

Texas Automobile Insurance Plan Association Governing Committee Meeting
Friday, August 21, 2015 - 9:00 A.M.

Via GoToWebinar Teleconference (contact Nicole Morgan at 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. Reading of the Anti-Trust Statement
4. Recognition of Melanie Hartwell's Service to TAIPA
5. Audit/Finance Committee Report
 - A. Report on 2014 Audit (Exhibit 1)
6. Review and Approval of the Minutes of the March 27, 2015 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. Application System Update
 - E. LAD/CLAD Application from Integon National Ins. Co. (Exhibit 5)
 - F. Plan of Operation Filing: Remove County Mutual Exemption Provision Due to SB 1554 (Exhibit 6)
 - G. Current Staffing
8. Strategic Planning Subcommittee Report
 - A. Enterprise Risk Management
9. Operations Subcommittee Report
 - A. Over/Under Report (Exhibit 7)
10. Rate Task Force Subcommittee
 - A. TAIPA Rates
11. Report of Counsel
 - A. Plan of Operation Filing: Refunds for Cancellations
 - B. Senate Bill 956: Delivery of Insurance Policies (Exhibit 8)
 - C. ISO Billings
12. 2016 Meeting Dates (Exhibit 9)
13. Next Meeting—November 20, 2015 at Austin Marriott South
14. Personnel Matters
15. 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, as 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 2014, and have issued our report thereon dated June 16, 2015. 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 24, 2015, 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 2014. 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 uncorrected financial statement misstatements were identified.

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 June 16, 2015.

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 16, 2015

<h1 style="margin: 0;">TAIPA</h1>

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

James Langford, CPCU, AIM, ARP, ARe
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June 16, 2015

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, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. 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 24, 2015, 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 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 or permanent excess plant capacity.

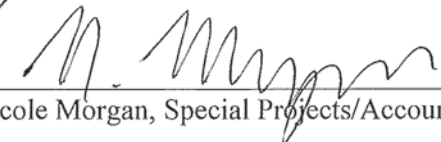
- b. The Organization has no plans or intentions to discontinue operations or to discontinue any significant product lines.
 - c. Provision has been made to reduce all assets that have permanently declined in value to their realizable values.
 - d. We have reviewed long-lived assets and certain identifiable 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, 2014.
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, 2014, and/or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2014.
 - 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



James Langford, Association Manager



Nicole Morgan, Special Projects/Accounting Coordinator

TEXAS AUTOMOBILE INSURANCE
PLAN ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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, 2014 and 2013, 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, 2014 and 2013, 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.

Atolley & Associates, LLP

Austin, Texas
June 16, 2015

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 206,508	\$ 239,218
Accounts receivable	-	2,500
Prepaid expenses	37,812	53,324
Total current assets	244,320	295,042
Property and Equipment		
Furniture and equipment	38,921	38,921
Computer equipment	23,660	25,569
Leasehold improvements	50,008	50,008
Computer software and program development costs	9,858	9,858
System customization in progress	16,250	-
	138,697	124,356
Less accumulated depreciation	(87,476)	(76,472)
	51,221	47,884
Total assets	\$ 295,541	\$ 342,926
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 9,799	\$ 5,569
Accrued vacation	31,984	21,153
Accrued payroll liabilities	6,265	4,625
Other accrued liabilities	20,620	-
Total current liabilities	68,668	31,347
Other Liabilities		
Accrued pension benefit costs	520,304	177,379
Deferred lease benefit	38,783	36,880
Total other liabilities	559,087	214,259
Net Assets (Deficiency)		
Accumulated effect of pension adjustment	(1,209,848)	(617,814)
Unrestricted	877,634	715,134
Total net assets (deficiency)	(332,214)	97,320
Total liabilities and net assets (deficiency)	\$ 295,541	\$ 342,926

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Member assessments	\$ 1,000,500	\$ 1,150,900
Interest income	663	675
Assessment penalties	5,828	5,656
Total revenues	<u>1,006,991</u>	<u>1,157,231</u>
Expenses		
Salaries and related expenses	511,133	535,944
Occupancy expenses	118,017	107,780
Professional services	114,198	155,575
Depreciation and amortization	12,912	14,378
Postage and delivery	18,340	21,453
Office supplies and expense	19,693	19,859
Governing committee	17,114	20,264
Computer supplies and expense	10,755	8,237
Operating committee	1,250	5,011
Staff education and seminars	9,107	10,436
Miscellaneous	6,997	8,537
Staff expense	3,225	2,329
Dues and subscriptions	1,751	1,781
Total expenses	<u>844,492</u>	<u>911,584</u>
Other revenues (expenses)		
Pension minimum liability adjustment	(592,033)	683,242
Total other revenues (expenses)	<u>(592,033)</u>	<u>683,242</u>
Net change in unrestricted net assets	(429,534)	928,889
Net assets (deficiency) at beginning of year	<u>97,320</u>	<u>(831,569)</u>
Net assets (deficiency) at end of year	<u>\$ (332,214)</u>	<u>\$ 97,320</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (429,534)	\$ 928,889
Adjustments to reconcile change in net assets to net cash flows		
Depreciation and amortization	12,912	14,378
Change in operating assets and liabilities -		
Accounts receivable	2,500	(2,400)
Prepaid expenses	15,512	(676)
Accounts payable	4,230	(15,295)
Accrued vacation	10,831	707
Payroll liabilities	1,640	(2,032)
Other accrued liabilities	20,620	-
Accrued pension benefit costs	342,925	(881,508)
Deferred lease benefits	1,903	19,445
	<u>(16,461)</u>	<u>61,508</u>
Net cash flows from operating activities		
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(16,249)</u>	<u>-</u>
Net cash flows from investing activities	<u>(16,249)</u>	<u>-</u>
Net change in cash and cash equivalents	(32,710)	61,508
Cash and cash equivalents - beginning of year	<u>239,218</u>	<u>177,710</u>
Cash and cash equivalents - end of year	<u>\$ 206,508</u>	<u>\$ 239,218</u>

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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 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 2014 and 2013, 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, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013, 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, 2011, 2012 and 2013, 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 \$14,262 and \$10,371 for 2014 and 2013, respectively.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE B - EMPLOYEE BENEFIT PLANS - Continued

Defined Benefit Plan

TAIPA is a member of The Pension Plan for Insurance Organizations (the Plan). The Plan is a multiple-employer defined benefit plan. The trustee of the Plan is the Principal Trust Company, a member of the Principal Financial Group. The Plan'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, 2014, 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, 2014 and 2013.

	<u>2014</u>	<u>2013</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	\$ 19,670	\$ 23,176
Interest cost	167,558	149,550
Expected return on MRVA	(212,436)	(189,615)
Amortization of net actuarial loss (gain)	36,951	105,533
Net periodic benefit cost	<u>\$ 11,743</u>	<u>\$ 88,644</u>

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE B - EMPLOYEE BENEFIT PLANS - Continued

The status of the Plan for the year ended December 31:	2014	2013
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 3,615,056	\$ 4,085,856
Service cost	19,670	23,176
Interest cost	167,558	149,550
Actuarial loss (gain)	713,352	(377,121)
Benefits paid	(256,584)	(266,405)
Benefit obligation at end of year	4,259,052	3,615,056
Change in plan assets		
Fair value of plan assets at beginning of year	3,437,677	3,026,969
Actual return on plan assets	296,804	412,273
Employer contributions	260,851	264,840
Benefits paid	(256,584)	(266,405)
Fair value of plan assets at end of year	3,738,748	3,437,677
 Funded status at end of year	 \$ (520,304)	 \$ (177,379)
 Amounts recognized in the statement of financial position as of December 31:		
Noncurrent liabilities	\$ 520,304	\$ 177,379
 Amounts recognized as changes in unrestricted net assets arising from a defined benefit plan as of December 31:		
Accumulated net loss (gain)	\$ 1,209,848	\$ 617,814

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE B - EMPLOYEE BENEFIT PLANS - Continued

	<u>2014</u>	<u>2013</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)	\$ (36,951)	\$ (105,533)
Other adjustments	-	22,070
New actuarial losses	628,984	(599,779)
	<u>\$ 592,033</u>	<u>\$ (683,242)</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 \$102,156.

The accumulated benefit obligation for the defined benefit pension plan was \$4,190,046 and \$3,562,308 as of December 31, 2014 and 2013, respectively.

Employer contributions expected to be paid during the year ending December 31, 2015, is \$169,093.

Weighted average assumptions used to develop benefit obligations were:

	<u>2014</u>	<u>2013</u>
Discount rate	4.00%	4.75%
Rate of compensation increases	3.00%	3.00%

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

Discount rate	4.75%	3.75%
Expected return on plan assets	6.25%	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, 2014 and 2013, were as follows:

	<u>2014</u>	<u>2013</u>
Equity securities	50.1%	59.9%
Debt securities	48.9%	37.5%
Cash	1.0%	2.6%
	<u>100.0%</u>	<u>100.0%</u>

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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, 2015	\$	255,832
January 1, 2016		253,694
January 1, 2017		251,657
January 1, 2018		248,563
January 1, 2019		245,886
January 1, 2020-2024		1,220,075
Total	\$	2,475,707

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, 2014 and 2013, 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 \$31,984 and \$21,153 has been recorded in the accompanying statements of financial position as of December 31, 2014 and 2013, 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, 2014 are as follows:

Due in Year Ending		
December 31, 2015	\$	69,343
December 31, 2016		71,428
December 31, 2017		75,514
December 31, 2018		18,770
	\$	235,055

Lease expense for operating leases were \$110,756 and \$107,755 for the years ended December 31, 2014 and 2013, respectively.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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 22, 2014. Interest, calculated at the bank's prime rate, is payable monthly. At December 31, 2014, there was no outstanding balance on the line, and there were no borrowings on the line of credit during the years ended December 31, 2014 and 2013. The line of credit matures on September 21, 2015.

SUPPLEMENTAL
INFORMATION



INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTAL INFORMATION

Governing Committee
Texas Automobile Insurance
Plan Association

We have audited the financial statements of the Texas Automobile Insurance Plan Association as of and for the years ended December 31, 2014 and 2013, and have issued our report thereon which contains an unmodified opinion on those financial statements. See page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information 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 16, 2015

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
SUPPLEMENTAL INFORMATION
COMPARISON OF REVENUES AND EXPENSES VERSUS BUDGET
Year Ended December 31, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues			
Member assessments	\$ 1,000,500	\$ 1,000,000	\$ 500
Interest income	663	-	663
Assessment penalties	5,828	-	5,828
Total Revenues	<u>1,006,991</u>	<u>1,000,000</u>	<u>6,991</u>
Expenses			
Salaries	384,730	383,300	(1,430)
Employee benefits & other insurance	126,403	119,600	(6,803)
Rent	100,976	99,100	(1,876)
Telephone/internet access	9,974	9,900	(74)
Property taxes	7,067	2,200	(4,867)
Professional services			
Legal	31,644	50,000	18,356
Audit	22,478	23,000	522
Systems consultants	37,836	38,200	364
Consultants - other	2,453	3,500	1,047
Actuary	19,787	50,600	30,813
Depreciation and amortization	12,912	13,000	88
Postage & shipping	18,340	26,100	7,760
Office equipment & supplies	17,569	19,600	2,031
Printing & stationary	2,124	2,700	576
Governing Committee	17,114	22,500	5,386
Computer supplies	10,755	12,800	2,045
Operation Sub-committee	1,250	2,000	750
Employee meetings, seminars & travel	9,107	13,900	4,793
Other	6,997	9,900	2,903
Staff expense	3,225	3,600	375
Dues, subscriptions & publications	1,751	1,900	149
Producer Review	-	3,500	3,500
Total Operating Expenses	<u>844,492</u>	<u>910,900</u>	<u>66,408</u>
Other expenses			
Pension minimum liability adjustment	<u>(592,033)</u>	<u>(264,900)</u>	<u>(327,133)</u>
	<u>(592,033)</u>	<u>(264,900)</u>	<u>(327,133)</u>
Change in Unrestricted Net Assets	<u>\$ (429,534)</u>	<u>\$ (175,800)</u>	<u>\$ (253,734)</u>

TAIPA Governing Committee Meeting
March 27, 2015

**TAIPA GOVERNING COMMITTEE MEETING MINUTES
MARCH 27, 2015 AT 9:00 AM
AUSTIN MARRIOTT SOUTH**

ATTENDEES:

VOTING MEMBERS:

Mary Carol Awalt, Public Member
Bill Brooks, Texas Farm Bureau Casualty
George Cooper, State Farm
Kevin Curry, Travelers
Pete Hamel, Producer Member
Melanie Hartwell, USAA
Laura Hausman, Public Member
Carmelita Hogan, Public Member
Steve Hylka, Liberty Mutual/Safeco
Becky Jackson, Public Member
Dick Lonquist, Public Member
Kit Morris, Producer Member
Thomas Rolling, Farmers (Chair)
Fred Strauss, Allstate
David Weber, Hochheim Prairie

COUNSEL:

Mike Jones, Thompson, Coe, Cousins & Irons

TAIPA STAFF:

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

OTHERS:

Alisha Darden, Public Member Alternate
Marianne Baker, TDI
Doug Beck, Farmers (Via teleconference)
John Lusardi, Universal Casualty (Via teleconference)
Joe Matetich, OPIC
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.

TAIPA Governing Committee Meeting
March 27, 2015

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.”

ITEM 4: ELECTION OF OFFICERS

The Nominating Committee nominates the current slate of Officers to serve again in 2015:

- Chair: Thomas Rolling
- Vice Chair: Bill Brooks
- Second Vice Chair: Dick Lonquist
- Secretary: George Cooper

It was moved by Fred Strauss and seconded by Kit Morris to:

“Accept the current slate of Officers.”

The motion carried unanimously.

ITEM 5: REVIEW AND APPROVAL OF THE MINUTES OF THE NOV. 21, 2014 MEETING (EXHIBIT 1)

It was moved by Bill Brooks and seconded by Steve Hylka to:

“Accept the meeting minutes.”

The motion carried unanimously.

ITEM 6: MANAGER’S REPORT

A. APPLICATION COUNT UPDATE

a. YEAR END 2014 (EXHIBIT 2)

TAIPA received 3,959 applications in 2014, compared to 5,140 in 2013, which is a decline of about 23%.

b. AS OF FEBRUARY 2015 (EXHIBIT 3)

TAIPA received 364 applications in February 2015, compared to 377 in February 2014, which is a decline of about 3.5%. Year-to-date, TAIPA has received 651 applications in 2015, compared to 726 in 2014, which is a decline of about 10%. Based on current volumes, we

TAIPA Governing Committee Meeting
March 27, 2015

estimate we will receive about 4,000 applications in 2015. Volume has been fairly consistent in recent months, which may indicate that we are approaching the “bottom” of application volumes. TAIPA predominately receives PP apps and about 40% of those are for named non-owner. The OTPP apps received are primarily for taxis and non-emergency ambulances.

B. FINANCIAL UPDATE

a. YEAR END 2014 (EXHIBIT 4)

TAIPA ended 2014 about 28% under-budget, including the year-end adjustments for pension, vacation accrual, and deferred lease payments. Without these adjustments, TAIPA would have ended about 8% under-budget. There are two items that ended over-budget. The first is due to an increase in the pension liability, which is attributed to a lower discount rate and using updated mortality tables. The second is taxes, as TAIPA incurred a \$5,556 proxy tax for lobbying done in 2013 because we did not notify our members of the nondeductible portion of their assessments. We also made an accrual for the portion of the new APS system programming completed in 2014. The \$25,000 we will pay upon completion of the system was accounted for and carried over during assessments.

b. AS OF JANUARY 2015 (EXHIBIT 5)

TAIPA expected to be at 8.33% of the budget used at the end of January and is just under-budget at 8.03%. The items that are currently over-budget were explained. We expect to end the year under-budget.

C. APPLICATION SYSTEM UPDATE

All programming and testing has been completed on the EASi 2.0 system. On May 5th, TAIPA will conduct a period of beta testing with one producer to ensure that the new system works as expected. EASi 2.0 will then go live for all producers on May 19th. TAIPA staff will begin notifying producers of the new system on March 30th. Pete Hamel will also ask IIAT to publish a notice about the new system.

TAIPA has received approval from TDI to amend the Plan of Operation to make EASi mandatory. We have not implemented the new procedure yet, as we want to wait until EASi 2.0 is live. Once live, we will update the Plan of Operation and will begin to notify producers. There will be a transition period in which we will honor the effective date of any non-EASi applications, and will return the application to the producer to submit through EASi. This will not impact the companies, as the producer will still have to send the signed application and down payment to TAIPA, which will then be forwarded to the companies.

Most of the programming of the new APS has been completed. TAIPA staff will be given a demo of the new system on March 31st and will then begin testing. The target launch date for APS is July 1, 2015, as AIPSO has requested that we make the switch at the beginning of a quarter.

D. PLAN OF OPERATION FILINGS: BURGLARY/THEFT FEE, PRODUCER PERFORMANCE STANDARD, “MANDATORY EASi”, REFUNDS FOR CANCELLATIONS

TAIPA Governing Committee Meeting
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TDI recently approved three of TAIPA's pending Plan of Operation amendments:

- An increase in the Burglary/Theft fee from \$1 to \$2. TAIPA has been collecting this in compliance with statute, but was waiting for approval to update the Plan of Operation.
- A new producer performance standard for a producer who knowingly submits an application to TAIPA for an individual who doesn't hold a valid Texas drivers' license.
- "Mandatory EASi", which we have not yet implemented yet, as discussed earlier.

Communication regarding the approved amendments is being sent out.

The filing for cancellation refunds is still pending. It was asked why this hasn't been approved yet. A change to the statute was passed in 2013 that mandates that a company has to return premium due to an insured within 15 business days of the effective date of cancellation. One of the issues with the rule is that it's not possible to meet this standard if you don't receive notification until after the effective date of the cancellation. TDI plans to promulgate a rule to address this, but will not do so until after this year's legislative session ends.

E. 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 Midkiff.

ITEM 7: STRATEGIC PLANNING SUBCOMMITTEE REPORT

A. CURRENT STAFFING

There are no proposed changes to staffing for 2015.

B. 2015 RECOMMENDATIONS

There are no strategic planning recommendations for 2015.

C. ENTERPRISE RISK MANAGEMENT

The Strategic Planning Subcommittee has been tasked with creating a formal Enterprise Risk Management Plan for TAIPA. Although TAIPA currently has safeguards in place for many of the possible risks, the plans are not documented. The Subcommittee's recommendation is to have TAIPA staff begin to document the most critical items first, such as IT, and to bring that work back to the Subcommittee for review. Once the Subcommittee reviews that section, they will present it to the Governing Committee for approval. Staff will continue to document each possible risk in order of importance until the entire ERM plan is finished.

ITEM 8: OPERATIONS SUBCOMMITTEE REPORT

A. OVER/UNDER REPORT (EXHIBIT 6)

Besides companies new to quota, there are no noteworthy items to discuss on the current report.

ITEM 9: AUDIT/FINANCE COMMITTEE REPORT

A. AUDIT ENGAGEMENT LETTER (EXHIBIT 7)

TAIPA's current auditors are Atchley & Associates. Typically we send an audit RFP out every five years, but have elected not to due to Atchley's competitive pricing and their good working relationship with TAIPA staff. The cost of this year's audit is \$17,500, which is the same as last year.

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

“Engage Atchley & Associates as our external auditors, and give approval for Dick Lonquist, James Langford, and Nicole Morgan to sign the engagement agreement.”

The motion carried unanimously.

ITEM 10: RATE TASK FORCE SUBCOMMITTEE REPORT

A. TAIPA RATES

The Rate Task Force has been tasked with overseeing a new ratemaking strategy for TAIPA, as the declining volume makes it difficult to use TAIPA experience for projecting what future rate levels should be, and the actuarial work to make adjustments for trends, loss development, and credibility was expensive. The Rate Task Force recommends a concept called indexing, in which TAIPA would benchmark their rates against the voluntary industry. TAIPA's rates would then move in lockstep with the changes in the industry experience. TAIPA has taken a similar approach with OTPP for several years, using ISO loss costs and developing a factor to produce the TAIPA rate. The recommendation for PP as well as OTPP is to use the voluntary industry experience data available for free from TDI, and to apply a benchmark factor that will replicate our current rates. Our current rates have already been approved by TDI, so we can assume that those rates are adequate. Once developed, the benchmark factor would be applied to a three-year rolling average of industry losses by territory, class, and coverage to determine the TAIPA base rates.

During the development of the benchmark factor, Mike Miller observed we have not changed our territory or class relativities for over ten years. As there has been widespread growth across Texas, we need to update the territory relativities to reflect the current risks. In the past, we based relativities on TAIPA data, but because of the declining volumes, we would use voluntary data instead.

It was asked if using the industry data assumes TAIPA's loss costs are similar to the industry's. Because we no longer have enough TAIPA data to calculate our own loss costs, we will have to use the industry's as a surrogate, and will apply the benchmark factor to account for the difference in a TAIPA rate. Since we are developing the benchmark factor off of our current rates, the ratio will include the difference between TAIPA losses and voluntary losses. As industry losses change in the future, the TAIPA rates will change as well, and the ratio between industry and TAIPA losses will remain the same. Under this new method, our initial filing

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would not have very much of an increase, since we would just be replicating the current rates and making relativity adjustments.

The new approach assumes that the trend and development factors remain as stable as they have been in recent years. There was discussion regarding what would happen if the market was no longer stable. TAIPA could use the new approach as long as the factors are stable, and if there are any future changes in the market that we feel necessitate a different approach, we could decide to make actuarial adjustments.

It was asked if TAIPA would still need an actuary. We would, but costs would be greatly reduced from about \$50,000/year to \$12,000/year. Additionally, we would have additional cost-savings because we would get the data for free from TDI, instead of paying to subscribe to ISO.

On behalf of the Rate Task Force, it was moved by Fred Strauss and seconded by Kevin Curry to:

“Adopt benchmarking methodology and ask the Officer group to work with TDI to explain the process, and to move to develop and make a filing on behalf of the organization for the transition to this new indexing approach.”

It was asked if the Governing Committee will see a formal description of the rate filing. The Officers will be provided with the actual filing prior to their discussion with TDI, and the filing can then be provided to the full board.

The benchmark factor was discussed. Mike Miller calculated a benchmark factor of 4.0 for BI and 3.0-3.5 for PD. Looking at the historical relationship between TAIPA rates and benchmark rates, the factor was in the 3.0-range. A factor of 4.0 may initially seem high, but the industry data we will be using for future rates does not include loss development and other trends, whereas the historical comparison did. Our benchmark would be lower if we were to include loss development and trends, but then we would lose the simplicity of not making any actuarial adjustments. It was emphasized that a benchmark factor of 4.0 does not mean the rate are four times higher.

There was discussion regarding if OPIC would be included in the discussions with TDI. TDI could consult with OPIC if it was their prerogative. Some members expressed a need for public input on the methodology, and it was suggested we give a copy of the filing to OPIC as a courtesy when the filing is made.

It was asked if there would be a rate hearing. Under the new statute, there would not be a hearing unless our rate change is greater than 5%. Since we plan to replicate the current rates, we do not expect a hearing.

There was discussion regarding how uninsured motorists fit into the new methodology. Losses due to an uninsured motorist would be under UM coverage, which is an optional coverage. To calculate the UM rate, we would look at the UM industry loss costs and develop a benchmark factor for that coverage. There will be separate benchmark factors for each coverage.

Fred Strauss amended his motion to:

TAIPA Governing Committee Meeting
March 27, 2015

“Adopt benchmarking methodology and ask the Officer group to work with TDI to explain the process, to develop and make a filing on behalf of the organization for the transition to this new indexing approach, and to provide OPIC with a courtesy copy of the filing once it is made.”

It was seconded by Kevin Curry. The motion carried unanimously.

As mentioned, TAIPA has been using ISO loss costs for OTPP rates. Under the new methodology, TAIPA will get the industry loss information for free from TDI. TAIPA is in the process of meeting with TDI to expand the data request, as the data for the public auto losses isn't separately stated by territory by auto type. Once we get this data, the OTPP rates will be calculated using the new methodology.

ITEM 11: REPORT OF COUNSEL

A. TDI RULE ON SB 1567 (NAMED DRIVER POLICIES)

The Governing Committee was reminded of Senate Bill 1567, which stipulates that before the agent or insurer can accept any premium for a named driver policy, the agent must make a disclosure to the insured both orally and in writing, which states: “WARNING: A NAMED DRIVER POLICY DOES NOT PROVIDE COVERAGE FOR INDIVIDUALS RESIDING IN THE INSURED'S HOUSEHOLD THAT ARE NOT NAMED ON THE POLICY.” When TDI sent out the proposed rule to implement the bill, they included named non-owner policies in addition to named driver policies, which would include TAIPA. TDI had a hearing on the proposed rule and received many comments regarding why non-owner policies should not be included. TDI has promulgated the final version of the rule, and in the notification of the adoption of the rule, it specifically states that it does not apply to named non-owner. As such, TAIPA will not have to make any changes.

B. 2015 LEGISLATION

Four bills have been filed on named driver policies. So far it doesn't look like these will impact TAIPA, but they will be monitored in case this changes.

One bill has been filed to amend Chapter 2151, the chapter TAIPA falls under, but it doesn't look like it will have any real effect. The bill requires that all county mutuals are members of TAIPA, whereas currently they may be exempted if they meet certain requirements. TAIPA has not had any companies file for exemption in several years.

Senate Bill 956 may impact TAIPA. The bill requires insurers to deliver personal auto and residence policies within 30 days of the effective date of the policy. TAIPA's Plan of Operation states insurers must issue the policy 30 days after they receive the application from TAIPA, so it would need to be amended if the bill is passed. TAIPA's process is that producers submit an EASi application electronically, and then mail the signed copy and down-payment to TAIPA. TAIPA processes the application, and then sends it to the company. If there are issues with the application (such as no signatures), TAIPA sends the application back to the producer, who has 20 days to make the correction. This process would also have to change if the bill is passed.

TAIPA Governing Committee Meeting
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This bill may be something companies want to look into, as they are the ones that will have to comply with the timeline.

The deadline for filing bills was March 13th, so there shouldn't be anything else filed.

ITEM 12: NEXT MEETING—AUGUST 21, 2015 (TO BE HELD BY TELECONFERENCE)

The next Governing Committee meeting is August 21, 2015, and will be held by teleconference. Alternatively, you can attend in-person at the TAIPA office.

ITEM 13: PERSONNEL MATTERS

Acting under authority of Government Code 551.074, the Governing Committee commenced a closed meeting at 10:40 AM, following a five-minute break. The open meeting resumed at 11:18 AM.

It was moved by Laura Hausman and seconded by Carmelita Hogan to:

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

The motion carried unanimously.

ITEM 14: ADJOURNMENT

There being no further business to discuss, it was moved by Kevin Curry and seconded by Dick Lonquist to:

“Adjourn the meeting.”

The motion carried unanimously. The meeting adjourned at 11:19 AM.

George Cooper
Signature of Secretary

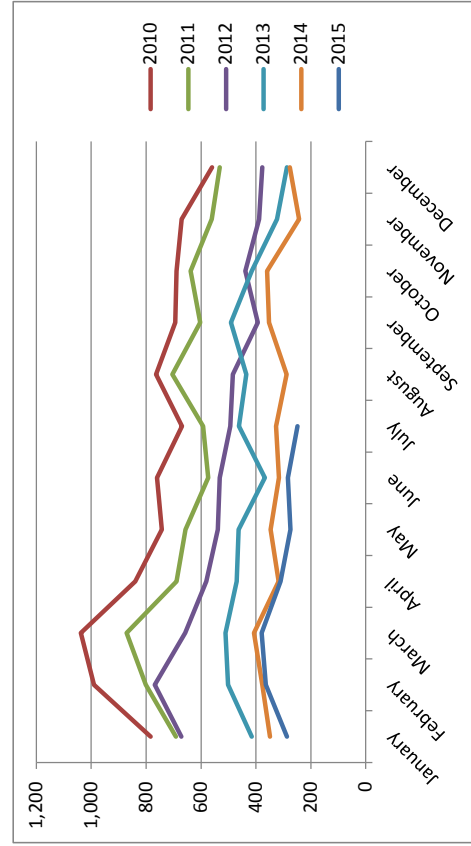
August 4, 2015
Date Signed

GEORGE COOPER
Printed Name of Secretary

Monthly Total (July 2015)		
	Private Passenger	Commercial
EASi Applications	223	21
Paper Applications	4	0
Total Applications Received	227	21
Applications Assigned	205	20
Applications Suspended	22	1
Applications Rejected	0	0
Applications Deficient	23	7
Applications with SR-22s	63	0
	Total Applications Received in July 2014:	327
	Total Applications Received in July 2015:	248
Year to Date Total (as of July 2015)		
	Private Passenger	Commercial
EASi Applications	1851	200
Paper Applications	71	24
Total Applications Received	1922	224
Applications Assigned	1774	212
Applications Suspended	146	12
Applications Rejected	2	0
Applications Deficient	206	42
Applications with SR-22s	518	0
	Total Applications Received YTD (as of July 2014):	2,440
	Total Applications Received YTD (as of July 2015):	2,146
	YTD Percent Change from July 2014 to July 2015:	-12.05%
Application Assignment History*		
1994: 716,036	2001: 53,477	2008: 12,896
1995: 461,059	2002: 66,153	2009: 10,299
1996: 214,744	2003: 74,506	2010: 8,725
1997: 95,461	2004: 47,434	2011: 7,364
1998: 55,041	2005: 31,517	2012: 5,898
1999: 47,108	2006: 23,634	2013: 4,708
2000: 44,945	2007: 16,780	2014: 3,628

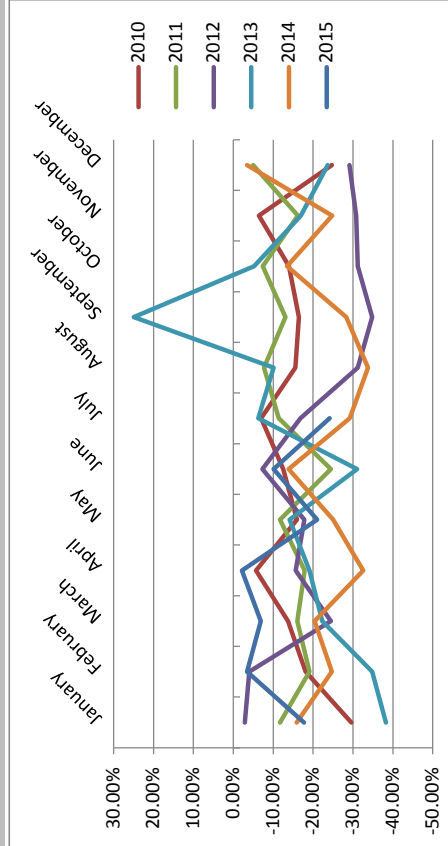
*Application Assignment History based on applications assigned, not received.

Trend of Applications Received from 2010 to 2015



Estimate of Applications to be Received in 2015: 3,409

Percent Change in Applications Received



	2010	2011	2012	2013	2014	2015
January	-29.62%	-11.74%	-2.89%	-38.24%	-15.90%	-17.77%
February	-18.11%	-19.09%	-4.00%	-34.85%	-24.75%	-3.45%
March	-13.72%	-16.09%	-24.46%	-22.34%	-20.35%	-6.88%
April	-5.73%	-17.88%	-15.68%	-19.11%	-32.55%	-2.21%
May	-15.95%	-11.71%	-17.84%	-14.10%	-25.05%	-21.04%
June	-12.54%	-24.47%	-7.32%	-31.02%	-13.90%	-10.13%
July	-6.95%	-11.36%	-16.86%	-6.29%	-29.22%	-24.16%
August	-15.58%	-7.73%	-31.25%	-10.12%	-33.79%	-24.16%
September	-16.49%	-13.11%	-34.83%	24.94%	-28.31%	-24.16%
October	-13.98%	-7.40%	-31.24%	-5.25%	-13.49%	-24.16%
November	-6.42%	-16.24%	-30.78%	-16.97%	-24.77%	-24.16%
December	-24.73%	-5.00%	-29.14%	-23.67%	-3.48%	-24.16%
Total YTD	-15.49%	-13.98%	-20.08%	-18.72%	-22.98%	-12.05%

Texas Auto Ins. Plan Assoc.
ACTUAL VS. BUDGET
 For the period ended June 30, 2015

	Actual	2015 Year To Date Budget	Variance	2015 Annual Budget	% Used	Reason for Variance
REVENUE						
Assessments & Penalties	503,698	500,000	3,698	1,000,000	50.37%	
Other Revenue	326	0	326	0	0.00%	
TOTAL	504,024	500,000	4,024	1,000,000	50.40%	
EXPENDITURES						
Salaries	193,772	199,150	5,378	398,300	48.65%	APL buyback does not occur until year-end, which is why we appear to be under-budget. Will end on budget.
Emp. Benefits & Other Ins. Exp.	162,327	168,200	5,873	336,400	48.25%	Haven't paid restatement fees for 401K to Prudential yet. Will end on budget.
Office Equipment Expense	8,489	8,300	-189	16,600	51.14%	Within range.
Printing & Stationary Exp.	175	450	275	900	19.49%	Have printed some assignment notices, but have not had any envelopes printed yet.
Computer Expenses	3,186	4,950	1,764	9,900	32.18%	Budgeted for new computers for half of staff, but have not purchased them yet.
Postage & Shipping Exp.	10,255	12,000	1,745	24,000	42.73%	Postage expenses expected to be higher during last quarter of year due to not being able to use postcards for assignment notices when we move to the new APS system. Expect to end on budget.
Telephone Expense	6,379	6,650	271	13,300	47.96%	Within range.
Rent Expense	57,470	56,000	-1,470	112,000	51.31%	Within range.
Taxes	162	750	588	1,500	10.82%	Taxes are not due until later in the year.
Other Office Expenses	1,459	4,200	2,741	8,400	17.37%	Have not had to write-off many assessments to date; other events are later in the year.
Governing Committee	8,623	11,450	2,827	22,900	37.66%	Have held one of three meetings to date. Most of the expenses in this category are for the March and Nov. meetings (Aug. is teleconference), so we may end under-budget.
Operation Sub-committee	1,250	1,150	-100	2,300	54.35%	Within range.
Producer Review Panel	0	0	0	0	0.00%	Not expecting any Producer Review Panel meetings in 2015.
Employee Meetings, Seminars & Staff Travel	6,765	5,650	-1,115	11,300	59.87%	Have paid for spring and summer tuition for one employee, as well as a seminar for another employee; expecting this category to end over-budget by about \$2000, as three employees are still planning on taking courses in the second half of the year.
Legal Expenses	18,243	17,500	-743	35,000	52.12%	Within range.

	2015 Actual	2015 Year To Date Budget	Variance	2015 Annual Budget	% Used	Reason for Variance
Audit Expense	20,000	11,900	-8,100	23,800	84.03%	Have been billed for the annual audit already (still have consulting and 990 fees to pay later in year); expect to end on budget.
Dues, Subscriptions & Publications	906	800	-106	1,600	56.64%	Have already paid for some of our annual subscriptions; expect to end on budget.
TAIAPA Tradition, Visitor Meals & Gifts	959	1,750	791	3,500	27.41%	Events are later in the year.
System Consultants	18,898	21,500	2,602	43,000	43.95%	Have not paid APS customization fees to AIPSO yet (will be paid after implementation); expect to end on budget.
Consultants - Other	1,406	1,500	94	3,000	46.87%	Within range.
Actuary	3,130	6,000	2,870	12,000	26.08%	Have only been billed for creation of the rate filing spreadsheets to date.
Other	0	0	0	0	0.00%	No other expenses to date.
SUBTOTAL	523,856	539,850	15,994	1,079,700	48.52%	
Depreciation	6,019	6,050	31	12,100	49.74%	Within range.
Amortization	0	0	0	0	0.00%	No amortization expected in 2015.
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0.00%	Have not sold any assets to date.
SUBTOTAL	6,019	6,050	31	12,100	49.74%	
TOTAL OPERATING EXPENSE	529,875	545,900	16,025	1,091,800	48.53%	
NET FROM OPERATIONS	-25,851	-45,900	20,049	-91,800		
Non-Operating Pension Costs	0	0	0	0	0.00%	Pension adjustment will not be made until year end.
NET	-25,851	-45,900	20,049	-91,800		
CAPITAL BUDGET						
Software Development in Progress	0	0	0	0	0.00%	No software development expenditures in 2015.
Office Furniture & Equipment	0	0	0	0	0.00%	No furniture & fixture expenditures in 2015.
Computer Equipment	0	0	0	0	0.00%	No computer equipment expenditures in 2015.
Computer Software	0	0	0	0	0.00%	No computer software expenditures in 2015.
Leasehold Improvements	0	0	0	0	0.00%	No leasehold improvement expenditures in 2015.
TOTAL	0	0	0	0	0.00%	

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

Texas Auto Ins. Plan Assoc.

Statement of Financial Position

As Of June 30, 2015

Unaudited

ASSETS

Current Assets	
Cash and cash equivalents	\$ 619,977
Accounts receivable	54,699
Prepaid expenses	37,614
Total current assets	712,289
Property and Equipment	
Software development in progress	16,250
Furniture and equipment	38,921
Computer equipment	19,627
Leasehold improvements	50,007
Computer software	9,858
	134,664
Less accumulated depreciation	89,461
	45,203
Total assets	757,493

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	19,695
Accrued vacation	31,985
Accrued payroll liabilities	4,520
Deferred revenue	500,271
Total current liabilities	556,471
Other Liabilities	
Accrued pension benefit costs	520,304
Deferred lease benefit	38,783
Total other liabilities	559,087
Net (Deficiency) Assets	
Unrestricted	(358,065)
Total net assets	(358,065)
Total liabilities and net assets	\$ 757,493

Texas Auto Ins. Plan Assoc.

Statement of Activities
For the period ended June 30, 2015
Unaudited

Changes in unrestricted net assets

	Current YTD
Revenues	
Member assessments	\$ 500,129
Interest income	326
Assessment penalties	3,569
Total revenues	504,024
Expenses	
Salaries and related expenses	356,099
Occupancy expenses	64,011
Professional Services	61,677
Depreciation & amortization	6,019
Postage and delivery	10,255
Office supplies and expense	8,664
Governing committee	8,623
Computer supplies & expenses	3,186
Operation Sub-committee	1,250
Staff education & seminars	6,765
Miscellaneous	1,459
Staff expense	959
Dues and subscriptions	906
Total operating expenses	529,875
Other revenues (expenses)	
Total other revenue (expenses)	-
<i>Increase (decrease) in unrestricted net assets</i>	(25,851)
<i>Net assets (deficiency) at beginning of year</i>	(332,215)
<i>Net assets (deficiency) as of June 30, 2015</i>	\$ (358,065)

Assigned Risk Solutions, Ltd.

999 Stewart Avenue, Suite 200, Bethpage, New York 11714
250 Pehle Avenue, Suite 800, Saddle Brook, New Jersey 07663

July 7, 2015

James Langford, CPCU, AIM, ARP, ARE
Association Manager
Texas Automobile Insurance Plan Association
1120 S. Capital of Texas Hwy
Cityview Bldg. 3, Ste. 105
Austin, TX 78746-6464

Re: Integon National Insurance Company (INIC)

Dear James,

We are moving forward with getting INIC approved as a LAD/CLAD carrier around the country. We have already gotten approved in PA, NJ and WAIP. So attached, is the application for the TAIPA to be a LAD and CLAD servicing carrier.

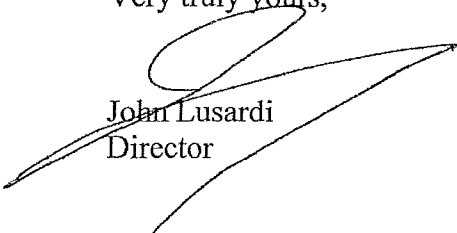
INIC meets all the requirements to be a LAD/CLAD carrier in Texas. As stated in the application, INIC has been approved already in many states as a LAD carrier and in the near future we will be considered by a number of other states. This business will be serviced by ARS which currently services the TAIPA business written by National Liability and Fire Insurance Company (NLF). In addition to the LAD/CLAD application I have attached two other documents. The first is an approval letter from INIC authorizing Jay Schnoor of ARS to represent them in the approval process. Also, attached is a letter from NLF stating their agreement with INIC moving forward in the LAD/CLAD business.

Due to the current TAIPA volume being at or near an all-time low in volume, we would request a cap of 5 million dollars in premium in case the Plan starts to grow.

I would appreciate you getting this on the agenda for the upcoming August 21th Governing Committee meeting. As usual I will be at the meeting by phone to answer any questions, and Jay Schnoor will be available also.

Should you have any questions, feel free to contact me my phone number is 908-209-0003.

Very truly yours,



John Lusardi
Director

Cc: Jay Schnoor, Executive VP

- c. Bethpage, NY 11714
city, state, zip
- d. Julie Johnson, Director of Underwriting
name & position of
individual in charge
- e. 516-393-6303 Jjohnson@arsinsltd.com
telephone number e-mail address

8.B. **Claim Service (Statewide Basis)**
(Complete if other than A)

- a. ARS
(company name)
- b. 999 Stewart Ave.
address
- c. Bethpage, NY 11714
city, state, zip
- d. Michael DiVittorio, VP of Claims and Regional Operations
name & position
individual in charge
- e. 516-393-6343 mdivittorio@arsinsltd.com
telephone number e-mail address

9. **Company Financial Information**
(For the company named in #1)

	<u>Current</u>	<u>Previous</u> <u>Year</u>	<u>Second</u> <u>Previous</u> <u>Year</u>
A. A.M. Best financial rating	<u>A-</u>	<u>A-</u>	<u>A-</u>
B. Size Category (Roman Numeral)	<u>X</u>	<u>X</u>	<u>X</u>
C. Best's Edition date _____			
D. Policyholder Surplus (in dollars)	<u>\$332,405,167 (as of) 12-31-14</u>		

10. **Company Licensing Information**
(For the company named in #1)

- A. Number of years licensed to write private passenger and commercial automobile insurance in Texas: 26
- B. Number of years writing private passenger and commercial automobile insurance in Texas: As per discussion with James Langford, we agreed to assume that Integon started writing approximately 26 years ago.

11. Any other information which may be of value in determining the company's capability as a Servicing Carrier (Attach Complaint and Service Performance records, etc.)

ARS and it's predecessor have been handling AIP business successfully for in excess of 20 years.

12. **Company Contact Person**

Name and Title Jay Schnoor, Executive VP
 Company Address _____

Address 80 Park West Plaza

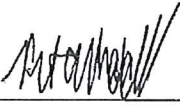
City, State, Zip Saddlebrook, NJ 07663

Telephone Number 201-368-8055 extension 7270

Fax Number 201-368-0594

E-mail Address Jschnoor@arsinsltd.com

The company applying certifies that it has the necessary internal systems, procedures and controls to write Association assignments in compliance with provisions set forth in the Texas Automobile Insurance Pan Association Plan of Operation. The company agrees to adhere to all performance standards set forth in the TAIPA Plan of Operation for the duration of its tenure as a servicing carrier for all business written by it as a LAD/CLAD Carrier. All contracts with excused members will adhere to the "Minimum Contract Requirements" of TAIPA.


 _____ COO and Treasurer
 Name and Title

7/1/15

 Date

The completed application for Appointment as Servicing Carrier should be returned to:

James Langford, CPCU, AIM, ARP, ARE
 Association Manager
 Texas Automobile Insurance Plan Association
 1120 S. Capital of Texas Hwy.
 Cityview Bldg. 3, Ste. 105
 Austin, TX 78746-6464
jlangford@taipa.org
 Telephone No. 512/531-7250
 Fax No. 512/444-7368



May 15, 2015

Subject: Jay Schnoor

To Whom It May Concern:

On behalf of Integon National Insurance Company, please allow this letter to serve as authorization for Jay Schnoor, Executive Vice President of our affiliate Assigned Risk Solutions, Ltd. to take any action on behalf of Integon National Insurance Company in connection with its LAD servicing company application and any related filings and applications.

If you have any questions, please feel free to call me at 212-380-9479.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Weissmann", with a long, sweeping flourish extending to the right.

Jeffrey Weissmann
General Counsel & Secretary

National Liability & Fire Insurance Company

Stamford, Connecticut

June 9, 2015

RE: Open Letter to AIPSO and TAIPA Committees

To Whom It May Concern:

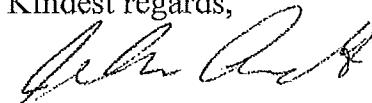
National Liability & Fire Insurance Company (NLF) continues to be happy with the business it has written in conjunction with Assigned Risk Services (ARS) and would continue forward in that relationship if it were in the best interest of both parties.

With our consent, National General Holdings Corp (NGHC) purchased ARS on April 1, 2015. NGHC believes it is in their best interest for ARS to continue forward by using NGHC's subsidiary, Integon National Insurance Company (INIC), as the issuing carrier.

NLF is willing to cooperate with ARS and its new owners in this transition and is in talks with INIC with the goal for NLF to enter into a buyout agreement with INIC in respect of NLF's over and under-assigned quota commencing as early as January 1, 2016. ARS would continue to serve as our agent in respect of the runoff obligations of all AIPSO and TAIPA related buyout and takeout business written by NLF prior to that date.

I would be happy to answer any questions in respect of this transition by phone at 203-363-5219 or email at jarendt@berkre.com.

Kindest regards,



John Arendt
Vice President

AN ACT

relating to the regulation of rates for certain personal automobile insurance.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 2151.001(2), Insurance Code, is amended to read as follows:

(2) "Authorized insurer" means an insurer authorized by the department to write automobile liability coverage under this title. The [~~Except as provided by Section 2251.204, the~~] term includes [~~does not include~~] a county mutual insurance company organized under Chapter 912.

SECTION 2. Sections 2251.003(a) and (b), Insurance Code, are amended to read as follows:

(a) This subchapter and Subchapters B, C, and D[~~and E~~] apply to:

(1) an insurer to which Article 5.13 applies, other than the Texas Windstorm Insurance Association, the FAIR Plan Association, and the Texas Automobile Insurance Plan Association; and

(2) except as provided by Subsection (c), a Lloyd's plan, reciprocal or interinsurance exchange, and county mutual insurance company with respect to the lines of insurance described by Subsection (b).

(b) This subchapter and Subchapters B, C, and D[~~and E~~] apply to all lines of the following kinds of insurance written under an insurance policy or contract issued by an insurer authorized to engage in the business of insurance in this state:

- (1) general liability insurance;
- (2) residential and commercial property insurance, including farm and ranch insurance and farm and ranch owners insurance;
- (3) personal and commercial casualty insurance, except as provided by Section 2251.004;
- (4) medical professional liability insurance;
- (5) fidelity, guaranty, and surety bonds other than criminal court appearance bonds;
- (6) personal umbrella insurance;
- (7) personal liability insurance;
- (8) guaranteed auto protection (GAP) insurance;
- (9) involuntary unemployment insurance;
- (10) financial guaranty insurance;
- (11) inland marine insurance;
- (12) rain insurance;
- (13) hail insurance on farm crops;
- (14) personal and commercial automobile insurance;
- (15) multi-peril insurance; and
- (16) identity theft insurance issued under Chapter

706.

SECTION 3. Section 2251.205, Insurance Code, is transferred to Subchapter C, Chapter 2251, Insurance Code, redesignated as

Section 2251.1025, Insurance Code, and amended to read as follows:

Sec. 2251.1025 [~~2251.205~~]. [~~APPLICATION OF~~] FILING REQUIREMENTS FOR CERTAIN PERSONAL AUTOMOBILE [~~TO OTHER~~] INSURERS WITH LESS THAN 3.5 PERCENT OF MARKET. (a) An insurer is subject to the filing requirements determined by the commissioner by rule under this section [~~Section 2251.204~~] if:

(1) the insurer, along with the insurer's affiliated companies or group, issues personal automobile liability insurance policies only below 101 percent of the minimum limits required by Chapter 601, Transportation Code; and

(2) the insurer, along with the insurer's affiliated companies or group, has a market share of less than 3.5 percent of the personal automobile insurance market in this state.

(b) The commissioner by rule shall determine the information required to be provided in a filing under this section.

SECTION 4. The following provisions of the Insurance Code are repealed:

(1) Sections 2251.201, 2251.202, 2251.203, and 2251.204; and

(2) the heading to Subchapter E, Chapter 2251.

SECTION 5. This Act takes effect September 1, 2015.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1554 passed the Senate on April 30, 2015, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 1554 passed the House on May 19, 2015, by the following vote: Yeas 146, Nays 0, two present not voting.

Chief Clerk of the House

Approved:

Date

Governor

TAIPA Plan of Operation Changes Due to SB 1554

Sec. 9. THREE-YEAR ASSIGNMENT PERIOD

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

~~If the designated insurer is an insurer organized under Chapter 912 Insurance Code and if the insurer claims a calendar year exemption under Section 13(f) Article 5.13-2 Insurance Code during the term of the three year assignment period, the designated insurer shall continue the coverage using the Association rules and rating plans until the end of the three year assignment period.~~

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

Sec. 25. THREE-YEAR ASSIGNMENT PERIOD

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

~~If the designated insurer is an insurer organized under Chapter 912 Insurance Code and if the insurer claims a calendar year exemption under Section 13(f) Article 5.13-2 Insurance Code during the term of the three year assignment period, the designated insurer shall continue the coverage using the Association rules and rating plans until the end of the three year assignment period.~~

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

Sec. 35. ASSOCIATION MEMBERSHIP

The Texas Automobile Insurance Plan Association is created by Chapter 2151 Insurance Code. As a condition of its authority to write motor vehicle liability insurance in this state, each authorized insurer as defined by statute shall be and remain a member of the Association as long as the Association is in existence.

~~If a member is an insurer organized under Chapter 912, Insurance Code and it claims an exemption from membership in the Association under the provisions of Article 5.13-2 Insurance Code §13(f), the member shall submit a claim for exemption annually. The exemption shall be based on the provision of §13(f) and market share data for the prior year ending December 31st. The claim for exemption is to be sent to the Association. Exemptions must be claimed no later than November 1st for exemption in the following calendar year.~~

TAIPA Plan of Operation Changes Due to SB 1554

Sec. 47. GENERAL PROVISIONS

E. Insurers Exempt under Section 35

~~If a member qualifies for a calendar year exemption, the member shall continue to report all Association premiums until the end of the assignment period. These premiums for the year(s) of exemption shall be credited against the members quota.~~

TAIPA PP Over/Under Report

07/16/2015

RWD

COMPANY Year-End 2010 Year-End 2011 Year-End 2012 Year-End 2013 2nd QTR 2014 3rd QTR 2014 4th QTR 2014 1st QTR 2015

PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
21ST CENTURY CENTENNIAL INS CO (SC)	100,816		90,492	177,367	248,568	261,383	251,372	270,909		249,103				
ACE AMERICA		45		248,681		247,088	246,860	246,671	246,443					
ALFA SPECIALTY INS CORP		71		16	689	428	548	629		671				
ALLSTATE INS CO		20,681		109,444	89,144	85,399	74,669	85,459		95,996				
AMER MERCURY INS CO	2,559		5,250	1,232	602	1,918	1,443	627	1,241					
ASSURANCEAMERICA INS CO		40		205	468	34	41	45		48				
AutoOne INS CO (prev Penn General)		61,581	1,239	254,916	328,062	331,118	330,065	330,062	330,059					
COLONIAL LLOYDS		1,101		1,272	1,277	1,277	1,277	1,277		1,277				1,277
COMPANION PROP & CAS INS CO		8		44	240	295	311	319		323				
ESURANCE PROP & CAS INS CO					New to quota	1	5	15		41				
FALCON INS CO									New to quota	1				
FREESTONE INS CO					1	37	92	171		285				
GENERAL CAS CO OF WISCONSIN							New to quota	71		72				
GOVERNMENT EMPLOYEES INS CO		13,521	721	56,090	85,877	68,835	61,369	75,811		87,528				
HALLMARK COUNTY MUT INS CO		180		445,440	443,961	443,635	443,542	443,485	443,440					

TAIPA PP Over/Under Report

07/16/2015

COMPANY	Year-End 2010	Year-End 2011	Year-End 2012	Year-End 2013	2nd QTR 2014	3rd QTR 2014	4th QTR 2014	1st QTR 2015						
PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR						
HOMESOWNERS OF AMER INS CO		198		1,649		4,456		4,604		4,628		4,636		4,639
HOUSTON GENERAL INS EXCH (withdrawn & sold PP)		3,000		3,006		3,006		3,006		3,006		3,006		3,006
ICM INS CO		19		939		0		12		13		13		13
IMPERIAL FIRE & CAS		1,903		316		1,543		1,433		1,423		1,416		1,410
LINCOLN GENERAL		51,328		51,337		51,337		51,337		51,337		51,337		51,337
MILEMETER INS CO		542		1,296		2,211		2,211		2,211		2,211		2,211
NATIONAL LIABILITY & FIRE (SC)		36,708		1,826		244,401		275,288		287,769		261,521		292,061
PALOMAR SPECIALTY INS CO														New to quota
SOMPO JAPAN INS CO (prev Yasuda F&M)		1,976		1,976		1,976		1,976		1,976		1,976		1,976
SOUTHLAND LLOYDS INS CO		274		292		293		293		293		293		293
STARR INDEMNITY & LIABILITY CO		1		147		678		954		955		955		955
STATE FARM MUT AUTO INS CO		18,467		56,449		168,680		197,513		210,665		204,083		174,933
TEXAS FARM BUREAU CAS INS CO		19,163		4,514		64,219		69,923		71,461		60,128		59,665
TOKIO MARINE & NICHIDO FIRE INS				5		5		5		5		5		5
UNIVERSAL NORTH AMERICA (buy-out)		0						83		88		88		89
TOTALS	329,719	329,719	159,154	159,154	159,154	953,457	953,457	1,025,250	1,025,250	1,023,866	1,023,866	1,023,610	1,023,610	1,024,569

TAIPA PP Over/Under Report

07/16/2015

COMPANY	Year-End 2010	Year-End 2011	Year-End 2012	Year-End 2013	2nd QTR 2014	3rd QTR 2014	4th QTR 2014	1st QTR 2015
PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
PREMIUMS WRITTEN	4,237,673	3,381,187	3,079,634	2,690,098	544,629 2nd qtr	516,892 3rd qtr	428,374 4th qtr	514,306 1st qtr

TAIPA OTTP Over/Under Report

07/16/2014

COMPANY	Year End 2010	Year End 2011	Year End 2012	Year End 2013	2nd Qtr 2014	3rd Qtr 2014	4th Qtr 2014	1st Qtr 2015						
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR						
ALASKA NATL		48		54	68	76		78	79			80		87
AMER CONTRACTORS INS RISK RET. GRP		5,329		6,495	10,584	13,111		15,152	15,884			16,735		16,743
AMER MERCURY INS CO		15,326		16,052	5,499	12,371	7,728	17,740	15,803				12,024	
AMER MODERN LLOYD'S		25,931		22,389	22,762	23,166		23,386	23,465			23,557		23,652
AMER NATL COUNTY MUT INS CO														New to quota 4
AMER NATIONAL PROP & CAS CO		755		1,032	323	128		401	499			613		769
AMER ROAD INS CO						70		107	120			135		154
AMER SERVICE INS CO INC.		8		23		26		26	26			26		26
ASSOCIATION INS CO						91		143	162			184		206
AUTOONE INS CO (prev Penn General)		66,176		219,499	388,603	415,745	415,665	415,637	415,603				414,915	
BRITISH AMERICAN INS CO		15,388		14,946		15,565		15,772	15,846			15,933		16,030
CLARENDON NATIONAL INS CO		51,569		51,569	51,569	51,569	51,569	51,569	51,569				51,569	
COLUMBIA INS CO		1,233		1,233	1,233	1,233	1,227	1,224	1,222				1,222	
COLUMBIA MUT INS CO		(buy out)		0		0		1,761	3,885			4,620		5,426
COREPOINTE INS CO (prev Chrysler & Daimlerchrysler)		39,316		39,649	39,160	39,102		39,597	39,774			39,980		40,067
GENERAL STAR NATIONAL INS CO				23		59		59	59			59		59
GLOBAL LIBERTY INS CO OF NY														New to quota 11
GOVERNMENT EMPLOYEES INS CO		9,698		13,838	17,837	21,366	20,045	19,571	19,020				22,971	

TAIPA OTPP Over/Under Report

07/16/2014

COMPANY	Year End 2010	Year End 2011	Year End 2012	Year End 2013	2nd Qtr 2014	3rd Qtr 2014	4th Qtr 2014	1st Qtr 2015
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
GRAMERCY INS CO		11,077	(buy out)	9,371		9,371		9,371
HISCOX INS CO INC						1		2
HOUSING ENTERPRISE INS CO INC				13		19		21
LINCOLN GENERAL		50,217	73,630	73,631	73,631	73,631		73,631
MIDCONTINENT CAS CO	774,568		763,416	758,805	756,320	755,429	754,392	753,131
MOTORISTS COMM MUT INS CO (prev Amer Hardware Mut Ins Co)	30,409		29,242	28,801	28,476	28,359	28,224	28,102
VININGS INS CO				91		130		144
NATIONAL LIABILITY & FIRE INS CO (SC)		597,786	1,492,370	1,513,719	1,505,527	1,512,246	1,507,545	1,518,642
NAVIGATORS INS CO				123		539		811
NORTH AMER SPECIALTY INS CO				24		28		32
OKLAHOMA SURETY CO	685,107		684,808	684,575	684,457	684,414	684,365	684,306
PREFERRED PROFESSIONAL INS CO		263		920		1,032		1,119
REP WEST INS CO (REPUBLIC WESTERN INS CO)		5		32		37		41
RIVERPORT INS CO		4		44		64		79
SAMSUNG FIRE & MARINE INS CO								New to quota
SENECA INS CO		4	91	3		54		93
STATE FARM MUT AUTO INS CO		165,126	176,180	194,206	183,953	187,717		185,564
TEXAS FARM BUREAU CAS INS CO (prev Southern Farm Bur)		31,376	38,165	40,575	39,671	42,401		45,153
								48,221

S.B. No. 956

1 AN ACT
2 relating to the delivery of personal automobile and residential
3 property insurance policies; adding provisions that may be subject
4 to a criminal penalty.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Subtitle B, Title 5, Insurance Code, is amended
7 by adding Chapter 525 to read as follows:

8 CHAPTER 525. DELIVERY OF INSURANCE POLICIES

9 Sec. 525.001. APPLICABILITY OF CHAPTER. This chapter
10 applies to:

11 (1) an insurer, as defined by Section 2301.051,
12 writing personal automobile insurance or residential property
13 insurance, as defined by Section 2301.051, in this state;

14 (2) the Texas Windstorm Insurance Association;

15 (3) the FAIR Plan Association; and

16 (4) the Texas Automobile Insurance Plan Association.

17 Sec. 525.002. DELIVERY OF INSURANCE POLICIES. (a) Except
18 as provided by Subsection (b), an insurer to whom this chapter
19 applies shall deliver a policy issued by the insurer to the
20 policyholder, or to the insurer's agent for delivery to the
21 policyholder:

22 (1) not later than:

23 (A) the 30th day after the effective date of the
24 policy if the policy term is more than 30 days; or

S.B. No. 956

1 (B) the 10th day after the effective date of the
2 policy if the policy term is more than 10 days and less than 31 days;
3 or

4 (2) within the policy period for a policy with a term
5 of 10 days or less.

6 (b) An insurer to whom this chapter applies shall deliver a
7 policy renewed or amended by the insurer to the policyholder, or to
8 the insurer's agent for delivery to the policyholder, not later
9 than the 15th day after the date the insurer or insurer's agent
10 receives a written request from the policyholder that the policy be
11 delivered to the policyholder.

12 Sec. 525.003. RULEMAKING AUTHORITY. The commissioner may
13 adopt rules to implement this chapter.

14 SECTION 2. Chapter 525, Insurance Code, as added by this
15 Act, applies only to an insurance policy that is delivered, issued
16 for delivery, or renewed on or after the effective date of this Act.
17 A policy delivered, issued for delivery, or renewed before the
18 effective date of this Act is governed by the law as it existed
19 immediately before that date, and that law is continued in effect
20 for that purpose.

21 SECTION 3. This Act takes effect September 1, 2015.

S.B. No. 956

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 956 passed the Senate on April 30, 2015, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 956 passed the House on May 19, 2015, by the following vote: Yeas 144, Nays 2, two present not voting.

Chief Clerk of the House

Approved:

Date

Governor

ADMINISTRATION

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2016 SCHEDULED GOVERNING COMMITTEE MEETING DATES

Friday, March 25, 2016
Austin Marriott South

Friday, August 19, 2016
Held by teleconference

Friday, November 18, 2016
Austin Marriott South