau Casualty
George Cooper, State Farm
Kevin Curry, Travelers (Via teleconference)
Alisha Darden, Public Member Alternate
Pete Hamel, Producer Member
Laura Hausman, Public Member (Via teleconference)
Carmelita Hogan, Public Member
Stephen Hylka, Liberty Mutual/Safeco (Via teleconference)
Becky Jackson, Public Member
Dick Lonquist, Public Member
Corise Morrison, USAA
Adam Payton, Producer Member
Thomas Rolling, Farmers (Chair)
Jim Rowland, Allstate
David Weber, Hochheim Prairie

COUNSEL:

Mike Jones, Thompson, Coe, Cousins & Irons

TAIPA STAFF:

Nicole Morgan (Minute Taker)
Stacy Midkiff

OTHERS:

Doug Beck, Farmers (Via teleconference)
Marianne Baker, TDI
John Lusardi, Assigned Risk Solutions, Ltd. (Via teleconference)
Ramon Montalvo, Producer Member Alternate
David Nardecchia, OPIC (Via teleconference)
Lynda Von Quintus, AAA (Via teleconference)

ITEM 1: CALL TO ORDER

Thomas Rolling called the meeting to order at 9:00 AM.

ITEM 2: READING OF ANTI-TRUST STATEMENT

Nicole Morgan read the Anti-Trust Statement:

TAIPA Governing Committee Meeting
November 20, 2015

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

ITEM 3: INTRODUCTIONS AND WELCOMING NEW MEMBERS

Introductions were made.

ITEM 5: RECOGNITION OF FRED STRAUSS’S SERVICE TO TAIPA

Fred Strauss has retired from Allstate. He was recognized for his service as a Governing Committee member from 2006-2015. Fred also served on several subcommittees, and was instrumental in developing TAIPA’s new ratemaking methodology.

ITEM 6: RECOGNITION OF KIT MORRIS’S SERVICE TO TAIPA

Kit Morris has left the Governing Committee. She was recognized for her service as a Governing Committee member from 2007-2015. Kit also served on several subcommittees, including as Chair of the Producer Review Panel.

ITEM 6: REVIEW AND APPROVAL OF THE MINUTES OF THE AUGUST 21, 2015 MEETING (EXHIBIT 1)

It was moved by Pete Hamel and seconded by Adam Payton to:

“Approve the minutes.”

The motion carried with 12 in favor and 3 abstentions (Awalt, Morrison, Rowland).

ITEM 7: MANAGER’S REPORT

Nicole Morgan presented the Manager’s Report.

A. APPLICATION COUNT UPDATE AS OF OCTOBER 2015 (EXHIBIT 2)

TAIPA received 315 applications in October 2015, compared to 359 in October 2014, which is a decline of about 12.25%. Year-to-date, TAIPA has received 3,018 applications in 2015, compared to 3,439 in 2014, which is also a decline of about 12.25%. Based on current volumes, we estimate we will receive about 3,400-3,500 applications in 2015.

B. FINANCIAL UPDATE AS OF SEPTEMBER 2015 (EXHIBIT 3)

TAIPA expected to be at 75% of the budget used at the end of September and is just under-budget at 73.08%. The items that are currently over-budget were explained. We expect to end the year on-budget.

C. 2016 REQUESTS FOR PROPOSAL

TAIPA's RFP procedure states that contracts in place for five years are to be evaluated by the Governing Committee if they are over \$20,000, or for certain categories of expenses. Legal counsel, actuary, and auditor are up for review in 2016. The Governing Committee discussed each of these categories last year and reached a consensus to continue with each for another year. TAIPA recommends continuing with our current legal counsel and actuary because TAIPA staff still needs to be trained on entering the data into the new ratemaking spreadsheets, which will be done during next year's filing. TAIPA also recommends continuing with our current auditor, as have a very good relationship with our firm, and we will receive a new partner next year, as the previous partner assigned to TAIPA has retired.

It was asked when the RFP procedure last took place. Legal counsel, the actuary, and the auditors were each reviewed several years ago.

It was asked if the actuary's services will be diminished under the new ratemaking strategy. They will, as TAIPA staff will now be able to do the data entry portion of the filing themselves. Staff still needs to be trained on this, which is why we recommend continuing with the actuary in 2016.

It was asked why we can't switch to a new actuary right now, as we already have the new ratemaking methodology. It was suggested that TAIPA staff first become trained on the new methodology before we move on to anything new.

It was asked when the data will be ready for the next rate filing. The data will be available in December. TAIPA's plan was for the actuary to review the data once available, and advise the Governing Committee about the findings at the next meeting.

It was asked how long the RFP process would take. TAIPA staff estimates a quarter.

It was asked if we have any obligation to continue with the actuary. TAIPA is under a flat-fee arrangement, but there is no formal contract and no future obligation.

It was stated that the new ratemaking methodology is much easier and much more credible, and has also been agreed to by TDI. It was asked why we'd want to change methodologies, when this one was just put into place.

The Governing Committee's consensus was to forgo the legal and auditor RFP's for 2016. It was suggested that TAIPA continue with the current actuary for one more filing to get training on the new ratemaking methodology, and to send out an RFP for the

TAIPA Governing Committee Meeting
November 20, 2015

actuary after that. The actuary RFP would need to happen sometime in 2016 so that the RFP process can be completed prior to the next year of data being released in December 2016.

It was moved by David Weber and seconded by George Cooper to:
“Establish an RFP subcommittee for an actuarial RFP in 2016.”
The motion carried unanimously.

It was noted that the 2016 budget as presented does not include per diems for the RFP subcommittee, so this category would end slightly over-budget.

D. 2016 BUDGET (EXHIBIT 4)

TAIPA requests a 2016 budget of \$1,094,900, which is a .28% increase from 2015. The major items accounting for an increase are for a 3% salary increase, for our scheduled rent increases, and for amortization on the new APS (which is a non-cash expense). The major item accounting for a decrease is our pension, which we recommending funding at an amount in between the minimum requirement and the amount we funded at in 2015. As of January 1, 2015, TAIPA’s pension is funded at 99.8%.

TAIPA suggests using carryover to reduce the assessment amount to \$1,000,000, which is the same amount assessed in 2014 and 2015.

It was moved by Bill Brooks and seconded by George Cooper to:
“Approve the 2016 budget and assessment as presented.”
The motion carried unanimously.

It was noted that the cost per application continues to increase each year.

E. APPLICATION SYSTEM UPDATE

A handout on TAIPA’s application systems was distributed (Attachment #1).

Phase I, the user interface of the new APS, has been programmed and fully tested. AIPSO has also finished the programming of Phase II (the quota/assignment/reporting piece), and their Quality Control team has completed their initial tests. Phase II was turned over to TAIPA for testing on October 27th. TAIPA staff will continue their Phase II testing over the next couple of weeks, and will then perform final reviews of the company conversion and historical applications conversion. In December, AIPSO will make any revisions needed based on TAIPA’s Phase II testing. The target launch date is January 2016 (exact date to be determined).

It was asked if the transition to the new APS will be transparent to companies. The only thing the companies will notice is that the look of the reports they receive will change, although the information on the reports will be the same. It was agreed to send notice of the impending change along with a mockup report, when we send out the December assignment packets.

F. CURRENT STAFFING

TAIPA currently has five full-time employees and one part-time employee (the Association Manager). There are no proposed changes to staffing.

ITEM 8: STRATEGIC PLANNING SUBCOMMITTEE REPORT

Stacy Midkiff presented the Strategic Planning Subcommittee Report.

A. ENTERPRISE RISK MANAGEMENT (EXHIBIT 5)

TAIPA has identified possible risks, determined the likelihood and impact of each risk, reviewed procedures already in place, and determined if additional action is required to further mitigate any risks. We have also developed a communication plan of who to contact in case any issues occur. The entire ERM plan will be put into a written document, which will be accessible by TAIPA staff electronically from any location. The document will also be electronically available to the Officers and Governing Committee members.

The main threat to TAIPA is ensuring that our IT infrastructure remains stable so that we can process applications. TAIPA is currently in the final stages of a project to virtualize all of our servers and workstations, so we expect to have continuity should that risk arise.

It was asked if issues like cyber security and protection of employee and consumer data were included in the ERM plan. TAIPA is working with our vendors (including ADP, Pivot, and AIPSO) to determine how these risks are being handled, and this information will be added to the ERM plan.

It was suggested that the board be given a list of all items that were included in the ERM plan, and what the conclusions were for each item.

There was discussion regarding the insurance coverages TAIPA holds, and also what our vendors like Pivot and AIPSO hold. TAIPA will check with our vendors to make sure we are properly covered.

ITEM 9: OPERATIONS SUBCOMMITTEE REPORT

Bill Brooks presented the Operations Subcommittee Report.

A. OVER/UNDER REPORT (EXHIBIT 6)

The only thing to note on the current report is an issue with the quota for one company being incorrectly coded and given to another company. This will be corrected next quarter.

ITEM 10: REPORT OF COUNSEL

A. PENDING PLAN OF OPERATION FILING: REFUNDS FOR CANCELLATIONS

Senate Bill 698 passed during the 2013 legislative session, and requires that unearned premiums be refunded within 15 business days of the effective date of cancellations or terminations of personal auto policies. TAIPA's Plan of Operation currently requires companies to return unearned premiums within 30 days of cancellation, so we made a filing with TDI to comply with the bill. The Plan of Operation has a separate standard for refunds on endorsements, which we did not change, as the bill didn't address endorsements. In instances where there is an endorsement, and the insured is on an installment plan, it wouldn't make sense for the company to have to issue a refund check and then have the insured turn around and pay the next bill, when the refund could have just been credited towards the next billing cycle. TDI should be issuing a rule to address these issues in the next couple of months. Our filing will stay pending until a rule is issued.

It was asked when a credit would be given on an endorsement for a policy that was already paid in full. If the policy was already fully paid, a refund check would be issued. If the insured is on an installment plan, the credit would be applied towards the next bill.

B. SENATE BILL 956: DELIVERY OF INSURANCE POLICIES

Senate Bill 956 was passed during the 2015 legislative session and requires insurers to deliver personal auto and residence policies within 30 days of the effective date of the policy. TAIPA's Plan of Operation currently states insurers must issue the policy 30 days after they receive the application from TAIPA. We initially thought TDI would issue a rule to give guidance on the bill, including how it would apply to TAIPA, but it now looks like this will not happen. TDI has suggested we tighten our producer standards so that the stricter timing will be less of an issue.

After a producer submits an application via EASi, they must print, sign, and mail the application to TAIPA, along with down payment. TAIPA then processes the application and assigns it to an insurer. If there are issues with an application received (such as no signatures or the check not being made out to TAIPA), TAIPA returns the application to the producer, who has 20 days to make the correction. This process would make it difficult for companies to meet the 30 day requirement. Since EASi became mandatory on August 1st, TAIPA has sent back 108 applications (about 7 per week) for issues needing correction.

Additionally, although the Plan of Operation requires that producers mail EASi applications within one business day of the binding date, we frequently receive late applications. Since EASi became mandatory on August 1st, TAIPA has received 62 late applications (about 4 per week). We'd have to dig deeper to determine how late each application was mailed, but obviously a producer mailing an application late would delay when TAIPA is able to process and assign the application to an insurer.

TAIPA Governing Committee Meeting
November 20, 2015

It was asked what happens to producers who do not comply with the rules. When an application has been submitted in EASi but hasn't been received by TAIPA within 7 days of the binding date, we send a letter to the producer and insured. If we haven't received it within 14 days of the binding date, we send another pair of letters, and the producer's account is suspended until the issue is resolved. Producers also receive a violation on their record for each instance of non-compliance, and if they receive enough violations, they would be sent to the Producer Review Panel.

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

“Refer this issue to the Operations Subcommittee, for report at the next Governing Committee meeting.”

The motion carried unanimously.

C. TAIPA RATES

In 2015, the Rate Task Force Subcommittee worked with our actuary to create a new methodology for developing TAIPA rates, as there was no long sufficient TAIPA data for a credible rate filing. To establish the new methodology, the actuary indexed the current rates to the loss costs of the entire market. For future rate filings, we will apply the indexes to the voluntary loss costs, and as they change, our rates will change correspondingly.

TDI was given a preview of the new methodology, and it was well-received. The Officers then instructed a filing be made using the new methodology, which was filed with TDI on August 18th. One of the items included in the PP filing was adjusting the territory and class relativities, as they hadn't been updated since 2005. Because of the changes in those relativities, the overall PP change was +3.5%. A minor correction was made to the OTPP filing, resulting in a change of -.2%.

The filing was approved by the Commissioner on October 12th, with an effective date of February 1, 2016. The rate pages and machine letters have been published, and TAIPA has issued a bulletin to notify the companies.

In the next rate filing, we will need to adjust the rest of the territory and class relativities, as they were capped at 10% in this filing, so as not to create much of an impact in the rates. Data for the next filing will be available from TDI shortly. Once available, the actuary will review the data and will advise the Governing Committee at the next meeting as to whether a new rate filing should be made.

ITEM 11: 2016 MEETING DATES (EXHIBIT7)

The 2016 meetings are show in Exhibit 7.

ITEM 12: PERSONNEL MATTERS

Acting under authority of Government Code 551.074, the Governing Committee commenced a closed meeting at 10:04 AM. The open meeting resumed at 10:16 AM.

TAIPA Governing Committee Meeting
November 20, 2015

ITEM 13: ADJOURNMENT

There being no further business to discuss, it was moved by George Cooper and seconded by Jim Rowland to:

“Adjourn the meeting.”

The motion carried unanimously. The meeting adjourned at 10:17 AM.

George Cooper
Signature of Secretary

12-4-2015
Date Signed

GEORGE COOPER
Printed Name of Secretary

Update on TAIPA's Application Systems

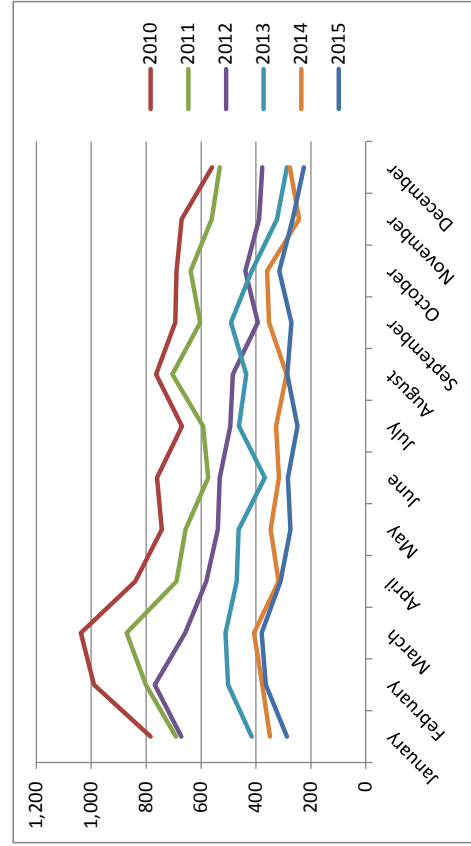
The only piece of our new application systems that is not yet complete is APS, which is the internal part of the system used by TAIPA staff for data entry.

- **August:** TAIPA staff completed testing of "Phase I", the user interface
- **September – Early October:** AIPSO worked on the programming of "Phase II", the quota/assignment/reporting processes
- **Mid-October:** AIPSO's Quality Control team completed "Phase II" testing
- **October 27th:** "Phase II" was turned over to TAIPA staff for testing; our testing will continue over the next few weeks
- **December:** AIPSO will make revisions based on TAIPA's Phase II testing; TAIPA will do final reviews for the company conversion and historical applications conversion
- **January 2016:** Target launch (exact date TBD)

Monthly Total (Dec. 2015)		
	Private Passenger	Commercial
EASi Applications	199	23
Paper Applications	1	2
Total Applications Received	200	25
Applications Assigned	<i>178</i>	<i>23</i>
Applications Suspended	<i>21</i>	<i>2</i>
Applications Rejected	<i>1</i>	<i>0</i>
Applications Deficient	<i>10</i>	<i>4</i>
Applications with SR-22s	<i>38</i>	<i>0</i>
	Total Applications Received in Dec. 2014:	277
	Total Applications Received in Dec. 2015:	225
Year to Date Total (as of Dec. 2015)		
	Private Passenger	Commercial
EASi Applications	3053	353
Paper Applications	75	28
Total Applications Received	3128	381
Applications Assigned	<i>2863</i>	<i>354</i>
Applications Suspended	<i>257</i>	<i>27</i>
Applications Rejected	<i>8</i>	<i>0</i>
Applications Deficient	<i>300</i>	<i>81</i>
Applications with SR-22s	<i>781</i>	<i>1</i>
	Total Applications Received YTD (as of Dec. 2014):	3,959
	Total Applications Received YTD (as of Dec. 2015):	3,509
	YTD Percent Change from Dec. 2014 to Dec. 2015:	-11.37%
Application Assignment History*		
1994: 716,036	2002: 66,153	2010: 8,725
1995: 461,059	2003: 74,506	2011: 7,364
1996: 214,744	2004: 47,434	2012: 5,898
1997: 95,461	2005: 31,517	2013: 4,708
1998: 55,041	2006: 23,634	2014: 3,628
1999: 47,108	2007: 16,780	2015: 3,217
2000: 44,945	2008: 12,896	
2001: 53,477	2009: 10,299	

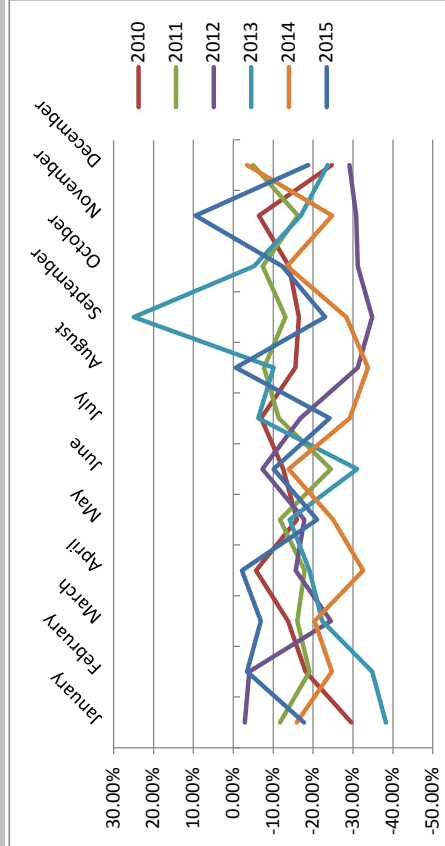
*Application Assignment History based on applications assigned, not received.

Trend of Applications Received from 2010 to 2015



	2010	2011	2012	2013	2014	2015
January	784	692	672	415	349	287
February	990	801	769	501	377	364
March	1,038	871	658	511	407	379
April	839	689	581	470	317	310
May	743	656	539	463	347	274
June	760	574	532	367	316	284
July	669	593	493	462	327	248
August	764	704	484	435	288	286
September	694	603	393	491	352	271
October	689	638	438	415	359	315
November	671	561	389	323	243	266
December	560	532	377	287	277	225
Total	9,200	7,914	6,325	5,140	3,959	3,509

Percent Change in Applications Received

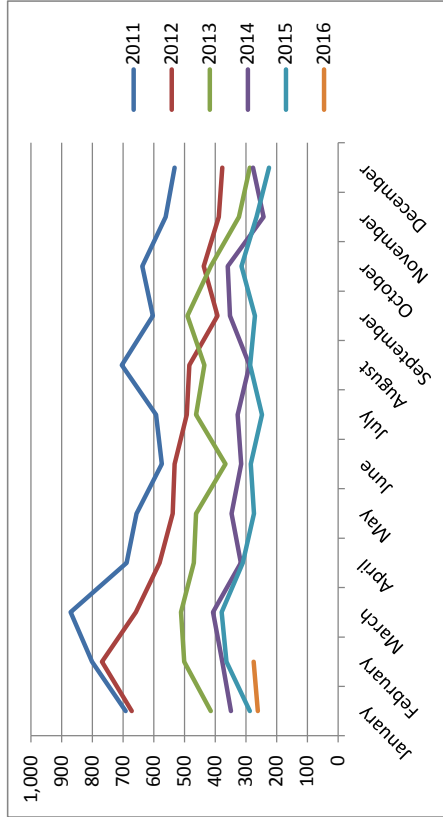


	2010	2011	2012	2013	2014	2015
January	-29.62%	-11.74%	-2.89%	-38.24%	-15.90%	-17.77%
February	-18.11%	-19.09%	-4.00%	-34.85%	-24.75%	-3.45%
March	-13.72%	-16.09%	-24.46%	-22.34%	-20.35%	-6.88%
April	-5.73%	-17.88%	-15.68%	-19.11%	-32.55%	-2.21%
May	-15.95%	-11.71%	-17.84%	-14.10%	-25.05%	-21.04%
June	-12.54%	-24.47%	-7.32%	-31.02%	-13.90%	-10.13%
July	-6.95%	-11.36%	-16.86%	-6.29%	-29.22%	-24.16%
August	-15.58%	-7.73%	-31.25%	-10.12%	-33.79%	-0.69%
September	-16.49%	-13.11%	-34.83%	24.94%	-28.31%	-23.01%
October	-13.98%	-7.40%	-31.24%	-5.25%	-13.49%	-12.26%
November	-6.42%	-16.24%	-30.78%	-16.97%	-24.77%	9.47%
December	-24.73%	-5.00%	-29.14%	-23.67%	-3.48%	-18.77%
Total YTD	-15.49%	-13.98%	-20.08%	-18.72%	-22.98%	-11.37%

Monthly Total (February 2016)		
	Private Passenger	Commercial
EASi Applications	249	26
Paper Applications	0	0
Total Applications Received	249	26
Applications Assigned	229	25
Applications Suspended	20	0
Applications Rejected	0	1
Applications Deficient	30	4
Applications with SR-22s	59	0
Total Applications Received in February 2015:		364
Total Applications Received in February 2016:		275
Year to Date Total (as of February 2016)		
	Private Passenger	Commercial
EASi Applications	479	56
Paper Applications	0	1
Total Applications Received	479	57
Applications Assigned	444	55
Applications Suspended	35	1
Applications Rejected	0	1
Applications Deficient	46	18
Applications with SR-22s	106	1
Total Applications Received YTD (as of February 2015):		651
Total Applications Received YTD (as of February 2016):		536
YTD Percent Change from Feb. 2015 to Feb. 2016:		-17.67%
Application Assignment History*		
1994: 716,036	2002: 66,153	2010: 8,725
1995: 461,059	2003: 74,506	2011: 7,364
1996: 214,744	2004: 47,434	2012: 5,898
1997: 95,461	2005: 31,517	2013: 4,708
1998: 55,041	2006: 23,634	2014: 3,628
1999: 47,108	2007: 16,780	2015: 3,217
2000: 44,945	2008: 12,896	
2001: 53,477	2009: 10,299	

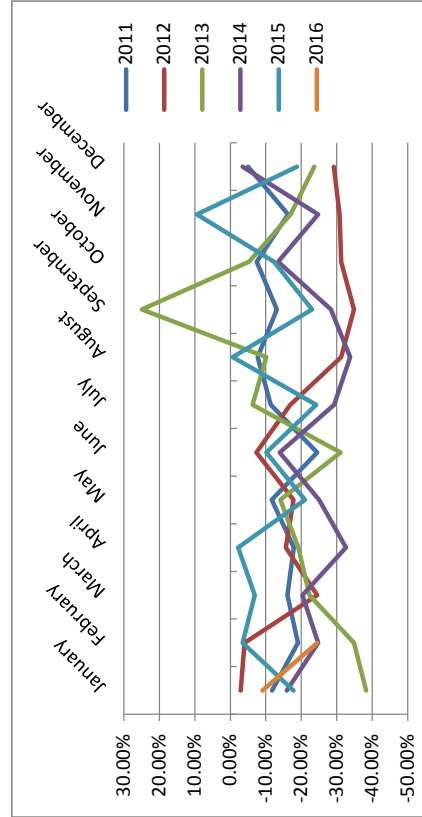
*Application Assignment History based on applications assigned, not received.

Trend of Applications Received from 2011 to 2016



Estimate of Applications to be Received in 2016: 2,685

Percent Change in Applications Received



Texas Auto Ins. Plan Assoc.
ACTUAL VS. BUDGET
 For the period ended December 31, 2015

	Actual	2015 Year To Date Budget	Variance	2015 Annual Budget	% Used	Reason for Variance
REVENUE						
Assessments & Penalties	1,004,469	1,000,000	4,469	1,000,000	100.45%	
Other Revenue	468	0	468	0	0.00%	
TOTAL	1,004,936	1,000,000	4,936	1,000,000	100.49%	
EXPENDITURES						
Salaries	397,469	398,300	831	398,300	99.79%	Within range.
Emp. Benefits & Other Ins. Exp.	199,117	336,400	137,283	336,400	59.19%	Line includes \$6,565 adjustment for vacation accrual and -\$137,834 for pension liability. Without adjustments, line was at 98.21% (within range).
Office Equipment Expense	16,369	16,600	231	16,600	98.61%	Within range.
Printing & Stationary Exp.	1,178	900	-278	900	130.94%	Did not expect to have to order any assignment notices this year, but the delay of the new APS meant we had to order more (will not need the printed notices when the new APS goes live).
Computer Expenses	10,426	9,900	-526	9,900	105.31%	Purchased new computers for some of staff as budgeted, but also had to purchase new Microsoft Office licenses, which wasn't budgeted.
Postage & Shipping Exp.	20,102	24,000	3,898	24,000	83.76%	Postage expenses weren't as high as expected due to lower application volumes and the delay of the new APS (postage will be higher with new APS due to using normal paper/envelopes instead of mailing assignment notices as postcards, which are less expensive).
Telephone Expense	12,769	13,300	531	13,300	96.01%	Within range.
Rent Expense	104,854	112,000	7,146	112,000	93.62%	Line includes -\$9,567 adjustment for deferred lease benefit. Without adjustments, line was at 102.16% (within range).
Taxes	924	1,500	576	1,500	61.57%	Taxes were not as high as expected.
Other Office Expenses	6,609	8,400	1,791	8,400	78.67%	Did not have to write off as many assessments as budgeted; spent less on events than expected.
Governing Committee	19,556	22,900	3,344	22,900	85.40%	Not all members attended the meetings.
Operations Subcommittee	1,250	2,300	1,050	2,300	54.35%	Did not hold any Ops Sub Meetings (only Strategic Planning, Rate Task Force, and Nominating Committee).
Producer Review Panel	0	0	0	0	0.00%	Did not hold any Producer Review Panel meetings.
Employee Meetings, Seminars & Staff Travel	12,098	11,300	-798	11,300	107.06%	Employees took more courses than expected.
Legal Expenses	37,929	35,000	-2,929	35,000	108.37%	Work on new ratemaking methodology was more than expected.
Audit Expense	21,850	23,800	1,950	23,800	91.81%	Billings for monthly financial review were less than expected.

	2015 Actual	2015 Year To Date Budget	Variance	2015 Annual Budget	% Used	Reason for Variance
Dues, Subscriptions & Publications	1,656	1,600	-56	1,600	103.48%	Within range.
TAIPA Tradition, Visitor Meals & Gifts	2,273	3,500	1,227	3,500	64.93%	Did not spend as much as expected for funerals/life events.
System Consultants	35,482	43,000	7,518	43,000	82.52%	Have not paid APS customization fees to APSO yet (will be paid after implementation).
Consultants - Other	4,234	3,000	-1,234	3,000	141.14%	Had to pay accounting consultants to upgrade our accounting system as part of our virtualization project, which was not expected.
Actuary	15,828	12,000	-3,828	12,000	131.90%	When we drafted the 2015 budget, we expected that the new ratemaking spreadsheets would be finished by the end of 2014, but they were only halfway complete; as such, some of the spreadsheet creation expense was in 2015. We also didn't budget for any travel expenses, but the actuary travelled to Austin to present the new ratemaking strategy to TDI.
Other	0	0	0	0	0.00%	No other expenses in 2015.
SUBTOTAL	921,970	1,079,700	157,730	1,079,700	85.39%	
Depreciation	12,038	12,100	62	12,100	99.48%	Within range.
Amortization	0	0	0	0	0.00%	No amortization in 2015.
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0.00%	Did not sell any assets in 2015.
SUBTOTAL	12,038	12,100	62	12,100	99.48%	
TOTAL OPERATING EXPENSE	934,007	1,091,800	157,793	1,091,800	85.55%	
NET FROM OPERATIONS	70,929	-91,800	162,729	-91,800		
Non-Operating Pension Costs	61,201	0	-61,201	0	0.00%	Line reflects adjustment for change in the pension liability.
NET	132,130	-91,800	101,528	-91,800		
CAPITAL BUDGET						
Software Development in Progress	6,250	0	-6,250	0	0.00%	Accrual for customization of new APS (90% completion at yearend).
Office Furniture & Equipment	0	0	0	0	0.00%	No furniture & fixture expenditures in 2015.
Computer Equipment	0	0	0	0	0.00%	No computer equipment expenditures in 2015.
Computer Software	0	0	0	0	0.00%	No computer software expenditures in 2015.
Leasehold Improvements	0	0	0	0	0.00%	No leasehold improvement expenditures in 2015.
TOTAL	6,250	0	-6,250	0	0.00%	

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

Texas Auto Ins. Plan Assoc.

Statement of Financial Position

As Of December 31, 2015

Unaudited

ASSETS

Current Assets	
Cash and cash equivalents	\$ 146,150
Accounts receivable	150
Prepaid expenses	38,516
Total current assets	184,816
Property and Equipment	
Software development in progress	22,500
Furniture and equipment	38,921
Computer equipment	19,627
Leasehold improvements	50,007
Computer software	9,858
	140,914
Less accumulated depreciation	95,480
	45,434
Total assets	230,250

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	33,327
Accrued vacation	38,550
Accrued payroll liabilities	7,973
Total current liabilities	79,850
Other Liabilities	
Accrued pension benefit costs	443,671
Deferred lease benefit	29,216
Total other liabilities	472,887
Net (Deficiency) Assets	
Unrestricted	(322,487)
Total net assets	(322,487)
Total liabilities and net assets	\$ 230,250

Texas Auto Ins. Plan Assoc.

Statement of Activities

For the period ended December 31, 2015

Unaudited

Changes in unrestricted net assets

	Current YTD
Revenues	
Member assessments	\$ 1,000,800
Interest income	468
Assessment penalties	3,669
Total revenues	1,004,936
Expenses	
Salaries and related expenses	596,586
Occupancy expenses	118,547
Professional Services	115,322
Depreciation & amortization	12,038
Postage and delivery	20,102
Office supplies and expense	17,548
Governing committee	19,556
Computer supplies & expenses	10,426
Operation Sub-committee	1,250
Staff education & seminars	12,098
Miscellaneous	6,609
Staff expense	2,273
Dues and subscriptions	1,656
Total operating expenses	934,007
Other revenues (expenses)	
<i>Pension minimum liability adjustment</i>	<i>(61,201)</i>
Total other revenue (expenses)	<i>(61,201)</i>
<i>Increase (decrease) in unrestricted net assets</i>	<i>9,728</i>
<i>Net assets (deficiency) at beginning of year</i>	<i>(332,215)</i>
<i>Net assets (deficiency) as of December 31, 2015</i>	<i>\$ (322,487)</i>

Texas Auto Ins. Plan Assoc.
ACTUAL VS. BUDGET
 For the period ended January 31, 2016

	Actual	2016 Year To Date Budget	Variance	2016 Annual Budget	% Used	Reason for Variance
REVENUE						
Assessments & Penalties	83,342	83,333	8	1,000,000	8.33%	
Other Revenue	5	0	5	0	0.00%	
TOTAL	83,347	83,333	14	1,000,000	8.33%	
EXPENDITURES						
Salaries	32,510	34,292	1,782	411,500	7.90%	Within range.
Emp. Benefits & Other Ins. Exp.	28,814	26,900	-1,914	322,800	8.93%	Within range.
Office Equipment Expense	1,102	1,317	215	15,800	6.97%	Within range.
Printing & Stationary Exp.	713	92	-622	1,100		Have already purchased the majority of our envelope stock for 64.84% the year; expect to end on budget.
Computer Expenses	1,052	717	-335	8,600	12.23%	Within range.
Postage & Shipping Exp.	3,166	1,867	-1,299	22,400		Had several mailouts at the beginning of the year; expect to end 14.13% on budget.
Telephone Expense	1,038	1,075	37	12,900	8.05%	Within range.
Rent Expense	10,353	10,208	-145	122,500	8.45%	Within range.
Taxes	0	117	117	1,400	0.00%	Taxes are not due until later in the year.
Other Office Expenses	325	675	350	8,100	4.01%	Within range.
Governing Committee	0	2,075	2,075	24,900	0.00%	No Governing Committee meetings held yet.
Operations Subcommittee	0	208	208	2,500	0.00%	No subcommittee meetings held yet.
Producer Review Panel	0	0	0	0	0.00%	Not expecting any Producer Review Panel meetings in 2016.
Employee Meetings, Seminars & Staff Travel	1,441	933	-507	11,200	12.86%	Within range.
Legal Expenses	782	2,850	2,068	34,200	2.29%	Only a small amount of work was done in January.
Audit Expense	0	2,000	2,000	24,000	0.00%	Haven't had annual audit or incurred any consulting fees yet.
Dues, Subscriptions & Publications	306	150	-156	1,800	16.98%	Already paid for annual renewals of some subscriptions; expect to end on budget.

	Actual	2016 Year To Date Budget	Variance	2016 Annual Budget	% Used	Reason for Variance
TAIPA Tradition, Visitor Meals & Gifts	200	267	67	3,200	6.24%	Within range.
System Consultants	2,758	3,250	492	39,000	7.07%	Within range.
Consultants - Other	573	208	-364	2,500	22.91%	Already paid annual fee to one consultant; expect to end on budget.
Actuary	0	708	708	8,500	0.00%	No actuary work to date.
Other	0	0	0	0	0.00%	No other expenses to date.
SUBTOTAL	85,133	89,908	4,776	1,078,900	7.89%	
Depreciation	991	917	-74	11,000	9.01%	Within range.
Amortization	0	417	417	5,000	0.00%	Amortization on the new APS doesn't begin until March.
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0.00%	Have not sold any assets to date.
SUBTOTAL	991	1,333	342	16,000	6.19%	
TOTAL OPERATING EXPENSE	86,124	91,242	5,118	1,094,900	7.87%	
NET FROM OPERATIONS	-2,777	-7,908	5,132	-94,900		
Non-Operating Pension Costs	0	0	0	0	0.00%	Pension adjustment will not be made until year end.
NET	-2,777	-7,908	5,132	-94,900		
CAPITAL BUDGET						
Software Development in Progress	0	0	0	0	0.00%	No software development expenditures in 2016.
Office Furniture & Equipment	0	0	0	0	0.00%	No furniture & fixture expenditures in 2016.
Computer Equipment	0	0	0	0	0.00%	No computer equipment expenditures in 2016.
Computer Software	0	0	0	0	0.00%	No computer software expenditures in 2016.
Leasehold Improvements	0	0	0	0	0.00%	No leasehold improvement expenditures in 2016.
TOTAL	0	0	0	0	0.00%	

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

Texas Auto Ins. Plan Assoc.

Statement of Financial Position

As Of January 31, 2016

Unaudited

ASSETS

Current Assets	
Cash and cash equivalents	\$ 789,222
Accounts receivable	267,464
Prepaid expenses	37,365
Total current assets	1,094,051
Property and Equipment	
Software development in progress	22,500
Furniture and equipment	38,921
Computer equipment	19,627
Leasehold improvements	50,007
Computer software	9,858
	140,914
Less accumulated depreciation	96,471
	44,443
Total assets	1,138,494

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	26,433
Accrued vacation	38,550
Accrued payroll liabilities	9,129
Deferred revenue	916,758
Total current liabilities	990,870
Other Liabilities	
Accrued pension benefit costs	443,671
Deferred lease benefit	29,216
Total other liabilities	472,887
Net (Deficiency) Assets	
Unrestricted	(325,263)
Total net assets	(325,263)
Total liabilities and net assets	\$ 1,138,494

Texas Auto Ins. Plan Assoc.

Statement of Activities
For the period ended January 31, 2016
Unaudited

	Current YTD
Changes in unrestricted net assets	
Revenues	
Member assessments	\$ 83,342
Interest income	5
Total revenues	83,347
Expenses	
Salaries and related expenses	61,324
Occupancy expenses	11,391
Professional Services	4,112
Depreciation & amortization	991
Postage and delivery	3,166
Office supplies and expense	1,815
Computer supplies & expenses	1,052
Staff education & seminars	1,441
Miscellaneous	325
Staff expense	200
Dues and subscriptions	306
Total operating expenses	86,124
Other revenues (expenses)	
Total other revenue (expenses)	-
<i>Increase (decrease) in unrestricted net assets</i>	(2,777)
<i>Net assets (deficiency) at beginning of year</i>	(322,487)
<i>Net assets (deficiency) as of January 31, 2016</i>	\$ (325,263)

Enterprise Risk Management Plan - Summary

TAIPA looked at the following items/issues when creating our Enterprise Risk Management Plan.

Category of Risk	Risk	Conclusion
General	<p>If TAIPA office is not available due to some type of emergency situation including what we would do in each situation based on the length of time that the office would be unavailable.</p>	<p>We came up with a plan with what TAIPA would do based on how long the office was not available. We reviewed who would need to be notified, what duties would have to be performed, along with where and how the duties would be performed.</p>
IT/Phones	<ol style="list-style-type: none"> 1. If TAIPA's servers crash – (APS, Voicemail which are housed at the TAIPA office. 2. If TAIPA's servers housed at Pivot crashes (Email, Firewall, Accounting database,) 3. If Time Warner experienced phone outage 4. If TAIPA's website went down 5. If AIPSO systems crash 6. If servers are hacked and there is a data breach 7. If ADP system goes down and there is a data breach 8. If we lost a vendor such as Time Warner, our IT Vendor – Pivot, AIPSO, Frost Bank, Accpac, ADP, 	<p>We looked at each risk and determined how likely it was to happen, what the impact would be, what we currently have in place to manage the risk, and what else we can do to manage the risk. We also determined who the TAIPA contact person was for each risk and what vendors we would need to contact for each risk.</p>
Data	<p>TAIPA reviewed what personal identifiable Information and what Sensitive Personal Data TAIPA has on employees, insureds, producers, Companies, Vendors, Governing Committee Members.</p>	<p>We looked at what personal identifiable information TAIPA has to determine how much risk we have with regard to the information that we have. Not surprisingly, we have the most sensitive personal data on employees on our payroll system. We have a few pieces of sensitive personal data on insureds given that we do have their license numbers in our systems. We also have some social security numbers for producers and we</p>

		occasionally have banking data on insureds and producers.
Personnel	<ol style="list-style-type: none"> 1. If TAIPA lost two employees at the same time 2. Reviewed each position main duties and who is cross-trained on each. 	<p>We don't think that there is a strong likelihood that more than one employee would leave at the same time. We also looked to see if employee's main duties have another co-worker who is cross trained.</p>
Financial	<ol style="list-style-type: none"> 1. If TAIPA ran out of money 2. If TAIPA lost our line of credit. 	<p>If TAIPA ran out of money, we have a line of credit available. If our line of credit was canceled, we believe that we could get another line of credit from a different bank.</p>

TAIPA Enterprise Risk Management Spreadsheet

Risk Identification		Risk Assessment			Risk Management		
Possible Risks	Likelihood High/Med/Low	Impact High/Med/Low	What are we already doing about it?	What more can we do/do we need to do?	Timeframe	Person Responsible	Reviewed Level of Risk
TAIPA offices unavailable (tornado, flood, fire, damage to building, electricity/water outage--Short term (one week or less)	Low - Austin does not typically have serious bad weather or long term issues with electricity and/or water.	1-5 days Low	TAIPA's office is in a good location in Austin so our likelihood of having these issues is minimized.	We should come up with a plan so it is formally laid out on what we would do if we could not be in our office space for more than 2 days. It should include: Who to notify? What duties would need to be performed? Where to perform job duties? Answering phones? SEE ATTACHED			
TAIPA offices unavailable (tornado, flood, fire, damage to building, electricity/water outage--Long term (week or more)	Low - Austin does not typically have serious bad weather or long term issues with electricity and/or water.	High - If we could not be in our office for more than a week, it would create difficulties because we would have to set up a new office location for phones, mail, walk-in customers, etc.	We office in a good location in Austin so our likelihood of having these issues is minimized.	We should come up with a plan so it is formally laid out on what we would do if we could not be in our office space within a week. It should include: Who to notify? Where to perform job duties? Answering phones? SEE ATTACHED			
Emergency Governing Committee meeting needed	Low - This has not happened in at least the past 8 years and if it did occur, we could easily put together a telephone conference.	Low - putting together a telephone conference would cause no issues to TAIPA.	Ability to meet by teleconference	Posting requirements for emergency meeting: In an emergency or when there is an urgent public necessity, the notice of a meeting or the supplemental notice of a subject added as an item to the agenda for a meeting for which notice has been posted in accordance with this subchapter is sufficient if it is posted for at least two hours before the meeting is convened.			

Risk Identification		Risk Assessment		Risk Management			Reviewed Level of Risk
Possible Risks	Likelihood High/Med/Low	Impact High/Med/Low	What are we already doing about it?	What more can we do?	Timeframe	Person Responsible	
TAIPA's APS server crashes	Low - TAIPA will not have this risk very much longer as we will be moving to a new AIPSO system as of Monday, March 7, 2016	High - but we will be moving to a new system soon	Preparing to move to a new system currently	TAIPA could perform these tasks manually by creating an excel spreadsheet until the new system is up and running. - TAIPA has a backup of the data from every day.	We would only pursue the manual system if there were a problem before we move to the new system.	Nicole Morgan AIPSO Contact: Pivot Contact:	
Voice mail server crashes - This would include our voicemail, TAIPA's greetings, and routing of the calls. So if this did happen, the phone would just ring until it was answered or the party hung up.	Low	High- The biggest issue with this would be that we couldn't let our customers know what is going on if it is a major disruption for the customers that call us. The actual number of calls is currently low but we do need to have a plan in place.	This server will remain on site.	We will develop a list of vendors that we could/would contact if we experienced problems with our telephone server. We will also contact them to find out what the process and time frame would be if we did have a problem with our telephone server crashing.	Need to contact Pivot to find out time frame that they would expect it to take to fix problem with the telephone server and if necessary to replace the server and get it up and running.	Nicole Morgan Pivot Contact:	
Time Warner phone outage	Medium because we have experienced problems with this once already.	Medium - because we would expect the problem to be fixed promptly. This was our experience when we had the problem previously.	If the problem lasted longer than a couple of hours to a day, we would put something on our website to let the public know.	We don't believe that the outage would be long because Time Warner would be working to fix the problem for us and any of their other clients.		Nicole Morgan Pivot Contact: Time Warner Contact: Other Vendors:	

TAIPA Enterprise Risk Management Spreadsheet

Risk Identification		Risk Assessment			Risk Management		
Possible Risks	Likelihood High/Med/Low	Impact High/Med/Low	What are we already doing about it?	What more can we do?	Timeframe	Person Responsible	Reviewed Level of Risk
Website through WP Engine crashes	Low because it is an independent company that manages servers for other entities as well so there is pressure to keep all websites up and operating.	Medium - because we would expect the problem to be fixed promptly.				Nicole Morgan Pivot Contact: Website Developer Contact:	
Any other TAIPA server hosted by Pivot crashes - This would be items such as our Email, Firewall, and accounting database	Low	High	Our servers are now at Pivot.	We feel that having our servers at Pivot would provide better security for our systems since our vendor provide this service for multiple customers and would therefore ensure that the servers are up to date and functioning well since this is part of their business.		Nicole Morgan Pivot Contact:	
AIPSO systems crash--EASI 1.0, 2.0, or the new APS	Low	High	AIPSO will maintain TAIPA's information. AIPSO has a data security plan in place as well as insurance to cover any security breaches.	AIPSO has sent us information about their data security to review.		Nicole Morgan AIPSO Contact: Pivot Contact:	
Servers are hacked/data breach	Low	Medium to High - we do have producer's social security numbers or EINs in our system. However, our information on insureds is very limited.	Our servers are now at Pivot.	We feel that having our servers at Pivot would provide better security for our systems since our vendor provide this service for multiple customers and would therefore ensure that the servers are up to date and functioning well since this is part of their business.		Nicole Morgan Pivot Contact:	
ADP payroll system goes down/data breach	Low	High if data breach and if can't process payroll at all	Worst case scenario - we could cut manual checks for everyone and then enter them into the payroll system when it came up.	ADP has sent us information about their data security to review.		Stacy Midkiff ADP Customer Service number is 877-603-7079 - Acct # RNAYQ	

TAIPA Enterprise Risk Management Spreadsheet

Risk Identification		Risk Assessment		Risk Management			
Possible Risks	Likelihood High/Med/Low	Impact High/Med/Low	What are we already doing about it?	What more can we do?	Timeframe	Person Responsible	Reviewed Level of Risk
Loss of vendor--Time Warner	Low	Low - because there are a lot of other providers out there.	We believe that there could be some phone downtime as we did experience problems trying to get our telephone numbers transferred to Time Warner from our previous vendor.			Nicole Morgan Pivot Contact: Time Warner Contact: Other Vendors:	
Loss of our primary IT vendor--Pivot	Low	Low because there are a lot of other providers out there. However there could be some downtime if we had to make a change and the costs would probably be higher.	We are evaluating whether Pivot meets our needs or whether we should consider a different vendor.	When we interviewed IT providers, we interviewed other providers besides Pivot so we could look at those or we could go thru the entire process again.		Nicole Morgan Pivot Contact: Other Vendors:	
Loss of vendor--AIPSO	Low - We believe that even if AIPSO did not want to do business with TAIPA any longer, that there would be pressure from the insurance industry for them to continue to work with us. Our relationship with AIPSO is much improved. It is unlikely that AIPSO will be getting out of this business or will cease to exist.	High - because there are no other vendors out there and we have tried to come up with our own software and the vendor failed.	We continue to work with AIPSO as a vendor and have improved our relationship substantially over the past couple of years.	Worst case scenario is that we could come up with an excel system for Quota		Nicole Morgan AIPSO Contact: Pivot Contact:	

TAIPA Enterprise Risk Management Spreadsheet

Risk Identification		Risk Assessment		Risk Management			Reviewed Level of Risk
Possible Risks	Likelihood High/Med/Low	Impact High/Med/Low	What are we already doing about it?	What more can we do?	Timeframe	Person Responsible	
Loss of vendor--Frost Bank	Very Low - TAIPA is comfortable with our relationship with Frost Bank and Frost Bank seems comfortable with TAIPA now as well since they seem to understand how our operation works and is funded.	Low - because there are a lot of banks out there.	We are continuing to work with Frost Bank and we have been approved for a continued \$300,000 line of credit with them that would assist us in carrying on operations if there was a crisis in our operation - whether it be that something negative happened to our facility or whether there was a need to hire additional staff, etc with an increase in applications.	We could develop a relationship with another bank but we don't see a need to do that.		Stacy Midkiff Nicole Morgan Frost Contact:	
Loss of Vendor - Accpac -	Low - TAIPA has used this system for a very long time and there doesn't seem to be a move to get away from it.	Low - because there are other system vendors out there.	Even if the software were no longer supported, we own the software. We are protected with our firewall				
Loss of Vendor - ADP	Low - ADP does not appear to be leaving the market and we haven't had any major issues with them.	Low - because there are other payroll vendors out there and we could use Sage Accpac that we already have.	We are not doing anything about this since we could get a different vendor or go back to using Accpac. We own the Accpac software.	Since we have a couple solutions available and processing payroll per se, would not be a problem, we are not currently looking for other solutions,	We would need to get with our Accpac provider and get up to speed on any changes in the payroll process which we should be able to do within a couple of days.	Stacy Midkiff ADP Customer Service number is 877-603-7079 - Acct # RNAYQ Other Vendors	

TAIPA Enterprise Risk Management Spreadsheet

Risk Identification		Risk Assessment			Risk Management			Reviewed Level of Risk
Possible Risks	Likelihood High/Med/Low	Impact High/Med/Low	What are we already doing about it?	What more can we do?	Timeframe	Person Responsible	Reviewed Level of Risk	
Two or more employees leave TAIPA at same time	Low	Low to High depending on who was leaving the organization	Crosstraining for most duties is already complete	Continue to cross train employees in all areas. We are currently doing this with the new APS system that we are putting in place. This will mean that all employees are at least familiar with the day-to-day duties of the TAIPA staff that utilize APS.				

TAIPA Enterprise Risk Management Spreadsheet

Risk Identification	Risk Assessment		Risk Management				
	Likelihood High/Med/Low	Impact High/Med/Low	What are we already doing about it?	What more can we do?	Timeframe	Person Responsible	Reviewed Level of Risk
Possible Risks							
Run out of money	Low	High	We have about a 3 month supply of funds on hand at most times of the year and we also have a \$300,000 line of credit				
Line of credit is not renewed	Low	Medium	We feel confident that we could get another bank to give us a line of credit or we could also make an emergency assessment if necessary.				

Crosstraining at TAIPA as of 2015

Category	Affects	Task	Assigned to	Trained Back-up	Planned Training
Operations	AIPSO, Producers, Insureds, Companies	Run AM Batch	Wanda	Mimi/Nicole	
Operations	Producers, Insureds, Companies	Application Processing	Joyce/Mimi	Mimi/Nicole	
Operations	Producers, Insureds, Companies	Daily mail - outgoing	Wanda	Mimi/Joyce	
Operations	Producers, Insureds, Companies	Customer Service	Joyce/Mimi	Nicole	Stacy
Operations	Producers, Insureds, Companies, DPS	DPS Deposits	Wanda	Joyce/Mimi	
Operations	Producers, Insureds, Companies	Problem Applications	Mimi	Stacy/Nicole	
Operations	AIPSO, Producers, Insureds, Companies	Run Corrections	Wanda	Mimi/Nicole	
Operations	AIPSO, Producers, Insureds, Companies	Run PM Batch	Mimi	Stacy/Nicole	
Operations	AIPSO, Companies	Quota	Mimi	Stacy	
Payroll	Employees, IRS	Run Payroll	Stacy	Nicole	
Accounting	Companies, Auditors, Governing Com.	Perform all accounting procedures	Nicole	Stacy	
Accounting	Vendors, Companies, Auditors, Governing Com.	Data entry of deposits and checks	Mimi	Nicole	
Accounting	Companies, Auditors, Governing Com.	Assessments	Nicole		Stacy/Mimi
Operations	Producers, Insureds, Companies, TDI	Plan of Operations - Updating & Filings	Nicole		
Operations	Producers, Insureds, Companies, TDI	Plan of Operations - Rates & Rulings	Joyce	Mimi	
Operations	Producers, Insureds, Companies, Public	Website	Nicole	Mimi	
Operations	Producers, Insureds, Companies, Public	Producer Certification	Nicole		
Operations	Producers, Insureds, Companies, Public	Company Complaints	Joyce		
Operations	Producers, Insureds, Companies, Public	Producer Complaints	Nicole		
Operations	Producers, Insureds, Companies, Public, Gov Com	Governing Committee Meetings Planning & Logistics	Stacy	Nicole	
Operations	Producers, Insureds, Companies, Public, Gov Com	Governing Committee Meetings Notes	Nicole		
Operations	Producers, Insureds, Companies, Public	Producer Review Panel	Nicole		
Operations	Producers, Insureds, Companies, Public	Producer Training	Nicole	Mimi	
Accounting	Companies, Auditors, Governing Com., IRS	Filing of Taxes 990	Nicole		
Accounting/Pay	Companies, Auditors, Governing Com., IRS	Filing of Taxes 941	Stacy		
Accounting	Companies, Auditors, Governing Com., IRS	Inventory	Nicole	Mimi	
Accounting	Companies, Auditors, Governing Com., IRS	Accounts Payable/Receivable Data Entry	Mimi	Nicole	

Systems TAIPA Uses:

System	Purpose	Who is affected by it
APS	Customer Service Data Base for companies & producers	Companies & Producers
EASI 1.0 and EASI 2.0	System to enter applications	Producers, Insureds, Companies
EASI Admin 1.0 & 2.0	System to monitor applications process	Producers, Insureds, Companies
ADP	Payroll Processing	Employees, IRS

Communication plan if office is unavailable	Who will be notified	What duties will need to be performed	Where will duties be performed?	How will phones be answered?
1-5 days	<ul style="list-style-type: none"> • All Employees • Governing Committee • All Mail Vendors (Couriers, post office, fed ex, ups, etc.) • Pivot • AIPSO • TDI • Producers via website & phone message. • Companies via website & phone message. • Customers via website & phone message & posting notice on location if possible. 	Daily duties will not be completed.	N/A	Phone recording stating that office is closed until -----
6-10 days	<ul style="list-style-type: none"> • All Employees • Governing Committee • All Mail Vendors (Couriers, post office, fed ex, ups, etc.) • Pivot • AIPSO • TDI • Producers via website & phone message. • Companies via website & phone message. • Customers via website & phone message & posting notice on location if possible. 	Daily duties can be performed at employees homes.	Employee's homes if employee can access work thru their home computer	Phone recording stating that office is closed but to contact Stacy Midkiff at cell phone number.
11 + Days	<ul style="list-style-type: none"> • All Employees • Governing Committee • All Mail Vendors (Couriers, post office, fed ex, ups, etc.) • Pivot • AIPSO • TDI • Producers via website & phone message. • Companies via website & phone message. • Customers via website & phone message & posting notice on location if possible. 		New office space will need to be found.	Phone recording stating that office is relocated temporarily.

TAIPA has access to the following:

Personal Identifiable Information		Employees	Insureds	Producers	Companies	Vendors	Gov Com Members
Name Where is information kept at TAIPA	<ul style="list-style-type: none"> •Employment Application and various Employment forms (kept in regular and limited access Personnel Files), •Security check Provider (LS Screen), •Payroll System (ADP & Sage Accpac), •Benefits Systems (Humana, Choice Strategies, Prudential, Principal, Aflac) •TAIPA Website 	Yes	Application (AIPSO)	Yes AIPSO	Yes AIPSO	Yes •Accounts Payable Files •Sage Accpac	Yes •Accounts Payable Files for Public and Producer members •Sage Accpac for Public and Producer members •TAIPA Website
Email Where is information kept at TAIPA	<ul style="list-style-type: none"> •Employment Application and various Employment forms (kept in regular and limited access Personnel Files), •Security check Provider (LS Screen), •Payroll System (ADP & Sage Accpac), •Benefits Systems (Humana, Choice Strategies, Prudential, Principal, Aflac) •TAIPA Website (work email) 	Yes	No	Yes	Yes	Yes •Accounts Payable Files •Sage Accpac	
Home Address Where is information kept at TAIPA	<ul style="list-style-type: none"> •Employment Application and various Employment forms (kept in regular and limited access Personnel Files), •Security check Provider (LS Screen), •Payroll System (ADP & Sage Accpac), •Benefits Systems (Humana, Choice Strategies, Prudential, Principal, Aflac) 	Yes	Yes	Possibly	Corporate	Corporate •Accounts Payable Files •Sage Accpac	Yes •Accounts Payable Files for Public and Producer members •Sage Accpac for Public and Producer members
Phone Number		Yes		Yes	Yes	Yes	Yes

Where is information kept at TAIPA	<ul style="list-style-type: none"> •Employment Application and various Employment forms (kept in regular and limited access Personnel Files), •Security check Provider (LS Screen), •Payroll System (ADP & Sage Accpac), •Benefits Systems (Humana, Choice Strategies, Prudential, Principal, Aflac) 					<ul style="list-style-type: none"> •Accounts Payable Files •Sage Accpac 	<ul style="list-style-type: none"> •Accounts Payable Files for Public and Producer members •Sage Accpac for Public and Producer members
------------------------------------	--	--	--	--	--	---	---

Sensitive Personal Identifiable Information		Employees	Insureds	Producers	Companies	Vendors	Gov Com Members
Social Security Number	Yes		No	Yes	EIN # •Accounts Receivable/ Payable Files •Sage Accpac	EIN # •Accounts Payable /Receivable Files •Sage Accpac	Yes •Accounts Payable Files for Public and Producer members •Sage Accpac for Public and Producer members
Where is information kept at TAIPA	<ul style="list-style-type: none"> •Employment Application and various Employment forms (kept in regular and limited access Personnel Files), •Security check Provider (LS Screen), •Payroll System (ADP & Sage Accpac), •Benefits Systems (Humana, Choice Strategies, Prudential, Principal, Aflac) 						
Drivers License	Yes		Yes	No	No	No	No
Where is information kept at TAIPA	<ul style="list-style-type: none"> •Employment Application and various Employment forms (kept in regular and limited access Personnel Files), •Security check Provider (LS Screen), •Payroll System (ADP & Sage Accpac), 		AIPSO	N/A	N/A	N/A	N/A
Passport number	Yes		No	No	No	No	No

Where is information kept at TAIPA	N/A	N/A	N/A	N/A	N/A	N/A
Alien Registration number Where is information kept at TAIPA	•Employment forms (kept in limited access Personnel Files),	N/A	N/A	N/A	N/A	N/A
	•Security check Provider (LS Screen), Yes	No	No	No	No	No
Financial Account Information Where is information kept at TAIPA	•Employment forms (kept in limited access Personnel Files),	N/A	N/A	N/A	N/A	N/A
	•Payroll System (ADP & Sage Accpac), •Benefits Systems (Choice Strategies, Prudential, Principal, Aflac)	Yes	Yes	Yes	Yes	Yes
Biometric Identifiers Where is information kept at TAIPA	Possibly but not known or requested by TAIPA	No	No	No	No	No
	•Benefits Systems (Humana)	N/A	N/A	N/A	N/A	N/A
Citizenship or immigration status Where is information kept at TAIPA	Yes	No	No	No	No	No
	•Employment forms (kept in limited access Personnel Files), •Security check Provider (LS Screen),	N/A	N/A	N/A	N/A	N/A
Medical Information Where is information kept at TAIPA	Yes	No	No	No	No	No
	•Employment forms (kept in limited access Personnel Files), •Payroll System (ADP & Sage Accpac), only with regard to MMA used •Benefits Systems (Choice Strategies, Prudential, Principal, Aflac)	N/A	N/A	N/A	N/A	N/A
Ethnic or religious information Where is information kept at TAIPA	No	No	No	No	No	No
	N/A	N/A	N/A	N/A	N/A	N/A
Sexual orientation Where is information kept at TAIPA	No	No	No	No	No	No
	N/A	N/A	N/A	N/A	N/A	N/A
Account Passwords Where is information kept at TAIPA	Yes - Work Related Only	No	No	No	No	No
	N/A	N/A	N/A	N/A	N/A	N/A
Last 4 digits of SSN	Yes	No	Yes	No	No	Yes

<p>Where is information kept at TAIPA</p>	<p>•Employment Application and various Employment forms (kept in regular and limited access Personnel Files),</p> <p>•Security check Provider (LS Screen),</p> <p>•Payroll System (ADP & Sage Accpac),</p> <p>•Benefits Systems (Humana, Choice Strategies, Prudential, Principal, Aflac)</p>	<p>N/A</p>	<p>AIPSO</p>	<p>N/A</p>	<p>N/A</p>	<p>•Accounts Payable Files for Public and Producer members</p> <p>•Sage Accpac for Public and Producer members</p>
<p>Date of Birth Where is information kept at TAIPA</p>	<p>Yes</p> <p>•Employment Application and various Employment forms (kept in regular and limited access Personnel Files),</p> <p>•Security check Provider (LS Screen),</p> <p>•Payroll System (ADP & Sage Accpac),</p> <p>•Benefits Systems (Humana, Choice Strategies, Prudential, Principal, Aflac)</p>	<p>No</p> <p>N/A</p>	<p>No</p> <p>N/A</p>	<p>No</p> <p>N/A</p>	<p>No</p> <p>N/A</p>	
<p>Criminal history Where is information kept at TAIPA</p>	<p>Yes</p> <p>•Employment Application and various Employment forms (kept in limited access Personnel Files),</p> <p>•Security check Provider (LS Screen),</p>	<p>No</p> <p>N/A</p>	<p>No</p> <p>N/A</p>	<p>No</p> <p>N/A</p>	<p>No</p> <p>N/A</p>	
<p>Mother's maiden name Where is information kept at TAIPA</p>		<p>No</p> <p>N/A</p>	<p>No</p> <p>N/A</p>	<p>No</p> <p>N/A</p>	<p>No</p> <p>N/A</p>	



February 10, 2016

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

This letter is to explain our understanding of the arrangements for the services that Atchley & Associates, LLP (the Firm) is to perform for Texas Automobile Insurance Plan Association (TAIPA) for the year ending December 31, 2015. We ask that you either confirm or amend this understanding.

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of TAIPA, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and the supplementary comparison of revenues and expense versus budget. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

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

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

In making our risk assessments, we consider internal control relevant to TAIPA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of TAIPA's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

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

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

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

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

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

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

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

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

Management is responsible for the preparation of the supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

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

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

TAIPA's Records and Assistance

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

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

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

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

Fees, Costs, and Access to Workpapers

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

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

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. We will notify you immediately of any circumstances we encounter which could significantly affect our initial estimate of fees, excluding direct out-of-pocket expenses, estimated to be \$17,750 for the audit. All other provisions of this letter will survive any fee adjustment. In accordance with our firm policies, work may be suspended if your account becomes sixty or more days overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

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

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

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

In a legal action in which the Firm or its partners are not the defendants, we shall also be entitled to fees at \$400.00 per hour and reimbursements for testimony if we are subpoenaed as a witness in a subsequent litigation by third parties and such testimony involves the work we performed pursuant to this agreement. If we are ordered by a state or federal judge to permit the subsequent inspection and/or reproduction of files, records, and other documents relating to work performed by us pursuant to this agreement, then you agree that we may comply with these orders without prior notice to you.

Claim Resolution

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

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

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

Reporting

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

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

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

Atchley & Associates, LLP

Atchley & Associates, LLP

Confirmed on behalf of Texas Automobile Insurance Plan Association:

Audit Committee or Board Chair

Date

James Langford, Association Manager

Date

Nicole Morgan, Special Projects/Accounting Coordinator

Date

TAIPA PP Over/Under Report

02/08/2016

COMPANY Year-End 2010 Year-End 2011 Year-End 2012 Year-End 2013 Year-End 2014 1st QTR 2015 2nd QTR 2015 3rd QTR 2015

PRIVATE PASSENGER	Year-End 2010		Year-End 2011		Year-End 2012		Year-End 2013		Year-End 2014		1st QTR 2015		2nd QTR 2015		3rd QTR 2015	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
21ST CENTURY CENTENNIAL INS CO (SC)	100,816		90,492		177,367	248,568	273,200	249,103	246,443	246,443	249,103	230,784	238,190			
ACE AMERICA		45		404		247,616	246,672		246,443	246,245			246,031			
ALFA SPECIALTY INS CORP		71		333		16	689	629			671	353	405			
ALLSTATE INS CO		20,681		25,531		109,444	89,144	85,156			95,996	87,496	89,607			
AMER MERCURY INS CO	2,559		5,250		1,232	602	616	1,241			324		1,771			
ASSURANCEAMERICA INS CO		40		68		205	468	45			48	51	54			
ATX PREMIER INS CO												New to quota	2			9
AutoOne INS CO (prev Penn General)		61,581	1,239			328,062	330,062	330,059				330,056	330,053			
COLONIAL LLOYDS		1,101		1,272		1,277	1,277	1,277			1,277	1,277	1,277			1,277
COMPANION PROP & CAS INS CO		8		44		133	240	318			323	324	324			324
CRESTBROOK INS CO													New to quota		2	
ESURANCE PROP & CAS INS CO								15			41	80	140			
FALCON INS CO									New to quota		1	2	3			
FREESTONE INS CO						1	171	285			364	421	421			
GENERAL CAS CO OF WISCONSIN							72	72			72	72	72			72

CO / Restrictre CO / Restrictre CO / Restrictre

Note: National Liability & Fire Insurance Company is no longer a Texas servicing carrier. Integon National Insurance Company is now a servicing carrier for both PP and OTTP.

COMPANY Year-End 2010 Year-End 2011 Year-End 2012 Year-End 2013 Year-End 2014 1st QTR 2015 2nd QTR 2015 3rd QTR 2015

PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	
GOVERNMENT EMPLOYEES INS CO		13,521	721		56,090	85,877	75,542	87,528	77,664	66,742									
HALLMARK COUNTY MUT INS CO		180		443,440	443,961	443,485	443,440	443,440	443,417	443,409									
HOMEOWNERS OF AMER INS CO		198		3,644	4,456	4,637	4,639	4,639	4,639	4,639									
HOUSTON GENERAL INS EXCH (withdrawn & sold PP)		3,000		3,006	3,006	3,006	3,006	3,006	3,006	3,006									
ICM INS CO		19		939	Withdrawn from the market until 2016	0	13	13	13	13									
IMPERIAL FIRE & CAS		1,903	316	1,543	1,461	1,417	1,410	1,405	1,400										
INTEGON NATIONAL INS CO (SC)																			
LINCOLN GENERAL		51,328		51,337	51,337	51,337	51,337	51,337	51,337	51,337									
MILEMETER INS CO		542		2,125	2,211	2,211	2,211	2,211	2,211	2,211									
PALOMAR SPECIALTY INS CO																			
PHARMACISTS MUT INS CO																			
SOMPO JAPAN INS CO (prev Yasuda F&M)	1,976		1,976	1,976	1,976	1,976	1,976	1,976	1,976	1,976									
SOUTHLAND LLOYDS INS CO		274		293	293	293	293	293	293	293									
STARR INDEMNITY & LIABILITY CO		1		147	678	939	955	955	955	955									
STATE FARM MUT AUTO INS CO		18,467	56,449	168,680	196,216	203,426	174,933	187,809	192,337										

COMPANY	Year-End 2010	Year-End 2011	Year-End 2012	Year-End 2013	Year-End 2014	1st QTR 2015	2nd QTR 2015	3rd QTR 2015	CO / Restrict
PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER
TEXAS FARM BUREAU CAS INS CO	19,163	4,514	64,219	68,410	59,922	59,665	78,381	70,771	
TOKIO MARINE & NICHIDO FIRE INS		5	5	5	5	5	5	5	
UNIVERSAL NORTH AMERICA	(buy-out)				89	89	89	89	
TOTALS	329,719	159,154	953,457	1,023,678	1,023,612	1,024,569	1,023,099	1,022,869	1,022,869

PREMIUMS WRITTEN	4,237,673	3,381,187	3,079,634	2,690,098	2,156,742	514,306 1st qtr	438,221 2nd qtr	466,350 3rd qtr
------------------	-----------	-----------	-----------	-----------	-----------	-----------------	-----------------	-----------------

COMPANY

Year End 2010 Year End 2011 Year End 2012 Year End 2013 Year End 2014 1st Qtr 2015 2nd Qtr 2015 3rd Qtr 2015

OTHER THAN PRIVATE PASSENGER	Year End 2010		Year End 2011		Year End 2012		Year End 2013		Year End 2014		1st Qtr 2015		2nd Qtr 2015		3rd Qtr 2015	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
ALASKA NATL		48		54		68		76		80		87		91		96
AMER CONTRACTORS INS RISK RET. GRP		5,329		6,495		10,584		13,111		16,743		16,743		16,743		16,743
AMER MERCURY INS CO		15,326		16,052		5,499		12,371		15,785		12,024		9,186		6,646
AMER NATL COUNTY MUT INS CO												New to quota		4		9
AMER NATIONAL PROP & CAS CO		755		1,032		323		128		614		769		886		991
AMER ROAD INS CO								70		135		154		168		181
AMER SERVICE INS CO INC.		8		23		25		26		26		26		26		26
AMERICAN BUILDERS INS CO (prev Association Ins Co)						20		91		183		206		224		240
AUTOONE INS CO (prev Penn General)		66,176		219,499		388,603		415,745		414,922		414,915		414,910		414,906
BRITISH AMERICAN INS CO		15,388		14,946		15,193		15,565		15,934		16,030		16,102		16,167
CLARENDON NATIONAL INS CO		51,569		51,569		51,569		51,569		51,569		51,569		51,569		51,569
COLUMBIA MUT INS CO		(buy out)		(buy out)				0		4,627		5,426		6,029		6,569
COREPOINTE INS CO (prev Chrysler & Daimlerchrysler)		39,316		39,649		39,160		39,102		39,982		40,067		40,131		40,189
GENERAL STAR NATIONAL INS CO				23		59		59		59		59		59		59
GLOBAL LIBERTY INS CO OF NY												New to quota		11		26
GOVERNMENT EMPLOYEES INS CO		9,698		13,838		17,837		21,366		24,021		22,971		22,178		21,469
GRAMERCY INS CO				(buy out)				9,371		9,371		9,371		9,371		9,371
HISCOX INS CO INC										2		73		126		174
HOUSING ENTERPRISE INS CO INC								13		23		26		29		31
INTEGON NATIONAL INS CO (SC)																New to quota

COMPANY

Year End 2010

Year End 2011

Year End 2012

Year End 2013

Year End 2014

1st Qtr 2015

2nd Qtr 2015

3rd Qtr 2015

OTHER THAN PRIVATE PASSENGER	Year End 2010		Year End 2011		Year End 2012		Year End 2013		Year End 2014		1st Qtr 2015		2nd Qtr 2015		3rd Qtr 2015		CO / Restrict	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR		
LINCOLN GENERAL		50,217		73,630		73,630		73,631		73,631		73,631		73,631		73,631		73,631
MIDCONTINENT CAS CO	774,568		767,927		763,416		758,805		754,383		753,131		752,186		751,333			
MOTORISTS COMM MUT INS CO (prev Amer Hardware Mut Ins Co)	30,409		29,856		29,242		28,801		28,223		28,102		28,010		27,928			
NATIONAL BUILDERS INS CO						22	91	160		173		183				192		
NAVIGATORS INS CO				20		123	189	813		1,048		1,226				1,385		
NORTH AMER SPECIALTY INS CO						12	24	32		34		36				38		
OKLAHOMA SURETY CO	685,107		684,987		684,808		684,575		684,364		684,306		684,262		684,223			
PREFERRED PROFESSIONAL INS CO		263		514		694	920	1,119		1,177		1,221				1,260		
REP WEST INS CO (REPUBLIC WESTERN INS CO)		5		13		22	32	41		43		45				46		
RIVERPORT INS CO		4		6		15	44	79		80		81				82		
SAMSUNG FIRE & MARINE INS CO																		60
SENECA INS CO		4		53		91	3	93		139		174				205		
STATE FARM MUT AUTO INS CO		165,126		162,606		176,180	194,206	185,682		167,416		166,743				157,033		
TEXAS FARM BUREAU CAS INS CO (prev Southern Farm Bur)		31,376		38,165		37,445	40,575	45,183		48,221		43,111				40,882		
TEXAS HOSPITAL INS EXCH		10,153		10,430		10,651	10,895	11,191		11,292		11,369				11,437		
TNUS INS CO								16		22		27				31		
ULLICO CAS CO							686	1,291		1,291		1,291				1,291		
UNITRIN AUTO & HOME INS CO		32,159		32,159		32,159	32,159	32,159		32,159		32,159				32,159		
TOTALS	1,563,609	1,563,609	1,768,909	1,768,909	1,946,328	1,946,328	1,975,071	1,974,489	1,974,489	1,968,240	1,968,240	1,963,523	1,963,523	1,958,074	1,958,074	1,958,074		

PREMIUMS CREDITED	2,391,554	1,696,221	1,702,128	1,987,161	1,993,432	609,505	1st qtr	460,009	2nd qtr	411,688	3rd qtr
-------------------	-----------	-----------	-----------	-----------	-----------	---------	---------	---------	---------	---------	---------

ORIGINAL

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. 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 7.

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 must be mailed within 30 days of the insurer's receipt of the renewal premium specified under subsection 14.A.4 above.

6. Endorsements

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

AMENDED TO COMPLY WITH SENATE BILL 956

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. ~~within 30 days issue deliver~~ a policy in accordance with Chapter 525, Texas Insurance Code ~~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 7.

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 ~~must~~ shall be ~~mailed within 30 days of the insurer's receipt of the renewal premium specified under subsection 14.A.4~~ delivered in accordance with Chapter 525, Texas Insurance Code.

6. Endorsements

Any endorsement requested by the insured shall be ~~issued and mailed within 30 days~~ delivered in accordance with Chapter 525, Texas Insurance Code.