

**Texas Automobile Insurance Plan Association Governing Committee Meeting****Friday, August 17, 2018 - 9:00 A.M.****Omni Austin Hotel Southpark, 4140 Governor's Row, Austin, TX 78744****Dress: Business Casual**

1. Call to Order
2. Introductions
3. Reading of the Anti-Trust Statement
4. Recognition of Terry Fain's Service to TAIPA
5. Audit/Finance Committee Report
  - A. Report on 2017 Audit (Exhibit 1)
6. Review and Approval of the Minutes of the March 23, 2018 Meeting (Exhibit 2)
7. Chair's Report
  - A. TAIPA Administrative Rules and Possible Amendment (Exhibit 3)
  - B. Committee Reorganization and Elimination of Certain Committees Created by Past Board Action (Exhibit 4)
  - C. Approval of Producer Members for Producer Review Panel
  - D. Possible AIA/PCI Merger
8. Manager's Report
  - A. Application Count Update as of July (Exhibit 5)
  - B. Financial Update as of June (Exhibit 6)
  - C. Line of Credit Renewal
  - D. Plan of Operation Filing: Refunds
  - E. Employee Handbook Updates (Exhibit 7)
9. Operations Subcommittee Report
  - A. Over/Under Report (Exhibit 8)
  - B. Surcharges on TAIPA Policies (Exhibit 9)
  - C. Procedures Related to Insurers Discontinuing Writing (Exhibit 10)
10. Report of Counsel
  - A. TAIPA Rates
11. 2019 Meeting Dates (Exhibit 11)
12. Next Meeting—November 16, 2018 at Omni Austin Southpark
13. Personnel Matters
14. Adjournment

The Governing Committee may take action on any matter of business identified in this notice. Portions of the meeting will be conducted as a closed meeting, if permitted under Chapter 551, Government Code.



Audit Committee  
Texas Automobile Insurance Plan Association  
Austin, Texas

We have audited the financial statements of Texas Automobile Insurance Plan Association as of and for the year ended December 31, 2017, and have issued our report thereon dated June 29, 2018. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated January 5, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Texas Automobile Insurance Plan Association solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team and our firm have complied with all relevant ethical requirements regarding independence.

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

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Texas Automobile Insurance Plan Association is included in Note A to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *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 estimate affecting the financial statements is related to the defined benefit plan detailed in Note B of the financial statements. Management's estimate is based on information provided by the plan's actuaries.

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

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. We noted no such misstatements.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Texas Automobile Insurance Plan Association's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated June 29, 2018.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings or Issues**

In the normal course of our professional association with Texas Automobile Insurance Plan Association, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Texas Automobile Insurance Plan Association's auditors.

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  
June 29, 2018

# TAIPA

## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

NICOLE MORGAN  
Manager of Operations/Financial Management  
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<http://www.taipa.org>

June 29, 2018

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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and the supplementary comparison of revenues and expense versus budget. We confirm that we are responsible for the fair presentation in financial statements of financial position, results of activities, and cash flows in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

### *Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated January 5, 2018, for the preparation and fair presentation of the financial statements referred to above in accordance with accounting principles generally accepted in the United States of America.
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. We have no knowledge of any uncorrected misstatements in the financial statements.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. 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.

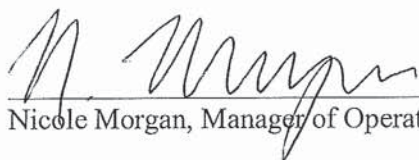
*Information Provided*

9. 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.
10. All transactions have been recorded in the accounting records and are reflected in the financial statements.
11. 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.
12. 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.
13. 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.
14. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
15. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
16. 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.
17. 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.
18. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. 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.
20. 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, 2017.
21. 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. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
  - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.
  - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
  - d. Agreements to repurchase assets previously sold.
  - e. Security agreements in effect under the Uniform Commercial code.
  - f. Other liens or encumbrances on assets and all other pledges of assets.
  - g. Uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2017, and/or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2017.
  - h. Liabilities that are subordinated to any other actual or possible liabilities of the Organization.
  - i. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.
  - j. Concentrations of credit risk.
  - k. Reclassifications between net asset classes
22. The Organization has satisfactory title to all owned assets.
23. 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.

24. 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 corporation, and we have complied with the IRS regulations regarding this exemption.
25. 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 accounting principles generally accepted in the United States of America
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
26. We are responsible for determining that significant events or transactions that have occurred since the statement of financial position date and through the date of this letter have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the statement of financial position date and through the date of this letter that would require recognition or disclosure in the financial statements. We further represent that, as of the date of this letter, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America, and all approvals necessary for issuance of the financial statements had been obtained.
27. 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



Nicole Morgan, Manager of Operations/Financial Management

TEXAS AUTOMOBILE INSURANCE  
PLAN ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

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## INDEPENDENT AUDITORS' REPORT

Governing Committee  
Texas Automobile Insurance  
Plan Association

### **Report on the Financial Statements**

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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity'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 the entity's internal control. Accordingly, we express no such opinion. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TAIPA as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of comparison of revenues and expenses versus budget is presented for purposes of additional analysis and 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

June 29, 2018

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 155,571	\$ 91,425
Accounts receivable	-	150
Prepaid expenses	29,252	25,005
Security deposits	5,379	-
Total current assets	190,202	116,580
<b>Property and Equipment</b>		
Furniture and equipment	38,921	38,921
Computer equipment	23,762	23,762
Leasehold improvements	50,007	50,007
Computer software and program development costs	34,858	34,858
	147,548	147,548
Less accumulated depreciation	(126,116)	(110,909)
	21,432	36,639
Total assets	\$ 211,634	\$ 153,219
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 11,638	\$ 7,495
Accrued vacation	25,315	39,113
Accrued payroll liabilities	52,412	8,415
Other accrued liabilities	6,334	6,137
Total current liabilities	95,699	61,160
<b>Other Liabilities</b>		
Accrued pension benefit costs	183,909	314,442
Deferred lease benefit	3,826	17,564
Total other liabilities	187,735	332,006
<b>Net Assets (Deficiency)</b>		
Accumulated effect of pension adjustment	(1,014,779)	(1,192,111)
Unrestricted	942,979	952,164
Total net assets (deficiency)	(71,800)	(239,947)
Total liabilities and net assets (deficiency)	\$ 211,634	\$ 153,219

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Revenues		
Member assessments	\$ 997,100	\$ 1,000,400
Assessment penalties	3,458	5,259
Interest income	609	290
Total revenues	<u>1,001,167</u>	<u>1,005,949</u>
Expenses		
Salaries and related expenses	645,973	633,453
Professional services	143,340	133,073
Occupancy expenses	129,078	133,528
Postage and delivery	19,572	19,548
Governing committee	18,092	18,042
Office supplies and expense	15,904	18,092
Depreciation and amortization	15,208	15,430
Miscellaneous	8,106	6,698
Computer supplies and expense	5,200	7,656
Staff education and seminars	3,930	8,087
Operating committee	2,500	4,630
Staff expense	1,946	2,473
Dues and subscriptions	1,503	1,636
Total expenses	<u>1,010,352</u>	<u>1,002,346</u>
Other revenues (expenses)		
Pension minimum liability adjustment	177,332	78,938
Total other revenues (expenses)	<u>177,332</u>	<u>78,938</u>
Net change in unrestricted net assets	168,147	82,541
Net assets (deficiency) at beginning of year	<u>(239,947)</u>	<u>(322,488)</u>
Net assets (deficiency) at end of year	<u><u>\$ (71,800)</u></u>	<u><u>\$ (239,947)</u></u>

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 168,147	\$ 82,541
Adjustments to reconcile change in net assets to net cash flows		
Depreciation and amortization	15,208	15,430
Change in operating assets and liabilities -		
Accounts receivable	150	-
Prepaid expenses	(4,247)	13,511
Security deposits	(5,379)	-
Accounts payable	4,142	(3,332)
Accrued vacation	(13,798)	563
Accrued payroll liabilities	43,997	443
Other accrued liabilities	197	(16,363)
Accrued pension benefit costs	(130,533)	(129,229)
Deferred lease benefit	<u>(13,738)</u>	<u>(11,652)</u>
Net cash flows from operating activities	64,146	(48,088)
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>-</u>	<u>(6,637)</u>
Net cash flows from investing activities	<u>-</u>	<u>(6,637)</u>
Net change in cash and cash equivalents	64,146	(54,725)
Cash and cash equivalents - beginning of year	<u>91,425</u>	<u>146,150</u>
Cash and cash equivalents - end of year	<u><u>\$ 155,571</u></u>	<u><u>\$ 91,425</u></u>

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**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.

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Financial Statement Presentation

TAIPA's financial statements follow the requirements of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958. Under FASB ASC 958, TAIPA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. For 2017 and 2016, TAIPA had no temporarily or permanently restricted net assets.

*Unrestricted net assets* - Funds received that are not subject to stipulations or restrictions have expired or been satisfied.

*Temporarily restricted net assets* - Funds received that are subject to restriction either for use during a specific time period or for a particular purpose.

*Permanently restricted net assets* - Funds received that are subject to restrictions that they be maintained permanently by the organization.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

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

Net Assets Released From Restrictions

When a restriction is fulfilled or when a time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets 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.

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.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

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

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 FASB ASC 740, *Accounting for Uncertainty in Income Tax*. The benefit of a tax position is 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, 2017 and 2016, 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, 2014, and after are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

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.

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which requires presentation on the face of the statement of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the statement of activities the amount of the change in each of these two classes of net assets. The standard will also require presentation of expenses by their functional classifications and enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. TAIPA is currently evaluating the impact the standard will have on its 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, 2017 AND 2016

**NOTE B - EMPLOYEE BENEFIT PLANS**

Defined Contribution Plan

TAIPA is a member of the Insurance Company Supported Organization (ICSO) 401(k) Savings Plan. After one year of employment, all full-time employees are eligible to become plan participants. Employees may contribute up to 16% of their annual compensation to the plan. The employer matches employee contributions at the rate of \$.75 per \$1.00 of employee contributions up to a maximum of 6% of annual compensation. Payments to the plan were \$19,251 and \$16,441 for 2017 and 2016, respectively.

Defined Benefit Plan

TAIPA is a member of The Pension Plan for Insurance Organizations (the Pension). The Pension is a multiple-employer defined benefit plan. The trustee of the Pension is the Principal Trust Company, a member of the Principal Financial Group. The Pension's employer identification number is 27-0131295 and Plan Number 001. An employee is eligible to become a member at the beginning of the first twelve-month period during which 1,000 hours of service have been completed with 100% vesting after (a) five or more years of service or (b) four years of service and 1,000 hours. TAIPA's funding policy is to make monthly contributions in conformance with minimum funding requirements. For the year ending December 31, 2017, 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 unrestricted net assets 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 Plan's status and amounts per ASC 715 at December 31, 2017 and 2016.

	2017	2016
Components that have been recognized as changes to unrestricted net assets arising from the Plan but not yet reclassified as components of net periodic benefit costs for the year ended December 31:		
Service cost	\$ 37,314	\$ 33,633
Interest cost	162,274	170,369
Expected return on MRVA	(205,597)	(197,398)
Amortization of net prior service cost	5,736	5,736
Amortization of net actuarial loss (gain)	115,341	126,367
Net periodic benefit cost	<u>\$ 115,068</u>	<u>\$ 138,707</u>

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

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

The status of the Plan for the years ended December 31:	<u>2017</u>	<u>2016</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 4,141,991	\$ 4,094,946
Service cost	37,314	33,633
Interest cost	162,274	170,369
Actuarial loss (gain)	249,685	93,147
Benefits paid	(250,104)	(250,104)
Plan amendments	-	-
Benefit obligation at end of year	<u>4,341,160</u>	<u>4,141,991</u>
Change in plan assets		
Fair value of plan assets at beginning of year	3,827,549	3,651,275
Actual return on plan assets	511,537	237,380
Employer contributions	68,269	188,998
Benefits paid	(250,104)	(250,104)
Fair value of plan assets at end of year	<u>4,157,251</u>	<u>3,827,549</u>
Funded status at end of year	<u>\$ (183,909)</u>	<u>\$ (314,442)</u>
Amounts recognized in the statement of financial position as of December 31:		
Noncurrent liabilities	<u>\$ 183,909</u>	<u>\$ 314,442</u>
Amounts recognized as changes in unrestricted net assets arising from a defined benefit plan as of December 31:		
Accumulated net loss (gain)	<u>\$ 1,014,779</u>	<u>\$ 1,192,111</u>

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

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

	2017	2016
Other changes in plan assets and benefit obligations recognized as changes in unrestricted net assets not yet included in net periodic benefit cost for the years ended December 31:		
Net gain (loss)	\$ (115,341)	\$ (126,367)
Net prior service credit (cost)	(5,736)	(5,736)
Other adjustments	-	-
New actuarial losses	(56,255)	53,165
	<u>\$ (177,332)</u>	<u>\$ (78,938)</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 \$84,666.

The accumulated benefit obligation for the defined benefit pension plan was \$4,245,368 and \$4,052,543 as of December 31, 2017 and 2016, respectively.

Employer contributions expected to be paid during the year ending December 31, 2018, is \$65,981.

Weighted average assumptions used to develop benefit obligations were:

	2017	2016
Discount rate	3.50%	4.00%
Rate of compensation increases	3.00%	3.00%

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

	2017	2016
Discount rate	4.00%	4.25%
Expected return on plan assets	5.50%	5.50%
Rate of compensation increases	3.00%	3.00%

TAIPA's target investment allocation is 60% equity securities and 40% debt securities and its asset diversifications as of December 31, 2017 and 2016, were as follows:

	2017	2016
Equity securities	37.3%	42.5%
Debt securities	57.0%	57.2%
Real Estate	4.9%	0.0%
Cash	0.8%	0.3%
	<u>100.0%</u>	<u>100.0%</u>

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

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

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

Fiscal Years Ending	
December 31, 2018	\$ 253,382
December 31, 2019	257,958
December 31, 2020	254,203
December 31, 2021	251,818
December 31, 2022	250,038
December 31, 2023-2027	1,288,154
Total	<u>\$ 2,555,553</u>

**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 31st. 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 1st. Accrued leave in the amount of \$25,315 and \$39,113 has been recorded in the accompanying statements of financial position as of December 31, 2017 and 2016, respectively.

**NOTE D - LEASE COMMITMENTS**

TAIPA leases office space and certain equipment under noncancelable operating leases. The lease for office space terminates on April 30, 2023, while the leases for equipment expire through 2021. Minimum future obligations from leases in effect at December 31, 2017, are as follows:

Due in Years Ending	
December 31, 2018	\$ 85,326
December 31, 2019	50,524
December 31, 2020	44,943
December 31, 2021	42,227
December 31, 2022	42,960
	<u>\$ 265,980</u>

Lease expenses for operating leases were \$125,248 and \$129,180 for the years ended December 31, 2017 and 2016, respectively.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**NOTE E - DEFERRED LEASE BENEFIT**

TAIPA's office lease agreement contains provisions for future rent increases, rent free periods, or periods in which rent payments are reduced. Per FASB ASC 840, the total amount of rental payments due over the lease term is charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited to "deferred lease benefit", and is included in the accompanying statements of financial position.

**NOTE F - LINE OF CREDIT**

TAIPA renewed a bank line of credit totaling \$300,000, on September 7, 2017. Interest, calculated at the bank's prime rate, is payable monthly. At December 31, 2017, there was no outstanding balance on the line, and there were no borrowings on the line of credit during the years ended December 31, 2017 and 2016. The line of credit matures on September 6, 2018.

SUPPLEMENTAL  
INFORMATION

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
SUPPLEMENTAL INFORMATION  
COMPARISON OF REVENUES AND EXPENSES VERSUS BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Actual	Budget	Variance
Revenues			
Member assessments	\$ 997,100	\$ 1,000,000	\$ (2,900)
Interest income	609	-	609
Assessment penalties	3,458	-	3,458
Total Revenues	<u>1,001,167</u>	<u>1,000,000</u>	<u>1,167</u>
Operating Expenses			
Salaries	427,202	424,900	(2,302)
Employee benefits & other insurance	218,771	189,200	(29,571)
Rent	116,187	129,000	12,813
Telephone/internet access	12,079	12,300	221
Property taxes	812	1,300	488
Professional services			
Legal	44,980	49,600	4,620
Audit	22,283	23,100	817
Systems consultants	40,689	43,400	2,711
Consultants - other	26,888	19,900	(6,988)
Actuary	8,500	9,400	900
Depreciation and amortization	15,208	15,300	92
Postage & shipping	19,572	22,300	2,728
Office equipment & supplies	14,149	15,300	1,151
Printing & stationary	1,755	1,900	145
Governing Committee	18,092	23,700	5,608
Computer supplies	5,200	6,600	1,400
Operation Sub-committee	2,500	3,300	800
Employee meetings, seminars & travel	3,930	9,300	5,370
Other	8,106	7,100	(1,006)
Staff expense	1,946	2,700	754
Dues, subscriptions & publications	1,503	1,600	97
Total Operating Expenses	<u>1,010,352</u>	<u>1,011,200</u>	<u>848</u>
Other revenues (expenses)			
Pension minimum liability adjustment	177,332	(200,000)	377,332
	<u>177,332</u>	<u>(200,000)</u>	<u>377,332</u>
Change in Unrestricted Net Assets	<u>\$ 168,147</u>	<u>\$ (211,200)</u>	<u>\$ 379,347</u>

**TAIPA GOVERNING COMMITTEE MEETING MINUTES  
MARCH 23, 2018 AT 9:00 AM  
OMNI AUSTIN HOTEL SOUTHPARK**

**ATTENDEES:**

**VOTING MEMBERS:**

Bill Brooks, Texas Farm Bureau Casualty  
Alisha Darden, Public Member Alternate  
Todd Feltman, State Farm  
Pete Hamel, Producer Member  
Carmelita Hogan, Public Member  
Stephen Hylka, Liberty Mutual/Safeco  
Becky Jackson, Public Member  
Corise Morrison, USAA (Via teleconference)  
Anise Mulkey, Travelers  
Adam Payton, Producer Member  
Tom Rolling, Farmers  
Jim Rowland, Allstate  
David Weber, Hochheim Prairie (Chair)

**COUNSEL:**

Mike Jones, Thompson, Coe, Cousins & Irons

**TAIPA STAFF:**

Stacy Dutton (Association Manager)  
Mimi Leece  
Nicole Morgan (Minute Taker)

**OTHERS:**

Doug Beck, Farmers (Via teleconference)  
Carol Berthold, GEICO (Via teleconference)  
Kimberly Donovan, TDI  
John Lusardi, Assigned Risk Solutions, Ltd. (Via teleconference)  
Brent McGill, Old American  
David Nardecchia, OPIC

**ITEM 1: CALL TO ORDER**

Bill Brooks called the meeting to order at 9:06 AM.

**ITEM 2: INTRODUCTIONS**

Introductions were made.

TAIPA Governing Committee Meeting  
March 23, 2018

**ITEM 3: READING OF THE ANTI-TRUST STATEMENT**

Stacy Dutton read the Anti-Trust Statement:

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

**ITEM 4: RECOGNITION OF DICK LONQUIST’S AND JIM ROWLAND’S SERVICE TO TAIPA**

Dick Lonquist is leaving the Governing Committee. He was recognized for his service as a Governing Committee member from 2006-2018. During his time with TAIPA, he served as Secretary, Second Vice-Chair, and First Vice-Chair. He also served on several subcommittees, including the Operations Subcommittee, Strategic Planning Subcommittee, Manager Transition Subcommittee, and Audit & Finance Subcommittee. He will be sent a plaque of appreciation.

Jim Rowland will be retiring in April, and will be leaving the Governing Committee. He was recognized for his service as a Governing Committee member from 2015-2018. During his time with TAIPA, he served as Secretary. He also served on several subcommittees, including the Actuary RFP Subcommittee, Strategic Planning Subcommittee, Manager Transition Subcommittee, and Audit & Finance Subcommittee. He was presented with a plaque of appreciation.

**ITEM 5: ELECTION OF OFFICERS**

Carmelita Hogan stated the Nominating Committee nominates the following slate of officers to serve in 2018:

- Chair: David Weber
- First Vice Chair: Corise Morrison
- Second Vice Chair: Anise Mulkey
- Secretary: Becky Jackson

It was moved by Adam Payton and seconded by Jim Rowland to:

“Accept the slate of officers.”

The motion carried unanimously.

Bill Brooks was thanked for his service as Chair from 2016-2017 and was presented with a plaque of appreciation.

TAIPA Governing Committee Meeting  
March 23, 2018

**ITEM 6: REVIEW AND APPROVAL OF THE MINUTES OF THE NOVEMBER 17, 2017 MEETING  
(EXHIBIT 1)**

It was moved by Todd Felton and seconded by Bill Brooks to:

“Approve the minutes.”

The motion carried unanimously.

**ITEM 7: MANAGER’S REPORT**

Stacy Dutton presented the Manager’s Report.

**A. APPLICATION COUNT UPDATE**

**a. AS OF YEAREND 2017 (EXHIBIT 2)**

TAIPA received a total of 3,587 applications in 2017, compared to 3,336 in 2016, which is an increase of about 7.5%. There was some discussion last year about this potentially being due to the voluntary industry tightening underwriting guidelines in response to increased losses in Texas. We also believe that it’s indicative of reaching the “bottoming out” period in which application volumes will remain relatively stable and will not continue to decline.

**b. AS OF FEBRUARY 2018 (EXHIBIT 3)**

TAIPA’s received 301 applications in February 2018, compared to 300 in February 2017. Year-to-date, TAIPA has received 580 applications in 2018, compared to 616 in 2017, which is a decrease of about 6%. But when compared to 2016, 2018 volume is actually up about 8%. We expect 2018 volume to be in between 2016 and 2017 volume, consistent with the “bottoming out” theory.

**B. FINANCIAL UPDATE FOR YEAREND 2017 (EXHIBIT 4)**

Including the adjustments for pension, vacation accrual, and deferred lease benefit, TAIPA ended the year right under-budget at 99.92%. Without the adjustments, we would have ended about 2% under-budget. One item of note is that TAIPA’s pension liability decreased again this year, primarily due to a better return on assets than expected. The line items that ended over-budget were explained.

It was asked if TAIPA will be doing another salary survey in 2018. We are planning to budget for one in 2019.

**C. UPDATE ON TAIPA OFFICE & STAFFING**

We moved into our new office last weekend. The new office is just one stoplight north of our current location, at the Las Cimas office complex. The new lease will save us 45% over the previous lease, primarily due to reducing our square footage to be more in line

TAIPA Governing Committee Meeting  
March 23, 2018

with current staffing levels.

As the board is aware, Joyce Boriack and Wanda Crayton retired from TAIPA on December 31, 2017. TAIPA currently has three full-time employees, as well as one temporary employee that's still being trained in the Customer Service/Admin Support Level I position.

It was asked if TAIPA plans to hire a temporary employee as a long-term employee, or if they'd be kept as a temp. TAIPA's intent is to hire a temporary employee as a long-time employee. We are going the temp-to-hire route so that we can find someone who has both customer service and admin skills, which can be a hard combination to find.

**D. CONFLICT OF INTEREST POLICY**

Each Governing Committee and subcommittee member needs to complete the last page of the Conflict of Interest form and return it to Stacy Dutton.

**ITEM 8: AUDIT/FINANCE COMMITTEE REPORT**

David Weber presented the Audit/Finance Committee Report on Dick Lonquist's behalf.

**A. AUDIT ENGAGEMENT LETTER (EXHIBIT 5)**

Atchley & Associates will be performing TAIPA's annual audit May 29-June 1, 2018. The cost of this year's audit will be the same as last year.

It was moved by Stephen Hylka and seconded by Pete Hamel to:

“Authorize Nicole Morgan and David Weber to sign the audit engagement letter.”

The motion carried unanimously.

**ITEM 9: OPERATIONS SUBCOMMITTEE REPORT**

David Weber presented the Operations Subcommittee Report.

There are quite a few open subcommittee positions that we need new volunteers for. TAIPA will send out a list of all the open subcommittee positions, as well as descriptions of the roles and responsibilities. Please let Stacy Dutton know if you are interested in serving.

**A. OVER/UNDER REPORT (EXHIBIT 6)**

There was nothing noteworthy on the report.

**B. PLAN OF OPERATION FILING: REFUNDS (EXHIBIT 7)**

The board will recall that TAIPA filed changes to our Plan of Operation regarding refunds in August 2017. Shortly before the November 2017 meeting, we heard that TDI

TAIPA Governing Committee Meeting  
March 23, 2018

wanted us to make some changes to an additional section. We worked with TDI to put together new language that would be acceptable to them, which is included in the exhibits.

It was moved by Bill Brooks and seconded by Adam Payton to:

“Amend our filing with TDI to reflect these changes.”

The motion carried unanimously.

### **C. DUPLICATE SURCHARGES ON TAIPA POLICIES**

TAIPA received a couple of questions regarding how to apply surcharges in situations that don't come up very often and aren't addressed in our rules. This was referred to the Operations Subcommittee to discuss how other plans and insurers are handling these situations, and to consider if we need to add clarifying language to our Rules & Rating Manual. The subcommittee had a spirited discussion and received a lot of information from insurers regarding how they handled these situations. The subcommittee would like to continue to work on the issue, and present recommendations to the board at the August or November Governing Committee meeting. The subcommittee would also like to get input from TDI and OPIC regarding the impact to consumers. The Governing Committee agreed by consensus.

### **D. QUOTA PROCEDURES RELATED TO INSURERS DISCONTINUING WRITING**

Many of the plans around the country have language in their manuals regarding companies that are in receivership/liquidation, or that withdraw from the market. This was referred to the Operations Subcommittee to consider if TAIPA should change their procedures to be more in line with some of the other plans. Most of the discussion was regarding companies that withdraw from the market. Currently, TAIPA restricts these companies from receiving assignments, but the company isn't required to do anything further to fulfill their TAIPA obligation. The subcommittee's consensus was that companies should have to fulfill their TAIPA obligation some other way, such as by hiring a LAD/CLAD or paying a one-time buyout fee to the plan. The subcommittee would like to continue to pursue this direction, which will require discussions with TDI, as well as changes to TAIPA's Plan of Operation and several internal procedures. The Governing Committee agreed by consensus.

## **ITEM 10: REPORT OF COUNSEL**

Mike Jones presented the Report of Counsel.

### **A. TAIPA RATES**

TAIPA's last rate filing was September 8, 2017. On November 16, 2017, the Commissioner approved new rates effective March 1, 2018, with an overall increase of 4.8% for PP, and 1.7% for OTTP. Statute says we can't make a rate filing more than once in any 12-month period, so the next filing will be September 9, 2018, or later. Mike

TAIPA Governing Committee Meeting  
March 23, 2018

Miller will begin working on the rate filing this summer, and will have a recommendation ready for the August Governing Committee meeting.

**ITEM 11: NEXT MEETING—AUGUST 17, 2018 AT OMNI AUSTIN HOTEL SOUTHPARK**

The next Governing Committee meeting is Friday, August 17, 2018 at the Omni Austin Hotel Southpark.

**ITEM 12: PERSONNEL MATTERS**

Acting under authority of Government Code 551.074, the Governing Committee commenced a closed meeting at 9:37 AM. The open meeting resumed at 10:09 AM.

It was moved by Tom Rolling and seconded by Todd Feltman to:

“Authorize David Weber and Bill Brooks to administer Stacy Dutton’s performance review.”


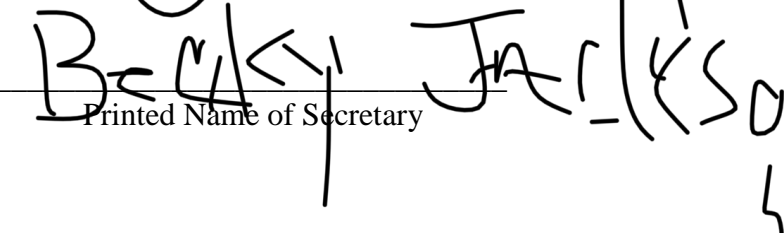
The motion carried unanimously.

**ITEM 13: ADJOURNMENT**

There being no further business to discuss, it was moved by Tom Rolling and seconded by Bill Brooks to:

“Adjourn the meeting.”

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

 4/2/18  
Signature of Secretary Date Signed  
  
Printed Name of Secretary

## TAIPA GOVERNING COMMITTEE

### ADMINISTRATIVE RULES

#### 1. Governing Committee Meetings

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

#### 2. Officers

- 2.1 Officers will include: Chair, 1<sup>st</sup> Vice-Chair, 2<sup>nd</sup> Vice-Chair, and Secretary.
- 2.2 Officers are to be elected at the first meeting of the Governing Committee following the annual meeting of members and serve until the following annual meeting of members.
- 2.3 At least one officer is to be a public member of the Governing Committee.
- 2.4 An officer may be removed at any meeting of the Governing Committee. An officer may resign at any time by giving written notice to the Governing Committee or to the Chair or to the Secretary. A resignation shall take effect at the date of the receipt of the notice or at a later time specified therein.
- 2.5 The Chair presides at all meetings of the Governing Committee and is responsible for the orderly conduct of such meetings. The Chair shall direct the Manager and staff of the Association in the preparation and publication of the Notice of Meeting and Agenda for all meetings of the Governing Committee. The Chair is authorized to appoint members to standing or special subcommittees. If the Chair will be absent from a meeting, the Chair may designate an officer to preside at

such meeting. In the absence of such a designation, the officers shall serve in order of their seniority as set forth in Section 2.1.

- 2.6 The First Vice-Chair succeeds to the office of Chair in the event of the resignation or removal of the Chair.
- 2.7 The Second Vice-Chair succeeds to the office of Chair in the event of the resignation or removal of the Chair and Vice-Chair.
- 2.8 The Secretary has the responsibility for the preparation of all minutes of the Governing Committee. In this responsibility, the Secretary will be assisted by the Manager and the staff of the Association. The Secretary is authorized to certify to actions of the Governing Committee.
- 2.9 The Chair, and such officers as the Chair may request, shall, subject to the control of the Governing Committee, generally interact with and direct the Manager of the Association. This may include day-to-day matters which may arise, and shall include giving performance reviews and making compensation adjustments.
- 2.10 Industry representatives serving as officers of the Association do so individually. The office is not held by the member company by whom any officer is employed.
- 2.11 The officers may consult as a group in discharging their duties and responsibilities.
- 2.12 The officers have no authority to act for the Association, or to commit it to any obligation except as specifically authorized or directed by the Governing Committee.

### 3. **Standing Subcommittees**

- 3.1 Operations. This subcommittee consists of one public member, one agent member and three company members. It has responsibility to review matters directed to it by the Governing Committee affecting the Plan of Operation or other business deemed necessary by the Governing Committee and to make recommendations for action to be taken on those matters. It shall keep regular minutes of its meetings and report the same to the Governing Committee when required. In this responsibility, this subcommittee will be assisted by the Manager and the staff of the Association
- 3.2 Audit & Finance. This subcommittee is composed of three members, one of whom is a public member. It has the responsibility to assist the Governing Committee in its oversight of the Association's financial and accounting matters. It will also oversee the work of any independent auditor selected by the Governing Committee. If the Governing Committee wishes to change independent auditors, the subcommittee will be responsible to recommend independent auditors.

- 3.3 Nominations. This subcommittee consists of one public member, one agent member and one company member. It has the responsibility to nominate members to serve as officers of the Association. It is to submit a slate of officers to be presented for election at the Governing Committee meeting following the annual meeting of members.
- 3.4 Task Forces. A subcommittee may create a “Task Force” of its members to facilitate the business of that subcommittee.
- 3.5 Telephone Meetings or Participation by Telephone
- 3.6 Meetings of subcommittees may be held by means of conference telephone or other similar means of remote communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation in such a meeting shall constitute presence in person at the meeting.
- 4. **Special Subcommittees**
  - 4.1 The Governing Committee may appoint special subcommittees to facilitate the work and responsibility of the Governing Committee. A special subcommittee may hold telephonic meetings as provided in section 3.5
- 5. **Amendments**
  - 5.1 These Administrative Rules are to continue in effect as an act of the Governing Committee until they are withdrawn or changed by further act of this or any succeeding Governing Committee of the Association.

(Adopted August 17, 2010 by the unanimous vote of the Governing Committee. These rules are a revision and restatement of the resolution adopted on June 13, 1995)

## Current TAIPA Subcommittees

<b>Committee</b>	<b>How Created</b>	<b>Purpose</b>	<b>Staff Recommendation</b>
<b>Operations Subcommittee</b>	By motion of Governing Committee on August 17, 2010, as part of our Administrative Rules. <i>NOTE: committee was already in existence, but this motion formalized the committee</i>	Review matters referred by Governing Committee affecting the Plan of Operation or other business deemed necessary by Governing Committee and to make recommendations for action.	Continue as currently outlined in TAIPA Administrative Rules.
<b>Audit &amp; Finance Subcommittee</b>	By motion of Governing Committee on August 17, 2010, as part of our Administrative Rules. <i>NOTE: committee was already in existence, but this motion formalized the committee</i>	Assist the Governing Committee in its oversight of the Association's financial and accounting matters. Oversee the work of any independent auditor selected by the Governing Committee.	Continue as currently outlined in TAIPA Administrative Rules.
<b>Nominations Subcommittee</b>	By motion of Governing Committee on August 17, 2010, as part of our Administrative Rules. <i>NOTE: committee was already in existence, but this motion formalized the committee</i>	Nominate members to serve as officers of the Association.	Continue as currently outlined in TAIPA Administrative Rules.
<b>Producer Review Panel</b>	Authority granted in Sections 15.B. and 33.B. and of the TAIPA Plan of Operation	To review the records of producers with repeated violations, and make recommendations for action to the Governing Committee.	Continue as currently outlined in the Plan of Operation.
<b>Strategic Planning Subcommittee</b>	By motion of Governing Committee during 5/19/11 meeting	Annually review staffing levels, other significant changes for the organization, and changes needed to the ERM Plan.	Formalize the subcommittee and add to our Administrative Rules as a standing subcommittee.
<b>Manager Transition Subcommittee</b>	By motion of Governing Committee during 8/19/16 meeting	Evaluate candidates for TAIPA management after the passing of the prior Association Manager.	Formally dissolve subcommittee.

## Current TAIPA Subcommittees

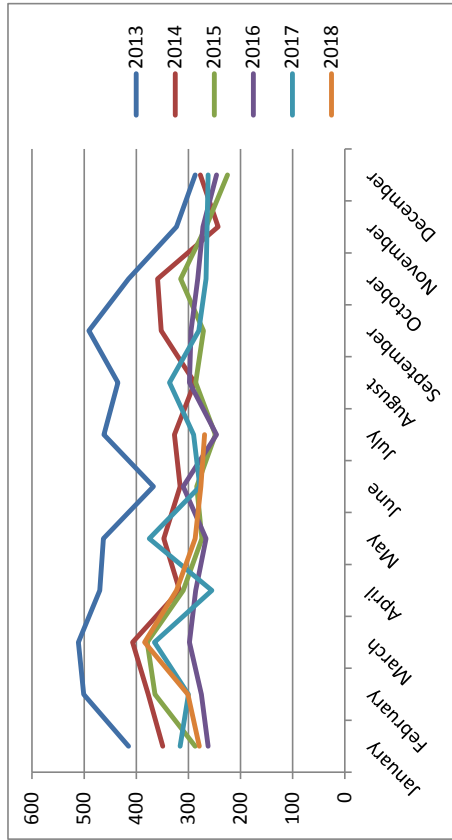
Committee	How Created	Purpose	Staff Recommendation
Actuary RFP Subcommittee	By motion of Governing Committee during 11/20/15 meeting	Draft an RFP for an actuary for TAIPA's annual rate filings; evaluate candidates.	Formally dissolve subcommittee.
Quota Task Force	Announced by Bill Jeter (GC Chair) during 1/28/09 Operations Subcommittee and 2/26/09 Governing Committee meetings NOTE: <i>this was before our Administrative Rules were adopted in 2010, so there was no formal process for creating the subcommittees</i>	Analyze the quota process and make recommendations for action to the Governing Committee.	Formally dissolve subcommittee.

Monthly Total (July 2018)		
	Private Passenger	Commercial
EASi Applications	246	23
Paper Applications	0	0
Total Applications Received	246	23
Applications Assigned	236	23
Apps Returned for Correction	10	0
Applications Deficient	21	5
Applications with SR-22s	6	1
Total Applications Received in July 2017:		290
Total Applications Received in July 2018:		269
Year to Date Total (as of July 2018)		
	Private Passenger	Commercial
EASi Applications	1921	198
Paper Applications	0	0
Total Applications Received	1921	198
Applications Assigned	1874	193
Apps Returned for Correction	47	4
Applications Deficient	143	19
Applications with SR-22s	84	2
Total Applications Received YTD (as of July 2017):		2,179
Total Applications Received YTD (as of July 2018):		2,119
YTD Percent Change from July 2017 to July 2018:		-2.75%
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	2016: 3,089
2001: 53,477	2009: 10,299	2017: 3,508
*Application Assignment History based on applications assigned, not received.		

## Trend of Applications Received from 2012 to 2018

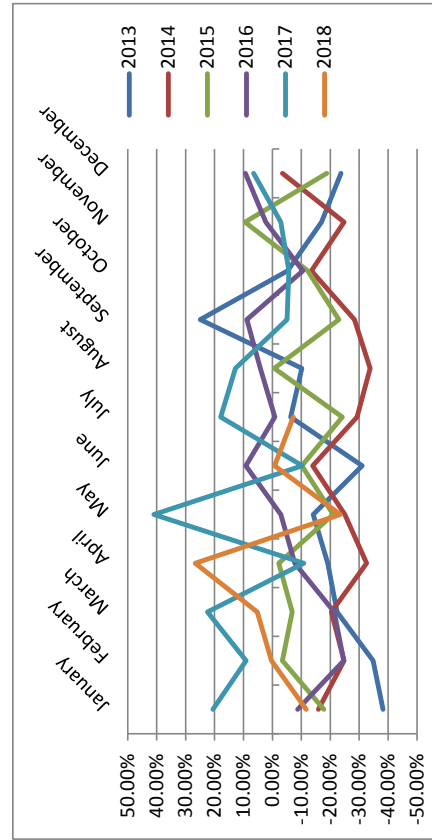
	2013	2014	2015	2016	2017	2018
January	415	349	287	262	316	279
February	501	377	364	275	300	301
March	511	407	379	298	365	384
April	470	317	310	286	255	323
May	463	347	274	266	375	287
June	367	316	284	310	278	276
July	462	327	248	246	290	269
August	435	288	286	298	336	
September	491	352	271	295	280	
October	415	359	315	282	266	
November	323	243	266	272	264	
December	287	277	225	246	262	
Total	5,140	3,959	3,509	3,336	3,587	2,119

Estimate of Applications to be Received in 2018: **3,510**



## Percent Change in Applications Received from 2012 to 2018

	2013	2014	2015	2016	2017	2018
January	-38.24%	-15.90%	-17.77%	-8.71%	20.61%	-11.71%
February	-34.85%	-24.75%	-3.45%	-24.66%	9.09%	0.33%
March	-22.34%	-20.35%	-6.88%	-21.37%	22.48%	5.21%
April	-19.11%	-32.55%	-2.21%	-7.74%	-10.84%	26.67%
May	-14.10%	-25.05%	-21.04%	-2.92%	40.98%	-23.47%
June	-31.02%	-13.90%	-10.13%	9.15%	-10.32%	-0.72%
July	-6.29%	-29.22%	-24.16%	-0.81%	17.89%	-7.24%
August	-10.12%	-33.79%	-0.69%	4.20%	12.75%	
September	24.94%	-28.31%	-23.01%	8.86%	-5.08%	
October	-5.25%	-13.49%	-12.26%	-10.48%	-5.67%	
November	-16.97%	-24.77%	9.47%	2.26%	-2.94%	
December	-23.67%	-3.48%	-18.77%	9.33%	6.50%	
Total YTD	-18.72%	-22.98%	-11.37%	-4.96%	7.52%	-2.75%



**Texas Auto Ins. Plan Assoc.**  
**ACTUAL VS. BUDGET**  
For the period ended June 30, 2018

	2018 Year To Date	2018 Annual		
	Actual	Budget	Variance	Budget
REVENUE				
Assessments & Penalties	417,771	412,500	5,271	825,000
Other Revenue	1,555	0	1,555	0
<b>TOTAL</b>	<b>419,326</b>	<b>412,500</b>	<b>6,826</b>	<b>825,000</b>
				<b>50.83%</b>
EXPENDITURES				
Salaries	158,325	163,500	5,175	327,000
Emp. Benefits & Other Ins. Exp.	75,106	85,950	10,844	171,900
Office Equipment Expense	5,281	7,200	1,919	14,400
Printing & Stationary Exp.	410	1,400	990	2,800
Computer Expenses	3,644	3,800	156	7,600
Postage & Shipping Exp.	10,631	12,700	2,069	25,400
Telephone Expense	6,331	6,050	-281	12,100
Rent Expense	42,609	38,450	-4,159	76,900
Moving Expense	7,010	4,750	-2,260	9,500
Taxes	225	450	225	900
Other Office Expenses	1,940	4,850	2,910	9,700
Governing Committee	5,924	14,050	8,126	28,100
Subcommittee Meetings	1,000	1,250	250	2,500
Producer Review Panel	0	0	0	0
Employee Meetings, Seminars & Staff Travel	642	7,200	6,558	14,400
Legal Expenses	12,882	21,850	8,967	43,700
Audit Expense	16,343	11,500	-4,843	23,000

APL buyback does not occur until yearend, which is why we appear to be under-budget. Will end on budget.

Insurance increases just took place in May, and were not as high as expected.

Only ordering supplies as needed; have not had to make any repairs to any equipment.

Only ordering envelopes as needed.

Within range.

Budgeted for increase in postage costs based on 10% application volume increase, but have not experienced an increase in volume.

Within range.

Expense will be lower for rest of year, as TAIPA moved to the new location in March; will end on budget.

Includes all moving expenses, so this line item is actually under-budget.

Remaining taxes are due later in the year.

Have not had many assessment writeoffs to date; events take place later in the year.

One of three meetings held to date; not all members attended.

Have held two of four scheduled meetings; some members did not attend one of the meetings.

No Producer Review Panel meetings scheduled this year.

No non-local classes have been taken yet.

Haven't had many legal questions or encountered any issues; work on the rate filing just began in May.

Have already incurred most of annual audit expense.

	Actual	2018 Year To Date Budget	Variance	2018 Annual Budget	% Used	Reason for Variance
Dues, Subscriptions & Publications	661	850	189	1,700	38.86%	Some subscription renewals cost less than expected; will end under-budget.
TAIPA Tradition, Visitor Meals & Gifts	784	1,350	566	2,700	29.05%	Events are later in the year; expect to end on budget.
System Consultants	21,492	25,500	4,008	51,000	42.14%	Some of the more involved quota work doesn't take place until later in the year; expect to end on budget.
Consultants - Other	1,342	2,000	658	4,000	33.54%	Budgeted for accounting software upgrade, which hasn't taken place yet.
Actuary	0	4,250	4,250	8,500	0.00%	No actuary work to date.
Other	0	0	0	0	0.00%	No other expenses to date.
<b>SUBTOTAL</b>	<b>372,582</b>	<b>418,900</b>	<b>46,318</b>	<b>837,800</b>	<b>44.47%</b>	
Depreciation	2,857	2,000	-857	4,000	71.41%	Depreciation is higher at the beginning of the year because we still had leasehold improvements on our books until we moved in March.
Amortization	2,500	2,500	0	5,000	50.00%	Within range.
Gain (Loss) on Disposition of Fixed Assets	271	0	-271	0	0.00%	Disposed of a printer during the move that was not yet fully depreciated, so we incurred a loss.
<b>SUBTOTAL</b>	<b>5,627</b>	<b>4,500</b>	<b>-1,127</b>	<b>9,000</b>	<b>62.53%</b>	
<b>TOTAL OPERATING EXPENSE</b>	<b>378,209</b>	<b>423,400</b>	<b>45,191</b>	<b>846,800</b>	<b>44.66%</b>	<b>We'd expect to be at 50% of budget at the end of this period.</b>
<b>NET FROM OPERATIONS</b>	<b>41,117</b>	<b>-10,900</b>	<b>52,017</b>	<b>-21,800</b>		
Non-Operating Pension Costs	0	0	0	0	0.00%	Pension adjustment will not be made until year end.
<b>NET</b>	<b>41,117</b>	<b>-10,900</b>	<b>52,017</b>	<b>-21,800</b>		
<b>CAPITAL BUDGET</b>						
Software Development in Progress	0	0	0	0	0.00%	No software development expenditures this year.
Office Furniture & Equipment	0	0	0	0	0.00%	No furniture & fixture expenditures this year.
Computer Equipment	0	0	0	0	0.00%	No computer equipment expenditures this year.
Computer Software	0	0	0	0	0.00%	No computer software expenditures this year.
Leasehold Improvements	2,222	2,000	-222	4,000	55.55%	Cost of phone/internet cabling at new building. Cabling cost less than budgeted, so this will actually end under-budget.
<b>TOTAL</b>	<b>2,222</b>	<b>2,000</b>	<b>-222</b>	<b>4,000</b>	<b>55.55%</b>	

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

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

## **Statement of Financial Position**

As Of June 30, 2018

Unaudited

### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 575,609
Accounts receivable	7,064
Prepaid expenses	19,167
Total current assets	<u>601,840</u>

Security Deposits	5,379
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#### Property and Equipment

Furniture and equipment	26,653
Computer equipment	8,124
Leasehold improvements	2,222
Computer software	25,000
	<u>61,998</u>
Less accumulated depreciation	43,971
	<u>18,027</u>

Total assets	<u><u>625,247</u></u>
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### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts payable	27,900
Accrued vacation	25,315
Accrued payroll liabilities	6,176
Deferred revenue	412,630
Total current liabilities	<u>472,021</u>

#### Other Liabilities

Accrued pension benefit costs	183,909
Total other liabilities	<u>183,909</u>

#### Net (Deficiency) Assets

Unrestricted	<u>(30,683)</u>
Total net assets	<u>(30,683)</u>

Total liabilities and net assets	<u><u>\$ 625,247</u></u>
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# ***Texas Auto Ins. Plan Assoc.***

## **Statement of Activities**

For the period ended June 30, 2018

Unaudited

### Changes in unrestricted net assets

	<b>Current YTD</b>
Revenues	
Member assessments	\$ 412,570
Interest income	1,555
Assessment penalties	5,200
Total revenues	<u>419,326</u>
Expenses	
Salaries and related expenses	233,431
Occupancy expenses	56,175
Professional Services	52,060
Depreciation & amortization	5,357
Postage and delivery	10,631
Office supplies and expense	5,691
Governing committee	5,924
Computer supplies & expenses	3,644
Subcommittee meetings	1,000
Staff education & seminars	642
Miscellaneous	1,940
Staff expense	784
Dues and subscriptions	661
Total operating expenses	<u>377,938</u>
Other revenues (expenses)	
Gain (loss) on disposition of assets	<u>(271)</u>
Total other revenue (expenses)	<u>(271)</u>
Increase (decrease) in unrestricted net assets	41,117
Net assets (deficiency) at beginning of year	<u>(71,800)</u>
Net assets (deficiency) as of June 30, 2018	<u><u>\$ (30,683)</u></u>

## TAIPA Employee Handbook Changes Summary

### Page 4

1. Minimum number of times the TAIPA Governing Committee meets was changed from four to three.
2. Office hours – changed from 8:30 to 4:30 to 8:00 to 4:00. We made this change when AIPSO required us to submit our data an hour earlier. It is more convenient for us now because we close at the same time.

### Page 5

3. Discussion of Salaries - Remove statement that “Salaries are confidential and we request that you do not discuss your salary with fellow employees.” We made this change since National Labor Relations Board has indicated that this is a violation because employees have a right to discuss their wages and conditions of employment even if they are not unionized.

### Pages 6 and 10

4. Benefits – We removed the details about some of our benefit plans because we cannot always negotiate the same benefits plans and limits that we have had in the past. Therefore, I removed information about our medical, dental, vision, life, AD&D, & LTD as well as our plans through AFLAC. Instead I will give them a separate document about benefits. Note that our insurance agent also provides them with a detailed booklet on our benefit regarding their benefits through Humana.

### Page 12

5. Credit Union - TAIPA has no ongoing relationship with Austin Telco. Employees who use Austin Telco Federal Credit Union receive the same benefits as anyone else who opts to use Austin Telco federal Credit Union.

### Page 13

6. Personal Visitors – TAIPA does not have a book or secretary that guests have to check in with. We are currently so small that whoever is in the office will greet visitors and direct them.

### Page 17

7. The smoking policy referred to our old building address. We removed all references to a specific location and deleted the telephone number to the Health Department because it is disconnected.

### Page 18

8. Harassment Policy - We added other protected status to ensure that all categories are covered.
9. We added a note to see the Employee Complaint Procedure to this section that notes that TAIPA does have a Liaison available.

### Page 19

10. Workplace Violence – We corrected the typo from “if” to “is”.
11. We removed Bring your Daughter/Son to work as we have not done this since I have been here. Currently we do not have any employees that have children at home.

# **TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION**

## **EMPLOYEE MANUAL**

**April 13, 2018 Draft**

## 2018 EMPLOYEE MANUAL

Receipt of Employee Manual and Consent to Search

This Employee Manual is intended to provide information on the Association's guidelines and operating procedures. I understand that no statements in this Manual are intended as creating a contract of employment between TAIPA and any of its employees. I understand that any employment at TAIPA is considered "at will" and has no specific duration meaning that, my employment can be terminated with or without cause, and with or without notice, at any time, at the option of TAIPA, and I can resign at any time with or without notice. I also understand that the only way my "at-will" status can be changed is through written authorization of the Association Manager of TAIPA.

In regard to employee searches, I understand and give consent to TAIPA to search my personal property brought on TAIPA premises for the purpose of promoting a weapon-free and drug-free workplace environment.

Circumstances may arise where TAIPA determines that changes are required in these guidelines and/or benefits. For this reason, the Association reserves the right, at any time, to modify, rescind, or supplement any or all of these guidelines and/or benefits and to take actions which may be contrary to a guideline and/or benefit set forth in this Manual for the benefit of the Association or its employees.

\_\_\_\_\_  
Employee Name (Printed)

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

## ORGANIZATION

### PURPOSES OF THE ASSOCIATION

The Plan was effective January 1, 1952, under approval of the State Board of Insurance and subject to the provisions of the Texas Motor Vehicle Safety Responsibility Act.

The purpose of the Association is to make automobile bodily injury and property damage liability, uninsured/underinsured motorists' coverage and personal injury protection coverage insurance available, subject to the rules of the Association.

The Association has established procedures for the equitable distribution of insured to be assigned to insurance companies. All insurance companies authorized to issue motor vehicle liability policies in the State of Texas do subscribe and participate in the Association, as required by law.

### HISTORY OF THE ASSOCIATION

Since the invention of the automobile, society has had to concern itself with the behavior of its driver. First, there was the Chauffeur's Licensing Law which was passed in 1917. That law was replaced by the Drivers Licensing Law in 1935 and with all its amendments, society was still faced with the irresponsible driver who may damage or destroy your property, cause injuries, and/or death and be completely unable to make restitution, yet continue to drive.

Society needed to promote accountability of public responsibilities, so through their elected officials, the Texas Safety Responsibility Act was passed, commonly known as the Financial Responsibility Law, effective January 1, 1952. Like its name implies, the law attempts to make motor vehicle operators financially responsible for their operation of a motor vehicle. If not, the drivers driving privileges are terminated.

It was the Safety Responsibility Act which gave birth to the Texas Motor Vehicle Assigned Risk Plan, now known as the Texas Automobile Insurance Plan Association (TAIPA). The rules under which the Plan operates were drafted by the insurance companies and approved by the State Board of Insurance.

The Texas Safety Responsibility Act was amended by House Bill 197 effective January 1, 1982. This amendment made automobile liability insurance compulsory for most motor vehicles. The bill requires drivers "to furnish, upon request", evidence of financial responsibility to any law enforcement official of the State of Texas or any subdivision thereof, or agent of the Department of Public Safety, or to another person involved in any accident.

A further amendment in 1991 was under House Bill 2. This amendment required a person to furnish proof of liability insurance when obtaining or renewing driver's license, vehicle inspection sticker, or license plates.

Effective December 1, 2004 county mutual companies became eligible for membership to TAIPA.

Both Plan of Operation and TAIPA Manual are available through the TAIPA website ([www.taipa.org](http://www.taipa.org)).

## **AT WILL EMPLOYMENT**

All employees of TAIPA are terminable "at-will". Under the "at-will" policy, neither you, nor the Association, is committed to continuing the employment relationship for any specific period of time. Rather, the employment relationship will continue "at-will" such that either side may terminate the relationship at any time, with or without cause and with or without notice. Also, the Association retains the right to demote, transfer, change job duties, and change your compensation at any time with or without notice and with or without cause in its sole discretion. In deciding to work for the Association, you must understand and accept these terms of employment. No one at the Association has the authority to promise or guarantee you employment for any specific period of time, or to alter your "at-will" status except for the Manager of the Association, and such promise or guarantee must be in writing and signed by both you and the Manager of the Association.

## **OBJECTIVES OF THE ASSOCIATION**

To serve our customers (insureds, insurance agents, insurance carriers, business associates, and each other) professionally.

To assign automobile applications of insurance efficiently, effectively, consistently, and fairly.

To project a work ethic of high integrity, character, and initiative in order to learn and influence others positively.

## **BUSINESS ETHICS**

TAIPA expects all employees to maintain a level of honesty and integrity that is beyond reproach as it relates to the performance of their job, their interaction with the customer, insurance companies and each other.

While handling an event, discussion, or any situation; all staff are to consider whether publication of the event would embarrass, harm, or negatively influence themselves, family, friends, or co-workers. If it would, this would define whether the reaction or approach to the situation is ethical.

If ever in doubt, please see the Association Manager for guidance.

## **MANAGEMENT**

The affairs of the Texas Automobile Insurance Plan Association are administered by a Governing Committee composed of eight representatives of insurance companies, five public members and two producer members. The policies of the Association are set by this Governing Committee which meets not less than **four** three times a year. The Governing Committee appoints the Association Manager.

## **OFFICE HOURS AND OVERTIME**

Employees are expected to work a 5 day work week. The office hours for the public are **8:00 a.m. – 4:00 p.m.** (Monday through Friday, 8.0 hours a day). Employees take a 30 minute unpaid lunch and two fifteen minute paid breaks. Employees may elect to combine their 30 minute lunch and two fifteen minute breaks for an extended lunch period as long as work needs are met. Flex time is not available; however, under extenuating circumstances can be provided with the Association Manager's approval.

All full-time, non-exempt employees work a 37-1/2 hour week. Employees are not permitted to work

outside normal working hours without the express permission of the Association Manager or their delegate. When non-exempt employees are authorized to work overtime, the employee will be paid at the normal rate of pay for the first 2-1/2 hours worked, with any time worked over 40 hours being paid at time and a half of normal rate. When an employee takes leave without pay, during the same week additional and/or overtime hours are worked, the additional/overtime hours are reduced by the amount of leave without pay. All overtime worked must be shown on the time sheet and be approved by the Association Manager.

## **RESIGNATION**

When an employee intends to terminate their employment with TAIPA, it is preferred two weeks written notice be provided to the Association Manager.

## **SALARY ADMINISTRATION**

Our salary guidelines provide the basis for determining and maintaining equitable relationships between comparable positions in our office. They provide for the recognition and evaluation of individual performance and aid in the identification of employees who have a capacity for growth and promotion.

Salaries are confidential and we request that you do not discuss your salary with fellow employees. If you have questions regarding your salary or deductions, contact the Association Manager.

Paydays are bi-weekly, every other Wednesday.

## **HOLIDAYS**

TAIPA allows eleven (11) paid Holidays.

The office will close for the following Office Holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day plus the following day, Christmas Eve and Christmas Day.

The remaining 3 days are Personal Holidays (in addition to the All Purpose Leave provided) for eligible employees. Personal Holidays:

- Must be taken in 7.5 hour increments
- Do not carry over from year to year and will be forfeited if not used within the calendar year in which they were earned.
- Are not paid out when an employee leaves the organization.

When an Office Holiday falls on Saturday or Sunday, management may consider the Holiday as the previous Friday or following Monday.

At the beginning of each calendar year the holidays will be posted.

## **B E N E F I T S**

Subject to the requirements of each plan, a variety of benefits are offered to eligible full-time employees, including participation in group health, dental, vision, life, and disability insurance plans as well as participation in retirement plans.

The Company reserves the right to modify, suspend or terminate benefits at any time. For information about any benefit, please contact the Association Manager.

TAIPA provides a group PPO medical and prescription drug policy. TAIPA pays 100% of the premium for the employee's coverage and pays 50% of the premiums for employee's dependent coverage.

TAIPA provides a dental plan and vision plan. TAIPA pays 100% of the employee premium and 50% of dependent premium.

TAIPA provides Long Term Disability. TAIPA pays 100% of the employee premium.

A life insurance policy for twice the employee's annual salary up to a maximum of \$200,000 is provided along with an accidental death and dismemberment policy. Dependent children are covered for \$1000 and spouses are covered for \$50,000. TAIPA pays 100% of the employee and dependent premium.

To be eligible to participate in TAIPA's group plan benefits, an employee must be a full-time TAIPA Employee and work a minimum of 30 hours per week.

If your employment is terminated by retirement, resignation or dismissal, the group insurance plans for you and your dependents cease on the last day of the month your employment is terminated, or as required by law. You may choose to participate in the group medical plan through state continuation for a limited period of time by paying the full premium. The dental, vision, life and accidental death policies cannot be continued after the release from employment.

## OTHER INSURANCE

Supplementary policies are available for cancer, hospital indemnity, life insurance, short term disability, or intensive care, etc. This coverage is paid for 100% by the employee and is paid for by payroll deduction.

## EMPLOYEE ASSISTANCE PROGRAM

An Employee Assistance Program (EAP) is available free of charge (paid by TAIPA) to confidentially assist employees and their dependents who may be experiencing personal life problems, such as marital strife, legal or financial stress, emotional problems, family problems, and drug and alcohol related programs. Employees and their family are encouraged to utilize this free confidential service at any time. See management for details on how to use this program.

## SAVINGS PLAN

After one year of employment, full-time regular employees are eligible to participate in our Employee Benefits Group 401 (A/K) Savings Plan.

Our Savings Plan can help you save for your long-term needs and future financial security. Once eligible, if you elect to participate, a contribution of at least 2% of your gross earnings would be deducted through payroll deduction, and would be matched 75% by TAIPA. A maximum of 6% of total contributions would be matched 75% by TAIPA. Contributions over 6% would be applied to your savings plan; however, would be not matched by TAIPA.

When you are eligible to participate in our Savings Plan, the TAIPA benefit administrator will provide you with the enrollment opportunity, along with an educational packet about the Plan.

## RETIREMENT PLAN

The entire cost of the Retirement Plan (pension plan) is paid by TAIPA. Employees do not contribute to their pension.

Under the Retirement Plan, full-time TAIPA employees become vested after earning 5 Years of Vesting Service as defined by the Plan or when they reach Normal Retirement Age, which is defined by the Plan as age 65. Vesting secures your permanent entitlement to your Accrued Pension benefit. Your normal retirement date is the first day of the month on, or after which, you reach the Normal Retirement Age of 65. You may choose to retire as early as age 55 if you have completed at least 5 Years of Service. Your benefit may be reduced to reflect the longer period over which you will receive your pension benefit. If you have 15 Years of Service or more, you may choose to retire as early as age 62 with no reduction to your pension benefit. TAIPA does not provide retiree medical coverage.

Pension payments begin on your retirement date and continue as long as you live. Multiple payment options will be available to you at the time of retirement that may account for continued survivor benefits after your death. When you draw close to retirement age or if you wish to take advantage of early retirement, you should contact management for full details of the Retirement Plan.

## ALL PURPOSE LEAVE

All Purpose Leave (APL) is a benefit granted to eligible full time employees to provide paid time off.

APL allows eligible employees greater flexibility in determining the type of time off that best fits their personal needs.

Typically, APL would provide paid time off for (but not limited to) the following reasons:

- Rest and relax,
- Take care of personal business,
- Attend to medical appointments for self or family,
- Illness or injury of self or family,
- Take a holiday not recognized as a TAIPA Holiday.

For illness or injury of self or immediate family members for a period greater than five (5) consecutive business days, please refer to the Major Medical Absence Policy.

On January 1 of each year, all eligible employees will start accruing All Purpose Leave based on their length of employment and the following biweekly schedule.

### After completion of:

0 to 6 months  
 6 – 12 months  
 More than 1 year through 4 years of service  
 5 years through 14 years of service  
 15 years through 24 years of service  
 25 years of service and over

### All Purpose Leave:

37.5 hours  
 75 hours  
 172.5 hours  
 210 hours  
 247.5 hours  
 285 hours

All Purpose Leave may be taken as full days or in fifteen (15) minute increments.

All Purpose Leave must be pre-approved by the Association Manager or their delegate. To schedule time off for All Purpose Leave, an employee needs to provide 24 hours notice. Unscheduled All Purpose Leave is taken where an employee does not provide 24 hours notice.

TAIPA management reserves the right to limit the number of employees who may take All Purpose Leave due to operational workload and especially during the holidays. Prior service is recognized in establishing longevity for All Purpose Leave when an employee is rehired within six months of employment termination.

Unpaid leave will apply as an unscheduled (unapproved) absence once All Purpose Leave and Personal holidays are exhausted.

An individual must exhaust all paid time off while on the Major Medical Absence Program, prior to commencement of unpaid Major Medical Leave. Individuals who cannot return to work following the maximum number of days allowable under the Major Medical Absence program will be paid for any unused All Purpose Leave days/hours.

Employees who terminate employment during a calendar year will not receive compensation for unused All Purpose Leave or unused Personal Holidays. Employees who retire during a calendar year will receive compensation for all unused All Purpose Leave days, but will not receive compensation for unused Personal Holidays. All Purpose Leave days cannot be used in lieu of termination notice period without prior approval from Association Manager or their delegate.

Employees are eligible to receive monetary reimbursement for a maximum of 37.5 hours unused All Purpose Leave from the prior year. The compensation will be paid no later than January 31. The reimbursement rate is equal to the employee's hourly base rate and is considered taxable income. Any remaining All Purpose Leave available as of December 31, 2006 may carry over to the next year. Any amount of APL in excess of 350 hours will be forfeited every January 1<sup>st</sup> (at the start of a new year.)

## UNPAID PERSONAL LEAVE

Occasionally, for personal reasons, you may need to be temporarily released from the duties of your job with TAIPA, but may not wish to submit your resignation. Under certain circumstances, you may be eligible for an unpaid personal leave of absence. If approved for Unpaid Personal Leave, all paid leave must be exhausted prior to the commencement of Unpaid Personal Leave. All Purpose Leave will not accrue during an unpaid leave of absence. The maximum amount of time an employee can be away on an unpaid personal leave of absence is 30 consecutive calendar days. After that time, the inability to return to work will terminate employment and the individual is welcome to reapply subject to TAIPA's usual hiring policies.

In order to have a request for unpaid personal leave considered, the employee must currently have a competent performance standing. In addition, approval of the unpaid personal leave will be based on operational demands at that time and only approved where the absence will not cause a hardship on TAIPA. Individuals should apply in writing for an unpaid personal leave of absence, stating the date on which the leave is to begin and the date on which you will return to active employment with TAIPA. Submit the request to the Association Manager, or their delegate for consideration.

If approved, during the unpaid personal leave period, all employee portions of insurance costs that would normally be paid by the employee must also be paid during this time in order to keep coverage in effect and arrangements must be made with the Association Manager or their delegate prior to the beginning of the leave. TAIPA reserves the right to deduct any unpaid insurance premiums from future pay checks upon the employee's return to work. Employees on Unpaid Personal Leave will not be paid for any TAIPA holidays.

Each issuance of Unpaid Personal Leave (regardless of the number of days of absence) is considered an unscheduled leave of absence and disciplinary actions may apply if unscheduled leave becomes a pattern or is abused.

## MAJOR MEDICAL ABSENCE PROGRAM

Major Medical Absence (MMA) provides continuing compensation at regular salary to employees who are absent more than thirty-seven and one-half (37.5) consecutive work hours due to a non-occupational illness/injury of self and/or family members.

For illness/injury of self or family for a period less than thirty seven and one-half (37.5) consecutive work hours, please refer to the All Purpose Leave Policy.

Paid time while on Major Medical Absence begins after thirty-seven and one-half (37.5) consecutive work hours absent and is based on an employee's length of employment.

Paid time is based on a rolling 12 month calendar, which means that the accrued paid time is not provided again until 12 months from the first day absent.

Length of employment	Major Medical
Leave After 6 months and during	
Next 6 months of employment	8 days
1st year employment	8 days
2nd year employment	16 days
3rd year employment	24 days
4th year employment	32 days
5th year employment	40 days
6th year employment	48 days
7th year employment	56 days
8th year employment	64 days
9th year employment	72 days
10th year employment	80 days
11th year employment	88 days
12th year employment	96 days
13th year employment	104 days
14th year employment	112 days
15th year employment	120 days
16th year employment	128 days
More than 16 years	130 days

When an employee has utilized MMA and must again utilize MMA during the same rolling twelve (12) month period for the same non-occupational illness/injury, MMA may be utilized on the first day of absence. When the same non-occupational illness/injury of self continues into the next rolling twelve (12) month period, MMA may not be utilized until the sixth consecutive work day that the employee is absent. The maximum amount of time an individual can be on any Absence program is 300 days (2250 hours) during any rolling twelve(12) month period, regardless of the amount of time paid or unpaid. All Purpose Leave (APL) may be used in addition to Major Medical Absence leave after the maximum amount of MMA time is used. Employees will be administratively terminated if they have not returned to work after the exhaustion of the maximum amount of MMA leave (and APL leave). Individuals who are not released by their physician to return to work after the maximum amount of MMA leave may be eligible for Long Term Disability (LTD).

In order to be approved for a Major Medical Absence, employees must provide a completed Major Medical Absence Form along with supporting medical documentation providing the reason for the illness or injury, certification that you are medically unable to work as well as the expected duration of your medical condition. For scheduled medical absences, TAIPA requires this information to be provided prior to the last day of work.

TAIPA reserves the right to request a second opinion from a physician designated by TAIPA, at the expense

of TAIPA, to confirm the status of your medical condition. When the second opinion does not agree with the original opinion, a third physician will be selected at the expense of TAIPA, and the third opinion will be binding.

An employee on Major Medical Absence leave is required to call TAIPA management regularly during their absence to advise of the status of their medical condition and/or any change in their expected date of return.

Upon return to work a doctor's release must be furnished. Any medical limitations should be set forth, if an accommodation is to be requested. TAIPA will make reasonable accommodations for employees with a disability to enable them to return to perform their essential job functions.

All benefits programs will remain in effect so long as the employee continues to pay the customary employee portion of any insurance program during their medical absence period.

An employee who requires additional treatment for the same illness or injury following his/her return to work from MMA leave may continue to exhaust any remaining MMA leave for which they are eligible (either paid or unpaid). An employee must provide updated proper medical documentation (Major Medical Absence Form) regarding the need for such additional treatment. TAIPA reserves the right to request a second opinion from a physician designated by TAIPA, at the expense of TAIPA, to confirm the need for additional MMA leave. When the second opinion does not agree with the original opinion, a third physician will be selected at the expense of TAIPA, and the third opinion will be binding.

Paid time accrued under the Major Medical Absence Program is not paid upon termination of employment, unless approved by the TAIPA Governing Board.

## **LONG TERM DISABILITY**

To qualify for long-term disability, an employee must be certified by a physician as permanently and totally disabled and have been absent six continuous months. When an employee completes the three-month orientation period, they automatically become eligible to participate in the plan. The premium for this coverage is paid 100% by TAIPA.

Below is a summary of the Long Term Disability Benefit:

Qualifying Period: Six months of continuous disability

Maximum Benefit Period: To age 65. Further, the plan includes a provision for a minimum benefit duration of one year should the disability occur past age 65; however, age 70 is the limit.

Monthly Benefit Level: 60% of monthly

salary Maximum Monthly Benefit: Max of \$2000.

Benefits are offset from other sources of income, such as retirement, social security, unemployment compensation, other governmental benefits, etc.

## **TIME SHEET**

You are required to keep an accurate up-to-date record of your daily working hours on your time sheet. The time sheet is certified by you when you sign at the end of the two week pay period and it must be accurate and up-to-date. The time sheet is not to be falsified and must represent all time worked. Time away from the work place for any day or portion of any day must be shown on the time sheet. Violations of this policy will result in disciplinary action, up to and including termination.

## **ATTENDANCE**

Regular attendance at the workplace is an essential function of all job positions at TAIPA.

When it is necessary for you to be absent, notify the Association Manager or their delegate.

When an employee is absent three (3) consecutive days without notifying the Association Manager or their delegate, TAIPA will presume the employee has resigned without notice and the employee will be removed from the payroll as of the last day of work.

Attendance is critical to the effectiveness of the TAIPA operation. Schedules are to be adhered to if at all possible. Attendance problems will subject employees to corrective action up to and including termination.

For the purpose of the attendance guidelines, a "tardy" is any non-scheduled arrival after the employee's prescribed work hours, break, or lunch. When any employee has any unscheduled leave, All Purpose Leave will be utilized in quarter hour increments, (ex: if employee is 7 -15 minutes tardy upon arrival/break/lunch, 15 minutes All Purpose Leave will be indicated on the time sheet and the employee begins work 15 minutes after their scheduled time; 22 minutes tardy would be 30 minutes All Purpose Leave). When All Purpose Leave has been exhausted, any additional leave without pay is considered unscheduled leave

Appraisals will be provided annually and the evaluation will be reflective of your attendance and performance that was demonstrated during that year.

## **MILITARY LEAVE**

An Association employee will be allowed time off to perform his/her required military obligation. This time off may be taken without pay, or the employee may use All Purpose Leave or any combination of APL and unpaid leave may be applied. TAIPA will comply with all Federal and State Laws.

## **DEATH IN THE IMMEDIATE FAMILY**

Up to five days off with pay may be granted in the event of the death of the employee's mother, father, step mother, step father, spouse, sister, brother, child, step-child, adopted child or grandparent's and the spouse's son, daughter, brother, sister, mother, father or grandparents. The time allowed is based on individual circumstances, including the relation of the deceased to the employee, location of the funeral and the necessity of time for arrangements.

## **JURY DUTY**

Days spent on jury duty will be granted with pay. You are expected to report to work upon dismissal by the court. An authorized Certificate of Juror Attendance shall be submitted upon the employee's return to work.

## **VOTING**

TAIPA encourages all employees to exercise their rights and vote. We urge you to take advantage of early voting when your county of residence provides this opportunity. If time is needed in order to vote, please advise management and leave will be provided (within reason).

## COMMITTEES

TAIPA full status employees may volunteer to attend or join an industry committee, with Management's approval. If approved, staff attending an industry committee will be paid while at the meeting and all business expenses will be reimbursed.

## RADIO HEADSETS

Radio headsets are allowed in all work areas. Radio, without headset, is not allowed.

## CREDIT UNION

All employees and their families are eligible for membership in the Austin Telco Federal Credit Union. Even if the employee is not a member of Austin Telco, all of their family members and relatives may still join. All members may retain their membership even if they move, change employers or retire. An employee may request payroll deduction for all Austin Telco Credit Union accounts.

## EMPLOYEE EDUCATION

The Association will reimburse full status employees for books, tuition and testing fees provided that all of the following criteria are met:

1. You must be a full time employee.
2. If employment terminates for any reason during the time the course is being taken, any amount pre-paid by TAIPA for any course(s) taken for a course in session at that time will be deducted from the employee's final paycheck (and/or immediate reimbursement of these amounts to TAIPA).
3. Your job performance must be acceptable for education reimbursement.
4. The course is job related (as determined by Association Manager).
5. The employee has requested in writing, and Association Manager has approved in writing employee's written request.
6. Employee must pass course with C or better grade, or in the case of other (IIA, CPCU, certification) courses a passing or better grade. Employees must provide written proof from education institution that the aforementioned is met. If the employee does not pass the course, the employee will be required to pay back entire course expenses funded by TAIPA through payroll deduction (and/or immediate reimbursement of these amounts back to TAIPA). If an employee does not pass a course, TAIPA will no longer pre-pay the expenses for the next term. For the next course(s) taken, the employee will be reimbursed after course is completed and Association has received proof in written form from education institution of the passing grade. After a passing grade has been obtained, TAIPA will consider pre-paying future course material; at Managers discretion.
7. Courses taken will not interfere with employee's TAIPA work schedule (except special testing when requested in writing by employee prior to testing and approved by Manager).

## PERSONAL APPEARANCE

The Texas Automobile Insurance Plan Association staff is to project the image of professionalism.

Proper attire must be worn while working for the Association.

Employees are expected to maintain an appropriate appearance that is business-like, neat and clean, which implies personal efficiency. Dress and appearance should not be offensive to other employees or visitors on TAIPA premises. Hair should be clean, combed and neatly trimmed or arranged. This pertains to sideburns, mustaches and beards (it is required that the remainder of your face be clean shaven). Worn or torn clothing is not permissible.

### Examples of Appropriate Dress Attire:

Dress Slacks, Jeans in Good Condition, Dress Shirt, T-Shirts in Good Condition (without slogans, political statements, or offensive wording or pictures), Sweater, Vest, Dress Shoes, Boots, Loafers, Tennis Shoes, and Sandals.

### Examples of In-Appropriate Dress Attire:

Revealing clothes, House Slippers, Tank Tops, Torn or Noticeably Unclean Clothing, Shorts, Any attire that contains slogans, political statements, or offensive wording or pictures.

The above mentioned "inappropriate" office attire is not all-inclusive and other items may be deemed inappropriate as fashions change.

Compliance with the dress code is mandatory and violators will be subject to disciplinary action, including but not limited to termination.

## OFFICE HOUSEKEEPING

TAIPA expects work areas to be clean and orderly. There is a building and grounds maintenance staff to clean and protect the building and surrounding area. It is each employee's responsibility to keep their work area clean and neat.

## USE OF TELEPHONE

Personal use of our business phones are allowed within reason, and are limited to local calls, and should not include dialing directory assistance (information). Incoming personal calls are allowed within reason, and should be held to the absolute minimum.

## PERSONAL VISITORS

We do not have provisions for visiting this office other than for TAIPA business purposes during business hours. If it becomes necessary for someone to call on you for personal business transactions, they should go through the Association Secretary, meet you in the lobby or break room, and transact their business as quickly as possible. If at any time visitors come into the TAIPA office; they must sign in (and out) at the front desk and be escorted at all times, unless approved by the Association Manager. The sign in book is to include the name of the person escorting the visitor and that person is responsible for any actions caused by the visitor during which time they are in the TAIPA office. Additionally, management (or their delegate) must be notified of anyone being provided access to the TAIPA office.

TAIPA reserve the right, in its sole discretion, to deny an individual access to TAIPA property and/or to require an individual to leave TAIPA property.

It is every employee's responsibility to make sure that unauthorized individuals are restricted from the building.

## NEPOTISM

TAIPA permits the employment of qualified relatives of employees, of the employee's household, or immediate family as long as such employment does not, in the opinion of the Association, create actual conflicts of interest. For purposes of this policy, "qualified relative" is defined as a spouse, child, parent, sibling, grandparent, grandchild, aunt, uncle, first cousin, corresponding in-law, "step" relation, or any member of the employee's household. TAIPA will use sound judgment in the placement of related employees in accordance with the following guidelines:

- Individuals who are related by blood, marriage, or reside in the same household are permitted to work in the same department, provided no direct reporting or supervisor to subordinate relationship exists. No employee is permitted to work within "the chain of command" when one relative's work responsibilities, salary, hours, career progress, benefits, or other terms and conditions of employment could be influenced by the other relative.
- Related employees may have no influence over the wages, hours, benefits, career progress and other terms and conditions of the other related staff members.
- Employees who marry while employed, or become part of the same household are treated in accordance with these guidelines. That is, if in the opinion of the Association, a conflict arises as a result of the relationship, one of the employees may be transferred or even terminated.

Any exceptions to this policy must be approved in writing by the Association Manager.

## EMPLOYEE CONDUCT AND WORK RULES

TAIPA expects each person to act in a mature and responsible way at all times for the good of the employee's own welfare and safety as well as others. Although it is impossible to provide an exhaustive list of work rule violations, some of the more obvious unacceptable activities are noted below. If you have any questions concerning any work or safety rule, or any of the unacceptable activities listed, please see the Association Manager or their delegate for an explanation.

Although a progressive process of disciplinary action is preferred, employment at TAIPA is "at will" and violations of work rules which are extremely serious or injurious to the operation, the fellow employees, general public or image of TAIPA may constitute immediate dismissal without warning.

- Failure to follow established procedures in order to maintain acceptable performance.
- Willful violation of security or safety rules or failure to observe safety rules or TAIPA safety practices; failure to wear required safety equipment; improper use of company tools; careless or deliberate damage to TAIPA equipment or safety equipment.
- Negligence or any careless action which endangers the life or safety of another person.
- Any violation of the Substance Abuse Policy described in this Manual.
- Use, possession or concealment of firearms, handguns, knives or explosives on TAIPA property, while on duty, or at related TAIPA activities.
- Engaging in criminal or indecent conduct or acts of violence, or making threats of violence toward anyone on TAIPA property or when representing TAIPA; fighting, or horseplay or provoking a fight on TAIPA property, or negligent damage of property.
- Gambling in any form on TAIPA property or using TAIPA property for the purpose of gambling is prohibited.

- Insubordination or refusing to obey instructions properly issued by Management pertaining to your work; failure to maintain satisfactory and harmonious working relationships with fellow employees which directly impact the successful and productive operation of TAIPA.
- Theft of TAIPA property or the property of fellow employees; unauthorized possession or removal of any TAIPA property, including documents, from the premises without prior permission from management; unauthorized use of TAIPA equipment or property for personal reasons; using TAIPA equipment for personal profit.
- Dishonesty; willful falsification or misrepresentation on your application for employment or other work records; lying about personal leave; falsifying reasons for a leave of absence or other data requested by TAIPA; alteration of TAIPA records or other TAIPA documents.
- Giving confidential or proprietary TAIPA information to competitors or other organizations or to unauthorized TAIPA employees; breach of confidentiality of personnel information or other improper behavior as described in the Business Ethics section of this manual.
- Absent without approved leave or failure to return to work upon expiration of authorized leave.
- Loafing, sleeping on the job, or intentional restriction of output.
- Violation of the Harassment Policy.

## **EQUAL EMPLOYMENT OPPORTUNITY**

Equal Employment Opportunity has been and continues to be both policy and practice at TAIPA. Our policy of Equal Employment Opportunity is to:

1. Recruit, hire, train, promote and transfer persons in all job classifications without regard to race, color, religion, national origin, sex, age, disability, or any other protected status;
2. Base decisions on employment so as to further the principles of Equal Employment Opportunity;
3. Ensure that all personnel actions such as compensation, benefits, transfers, layoffs, return from layoff, termination, and any social or recreational programs, will be administered in accordance with the principles of Equal Employment Opportunity.

In carrying out its commitment to Equal Employment Opportunity, TAIPA will make reasonable accommodations for applicants and employees with known disabilities who can perform the essential functions of the job with or without such accommodations. As a consequence, applicants and employees requiring any reasonable accommodations should notify the Association Manager or their delegate.

## **EMPLOYEE COMPLAINT PROCEDURE**

Differences of opinion occasionally arise between individuals in an organization. It is in the best interests of TAIPA that such conflicts be resolved. Open discussion is encouraged so that employee grievances and complaints may be resolved to the satisfaction of all concerned.

Any employee having a grievance or complaint relating to his or her status or conditions of employment with TAIPA should discuss the issue with the Association Manager or their delegate.

After discussing the grievance with the Association Manager or their delegate, if the employee is not satisfied with the outcome, the employee may contact the Governing Committee's TAIPA Liaison to discuss the issue.

If an employee is uncomfortable presenting an issue to the Association Manager or their delegate because the Association Manager or their delegate is directly involved in the issue, the employee may bypass that step, and go directly to the TAIPA Liaison.

The function of the TAIPA Liaison is to be available to receive and gather information, document conversations, and respond to any complaints from TAIPA staff who believe that they have been unfairly treated by TAIPA leadership. The Liaison will consult with the employee before disclosing the employee's identity, but will explain that in some cases disclosure may become inevitable if action is required. The Liaison will maintain confidentiality throughout the process to the extent consistent with adequate investigation and appropriate corrective action.

The Liaison may also provide informal, independent and impartial assistance to individuals through the dispute resolution and problem-solving process. In this capacity, the Liaison will act as a neutral party and not advocate for the individual, groups or the organization.

#### **APPOINTMENT OF THE LIAISON:**

The Governing Committee will select and appoint a Governing Committee member that is willing to serve in this role and who most closely meets the following qualifications:

- Direct experience listening to, evaluating, and determining the merits of employee/staff complaints and employment relations issues.
- Access to and experience with employment situations, employment law, personnel policies and employee/leadership complaint resolutions.
- Experience in resolving personnel issues and conflicts.
- Noted for ethical behavior, fairness and integrity

#### **Procedures when a complaint against a member of leadership or staff arises**

- In the normal course of events, complainants shall be asked to put the details of the complaint in writing and addressed to the Liaison. However, in particular circumstances, complaints may be made to the Liaison on the telephone, through calling to the Office or through correspondence, i.e., letter, fax or e-mail.
- If the issue appears to have sufficient substance, the Liaison shall designate an appropriate TAIPA staff member or outside representative to act as a complaints investigator who will examine the complaint and make recommendations to the Liaison in relation to the issue. Documentation relating to the examination of the complaint will be held separately from the personnel file of the person complained against. All documentation will be provided to TAIPA's legal counsel for Governing Committee reference as needed.
- Each complaint will be dealt with on its own merits, and if upheld, the form of redress shall be determined by the Governing Committee.
- If a complaint is upheld, the Governing Committee will take appropriate action.

## **GIFTS**

Solicitations for flowers for hospital confinements, deaths in the family, bridal and baby gifts and farewell gifts are allowed, within reason.

Solicitations for the purpose of purchasing gifts, other than those listed above, or for Management are prohibited. Management is not allowed to accept gifts from employees.

TAIPA employees may not accept gratuities from anyone outside of TAIPA.

## **SMOKING**

Texas Automobile Insurance Plan Association 4301 Westbank Dr, Suite 200A, Austin, TX, considered a NO SMOKING environment. Smoking is not permitted in the Escalade Building.

For questions related to the City of Austin Clean Indoor Air Ordinance, please call contact the Health Department at 469-2015.

## MOONLIGHTING

TAIPA does not prohibit staff from working a second job. However, when you accept a second job it must not interfere with:

1. TAIPA's request for additional/overtime hours;
2. Your productivity due to tiredness (mental and physical)

You may not take leave without pay in order to work your second job. You may charge time to your All Purpose Leave and work your second job.

Outside employment ("moonlighting") will not be considered as an excuse for poor performance, excessive absenteeism or inability to work requested additional/overtime hours.

If TAIPA believes that your productivity is below your normal level, or you have refused to work additional/overtime hours due to your second job, you may be subject to disciplinary action.

If TAIPA becomes aware that you have taken leave without pay in order to work your second job, this may be considered as grounds for immediate termination, without prior notice.

## WORKER'S COMPENSATION

For your protection, you are provided with workers' compensation insurance,

You may elect to retain your common law right of action if, no later than five days after you begin employment or within five days after receiving notice that TAIPA has obtained workers' compensation coverage, you notify the Association Manager in writing that you wish to retain your common law right to recover damages for personal injury. If you elect to retain your common law right of action, you cannot obtain workers' compensation income or medical benefits if you are injured.

## HARASSMENT POLICY

TAIPA firmly believes that all employees and applicants have an unconditional right to work in an environment free from unwelcome harassment perpetrated by co-workers, independent contractors, supervisory personnel and/or vendors and their employees.

The following conduct constitutes prohibited "unwelcome harassment" within the meaning or coverage of this policy:

1. Sexual Harassment: Prohibited sexual harassment includes any unwelcome sexual advances, requests for sexual favors, or other unwelcome verbal or physical conduct of a sexual nature when:
  - ☐ Submission to such conduct is an explicit or implicit condition of employment;
  - ☐ Submission to or rejection of such conduct is used as the basis for employment decisions;
  - ☐ Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating hostile or offensive work environment; or
  - ☐ Such conduct otherwise adversely affects an individual's employment opportunities.

2. Other Prohibited Harassment: Other forms of prohibited harassment include any unwelcome verbal or physical conduct that belittles, shows hostility, or ridicules an individual because of race, color, religion, national origin, age, ~~or disability, or other protected status~~, when such conduct:

- ☐ Has the purpose or effect of creating an intimidating, hostile or offensive working environment;
- ☐ Has the purpose or effect of unreasonably interfering with an individual's work performance; or
- ☐ Otherwise adversely affects an individual's employment opportunities.

In the event that you are the victim of any of the behaviors described above by either someone of the same sex or opposite sex, or witness anyone engaging in any such behaviors, you must report the incident immediately. To report violations of this policy, contact the Association Manager or their delegate. If the Association Manager or their delegate is involved with the harassment issue, the employee may contact the TAIPA Liaison. Do not assume that TAIPA is aware of your problem. Also do not assume that others are aware of your feeling that any particular conduct or comments are unwelcome. It is your responsibility to bring your complaints and concerns to TAIPA's attention so that we can help you resolve them.

Report of unwelcome harassment will be treated seriously and an investigation will be initiated promptly. To the extent possible, confidentiality will be maintained.

Where an investigation reveals that allegations of unwelcome harassment are true, appropriate remedial action, including discipline will be taken. All disciplinary measures will be implemented promptly and shall be commensurate with the person's conduct. The remedies vary depending on the entire facts and circumstances found by the investigation.

TAIPA recognizes that unwelcome harassment can also be perpetrated by a customer, vendor or employee of a vendor of TAIPA. Should this occur, the reporting and investigation procedures discussed above will be followed. Where the investigation reveals that allegations of unwelcome harassment are true, TAIPA will undertake appropriate measures to ensure that the harassment ceases.

If, following remedial action, the unwelcome harassment continues, the victim should report the recurrence of the conduct in accordance with the procedures in this policy, and TAIPA will take additional remedial measures necessary to end the conduct. TAIPA does not discriminate or retaliate against any person who reports a violation of this policy or participates in an investigation of a complaint regarding unwelcome harassment. An employee who believes that he or she has experienced retaliation for making a report or assisting in an investigation shall report this as soon as possible to the Association Manager or their delegate or any member of the TAIPA Governing Board TAIPA's Liaison.

Please see the Employee Complaint Procedure for additional information about TAIPA's Liaison.

## WORKPLACE VIOLENCE

It is the intention of TAIPA to protect its employees, visitors, customers, and clients and, as such, TAIPA will not tolerate the following:

- ☐ Physical confrontation,
- ☐ Threats to use violence (implicit or explicit),
- ☐ Harassment or intimidation (implicit or explicit), and/or
- ☐ The possession and/or use of weapons on Association premises.

Workplace violence will not be tolerated on Association property, during working hours or while engaged in Association business regardless of location. Employees who violate this policy will be subject to disciplinary action, up to and including termination.

All employees are responsible for ensuring that the workplace **is** free from violence, whether by employees or non-employees, at all times. Therefore, complaints of confrontations, threats, harassment, intimidation or possession of a weapon should be reported immediately to the Association Manager or their delegate.

If you receive a threat away from Association property and not in the course and scope of your employment with TAIPA, you should report such threats to the individuals noted above if you have reason to believe that the threat may be carried out on Association property or while engaged in Association business.

## SOLICITATION AND DISTRIBUTION

Solicitation and distribution of literature by non-employees on TAIPA property is prohibited. Solicitation by employees on TAIPA property during working time is prohibited. Working time is the time an employee is expected to be performing his job duties and does not include break periods, meal times or other periods when employees are not properly engaged in performing their work. A bulletin board is provided for employees to post non-work related items of interest. However, all items must be approved in advance for posting by the Association Manager.

## USE OF COMPUTERS FOR PERSONAL BUSINESS

The computer may be utilized within reason for personal business before/after work and during lunch hours. Content, sites visited, etc., must comply with TAIPA internet and usage rules.

## **BRING YOUR DAUGHTER/SON TO WORK**

One day each year is designated as "Bring your daughter/son to work". Advise management in advance, the name and age of the child(ren) you will bring on the designated day. You are responsible for the behavior of your child(ren) and they may not disturb the workflow or other employees.

## EMPLOYEE SEARCHES

In cases where there is reasonable suspicion based on objective facts of a violation of our Harassment, Workplace Violence or Substance Abuse policies, employees may be subject to searches of TAIPA and employee property. The search can include, but is not limited to, such items as work areas, offices, desks, lockers, lunch boxes, coolers, purses, briefcases, duffel bags, tool boxes, packages and vehicles, which are brought on TAIPA premises. Therefore, employees are strongly encouraged to refrain from storing on or in TAIPA property, any personal article, including personal correspondence they wish to protect from inspection by management.

Searches are to be performed by a member of management.

Under no circumstances are employees allowed to use a personal lock on TAIPA property.

## **SAFETY TO EMPLOYEES**

No one is to enter the building outside of his or her normal work hours (ex: evenings and weekends) without prior management approval.

No one is to access any system of TAIPA outside his or her normal work hours (ex: evenings and weekends) without prior management approval and such systems are to only be used for TAIPA related business. Card access to the building will only be provided to those individuals needing frequent access outside of normal business hours. If overtime is enabled, management or a representative of management must be in attendance and will have card access to the building.

Violations will be addressed with immediate disciplinary action, which may include termination of the employee.

## **CORRECTIVE ACTION PROCEDURES**

TAIPA believes in a progressive process of corrective action whenever possible in order to correct any problems of work performance or violation of work rules before more serious measures are taken. However, violations of work rules which are extremely serious or injurious to the operation, the fellow employees, general public or image of TAIPA may constitute immediate dismissal without warning.

If your performance is unsatisfactory and you are unable to fulfill the requirements of your job or there is a failure to abide by TAIPA work rules, you will be notified of the problem. If satisfactory change does not occur, you may be dismissed. Incidents which do not result in immediate dismissal will be dealt with in the following sequence:

- Oral Counseling
- First Written Warning
- Second Written Warning
- Dismissal

In cases of corrective action, pertinent facts will be reviewed and supporting evidence, if available, should be attached. Written warnings will include the reasons for the corrective action and how performance or behavior can be improved. Disciplinary actions may include suspensions or other measures deemed appropriate to the circumstances.

## **E-Mail Policy**

TAIPA has established a policy with regard to access and disclosure of electronic mail messages created, sent or received by TAIPA employees using TAIPA's electronic mail system.

TAIPA intends to honor the policies set forth below, but must reserve the right to change them at any time as may be required under the circumstances.

1. TAIPA maintains an electronic mail system. This system is provided by TAIPA to assist in the conduct of business within TAIPA.
2. The electronic mail system hardware is TAIPA property. Additionally, all messages composed, sent, or received on the electronic mail system are and remain the property of TAIPA. They are not the private property of any employee.
3. The use of the electronic mail system is reserved solely for the conduct of business at TAIPA. It may be used for limited personal business within reason but under no circumstances does TAIPA insure the content of TAIPAs email system private as it may be monitored at any time for quality assurance of TAIPA business.
4. The electronic mail system may not be used to solicit commercial ventures, religious or political causes, outside organizations, or other non-job-related solicitations.
5. The electronic mail systems are not to be used to create any offensive or disruptive messages. Among those which are considered offensive, are any messages which contain sexual implications, racial slurs, gender-specific comments, or any other comment that offensively addresses someone's age, sexual orientation, religious or political beliefs, national origin or disability.
6. The electronic mail system shall not be used to send (upload) or receive (download) copyrighted materials, trade secrets, proprietary financial information, or similar materials without prior authorization.
7. TAIPA reserves and intends to exercise the right to review, audit, intercept, access and disclose all messages created, received or sent over the electronic mail system for any purpose. The contents of electronic mail property obtained for legitimate business purposes may be disclosed within the company without the permission of the employee.
8. The confidentiality of any message should not be assumed. Even when a message is erased, it is still possible to retrieve and read that message. Further, the use of passwords for security does not guarantee confidentiality.
9. Notwithstanding TAIPA's right to retrieve and read any electronic mail messages, such messages should be treated as confidential by other employees and accessed only by the intended recipient. Employees are not authorized to retrieve or read any e-mail messages that are not sent to them. Any exception to this policy must receive prior approval by the Association Manager.
10. Employees shall not use a code, access a file, or retrieve any stored information, unless authorized by the Association Manager to do so. Employees should not attempt to gain access to another employee's messages without the latter's permission. All computer pass codes must be provided to the Association Manager.
11. Any employee who discovers a violation of this policy shall notify the Association Manager.
12. Any employee who violates this policy or uses the electronic mail system for improper purposes shall be subject to discipline, up to and including termination.

## INTERNET POLICY

1. TAIPA has software and systems in place that monitor and record all Internet usage. Our security systems are capable of recording (for each and every user) each World Wide Web site visit, each chat, newsgroup, mailing list or e-mail message, and each file transfer into and out of our internal networks, and we reserve the right to do so at any time. No employee should have any expectation of privacy as to his or her Internet usage.
2. We reserve the right to inspect any and all files stored in private areas of our network in order to assure compliance with this policy.
3. TAIPA uses independently supplied software and data to identify inappropriate Internet sites. We may block access from within our networks to all such sites that we know of. If you find yourself inadvertently connected to a site that contains sexually explicit, offensive material or otherwise inappropriate material, you must disconnect from that site immediately, regardless of whether the site had been previously deemed acceptable by any screening or rating program.
4. The display of any kind of sexually explicit image or document on any TAIPA system is a violation of our policy on sexual harassment. In addition, sexually explicit material may not be archived, sorted, distributed, edited or recorded using our network or computing resources.
5. Employees with Internet access may not use TAIPA's Internet facilities to download entertainment software to play games against opponents over the Internet, unless prior approval is provided by the Association Manager.
6. TAIPA's Internet facilities and computing resources must not be used to violate the laws and regulations of the United States or any other nation, or the laws and regulations of any state, city, province or other local jurisdiction in any material way. Use of any TAIPA resources for illegal activity is grounds for immediate dismissal, and TAIPA will cooperate with any legitimate law enforcement agency.
7. No employee may use TAIPA Internet facilities to download or distribute pirated software, data or violate copyrights or licenses in any way.
8. No employee may use TAIPA's facilities to propagate any virus, worm, Trojan horse, or trap-door program code.
9. Access to on-line personal investing sites is considered non-business related.
10. Access on any TAIPA Internet facility to Texas lottery or other state lottery sites is considered non-business.
11. No employee may use TAIPA's Internet facilities to disable or overload any computer system or network, or to circumvent any system intended to protect the privacy or security of TAIPA, another user, or on any network.
12. Only those employees or officials who are authorized to speak to the media, to analysts or at public gatherings on behalf of TAIPA, may speak/write in the name of TAIPA to any newsgroup, mailing list or chat room. Other employees may participate in newsgroups or chats in the course of business when relevant to their duties, but they do so as individuals speaking only for themselves. Where an individual participant is identified as an employee or agent of TAIPA, the employee must refrain from any political advocacy and must refrain from the unauthorized endorsement or appearance of endorsement by TAIPA of any commercial product or service not sold or serviced by TAIPA, its subsidiaries or its affiliates. Only Managers, governing committee or subcommittees of TAIPA who

are authorized to speak to the media, to analysts or in public gatherings on behalf of the company may grant such authority to newsgroups or chat room participants.

13. Each employee using TAIPA's Internet facilities shall identify himself or herself honestly, accurately and completely when participating in chats or newsgroups, or when setting up accounts on outside computer systems for TAIPA business.
14. TAIPA retains the copyright of any material posted to any forum, newsgroup, chat, mailing list or World Wide Web page by any employee in the course of his or her duties.
15. Employees are reminded that chats, mailing lists and newsgroups are public forums where it is inappropriate to reveal confidential company information, customer data, trade secrets or any other material covered by existing TAIPA secrecy policies and procedures. Employees releasing such confidential information via a newsgroup or chat (whether or not the release is inadvertent) will be subject to the penalties provided in existing policies and procedures.
16. Use of TAIPA's Internet access facilities to commit infractions such as misuse of TAIPA assets or resources, sexual harassment, personal investment, gambling, unauthorized public speaking and misappropriation of intellectual property are also prohibited by general TAIPA policy and will be sanctioned under the relevant provisions of the personnel handbook.
17. Because a wide variety of materials may be considered offensive by fellow employees, customers or vendors, TAIPA employees should use good judgment as to what they make available to fellow employees, customers or vendors.
18. Employees may use TAIPA's Internet facilities for non-business research or browsing during mealtime or other breaks, provided all other usage policies are adhered to. An employee may obtain approval from the Association Manager, for specific non-business research or browsing during the workday or outside work hours.
19. Employees with Internet access, who download software, must have such software properly licensed, registered or copyrighted. Any file that is downloaded must be scanned for viruses before it is run or accessed. The Association Manager must approve before installation on any TAIPA system.
20. Employees with Internet access may not use TAIPA's Internet facilities to download images, videos or audio files unless there is an express business-related use for the material.
21. Employee with Internet access may not upload any software licensed to TAIPA or our vendors or data owned or licensed by TAIPA without the express authorization of the Association Manager.
22. User IDs and passwords help maintain individual accountability for Internet resource usage. Any employee who obtains a password or ID for an Internet resource from TAIPA must keep that password confidential. TAIPA policy prohibits the unauthorized sharing of user IDs or passwords obtained for access to Internet sites. Provide all IDs and passwords to the Association Manager.
23. Any employee who attempts to disable, defeat or circumvent any TAIPA security facility will be subject to immediate dismissal.
24. The same disciplinary steps appearing in the Employee Manual apply to offenses of this policy.
25. Circumstances may arise where TAIPA determines that changes are required to this policy. For this reason, TAIPA reserves the right, at any time, to modify, rescind, or supplement this policy with proper notice.

I acknowledge that I have received a written copy of the Email and Internet Policy for Texas Automobile Insurance Plan Association (TAIPA). I understand the terms of this policy and agree to abide by them. I understand that any violation of this policy could lead to my dismissal from employment and/or

criminal prosecution.

## **CONTROLLED SUBSTANCES**

The safety and efficiency of the TAIPA operation are closely related to the health and mental alertness of all employees. Any employee found to be working under the influence of alcohol, drugs or controlled substances, or possessing, using, selling, or transferring alcohol or non-prescription drugs at work will be immediately disciplined. If an employee is using prescription drugs that may affect their performance on the job, he must notify the Association Manager or their delegate at the beginning of the work day.

## **SUBSTANCE ABUSE POLICY**

Texas Automobile Insurance Plan Association recognizes that alcohol and drug abuse in the work place can be a major problem. We believe that eliminating drug and alcohol abuse from the work place, will improve the safety, health and productivity of employees. The object of our substance abuse policy is to provide a safe and healthy work place for all employees, prevent accidents and comply with Section 7.10 of the Texas Worker's Compensation Act.

Reporting to work under the influence of alcohol or any medically unauthorized narcotic or other illicit drug, using or selling illicit drugs on the premises housing TAIPA or while on TAIPA business, or the sale, possession or unauthorized use of alcoholic beverages on these premises will be grounds for disciplinary action, up to and including termination of employment. If an employee is found to be selling or distributing any illicit drug on these premises or while on TAIPA business, where the evidence so warrants, TAIPA will bring the matter to the attention of appropriate law enforcement authorities.

The term "drug use" is defined to include the sale, or medically unauthorized use or possession, of any "illicit drug," which means any narcotic drug (including marijuana), hallucinogenic drug or depressant or stimulant drug, as defined by local, state or federal law.

Consequences of Violating the Substance Abuse Policy: Violation of this substance abuse policy will result in immediate disciplinary action including the probability of termination of employment.

Treatment Programs and Employee Insurance: While we do not sponsor or endorse any specific drug treatment programs, such programs are available through public and private health care facilities in our area. Affected employees are encouraged to seek assistance for themselves and their dependents. Our group health insurance provides limited coverage for expenses related to drug treatment programs. Contact the Association Manager or their delegate; or refer to the health plan benefit booklet for additional information.

Alcoholism and drug abuse can be successfully treated. If you would like confidential advice or information regarding drug and alcohol abuse education and training programs in our area, please contact the Association Manager or their delegate for additional information. We do not offer, nor require participation in drug and alcohol abuse education and training programs.

TAIPA will require drug testing as a condition for employment. Existing employees may be subject to drug testing at any time to insure safety in the work place for all employees as a condition for employment.

I have read and understand this drug abuse policy and agree to abide by its terms and conditions.

# Texas Automobile Insurance Plan Association Conflict of Interest Policy

## Article I

### **PURPOSE**

The purpose of the conflict of interest policy is to protect the Texas Automobile Insurance Plan Association's (TAIPA) interest when a transaction or arrangement might directly or indirectly benefit the private interest of a Governing Committee member or employee of TAIPA or might result in a possible excess benefit transaction. A contemporaneous benefit is maintaining public confidence in the efficient, economical, fair and non-discriminatory administration of TAIPA. It is the intent of this policy to prevent not only a conflict from occurring but the appearance of a conflict from occurring. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit organizations. The pertinent Texas statutes governing the operations of a Texas non-profit corporation are to be found in subchapter A of Title 1 and Chapter 22, Business Organizations Code.

## Article II

### **DEFINITIONS**

#### **1. Interested Person**

Any Governing Committee member, employee or member of a committee with Governing Committee delegated powers, who has a direct or indirect financial (ten percent or more of the voting stock of or a general partnership interest in) or other beneficial interest, as defined below, is an Interested Person.

#### **1. Financial Interest**

An Interested Person has a financial or other beneficial interest if the Interested Person has, directly or indirectly, through their business, employment, investment, or family:

- a. an ownership or investment interest in any entity with which TAIPA has or proposes to have a transaction or arrangement;
- b. 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 or a member of a committee which has board- delegated powers concerning the contract; or,
- d. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which TAIPA is negotiating a transaction or

arrangement. Compensation includes but is not limited to direct and indirect remuneration or financial gain or benefit as well as gifts or favors that are not insubstantial. Compensation does not include incidental items, such as occasional meals.

### **Article III**

#### **PROCEDURES**

##### **1. Duty to Disclose**

In connection with any actual or possible conflict of interest, all Interested Persons must disclose the existence of the financial or beneficial interest and shall disclose all material facts to the Governing Committee members and members of committees with Governing Committee delegated powers considering the proposed transaction or arrangement.

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.

##### **2. Determining Whether a Conflict of Interest Exists**

After disclosure of the financial or beneficial interest and all material facts, and after any discussion with the Interested Person, the Interested Person shall leave the Governing Committee or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining members of the Governing Committee or committee members shall decide if a conflict of interest exists.

##### **3. Procedures for Addressing the Conflict of Interest**

An Interested Person may make a presentation to the Governing Committee or committee meeting, but after the presentation, the Interested Person shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

##### **4. Violations of the Conflicts of Interest Policy**

- a. if the Governing Committee has reasonable cause to believe a member has failed to disclose actual or perceived conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose; and,
- b. if, after hearing the member's response and after making further investigation as warranted by the circumstances, the Governing Committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate corrective action.

### **Article IV**

#### **RECORDS OF PROCEEDINGS**

The minutes of the Governing Committee and all committees with Governing Committee delegated powers shall contain:

- a. the names of the persons who disclosed or otherwise were found to have a financial or beneficial interest in connection with an actual or possible conflict of interest, the nature of the financial or beneficial interest, any action taken to determine whether a conflict of interest was present, and the Governing Committee's or committee's decision as to whether a conflict of interest in fact existed; and,
- b. the names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

## **Article V**

### **ANNUAL STATEMENTS**

Each Governing Committee member, each employee of TAIPA and each member of a committee with Governing Committee delegated powers 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.

## **Article VI**

### **PERIODIC REVIEWS**

To ensure TAIPA operates in a manner consistent with its statutory and not for profit purposes and does not engage in activities that could violate state or federal laws, periodic reviews shall be conducted that shall, at a minimum, include the following subjects:

Whether partnerships, joint ventures, and arrangements with management organizations conform to TAIPA's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further TAIPA's purposes and do not result in real or perceived inurement, impermissible private benefit or in an excess benefit transaction.

## 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:

I am employed by a member company.

I am a licensed insurance agent.

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\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

COMPANY	YearEnd 2013				YearEnd 2014				YearEnd 2015				YearEnd 2016				1st QTR 2017				2nd QTR 2017				3rd QTR 2017				4th QTR 2017			
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR				
PRIVATE PASSENGER																																
21ST CENTURY CENTENNIAL INS CO (SC)		248,568		273,200		279,672		280,342		254,533		301,929		293,672		315,566																
ACE AMERICA	247,616		246,672		245,800		244,859				244,524		244,143																			
AFFIRMATIVE INS CO							New to quota	2,446		2,733		2,832		2,832		2,832																
ALFA SPECIALTY INS CORP		689		629		428		88		140		198		270		352																
ALLSTATE INS CO		89,144		85,156		93,356		90,642		77,577		Entered LAD																				
AMER MERCURY INS CO	602			616		3,313		1,954		1,884		3,129		5,361		7,185																
ASSURANCEAMERICA INS CO		468		45		56		58		Entered LAD																						
COLONIAL LLOYDS		1,277		1,277		1,277		Entered LAD																								
CRESTBROOK INS CO					New to quota	8		155	Became grouped																							
ESURANCE PROP & CAS INS CO			New to quota	15		218	Became grouped																									
FALCON INS CO					New to quota	4		4		Entered LAD																						
FREESTONE INS CO		1		171		443		443		443		443		443		443												443				
GENERAL CAS CO OF WISCONSIN			New to quota	72		73		76		Entered LAD																						
GOVERNMENT EMPLOYEES INS CO		85,877		75,542		93,728		128,245		129,313		163,474		151,816		97,067																
HALLMARK COUNTY MUT INS CO	443,961		443,485		443,407		443,127		442,883				442,580		441,817																	

RCVR/CO  
RestrictedRCVR/CO  
Restricted

COMPANY	YearEnd 2013	YearEnd 2014	YearEnd 2015	YearEnd 2016	1st QTR 2017	2nd QTR 2017	3rd QTR 2017	4th QTR 2017
PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
HOMEOWNERS OF AMER INS CO		4,456		4,637	4,639		4,639	4,639
HOUSTON GENERAL INS EXCH		3,006		3,006	Went into Storage			
ICM INS CO		0		13	13		13	13
IMPERIAL FIRE & CAS	1,461		1,395		Became grouped			
INTEGON NATIONAL INS CO					New to quota	279,949	288,396	268,586
KNIGHTBROOK INS CO		12		Entered LAD				
LINCOLN GENERAL		51,337		51,337	Went into Storage			
MAIDSTONE INSURANCE COMPANY (prev AUTOONE INS CO)	328,062		330,051		330,044	330,043	330,041	330,040
MILEMETER INS CO		2,211		2,211	Cert of Authority Cancelled			
NATIONAL LIABILITY & FIRE (SC)		242,995		260,661	Entered LAD			
NATIONWIDE MUT INS CO		23,688		Entered LAD				
OLD AMER COUNTY MUT FIRE INS					New to QTA	0	Entered LAD	
ONEBEACON INS CO		3,705		Became grouped				
PACIFIC SPECIALTY INS CO		74		Entered LAD				
PALOMAR SPECIALTY INS CO				New to quota	Became grouped			
				16	ALPSO Error			

WD/CO Restricted  
Storage-- YE 2015  
Rcvr/CO Restricted

Storage-- YE 2015

CO / Inactive

COMPANY	YearEnd 2013	YearEnd 2014	YearEnd 2015	YearEnd 2016	1st QTR 2017	2nd QTR 2017	3rd QTR 2017	4th QTR 2017
PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
PHARMACISTS MUT INS CO					25	Entered LAD		
QBE INS CORP		62	Became grouped					
SOMPO JAPAN INS CO (prev Yasuda F&M)	1,976		1,976					
SOUTHLAND LLOYDS INS CO		293						
STARR INDEMNITY & LIABILITY CO		939			955	955	955	955
STATE FARM MUT AUTO INS CO		196,216		203,426	175,003	189,103	177,573	193,942
SUSSEX INS CO (prior Companion Pro & Cas Ins Co)		240		318	324	324	324	324
TEXAS FARM BUREAU CAS INS CO		68,410		59,922	53,796	67,104	67,348	63,397
TOKIO MARINE & NICHIDO FIRE INS		5		5				
UNIVERSAL NORTH AMERICA			New to quota	89	89	89	89	89
WINDHAVEN NATIONAL INS. CO						204	253	263
YOUNG AMERICA INS CO		5		Entered LAD				
TOTALS	1,023,678	1,023,678	1,023,612	1,023,612	1,019,411	1,017,450	772,248	771,857
PREMIUMS WRITTEN	2,690,098		2,156,742	1,864,575	1,916,600	557,399 1st qtr	634,788 3rd qtr	659,975 4th qtr

COMPANY	Year End 2013		Year End 2014		Year End 2015		Year End 2016		1st QTR 2017		2nd QTR 2017		3rd QTR 2017		4th QTR 2017	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
ACCIDENT INS CO							New to quota	65		85		101		114		132
ALASKA NATL		76		80		102		123	Entered CLAD							
AMALGAMATED CAS INS CO									New to quota	156		286	Entered CLAD	391		
AMER BANKERS INS CO OF FLORIDA								328	Became ungrouped co has not Vol Premium (co w/ quota moved to Diamond State)							
AMER CONTRACTORS INS RISK RET. GRP		13,111		16,743		16,743		16,743		16,743		16,743		16,743		16,743
AMER MERCURY INS CO	12,371		15,785		3,488			4,296		4,823		8,074		8,848		13,740
AMER MODERN HOME INS CO		428		Entered CLAD												
AMER MODERN LLOYDS		23,166		Became grouped												
AMER NATIONAL PROP & CAS CO		128		614		1,118		1,522		Entered CLAD						
AMER NATL COUNTY MUT INS CO					New to quota	12		107		Became grouped						
AMER ROAD INS CO		70		135		197		248		Entered CLAD						
AMERICAN SAFETY CAS INS CO		3,165		Entered CLAD												
AMER SERVICE INS CO INC.		26		26		26		Became grouped								
AMERICAN BUILDERS INS CO (prev Association Ins Co)		91		183		259		320		Entered CLAD						
BRITISH AMERICAN INS CO		15,565		15,934		16,246		2,993		2,874		3,887		3,805		3,699
CLARENDON NATIONAL INS CO	51,569		51,569		Went into Storage											
COLUMBIA INS CO	1,233		1,222		1,222			Became grouped								
COLUMBIA MUT INS CO		0		4,627		7,227		Entered CLAD								
COREPOINTE INS CO (prev Chrysler & Daimlerchrysler)		39,102		39,982		40,259		Entered CLAD								

## COMPANY

Year End 2013

Year End 2014

Year End 2015

Year End 2016

1st QTR 2017

2nd QTR 2017

3rd QTR 2017

4th QTR 2017

	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
DONEGAL MUT INS CO											New to quota	680		
GENERAL STAR NATIONAL INS CO		59		59		59		59		59		59		59
GLOBAL LIBERTY INS CO OF NY					New to quota	34	462		Entered CLAD					
GOVERNMENT EMPLOYEES INS CO	21,366		24,021		25,707		26,691		24,969		23,534		22,374	20,871
GRAMERCY INS CO		9,371		9,371				9,371		9,371		9,371		9,371
GREAT MIDWEST INS CO		2,507	Became grouped											
HARLEYSVILLE INS CO								160	Became grouped					
HISCOX INS CO INC			New to quota	2		232		800	Entered CLAD					
HOUSING ENTERPRISE INS CO INC		13		23		33		38	Entered CLAD					
INTEGON NATIONAL INS CO							New to quota	1,673,492	1,687,952			1,689,035	1,676,410	1,681,747
LINCOLN GENERAL		73,631		73,631			Went into Storage							
MAIDSTONE INSURANCE COMPANY (prev AUTOONE INS CO & Penn General)	415,745		414,922		414,900		414,900		414,900		414,900		414,900	
MIDCONTINENT CAS CO	758,805		754,383		750,300		747,924		747,618		747,345		747,132	746,857
MOTORISTS COMM MUT INS CO (prev Amer Hardware Mut Ins Co)	28,801		28,223		27,828		27,561		27,482		27,414		27,360	27,290
NATIONAL BUILDERS INS CO		91		160		202		236	Became grouped					
NATIONAL LIABILITY & FIRE INS CO (SC)		1,513,719		1,535,081		1,600,794		Entered CLAD						
NAVIGATORS INS CO		189		813		1,579		Entered CLAD						
NORTH AMER SPECIALTY INS CO		24		32				70	Entered CLAD					
OKLAHOMA SURETY CO	684,575		684,364		684,175		683,103		682,524		682,034		681,642	681,133

# TAIPA OTPP Over/Under Report

04/05/2018

COMPANY

Year End 2013

Year End 2014

Year End 2015

Year End 2016

1st QTR 2017

2nd QTR 2017

3rd QTR 2017

4th QTR 2017

	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
PENN MANUFACTURERS ASSN INS CO	606			Entered CLAD				Entered New CLAD						
PREFERRED PROFESSIONAL INS CO		920		1,119		1,309		1,516		Entered CLAD				
QUALITAS INS CO								250	New to quota	Entered CLAD				
REP WEST INS CO (REPUBLIC WESTERN INS CO)		32		41		48		Entered CLAD						
RIVERPORT INS CO		44		79		83		83		83		83		83
RURAL TRUST INS CO								New to quota		Entered CLAD				
SAFETY NATL CAS CORP		619		Entered CLAD										
SAIAMSUNG FIRE & MARINE INS CO						New to quota	79	Entered CLAD						
SENECA INS CO		3		93		242		343		Entered CLAD				
STATE FARM MUT AUTO INS CO		194,206		185,682		154,516		137,542		123,695		119,060		129,598
TEXAS FARM BUREAU CAS INS CO (prev Southern Farm Bur)		40,575		45,183		43,806		41,727		44,174		42,311		29,811
TEXAS HOSPITAL INS EXCH		10,895		11,191		11,521		11,836		11,935		12,020		12,175
TNUS INS CO				New to quota	16	37		49		Became grouped				
TORUS NATIONAL INS CO (chg'd to Starstone Nat'l Ins Co 11/24/15)		400		Entered CLAD				Entered New CLAD						
TRANS PACIFIC INS CO						New to quota	16	Became grouped						
TRISTATE INS CO OF MN								New to quota	4	Became grouped				
TRIUMPH CAS CO				New to quota	139	139		Entered CLAD						
ULLICO CAS CO		686		1,291		1,291		1,291		1,291		1,291		1,291

COMPANY

Year End 2013

Year End 2014

Year End 2015

Year End 2016

1st QTR 2017

2nd QTR 2017

3rd QTR 2017

4th QTR 2017

	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
UNITRIN AUTO & HOME INS CO		32,159		32,159								
TOTALS	1,975,071	1,975,071	1,974,489	1,974,489	1,907,620	1,907,620	1,903,172	1,903,172	1,900,367	1,900,367	1,899,114	1,899,114

UNITRIN AUTO & HOME INS CO

TOTALS

Went into  
Storage

UNITRIN AUTO & HOME INS CO

TOTALS

Went into  
Storage

Storage YE  
2015

PREMIUMS CREDITED	1,987,161	1,993,432	1,923,849	1,777,884	574,818 1st qtr	479,062 2nd qtr	390,907 3rd qtr	502,306 4th qtr
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# Duplicate Surcharges on TAIPA Policies

## Background

TAIPA has received some questions from insurers regarding how to apply surcharges to TAIPA policies in a couple of situations that don't come up often, and therefore aren't addressed in our rules. The Governing Committee referred these questions to the Operations Subcommittee for discussion on how these are handled countrywide, as well as to consider if we should add clarifying language to the TAIPA Rules & Rating Manual.

## Questions from Insurers

### Question #1

An insurer stated that their insured has a commercial TAIPA policy with them, and also has a private passenger TAIPA policy with a different insurer. The insured has several violations. The insurer of the private passenger policy is already surcharging that policy. The producer has questioned if the insurer of the commercial policy is also allowed to surcharge for those same violations. The insurer stated that in some of the states they service, the surcharge cannot be duplicated, and the insurer whose policy went into effect first would be entitled to the surcharge.

### Subcommittee Consensus

We received guidance from TDI that they didn't see anything that would prohibit both insurers from surcharging on their respective policies.

### Question #2

We received a related question last year. In that situation, the insurer had already issued a policy for five vehicles, and then later the insured requested to add additional vehicles. The insurer asked if they could add the vehicles to the existing policy, or if a new application needed to be submitted and then a new policy issued. We told them it was their prerogative. If the applicant applied through TAIPA again, they would be assigned back to their company per Section 43 of the Plan of Operation, so they would end up with the assignment anyway. The insurer decided to just add the vehicles to the existing policy because it was easier for everyone involved. In that case, there were no surcharges. But it raised the hypothetical question that if there were surcharges, would the company be able to issue separate policies for each set of five vehicles, and to surcharge on each of the policies, rather than issuing just one policy for all vehicles and surcharging only once?

### Subcommittee Consensus

Section 43 states that an insurer must only accept up to five vehicles on a policy, but also if an insured has multiple applications, they must not be assigned to more than one insurer unless there is an unusual hazard or accident record. Based on these rules, if there were a surcharge greater than 100%, the insurer could send the applications for additional vehicles back to TAIPA for reassignment by stating it is an unusual hazard or accident record, and we would reassign them to a different insurer.

## Operations Subcommittee Recommendation

The subcommittee does not recommend changes to the TAIPA Plan of Operation or Rules & Rating Manual for these situations because they are quite rare and would be better evaluated on a case-by-case basis. Their recommendation is for TAIPA staff to add guidance regarding these specific scenarios to the Frequently Asked Questions section of the TAIPA website.

# Quota for Companies That Discontinue Writing

## Background

A member requested that TAIPA review the Plan of Operation as related to the quotas of companies that discontinue writing. The Governing Committee referred this to the Operations Subcommittee.

## Countrywide Procedures

Many of the plans around the country have added language to their manuals for handling companies that discontinue writing by withdrawing from the market, or that are in receivership/liquidation:

- Companies that discontinue writing are required to either hire a LAD/CLAD to take care of the rest of their quota obligation, or to pay a one-time cash settlement to the Plan.
- Companies that are in receivership/liquidation have their assignments suspended with specific documentation from the insurance department.

## Current TAIPA Procedure

The withdrawal plan statute requires that companies withdrawing from the market meet their statutory obligations, including those to assigned risk plans. The department at TDI that reviews the withdrawal plans confirmed that companies are required to include provisions in their plan for how they'll handle their statutory obligations. That said, TDI doesn't actually double-check these in any way, and they just assume that the company is acting in accordance with their provisions.

Sec. 47.D of TAIPA's Plan of Operation states in part:

"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."

When TAIPA is informed by TDI that a company has withdrawn from the market, we are unable to give them any new assignments (despite what our Plan of Operation states), so we have no choice but to restrict them in our system, distributing their quota to all other companies. We don't currently have any authority to make the company enter a LAD/CLAD or anything like that. TDI has said that if we added language to our Plan of Operation regarding the ways in which the companies must meet the statutory obligations, it would make it easier for them to enforce and ensure that companies actually meet their statutory obligations.

## Subcommittee Recommendation

The subcommittee recommends pursuing Plan of Operation amendments to require that companies that withdraw from the market must fulfill their statutory obligations by either entering a LAD/CLAD agreement, or by paying a one-time cash settlement to TAIPA.

If the Governing Committee agrees that TAIPA should head in this direction, the subcommittee will need to:

- Draft amended Plan of Operation language
- Determine how to calculate the one-time cash settlement option
- Determine if any other TAIPA procedures need to be amended (such as the restriction procedure, storage procedure, etc.)
- Discuss how this new procedure should be approached with TDI to ensure that the company's decision is accounted for in a company's withdrawal plan (TAIPA currently does not receive copies of withdrawal plans)

ADMINISTRATION

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<http://www.taipa.org>**2019 SCHEDULED GOVERNING COMMITTEE MEETING DATES**

Friday, March 22, 2019  
Omni Austin Southpark

Friday, August 16, 2019  
Omni Austin Southpark

Friday, November 22, 2019  
Omni Austin Southpark

A teleconference line will be available for those who are unable to attend in-person.