

Texas Automobile Insurance Plan Association Governing Committee Meeting  
Friday, August 19, 2016 - 9:00 A.M.

Via GoToWebinar Teleconference (contact Nicole Morgan at [nmorgan@taipa.org](mailto:nmorgan@taipa.org) for details)  
OR In-Person at the TAIPA Office: 1120 S. Capital of Texas Hwy., CityView Bldg. 3, Ste. 105, Austin, TX 78746

1. Call to Order
2. Roll Call
3. Moment of Silence in Memory of James Langford
4. Reading of the Anti-Trust Statement
5. Audit/Finance Committee Report
  - A. Report on 2015 Audit (Exhibit 1)
6. Review and Approval of the Minutes of the April 1, 2016 Meeting (Exhibit 2)
7. Manager's Report
  - A. Application Count Update as of July (Exhibit 3)
  - B. Financial Update as of June (Exhibit 4)
  - C. Line of Credit Renewal
  - D. Pending Plan of Operation Filings: SB 956 and SB 1554
  - E. IT Consultant Change
  - F. Quota Changes Due to SB 784 (TDI's Call for Experience)
8. Operations Subcommittee Report
  - A. Over/Under Report (Exhibit 5)
  - B. TAIPA Procedure Changes Due to Senate Bill 956: Delivery of Insurance Policies
9. Actuarial RFP Subcommittee Report
  - A. Actuarial RFP Timeline
10. Report of Counsel
  - A. Pending Plan of Operation Filing: Refunds for Cancellations
  - B. TAIPA Rates
  - C. Rafael Islas Lawsuit
11. Personnel Matters
12. 2017 Meeting Dates (Exhibit 6)
13. Next Meeting—November 18, 2016 at Austin Marriott South
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 2015, and have issued our report thereon dated July 25, 2016. 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 February 10, 2016, 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 2015. 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(s) affecting the financial statements are those related to the defined benefit plan detailed in Note B of the financial statements. Management's estimates are based on information provided by the plan's actuaries.

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

## **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. No noted no such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material misstatements identified as a result of our audit procedures.

## **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 July 25, 2016.

### **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  
July 25, 2016

<h1 style="margin: 0;">TAIPA</h1>
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## TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

NICOLE MORGAN  
Special Projects/Accounting Coordinator  
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July 25, 2016

Atchley & Associates, LLP  
6850 Austin Center Blvd., Ste 180  
Austin, Texas 78731

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, 2015 and 2014, 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 February 10, 2016, 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, analysts, regulators, short sellers, 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 have disclosed to you known actual or pending litigation and claims whose effects should be considered when preparing the financial statements.
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 or permanent excess plant capacity.
  - b. The Organization has no plans or intentions to discontinue operations or to discontinue any significant product lines.
  - 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, 2015.

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, 2015, and/or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2015.
  - 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 the 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 OMB Circular No. A-133, 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 balance sheet 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

A handwritten signature in black ink, appearing to read "Nicole Morgan", is written over a horizontal line.

Nicole Morgan, Special Projects/Accounting Coordinator



TEXAS AUTOMOBILE INSURANCE  
PLAN ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, 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 Texas Automobile Insurance Plan Association as of December 31, 2015 and 2014, 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  
July 25, 2016

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 146,150	\$ 206,508
Accounts receivable	150	-
Prepaid expenses	38,516	37,812
Total current assets	184,816	244,320
<b>Property and Equipment</b>		
Furniture and equipment	38,921	38,921
Computer equipment	19,627	23,660
Leasehold improvements	50,007	50,008
Computer software and program development costs	9,858	9,858
System customization in progress	22,500	16,250
	140,913	138,697
Less accumulated depreciation	(95,481)	(87,476)
	45,432	51,221
Total assets	\$ 230,248	\$ 295,541
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 10,827	\$ 9,799
Accrued vacation	38,550	31,984
Accrued payroll liabilities	7,972	6,265
Other accrued liabilities	22,500	20,620
Total current liabilities	79,849	68,668
<b>Other Liabilities</b>		
Accrued pension benefit costs	443,671	520,304
Deferred lease benefit	29,216	38,783
Total other liabilities	472,887	559,087
<b>Net Assets (Deficiency)</b>		
Accumulated effect of pension adjustment	(1,271,049)	(1,209,848)
Unrestricted	948,561	877,634
Total net assets (deficiency)	(322,488)	(332,214)
Total liabilities and net assets (deficiency)	\$ 230,248	\$ 295,541

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues		
Member assessments	\$ 1,000,800	\$ 1,000,500
Interest income	468	663
Assessment penalties	3,669	5,828
Total revenues	<u>1,004,937</u>	<u>1,006,991</u>
Expenses		
Salaries and related expenses	596,586	511,133
Occupancy expenses	118,547	118,017
Professional services	115,322	114,198
Depreciation and amortization	12,038	12,912
Postage and delivery	20,102	18,340
Office supplies and expense	17,547	19,693
Governing committee	19,555	17,114
Computer supplies and expense	10,426	10,755
Operating committee	1,250	1,250
Staff education and seminars	12,098	9,107
Miscellaneous	6,610	6,997
Staff expense	2,273	3,225
Dues and subscriptions	1,656	1,751
Total expenses	<u>934,010</u>	<u>844,492</u>
Other revenues (expenses)		
Pension minimum liability adjustment	(61,201)	(592,033)
Total other revenues (expenses)	<u>(61,201)</u>	<u>(592,033)</u>
Net change in unrestricted net assets	9,726	(429,534)
Net assets (deficiency) at beginning of year	<u>(332,214)</u>	<u>97,320</u>
Net assets (deficiency) at end of year	<u><u>\$ (322,488)</u></u>	<u><u>\$ (332,214)</u></u>

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
 STATEMENTS OF CASH FLOWS  
 Years Ended December 31, 2015 and 2014

	2015	2014
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 9,726	\$ (429,534)
Adjustments to reconcile change in net assets to net cash flows		
Depreciation and amortization	12,038	12,912
Change in operating assets and liabilities -		
Accounts receivable	(150)	2,500
Prepaid expenses	(704)	15,512
Accounts payable	1,028	4,230
Accrued vacation	6,566	10,831
Payroll liabilities	1,707	1,640
Other accrued liabilities	1,880	20,620
Accrued pension benefit costs	(76,633)	342,925
Deferred lease benefits	(9,567)	1,903
	(54,109)	(16,461)
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(6,249)	(16,249)
	(6,249)	(16,249)
Net change in cash and cash equivalents	(60,358)	(32,710)
Cash and cash equivalents - beginning of year	206,508	239,218
Cash and cash equivalents - end of year	\$ 146,150	\$ 206,508

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014

**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 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 Accounting Standard Codification (FASB ASC) 958, issued by the Financial Accounting Standards Board. Under 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 2015 and 2014, 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, 2015 and 2014

**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, 2015 and 2014

**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, 2015 and 2014, 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, 2012, 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.

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.

**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 \$14,754 and \$14,262 for 2015 and 2014, respectively.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014

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

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, 2015, 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, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
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	\$ 28,121	\$ 19,670
Interest cost	166,876	167,558
Expected return on MRVA	(222,580)	(212,436)
Amortization of net actuarial loss (gain)	105,302	36,951
Net periodic benefit cost	<u>\$ 77,719</u>	<u>\$ 11,743</u>

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014

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

The status of the Plan for the year ended December 31:	<u>2015</u>	<u>2014</u>
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ 4,259,052	\$ 3,615,056
Service cost	28,121	19,670
Interest cost	166,876	167,558
Actuarial loss (gain)	(150,358)	713,352
Benefits paid	(250,104)	(256,584)
Plan amendments	41,359	-
Benefit obligation at end of year	<u>4,094,946</u>	<u>4,259,052</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	3,738,748	3,437,677
Actual return on plan assets	(52,922)	296,804
Employer contributions	215,553	260,851
Benefits paid	(250,104)	(256,584)
Fair value of plan assets at end of year	<u>3,651,275</u>	<u>3,738,748</u>
Funded status at end of year	<u>\$ (443,671)</u>	<u>\$ (520,304)</u>
Amounts recognized in the statement of financial position as of December 31:		
Noncurrent liabilities	<u>\$ 443,671</u>	<u>\$ 520,304</u>
Amounts recognized as changes in unrestricted net assets arising from a defined benefit plan as of December 31:		
Accumulated net loss (gain)	<u>\$ 1,271,049</u>	<u>\$ 1,209,848</u>

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014

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

	<u>2015</u>	<u>2014</u>
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 year ended December 31:		
Net loss (gain)	\$ (105,302)	\$ (36,951)
Other adjustments	41,359	-
New actuarial losses	125,144	628,984
	<u>\$ 61,201</u>	<u>\$ 592,033</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 \$119,478.

The accumulated benefit obligation for the defined benefit pension plan was \$4,011,130 and \$4,190,046 as of December 31, 2015 and 2014, respectively.

Employer contributions expected to be paid during the year ending December 31, 2016, is \$186,002.

Weighted average assumptions used to develop benefit obligations were:

	<u>2015</u>	<u>2014</u>
Discount rate	4.25%	4.00%
Rate of compensation increases	3.00%	3.00%

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

Discount rate	4.00%	4.75%
Expected return on plan assets	6.00%	6.25%
Rate of compensation increases	3.00%	3.00%

TAIPA's target investment allocation is 60% equity securities and 40% debt securities and its asset diversification as of December 31, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Equity securities	40.1%	50.1%
Debt securities	58.7%	48.9%
Cash	1.2%	1.0%
	<u>100.0%</u>	<u>100.0%</u>

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014

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

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

Fiscal year beginning	
January 1, 2016	\$ 253,047
January 1, 2017	252,529
January 1, 2018	250,489
January 1, 2019	251,428
January 1, 2020	248,140
January 1, 2021-2025	1,227,402
Total	\$ 2,483,035

**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, 2015 and 2014, 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 \$38,550 and \$31,984 has been recorded in the accompanying statements of financial position as of December 31, 2015 and 2014, respectively.

**NOTE D - LEASE COMMITMENTS**

TAIPA leases office space and certain equipment under noncancelable operating leases. The lease for office space terminates on March 31, 2018, while the leases for equipment expire through 2017. Minimum future obligations from leases in effect at December 31, 2015 are as follows:

Due in Year Ending	
December 31, 2016	\$ 71,428
December 31, 2017	73,514
December 31, 2018	18,770
	\$ 163,712

Lease expense for operating leases were \$113,840 and \$110,756 for the years ended December 31, 2015 and 2014, respectively.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014

**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 ASC 840, the total amount of rental payments due over the lease term is being 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 9, 2015. Interest, calculated at the bank's prime rate, is payable monthly. At December 31, 2015, there was no outstanding balance on the line, and there were no borrowings on the line of credit during the years ended December 31, 2015 and 2014. The line of credit matures on September 21, 2016.

SUPPLEMENTAL  
INFORMATION



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION  
SUPPLEMENTAL INFORMATION  
COMPARISON OF REVENUES AND EXPENSES VERSUS BUDGET  
Year Ended December 31, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues</b>			
Member assessments	\$ 1,000,800	\$ 1,000,000	\$ 800
Interest income	468	-	468
Assessment penalties	3,669	-	3,669
Total Revenues	<u>1,004,937</u>	<u>1,000,000</u>	<u>4,937</u>
<b>Operating Expenses</b>			
Salaries	397,469	398,300	831
Employee benefits & other insurance	199,117	119,400	(79,717)
Rent	104,854	112,000	7,146
Telephone/internet access	12,769	13,300	531
Property taxes	924	1,500	576
Professional services			
Legal	37,928	35,000	(2,928)
Audit	21,850	23,800	1,950
Systems consultants	35,482	43,000	7,518
Consultants - other	4,234	3,000	(1,234)
Actuary	15,828	12,000	(3,828)
Depreciation and amortization	12,038	12,100	62
Postage & shipping	20,102	24,000	3,898
Office equipment & supplies	16,369	16,600	231
Printing & stationary	1,178	900	(278)
Governing Committee	19,555	22,900	3,345
Computer supplies	10,426	9,900	(526)
Operation Sub-committee	1,250	2,300	1,050
Employee meetings, seminars & travel	12,098	11,300	(798)
Other	6,610	8,400	1,790
Staff expense	2,273	3,500	1,227
Dues, subscriptions & publications	1,656	1,600	(56)
Total Operating Expenses	<u>934,010</u>	<u>874,800</u>	<u>(59,210)</u>
<b>Other expenses</b>			
Pension minimum liability adjustment	(61,201)	(217,000)	155,799
	<u>(61,201)</u>	<u>(217,000)</u>	<u>155,799</u>
Change in Unrestricted Net Assets	<u>\$ 9,726</u>	<u>\$ (91,800)</u>	<u>\$ 101,526</u>

TAIPA Governing Committee Meeting  
April 1, 2016

**TAIPA GOVERNING COMMITTEE MEETING MINUTES  
APRIL 1, 2016 AT 9:00 AM  
AUSTIN MARRIOTT SOUTH**

**ATTENDEES:**

**VOTING MEMBERS:**

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

**COUNSEL:**

Mike Jones, Thompson, Coe, Cousins & Irons

**TAIPA STAFF:**

Stacy Dutton  
James Langford (Association Manager)  
Nicole Morgan (Minute Taker)

**OTHERS:**

Doug Beck, Farmers (Via teleconference)  
Marianne Baker, TDI  
Alisha Darden, Public Member Alternate  
John Lusardi, Assigned Risk Solutions, Ltd. (Via teleconference)  
David Nardecchia, OPIC

**ITEM 1: CALL TO ORDER**

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

**ITEM 2: INTRODUCTIONS**

Introductions were made.

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

James Langford 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.”

Laura Hausman joined the meeting.

**ITEM 4: ELECTION OF OFFICERS**

Pete Hamel stated the Nominating Committee nominates the following slate of officers to serve in 2016:

- Chair: Bill Brooks
- Vice Chair: Dick Lonquist
- Second Vice Chair: George Cooper
- Secretary: David Weber

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

“Accept the nominations as outlined by Pete Hamel.”

The motion carried unanimously.

Thomas Rolling was thanked for his service as Chair from 2014-2015 and was presented with a plaque of appreciation.

**ITEM 5: REVIEW AND APPROVAL OF THE MINUTES OF THE NOVEMBER 20, 2015 MEETING (EXHIBIT 1)**

It was moved by David Weber and seconded by Dick Lonquist to:

“Accept the minutes.”

The motion carried unanimously.

**ITEM 6: MANAGER’S REPORT**

James Langford presented the Manager’s Report.

**A. APPLICATION COUNT UPDATE**

TAIPA Governing Committee Meeting  
April 1, 2016

**a. AS OF YEAR END 2015 (EXHIBIT 2)**

TAIPA received 3,509 applications in 2015, compared to 3,959 in 2014, which is a decline of 11.37%.

**b. AS OF FEBRUARY 2016 (EXHIBIT 3)**

TAIPA received 275 applications in February 2016, compared to 364 in February 2015, which is a decline of 24.45%. Year-to-date, TAIPA has received 536 applications in 2016, compared to 651 in 2015, which is a decline of 17.67%. Based on current volumes, we estimate we will receive approximately 2,700 applications in 2016.

**B. FINANCIAL UPDATE**

**a. AS OF YEAR END 2015 (EXHIBIT 4)**

TAIPA ended the year about 15% under-budget, including the adjustments for pension, vacation accrual, and deferred lease benefit. Without the adjustments, we ended about 2% under-budget. The items that ended over-budget were explained.

TAIPA's pension liability actually decreased slightly this year due to changes in the actuarial assumptions used. Additionally, for the past several years, TAIPA has been funding the pension at an amount greater than what is required.

**b. AS OF JANUARY 2016 (EXHIBIT 5)**

TAIPA expected to be at 8.3% of the budget used at the end of January and is just under-budget at 7.8%. The items that are currently over-budget were explained. We expect to end the year on-budget.

**C. APPLICATION SYSTEM UPDATE**

EASi 2.0, the external part of the system used by producers, went live on May 19, 2015. Mandatory use of EASi went live on August 1, 2015. At this point in 2016, we've only received one paper application.

APS, the internal part of the system used by TAIPA staff, went live on March 7, 2016. Prior to implementation, TAIPA notified companies and producers that the format of the reports they receive would change slightly, although the information would generally be the same. There have been no major problems with the new system, just minor issues that AIPSO has been resolving fairly quickly.

**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 7: STRATEGIC PLANNING SUBCOMMITTEE REPORT**

Dick Lonquist presented the Strategic Planning Subcommittee Report.

### **A. CURRENT STAFFING**

TAIPA currently has five full-time employees and one part-time employee (the Association Manager). There are no proposed changes to staffing for 2016.

### **B. 2016 RECOMMENDATIONS**

There are no strategic planning recommendations for 2016. TAIPA's office lease will expire in 2018, and a smaller space may be considered at that time

### **C. ENTERPRISE RISK MANAGEMENT (EXHIBIT 6)**

A detailed listing of the risks considered by TAIPA is included in Exhibit 6. Some feedback has already been received, which will be reviewed and incorporated. This will be a living document, which the Strategic Planning Subcommittee will review annually. Anyone with additional feedback should email it to Nicole Morgan at [nmorgan@taipa.org](mailto:nmorgan@taipa.org). TAIPA will formally circulate any feedback to the Strategic Planning Subcommittee.

It was moved by Thomas Rolling and seconded by Carmelita Hogan to:

“Accept the Enterprise Risk Management plan as outlined, understanding that any feedback will be formally provided to Nicole Morgan, and then reviewed by the Strategic Planning Subcommittee on an ongoing, annual basis, with the document updated accordingly.”

The motion carried unanimously.

## **ITEM 8: AUDIT/FINANCE SUBCOMMITTEE REPORT**

### **A. AUDIT ENGAGEMENT LETTER (EXHIBIT 7)**

TAIPA's current auditors are Atchley & Associates. The cost of this year's audit will be \$17,750, which is just \$250 more than last year.

There was discussion regarding the audit budget, which is \$24,000. The additional budget is for Form 990 expense, pension disclosure fees, and budget for consulting fees due to reviewing the monthly financials.

It was moved by Dick Lonquist and seconded by Thomas Rolling to:

“Authorize Dick Lonquist, James Langford, and Nicole Morgan to sign the engagement agreement.”

The motion carried unanimously.

## **ITEM 9: OPERATIONS SUBCOMMITTEE REPORT**

Bill Brooks presented the Operations Subcommittee Report.

### **A. OVER/UNDER REPORT (EXHIBIT 8)**

The only thing to note on the current report is that National Liability & Fire is no longer a servicing carrier, and that Integon National is now a servicing carrier for both PP and OTPP. National Liability is no longer on the report, as they entered into a buyout agreement with Integon National.

### **B. PLAN OF OPERATION FILING DUE TO SENATE BILL 956: DELIVERY OF INSURANCE POLICIES (EXHIBIT 9)**

The Operations Subcommittee was tasked with reviewing if there are any Plan of Operation changes necessary due to the passage of Senate Bill 956. The bill was passed during the 2015 legislative session and amends the Insurance Code to require insurers to deliver personal auto and residence policies within 30 days of the effective date of the policy. It also specifies that renewals and “amendments” (what TAIPA would call an endorsement) be delivered no later than the 15<sup>th</sup> day after the insurer receives a request from the policyholder.

We will need to amend Section 14 of the Plan of Operation. The recommended language is shown in Exhibit 9. TAIPA staff recommends removing the specific timeframes, instead stating insurers must comply with Chapter 525. This way, each time there are additional changes in the future, we will not have to amend our Plan of Operation.

It was moved by Thomas Rolling and seconded by Dick Lonquist to:

“Authorize TAIPA staff to file with TDI the proposed amendment to comply with Senate Bill 956, as shown in Exhibit 9.”

The motion carried unanimously.

### **C. TAIPA PROCEDURE CHANGES DUE TO SENATE BILL 956**

The Operations Subcommittee was also tasked with reviewing if there are any procedural changes that could be made to help insurers comply with the tighter timeframes. At this time, TAIPA knows of no issues from either insurers, insureds, or producers regarding timeliness of delivery of insurance policies.

From a due diligence standpoint, TAIPA staff reviewed their internal procedures and has identified some areas where changes could be made. The Operations Subcommittee reviewed these areas, and TAIPA staff and counsel were tasked with some additional research. The Operations Subcommittee will reconvene to discuss staff’s and counsel’s findings, and will report on any recommendations at the August Governing Committee Meeting.

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

### **A. PENDING PLAN OF OPERATION FILING: REFUNDS FOR CANCELLATIONS**

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

### **B. TAIPA RATES**

TAIPA's last rate filing was August 18, 2015. TDI approved the filing on October 12, 2015, and the rates became effective February 1, 2016. PP rates increased by 3.5%, and OTPP rates decreased by .2%.

At the November 20, 2015 Governing Committee Meeting, it was reported that the next rate change indication would be presented at today's meeting. The rate change indication is not yet ready to present. The Insurance Code stipulates that we may not file rates more than once in any 12 month period, so we cannot file until August 19, 2016 anyway. The rate change indication will be presented at the August Governing Committee Meeting. Preliminary results suggest an indication of less than +5%, which means a hearing would not be necessary.

## **ITEM 11: NEXT MEETING—AUGUST 19, 2016**

The next Governing Committee meeting is August 19, 2016, and will be held by teleconference. Alternatively, you can attend in-person at the TAIPA office.

## **ITEM 12: PERSONNEL MATTERS**

Acting under authority of Government Code 551.074, the Governing Committee commenced a closed meeting at 9:53 AM. The open meeting resumed at 10:17 AM.

It was moved by David Weber and seconded by Pete Hamel to:

“Authorize Thomas Rolling to administer James Langford's performance review.”

The motion carried unanimously.

TAIPA Governing Committee Meeting  
April 1, 2016

**ITEM 13: ADJOURNMENT**

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

“Adjourn the meeting.”

The motion carried unanimously. The meeting adjourned at 10:18 AM.

David T. Weber

Signature of Secretary

4-15-16

Date Signed

David T. Weber

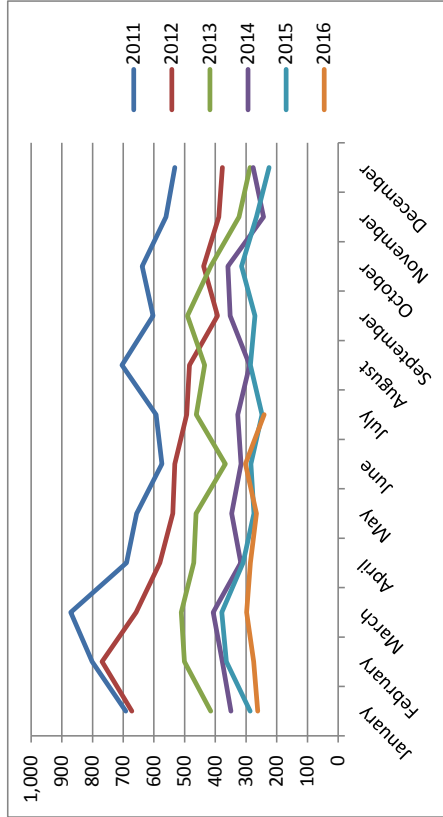
Printed Name of Secretary



<b>Monthly Total (July 2016)</b>		
	<b>Private Passenger</b>	<b>Commercial</b>
<b>EASi Applications</b>	<b>211</b>	<b>29</b>
<b>Paper Applications</b>	<b>0</b>	<b>1</b>
<b>Total Applications Received</b>	<b>211</b>	<b>30</b>
<b>Applications Assigned</b>	<i>197</i>	<i>29</i>
<b>Apps Returned for Correction</b>	<i>14</i>	<i>1</i>
<b>Applications Deficient</b>	<i>23</i>	<i>11</i>
<b>Applications with SR-22s</b>	<i>13</i>	<i>0</i>
<b>Total Applications Received in July 2015:</b>	<b>248</b>	<b>241</b>
<b>Total Applications Received in July 2016:</b>	<b>241</b>	
<b>Year to Date Total (as of July 2016)</b>		
	<b>Private Passenger</b>	<b>Commercial</b>
<b>EASi Applications</b>	<b>1690</b>	<b>232</b>
<b>Paper Applications</b>	<b>2</b>	<b>6</b>
<b>Total Applications Received</b>	<b>1692</b>	<b>238</b>
<b>Applications Assigned</b>	<i>1564</i>	<i>220</i>
<b>Apps Returned for Correction</b>	<i>131</i>	<i>15</i>
<b>Applications Deficient</b>	<i>50</i>	<i>19</i>
<b>Applications with SR-22s</b>	<i>190</i>	<i>1</i>
<b>Total Applications Received YTD (as of July 2015):</b>	<b>2,147</b>	<b>1,930</b>
<b>Total Applications Received YTD (as of July 2016):</b>	<b>1,930</b>	<b>-10.11%</b>
<b>YTD Percent Change from July 2015 to July 2016:</b>		
<b>Application Assignment History*</b>		
<b>1994:</b> 716,036	<b>2002:</b> 66,153	<b>2010:</b> 8,725
<b>1995:</b> 461,059	<b>2003:</b> 74,506	<b>2011:</b> 7,364
<b>1996:</b> 214,744	<b>2004:</b> 47,434	<b>2012:</b> 5,898
<b>1997:</b> 95,461	<b>2005:</b> 31,517	<b>2013:</b> 4,708
<b>1998:</b> 55,041	<b>2006:</b> 23,634	<b>2014:</b> 3,628
<b>1999:</b> 47,108	<b>2007:</b> 16,780	<b>2015:</b> 3,217
<b>2000:</b> 44,945	<b>2008:</b> 12,896	
<b>2001:</b> 53,477	<b>2009:</b> 10,299	

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

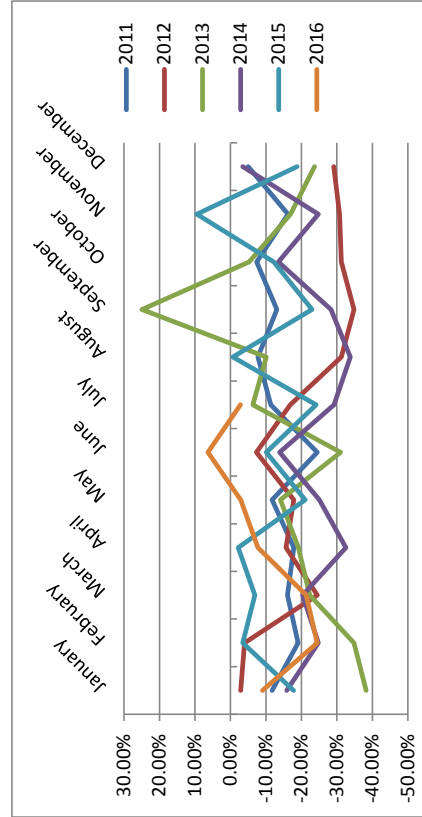
### Trend of Applications Received from 2011 to 2016



	2011	2012	2013	2014	2015	2016
January	692	672	415	349	287	262
February	801	769	501	377	364	275
March	871	658	511	407	379	298
April	689	581	470	317	310	286
May	656	539	463	347	274	266
June	574	532	367	316	284	302
July	593	493	462	327	248	241
August	704	484	435	288	286	286
September	603	393	491	352	271	271
October	638	438	415	359	315	315
November	561	389	323	243	266	266
December	532	377	287	277	225	225
<b>Total</b>	<b>7,914</b>	<b>6,325</b>	<b>5,140</b>	<b>3,959</b>	<b>3,509</b>	<b>1,930</b>

Estimate of Applications to be Received in 2016: **3,099**

### Percent Change in Applications Received



	2011	2012	2013	2014	2015	2016
January	-11.74%	-2.89%	-38.24%	-15.90%	-17.77%	-9.06%
February	-19.09%	-4.00%	-34.85%	-24.75%	-3.45%	-24.45%
March	-16.09%	-24.46%	-22.34%	-20.35%	-6.88%	-21.37%
April	-17.88%	-15.68%	-19.11%	-32.55%	-2.21%	-7.74%
May	-11.71%	-17.84%	-14.10%	-25.05%	-10.13%	-2.92%
June	-24.47%	-7.32%	-31.02%	-13.90%	-24.16%	6.34%
July	-11.36%	-16.86%	-6.29%	-29.22%	-0.69%	-2.82%
August	-7.73%	-31.25%	-10.12%	-33.79%	-23.01%	
September	-13.11%	-34.83%	24.94%	-28.31%	-12.26%	
October	-7.40%	-31.24%	-5.25%	-13.49%	-24.77%	
November	-16.24%	-30.78%	-16.97%	-24.77%	9.47%	
December	-5.00%	-29.14%	-23.67%	-3.48%	-18.77%	
<b>Total YTD</b>	<b>-13.98%</b>	<b>-20.08%</b>	<b>-18.72%</b>	<b>-22.98%</b>	<b>-11.37%</b>	<b>-10.11%</b>

**Texas Auto Ins. Plan Assoc.**

**ACTUAL VS. BUDGET**

For the period ended June 30, 2016

	Actual	2016 Year To Date Budget	Variance	2016 Annual Budget	% Used	Reason for Variance
<b>REVENUE</b>						
Assessments & Penalties	505,146	500,000	5,146	1,000,000	50.51%	
Other Revenue	206	0	206	0	0.00%	
<b>TOTAL</b>	<b>505,352</b>	<b>500,000</b>	<b>5,352</b>	<b>1,000,000</b>	<b>50.54%</b>	
<b>EXPENDITURES</b>						
Salaries	192,714	205,750	13,036	411,500	46.83%	Did not have Association Manager salary expense beginning in second half of May.
Emp. Benefits & Other Ins. Exp.	155,526	161,400	5,874	322,800	48.18%	Insurance increase was less than expected.
Office Equipment Expense	8,357	7,900	-457	15,800	52.89%	Within range.
Printing & Stationary Exp.	713	550	-163	1,100		Have already purchased the majority of our envelope stock for the year; expect to end on 64.84% budget.
Computer Expenses	3,423	4,300	877	8,600	39.80%	Have budget for two new computers, but have not yet purchased them.
Postage & Shipping Exp.	10,315	11,200	885	22,400	46.05%	Within range.
Telephone Expense	6,233	6,450	217	12,900	48.32%	Within range.
Rent Expense	63,001	61,250	-1,751	122,500	51.43%	Within range.
Taxes	284	700	416	1,400	20.31%	Property tax is not due until later in the year.
Other Office Expenses	2,169	4,050	1,881	8,100	26.78%	Events are later in the year; expect to end on budget.
Governing Committee	8,276	12,450	4,174	24,900	33.24%	Not all members attended the first meeting; some members attended by teleconference, which decreased expenses.
Operations Subcommittee	1,500	1,250	-250	2,500	60.00%	Have held all meetings except one more Ops Sub meeting.
Producer Review Panel	0	0	0	0	0.00%	Not expecting any Producer Review Panel meetings in 2016.
Employee Meetings, Seminars & Staff Travel	3,610	5,600	1,990	11,200	32.24%	Several of the employees' classes will not be taken until later in the year.
Legal Expenses	19,488	17,100	-2,388	34,200	56.98%	Expenses have been higher than expected due to management transition and subpoenas/lawsuit.
Audit Expense	20,250	12,000	-8,250	24,000	84.38%	Already paid for annual audit already.
Dues, Subscriptions & Publications	953	900	-53	1,800	52.92%	Within range.
TAIPA Tradition, Visitor Meals & Gifts	1,265	1,600	335	3,200	39.54%	Events are later in the year; expect to end on budget.

	2016 Year To Date Actual	2016 Year To Date Budget	Variance	2016 Annual Budget	% Used	Reason for Variance
System Consultants	18,171	19,500	1,329	39,000	46.59%	Within range.
Consultants - Other	1,453	1,250	-203	2,500	58.12%	Already paid annual fee to one consultant.
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>517,703</b>	<b>539,450</b>	<b>21,747</b>	<b>1,078,900</b>	<b>47.98%</b>	
Depreciation	5,699	5,500	-199	11,000	51.81%	Within range.
Amortization	1,667	2,500	833	5,000	33.33%	Amortization on the new APS began when the system went live in March (instead of Jan. as initially expected).
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0.00%	Have not sold any assets to date.
<b>SUBTOTAL</b>	<b>7,366</b>	<b>8,000</b>	<b>634</b>	<b>16,000</b>	<b>46.04%</b>	
<b>TOTAL OPERATING EXPENSE</b>	<b>525,069</b>	<b>547,450</b>	<b>22,381</b>	<b>1,094,900</b>	<b>47.96%</b>	
<b>NET FROM OPERATIONS</b>	<b>-19,717</b>	<b>-47,450</b>	<b>27,733</b>	<b>-94,900</b>		
Non-Operating Pension Costs	0	0	0	0	0.00%	Pension adjustment will not be made until year end.
<b>NET</b>	<b>-19,717</b>	<b>-47,450</b>	<b>27,733</b>	<b>-94,900</b>		
<b>CAPITAL BUDGET</b>						
Software Development in Progress	0	0	0	0	0.00%	No software development expenditures in 2016.
Office Furniture & Equipment	0	0	0	0	0.00%	No furniture & fixture expenditures in 2016.
Computer Equipment	0	0	0	0	0.00%	No computer equipment expenditures in 2016.
Computer Software	25,000	0	-25,000	0	0.00%	Accrual for customization of the new APS, which went live on 3/7/16 (cash was carried over from last year).
Leasehold Improvements	0	0	0	0	0.00%	No leasehold improvement expenditures in 2016.
<b>TOTAL</b>	<b>25,000</b>	<b>0</b>	<b>-25,000</b>	<b>0</b>	<b>0.00%</b>	

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

# *Texas Auto Ins. Plan Assoc.*

## Statement of Financial Position

As Of June 30, 2016

Unaudited

### ASSETS

Current Assets	
Cash and cash equivalents	\$ 579,131
Accounts receivable	35,009
Prepaid expenses	36,102
Total current assets	650,241
Property and Equipment	
Furniture and equipment	38,921
Computer equipment	19,627
Leasehold improvements	50,007
Computer software	34,858
	143,414
Less accumulated depreciation	102,846
	40,568
Total assets	690,809

### LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	14,195
Accrued vacation	38,550
Accrued payroll liabilities	7,331
Deferred revenue	500,050
Total current liabilities	560,125
Other Liabilities	
Accrued pension benefit costs	443,671
Deferred lease benefit	29,216
Total other liabilities	472,887
Net (Deficiency) Assets	
Unrestricted	(342,203)
Total net assets	(342,203)
Total liabilities and net assets	\$ 690,809

# *Texas Auto Ins. Plan Assoc.*

## Statement of Activities

For the period ended June 30, 2016

Unaudited

Changes in unrestricted net assets

	<b>Current YTD</b>
Revenues	
Member assessments	\$ 500,050
Interest income	206
Assessment penalties	5,096
Total revenues	505,352
Expenses	
Salaries and related expenses	348,240
Occupancy expenses	69,518
Professional Services	59,362
Depreciation & amortization	7,366
Postage and delivery	10,315
Office supplies and expense	9,070
Governing committee	8,276
Computer supplies & expenses	3,423
Operation Sub-committee	1,500
Staff education & seminars	3,610
Miscellaneous	2,169
Staff expense	1,265
Dues and subscriptions	953
Total operating expenses	525,069
Other revenues (expenses)	
Total other revenue (expenses)	-
<i>Increase (decrease) in unrestricted net assets</i>	(19,717)
<i>Net assets (deficiency) at beginning of year</i>	(322,487)
<i>Net assets (deficiency) as of June 30, 2016</i>	\$ (342,203)

TAIPA PP Over/Under Report

07/19/2016

RCVR/CO  
Restricted

COMPANY Year-End 2012 Year-End 2013 Year-End 2014 1st QTR 2015 2nd QTR 2015 3rd QTR 2015 4th QTR 2015 1st QTR 2016

COMPANY	Year-End 2012	Year-End 2013	Year-End 2014	1st QTR 2015	2nd QTR 2015	3rd QTR 2015	4th QTR 2015	1st QTR 2016	
PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	
21ST CENTURY CENTENNIAL INS CO (SC)		177,367	248,568	273,200	249,103	230,784	238,190	269,111	270,624
ACE AMERICA	248,681		247,616	246,443	246,245		246,031	245,825	245,603
AFFIRMATIVE INS CO									New to quota 732
ALFA SPECIALTY INS CORP	16			629	671	353	405	422	463
ALLSTATE INS CO		109,444	89,144	85,156	95,996	87,496	89,607	88,079	84,516
AMER MERCURY INS CO		1,232	602	616	1,241	324	1,771	3,131	4,002
ASSURANCEAMERICA INS CO		205		45	48	51	54	56	57
ATX PREMIER INS CO					New to quota	2	9	23	48
COLONIAL LLOYDS		1,277		1,277	1,277	1,277	1,277	1,277	1,277
CRESTBROOK INS CO							New to quota 2	8	23
ESURANCE PROP & CAS INS CO				15	41	80	140	212	300
FALCON INS CO				New to quota 1	1	2	3	4	4
FREESTONE INS CO				171	285	364	421	440	436
GENERAL CAS CO OF WISCONSIN				72	72	72	72	73	74
GOVERNMENT EMPLOYEES INS CO		56,090	85,877	75,542	87,528	77,664	66,742	70,929	76,552

TAIPA PP Over/Under Report

07/19/2016

COMPANY	Year-End 2012		Year-End 2013		Year-End 2014		1st QTR 2015		2nd QTR 2015		3rd QTR 2015		4th QTR 2015		1st QTR 2016	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
PRIVATE PASSENGER																
HALLMARK COUNTY MUT INS CO	445,440		443,961		443,485		443,440		443,417		443,409		443,409		443,399	
HOMEOWNERS OF AMER INS CO		3,644		4,456		4,637		4,639		4,639		4,639		4,639		4,639
HOUSTON GENERAL INS EXCH (withdrawn & sold PP)		3,006		3,006		3,006		3,006		3,006		3,006		3,006		3,006
ICM INS CO		Withdrawn from the market until 2016		0		13		13		13		13		13		13
IMPERIAL FIRE & CAS	1,543		1,461		1,417		1,410		1,405		1,400		1,396		1,392	
INTEGON NATIONAL INS CO																
LINCOLN GENERAL		51,337		51,337		51,337		51,337		51,337		51,337		51,337		51,337
MAIDSTONE INSURANCE COMPANY (prev AUTOONE INS CO)	254,916		328,062		330,062		330,059		330,056		330,053		330,051		330,049	
MILEMETER INS CO		2,125		2,211		2,211		2,211		2,211		2,211		2,211		2,211
PALOMAR SPECIALTY INS CO						16	New to quota			17		18		18		1
PHARMACISTS MUT INS CO											New to quota			1		7
SOMPO JAPAN INS CO (prev Yasuda F&M)	1,976		1,976		1,976		1,976		1,976		1,976		1,976		1,976	
STARR INDEMNITY & LIABILITY CO		678		939		955		955		955		955		955		955



TAIPA PP Over/Under Report

07/19/2016

COMPANY	Year-End 2012		Year-End 2013		Year-End 2014		1st QTR 2015		2nd QTR 2015		3rd QTR 2015		4th QTR 2015		1st QTR 2016	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
PRIVATE PASSENGER																
STATE FARM MUT AUTO INS CO		168,680		196,216		203,426		174,933		187,809		192,337		179,479		213,251
SUSSEX INS CO (prior Companion Pro & Cas Ins Co)		133		240		318		323		324		324		324		324
TEXAS FARM BUREAU CAS INS CO		64,219		68,410		59,922		59,665		78,381		70,771		51,758		62,448
TOKIO MARINE & NICHIDO FIRE INS		5		5		5		5		5		5		5		5
UNIVERSAL NORTH AMERICA						89		89		89		89		89		89
TOTALS	953,457	953,457	1,023,678	1,023,678	1,023,612	1,023,612	1,024,569	1,024,569	1,023,099	1,023,099	1,022,869	1,022,869	1,022,657	1,022,657	1,022,419	1,022,419
PREMIUMS WRITTEN	3,079,634		2,690,098		2,156,742		514,306 1st qtr		438,221 2nd qtr		466,350 3rd qtr		445,698 4th qtr		474,730 1st qtr	

WD/CO Restricted      Storage 2016      WD/CO Restricted

COMPANY	Year End 2012		Year End 2013		Year End 2014		1st Qtr 2015		2nd Qtr 2015		3rd Qtr 2015		4th Qtr 2015		1st QTR 2016	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
OTHER THAN PRIVATE PASSENGER																
ACCIDENT INS CO															New to quota	18
ALASKA NATL		68		76		80		87		91		96		101		107
AMER BANKERS INS CO OF FLORIDA														0	New to quota	93
AMER CONTRACTORS INS RISK RET. GRP		10,584		13,111		16,743		16,743		16,743		16,743		16,743		16,743
AMER MERCURY INS CO	5,499		12,371		15,785		12,024		9,186		6,646		3,914			33
AMER NATL COUNTY MUT INS CO							New to quota	4		7		9		12		39
AMER NATIONAL PROP & CAS CO	323			128		614		769		886		991		1,103		1,218
AMER ROAD INS CO				70		135		154		168		181		195		209
AMERICAN BUILDERS INS CO (prev Association Ins Co)		20		91		183		206		224		240		257		274
BRITISH AMERICAN INS CO		15,193		15,565		15,934		16,030		16,102		16,167		16,237		4,910
CLARENDON NATIONAL INS CO	51,569		51,569		51,569		51,569		51,569		51,569		51,569		51,569	
COLUMBIA MUT INS CO				0		4,627		5,426		6,029		6,569		7,149		7,775
GENERAL STAR NATIONAL INS CO		59		59		59		59		59		59		59		59
GLOBAL LIBERTY INS CO OF NY							New to quota	11		19		26		33		154
GOVERNMENT EMPLOYEES INS CO	17,837		21,366		24,021		22,971		22,178		21,469		20,707		24,565	
GRAMERCY INS CO				9,371		9,371		9,371		9,371		9,371		9,371		9,371
HARLEYSVILLE INS CO															New to quota	45
HISCOX INS CO INC						2		73		126		174		225		386
HOUSING ENTERPRISE INS CO INC		4		13		23		26		29		31		33		35

COMPANY	Year End 2012	Year End 2013	Year End 2014	1st Qtr 2015	2nd Qtr 2015	3rd Qtr 2015	4th Qtr 2015	1st QTR 2016
OTHER THAN PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
INTEGON NATIONAL INS CO						New to quota	1,542,983	1,592,011
LINCOLN GENERAL	73,630	73,631		73,631		73,631		73,631
MAIDSTONE INSURANCE COMPANY (prev AUTOONE INS CO & Penn General)	388,603		414,922	414,915	414,910	414,906	414,901	
MIDCONTINENT CAS CO	763,416		754,383	753,131	752,186	751,333	749,741	
MOTORISTS COMM MUT INS CO (prev Amer Hardware Mut Ins Co)	29,242		28,223	28,102	28,010	27,928	27,840	
NATIONAL BUILDERS INS CO		22		160		183		211
NAVIGATORS INS CO		123		813		1,226		2,229
NORTH AMER SPECIALTY INS CO		12		32		36		49
OKLAHOMA SURETY CO	684,808		684,364	684,306	684,262	684,223	684,181	
PREFERRED PROFESSIONAL INS CO		694		1,119		1,221		1,362
QUALITAS INS CO								New to quota
REP WEST INS CO (REPUBLIC WESTERN INS CO)		22		41		45		50
RIVERPORT INS CO		15		79		81		83
SAMSUNG FIRE & MARINE INS CO						43		25
SENECA INS CO	91			93		174		266
STATE FARM MUT AUTO INS CO		176,180		185,682		166,743		150,128
TEXAS FARM BUREAU CAS INS CO (prev Southern Farm Bur)		37,445		45,183		43,111		45,741
TEXAS HOSPITAL INS EXCH		10,651		11,191		11,369		11,601
TIG INS CO								New to quota
TNUS INS CO				16		27		39

Storage  
2016

COMPANY	Year End 2012	Year End 2013	Year End 2014	1st Qtr 2015	2nd Qtr 2015	3rd Qtr 2015	4th Qtr 2015	1st QTR 2016
<b>OTHER THAN PRIVATE PASSENGER</b>	<b>OVER</b>	<b>UNDR</b>	<b>OVER</b>	<b>UNDR</b>	<b>OVER</b>	<b>UNDR</b>	<b>OVER</b>	<b>UNDR</b>
TRI-STATE INS CO OF MN								New to quota 1
ULLICO CAS CO		686	1,291	1,291	1,291	1,291	1,291	1,291
UNITRIN AUTO & HOME INS CO	32,159	32,159	32,159	32,159	32,159	32,159	32,159	32,159
<b>TOTALS</b>	<b>1,946,328</b>	<b>1,975,071</b>	<b>1,974,489</b>	<b>1,968,240</b>	<b>1,963,523</b>	<b>1,958,074</b>	<b>1,953,534</b>	<b>1,952,418</b>
<b>PREMIUMS CREDITED</b>	<b>1,702,128</b>	<b>1,987,161</b>	<b>1,993,432</b>	<b>609,505 1st qtr</b>	<b>460,009 2nd qtr</b>	<b>411,688 3rd qtr</b>	<b>442,729 4th qtr</b>	<b>505,429 1st qtr</b>

Storage  
2016

**PP 2016 Storage**

		<b>Over</b>	<b>Under</b>
11250	HOUSTON GENERAL INS EXCH		3,006
09753	LINCOLN GENERAL		51,337
05268	SOMPO JAPAN INS CO OF AMER	1,976	
11615	TOKIO MARINE & NICHIDO FIRE INS		5

**OTPP 2016 Storage**

		<b>Over</b>	<b>Under</b>
05842	CLARENDON NATIONAL INS CO	51,569	
09753	LINCOLN GENERAL		73,631
05163	UNITRIN AUTO & HOME INS CO		32,159

**OTPP 2016 Out of Storage**

		<b>Over</b>	<b>Under</b>
07307	GOVERNMENT EMPLOYEES INS CO	5,000	



ADMINISTRATION

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**2017 SCHEDULED GOVERNING COMMITTEE MEETING DATES**

Friday, March 24, 2017  
Austin Marriott South

Friday, August 18, 2017  
Held by teleconference

Friday, November 17, 2017  
Austin Marriott South