

Texas Automobile Insurance Plan Association Governing Committee Meeting
Friday, August 16, 2019 - 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. Audit/Finance Committee Report
 - A. Report on 2018 Audit (Exhibit 1)*
5. Review and Approval of the Minutes of the March 22, 2019 Meeting (Exhibit 2)*
6. Chair's Report
7. Manager's Report
 - A. Application Count Update as of July (Exhibit 3)
 - B. Financial Update as of June (Exhibit 4)
 - C. Line of Credit Renewal*
 - D. Plan of Operation Filings
 - a. Plan of Operation Filing Update
 - b. Motor Vehicle Crime Prevention Authority (SB 604 & HB 2048) (Exhibit 5)*
 - E. 2020 Meeting Dates (Exhibit 6)*
8. Operations Subcommittee Report
 - Over/Under Report (Exhibit 7)
 - Procedures Related to Insurers Discontinuing Writing
9. Report of Counsel
 - A. TAIPA Rates (Exhibit 8)*
 - B. Legislative Updates
 - C. Insurance Policy Form Changes - Coverage for Temporary Vehicles (HB 3420)*
10. Next Meeting—November 22, 2019 at Omni Austin Southpark
11. Personnel Matters
12. 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.

*Indicates item on which the Manager believes the Governing Committee will take action.

TAIPA Governing Committee Meeting
August 16, 2019

**TAIPA GOVERNING COMMITTEE MEETING MINUTES
AUGUST 16, 2019 AT 9:00 AM
OMNI AUSTIN HOTEL SOUTHPARK**

ATTENDEES:

VOTING MEMBERS:

Todd Feltman, State Farm
Pete Hamel, Producer Member
Laura Hausman, Public Member (Via teleconference)
Carmelita Hogan, Public Member
Leslie Hurley, Public Member (Via teleconference)
Stephen Hylka, Liberty Mutual/Safeco (Via teleconference)
Becky Jackson, Public Member
Corise Morrison, USAA
Adam Payton, Producer Member
Matthew Snyder, Farmers
Alisha Darden, Public Member Alternate
Marti Luparello, Texas Farm Bureau
Michael Schalk, Allstate
David Weber, Hochheim Prairie (Chair)

COUNSEL:

Michael Jones, Thompson, Coe, Cousins & Irons
Georgia Lynn Porcher, Thompson, Coe, Cousins & Irons (Minute Taker)

TAIPA STAFF:

Stacy Dutton (Association Manager)
Mimi Leece
Ines Diaz

OTHERS:

Doug Beck, Farmers (Via teleconference)
Carol Berthold, GEICO (Via teleconference)
Kimberly Donovan, OPIC
John Lusardi, Assigned Risk Solutions, Ltd. (Via teleconference)
Ramon Montalvo, Producer Member Alternate
John Mooney, TDI
Melissa Herman, TDI
Tyler Mosley, Atchley and Associates
Joy Qi, Atchley and Associates

ITEM 1: CALL TO ORDER

David Weber called the meeting to order at 9:01 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: Audit/Finance Committee Report

Tyler Mosley from Atchley and Associates took the floor and went over their responsibility in relation to the Financial Statement Audit for the year ending December 31, 2018. He discussed what the audit covered and what it did not. Tyler stated there were no adjustments made by them during the audit. After the audit, however, he stated that they made a minimum liability adjustment to the pension, thus creating a loss. There was some discussion from the chair regarding this adjustment, benefit obligation, and fund status. He tasked the board to review these expenses and take note. Mr. Mosely also point out new reports that are now required, such as, “Statement of Functional Expenses”, “Liquidity and Availability”. He went over items that had changed over the past year and how these items were reflected on the new statements. These items are now requirements for non-profit organizations.

David Weber asked for a motion to accept the 2018 Audit.

- Corise Morrison made the motion and Todd Feltman seconded the motion to: “Accept the 2018 Audit.”
- The motion carried unanimously.

ITEM 5: Review and Approval of the Minutes of the March 22, 2019 Meeting (Exhibit 2)*

Becky Jackson presented the Minutes of the March 22, 2019 meeting.

David Weber asked for a motion to approve the minutes.

- Matthew Snyder made the motion and Todd Feltman seconded the motion to: “Approve the minutes.”
- The motion carried unanimously.

ITEM 6: Chair's Report

David Webber indicated that the only thing he had to report was that the officers had tried to get together to discuss TAIPA benefits, but had been unable to do this due to scheduling conflicts. He stated that they plan to meet on October 29, 2019 to review the benefits.

ITEM 6: Manager's Report

Stacy Dutton presented the Manager's Report.

A. APPLICATION COUNT UPDATE AS OF OCTOBER 2018 (EXHIBIT 3)

TAIPA received 219 applications in July 2019, compared to 269 in July 2018. Year-to-date, TAIPA has received 1,705 applications in 2019, compared to 2,119 in 2018, which is a decrease of 414 applications or about 19.54%. This means we are down an average of 2-3 applications per day from last year. We expect to receive 3,000 applications this year, which would be slightly below our 2018 volume.

B. FINANCIAL UPDATE AS OF SEPTEMBER 2018 (EXHIBIT 4)

TAIPA would expect to be at 50% of the budget used at the end of June, and is under-budget at about 10%. The items that are currently over-budget were explained. We expect to end the year about 10% under-budget due to our reduced staffing level. Stacy also went over the fact that she expected to end the year over budget in Computer Supplies and Expenses.

C. LINE OF CREDIT RENEWAL

TAIPA retains a \$300,000 line of credit with Frost Bank, and although we've never drawn on it, we carry it as a contingency. The line of credit is up for renewal on September 11, 2019. The annual renewal fees are expected to be about \$300, but there are no other fees unless we draw against it.

David Weber asked for a motion to approve the line of credit and make Stacy Dutton and Mimi Leece signers on the line of credit.

- It was moved by Carmelita Hogan and seconded by Pete Hamel to:
"Approve line of credit and to name Stacy Dutton and Mimi Leece as signers on the Line of Credit."
- The motion carried unanimously.

D. PLAN OF OPERATION FILING

a.) Update on TAIPA's proposed change to the Insurance Association Members of Governing Committee:

TDI has published TAIPA's requested change in the Texas Register. TAIPA is waiting for the Comment Period to close on September 3, 2019, and after that, the Commissioner will decide how to proceed and TAIPA will respond accordingly.

b.) Motor Vehicle Crime Prevention Authority (SB 604 and HB 2048)

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Recently House Bill 2048 and Senate Bill 604, passed and have made changes related to the Automobile Burglary and Theft Prevention Authority (ABTPA). HB 2048 increases the fee from \$2 to \$4 per motor vehicle each year, and is effective September 1, 2019 for insurance policies issued, delivered, or renewed on or after that date. SB 604 changes the name of the Automobile Burglary & Theft Prevention Authority to the Motor Vehicle Crime Prevention Authority (MVCPA).

This requires that TAIPA:

1. Amend our Plan of Operation to reflect these changes
2. Communicate this change to our Company Members and TAIPA Certified Producers.
3. Update our EASi Application

c.) Proposed Plan of Operations Language Change (Exhibit 5)

Legal Counsel wrote the proposed amendment to provide that that companies electing to pass through the fee must give notice of comply with applicable statute, regulation, or as may be approved by TDI instead of directing the language for the of notice. This was done for a couple of reasons: TDI is approving other language, and it will keep TAIPA from having to change the Plan of Operation each time the amount changes.

TAIPA is working with AIPSO to update our EASI applications to comply with the increase in fee and to change the description from “Burglary/Theft Fee” to “Crime Prevention Fee”. We have completed the testing on this and expect it to roll out September 1, 2019. TAIPA will be sending out a Bulletin to all of the Member companies and TAIPA certified producers to let them know of the change.

Mike Jones explained Exhibit 5 in depth and why these changes were made.

- It was moved by Becky Jackson and seconded by Todd Feltman to:
“Approve the proposed changed to TAIPA’s Plan of Operation.”
- The motion carried unanimously.

ITEM 8: 2020 MEETING DATES (EXHIBIT 6)

The 2020 meeting dates are March 27, August 21, and November 20. All meetings will be held at the Omni Austin Southpark.

- It was moved by Corise Morrison and seconded by Matthew Snyder to:
“Approve and accept the 2020 Meeting Dates.”
- The motion carried unanimously.

ITEM 9: OPERATIONS SUBCOMMITTEE REPORT

Stacy Dutton presented the Operations Subcommittee Report.

- a. **Over and Under Report (Exhibit 7)** – Nothing significant to report.
- b. **Procedures Related to Insurers Discontinuing Writing**

The Operations Sub Committee met on May 17, 2019, and continues to work on recommendations

on how to handle companies that leave the market. At the meeting we answered a number of questions that TAIPA Staff asked and decided how to proceed. TAIPA was asked to reach out to AIPSO and TAIPA's actuary about what it would cost to calculate a 5 year loss ratio calculation for companies leaving the Texas Market. TAIPA Staff has received this information last week and plan to have another Operations Sup Committee Meeting on September 5, 2019.

ITEM 10: REPORT OF COUNSEL

Mike Jones presented the Report of Counsel.

a. TAIPA Rates

Mr. Jones discussed the fact that Mike Miller had completed his work on the rate filing and that although he could actually recommend a higher rate filing, he was recommending an overall rate increase of 4.9% for both commercial and private passenger. Mr. Miller's selections would mean that a formal rate hearing would not be required. This would avoid additional expense that would be difficult to justify given the small population of insureds in TAIPA.

- It was moved by Alisha Darden and seconded by Todd Feltman:
"For Counsel and Mike Miller to make the rate filing and make any changes that may be required in response to TDI"
- The motion carried unanimously.

b. Legislative Update

Mike Jones provided details in regards to bills that will affect TAIPA such as, SB 1640 amending the open meetings law to clarify what constitutes an impermissible "walking quorum," and HB 3420 requiring personal auto policy forms to provide primary coverage for loaner vehicles as defined in the bill.

John Mooney from TDI took the floor and discussed:

- HB 259 – Named Driver bill which bars excluding a class of drivers.
- companies that plan to pass through the increased Motor Vehicle Crime Prevention Authority fee (\$2 fee moving to \$4) will need to file a rate filing,
- HB 3420 Coverage of Temporary Vehicles – making the user's insurance primary.
- the challenges companies might face with the language, definition and exclusions
- that TDI can supply companies with language when they have it

c. Insurance Policy Form Change due to Coverage for Temporary Vehicles (HB 3420)

There was discussion about the coverage of temporary vehicles needing to be covered under the TAIPA policy.

- It was moved by Corise Morrison and seconded by Pete Hamel to:
"Approval of Legal Counsel to work with the Manager to update TAIPA's policy form with regard to coverage of temporary vehicles and submit to TDI for approval"
- The motion carried unanimously.

d. Suggestion to have Operations Subcommittee review TAIPA Policies

Mike Jones discussed the fact that TAIPA's private passenger and commercial policies should be reviewed. He suggested that Operations Subcommittee should study this and make recommendations to the Governing Committee.

David Webber opened a discussion about reviewing how TAIPA operates and suggested looking at ways to make TAIPA and the process more efficient, including such matters as whether to allow companies to use their own policies and rates and just adding a percentage for TAIPA business. He stated that if the Operations Subcommittee wanted to pursue this, they would need to have a decision by August of 2020 so that they could prepare for a legislative Update for 2021. He stated that finding ways to use what companies already have in place for policies and procedures may make the process more efficient to consumers and producers. There was discussion that we would need to change the statute and that there would be quite a bit of cost to do this and that this is not an easy task.

- It was moved by Todd Feltman and seconded by Alisha Darden:
"For Operations Subcommittee to:
 1. Review TAIPA Policies to ensure that they are where they need to be" and
 2. Look at considering legislative changes or other changes to make TAIPA more efficient.
- The motion carried unanimously.

ITEM 11: NEXT GOVERNING COMMITTEE MEETING

Stacy Dutton presented the date for the next Governing Committee Meeting for Friday, November 22, 2019.

- It was moved by Becky Jackson and seconded by Todd Feltman:
"Approval of the date for the next Governing Committee Meeting.
- The motion carried unanimously.

ITEM 12: PERSONNEL MATTERS

David Webber announced at 10:15 am that a closed meeting will be held pursuant to Government Code Section 551.074 relating to personnel matters and Section 551.071 for consultation with attorney. All left the room except members of Governing Committee, alternates, counsel, and the Manager.

A closed session meeting was held.

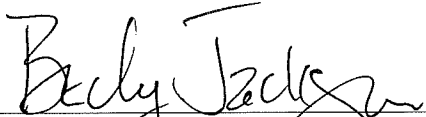
TAIPA came back from closed session at 10:43 a.m. There was no action taken following the closed session.

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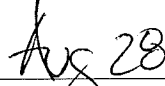

ITEM 13: ADJOURNMENT

There being nothing further to discuss,

- it was moved by Corise Morrison and seconded by Todd Feltman to:
“Adjourn the Meeting”
- The motion carried unanimously and the meeting ended at 10:44 a.m.



Becky Jackson
Secretary

Date Signed: _____, 2019




Audit Committee
Texas Automobile Insurance Plan Association
Austin, Texas

We have audited the financial statements of Texas Automobile Insurance Plan Association as of and for the year ended December 31, 2018, and have issued our report thereon dated July 16, 2019. 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 March 1, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Texas Automobile Insurance Plan Association is included in Note A to the financial statements. As described in Note A to the financial statements, during the period, Texas Automobile Insurance Plan Association adopted FASB Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* and has adjusted the presentation of the financial statements to comply with the update. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

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

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

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

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

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated July 16, 2019.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings or Issues

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

This report is intended solely for the information and use of the Audit Committee, Governing Committee, and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to Texas Automobile Insurance Plan Association.

Atchley & Associates, LLP

Austin, Texas

July 16, 2019



TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

Stacy Dutton
Association Manager
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July 16, 2019

Atchley & Associates, LLP
1005 La Posada Drive
Austin, Texas 78752

This representation letter is provided in connection with your audits of the financial statements of Texas Automobile Insurance Plan Association (the Organization) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and the supplementary comparison of revenues and expense versus budget. We confirm that we are responsible for the fair presentation in financial statements of financial position, results of activities, and cash flows in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated March 1, 2019, for the preparation and fair presentation of the financial statements referred to above in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. We have no knowledge of any uncorrected misstatements in the financial statements.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Lines of credit or similar arrangements.
 - b. All leases and material amounts of rental obligations under long-term leases.
 - c. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues,

available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.

- d. Concentrations of credit risk.
- e. Allocations of functional expenses based on reasonable basis.

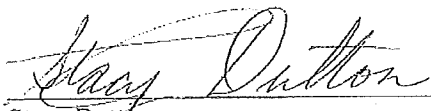
Information Provided

- 9. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 10. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 11. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
- 12. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
- 13. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements received in communications from employees, former employees, regulators, or others.
- 14. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 15. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
- 16. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
- 17. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Organization's ability to record, process, summarize, and report financial data.
- 18. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
 - a. The Organization has no significant amounts of idle property and equipment.

- b. The Organization has no plans or intentions to discontinue operations or to discontinue any significant services.
 - c. Provision has been made to reduce all assets that have permanently declined in value to their realizable values.
 - d. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.
20. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
- a. To reduce receivables to their estimated net collectable amounts.
 - b. For pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through December 31, 2018.
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, 2018, and/or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2018.
 - h. Liabilities that are subordinated to any other actual or possible liabilities of the Organization.
 - i. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.
 - j. Concentrations of credit risk.
 - k. Reclassifications between net asset classes
22. The Organization has satisfactory title to all owned assets.
23. We have complied with all aspects of contractual agreements, grants, and donor restrictions that would have a material effect on financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and Uniform Guidance, because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

24. We have received a determination from the Internal Revenue Service that we are exempt from federal income taxes as a Section 501(c)(6) not-for-profit association, and we have complied with the IRS regulations regarding this exemption.
25. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
26. We are responsible for determining that significant events or transactions that have occurred since the statement of financial position date and through the date of this letter have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the statement of financial position date and through the date of this letter that would require recognition or disclosure in the financial statements. We further represent that, as of the date of this letter, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America, and all approvals necessary for issuance of the financial statements had been obtained.
27. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Sincerely,



Stacy Dutton
Association Manager
Texas Automobile Insurance Plan Association

TEXAS AUTOMOBILE INSURANCE
PLAN ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

Governing Committee
Texas Automobile Insurance Plan Association

Report on the Financial Statements

We have audited the accompanying financial statements of the Texas Automobile Insurance Plan Association (TAIPA) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TAIPA as of December 31, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of comparison of revenues and expenses versus budget is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Atchley & Associates, LLP

Austin, Texas

July 16, 2019

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	\$ 179,078	\$ 155,571
Accounts receivable	200	-
Prepaid expenses	22,347	29,252
Security deposits	5,379	5,379
Total current assets	207,004	190,202
Property and Equipment		
Furniture and equipment	26,653	38,921
Computer equipment	8,124	23,762
Leasehold improvements	2,222	50,007
Computer software and program development costs	25,000	34,858
	61,999	147,548
Less accumulated depreciation	(47,100)	(126,116)
	14,899	21,432
Total assets	\$ 221,903	\$ 211,634
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 6,210	\$ 11,638
Accrued vacation	23,761	25,315
Accrued payroll liabilities	9,277	52,412
Other accrued liabilities	5,453	6,334
Total current liabilities	44,701	95,699
Other Liabilities		
Accrued pension benefit costs	301,284	183,909
Deferred lease benefit	7,283	3,826
Total other liabilities	308,567	187,735
Net Assets (Deficiency)		
Without Donor Restrictions	1,016,760	942,979
Accumulated effect of pension adjustment	(1,148,125)	(1,014,779)
Total net assets (deficiency)	(131,365)	(71,800)
Total liabilities and net assets (deficiency)	\$ 221,903	\$ 211,634

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF ACTIVITIES
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Member assessments	\$ 825,700	\$ 997,100
Assessment penalties	5,350	3,458
Interest income	3,162	609
Total revenues	<u>834,212</u>	<u>1,001,167</u>
Expenses		
Program services	480,808	605,782
Management and general	279,352	404,570
Total expenses	<u>760,160</u>	<u>1,010,352</u>
Other revenues (expenses)		
Loss from disposals of property and equipment	(271)	-
Pension minimum liability adjustment	(133,346)	177,332
Total other revenues (expenses)	<u>(133,617)</u>	<u>177,332</u>
Net change in net assets without donor restrictions	(59,565)	168,147
Net assets (deficiency) at beginning of year	<u>(71,800)</u>	<u>(239,947)</u>
Net assets (deficiency) at end of year	<u>\$ (131,365)</u>	<u>\$ (71,800)</u>

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program services</u>	<u>Management and general</u>	<u>Total</u>
Expenses			
Salaries and related expenses	\$ 246,178	\$ 213,800	\$ 459,978
Professional services	117,830	1,387	119,217
Occupancy expenses	86,672	8,756	95,428
Governing committee	-	19,622	19,622
Postage and delivery	9,783	9,400	19,183
Office supplies and expense	10,317	3,439	13,756
Depreciation and amortization	5,000	3,485	8,485
Staff education and seminars	-	6,837	6,837
Computer supplies and expense	5,028	1,676	6,704
Miscellaneous	-	6,079	6,079
Staff expense	-	1,799	1,799
Operating committee	-	1,750	1,750
Dues, subscriptions and publications	-	1,322	1,322
	<u>\$ 480,808</u>	<u>\$ 279,352</u>	<u>\$ 760,160</u>

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program services	Management and general	Total
Expenses			
Salaries and related expenses	\$ 325,794	\$ 320,179	\$ 645,973
Professional services	133,123	10,217	143,340
Occupancy expenses	116,251	12,827	129,078
Governing committee	-	18,092	18,092
Postage and delivery	9,786	9,786	19,572
Office supplies and expense	11,928	3,976	15,904
Depreciation and amortization	5,000	10,208	15,208
Staff education and seminars	-	3,930	3,930
Computer supplies and expense	3,900	1,300	5,200
Miscellaneous	-	8,106	8,106
Staff expense	-	1,946	1,946
Operating committee	-	2,500	2,500
Dues, subscriptions and publications	-	1,503	1,503
Total expenses	<u>\$ 605,782</u>	<u>\$ 404,570</u>	<u>\$ 1,010,352</u>

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
STATEMENTS OF CASH FLOWS
AS OF DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	\$ (59,565)	\$ 168,147
Adjustments to reconcile change in net assets to net cash flows		
Depreciation and amortization	8,485	15,208
Net losses (gains) on asset dispositions	271	-
Change in operating assets and liabilities		
Accounts receivable	(200)	150
Prepaid expenses	6,905	(4,247)
Security deposits	-	(5,379)
Accounts payable	(5,428)	4,142
Accrued vacation	(1,554)	(13,798)
Accrued payroll liabilities	(43,135)	43,997
Other accrued liabilities	(881)	197
Accrued pension benefit costs	117,375	(130,533)
Deferred lease benefit	3,457	(13,738)
	25,730	64,146
INVESTING ACTIVITIES		
Purchases of property and equipment	(2,223)	-
	(2,223)	-
Net change in cash and cash equivalents	23,507	64,146
Cash and cash equivalents - beginning of year	155,571	91,425
Cash and cash equivalents - end of year	\$ 179,078	\$ 155,571

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

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Texas Automobile Insurance Plan (the Plan) was formed in January 1952 for the purposes of (1) making automobile liability insurance (both bodily injury and property damage) available to drivers in Texas who cannot obtain such insurance in the voluntary market, and (2) establishing a procedure for the equitable distribution of these risks among all automobile insurance companies admitted to do business in Texas.

During 1993, the Texas Legislature established the Texas Automobile Insurance Plan Association (TAIPA). TAIPA provides a means by which insurance may be assigned to an authorized insurer and essentially provides the same function as the Plan. The TAIPA Plan of Operation became effective as of January 1, 1995, at which time the Plan was abolished.

Basis of Accounting

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

Financial Statement Presentation

TAIPA's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, TAIPA is required to report information regarding their financial position and activities, as applicable, according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based on the absence or existence of donor-imposed restrictions.

Net Assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired or been satisfied.

Net Assets with donor restrictions - Net assets that are subject to donor-imposed restriction either for use during a specific time period or for a particular purpose.

Net Assets Released From Restrictions

When a restriction is fulfilled or when a time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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.

Property and Equipment

TAIPA reports property and equipment at historical cost if purchased, or at fair value if donated, less accumulated depreciation. Property and equipment purchased in excess of \$1,000 are capitalized. Repairs and maintenance costs are expensed as incurred while betterments and improvements are capitalized. Provision for depreciation is recognized using primarily the straight-line method over the estimated useful lives of the depreciable assets which is generally five to ten years. Upon the sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of activities.

Revenue Recognition

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

Concentrations of Credit Risk

TAIPA maintains its cash with high credit quality financial institutions which are members of the Federal Deposit Insurance Corporation. Occasionally, balances on deposit exceed federally insured limits; however, management believes there is no significant uninsured risk related to these deposits.

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 Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 740, *Accounting for Uncertainty in Income Tax*. The benefits of tax positions are recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the positions will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. As of December 31, 2018 and 2017, TAIPA has not recognized liabilities for uncertain tax positions or associated interest and penalties.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018 AND 2017

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

TAIPA's federal exempt organization returns for the years ended December 31, 2015, and after are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Functional Expenses

The costs of administering the Plan and other activities have been summarized on a functional basis in the statements of activities. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method</u>
Salaries and related expenses	Time and effort
Professional services	Time and effort
Occupancy expenses	Square footage
Postage and delivery	Time and effort
Office supplies and expense	Time and effort
Depreciation and amortization	Square footage
Computer supplies and expense	Time and effort

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. TAIPA has adjusted the presentation of these statements accordingly.

Subsequent Events

The management of TAIPA has evaluated subsequent events for disclosure through the date of the independent auditors' report, the date the financial statements were available to be issued.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 \$12,744 and \$19,251 for 2018 and 2017, respectively.

Defined Benefit Plan

TAIPA is a member of The Pension Plan for Insurance Organizations (the Pension). The Pension is a multiple-employer defined benefit plan. The trustee of the Pension is the Principal Trust Company, a member of the Principal Financial Group. The Pension's employer identification number is 27-0131295 and Plan Number 001. An employee is eligible to become a member at the beginning of the first twelve-month period during which 1,000 hours of service have been completed with 100% vesting after (a) five or more years of service or (b) four years of service and 1,000 hours. TAIPA's funding policy is to make monthly contributions in conformance with minimum funding requirements. For the year ending December 31, 2018, 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 net assets without donor restrictions 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 status of the defined benefit pension plan and amounts per ASC 715 at December 31, 2018 and 2017.

	2018	2017
Components that have been recognized as changes to net assets without donor restrictions arising from the Pension but not yet reclassified as components of net periodic benefit costs for the year ended December 31:		
Service cost	\$ 36,015	\$ 37,314
Interest cost	151,773	162,274
Expected return on MRVA	(222,763)	(205,597)
Amortization of net prior service cost	5,736	5,736
Amortization of net actuarial loss (gain)	85,394	115,341
Net periodic benefit cost	\$ 56,155	\$ 115,068

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE B - EMPLOYEE BENEFIT PLANS - Continued

The status of the Pension for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 4,341,160	\$ 4,141,991
Service cost	36,015	37,314
Interest cost	151,773	162,274
Actuarial loss (gain)	(247,908)	249,685
Benefits paid	<u>(280,041)</u>	<u>(250,104)</u>
Benefit obligation at end of year	<u>4,000,999</u>	<u>4,341,160</u>
Change in pension plan assets		
Fair value of pension plan assets at beginning of year	4,157,251	3,827,549
Actual return on pension plan assets	(249,621)	511,537
Employer contributions	72,126	68,269
Benefits paid	<u>(280,041)</u>	<u>(250,104)</u>
Fair value of pension plan assets at end of year	<u>3,699,715</u>	<u>4,157,251</u>
Funded status at end of year	<u>\$ (301,284)</u>	<u>\$ (183,909)</u>
Amounts recognized in the statement of financial position as of December 31:		
Accrued pension benefit costs	<u>\$ 301,284</u>	<u>\$ 183,909</u>
Amounts recognized as changes in net assets without donor restrictions arising from a defined benefit plan as of December 31:		
Accumulated net loss (gain)	<u>\$ 1,148,125</u>	<u>\$ 1,014,779</u>
Other changes in pension plan assets and benefit obligations recognized as changes in net assets without donor restrictions not yet included in net periodic benefit cost for the years ended December 31:		
Net gain (loss)	\$ (85,394)	\$ (115,341)
Net prior service credit (cost)	(5,736)	(5,736)
New actuarial losses	224,476	(56,255)
	<u>\$ 133,346</u>	<u>\$ (177,332)</u>

The estimated net loss for the defined benefit pension plan that will be amortized into net periodic benefit cost over the next fiscal year is \$93,659.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018 AND 2017

NOTE B - EMPLOYEE BENEFIT PLANS - Continued

The accumulated benefit obligation for the Pension was \$3,913,532 and \$4,245,368 as of December 31, 2018 and 2017, respectively.

Employer contributions expected to be paid during the year ending December 31, 2019, is \$73,777.

Weighted average assumptions used to develop benefit obligations were:

	2018	2017
Discount rate	4.25%	3.50%
Rate of compensation increases	3.00%	3.00%

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

	2018	2017
Discount rate	3.50%	4.00%
Expected return on pension plan assets	5.50%	5.50%
Rate of compensation increases	3.00%	3.00%

TAIPA's target investment allocation is 60% equity securities and 40% debt securities and its asset diversifications as of December 31, 2018 and 2017, were as follows:

	2018	2017
Equity securities	31.80%	37.30%
Debt securities	61.20%	57.00%
Real estate	5.10%	4.90%
Cash	1.90%	0.80%
	100.0%	100.0%

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

Fiscal Years Ending		
December 31, 2019	\$	273,068
December 31, 2020		267,939
December 31, 2021		262,629
December 31, 2022		261,549
December 31, 2023		261,608
December 31, 2024-2028		1,310,392
Total	\$	2,637,185

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 31. The employees who have remaining All Purpose Leave available as of December 31 are able to carry up to 350 hours over to the following year. Any amount in excess of 350 hours will be forfeited each January 1. Accrued leave in the amount of \$23,761 and \$25,315 has been recorded in the accompanying statements of financial position as of December 31, 2018 and 2017, respectively.

NOTE D - LEASE COMMITMENTS

TAIPA leases office space and certain equipment under noncancelable operating leases. The lease for office space terminates on April 30, 2023, while the leases for equipment expire through 2021. Minimum future obligations from leases in effect at December 31, 2018, are as follows:

Due in Years Ending	
December 31, 2019	\$ 50,524
December 31, 2020	44,943
December 31, 2021	42,054
December 31, 2022	42,960
December 31, 2023	14,380
	\$ 194,861

Lease expenses for operating leases were \$86,263 and \$125,248 for the years ended December 31, 2018 and 2017, 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 FASB ASC 840, the total amount of rental payments due over the lease term is charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited to "deferred lease benefit", and is included in the accompanying statements of financial position.

NOTE F - LINE OF CREDIT

TAIPA renewed a bank line of credit totaling \$300,000 on September 2, 2018. Interest, calculated at the bank's prime rate, is payable monthly. At December 31, 2018, there was no outstanding balance on the line, and there were no borrowings on the line of credit during the years ended December 31, 2018 and 2017. The line of credit matures on September 11, 2019.

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018 AND 2017

NOTE G - LIQUIDITY AND AVAILABILITY

The following represents TAIPA's financial assets at December 31, 2018:

Financial assets at year end:

Cash and cash equivalents	\$ 179,078
Accounts receivable	<u>200</u>
Total financial assets available to use	<u><u>\$ 179,278</u></u>

In addition to financial assets available to meet general expenditures over the next 12 months, TAIPA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. TAIPA regularly monitors liquidity required to meet its operating needs and other contractual commitments. TAIPA's goal is to maintain financial assets to meet approximately one year of operating expenses. This is achieved by determining: 1. TAIPA's budget for the upcoming year, 2. what if any amount of carryover cash can be applied to the budget, and 3. the proper membership fees and assessments to cover that budget. As part of TAIPA's liquidity plan, excess cash is moved to TAIPA's savings account to maximize the interest income. TAIPA also maintains a \$300,000 line of credit to meet any unexpected cash flow needs.

SUPPLEMENTAL
INFORMATION

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION
SUPPLEMENTAL INFORMATION
COMPARISON OF REVENUES AND EXPENSES VERSUS BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues			
Member assessments	\$ 825,700	\$ 825,000	\$ 700
Interest income	3,162	-	3,162
Assessment penalties	5,350	-	5,350
Total Revenues	<u>834,212</u>	<u>825,000</u>	<u>9,212</u>
Operating Expenses			
Salaries	322,505	327,000	4,495
Employee benefits and other insurance	137,473	171,900	34,427
Rent	77,153	76,900	(253)
Moving	7,009	9,500	2,491
Telephone/internet access	10,405	12,100	1,695
Property taxes	861	900	39
Professional services			
Legal	38,471	43,700	5,229
Audit	21,203	23,000	1,797
Systems consultants	47,392	51,000	3,608
Consultants - other	3,651	4,000	349
Actuary	8,500	8,500	-
Depreciation and amortization	8,485	9,000	515
Postage and delivery	19,183	25,400	6,217
Office equipment and supplies	11,979	14,400	2,421
Printing and stationary	1,777	2,800	1,023
Governing committee	19,622	28,100	8,478
Computer supplies and expenses	6,704	7,600	896
Operating committee	1,750	2,500	750
Employee meetings, seminars and travel	6,837	14,400	7,563
Other	6,079	9,700	3,621
Staff expense	1,799	2,700	901
Dues, subscriptions and publications	1,322	1,700	378
Total Operating Expenses	<u>760,160</u>	<u>846,800</u>	<u>86,640</u>
Other Revenues (Expenses)			
Gain from disposal	(271)	-	(271)
Pension minimum liability adjustment	(133,346)	-	(133,346)
Total Other Revenues (Expenses)	<u>(133,617)</u>	<u>-</u>	<u>(133,617)</u>
Change in Net Assets Without Donor Restrictions	<u>\$ (59,565)</u>	<u>\$ (21,800)</u>	<u>\$ (37,765)</u>

TAIPA Governing Committee Meeting Minutes
Friday, March 22, 2019, 9:00 A.M.
Omni Austin Hotel Southpark, 4140 Governor's Row, Austin, Texas 78744

ATTENDEES:

VOTING MEMBERS:

Mary Carol Awalt, Public Member
Bill Brooks, Texas Farm Bureau (Immediate Past-Chair)
Todd Feltman, State Farm
Pete Hamel, Producer Member
Laura Hausman, Public Member (via teleconference)
Carmelita Hogan, Public Member
Leslie Hurley, Public Member
Stephen Hylka, Liberty Mutual/Safeco
Becky Jackson, Public Member (Secretary)
Anise Mulkey, Travelers (Second Vice-Chair) (via teleconference)
Adam Payton, Producer Member
David Weber, Hochheim Prairie (Chair)
Corise Morrison, USAA (First Vice-Chair)
Mike Schalk, Allstate (via teleconference)
Matt Schneider, Farmers

COUNSEL:

Michael Jones, Thompson Coe, Cousins & Irons

TAIPA STAFF:

Stacy Dutton, Association Manager
Mimi Leece

OTHERS:

Doug Beck, Farmers (via teleconference)
Alisha Darden, Alternate Public Member (via teleconference)
Kimberly Donovan, OPIC
Alex Hageli, APCIA (via teleconference)
John Lusardi, Assigned Risk Solutions, Ltd. (via teleconference)
Paul Martin, NAMIC (via teleconference)
Ramon Montalvo, Alternate Producer Member
John Mooney, TDI
Marilyn Rickman, Thompson Coe
Thomas Rolling, Farmers
Kate Thompson, TDI

ITEM 1. CALL TO ORDER

David Weber called the meeting to order at 9:00 a.m.

ITEM 2: INTRODUCTIONS

Introductions were made.

ITEM 3: READING OF THE ANTITRUST STATEMENT

Stacy Dutton read the Anti-Trust Statement:

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

ITEM 4. RECOGNITION OF TOM ROLLING’S SERVICE TO TAIPA

Mr. Weber recognized Bill Brooks to offer comments on the upcoming retirement of Tom Rolling and immediately from his work with and on behalf of TAIPA. Mr. Brooks commended Mr. Rolling for his service over the last 12 years on the Committee, including his service as Chair of the Governing Committee and various committees of TAIPA. Mr. Brooks presented a plaque to Mr. Rolling who then offered his appreciation to the members for their support throughout the years. He also introduced Matt Schneider who will be replacing Mr. Rolling on the Committee.

ITEM 5. ELECTION OF OFFICERS

On behalf of the Nominating Committee, Mike Schalk presented the following nominations for officers of the TAIPA Governing Committee:

Chair:	David Weber, Hochheim Prairie
First Vice-Chair:	Corise Morrison, USAA
Second Vice-Chair:	Anise Mulkey, Travelers
Secretary:	Becky Jackson, Public Member

Upon motion by Todd Feltman, seconded by Stephen Hylka, the nominations of officers of the TAIPA Governing Committee were approved.

ITEM 6. REVIEW AND APPROVAL OF THE MINUTES OF THE NOVEMBER 16, 2019 MEETING (Exhibit 1)

An error was noted on page 7, Item 10, paragraph A, line 5. The word “report” should be changed to “resort”. Upon motion by Corise Morrison, seconded by Adam Payton, the minutes were approved as amended.

ITEM 7. CHAIR’S REPORT

A. AIA/PCI Merger

Chair Weber presented his report on the AIA/PCI Merger. Earlier this year, the American Insurance Association (“AIA”) and the Property Casualty Insurers Association of America (“PCI”) merged to form the American Property Casualty Insurance Association (“APCIA”).

Mr. Weber discussed that the Plan of Operation language will have to be changed with regard to the selection of insurer members of the Governing Committee. He stated that the current AIA and PCI members will maintain their seats on the Governing Committee for 2019, but a decision will need to be made to determine the makeup of the Governing Committee after that.

Mr. Weber discussed that in the past, when associations have merged, TAIPA has elected to have only one representative from the merged association. TAIPA made the assumption that the Governing Committee would want to do the same again and that is why the suggested language in (Exhibit 2), includes (1) the current Plan of Operation language; (2) the new proposed language (redlined) to the Plan of Operation; and (3) the new proposed language (not redlined) to the Plan of Operation. This proposal would provide that the National Association of Mutual Insurance Companies (NAMIC) would appoint one insurer member to the Governing Committee, and APCIA would appoint one. That said, the Governing Committee can elect to have NAMIC appoint a representative for the Governing Committee and APCIA appoint a member to the Governing Committee or it could allow APCIA to maintain two members on the Governing Committee, or opt to elect another At-Large member of the Governing Committee. Mr. Weber mentioned that there were letters from both NAMIC and APCIA that had been provided to the Committee to review to gain additional insight into both organizations.¹ He discussed the fact that we would need to make a determination at this meeting if we wanted to give TDI time to review the recommendations and get the change made prior to TAIPA contacting the Associations in September about their appointments. He stated that we would discuss the matter further during the Managers report.

ITEM 8. MANAGER’S REPORT

A. AIA/PCI Merger and Proposed Change to Plan of Operation (Exhibit 2)

Ms. Dutton presented her report on the AIA/PCI Merger and the proposed change to TAIPA’s Plan of Operation that would need to be made in order for TDI to have time to approve the change, for TAIPA to contact the associations for their appointments in September and to allow

¹ The NAMIC letter was included in the agenda exhibits. The APCIA letter was emailed separately to the Governing Committee members and is attached to these minutes.

company members to make a determination if they wanted to run as an At-Large member if not selected by an Association Member by the December deadline.

There was discussion about maintaining two APCIA members to keep the continuity of the Governing Committee relatively the same. Other Governing Committee members mentioned that the Governing Committee may maintain the same members because of the membership that companies had in NAMIC.

Following discussion, Mr. Brooks offered a motion to amend the Plan of Operation to provide that APCIA would appoint two insurer members to the Governing Committee. The motion failed for want of a second.

Mr. Feltman offered a motion to approve the proposed amended language to the Plan of Operation as set out in Exhibit 2. The motion was seconded by Ms. Morrison.

The roll was called and a vote taken. Counsel tallied the votes and announced there were seven Ayes, seven Abstains, and one Nay. Pursuant to the Plan of Operation the Plan can be amended by a majority of the Governing Committee members present and voting. Accordingly, the motion carries to approve the proposed amended language to the plan of operation. The vote included approval by a majority of the insurer members. The amendment will be filed with the Texas Department of Insurance for the Commissioner's approval.

B. Application Count Update

a. For Year End 2018 (Exhibit 3)

TAIPA received a total of 3,433 applications in 2018, compared to 3,587 in 2017, which is a decrease of about 4.3%. We believe that this continues to be indicative of reaching the "bottoming out" period in which application volumes will remain relatively stable.

b. As of February 2019 (Exhibit 4)

TAIPA's received 245 applications in February 2019, compared to 301 in February 2018. Year-to-date, TAIPA has received 487 applications in 2019, compared to 580 in 2018, which is a decrease of about 16%. While this is a larger percentage, this is still consistent with the "bottoming out" theory.

C. Financial Update for Year End 2018 (Exhibit 5)

Operation expenses ended the year under-budget at 89.80%. Certain line items were reviewed.

D. Conflict of Interest Policy (Exhibit 6). The Conflict of Interest Certification was distributed to the attendees for signature and return. Ms. Dutton stated that the Conflict of Interest Certification was to be signed by each member each year.

E. Administrative Rules (Exhibit 7). Ms. Dutton stated that the Administrative Rules are distributed at the first meeting of the year.

ITEM 9. AUDIT/FINANCE COMMITTEE REPORT

A. Audit Engagement Letter (Exhibit 8). Ms. Dutton presented the letter from auditors Atchley & Associates and advised that the audit was scheduled to take place May 27-31, 2019. Upon motion by Mr. Brooks, seconded by Ms. Morrison, the Governing Committee authorized Mr. Weber and Ms. Dutton to sign the engagement letter.

ITEM 10. OPERATIONS SUBCOMMITTEE REPORT

A. Over/Under Report (Exhibit 9)

Ms. Mulkey stated the report was included in the exhibits, there was nothing of note and asked if there were any questions.

B. Procedures Related to Insurers Discontinuing Writing

Ms. Mulkey reported that this matter is still being considered and that she would provide an update at the August 2019 meeting.

ITEM 11. REPORT OF COUNSEL

A. TAIPA Rates. Mr. Jones reviewed the rate filing process. The current rates became effective March 1, 2019. The next rate filing will likely be made in September 2019. TAIPA will obtain the data and Mike Miller will work on a rate recommendation this summer. We will have a recommendation to the Governing Committee for the August meeting.

B. Legislative Session Update. Mr. Jones updated the Committee on the 2019 Texas Legislature as it pertains to issues of concern to TAIPA. He indicated there were several bills being monitored, including those pertaining to PIP limits, named driver policies, loaner car coverage and open meeting requirements, including the "walking quorum" issue. Mr. Jones noted that so far no bills had been filed to amend the TAIPA statute. Mr. Weber noted that the House Insurance Committee and Senate Business and Commerce Committees meet on Tuesdays during Session.

Mr. Mooney also made general comments on pending bills that may affect auto insurance.

ITEM 12. NEXT MEETING – August 16, 2019 at Omni Austin Hotel Southpark

ITEM 13. PERSONNEL MATTERS

Pursuant to Government Code Sec. 551.074 the Chair announced at 9:55 a.m. that a closed meeting would be held to consider the following:

- A. TAIPA Staffing
- B. Defined Benefits (Pension Plan)
- C. Managers Review

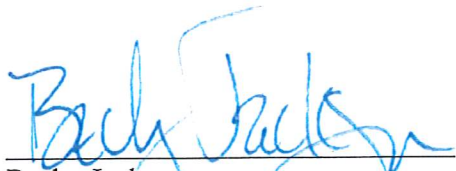
The Governing Committee met in closed session to consider the above matters.

The Governing Committee returned to its open meeting at 11:30 a.m. and announced that the Officers will continue to study the defined benefits plan and report to the Committee at the August 2018 meeting.

Ms. Morrison moved and Mr. Feltman seconded the motion to authorize David Weber to administer the review of Stacy Dutton. The motion passed unanimously.

ITEM 14. ADJOURNMENT

Upon motion by Mr. Feldman, seconded by Mr. Hylka, the meeting adjourned at 11:32 a.m.



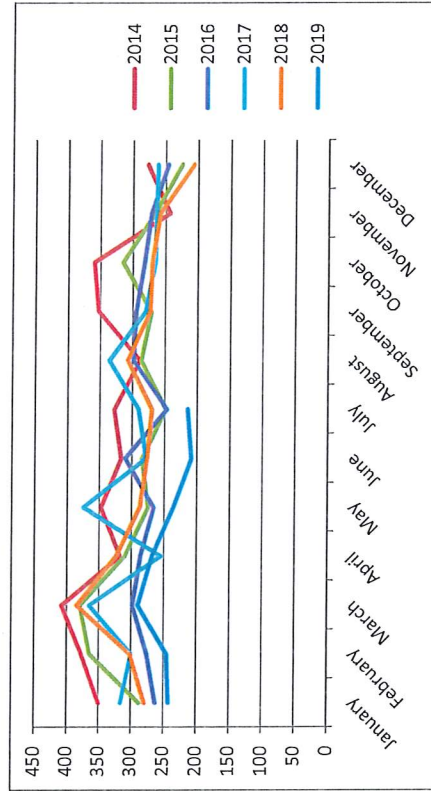
Becky Jackson
Secretary

Date Signed: May 21, 2019

Monthly Total (July 2019)		
	Private Passenger	Commercial
EASi Applications	178	37
Paper Applications	0	0
Total Applications Received	178	37
Applications Assigned	171	37
Apps Returned for Correction	7	0
Applications Deficient	7	2
Applications with SR-22s	5	0
Total Applications Received in July 2018:		269
Total Applications Received in July 2019:		215
Year to Date Total (as of July 2019)		
	Private Passenger	Commercial
EASi Applications	1453	252
Paper Applications	0	0
Total Applications Received	1453	252
Applications Assigned	1402	247
Apps Returned for Correction	51	5
Applications Deficient	109	40
Applications with SR-22s	53	0
Total Applications Received YTD (as of July 2018):		2,119
Total Applications Received YTD (as of July 2019):		1,705
YTD Percent Change from July 2018 to July 2019:		-19.54%
Application Assignment History*		
1995: 461,059	2003: 74,506	2011: 7,364
1996: 214,744	2004: 47,434	2012: 5,898
1997: 95,461	2005: 31,517	2013: 4,708
1998: 55,041	2006: 23,634	2014: 3,628
1999: 47,108	2007: 16,780	2015: 3,217
2000: 44,945	2008: 12,896	2016: 3,089
2001: 53,477	2009: 10,299	2017: 3,508
2002: 66,153	2010: 8,725	2018: 3,338

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

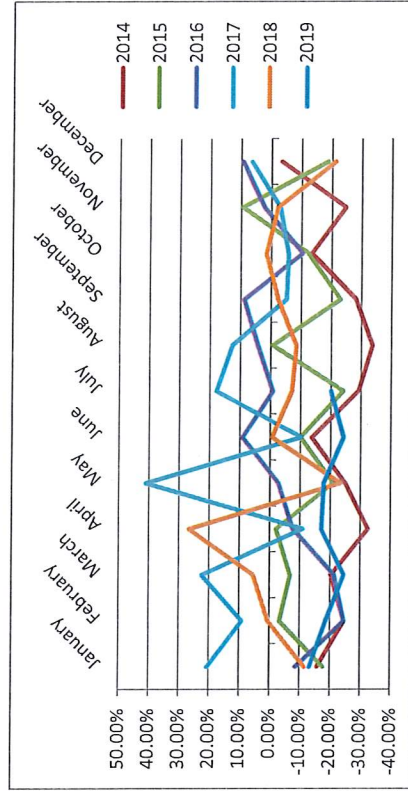
Trend of Applications Received from 2014 to 2019



	2014	2015	2016	2017	2018	2019
January	349	287	262	316	279	242
February	377	364	275	300	301	245
March	407	379	298	365	384	290
April	317	310	286	255	323	268
May	347	274	266	375	287	236
June	316	284	310	278	276	209
July	327	248	246	290	269	215
August	288	286	298	336	307	
September	352	271	295	280	273	
October	359	315	282	266	270	
November	243	266	272	264	258	
December	277	225	246	262	206	
Total	3,959	3,509	3,336	3,587	3,433	1,705

Estimate of Applications to be Received in 2019: 3,500

Percent Change in Applications Received from 2014 to 2019



	2014	2015	2016	2017	2018	2019
January	-15.90%	-17.77%	-8.71%	20.61%	-11.71%	-13.26%
February	-24.75%	-3.45%	-24.66%	9.09%	0.33%	-18.60%
March	-20.35%	-6.88%	-21.37%	22.48%	5.21%	-24.48%
April	-32.55%	-2.21%	-7.74%	-10.84%	26.67%	-17.03%
May	-25.05%	-21.04%	-2.92%	40.98%	-23.47%	-17.77%
June	-13.90%	-10.13%	9.15%	-10.32%	-0.72%	-24.28%
July	-29.22%	-24.16%	-0.81%	17.89%	-7.24%	-20.07%
August	-33.79%	-0.69%	4.20%	12.75%	-8.63%	
September	-28.31%	-23.01%	8.86%	-5.08%	-2.50%	
October	-13.49%	-12.26%	-10.48%	-5.67%	1.50%	
November	-24.77%	9.47%	2.26%	-2.94%	-2.27%	
December	-3.48%	-18.77%	9.33%	6.50%	-21.37%	
Total YTD	-22.98%	-11.37%	-4.96%	7.52%	-4.29%	-19.54%

Texas Auto Ins. Plan Assoc.

ACTUAL VS. BUDGET

For the period ended June 30, 2019

	2019	2019		
	Year To Date	Annual		
	Budget	Budget	Variance	% Used
	Actual			Reason for Variance
REVENUE				
Assessments & Penalties	405,328	800,000	5,328	50.67%
Other Revenue	3,115	0	3,115	0.00%
TOTAL	408,443	800,000	8,443	51.06%
EXPENDITURES				
Salaries	138,239	166,900	28,661	41.41% Staff is currently down one employee
Emp. Benefits & Other Ins. Exp.	75,576	92,300	16,724	40.94% Staff is currently down one employee
Office Equipment Expense	6,039	6,050	11	49.91% Within range
Printing & Stationary Exp.	370	900	530	20.55% We have not purchased more envelopes. Expect to end on budget.
Computer Expenses	2,711	6,100	3,389	22.22% Budgeted for new computers for all of staff and setup/reimage each computer. and publishing software- these items have not been purchased. Expect to end on budget.
Postage & Shipping Exp.	9,295	12,400	3,105	37.48% Under budget due to quota mail-outs next quarter. Expect to end on budget.
Telephone Expense	5,195	5,050	-145	51.43% Within range
Rent Expense	33,316	31,200	-2,116	53.39% Within range
Moving Expense	0	0	0	0.00% Within Range -No move planned for 2019
Taxes	153	450	297	17.02% We haven't paid the majority of Property Taxes. Expect to end below budget because of reduced office furniture, since moving into a smaller space.
Other Office Expenses	979	3,000	2,021	16.32% We have had fewer bank fees and assessment write-offs, and most service awards happen later in the year. Expect to end below budget because staff is currently down one employee.

Governing Committee	7,052	12,450	5,398	24,900	28.32%	We have had one of three Governing Committee meetings, next meeting is in August. Expect to end on budget.
Subcommittee Meetings	1,250	1,500	250	3,000	41.67%	Slightly below budget, we have had only one meeting to date. Expect to end on budget.
Producer Review Panel	0	0	0	0	0.00%	Within Range -No Producer Review Panel meetings expected this year.
Employee Meetings, Seminars & Staff Travel	5,675	15,000	9,325	30,000	18.92%	Staff to attend seminars and complete course later in the year. Expect to end on budget.
Legal Expenses	17,925	23,350	5,425	46,700	38.38%	Currently we are below budget through June 2019. Expect to end on budget even with the additional legislative changes that require changes in our Plan of Ops and insurance policy forms.
Audit Expense	3,000	11,950	8,950	23,900	12.55%	Haven't been billed for the annual audit or incurred many consulting fees yet. Expect to end on budget.
Dues, Subscriptions & Publications	1,652	800	-852	1,600	103.23%	Most dues and subscriptions have been paid for the year. Expect to end slightly over budget due to changes in J.J. Keller subscription (change 1 yr. to 5 yrs.).
TALPA Tradition, Visitor Meals & Gifts	1,033	1,350	317	2,700	38.25%	Events are later in the year. Expect to end on budget.
System Consultants	21,399	25,600	4,201	51,200	41.79%	Slightly below budget. Expect to end on budget.
Consultants - Other	11,900	9,650	-2,250	19,300	61.66%	This is higher due to the fact Findley consultants were paid already. Expect to end on budget.
Actuary	0	4,250	4,250	8,500	0.00%	We have not paid for any actuary work to date. Expect to end on budget.
Other	0	0	0	0	0.00%	Within range - No other expenses to date.
SUBTOTAL	342,758	430,250	87,492	860,500	39.83%	
Depreciation	629	650	21	1,300	48.35%	
Amortization	2,500	2,500	0	5,000	50.00%	

Gain (Loss) on Disposition of Fixed Assets
SUBTOTAL

0	0	0	0	0.00%
3,129	3,150	21	6,300	49.66% Within range

We would expect to have used 50% of our budget at this time, however we are at 39.39%. We attribute this to reduction of staff, we only purchase office supplies as needed, and TAIPA events that happen later in the year. Other expenses such as Actuary and Audit Expenses have not been billed yet. We have budgeted for new computers and are working with our IT consultants for this purchase. Even with adding an additional staff member we anticipate ending under budget.

TOTAL OPERATING EXPENSE	345,887	433,400	87,513	866,800	39.90%
NET FROM OPERATIONS	62,557	-33,400	95,957	-66,800	
Non-Operating Pension Costs	0	0	0	0	0.00%
NET	62,557	-33,400	95,957	-66,800	

CAPITAL BUDGET

Software Development in Progress	0	0	0	0	0.00%	Within range - No software development expenditures this year.
Office Furniture & Equipment	119	0	-119	0	0.00%	Slightly over because we had to buy a new fax machine.
Computer Equipment	0	0	0	0	0.00%	Within range - No computer equipment expenditures this year.
Computer Software	0	0	0	0	0.00%	Within range - No computer software expenditures this year.
Leasehold Improvements	0	0	0	0	0.00%	Within range - No computer Leasehold Improvements this year.
TOTAL	119	0	-119	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 Activities
For the period ended June 30, 2019
Unaudited

	Current YTD
Changes in unrestricted net assets	
Revenues	
Member assessments	\$ 400,085
Interest income	3,115
Assessment penalties	5,243
Total revenues	408,443
Expenses	
Salaries and related expenses	213,815
Occupancy expenses	38,663
Professional Services	54,224
Depreciation & amortization	3,129
Postage and delivery	9,295
Office supplies and expense	6,409
Governing committee	7,052
Computer supplies & expenses	2,711
Subcommittee meetings	1,250
Staff education & seminars	5,675
Miscellaneous	979
Staff expense	1,033
Dues and subscriptions	1,652
Total operating expenses	345,887
Other revenues (expenses)	
Total other revenue (expenses)	-
<i>Increase (decrease) in unrestricted net assets</i>	62,557
<i>Net assets (deficiency) at beginning of year</i>	(131,365)
<i>Net assets (deficiency) as of June 30, 2019</i>	\$ (68,808)

Texas Auto Ins. Plan Assoc.

Statement of Financial Position

As Of June 30, 2019

Unaudited

ASSETS

Current Assets	
Cash and cash equivalents	\$ 616,608
Accounts receivable	22,019
Prepaid expenses	18,487
Total current assets	<u>657,114</u>
Security Deposits	5,379
Property and Equipment	
Furniture and equipment	26,772
Computer equipment	8,124
Leasehold improvements	2,222
Computer software	25,000
	<u>62,118</u>
Less accumulated depreciation	<u>50,228</u>
	<u>11,889</u>
Total assets	<u><u>674,383</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	5,300
Accrued vacation	23,761
Accrued payroll liabilities	5,449
Deferred revenue	400,115
Total current liabilities	<u>434,625</u>
Other Liabilities	
Accrued pension benefit costs	301,284
Deferred lease benefit	7,283
Total other liabilities	<u>308,567</u>
Net (Deficiency) Assets	
Unrestricted	<u>(68,808)</u>
Total net assets	<u>(68,808)</u>
Total liabilities and net assets	<u><u>\$ 674,383</u></u>

CURRENT PLAN LANGUAGE SECTION 50

Sec. 50. AUTOMOBILE THEFT PREVENTION
AUTHORITY PASS THROUGH FEE

- A. Texas Civil Statutes, Article 4413(37), § 10. requires each insurer to pay a fee of \$2 per motor vehicle year to the Automobile Burglary and Theft Prevention Authority. Each insurer is authorized to recoup this fee from the policyholder.
- B. Any insurer recouping the fee from the policyholder as authorized by subsection 50.A must include on or with each motor vehicle insurance policy providing primary liability coverage delivered, issued for delivery, or renewed in this state on or after September 1, 2011, a notice conforming with either subsection 50.B.1 or 2.

1. This notice shall be in no less than 10-point type and shall be attached to or stamped or printed on the Declarations page and shall become part of the policy. The notice shall read as follows:

NOTICE: A fee of \$ ____ is payable in addition to the premium due under this policy. This fee reimburses the insurer, as permitted by 28 TAC §5.205, for the \$2 fee per motor vehicle year required to be paid to the Automobile Burglary and Theft Prevention Fund under Texas Civil Statutes, Article 4413(37), § 10.

2. This notice shall be in no less than 10-point type and shall be included as part of the policy. The notice shall read as follows:

NOTICE: The Automobile Burglary and Theft Prevention Authority Fee is payable in addition to the premium due under this policy. This fee reimburses the insurer, as permitted by 28 TAC §5.205, for the \$2 fee per motor vehicle year required to be paid to the Automobile Burglary and Theft Prevention Fund under Texas Civil Statutes, Article 4413(37), § 10.

If this notice is provided, the following shall be printed on the Declarations page, renewal certificate, or billing:

Automobile Burglary and Theft Prevention
Authority

Fee \$ _____ .
(See enclosed explanation)

- C. All automobile insurance policies providing primary liability coverages shall be assessed the \$2 fee per motor vehicle year. For purposes of this Section, the term "motor vehicle year" shall mean one motor vehicle insured for one year.

DRAFT

PROPOSED PLAN LANGUAGE SECTION 50

Sec. 50. MOTOR VEHICLE CRIME PREVENTION AUTHORITY FEE

Chapter 1006 of the Texas Transportation Code requires each insurer to pay a fee per motor vehicle year to the Motor Vehicle Crime Prevention Authority. An insurer may recoup this fee from the policyholder. Any insurer recouping the fee from the policyholder must provide a notice to the policyholder pursuant to applicable statute, administrative rule, or as may be approved by the Texas Department of Insurance.

CURRENTPROPOSED PLAN LANGUAGE SECTION 50Sec. 50. ~~AUTOMOBILE THEFT PREVENTION AUTHORITY PASS THROUGH FEE~~ MOTOR VEHICLE CRIME PREVENTION AUTHORITY FEE

~~A. Texas Civil Statutes, Article 4413(37), § 10, requires each insurer to pay a fee of \$2 per motor vehicle year to the Automobile Burglary and Theft Prevention Authority. Each insurer is authorized to recoup this fee from the policyholder.~~

~~B. Any insurer recouping the fee from the policyholder as authorized by subsection 50.A must include on or with each motor vehicle insurance policy providing primary liability coverage delivered, issued for delivery, or renewed in this state on or after September 1, 2011, a notice conforming with either subsection 50.B.1 or 2.~~

~~1. This notice shall be in no less than 10-point type and shall be attached to or stamped or printed on the Declarations page and shall become part of the policy. The notice shall read as follows:~~

~~NOTICE: A fee of \$_____ is payable in addition to the premium due under this policy. This fee reimburses the insurer, as permitted by 28 TAC §5.205, for the \$2 fee per motor vehicle year required to be paid to the Automobile Burglary and Theft Prevention Fund under Texas Civil Statutes, Article 4413(37), §10.~~

~~2. This notice shall be in no less than 10-point type and shall be included as part of the policy. The notice shall read as follows:~~

~~NOTICE: The Automobile Burglary and Theft Prevention Authority Fee is payable in addition to the premium due under this policy. This fee reimburses the insurer, as permitted by 28 TAC §5.205, for the \$2 fee per motor vehicle year required to be paid to the Automobile Burglary and Theft Prevention Fund under Texas Civil Statutes, Article 4413(37), §10.~~

~~If this notice is provided, the following shall be printed on the Declarations page, renewal certificate, or billing:~~

DRAFT

~~Automobile Burglary and Theft Prevention
Authority~~

~~Fee \$ _____.~~

~~(See enclosed explanation)~~

- ~~C. All automobile insurance policies providing primary liability coverages shall be assessed the \$2 fee per motor vehicle year. For purposes of this Section, the term "motor vehicle year" shall mean one motor vehicle insured for one year.~~

Chapter 1006 of the Texas Transportation Code requires each insurer to pay a fee per motor vehicle year to the Motor Vehicle Crime Prevention Authority. An insurer may recoup this fee from the policyholder. Any insurer recouping the fee from the policyholder must provide a notice to the policyholder pursuant to applicable statute, administrative rule, or as may be approved by the Texas Department of Insurance.

Document comparison by Workshare Compare on Tuesday, August 06, 2019
9:25:53 AM

Input:	
Document 1 ID	file://C:/Users/jonem/Documents/Sec. 50 amendment.docx
Description	Sec. 50 amendment
Document 2 ID	file://C:/NRPortbl/TCLAW/JONEM/7143909_3.docx
Description	7143909_3
Rendering set	standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	6
Deletions	50
Moved from	1
Moved to	1
Style change	0
Format changed	0
Total changes	58



ADMINISTRATION

TEXAS AUTOMOBILE INSURANCE PLAN ASSOCIATION

805 LAS CIMAS PARKWAY, STE. 210 • AUSTIN, TX 78746-6464
P.O. BOX 162890 • AUSTIN, TX 78716-2890
TEL. 512/444-4441 • FAX 512/444-7368
<http://www.taipa.org>

2020 SCHEDULED GOVERNING COMMITTEE MEETING DATES

Friday, March 27, 2020
Omni Austin Southpark

Friday, August 21, 2020
Omni Austin Southpark

Friday, November 20, 2020
Omni Austin Southpark

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

TAIPA PP Over/Under Report

07/04/2019

COMPANY

YearEnd 2014 YearEnd 2015 YearEnd 2016 YearEnd 2017 1st QTR 2018 2nd QTR 2018 3rd QTR 2018 4th QTR 2018 1st QTR 2019

COMPANY	YearEnd 2014	YearEnd 2015	YearEnd 2016	YearEnd 2017	1st QTR 2018	2nd QTR 2018	3rd QTR 2018	4th QTR 2018	1st QTR 2019
PRIVATE PASSENGER									
21ST CENTURY CENTENNIAL INS CO (SC)									
ACE AMERICA	273,200	279,672	280,342	315,137	238,145	309,097	205,210	265,915	259,416
AFFIRMATIVE INS CO	245,672	245,860	244,859	236,537					
ALLSTATE INS CO									
AMER FAMILY MUT INS CO SI									
AMER MERCURY INS CO	85,156	93,356	90,542	Entered LAD	2,831	2,831	2,831	2,831	2,831
ASSURANCEAMERICA INS CO	516	3,313	1,564	7,174	3,226	5,711	1,716	Entered LAD	10
AXA INS CO	45	55	69	Entered LAD					
CLARENDON NATIONAL INS CO									
COLONIAL LLOYDS	1,277	1,277	Entered LAD						
CRESTBROOK INS CO									
ESURANCE PROP & CAS INS CO									
FALCON INS CO									
FREESTONE INS CO	171	443	443	443	443	443	443	443	443
GENERAL CAS CO OF WISCONSIN									
GOVERNMENT EMPLOYEES INS CO									
HALLMARK COUNTY MUT INS CO									

RCVR/CO
Restricted

Storage
2019
RCVR/CO

TAIPA PP Over/Under Report

07/04/2019

COMPANY	Year End 2014		Year End 2015		Year End 2016		Year End 2017		1st QTR 2018		3rd QTR 2018		4th QTR 2018		1st QTR 2019		Storage 2019 WD/CO	Storage 2015	Storage 2018 Rcvr/CO	Storage 2015	CO/ Inactive		
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR							
PRIVATE PASSENGER																							
HOMEOWNERS OF AMER INS CO		4,637		4,633		4,633		4,639		4,639		4,639		4,639		4,639							4,639
HOUSTON GENERAL INS EXCH		3,096		Went into Storage																			
ICM INS CO		13		12		13		13		13		13		13		13							13
IMPERIAL FIRE & CAS	1,417		1,395		1,381		Became grouped																
INTEGON NATIONAL INS CO				New to quota		278,349		322,579		218,244		218,244		204,973		204,973							208,830
KNIGHTBROOK INS CO		Entered LAD																					
LINCOLN GENERAL		51,337		Went into Storage																			
MAIDSTONE INSURANCE COMPANY (priv AUTOONE INS CO)	330,062		330,051		330,044		330,040		330,039		330,038		330,038		330,038								330,038
MILEMETER INS CO		2,211		2,211		Cert of Authority Cancelled																	
NATIONAL LIABILITY & FIRE (SC)		260,661		294,194		Entered LAD																	
NATIONWIDE MUT INS CO		Entered LAD																					
ONEBEACON INS CO		Became grouped																					
PACIFIC SPECIALTY INS CO		Entered LAD																					
PALOMAR SPECIALTY INS CO		New to quota	15	AIFSO Error		Became grouped																	
PHARMACISTS MUT INS CO				New to quota	3		25	Entered LAD															
QBE INS CORP		Became grouped																					
RIVERPORT INS CO														New to quota		38							107

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COMPANY: PRIVATE PASSENGER
 YearEnd 2014 YearEnd 2015 YearEnd 2016 Year End 2017 1st QTR 2018 2nd QTR 2018 3rd QTR 2018 4th QTR 2018 1st QTR 2019

COMPANY	YearEnd 2014		YearEnd 2015		Year End 2016		Year End 2017		1st QTR 2018		2nd QTR 2018		3rd QTR 2018		4th QTR 2018		1st QTR 2019		
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	
SOMPO JAPAN INS CO (prev Yasuda F&M)	1,976			Went into Storage															
SOUTHLAND LLOYDS INS CO		293		Went into Storage															
STARR INDEMNITY & LIABILITY CO		955		955		955		955		955		955		955		955		955	Went into Storage
STATE FARM MUT AUTO INS CO		203,426		150,293		175,003		193,430		151,040		142,836		156,846		170,492		169,954	
SUSSEX INS CO (prior Companion Pro & Cas Ins Co) Effective 12/31/2017, Sussex Ins Co merged into CLARENDON NATIONAL INS CO		318		324		324		324		Merged into CLARENDON NATIONAL INS CO									
TEXAS FARM BUREAU CAS INS CO		59,322		55,332		53,796		63,251		55,100		49,540		53,471		57,035		59,787	
TOKIO MARINE & NICHIDO FIRE INS		5		Went into Storage															
TEXAS ONE INS CORP (prev co ALFA SPECIALTY INS CORP)		625		423		88		352		432		232		358		138		176	
UNIVERSAL NORTH AMERICA		89		89		89		89		89		89		89		89		89	
WESTERN GEN INS CO																			
WINDHAVEN NATIONAL INS. CO				New to quota		165		264		267		268		272		285		New to quota	1
YOUNG AMERICA INS CO		Entered LAD																	371
TOTALS	1,020,672	1,023,572	1,020,653	1,020,653	1,019,411	1,008,396	1,008,396	1,008,396	771,544	771,544	771,249	771,249	771,022	771,022	770,840	770,840	770,855	770,855	770,855
PREMIUMS WRITTEN		2,156,742		1,864,575		1,916,600		2,424,419		571,299 1st qtr		614,096 2nd qtr		583,162 3rd qtr		577,500 4th qtr		515,700 1st qtr	

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COMPANY	Year End 2014	Year End 2015	Year End 2016	Year End 2017	1st QTR 2018	2nd QTR 2018	3rd QTR 2018	4th QTR 2018	1st QTR 2019
ACCIDENT INS CO									
ALASKA NATL		102	New to quota	132	136	143	147	154	179
AMALGAMATED CAS INS CO	80			Entered CLAD	Entered CLAD				
AMER BANKERS INS CO OF FLORIDA				New to quota	Entered CLAD				
AMER CONTRACTORS INS RISK RET. GRP	16,743	16,743	16,743	16,743	16,743	16,743	16,743	16,743	16,743
AMER INTER FIDELITY EXCHANGE									
AMER MERCURY INS CO	15,785	3,488		13,859	16,342	17,663			New to quota
AMER MODERN HOME INS CO	Entered CLAD								
AMER MODERN LLOYD'S	Became grouped								
AMER NATIONAL PROP & CAS CO	514	1,118	1,522	Entered CLAD					
AMER NATL COUNTY MUT INS CO		New to quota	107	Became grouped					
AMER ROAD INS CO	135	197	248	Entered CLAD					
AMERICAN SAFETY CAS INS CO	Entered CLAD								
AMER SERVICE INS CO INC.	26	26	Became grouped						
AMERICAN BUILDERS INS CO (prev Association Ins Co)	183	259	320	Entered CLAD					
BRITISH AMERICAN INS CO	15,344	16,246	2,893	3,696	3,610	3,394	3,659	1,371	
CLARENDON NATIONAL INS CO	\$1,569	Went into Storage							
COLUMBIA INS CO	1,222	1,222							
COLUMBIA MUT INS CO		4,627	Became grouped						
COREPONTE INS CO (prev Chrysler & DaimlerChrysler)		40,269	Entered CLAD						

Storage
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COMPANY	Year End 2014		Year End 2015		Year End 2016		1st QTR 2017		2nd QTR 2017		3rd QTR 2017		4th QTR 2017		1st QTR 2018	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
GENERAL STAR NATIONAL INS CO		59		59		59	Went into storage									
GLOBAL LIBERTY INS CO OF NY			New to quota	34		462	Entered CLAD									
GOVERNMENT EMPLOYEES INS CO	24,021		25,707		25,691		25,671	24,536		22,573		21,282		19,226		21,763
GRAMERCY INS CO		9,371		9,371		9,371	Went into storage									
GREAT MIDWEST INS CO	Became grouped															
HARLEYSVILLE INS CO					New to quota	160	Became grouped-Nationwide in a CLAD									
HISCOX INS CO INC	New to quota	2		232		800	Entered CLAD									
HOUSING ENTERPRISE INS CO INC		23		33		38	Entered CLAD 1st QTR 2017 *Cancelled CLAD 4th QTR 2017									
INTEGON NATIONAL INS CO					New to quota	1,573,492		1,595,119		1,677,679		1,685,792		1,707,176		1,712,124
LINCOLN GENERAL		74,631					Went into Storage									
MAUISTONE INSURANCE COMPANY (prev AUTOONE INS CO & Penn General)	44,922		44,900		44,900		44,900	44,900		44,900		44,900		44,900		44,900
MID-CONTINENT CAS CO	754,383		750,300		747,324		746,843	746,591		745,443		745,250		745,040		745,518
MOTORISTS COMM MUT INS CO (prev Amer Harbors Mut Ins Co)	28,223		27,828		27,351		27,288	27,249		27,189		27,150		27,089		27,086
NATIONAL BUILDERS INS CO		160		202		236	Became grouped									
NATIONAL LIABILITY & FIRE INS CO (SC)		1,535,081		1,600,794		Entered CLAD										
NAVIGATORS INS CO		813		1,579		Entered CLAD										
NORTH AMER SPECIALTY INS CO		32		40		70	Entered CLAD									
OKLAHOMA SURETY CO		684,175		683,103		681,116		680,749		680,183		679,814		679,251		678,774
PENN MANUFACTURERS ASSN INS CO		Entered CLAD				Entered New CLAD										

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COMPANY	Year End 2014	Year End 2015	Year End 2016	Year End 2017	1st QTR 2018	2nd QTR 2018	3rd QTR 2018	4th QTR 2018	1st QTR 2019
PREFERRED PROFESSIONAL INS CO	1,179	1,399	1,516	Entered CLAD	UNDR	UNDR	UNDR	UNDR	UNDR
QUALITAS INS CO			250	Entered CLAD	UNDR	UNDR	UNDR	UNDR	UNDR
REDPOINT COUNTY MUT INS CO					UNDR	UNDR	UNDR	UNDR	UNDR
REP WEST INS CO (REPUBLIC WESTERN INS CO)	41	48	Entered CLAD		UNDR	UNDR	UNDR	UNDR	New to quota 1,335
RIVERPORT INS CO	79	83	83	83	83	83	83	83	83

Storage
2019

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COMPANY	Year End 2014		Year End 2015		Year End 2017		1st QTR 2018		2nd QTR 2018		3rd QTR 2018		4th QTR 2018		1st QTR 2019	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
RURAL TRUST INS CO						91										
SAFETY NATL CAS CORP		Entered CLAD														
SAMSUNG FIRE & MARINE INS CO				79		Entered CLAD										
SENECA INS CO		33		242		343										
STATE FARM MUT AUTO INS CO		185,602		154,515		137,542		132,069	127,972		123,691		123,395		133,811	
TEXAS FARM BUREAU CAS INS CO (prev Southern Farm Bui)		45,183		43,806		41,727		31,711	33,165		35,390		22,554		25,370	
TEXAS HOSPITAL INS EXCH		11,191		11,521		11,836		12,234	12,320		12,376		12,465		12,558	
TIG INS CO								New to quota								
TNUS INS CO		New to quota		37		49		16	39		54		78		79	
TORUS NATIONAL INS CO (elig'd to Starstone Nat'l Ins Co 11/24/19)		Entered CLAD				Entered New CLAD										
TRANS PACIFIC INS CO				New to quota		Became grouped										
TRISTATE INS CO OF MN						Became grouped										
TRIUMPH CAS CO		New to quota		139		Entered CLAD										
ULLICO CAS CO		1,291		1,291		1,291		1,291	1,291		1,291		1,291		1,291	
UNITRIN AUTO & HOME INS CO		32,159		Went into Storage												
TOTALS	1,974,489	1,974,489	1,907,620	1,907,620	1,903,172	1,903,172	1,893,722	1,897,735	1,894,778	1,892,830	1,892,830	1,889,745	1,889,745	1,889,512	1,889,512	1,889,512
PREMIUMS CREDITED	1,933,432		1,923,849		1,177,884		1,942,523	337,836	497,244	328,536	520,068	552,325	552,325	552,325	552,325	552,325

Storage 2018
Storage- 2015

Memorandum

To: Texas Automobile Insurance Plan Association Governing Committee and Manager
From: Michael W. Jones
Date: August 16, 2018
Re: 2019 Rate Filing Summary

Below are the proposed adjustments in the 2019 filing:

Private Passenger.

Bodily Injury Liability	+5.0%
Property Damage Liability	+4.9%
Personal Injury Protection	+4.0%
Uninsured Motorists - BI	+4.3%
<u>Uninsured Motorists - PD</u>	<u>+1.7%</u>
Overall Average	+4.9%

Commercial Auto

Bodily Injury Liability	+4.8%
Personal Damage Liability	+5.0%
<u>Personal Injury Protection</u>	<u>+2.6%</u>
Overall average	+4.9%

The filing is based on data through the end of 2017. Earned premiums for 2017 are estimated at \$818,301 for private passenger and \$631,247 for commercial auto for a total of \$1,444,548.

The average rate level increases in this filing are generated by changes in the base rates for each territory. This filing does not adjust any of the territorial or class factors. The proposed rate change effective date will be February 1, 2020.

None of the proposed average rate changes in this filing exceed 105% of the current rate for each coverage. Accordingly, no hearing is required pursuant to Insurance Code Section 2151.2041.

Subject to the Committee's approval, we will make the filing on or about September 11, 2019.