

**Texas Automobile Insurance Plan Association Governing Committee Meeting**  
**Friday, March 23, 2018 - 9:00 A.M.**  
**Omni Austin Hotel Southpark, 4140 Governor's Row, Austin, TX 78744**  
**Dress: Business Casual**

1. Call to Order
2. Introductions
3. Reading of the Anti-Trust Statement
4. Recognition of Dick Lonquist's and Jim Rowland's Service to TAIPA
5. Election of Officers
6. Review and Approval of the Minutes of the November 17, 2017 Meeting (Exhibit 1)
7. Manager's Report
  - A. Application Count Update
    - a. As of Yearend 2017 (Exhibit 2)
    - b. As of February 2018 (Exhibit 3)
  - B. Financial Update for Yearend 2017 (Exhibit 4)
  - C. Update on TAIPA Office & Staffing
  - D. Conflict of Interest Policy
8. Audit/Finance Committee Report
  - A. Audit Engagement Letter (Exhibit 5)
9. Operations Subcommittee Report
  - A. Over/Under Report (Exhibit 6)
  - B. Plan of Operation Filing: Refunds (Exhibit 7)
  - C. Duplicate Surcharges on TAIPA Policies
  - D. Quota Procedures Related to Insurers Discontinuing Writing
10. Report of Counsel
  - A. TAIPA Rates
11. Next Meeting—August 17, 2018 at Omni Austin Hotel Southpark
12. Personnel Matters
13. Adjournment

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

TAIPA Governing Committee Meeting  
November 17, 2017

**TAIPA GOVERNING COMMITTEE MEETING MINUTES  
NOVEMBER 17, 2017 AT 9:00 AM  
OMNI AUSTIN HOTEL SOUTHPARK**

**ATTENDEES:**

**VOTING MEMBERS:**

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

**COUNSEL:**

Mike Jones, Thompson, Coe, Cousins & Irons

**TAIPA STAFF:**

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

**OTHERS:**

Kimberly Donovan, TDI  
John Lusardi, Assigned Risk Solutions, Ltd.  
Joe Matetich, OPIC  
Ramon Montalvo, Producer Member Alternate  
David Nardecchia, OPIC

**ITEM 1: CALL TO ORDER**

Bill Brooks called the meeting to order at 9:00 AM.

**ITEM 2: INTRODUCTIONS**

Introductions were made.

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

Stacy Dutton read the Anti-Trust Statement:

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

**ITEM 4: REVIEW AND APPROVAL OF THE MINUTES OF THE AUGUST 18, 2017 MEETING (EXHIBIT 1)**

It was moved by David Weber and seconded by Adam Payton to:

“Approve the minutes.”

The motion carried unanimously.

**ITEM 5: MANAGER’S REPORT**

Stacy Dutton presented the Manager’s Report.

**A. APPLICATION COUNT UPDATE AS OF OCTOBER 2017 (EXHIBIT 2)**

TAIPA’s current volume is up about 8.5% compared to last year. That said, we did have a decrease of about 5.5% for the month of October. We received 266 applications in October 2017, compared to 282 in October 2016. Year-to-date, TAIPA has received 3,061 applications in 2017, compared to 2,818 in 2016. We are not entirely sure why volume has increased this year, but it may be due to the fact that underwriting guidelines have tightened in response to high losses. We expect to end 2017 with about 3,500 applications received.

**B. FINANCIAL UPDATE AS OF SEPTEMBER 2017 (EXHIBIT 3)**

TAIPA would expect to be at 75% of the budget used at the end of September, and is under-budget at about 67.5%. The items that are currently over-budget were explained. We expect to end the year about 7% under-budget, mostly due to the fact that we budgeted salaries for a part-time manger and five full-time employees, and have reorganized to just five full-time employees.

Laura Hausman joined the meeting via teleconference.

**C. PLAN OF OPERATION FILING: REFUNDS**

TAIPA Governing Committee Meeting  
November 17, 2017

At the last Governing Committee Meeting, the board approved revisions to the Plan of Operation to comply with Senate Bill 698 passed during the 2015 Legislature, as well as the recent rule that TDI promulgated. TAIPA staff filed the revisions with TDI on August 28<sup>th</sup>. On November 6<sup>th</sup>, we heard back from TDI that their attorney was questioning why we only requested changes to Section 14, and why we didn't change Section 6. We've contacted TDI to find out what they are objecting to in Section 6 as not being in compliance with Senate Bill 698, but we have not heard back yet. We expect to bring proposed language before the Governing Committee at the March 2018 meeting.

It was agreed by consensus to bring the proposed language before the Operations Subcommittee at their next meeting.

**D. NEW OFFICE SPACE LEASE**

At the last Governing Committee Meeting, we reported we found a new office space just one stoplight north of our current location, at the Las Cimas office complex. At that time, we were still in the final stages of signing the lease. The lease was officially signed on September 20<sup>th</sup>.

Our goals for the new lease were to reduce total rent costs by at least 25%, and to reduce square footage by half. Comparing the entire life of our current lease to the entire life of the proposed terms of the new lease, we'll save 45%.

Our current lease expires March 31, 2018, and the new lease will commence on March 1, 2018, so TAIPA would move in sometime in March.

**E. 2018 REQUESTS FOR PROPOSAL**

TAIPA's RFP procedure states that the Association Manager should annually identify any vendors with poor performance or with contracts in place five years or more. Of those, the Governing Committee must review any contracts valued at \$20,000 or more, or any contracts in the following categories of expenses: legal counsel, auditors, actuary, application processing system, and quota system.

Last year, the Governing Committee made a consensus to continue with TAIPA's legal counsel and auditors for another year. We recommend the same this year. We have a very good relationship with Thompson Coe. They have great knowledge of TAIPA and the industry, and have assisted management several times in the past year. We also have a good relationship with our auditors, Atchley & Associates. It's important to note that they gave us a new partner this year, and they give us new sets of auditors every year.

We also recommend continuing with the current actuary. The Actuarial RFP was performed at the end of 2016, and in March 2017, the board decided to continue with Epic because they didn't find a compelling reason not to.

The Governing Committee agreed by consensus to continue the current relationships with the attorneys, auditors, and actuary for 2018.

#### **F. 2018 MEETING DATES (EXHIBIT 4)**

The 2018 meeting dates are shown in Exhibit 4. Beginning next year, all meetings will be held in-person again; the August meeting will no longer be teleconference-only. Next year's meetings will be held at the Omni Austin Hotel Southpark. If anyone is unable to attend in-person, we will continue to offer a teleconference line.

#### **ITEM 6: OPERATIONS SUBCOMMITTEE REPORT**

David Weber presented the Operations Subcommittee Report.

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

There was nothing noteworthy on the report.

The Operations Subcommittee will meet in early 2018 to work on items referred to them at the last two Governing Committee meetings.

#### **ITEM 7: REPORT OF COUNSEL**

Mike Jones presented the Report of Counsel.

##### **A. TAIPA RATES**

TAIPA received a signed order yesterday approving our rate filing. We made the filing on September 8<sup>th</sup>, and requested an overall Private Passenger change of +4.8%, and an overall Commercial change of +1.7%. Since we didn't have any indications over 5%, we did not have to have a hearing. On September 13<sup>th</sup>, TDI published notice of our filing. On October 2<sup>nd</sup>, OPIC filed comments with TDI. They didn't object to the rates as proposed, but they did express concerns about Mike Miller's use of judgment in making the rates. On October 6<sup>th</sup>, TDI extended the review period for 30 days. In mid-October, TDI asked Mike Miller to review some of his calculations on the three-year loss costs. Mike uses three indicators in his process—three-year loss costs, one-year loss costs, and the three-year trend. He corrected the calculation on the three-year loss costs, but it did not change the rate filing or our requested rate changes. TDI asked us to file the revised calculation so that they could publish them for comment. OPIC filed comments again, this time objecting to the overall rate increase for Private Passenger to the extent it exceeded 4.2%. They also contended that Mike Miller shouldn't be exercising judgment, and that the rate change should be tied directly to the three-year loss costs.

We've typically called our process "indexing", and maybe that has created some misconceptions. The indexing is applied on a territory-by-territory and class-by-class basis. The factors in our manual will have a direct relationship to the voluntary market losses, so that's the indexing part. The overall rate change ends up being a combination of base rate changes along with factor and territory changes. TDI acknowledges that Mike Miller considers three different indicators. They have indicated that they are fine with our process, and that more indicators means more data, and more to consider.

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Since the rate order was just signed yesterday, we requested TDI change the effective date to March 1, 2018 instead of February 1. TDI has published the rate bulletins and machine letters. TAIPA staff will send out a bulletin containing this information shortly.

**ITEM 8: PERSONNEL MATTERS**

Acting under authority of Government Code 551.074, the Governing Committee commenced a closed meeting at 9:27 AM. The open meeting resumed at 10:02 AM.

It was moved by David Weber and seconded by Todd Feltman to:

“Acknowledge the manager’s plan for staffing changes, and to approve changes to the 2017 budget for the expenditures needed.”

The motion carried unanimously.

**ITEM 9: 2018 BUDGET**

An exhibit for the 2018 requested budget and assessment was distributed as a handout (Attachment #1).

TAIPA requests a 2018 budget of \$846,800, which is a 16.26% decrease from 2017. The major items accounting for the decrease are: staff reductions taking place at the end of 2017, moving to a new office space, less use of legal, and no salary survey in 2018. The major items that increased from last year’s budget are: moving expenses, budgeting for employee education for three students, and an increase in the costs for AIPSO to prepare the TAIPA quotas.

It was asked if all of the expense in Systems Consultant is for quota preparation. It is not; this category also includes TAIPA’s IT consultant, payment to AIPSO for EASi and APS maintenance, and telephone programming.

TAIPA requests a 2018 capital budget of \$4,000, which is for the phone/internet cabling at the new office space.

TAIPA requests a 2018 assessment of \$825,000. This is the operating and capital budget, minus non-cash expenditures, minus \$16,800 of carryover cash. Even using this carryover, we expect to have about \$75,000 on hand at yearend 2017, enough cash to cover about a month of 2018 budget. We do believe this amount of carryover will be sufficient, as we typically receive about 20% of the annual assessment by the third week of January. If necessary, we do have the \$300,000 line of credit with Frost, although we do not foresee using it.

It was moved by Jim Rowland and seconded by Corise Morrison to:

“Approve a 2018 operating budget of \$846,800, a 2018 capital budget of \$4,000, and a 2018 assessment of \$825,000.”

The motion carried unanimously.

TAIPA Governing Committee Meeting  
November 17, 2017

**ITEM 10: ADJOURNMENT**

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

“Adjourn the meeting.”

The motion carried unanimously. The meeting adjourned at 10:09 AM.

James B Rowland  
Signature of Secretary

12/6/17  
Date Signed

JAMES B. ROWLAND  
Printed Name of Secretary

**Texas Auto Ins. Plan Assoc.**

**2018 REQUESTED OPERATING BUDGET: \$846,800**

**2018 REQUESTED CAPITAL BUDGET: \$4,000**

**2018 REQUESTED ASSESSMENT: \$825,000**

The requested budget in this exhibit includes the effects of the proposed staffing changes.

	2017 Approved Budget	2018 Requested Budget	Increase (Decrease) in Budget	% Increase (Decrease) in Budget	Reason for Increase (Decrease)
Salaries	\$ 424,900	\$ 327,000	\$ (97,900)	-23.04%	2018 budget includes salary for 4 FT employees, whereas 2017 budget included salary for 5 FT employees and 1 PT employee.
Employee Benefits & Other Ins. Expense	189,200	171,900	\$ (17,300)	-9.14%	2018 budget includes benefits for 4 FT employees, whereas 2017 budget included benefits for 5 FT employees and 1 PT employee.
Office Equipment Expense	15,300	14,400	\$ (900)	-5.88%	Within range.
Printing	1,900	2,800	\$ 900	47.37%	Within range.
Computer Supplies & Expense	6,600	7,600	\$ 1,000	15.15%	Within range.
Postage & Delivery Expense	22,300	25,400	\$ 3,100	13.90%	Within range.
Telephone/Internet Expense	12,300	12,100	\$ (200)	-1.63%	Within range.
Rent Expense	129,000	76,900	\$ (52,100)	-40.39%	Will be moving to new location in March 2018; rent at new location is less than current location.
Moving Expense	-	9,500	\$ 9,500	100.00%	Will be moving to a new location in March 2018; did not have any moving expenses in 2017.
Property Taxes	1,300	900	\$ (400)	-30.77%	Within range.
Other Office Expenses	7,100	9,700	\$ 2,600	36.62%	Within range.
Governing Committee	23,700	28,100	\$ 4,400	18.57%	Within range.
Subcommittees	3,300	2,500	\$ (800)	-24.24%	Within range.
Producer Review Panel	-	-	\$ -	0.00%	Within range.
Employee Meetings, Seminars, & Staff Travel	9,300	14,400	\$ 5,100	54.84%	Includes budget for courses for three employees, whereas only one employee took courses in 2017.
Legal Expenses	49,600	43,700	\$ (5,900)	-11.90%	Have not had as much legal work since manager transition took place in April 2017; also do not have to budget for legal work due to a legislative session next year.
Audit Expense	23,100	23,000	\$ (100)	-0.43%	Within range.
Dues, Subscriptions, & Publications	1,600	1,700	\$ 100	6.25%	Within range.
TAIPA Tradition	2,700	2,700	\$ -	0.00%	Within range.
System Consultants	43,400	51,000	\$ 7,600	17.51%	Costs for AIPSO to prepare TAIPA quotas have increased.
Consultants - Other	19,900	4,000	\$ (15,900)	-79.90%	Not budgeting for a salary survey next year, as one was just performed in 2017.
Actuary	9,400	8,500	\$ (900)	-9.57%	Within range.
<b>SUBTOTAL</b>	<b>\$ 995,900</b>	<b>\$ 837,800</b>	<b>\$ (158,100)</b>	<b>-15.88%</b>	
Depreciation	10,300	4,000	\$ (6,300)	-61.17%	Leasehold improvements at current location will be fully depreciated once we move; the new location is not expected to have such extensive leasehold improvements.
Amortization	5,000	5,000	\$ -	0.00%	Within range.
<b>SUBTOTAL</b>	<b>\$ 15,300</b>	<b>\$ 9,000</b>	<b>\$ (6,300)</b>	<b>-41.18%</b>	
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 1,011,200</b>	<b>\$ 846,800</b>	<b>\$ (164,400)</b>	<b>-16.26%</b>	
Office Furniture & Equipment	\$ -	\$ -	\$ -	0.00%	Within range.
Computer Equipment	-	-	\$ -	0.00%	Within range.
Computer Software	-	-	\$ -	0.00%	Within range.
Leasehold Improvements	-	4,000	\$ 4,000	100.00%	Within range.
<b>TOTAL CAPITAL BUDGET</b>	<b>\$ -</b>	<b>\$ 4,000</b>	<b>\$ 4,000</b>	<b>100.00%</b>	

NOTE: Items that are considered "within range" are within \$5,000 of 2017's approved budget.



## Recommended 2018 Assessment

The recommended assessment amount in this exhibit includes the effects of the proposed staffing changes.

Total 2018 Operating Budget	\$	846,800.00
Total 2018 Capital Budget	+ \$	4,000.00
2018 Depreciation & Amortization	- \$	9,000.00

<b>Cash Needed for 2018</b>	<b>= \$</b>	<b>841,800.00</b>
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Cash Expected at Yearend 2017	\$	157,947.81
Cash Used for Unbudgeted Expenditures at Yearend 2017	- \$	65,327.12
Amount of 2017 Cash to be Used to Reduce 2018 Assessment	- \$	16,800.00

<b>Remaining Amount of Cash to Carryover to 2018*</b>	<b>= \$</b>	<b>75,820.69</b>
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<b>Recommended 2018 Assessment Amount</b>	<b>= \$</b>	<b>825,000.00</b>
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*\*2017 carryover is equivalent to about a month of 2018 budget. We believe this to be sufficient, as TAIPA typically receives at least 20% of the total annual assessment amount by the end of the second week of January. Note that TAIPA also retains a \$300,000 line of credit in the event additional funds were needed quickly (although we do not anticipate using it).*

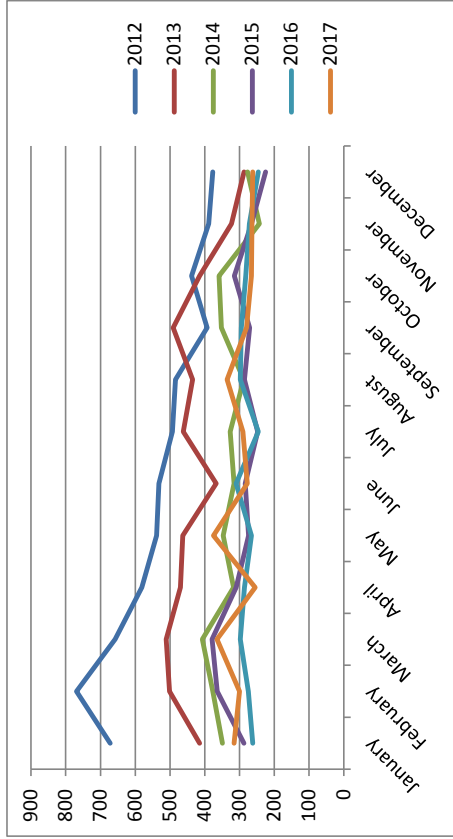
## 2017/2018 Comparison

		2018	2017	Difference	Incr./.(Decr.)
<b>Operating Budget Amount</b>	\$	846,800	\$ 1,011,200	\$ (164,400)	-16.26%
<b>Capital Budget Amount</b>	\$	4,000	\$ -	\$ 4,000	
<b>- Depr./Amort.</b>	\$	9,000	\$ 15,300	\$ (6,300)	
<b>- Carryover Used</b>	\$	16,800	\$ -	\$ 16,800	
<b>Assessment Amount</b>	\$	825,000	\$ 995,900	\$ (170,900)	-17.16%

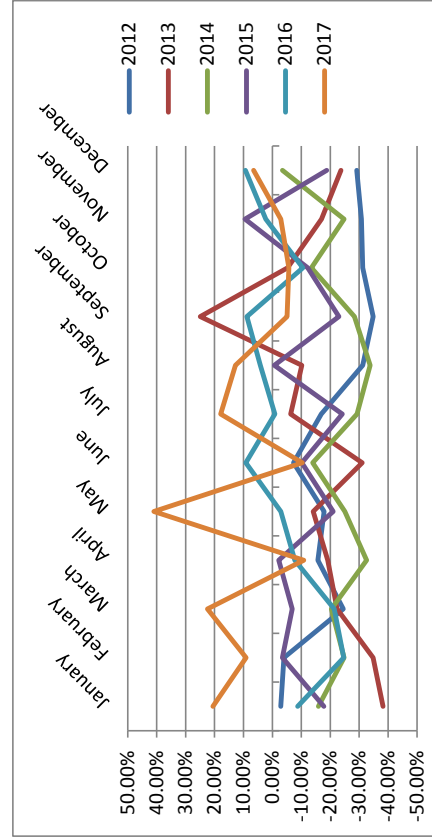
<b>Monthly Total (Dec. 2017)</b>		
	<b>Private Passenger</b>	<b>Commercial</b>
<b>EASi Applications</b>	<b>245</b>	<b>17</b>
<b>Paper Applications</b>	<b>0</b>	<b>0</b>
<b>Total Applications Received</b>	<b>245</b>	<b>17</b>
<b>Applications Assigned</b>	<b>238</b>	<b>16</b>
<b>Apps Returned for Correction</b>	<b>7</b>	<b>1</b>
<b>Applications Deficient</b>	<b>18</b>	<b>4</b>
<b>Applications with SR-22s</b>	<b>12</b>	<b>0</b>
<b>Total Applications Received in Dec. 2016:</b>	<b>246</b>	<b>246</b>
<b>Total Applications Received in Dec. 2017:</b>	<b>262</b>	<b>262</b>
<b>Year to Date Total (as of Dec. 2017)</b>		
	<b>Private Passenger</b>	<b>Commercial</b>
<b>EASi Applications</b>	<b>3237</b>	<b>347</b>
<b>Paper Applications</b>	<b>1</b>	<b>2</b>
<b>Total Applications Received</b>	<b>3238</b>	<b>349</b>
<b>Applications Assigned</b>	<b>3170</b>	<b>338</b>
<b>Apps Returned for Correction</b>	<b>66</b>	<b>11</b>
<b>Applications Deficient</b>	<b>276</b>	<b>49</b>
<b>Applications with SR-22s</b>	<b>138</b>	<b>0</b>
<b>Total Applications Received YTD (as of Dec. 2016):</b>	<b>3,336</b>	<b>3,336</b>
<b>Total Applications Received YTD (as of Dec. 2017):</b>	<b>3,587</b>	<b>3,587</b>
<b>YTD Percent Change from Dec. 2016 to Dec. 2017:</b>	<b>7.52%</b>	<b>7.52%</b>
<b>Application Assignment History*</b>		
<b>1994:</b> 716,036	<b>2002:</b> 66,153	<b>2010:</b> 8,725
<b>1995:</b> 461,059	<b>2003:</b> 74,506	<b>2011:</b> 7,364
<b>1996:</b> 214,744	<b>2004:</b> 47,434	<b>2012:</b> 5,898
<b>1997:</b> 95,461	<b>2005:</b> 31,517	<b>2013:</b> 4,708
<b>1998:</b> 55,041	<b>2006:</b> 23,634	<b>2014:</b> 3,628
<b>1999:</b> 47,108	<b>2007:</b> 16,780	<b>2015:</b> 3,217
<b>2000:</b> 44,945	<b>2008:</b> 12,896	<b>2016:</b> 3,089
<b>2001:</b> 53,477	<b>2009:</b> 10,299	<b>2017:</b> 3,508

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

### Trend of Applications Received from 2011 to 2017



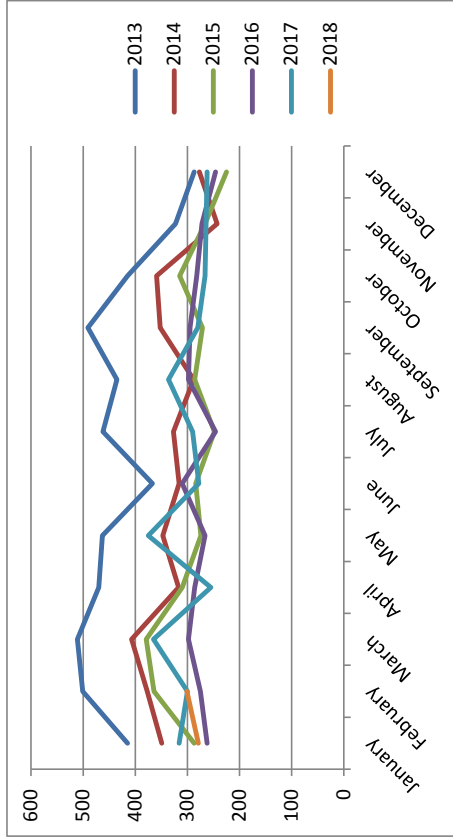
### Percent Change in Applications Received



<b>Monthly Total (Feb. 2018)</b>		
	<b>Private Passenger</b>	<b>Commercial</b>
<b>EASi Applications</b>	<b>269</b>	<b>32</b>
<b>Paper Applications</b>	<b>0</b>	<b>0</b>
<b>Total Applications Received</b>	<b>269</b>	<b>32</b>
<b>Applications Assigned</b>	<i>263</i>	<i>31</i>
<b>Apps Returned for Correction</b>	<i>6</i>	<i>1</i>
<b>Applications Deficient</b>	<i>17</i>	<i>1</i>
<b>Applications with SR-22s</b>	<i>11</i>	<i>0</i>
<b>Total Applications Received in Feb. 2017:</b>	<b>300</b>	<b>300</b>
<b>Total Applications Received in Feb. 2018:</b>	<b>301</b>	<b>301</b>
<b>Year to Date Total (as of Feb. 2018)</b>		
	<b>Private Passenger</b>	<b>Commercial</b>
<b>EASi Applications</b>	<b>522</b>	<b>58</b>
<b>Paper Applications</b>	<b>0</b>	<b>0</b>
<b>Total Applications Received</b>	<b>522</b>	<b>58</b>
<b>Applications Assigned</b>	<i>511</i>	<i>56</i>
<b>Apps Returned for Correction</b>	<i>11</i>	<i>2</i>
<b>Applications Deficient</b>	<i>37</i>	<i>3</i>
<b>Applications with SR-22s</b>	<i>24</i>	<i>0</i>
<b>Total Applications Received YTD (as of Feb. 2017):</b>	<b>616</b>	<b>616</b>
<b>Total Applications Received YTD (as of Feb. 2018):</b>	<b>580</b>	<b>580</b>
<b>YTD Percent Change from Feb. 2017 to Feb. 2018:</b>	<b>-5.84%</b>	<b>-5.84%</b>
<b>Application Assignment History*</b>		
<b>1994:</b> 716,036	<b>2002:</b> 66,153	<b>2010:</b> 8,725
<b>1995:</b> 461,059	<b>2003:</b> 74,506	<b>2011:</b> 7,364
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<b>2000:</b> 44,945	<b>2008:</b> 12,896	<b>2016:</b> 3,089
<b>2001:</b> 53,477	<b>2009:</b> 10,299	<b>2017:</b> 3,508

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

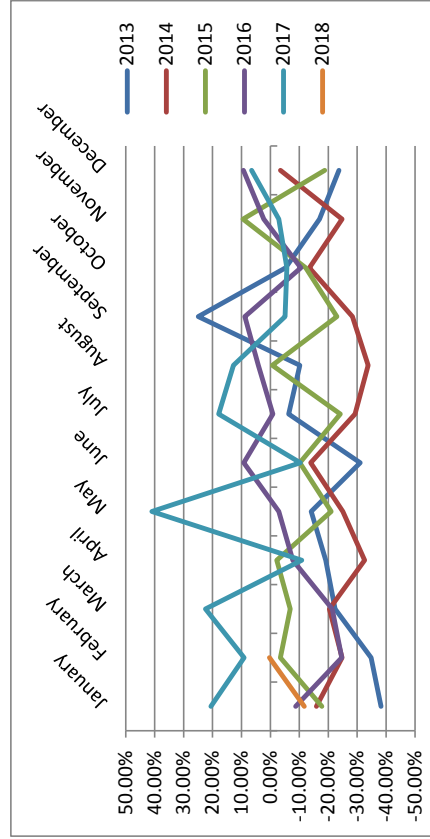
### Trend of Applications Received from 2012 to 2018



	2013	2014	2015	2016	2017	2018
January	415	349	287	262	316	279
February	501	377	364	275	300	301
March	511	407	379	298	365	
April	470	317	310	286	255	
May	463	347	274	266	375	
June	367	316	284	310	278	
July	462	327	248	246	290	
August	435	288	286	298	336	
September	491	352	271	295	280	
October	415	359	315	282	266	
November	323	243	266	272	264	
December	287	277	225	246	262	
Total	5,140	3,959	3,509	3,336	3,587	580

Estimate of Applications to be Received in 2018: 3,195

### Percent Change in Applications Received from 2012 to 2018



	2013	2014	2015	2016	2017	2018
January	-38.24%	-15.90%	-17.77%	-8.71%	20.61%	-11.71%
February	-34.85%	-24.75%	-3.45%	-24.66%	9.09%	0.33%
March	-22.34%	-20.35%	-6.88%	-21.37%	22.48%	
April	-19.11%	-32.55%	-2.21%	-7.74%	-10.84%	
May	-14.10%	-25.05%	-21.04%	-2.92%	40.98%	
June	-31.02%	-13.90%	-10.13%	9.15%	-10.32%	
July	-6.29%	-29.22%	-24.16%	-0.81%	17.89%	
August	-10.12%	-33.79%	-0.69%	4.20%	12.75%	
September	24.94%	-28.31%	-23.01%	8.86%	-5.08%	
October	-5.25%	-13.49%	-12.26%	-10.48%	-5.67%	
November	-16.97%	-24.77%	9.47%	2.26%	-2.94%	
December	-23.67%	-3.48%	-18.77%	9.33%	6.50%	
Total YTD	-18.72%	-22.98%	-11.37%	-4.96%	7.52%	-5.84%

**Texas Auto Ins. Plan Assoc.**  
**ACTUAL VS. BUDGET**  
 For the period ended December 31, 2017

	Actual	2017 Year To Date Budget	Variance	2017 Annual Budget	% Used	Reason for Variance
<b>REVENUE</b>						
Assessments & Penalties	1,000,558	995,900	4,658	995,900	100.47%	
Other Revenue	609	0	609	0	0.00%	
<b>TOTAL</b>	<b>1,001,167</b>	<b>995,900</b>	<b>5,267</b>	<b>995,900</b>	<b>100.53%</b>	
<b>EXPENDITURES</b>						
Salaries	427,202	424,900	-2,302	424,900	100.54%	Within range.
Emp. Benefits & Other Ins. Exp.	218,770	189,200	-29,570	189,200	115.63%	Line includes -\$13,798 adjustment for vacation accrual and \$46,799 for current expense portion of pension liability. Without adjustments, line was at 98.19% (within range).
Office Equipment Expense	14,149	15,300	1,151	15,300	92.48%	Only ordered supplies as needed; did not have to make any repairs to any equipment.
Printing & Stationary Exp.	1,755	1,900	145	1,900	92.34%	Only ordered supplies as needed.
Computer Expenses	5,200	6,600	1,400	6,600	78.79%	Had budget for misc. computer supplies; did not have to purchase any.
Postage & Shipping Exp.	19,572	22,300	2,728	22,300	87.77%	Courier fees and overnight fees cost less than expected.
Telephone Expense	12,079	12,300	221	12,300	98.20%	Within range.
Rent Expense	116,187	129,000	12,813	129,000	90.07%	Line includes -\$13,737 adjustment for deferred lease benefit. Without adjustments, line was at 100.72% (within range).
Taxes	812	1,300	488	1,300	62.46%	Business personal property taxes were less than expected.
Other Office Expenses	8,108	7,100	-1,008	7,100	114.20%	Hosted retirement parties for the two employees that retired 12/31/17, which wasn't budgeted for.
Governing Committee	18,091	23,700	5,609	23,700	76.34%	Some members were unable to attend the second and third meetings.
Subcommittee Meetings	2,500	3,300	800	3,300	75.76%	Did not end up having as many Operations Subcommittee meetings as expected.
Producer Review Panel	0	0	0	0	0.00%	No Producer Review Panel meetings scheduled this year.
Employee Meetings, Seminars & Staff Travel	3,930	9,300	5,370	9,300	42.26%	Only one employee ended up taking courses this year.
Legal Expenses	44,980	49,600	4,620	49,600	90.68%	Not as much work related to the legislative session as expected; did not had any major legal issues/questions.
Audit Expense	22,283	23,100	817	23,100	96.46%	Within range.

	2017	2017	2017	2017	Reason for Variance
	Actual	Year To Date	Annual	% Used	
		Budget	Budget		
		Variance	Budget		
Dues, Subscriptions & Publications	1,503	1,600	1,600	93.94%	Subscription renewals cost less than expected.
TAIPA Tradition, Visitor Meals & Gifts	1,946	2,700	2,700	72.06%	Reduced costs wherever possible.
System Consultants	40,689	43,400	43,400	93.75%	Had budget for APS programming; none was needed.
Consultants - Other	26,888	19,900	19,900	135.12%	Organizational review took place in the first quarter of the year. Expenses were budgeted based on last review in 2013, but actual expenses were more than budgeted. Also performed work on employee complaint procedure, which wasn't expected.
Actuary	8,500	9,400	9,400	90.43%	Included additional budget in case we changed actuaries, but we did not.
Other	0	0	0	0.00%	No other expenses.
<b>SUBTOTAL</b>	<b>995,144</b>	<b>995,900</b>	<b>995,900</b>	<b>99.92%</b>	
Depreciation	10,208	10,300	10,300	99.10%	Within range.
Amortization	5,000	5,000	5,000	100.00%	Within range.
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0.00%	Did not sell any assets.
<b>SUBTOTAL</b>	<b>15,208</b>	<b>15,300</b>	<b>15,300</b>	<b>99.40%</b>	
<b>TOTAL OPERATING EXPENSE</b>	<b>1,010,352</b>	<b>1,011,200</b>	<b>1,011,200</b>	<b>99.92%</b>	<b>Without adjustments, total operating expense was at 98.01%.</b>
<b>NET FROM OPERATIONS</b>	<b>-9,185</b>	<b>-15,300</b>	<b>-15,300</b>		
Non-Operating Pension Costs	-177,332	0	0	0.00%	Line reflects adjustment for change in the pension liability.
<b>NET</b>	<b>168,147</b>	<b>-15,300</b>	<b>183,447</b>		
<b>CAPITAL BUDGET</b>					
Software Development in Progress	0	0	0	0.00%	No software development expenditures this year.
Office Furniture & Equipment	0	0	0	0.00%	No furniture & fixture expenditures this year.
Computer Equipment	0	0	0	0.00%	No computer equipment expenditures this year.
Computer Software	0	0	0	0.00%	No computer software expenditures this year.
Leasehold Improvements	0	0	0	0.00%	No leasehold improvement expenditures this year.
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>	

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

# *Texas Auto Ins. Plan Assoc.*

## Statement of Financial Position

As Of December 31, 2017

Unaudited

### ASSETS

Current Assets	
Cash and cash equivalents	\$ 155,572
Prepaid expenses	29,252
Total current assets	184,823
Security Deposits	5,379
Property and Equipment	
Furniture and equipment	38,921
Computer equipment	23,762
Leasehold improvements	50,007
Computer software	34,858
	147,549
Less accumulated depreciation	126,117
	21,432
Total assets	211,635

### LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	17,972
Accrued vacation	25,315
Accrued payroll liabilities	52,413
Total current liabilities	95,700
Other Liabilities	
Accrued pension benefit costs	183,909
Deferred lease benefit	3,826
Total other liabilities	187,735
Net (Deficiency) Assets	
Unrestricted	(71,800)
Total net assets	(71,800)
Total liabilities and net assets	\$ 211,635



# *Texas Auto Ins. Plan Assoc.*

## Statement of Activities

For the period ended December 31, 2017

Unaudited

### Changes in unrestricted net assets

	<b>Current YTD</b>
<b>Revenues</b>	
Member assessments	\$ 997,100
Interest income	609
Assessment penalties	3,458
Total revenues	1,001,167
<b>Expenses</b>	
Salaries and related expenses	645,972
Occupancy expenses	129,078
Professional Services	143,340
Depreciation & amortization	15,208
Postage and delivery	19,572
Office supplies and expense	15,903
Governing committee	18,091
Computer supplies & expenses	5,200
Subcommittee meetings	2,500
Staff education & seminars	3,930
Miscellaneous	8,108
Staff expense	1,946
Dues and subscriptions	1,503
Total operating expenses	1,010,352
<b>Other revenues (expenses)</b>	
<i>Pension minimum liability adjustment</i>	177,332
Total other revenue (expenses)	177,332
<i>Increase (decrease) in unrestricted net assets</i>	168,147
<i>Net assets (deficiency) at beginning of year</i>	(239,947)
<i>Net assets (deficiency) as of December 31, 2017</i>	\$ (71,800)



January 5, 2018

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

This letter is to explain our understanding of the arrangements for the services that Atchley & Associates, LLP (the Firm) is to perform for Texas Automobile Insurance Plan Association for the year ending December 31, 2017. We ask that you either confirm or amend this understanding.

### **The Objective and Scope of the Audit of the Financial Statements**

You have requested that we audit the financial statements of Texas Automobile Insurance Plan Association (TAIPA), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, the related notes to the financial statements, and the supplemental comparison of revenues and expenses versus budget. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

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

### **The Responsibilities of the Auditor**

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

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though

the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

### **TAIPA's Records and Assistance**

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

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

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

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

#### **Fees, Costs, and Access to Workpapers**

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

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

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. We will notify you immediately of any circumstances we encounter which could significantly affect our initial estimate of audit fees, excluding direct out-of-pocket expenses, estimated to be \$17,950. All other provisions of this letter will survive any fee adjustment. In accordance with our firm policies, work may be suspended if your account becomes sixty or more days overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

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

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

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

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

### **Claim Resolution**

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

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

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

**Reporting**

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

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

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

*Atchley & Associates, LLP*  
Atchley & Associates, LLP

Confirmed on behalf of TAIPA:

\_\_\_\_\_  
Audit Committee or Board Chair

\_\_\_\_\_  
Date

\_\_\_\_\_  
Nicole Morgan, Special Projects/Accounting  
Coordinator

\_\_\_\_\_  
Date

Texas Automobile Insurance Plan Association  
Items Needed for Audit  
December 31, 2017

Schedules and copies requested should be completed as soon as possible after receiving this letter and no later than our arrival for field work on May 28, 2018. **Where possible, we prefer items to be provided electronically, in Excel or Adobe format.**

Organizational Items

Please make copies of the following documents **if there have been any changes** since the prior year:

1. Articles of Incorporation
2. Organization By-laws
3. Letter from Internal Revenue Service granting Tax Exempt Status
4. Organization Chart as of 12/31/17
5. Policies and procedures manuals for accounting, personnel, etc
6. Any long-term agreements (over 1 year period) e.g., leases, loans, lines of credit agreements, subcontracts, pensions or other employee benefit plans, etc.

Current Year Items

7. Minutes of meetings of Board of Directors from 1/1/17 through the most current meeting prior to the end of our fieldwork.
8. Current Chart of Accounts (Used as of 12/31/17)
9. Copy of final adjusted trial balance as of 12/31/17 (**electronic copy preferable**) and access to general ledger detail as of and for the year ended 12/31/17. Please provide the trial balance to us as soon as possible.
11. Copies of all bank reconciliations for all accounts as of 12/31/17
11. Detail of any other investments (certificates of deposit, securities, etc.)
12. Schedules showing details of accounts receivable  
Schedules showing details of any other receivables, prepaid expenses or other miscellaneous assets.



13. Schedule of Fixed Asset roll-forward from 1/1/17 to 12/31/17 for both cost and accumulated depreciation in the following format (*if you are using fixed asset software, then please print a report directly from the software*).

Balance 1/1/17	2017 Additions	2017 Deletions	Balance 12/31/17
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16. List of all fixed asset additions and deletions from 1/1/17 through 12/31/17 in the following formats (*if you are using fixed asset software, then please print a report directly from the software*).

Additions

Date of Purchase	Vendor	Description	Cost
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Dispositions

Date of Disposition	Description	Cost	Accumulated. Depreciation.	Sales Proceeds
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16. Depreciation schedule as of 12/31/17 showing cost, current depreciation expense and accumulated depreciation for each asset (*if you are using fixed asset software, then please print a report directly from the software*).
17. Detail of accounts payable as of 12/31/17.
18. Information relating to other accounts payable or accrued liabilities as of 12/31/17, such as vacations, salaries, payroll taxes, utilities, etc. (Check vacation accrual report is prepared after year-end so that excess vacation time is not accrued.)
19. List of assessments for 2017, by member organization, showing dates paid and any amounts unpaid as of the end of the year.
20. Detail of selected expense accounts - legal, repairs & maintenance, miscellaneous income and miscellaneous expense.
21. List of all officers and directors and any salaries and other benefits paid on their behalf.
22. Payroll reports filed with the TWC and the 941's filed for the year with total wages per the general ledger reconciled to the total wages per the 941's.
23. Information from the actuary needed to complete the Defined Benefit Plan

disclosure (footnote B) as in the December 31, 2017 financial statements.

24. List of and details of any EEOC complaints filed against the organization that are still unsettled as of 12/31/17, and details of any that have been settled
25. Details of any lawsuits filed against the organization and the status of such lawsuits as of 12/31/17.
26. Confirmations (other than the electronic ones) and attorney letters completed, signed, and **returned to auditor** before start of fieldwork. **We will mail all confirmations from our office.**
27. Details of deferred lease benefit calculations.
28. Copy for the final approved budget for 2017 in the format needed for inclusion in the supplemental schedules of the financial statements.
29. We will also need access to the following items during our fieldwork:
  - Bank statements for all accounts from 1/17 through 12/17 and 1/18.
  - Cash receipts journal(s) for the year (**electronic format preferable**)
  - Cash disbursements journal(s) for the year (**electronic format preferable**)
  - Detail general ledger for the entire year

TAIPA PP Over/Under Report

01/05/2018

COMPANY	YearEnd 2013		YearEnd 2014		YearEnd 2015		YearEnd 2016		1st QTR 2017		2nd QTR 2017		3rd QTR 2017	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
PRIVATE PASSENGER														
21ST CENTURY CENTENNIAL INS CO (SC)		248,568	273,200	279,672	280,342	254,533	307,929	293,672						
ACE AMERICA	247,616		246,672	245,800	244,859	244,524	244,143	Entered LAD						
AFFIRMATIVE INS CO					New to quota									2,832
ALFA SPECIALTY INS CORP		689	629	428	88			198						270
ALLSTATE INS CO		89,144	85,156	93,356	90,642	77,577	Entered LAD	Entered LAD						
AMER MERCURY INS CO	602		616	3,313	1,954	1,884	3,129	5,361						
ASSURANCEAMERICA INS CO		468	45	56	58	Entered LAD								
COLONIAL LLOYDS		1,277	1,277	1,277	Entered LAD									
CRESTBROOK INS CO					New to quota	155 grouped								
ESURANCE PROP & CAS INS CO					New to quota	Became grouped								
FALCON INS CO					New to quota	4	Entered LAD							
FREESTONE INS CO		1	171	443	443	443	443	443						443
GENERAL CAS CO OF WISCONSIN					New to quota	73	Entered LAD							
GOVERNMENT EMPLOYEES INS CO		85,877	75,542	93,728	128,245	129,313	163,474	151,816						
HALLMARK COUNTY MUT INS CO	443,961				443,407	442,883	442,560	442,207						

RCVR/CO  
Restricted

RCVR/CO  
Restricted

COMPANY	YearEnd 2013		YearEnd 2014		YearEnd 2015		YearEnd 2016		1st QTR 2017		2nd QTR 2017		3rd QTR 2017	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
<b>PRIVATE PASSENGER</b>														
HOMEOWNERS OF AMER INS CO		4,456		4,637		4,639		4,639		4,639		4,639		4,639
HOUSTON GENERAL INS EXCH		3,006		3,006		Went into Storage								
ICM INS CO		0		13		13		13		13		13		13
IMPERIAL FIRE & CAS	1,461		1,417		1,395		1,381		Became grouped					
INTEGON NATIONAL INS CO							New to quota	279,949		288,396		268,586		66,660
KNIGHTBROOK INS CO		12		Entered LAD										
LINCOLN GENERAL		51,337		51,337		Went into Storage								
MAIDSTONE INSURANCE COMPANY (prev AUTOONE INS CO)	328,062		330,062		330,051		330,044		330,043		330,042		330,041	
MILEMETER INS CO		2,211		2,211		2,211		Cert of Authority Cancelled						
NATIONAL LIABILITY & FIRE (SC)		242,995		260,661		294,194		Entered LAD						
NATIONWIDE MUT INS CO		23,688		Entered LAD										
OLD AMER COUNTY MUT FIRE INS							New to QTA			0		Entered LAD		
ONEBEACON INS CO		3,705		Became grouped										
PACIFIC SPECIALTY INS CO		74		Entered LAD										
PALOMAR SPECIALTY INS CO				New to quota			Became grouped							
				16		AIPSO Error								

TAIPA PP Over/Under Report

01/05/2018

COMPANY	YearEnd 2013		YearEnd 2014		YearEnd 2015		YearEnd 2016		1st QTR 2017		2nd QTR 2017		3rd QTR 2017	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
<b>PRIVATE PASSENGER</b>														
PHARMACISTS MUT INS CO					New to quota	3			25	Entered LAD				
QBE INS CORP		62	Became grouped											
SOMPO JAPAN INS CO (prev Yasuda F&M)	1,976		1,976			Went into Storage								
SOUTHLAND LLOYDS INS CO		293		293		Went into Storage								
STARR INDEMNITY & LIABILITY CO		939		955		955			955	955			955	955
STATE FARM MUT AUTO INS CO		196,216		203,426		190,293		175,003		189,103		191,530		177,573
SUSSEX INS CO (prior Companion Pro & Cas Ins Co)		240		318		324		324		324		324		324
TEXAS FARM BUREAU CAS INS CO		68,410		59,922		55,332		53,796		67,104		76,390		67,348
TOKIO MARINE & NICHIDO FIRE INS		5		5		Went into Storage								
UNIVERSAL NORTH AMERICA			New to quota	89		89			89	89		89		89
WINDHAVEN NATIONAL INS. CO					New to quota	24			165	204		234		253
YOUNG AMERICA INS CO		5		Entered LAD										
<b>TOTALS</b>	1,023,678	1,023,678	1,023,672	1,023,612	1,020,653	1,020,653	1,019,411	1,019,411	1,019,411	1,017,450	1,016,765	1,016,765	772,248	772,248
<b>PREMIUMS WRITTEN</b>	2,690,098		2,156,742		1,864,575		1,916,600		557,399 1st qtr		572,257 2nd qtr		634,788 3rd qtr	

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Ret. Grp./  
Restricted

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Storage  
YE 2015

COMPANY	Year End 2013	Year End 2014	Year End 2015	Year End 2016	1st QTR 2017	2nd QTR 2017	3rd QTR 2017
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER
ACCIDENT INS CO						101	
ALASKA NATL		76		102	Entered CLAD		
AMALGAMATED CAS INS CO					New to quota	286	Entered CLAD
AMER BANKERS INS CO OF FLORIDA					Became ungrouped co has not Vol Premium (co w/ quota moved to Diamond State)		
AMER CONTRACTORS INS RISK RET. GRP		13,111		16,743	16,743	16,743	16,743
AMER MERCURY INS CO	12,371		15,785		4,296	8,074	8,848
AMER MODERN HOME INS CO		428					
AMER MODERN LLOYD'S		23,166					
AMER NATIONAL PROP & CAS CO		128		614	1,118	1,522	
AMER NATL COUNTY MUT INS CO					Entered CLAD	Became grouped	
AMER ROAD INS CO		70		135	197	248	
AMERICAN SAFETY CAS INS CO		3,165					
AMER SERVICE INS CO INC.		26		26	Became grouped		
AMERICAN BUILDERS INS CO (prev Association Ins Co)		91		183	320	Entered CLAD	
BRITISH AMERICAN INS CO		15,565		15,934	2,993	3,887	3,805
CLARENDON NATIONAL INS CO	51,569		51,569				
COLUMBIA INS CO	1,233		1,222				

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COMPANY Year End 2013 Year End 2014 Year End 2015 Year End 2016 1st QTR 2017 2nd QTR 2017 3rd QTR 2017

Storage--  
YE 2017

RCVR / CO  
Restricted;  
Storage

Storage--  
YE 2015

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COMPANY	Year End 2013	Year End 2014	Year End 2015	Year End 2016	1st QTR 2017	2nd QTR 2017	3rd QTR 2017	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
COLUMBIA MUT INS CO		0	4,627	7,227	Entered CLAD			
COREPOINTE INS CO (prev Chrysler & Daimlerchrysler)		39,102	39,982	40,259	Entered CLAD			
DONEGAL MUT INS CO						New to quota	680	
GENERAL STAR NATIONAL INS CO		59	59	59	59	59	59	59
GLOBAL LIBERTY INS CO OF NY			New to quota	34	462	Entered CLAD		
GOVERNMENT EMPLOYEES INS CO	21,366		24,021	25,707	26,691	24,969	23,534	22,374
GRAMERCY INS CO		9,371	9,371	9,371	9,371	9,371	9,371	9,371
GREAT MIDWEST INS CO		2,507	Became grouped					
HARLEYSVILLE INS CO					160	Became grouped		
HISCOX INS CO INC			New to quota	2	800	Entered CLAD		
HOUSING ENTERPRISE INS CO INC		13	23	33	38	Entered CLAD		
INTEGON NATIONAL INS CO					1,673,492	1,687,952	1,689,035	1,676,410
LINCOLN GENERAL		73,631	73,631	Went into Storage				
MAIDSTONE INSURANCE COMPANY (prev AUTOONE INS CO & Penn General)	415,745		414,922	414,900	414,900	414,900	414,900	414,900
MIDCONTINENT CAS CO	758,805		754,383	750,300	747,924	747,618	747,345	747,132
MOTORISTS COMM MUT INS CO (prev Amer Hardware Mut Ins Co)	28,801		28,223	27,828	27,561	27,482	27,414	27,360
NATIONAL BUILDERS INS CO		91	160	202	236	Became grouped		

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COMPANY	Year End 2013	Year End 2014	Year End 2015	Year End 2016	1st QTR 2017	2nd QTR 2017	3rd QTR 2017
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER
NATIONAL LIABILITY & FIRE INS CO (SC)		1,513,719	1,535,081		Entered CLAD		
NAVIGATORS INS CO		189	813		Entered CLAD		
NORTH AMER SPECIALTY INS CO		24	32		70		
OKLAHOMA SURETY CO	684,575		684,364	683,103	682,524	682,034	681,642
PENN MANUFACTURERS ASSN INS CO	606		Entered CLAD		Entered New CLAD		
PREFERRED PROFESSIONAL INS CO		920	1,119		1,516		
QUALITAS INS CO				New to quota	250		
REP WEST INS CO (REPUBLIC WESTERN INS CO)		32	41		Entered CLAD		
RIVERPORT INS CO		44	79		83	83	83
RURAL TRUST INS CO				New to quota	91		
SAFETY NATL CAS CORP		619	Entered CLAD				
SAMSUNG FIRE & MARINE INS CO				New to quota	Entered CLAD		
SENECA INS CO		3	93		343		
STATE FARM MUT AUTO INS CO		194,206	185,682	154,516	137,542	123,695	119,060
TEXAS FARM BUREAU CAS INS CO (prev Southern Farm Bur)		40,575	45,183	43,806	41,727	44,174	42,311
TEXAS HOSPITAL INS EXCH		10,895	11,191	11,521	11,836	11,935	12,020
TNUS INS CO			New to quota	37	49	Became grouped	



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COMPANY

Year End 2013

Year End 2014

Year End 2015

Year End 2016

1st QTR 2017

2nd QTR 2017

3rd QTR 2017

	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
TORUS NATIONAL INS CO (chg'd to Starstone Nat'l Ins Co 11/24/15)		400		Entered CLAD				Entered New CLAD				
TRANS PACIFIC INS CO					New to quota	16		Became grouped				
TRISTATE INS CO OF MN							New to quota	4		Became grouped		
TRIUMPHE CAS CO				New to quota	139	139		Entered CLAD				
ULLICO CAS CO		686		1,291		1,291		1,291		1,291		1,291
UNITRIN AUTO & HOME INS CO		32,159		32,159								
TOTALS	1,975,071	1,975,071	1,974,489	1,974,489	1,907,620	1,907,620	1,903,172	1,903,172	1,900,367	1,900,367	1,899,114	1,897,213
PREMIUMS CREDITED	1,987,161		1,993,432		1,923,849		1,777,884		574,818 1st qtr		479,062 2nd qtr	390,907 3rd qtr

RCVR/CO Storage--  
Restricted YE 2015  
Storage YF

# Plan of Operation Filing: Refunds

## Background

At the August 2017 Governing Committee Meeting, the board approved revisions to the Plan of Operation to comply with Senate Bill 698 passed during the 2015 Legislature, as well as the rule that TDI promulgated. TAIPA staff filed the revisions with TDI on August 28, 2017. Our filing is currently pending with TDI.

On November 6, 2017, we heard back from TDI that their attorney was questioning why we only requested changes to Section 14, and why we didn't change Section 6 as well. We contacted TDI to find out what they objected to in Section 6 as not being in compliance with Senate Bill 698, but we did not hear back before the November Governing Committee Meeting. The board agreed to bring the proposed language before the Operations Subcommittee once we heard back from TDI.

## Recommendation

The Operations Subcommittee recommends that the Governing Committee approve the following amendment to our Plan of Operations filing:

Section 6.C.4 currently reads:

**“Return Premium—Changes** Return premium resulting from changes to the policy may be used to reduce the outstanding balance, or, if the outstanding balance is eliminated, any amount remaining from the return premium will be returned immediately. If any outstanding balance remains, the number and amounts of the remaining installments will be adjusted accordingly. If the return amount is less than \$20 it may be treated as a separate transaction.”

TDI stated they'd like to see Section 6.C.4 read:

**“Return Premium—Changes** Return premium resulting from changes to the policy may be used to reduce the outstanding balance, or, if the outstanding balance is eliminated, any amount remaining from the return premium will be returned immediately in accordance with Chapter 558, Texas Insurance Code and the rules promulgated under that Chapter. If any outstanding balance remains, the number and amounts of the remaining installments will be adjusted accordingly, unless the policyholder requests otherwise. If the return amount is less than \$20 it may be treated as a separate transaction, unless the policyholder requests otherwise.”