TAIPA

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

ADMINISTRATION

CITYVIEW BLDG. 3 • 1120 S. CAPITAL OF TEXAS HWY., STE. 105 • AUSTIN, TX 78746-6464
P.O. BOX 162890 • AUSTIN, TX 78716-2890
TEL. 512/444-4441 • FAX 512/444-7368
http://www.taipa.org

Texas Automobile Insurance Plan Association Governing Committee Meeting
Friday, August 22, 2014 - 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. Reading of the Anti-Trust Statement

3. Recognition of Corise Morrison's Service to TAIPA

4. Recognition of Jason Callahan's Service to TAIPA

5. Audit/Finance Committee Report
   A. Report on 2013 Audit (Exhibit 1)

6. Review and Approval of the Minutes of the March 21, 2014 Meeting (Exhibit 2)

7. Manager's Report
   A. Application Count Update as of July 2014 (Exhibit 3)
   B. Financial Update as of June 2014 (Exhibit 4)
   C. Line of Credit Renewal
   D. Application System Update
   E. IT Consultant Update
   F. Plan of Operation Filings
      a. Recent Filing: "Mandatory EASi"
      b. Pending Filings: Burglary/Theft Fee, Producer Performance Standard, Refunds for Cancellations
   G. Current Staffing

8. Operations Subcommittee Report
   A. Over/Under Report (Exhibit 5)

9. Rate Task Force Subcommittee Report
   A. TAIPA Rates

10. Report of Counsel

11. 2015 Meeting Dates (Exhibit 6)

12. Next Meeting—November 21, 2014 at Omni Austin Hotel Southpark

13. Personnel Matters

14. Adjournment

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

CONTENTS

ATCHLEY & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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, 2013 and 2012, 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.

6850 Austin Center Boulevard, Suite 180 • Austin, Texas 78731-3129
512-346-2086/877-977-6850 • Fax: 512-338-9883 • www.atchleycpas.com

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, 2013 and 2012, 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.

Atchley & Associates, LLP

Austin, Texas
April 28, 2014

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	$ 239,218	$ 177,710
Accounts receivable	2,500	100
Prepaid expenses	53,324	52,648
Total current assets	295,042	230,458
Property and Equipment		
Furniture and equipment	38,921	38,921
Computer equipment	25,569	25,569
Leasehold improvements	50,008	50,008
Computer software and program development costs	9,858	9,858
	124,356	124,356
Less accumulated depreciation	76,472	62,094
	47,884	62,262
Total assets	$ 342,926	$ 292,720
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 5,569	$ 20,864
Accrued vacation	21,153	20,446
Accrued payroll liabilities	4,625	6,657
Total current liabilities	31,347	47,967
Other Liabilities		
Accrued pension benefit costs	177,379	1,058,887
Deferred lease benefit	36,880	17,435
Total other liabilities	214,259	1,076,322
Net Assets (Deficiency)		
Accumulated effect of pension adjustment	(617,814)	(1,301,057)
Unrestricted	715,134	469,488
Total net assets (deficiency)	97,320	(831,569)
Total liabilities and net assets (deficiency)	$ 342,926	$ 292,720

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2013 and 2012

	2013	2012
Changes in unrestricted net assets		
Revenues		
Member assessments	$ 1,150,900	$ 1,437,400
Interest income	675	1,100
Assessment penalties	5,656	3,745
Miscellaneous income	-	56
Total revenues	1,157,231	1,442,301
Expenses		
Salaries and related expenses	535,944	870,360
Occupancy expenses	107,780	186,309
Professional services	155,575	207,502
Depreciation and amortization	14,378	13,896
Postage and delivery	21,453	22,605
Office supplies and expense	19,859	25,771
Governing committee	20,264	20,908
Computer supplies and expense	8,237	9,144
Operating committee	5,011	1,151
Staff education and seminars	10,436	10,093
Miscellaneous	8,537	13,303
Staff expense	2,329	2,831
Dues and subscriptions	1,781	1,914
Total expenses	911,584	1,385,787
Other revenues (expenses)		
Loss from disposals of property and equipment	-	(117,643)
Pension minimum liability adjustment	683,242	87,731
Total other revenues (expenses)	683,242	(29,912)
Net change in unrestricted net assets	928,889	26,602
Net assets (deficiency) at beginning of year	(831,569)	(858,171)
Net assets (deficiency) at end of year	$ 97,320	$ (831,569)

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	2013	2012
OPERATING ACTIVITIES		
Change in net assets	$ 928,889	$ 26,602
Adjustments to reconcile change in net assets to net cash flows		
Depreciation and amortization	14,378	13,896
(Gain) loss on sale of property and equipment	-	117,643
Change in operating assets and liabilities -		
Accounts receivable	(2,400)	50
Prepaid expenses	(676)	9,366
Accounts payable	(15,295)	(2,005)
Accrued vacation	707	(10,986)
Payroll liabilities	(2,032)	(18,716)
Accrued pension benefit costs	(881,508)	(217,850)
Deferred lease benefits	19,445	66
Net cash flows from operating activities	61,508	(81,934)
INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	-	400
Purchases of property and equipment	-	(50,010)
Net cash flows from investing activities	-	(49,610)
Net change in cash and cash equivalents	61,508	(131,544)
Cash and cash equivalents at beginning of year	177,710	309,254
Cash and cash equivalents at end of year	$ 239,218	$ 177,710

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 are presented on the accrual basis of accounting in accordance with United States generally accepted accounting principles.

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, *Income Taxes*. That standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Revenue Recognition

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

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

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

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.

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.

Property and Equipment

TAIPA capitalizes all expenditures in excess of $1,000 for property and equipment at cost. Depreciation and amortization are provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful service lives, generally five to ten years. Leasehold improvements are amortized over the life of the lease or the service life of the improvements, whichever is shorter. The straight-line method of depreciation is followed for substantially all assets.

Financial Statement Presentation

TAIPA's financial statements follow the requirements of Accounting Standard Codification (FASB ASC) 958-205-05, issued by the Financial Accounting Standards Board. Under ASC 958-205-05, 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. In addition, TAIPA is required to present a statement of cash flows. For 2013 and 2012, TAIPA had no temporarily or permanently restricted net assets.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

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 $10,371 and $19,520 for 2013 and 2012, respectively.

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, 2013, 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, 2013 and 2012.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE B - EMPLOYEE BENEFIT PLANS - Continued

	2013	2012
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	$ 23,176	$ 35,029
Interest cost	149,550	164,122
Expected return on MRVA	(189,615)	(171,865)
Amortization of net actuarial loss (gain)	105,533	107,435
Net periodic benefit cost	$ 88,644	$ 134,721

	2013	2012
The status of the Plan for the year ended December 31:		
Change in benefit obligation		
Benefit obligation at beginning of year	$ 4,085,856	$ 3,915,390
Service cost	23,176	35,029
Interest cost	149,550	164,122
Actuarial loss (gain)	(377,121)	200,022
Benefits paid	(266,405)	(228,707)
Benefit obligation at end of year	3,615,056	4,085,856
Change in plan assets		
Fair value of plan assets at beginning of year	3,026,969	2,638,653
Actual return on plan assets	412,273	352,183
Employer contributions	264,840	264,840
Benefits paid	(266,405)	(228,707)
Fair value of plan assets at end of year	3,437,677	3,026,969
Funded status at end of year	$ (177,379)	$ (1,058,887)

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE B - EMPLOYEE BENEFIT PLANS - Continued

	2013	2012
Amounts recognized in the statement of financial position as of December 31:		
Noncurrent liabilities	$ 177,379	$ 1,058,887
Amounts recognized as changes in unrestricted net assets arising from a defined benefit plan as of December 31:		
Accumulated net loss (gain)	$ 617,814	$ 1,301,057
Other changes in plan assets and benefit obligations recognized as changes in unrestricted net assets not yet included in net periodic benefit cost for the year ended December 31:		
Net loss (gain)	$ (105,533)	$ (107,435)
Other adjustments	22,070	-
New actuarial losses	(599,779)	19,704
	$ (683,242)	$ (87,731)

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 $31,631.

The accumulated benefit obligation for the defined benefit pension plan was $3,562,308 and $3,969,420 as of December 31, 2013 and 2012, respectively.

Employer contributions expected to be paid during the year ending December 31, 2014 is $187,881.

Weighted average assumptions used to develop benefit obligations were:

	2013	2012
Discount rate	4.75%	3.75%
Rate of compensation increases	3.00%	3.00%

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

	2013	2012
Discount rate	3.75%	4.50%
Expected return on plan assets	6.25%	6.50%
Rate of compensation increases	3.00%	3.00%

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE B - EMPLOYEE BENEFIT PLANS - Continued

TAIPA's target investment allocation is 60% equity securities and 40% debt securities and its asset diversification as of December 31, 2013 and 2012, were as follows:

	2013	2012
Equity securities	59.9%	51.4%
Debt securities	37.5%	45.4%
Cash	2.6%	3.2%
	100.0%	100.0%

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

Fiscal year beginning	
January 1, 2014	$ 263,898
January 1, 2015	254,331
January 1, 2016	251,506
January 1, 2017	248,616
January 1, 2018	242,012
January 1, 2019-2023	1,170,222
Total	$ 2,430,585

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, 2013 and 2012, 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 $21,153 and $20,446 has been recorded in the accompanying statements of financial position as of December 31, 2013 and 2012, respectively.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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, 2013 are as follows:

Due in Year Ending		
December 31, 2014	$	67,909
December 31, 2015		72,725
December 31, 2016		74,810
December 31, 2017		75,487
December 31, 2018		18,770
Thereafter		-
	$	309,701

Lease expense for operating leases were $107,755 and $175,094 for the years ended December 31, 2013 and 2012, respectively.

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 12, 2013. Interest, calculated at the bank's prime rate, is payable monthly. At December 31, 2013, there was no outstanding balance on the line, and there were no borrowings on the line of credit during the years ended December 31, 2013 and 2012. The line of credit matures on September 11, 2014.

SUPPLEMENTAL INFORMATION

ATCHLEY & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTAL INFORMATION

Governing Committee
Texas Automobile Insurance
Plan Association

Our audit was made for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental comparison of revenues and expenses versus budget is presented for purposes of additional analysis and is not a required part of the basic 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
April 28, 2014

6850 Austin Center Boulevard, Suite 180 • Austin, Texas 78731-3129
512-346-2086/877-977-6850 • Fax: 512-338-9883 • www.atchleycpas.com

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
SUPPLEMENTAL INFORMATION
COMPARISON OF REVENUES AND EXPENSES VERSUS BUDGET
For the Year Ended December 31, 2013

	Actual	Budget	Variance
Revenues			
Member assessments	$ 1,150,900	$ 1,300,300	$ (149,400)
Interest income	675	-	675
Assessment penalties	5,656	-	5,656
Total Revenues	1,157,231	1,300,300	(143,069)
Expenses			
Salaries	372,100	371,700	(400)
Employee benefits & other insurance	163,844	375,600	211,756
Rent	96,848	71,900	(24,948)
Telephone/internet access	9,766	8,100	(1,666)
Property taxes	1,166	2,200	1,034
Professional services			
Legal	48,588	117,500	68,912
Audit	19,954	22,600	2,646
Systems consultants	38,816	104,200	65,384
Consultants - other	19,845	29,400	9,555
Actuary	28,372	55,400	27,028
Depreciation and amortization	14,378	13,700	(678)
Postage & shipping	21,453	26,400	4,947
Office equipment & supplies	18,440	22,200	3,760
Printing & stationary	1,419	2,000	581
Governing Committee	20,264	27,600	7,336
Computer supplies	8,237	10,300	2,063
Operation Sub-committee	5,011	6,000	989
Employee meetings, seminars & travel	10,436	16,000	5,564
Other	8,537	8,500	(37)
Staff expense	2,329	3,600	1,271
Dues, subscriptions & publications	1,781	1,900	119
Producer Review	-	3,500	3,500
Total Operating Expenses	911,584	1,300,300	388,716
Other expenses			
Pension minimum liability adjustment	683,242	-	683,242
	683,242	-	683,242
Change in Unrestricted Net Assets	$ 928,889	$ -	$ 928,889

ATCHLEY & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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

We have audited the financial statements of Texas Automobile Insurance Plan Association (the Association) as of and for the year ended December 31, 2013, and have issued our report thereon dated April 28, 2014. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 16, 2014, 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 the 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 the Association is included in Note A to the financial statements.

There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2013. 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 estimates 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 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 the 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 April 28, 2014.

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 the 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 the 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
April 28, 2014

TAIPA

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

James Langford, CPCU, AIM, ARP, ARe
Association Manager
jlangford@taipa.org

CITYVIEW BLDG. 3 • 1120 S. CAPITAL OF TEXAS HWY., STE. 105 • AUSTIN, TX 78746-6464
P.O. BOX 162890 • AUSTIN, TX 78716-2890
TEL. 512/531-7250 • FAX 512/444-7368
http://www.taipa.org

April 28, 2014

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 Association) which comprise the statements of financial position as of December 31, 2013 and 2012, 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 the financial statements of financial position, results of activities, and cash flows in conformity with accounting principles generally accepted in the United States of America.

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 audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated January 16, 2014, 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.

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 Association'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 Association's ability to record, process, summarize, and report financial data.

18. There have been 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 Association has no significant amounts of idle property and equipment or permanent excess capacity.

b. The Association has no plans or intentions to discontinue operations or to discontinue any significant product or services.

c. Provision has been made to reduce all assets that have permanently declined in value to their realizable values.

d. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.

20. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:

   a. To reduce receivables to their estimated net collectable amounts.

   b. For pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through December 31, 2013.

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, 2013, and/or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2013.

   h. Liabilities that are subordinated to any other actual or possible liabilities of the Association.

   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 Association 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 balance sheet 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

James Langford, Association Manager

N. Morgan

Nicole Morgan, Special Projects/Accounting Coordinator

TAIPA GOVERNING COMMITTEE MEETING MINUTES
MARCH 21, 2014 AT 9:00 AM
OMNI AUSTIN HOTEL SOUTHPARK

ATTENDEES:

MEMBERS:

Mary Carol Awalt, Public Member
Bill Brooks, Texas Farm Bureau Casualty
George Cooper, State Farm (Via telephone)
Kevin Curry, Travelers (Via telephone)
Terry Fain, Public Member
Pete Hamel, Producer Member
Carmelita Hogan, Public Member
Becky Jackson, Public Member
Dick Lonquist, Public Member
Corise Morrison, USAA
Kit Morris, Producer Member
Thomas Rolling, Farmers (Chair)
Fred Strauss, Allstate
David Weber, Hochheim Prairie

COUNSEL:

Michael Jones, Thompson, Coe, Cousins & Irons

TAIPA STAFF:

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

OTHERS:

Marianne Baker, TDI
Doug Beck, Farmers (Via telephone)
Margery Lohmar, MetLife Auto & Home (Via telephone)
John Lusardi, Universal Casualty (Via telephone)
Ramon Montalvo, Producer Member Alternate
David Nardecchia, OPIC
Anne O'Ryan, AAA Texas & Interinsurance Exchange
Mark Worman, TDI

ITEM 1: CALL TO ORDER

Fred Strauss called the meeting to order at 9:02 AM.

Introductions were made.

ITEM 2: 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 3: ELECTION OF OFFICERS

Pete Hamel stated the Nominating Committee nominates the following slate of officers to serve in 2014-2015:

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

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

"Accept the nominations submitted by the Nominating Committee."

It was moved by Corise Morrison and seconded by Kit Morris to:

"Close the nominations."

The motion carried unanimously.

The motion to accept the slate submitted by the Nominating Committee carried unanimously.

ITEM 4: RECOGNITION OF FRED STRAUSS'S SERVICE TO TAIPA

Fred Strauss was thanked for his service as Chair from 2012-2013 and was presented with a plaque of appreciation.

ITEM 5: RECOGNITION OF CAROL BERTHOLD'S SERVICE TO TAIPA

Carol Berthold was thanked for her service as a Governing Committee member from 1992-2013. A plaque of appreciation will be sent to her.

ITEM 6: REVIEW AND APPROVAL OF THE MINUTES OF THE NOV. 8, 2013 MEETING (EXHIBIT 1)

It was moved by Fred Strauss and seconded by Dick Lonquist to:

"Approve the minutes of the November meeting."
The motion carried unanimously.

ITEM 7: MANAGER'S REPORT

A. APPLICATION COUNT UPDATE

a. YEAR END 2013 (EXHIBIT 2)

James Langford stated TAIPA received 5,140 applications in 2013, compared to 6,324 in 2012, which is a decline of about 19%.

b. AS OF FEBRUARY 2014 (EXHIBIT 3)

James Langford stated TAIPA received 377 applications in February 2014, compared to 501 in February 2013. Comparing applications received year-to-date in 2013 versus 2014, there is a decline of about 21%. At this point, TAIPA estimates it will receive 3,670 applications in 2014.

B. FINANCIAL UPDATE

a. YEAR END 2013 (EXHIBIT 4)

James Langford stated TAIPA ended 2013 about 30% under-budget, including the year-end adjustments for pension, vacation accrual, and deferred lease payments. The biggest change to the financials is that the pension liability decreased again this year, so our financials now show a net asset instead of a deficiency. The decrease in the pension liability is mainly due to a change in the discount rate and a better than expected return on assets. TAIPA also chose to fund the pension at a higher amount than required in 2013. The items that were over-budget at year-end were explained.

It was asked if TAIPA will continue to fund the pension at a higher amount than required. TAIPA has budgeted to continue funding at the same amount in 2014, as we are not actually fully funded yet.

b. AS OF JANUARY 2014 (EXHIBIT 5)

James Langford stated TAIPA expected to be at 8.3% of the budget used at the end of January and is slightly under-budget at 7.9%. The items that are over-budget were explained. At this point, we estimate TAIPA will end 2014 about 1% under-budget, although this is very preliminary.

C. APPLICATION SYSTEM UPDATE

James Langford stated AIPSO completed the initial programming of the EASi 2.0 system in October 2013. TAIPA staff did in-depth testing from October to December. TAIPA turned in 165 "tickets", which range from minor issues like rewording questions or making fields mandatory to major issues like correcting rating classification logic. AIPSO reviewed the tickets and broke them down into the following categories:

- 18% cannot be fixed, as they would require changes to the countrywide model
- 36% have already been fixed
- 46% still need to be fixed

AIPSO believes they can have most of the remaining tickets corrected and available for retesting in their May and July deployments. However, some of the remaining tickets may be "bigger than a breadbox" and will require separate review by AIPSO so that they can determine when those tickets will be corrected. At this point, the target launch date is fourth quarter 2014.

Currently, EASi 2.0 is only for Private Passenger. AIPSO has started a Commercial EASi 2.0 Regional Team for those states that are interested in being involved in the creation of the commercial platform. Nicole Morgan is participating on TAIPA's behalf.

TAIPA and AIPSO are finalizing the customizations needed for the APS system, and programming on APS will begin after that. The target launch date is fourth quarter 2014, although this is a preliminary estimate.

One of the reasons TAIPA needed to upgrade their system is that the current APS only works with Microsoft XP, which will no longer be supported after April 2014. Because the new APS will not be ready by then, TAIPA has purchased StorageCraft imaging software so that an image can be taken of every computer. The images will be used in the event a computer needs to be restored after XP is discontinued.

It was asked if TAIPA has any issues with the tickets that AIPSO says cannot be fixed. TAIPA can use manual workarounds for these tickets, so there is nothing that is a "showstopper".

D. CONFLICT OF INTEREST POLICY

James Langford stated 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 8: STRATEGIC PLANNING SUBCOMMITTEE REPORT

A. CURRENT STAFFING

Dick Lonquist stated the subcommittee met in January. James Langford reported to them that TAIPA is adequately staffed, with five full-time employees and a part-time manager.

B. 2014 RECOMMENDATIONS

Dick Lonquist stated major steps were taken to reduce TAIPA's expenses in 2012 and 2013, including a voluntary staff reduction program and moving to a smaller location. Based on James Langford's recommendation, the subcommittee does not recommend any action in 2014. They will continue to meet annually to determine if action should be taken, but it's important to note that there are certain statutory requirements that have to be met regardless of application volume.

C. Enterprise Risk Management

Dick Lonquist stated the subcommittee discussed the need for enterprise risk management, specifically disaster recovery. They recommend that either the Strategic Planning Subcommittee or the Operations Subcommittee review this, making sure that contingencies are in place and key processes are documented. The Governing Committee agreed by consensus to have the Strategic Planning Subcommittee review enterprise risk management, and that they be given the latitude to ask other subcommittees for help if necessary. The Strategic Planning Subcommittee will meet sometime in the second quarter, so that they can make a recommendation at the August Governing Committee meeting.

Item 9: Operations Subcommittee Report

A. Over/Under Report (Exhibit 6)

Bill Brooks stated there are no new noteworthy items to discuss on the current Over/Under Report.

B. Changes Required to Implement "Mandatory EASi"

a. Transition Procedure (Exhibit 7)

Bill Brooks stated TAIPA plans to make electronic submission of applications mandatory, in conjunction with EASi 2.0. Sixty to ninety days prior to implementation, TAIPA will notify producers by posting an announcement on the TAIPA website, sending a newsletter to everyone on the TAIPA email list, and including a flyer with any correspondence sent to producers. Pete Hamel has also agreed to talk to IIAT to see if they will inform their members. After implementation, if a producer were to submit a non-EASi application, it would be returned to the producer to submit through EASi, and the producer would receive a violation. This would not penalize the applicant, though, as TAIPA has a process in place to capture the effective date of the paper application. The producer has twenty days to submit the EASi application. In addition, this process will allow TAIPA to work with the producers to determine why they aren't utilizing the EASi system.

It was asked if TAIPA will keep a record of paper applications that are returned for submission through EASi. TAIPA will keep a copy of the application, as well as the payment. Once TAIPA receives the submitted EASi application, it will be sent to the assigned company along with the check. If the producer does not submit the application through EASi within twenty days, TAIPA will send the copy of the paper application and check to the assigned company.

It was asked if there would be a lapse in coverage for paper applications that are returned for submission through EASi. There would not be, as TAIPA would honor the date the paper application is to be effective, the day after receipt.

b. **CHANGES TO PLAN OF OPERATION (EXHIBIT 8)**

Bill Brooks stated TAIPA will need to make changes to the Plan of Operation and Producer Certification Manual, as part of making EASi mandatory.

It was moved by Bill Brooks and seconded by Fred Strauss to:

> "Adopt the transition process and amendments to the Plan of Operation and Producer Certification Manual, and to authorize James Langford to proceed with TDI approval on the Plan of Operation updates."

The motion carried unanimously.

c. **CHANGES TO PRODUCER CERTIFICATION MANUAL (EXHIBIT 9)**

This item was addressed during 9.B.b.

ITEM 10: AUDIT/FINANCE COMMITTEE REPORT

A. AUDIT ENGAGEMENT LETTER (EXHIBIT 10)

It was moved by Dick Lonquist and seconded by Kit Morris to:

> "Authorize Dick Lonquist, James Langford, and Nicole Morgan to execute the engagement agreement for the 2013 audit."

It was asked if the price increased this year. It did increase, but only about $1,000, which TAIPA felt was reasonable.

The motion carried unanimously.

ITEM 11: REPORT OF COUNSEL

A. TAIPA RATES

Michael Jones stated he and Mike Miller were tasked with developing an alternative ratemaking strategy for Private Passenger, as the TAIPA data is no longer credible due to decreasing volume. Mike Miller's proposal is to use a process similar to Commercial rates, wherein we would use ISO loss costs and would apply a factor to them to account for TAIPA business being riskier. Mike Miller is also looking into if the loss cost could be created without the ISO data. TDI is amenable to discussing the options with TAIPA.

The Governing Committee agreed by consensus to create a task force to provide oversight and guidance to Mike Miller and Michael Jones during the process. It is asked that those with industry expertise or other relevant knowledge volunteer to serve on the task force. Becky Jackson and Fred Strauss voiced their interest. Other interested individuals should inform Thomas Rolling no later than April 30, 2014.

ITEM 12: NEXT MEETING—AUGUST 22, 2014 (TO BE HELD BY TELECONFERENCE)

The next meeting will be held on August 22, 2014 by teleconference. As this will be the Governing Committee's first teleconference, a test meeting will be held sometime in the summer.

ITEM 13: PERSONNEL MATTERS

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

The open meeting resumed at 10:47 AM.

It was moved by Fred Strauss and seconded by Dick Lonquist to:

> "Have the Officers take action consistent with the discussions in the closed meeting."

The motion carried unanimously.

ITEM 14: ADJOURNMENT

There being no further business to discuss, it was moved by Fred Strauss and seconded by Kit Morris to:

> "Adjourn the meeting."

The motion carried unanimously. The meeting adjourned at 10:48 AM.

George Cooper
Signature of Secretary

April 4, 2014
Date Signed

GEORGE COOPER
Printed Name of Secretary

Monthly Total (July 2014)

	Private Passenger	Commercial
EASi Applications	**280**	**19**
Paper Applications	**26**	**2**
Total Applications Received	**306**	**21**
Applications Assigned	*278*	*18*
Applications Suspended	*27*	*3*
Applications Rejected	*1*	*0*
Applications Deficient	*33*	*4*
Applications with SR-22s	*92*	*0*
Total Applications Received in July 2013:		**462**
Total Applications Received in July 2014:		**327**

Year to Date Total (as of July 2014)

	Private Passenger	Commercial
EASi Applications	**2067**	**200**
Paper Applications	**130**	**43**
Total Applications Received	**2197**	**243**
Applications Assigned	*2020*	*219*
Applications Suspended	*174*	*22*
Applications Rejected	*3*	*2*
Applications Deficient	*246*	*36*
Applications with SR-22s	*604*	*0*
Total Applications Received YTD (as of July 2013):		**3,189**
Total Applications Received YTD (as of July 2014):		**2,440**
YTD Percent Change from July 2013 to July 2014:		**-23.49%**

Application Assignment History*

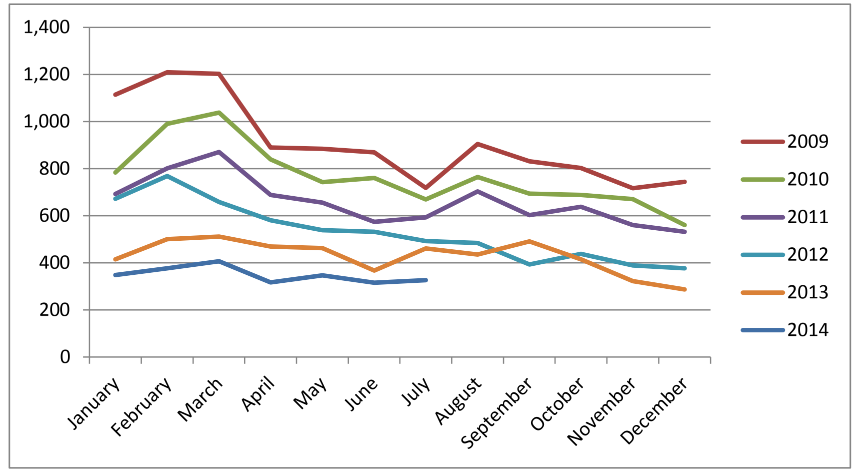
1993: 723,165	**2000:** 44,945	**2007:** 16,780
1994: 716,036	**2001:** 53,477	**2008:** 12,896
1995: 461,059	**2002:** 66,153	**2009:** 10,299
1996: 214,744	**2003:** 74,506	**2010:** 8,725
1997: 95,461	**2004:** 47,434	**2011:** 7,364
1998: 55,041	**2005:** 31,517	**2012:** 5,898
1999: 47,108	**2006:** 23,634	**2013:** 4,708

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

Trend of Applications Received from 2009 to 2014

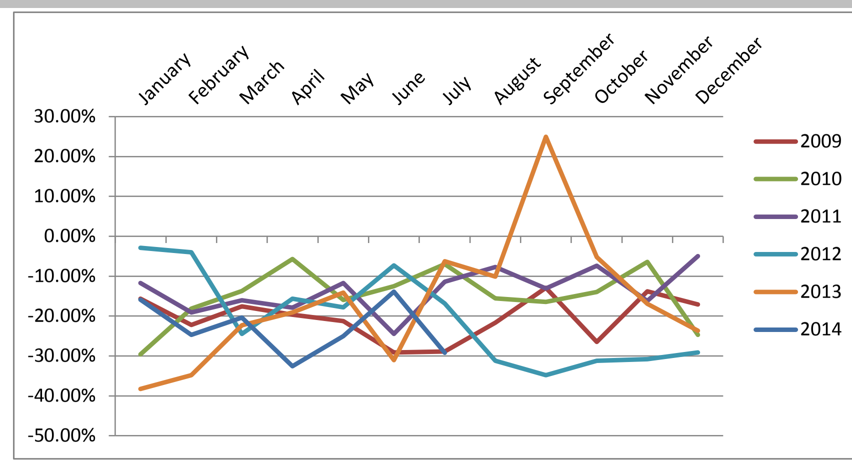
	2009	2010	2011	2012	2013	2014
January	1,114	784	692	672	415	349
February	1,209	990	801	769	501	377
March	1,203	1,038	871	658	511	407
April	890	839	689	581	470	317
May	884	743	656	539	463	347
June	869	760	574	532	367	316
July	719	669	593	493	462	327
August	905	764	704	484	435	
September	831	694	603	393	491	
October	802	689	638	438	415	
November	717	671	561	389	323	
December	744	560	532	377	287	
Total	10,887	9,200	7,914	6,325	5,140	2,440

Estimate of Applications to be Received in 2014: 3,839



Percent Change in Applications Received

	2009	2010	2011	2012	2013	2014
January	-15.67%	-29.62%	-11.74%	-2.89%	-38.24%	-15.90%
February	-22.20%	-18.11%	-19.09%	-4.00%	-34.85%	-24.75%
March	-17.55%	-13.72%	-16.09%	-24.46%	-22.34%	-20.35%
April	-19.68%	-5.73%	-17.88%	-15.68%	-19.11%	-32.55%
May	-21.28%	-15.95%	-11.71%	-17.84%	-14.10%	-25.05%
June	-29.12%	-12.54%	-24.47%	-7.32%	-31.02%	-13.90%
July	-28.88%	-6.95%	-11.36%	-16.86%	-6.29%	-29.22%
August	-21.65%	-15.58%	-7.73%	-31.25%	-10.12%	
September	-12.89%	-16.49%	-13.11%	-34.83%	24.94%	
October	-26.49%	-13.98%	-7.40%	-31.24%	-5.25%	
November	-13.82%	-6.42%	-16.24%	-30.78%	-16.97%	
December	-17.06%	-24.73%	-5.00%	-29.14%	-23.67%	
Total YTD	-20.72%	-15.49%	-13.98%	-20.08%	-18.72%	-23.49%



Texas Auto Ins. Plan Assoc.

ACTUAL VS. BUDGET

For the period ended June 30, 2014

	Actual	2014 Year To Date Budget	Variance	2014 Annual Budget	% Used	Reason for Variance
REVENUE						
Assessments & Penalties	505,957	500,000	5,957	1,000,000	50.60%	
Other Revenue	406	0	406	0	0.00%	
TOTAL	506,363	500,000	6,363	1,000,000	50.64%	
EXPENDITURES						
Salaries	187,404	191,650	4,246	383,300	48.89%	Within range.
Emp. Benefits & Other Ins. Exp.	182,508	192,250	9,742	384,500	47.47%	Insurance costs did not increase as much as expected at renewal in May; expect to end under budget.
Office Equipment Expense	9,313	9,800	487	19,600	47.51%	Within range.
Printing & Stationary Exp.	634	1,350	716	2,700	23.49%	Have not purchased all envelopes and assignment notices yet; expect to end on budget.
Computer Expenses	6,812	6,400	-412	12,800	53.22%	Within range.
Postage & Shipping Exp.	10,407	13,050	2,643	26,100	39.88%	Haven't mailed out as much as expected due to decrease in applications; expect to end under budget.
Telephone Expense	4,883	4,950	67	9,900	49.33%	Within range.
Rent Expense	47,713	49,550	1,837	99,100	48.15%	Within range.
Taxes	5,757	1,100	-4,657	2,200	261.69%	Had to pay proxy tax of $5,556 due to not notifying members about the nondeductible portion of their assessments due to 2013 lobbying expenses.
Other Office Expenses	1,723	4,950	3,227	9,900	17.40%	Did not have to write-off many assessments as expected; will end under budget.
Governing Committee	8,293	11,250	2,957	22,500	36.86%	Held one of three scheduled meetings; expect to end under budget due to expenses of first meeting being less than expected.
Operation Sub-committee	1,000	1,000	0	2,000	50.00%	Within range.
Producer Review Panel	0	1,750	1,750	3,500	0.00%	No Producer Review Panel meetings held yet.
Employee Meetings, Seminars & Staff Travel	5,544	6,950	1,406	13,900	39.89%	Employees plan to take more classes after the summer; expect to end on or under budget.
Legal Expenses	15,399	24,650	9,251	49,300	31.23%	Did not have any legal work in January; Governing Commmittee and Ops Sub work required fewer hours than budgeted; haven't had a Review Panel meeting yet.
Audit Expense	20,310	11,500	-8,809	23,000	88.30%	Have already been billed for annual audit; expect to end on or slightly over-budget due to cost of audit per engagement letter being $1,000 more than budgeted.

	Actual	2014 Year To Date Budget	Variance	2014 Annual Budget	% Used	Reason for Variance
Dues, Subscriptions & Publications	748	950	202	1,900	39.39%	Several subscription renewals are not until later in the year; cost of some renewals was less than expected; will end under budget.
TAIPA Tradition, Visitor Meals & Gifts	1,716	1,800	84	3,600	47.66%	Within range.
System Consultants	15,704	19,100	3,396	38,200	41.11%	Have not paid customization fees for new APS yet (will be paid upon completion, which is now expected to be in 2015); expect to end on or under budget.
Consultants - Other	1,453	1,750	297	3,500	41.51%	Have not had to use accounting system consultant yet; expect to end under budget.
Actuary	12,660	25,300	12,640	50,600	25.02%	Have not started a rate filing this year, thus no expenses from Epic yet.
Other	0	0	0	0	0.00%	No other expenses to date.
SUBTOTAL	**539,980**	**581,050**	**41,070**	**1,162,100**	**46.47%**	
Depreciation	6,456	6,500	44	13,000	49.66%	Within range.
Amortization	0	0	0	0	0.00%	No amortization expected this year.
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0.00%	Have not sold any assets in 2014.
SUBTOTAL	**6,456**	**6,500**	**44**	**13,000**	**49.66%**	
TOTAL OPERATING EXPENSE	**546,436**	**587,550**	**41,114**	**1,175,100**	**46.50%**	
NET FROM OPERATIONS	**-40,073**	**-87,550**	**47,478**	**-175,100**		
Non-Operating Pension Costs	0	0	0	0	0.00%	Pension adjustment will not be made until year end.
NET	**-40,073**	**-87,550**	**47,478**	**-175,100**		
CAPITAL BUDGET						
Software Development in Progress	0	0	0	0	0.00%	No software development in progress.
Office Furniture & Equipment	0	0	0	0	0.00%	No furniture & fixture expenditures in 2014.
Computer Equipment	0	0	0	0	0.00%	No computer equipment expenditures in 2014.
Computer Software	0	0	0	0	0.00%	No computer software expenditures in 2014.
Leasehold Improvements	0	0	0	0	0.00%	No leasehold improvement expenditures in 2014.
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, 2014

Unaudited

ASSETS	
Current Assets	
Cash and cash equivalents	$ 659,330
Accounts receivable	72,250
Prepaid expenses	43,158
Total current assets	774,738
Property and Equipment	
Furniture and equipment	38,921
Computer equipment	23,660
Leasehold improvements	50,007
Computer software	9,858
	122,447
Less accumulated depreciation	81,019
	41,428
Total assets	816,166
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	6,388
Accrued vacation	21,153
Accrued payroll liabilities	16,947
Deferred revenue	500,171
Total current liabilities	544,660
Other Liabilities	
Accrued pension benefit costs	177,379
Deferred lease benefit	36,880
Total other liabilities	214,259
Net (Deficiency) Assets	
Unrestricted	57,247
Total net assets	57,247
Total liabilities and net assets	$ 816,166

Texas Auto Ins. Plan Assoc.

Statement of Activities

For the period ended June 30, 2014

Unaudited

Changes in unrestricted net assets

	Current YTD
Member assessments	$ 500,129
Interest income	406
Assessment penalties	5,828
Total revenues	506,363
Expenses	
Salaries and related expenses	369,911
Occupancy expenses	58,353
Professional Services	65,525
Depreciation & amortization	6,456
Postage and delivery	10,407
Office supplies and expense	9,947
Governing committee	8,293
Computer supplies & expenses	6,812
Operation Sub-committee	1,000
Staff education & seminars	5,544
Miscellaneous	1,723
Staff expense	1,716
Dues and subscriptions	748
Total operating expenses	546,436
Other revenues (expenses)	
Total other revenue expenses	-
Increase (decrease) in unrestricted net assets	(40,073)
Net assets (deficiency) at beginning of year	97,320
Net assets (deficiency) as of June 30, 2014	$ 57,247

TAIPA PP Over/Under Report

07/15/2014

COMPANY	Year-End 2008		Year-End 2009		Year-End 2010		Year-End 2011		Year-End 2012		1st QTR 2013		2nd QTR 2013		3rdQTR 2013		4th QTR 2013		1st QTR 2014		
PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	
21ST CENTURY CENTENNIAL INS CO (SC)	434,421		374,290		100,816		90,492			177,367		67,198		212,034		256,646		259,792		252,406	
ACE AMERICA				0		45		404	248,681			1,538	248,102		247,859		247,634		247,365		
ALFA SPECIALTY INS CORP				2		71		333	16			82		426		143		674		487	
ALLSTATE INS CO		17,398		62,945		20,681		25,531		109,444		4,594		67,032		75,836		85,837		88,152	
AMER MERCURY INS CO	7,188			2,471	2,559		5,250			1,232		197		2,378		626	832		742		
ASSURANCEAMERICA INS CO						40		68		205		277		386		435	652		1,100		
ATLANTIC SPECIALTY INS CO																			New to quota	3,655	
AutoOne INS CO (prev Penn General)		253,008		220,909		61,581	1,239		254,916		298,722		320,378		322,390		328,064		333,067		
COLONIAL LLOYDS		3		346		1,101		1,272		1,277		1,276		1,277		1,277		1,277		1,277	R/WD
COMPANION PROP & CAS INS CO				0		8		44		133		145		188		213		239		269	
FREESTONE INS CO																	New to quota	1		9	
GOVERNMENT EMPLOYEES INS CO		67,506		38,449		13,521	721			56,090		11,945		59,439		74,498		82,172		63,444	
HALLMARK COUNTY MUT INS CO						180		6,967	445,440		New to quota	567	444,485		444,199		443,987		443,797		
HOMEOWNERS OF AMER INS CO				0		198		1,649		3,644		3,596		4,173		4,329		4,442		4,536	R/WD
HOUSTON GENERAL INS EXCH (withdrawn & sold PP)		803		2,415		3,000		3,006		3,006				3,006		3,006		3,006		3,006	R/WD
IMPERIAL FIRE & CAS		1,357		1,586		1,903	316		1,543		1,546		1,491		1,475		1,462		1,447		

TAIPA PP Over/Under Report

07/15/2014

COMPANY	Year-End 2008		Year-End 2009		Year-End 2010		Year-End 2011		Year-End 2012		1st QTR 2013		2nd QTR 2013		3rdQTR 2013		4th QTR 2013		1st QTR 2014		
PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	
KNIGHTBROOK INS CO															New to quota	2		12		46	
LINCOLN GENERAL		85,908		101,427		51,328		51,337		51,337		51,337		51,337		51,337		51,337		51,337	
MILEMETER INS CO				36		542		1,296		2,125		2,044		2,210		2,210		2,210		2,210	R/WD
NATIONAL LIABILITY & FIRE (SC)				0		36,708	1,826			244,401		46,841		240,910		227,481		228,649		265,528	
PACIFIC SPECIALTY INS CO																	New to quota	43		142	
QBE INS CORP				4		29		40		44		48		54		58		62		66	
SOMPO JAPAN INS CO (prev Yasuda F&M)	2,016		1,977		1,976		1,976		1,976		1,976		1,976		1,976		1,976		1,976		
SOUTHLAND LLOYDS INS CO		175		235		274		292		293		293		293		293		293		293	R/WD
STARR INDEMNITY & LIABILITY CO						1		147		678		697		871		914		935		946	R/WD
STATE FARM MUT AUTO INS CO		188,467		128,622		18,467	56,449			168,680		24,806		208,398		202,903		189,398		192,255	
TEXAS FARM BUREAU CAS INS CO		24,805		36,261		19,163		4,514		64,219		26,065		75,569		66,710		65,246		50,447	
TOKIO MARINE & NICHIDO FIRE INS								5		5		5		5		5		5		5	R/WD
UNIVERSAL NORTH AMERICA		8		725	(buy-out)	0														60	
TOTALS	832,103	832,103	768,553	768,553	329,719	329,719	159,154	159,154	953,457	953,457	303,129	303,129	1,017,317	1,017,317	1,018,784	1,018,784	1,025,492	1,025,492	1,030,379	1,030,379	

PREMIUMS WRITTEN	5,856,958	4,906,293	4,237,673	3,381,187	3,079,634	878,401 1st qtr	687,263 2nd qtr	591,417 3rd qtr	531,835 4th qtr	626,457 1st qtr

COMPANY	Yearend 2008		Yearend 2009		Yearend 2010		Yearend 2011		Yearend 2012		2nd Qrt 2013		3rd Qrt 2013		4th Qrt 2013		1st Qtr 2014	
OTHER THAN PP	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
ALASKA NATL		27		36		48		54		68		73		75		76		77
AMER CONTRACTORS INS RISK RET. GRP						5,329		6,495		10,584		12,056		12,721		13,097		14,162
AMER MERCURY INS CO		32,511		21,941		15,326		16,052	5,499		3,535		13,806		12,398		9,979	
AMER MODERN HOME INS CO		33,382		85		85		85		100		291		377		425		745
AMER MODERN LLOYD'S	232			29,515		25,931		22,389		22,762		22,997		23,103		23,163		23,279
AMER NATIONAL PROP & CAS CO		128		437		755		1,032	323		60			58		125		269
AMER ROAD INS CO												41		59		69		89
AMERICAN SAFETY CAS INS CO		806		806		806		806		1,945		2,655		2,976		3,158		3,572
AMER SERVICE INS CO INC.						8		23		25		26		26		26		26
ASSOCIATION INS CO										20		62		80		91		118
AUTOONE INS CO (prev Penn General)		585,212		379,647		66,176	219,499		388,603		405,136		441,473		416,280		416,278	
BRITISH AMERICAN INS CO		15,833		15,503		15,388		14,946		15,193		15,410		15,507		15,563		15,672
CLARENDON NATIONAL INS CO	52,443		51,574		51,569		51,569		51,569		51,569		51,569		51,569		51,569	
COLUMBIA INS CO	1,237		1,235		1,233		1,233		1,233		1,233		1,233		1,233		1,230	
COLUMBIA MUT INS CO			(buy out)	0	(buy out)	0	(buy out)	0									New to quota	907
COREPOINTE INS CO (prev Chrysler & Daimlerchrysler)		44,898		40,297		39,316		39,649		39,160		39,257		39,039		39,101		39,357
GENERAL STAR NATIONAL INS CO								23		59		59		59		59		59
GOVERNMENT EMPLOYEES INS CO	86		5,081		9,698		13,838		17,837		16,975		16,587		16,366		20,685	
GREAT MIDWEST INS CO						548		857		2,244		3,460		4,009		4,320		3,333

REST

COMPANY	Yearend 2008		Yearend 2009		Yearend 2010		Yearend 2011		Yearend 2012		2nd Qrt 2013		3rd Qrt 2013		4th Qrt 2013		1st Qtr 2014		
OTHER THAN PP	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	
HISCOX INS CO INC																	New to quota	1	
HOUSING ENTERPRISE INS CO INC										4		9		12		13		16	
HOUSTON SPECIALTY INS CO																	New to quota	1	
LINCOLN GENERAL		265,294		269,471		50,217		73,630		73,630		73,631		73,631		73,631		73,631	R/WD
MERIDIAN SECURITY INS CO																	New to quota	57	
MIDCONTINENT CAS CO	797,232		784,074		774,568		767,927		763,416		760,729		759,517		758,830		757,524		
MOTORISTS COMM MUT INS CO (prev Amer Hardware Mut Ins Co)	32,651		31,488		30,409		29,856		29,242		28,985		28,869		28,804		28,634		
NATIONAL GENERAL INS CO																	New to quota	927	
NATIONAL LIABILITY & FIRE INS CO (SC)						597,786		1,258,536		1,492,370		1,490,910		1,552,243		1,516,902		1,509,106	
NAVIGATORS INS CO								20		123		162		179		189		369	
NORTH AMER SPECIALTY INS CO										12		19		22		24		26	
OKLAHOMA SURETY CO	685,720		685,290		685,107		684,987		684,808		684,672		684,611		684,576		684,514		
PENN MANUFACTURERS ASSN INS CO		0		0	(buy out)	0			1,024		781		671		609		472		R/OV
PREFERRED PROFESSIONAL INS CO						263		514		694		826		886		919		979	
REP WEST INS CO (REPUBLIC WESTERN INS CO)				0		5		13		22		28		30		32		35	
RIVERPORT INS CO						4		6		15		32		39		44		54	
SAFETY NATL CAS CORP										81		394		536		616		802	
SENECA INS CO		1		1		4		53	91		36		11			4		30	R/OV
STATE FARM MUT AUTO INS CO		255,742		207,368		165,126		162,606		176,180		190,197		186,256		193,903		189,015	

TAIPA OTPP Over/Under Report

07/15/2014

COMPANY	Yearend 2008		Yearend 2009		Yearend 2010		Yearend 2011		Yearend 2012		2nd Qrt 2013		3rd Qrt 2013		4th Qrt 2013		1st Qtr 2014	
OTHER THAN PP	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
TEXAS FARM BUREAU CAS INS CO (prev Southern Farm Bur)		52,975		42,968		31,376		38,165		37,445		39,424		40,557		40,499		39,125
TEXAS HOSPITAL INS EXCH		9,509		9,849		10,153		10,430		10,651		10,793		10,857		10,894		10,981
TNUS INS CO																	New to quota	5
TORUS NATIONAL INS CO											New to quota	233		338		398		586
TRIUMPHE CAS CO																	New to quota	40
ULLICO CAS CO												436		0		0		861
UNITRIN AUTO & HOME INS CO		2,909		31,357		32,159		32,159		32,159		32,159		32,159		32,159		32,159
VININGS INS CO										22		62		81		91		111
TOTALS	1,861,351	1,861,351	1,576,537	1,576,537	1,563,609	1,563,609	1,768,909	1,768,909	1,946,328	1,946,328	1,954,305	1,954,305	1,998,347	1,998,347	1,970,665	1,970,665	1,970,885	1,970,885

PREMIUMS CREDITED	3,182,043	3,040,994	2,391,554	1,696,221	1,702,128	441,039 2nd qtr	524,904 3rd qtr	297,287 4th qtr	578,307 1st qtr

TAIPA

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

ADMINISTRATION

CITYVIEW BLDG. 3 • 1120 S. CAPITAL OF TEXAS HWY., STE. 105 • AUSTIN, TX 78746-6464
P.O. BOX 162890 • AUSTIN, TX 78716-2890
TEL. 512/444-4441 • FAX 512/444-7368
http://www.taipa.org

2015 SCHEDULED GOVERNING COMMITTEE MEETING DATES

Friday, March 27, 2015
Austin Marriott South

Friday, August 21, 2015
Held by teleconference

Friday, November 20, 2015
Austin Marriott South