

TAIPA GOVERNING COMMITTEE MEETING MINUTES

AUGUST 21, 2020 AT 9:16 AM

ZOOM MEETING

Given the continuing concerns related to the COVID-19-19 virus, TAIPA held the TAIPA Governing Committee Meeting on August 21, 2020 as a Zoom Meeting Only.

Zoom Meeting Information

<https://us02web.zoom.us/j/81001069015?pwd=Rlp1TnNTL1U4elh4N3lkTmN5cGgzZz09>

Meeting ID: 810 0106 9015

Passcode: 992985

One tap mobile

+13462487799,,81001069015# US (Houston)

+16699006833,,81001069015# US (San Jose)

Dial by your location

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+1 929 436 2866 US (New York)

+1 301 715 8592 US (Germantown)

+1 312 626 6799 US (Chicago)

Meeting ID: 810 0106 9015

ATTENDEES:

VOTING Members:

Corise Morrison, USAA
Adam Payton, Producer Member
Becky Jackson, Public Member
Bill Brooks, Texas Farm Bureau
Carmelita Hogan, Public Member
David Weber, Hochheim Prairies
Laura Hausman, , Public Member
Leslie Hurley, Public Member
Mary Carol Awalt, Public Member
Matthew Snyder, Farmers
Michael Schalk, Allstate
Pete Hamel, Producer Member
Ramon Montalvo, Producer Member Alternate
Stephen Hylka, Liberty Mutual/Safeco
Anh Vo, State Farm

Counsel:

Michael W. Jones, Thompson, Coe, Cousins & Irons

TAIPA Staff

Stacy Dutton
Mimi Leece
Mishayla Twyman
Ruth Wise

Others:

Carol Berthold, GEICO
Doug Beck, 21st Century
John Lusardi Jr., Assigned Risk Solutions, Ltd.
John Mooney , TDI
Talia Bright, OPIC
Melissa Herman, TDI
Tyler Mosley, Atchley & Associates

ITEM 1: CALL TO ORDER

Corise Morrison called the meeting to order at 9:16AM.

Mimi Leece explained how the zoom meeting would work.

ITEM 2: INTRODUCTIONS

Stacy Dutton called roll.

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

Corise Morrison introduced Tyler Mosley of Atchley & Associates to go over the 2019 Audit.

Tyler Mosely from Atchley and Associates took the floor and went over:

- Atchley & Associates responsibility in relation to the Financial Statement Audit for the year ending December 31, 2019.
- What the audit covered and what it did not.
- How Atchley & Associates review the financials for TAIPA on a monthly basis.
- That they did not have any audit adjustments and all in all it was a very clean audit
- In their opinion, you can rely on the financial statements with no reservations and no modifications
- When you review actuals versus budgets during the year, revenue was higher than what we expected. Most of this is due to salaries being less due to less staff. TAIPA staff put it in a lot of hard work resulting in less spent on salary than anticipated.

Corise Morrison asked for a motion to accept the 2019 Audit.

- Bill Brooks made the motion and David Weber seconded the motion to: “Accept the 2019 Audit.”
- The motion carried unanimously.

ITEM 5: Review and Approval of the Minutes of the March 27, 2020 Meeting

Anh Vo presented the Minutes of the March 27, 2020 meeting and went over the highlights of the meeting.

Corise Morrison asked for a motion to approve the minutes.

Matthew Snyder asked to have the spelling of his name changed and Mary Carol Awalt asked to change Exhibit 2 Page 6 to TAIPA anticipates.

- Matthew Snyder made the motion to accept the meeting notes with the above mentioned changes and Leslie Hurley seconded the motion to:
“Approve the Minutes.”
- The motion carried unanimously.

ITEM 6: Review and Approval of the Minutes of the April 27, 2020 Meeting

Anh Vo presented the Minutes of the April 27, 2020 meeting and went over the highlights of the meeting.

Corise Morrison asked for a motion to approve the minutes.

- Anh Vo made the motion and Pete Hamel seconded the motion to:
“Approve the Minutes.”
- The motion carried unanimously.

ITEM 7: Chair’s Report

a. Future TAIPA Meetings in 2020 – Specifically the November 20, 2020 meeting.

Corise Morrison discussed TAIPA’s November 2020 meeting to get a consensus on whether or not the meeting should be held via Zoom. Ms. Morrison proposed that the meeting be held by Zoom. It was decided that the meeting will be held on Zoom and depending on the Governor’s orders we may have to have one member present at the meeting.

b. Subcommittee Openings -

Corise Morrison reviewed the openings on the subcommittees due to some of the company representative leaving:

Operations Subcommittee - two openings for company members
Audit/Finance Committee – one opening for a company member

Ms. Morrison asked that if anyone is interested in any of these openings, to let her know otherwise she would assign people.

ITEM 8: Manager’s Report

Stacy Dutton presented the Manager’s Report.

A. APPLICATION COUNT UPDATE AS OF JULY 2020 (EXHIBIT 4)

TAIPA received 125 applications in July 2020, compared to 215 applications in July 2019. 1,070 applications in 2020, compared to 1,705 applications in 2019, which is a decrease of 635 applications or about 37.24%. We expect to receive about 1,900 applications this year, which would put our 2020 volume at our lowest volume ever.

B. FINANCIAL UPDATE AS OF JUNE 2020 (EXHIBIT 5)

TAIPA would expect to be at 50% of the budget used at the end of June, and is under-budget about 7.42%. The items that are currently over-budget were explained. We anticipate asking the Governing Committee to approve TAIPA budget being over on our Legal expense and our depreciation expense at the end of the year.

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, 2020. The annual renewal fees are expected to be about \$300, but there are no other fees unless we draw against it.

Corise Morrison 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 Becky Jackson and seconded by David Weber to:
- "Approve the line of credit and to name Stacy Dutton and Mimi Leece as signers on the Line of Credit."
- The motion carried unanimously.

D. COVID-19

a. TAIPA'S COVID-19-19 RELIEF PROGRAM (EXHIBIT 6)

As you will recall, the Governing Committee held an emergency meeting on April 27th to determine if TAIPA should implement a 2020 COVID-19 TAIPA RELIEF PROGRAM. It was determined that TAIPA should implement a program in response to the COVID-19 pandemic and the shelter-in-place orders for TAIPA Private Passenger insured's. Under the Program, carriers writing TAIPA policies are required to give a 15% credit to the policyholder of the premium amount for coverage provided during April and May 2020 on a TAIPA Private Passenger auto policy. Carriers had to implement the plan no later than August 1, 2020. A subcommittee was formed and asked to figure out a way to implement the program. Once the program was approved by TDI, TAIPA sent out Bulletin 241 on June 10, 2020 to all carriers affected by the program.

TAIPA recently sent out a survey to all of the carriers who were required to implement the policy to get feedback on the plan:

- 4 of the 5 companies have responded.
- All respondents had implemented the plan
- When asked if the program created any hardships:
 - The companies responded that there was extra work to implement the plan and one company commented that the plan had caused some printing delays at their organization because of the number of checks and documentation required.
- All companies indicated that TAIPA's plan was about the same as all of the other TAIPA like organizations across the country that implemented the plans.
- When asked if they had any feedback in case we implemented another program:
 - One company indicated that keys to a successful program is giving the companies lead time to implement the plan and to make sure that the instructions around the plan were very clear and concise.
 - The company also indicated that it would be helpful if any new plans replicated the plan that they had already implemented.

b. TAIPA'S WORK PROCEDURAL CHANGES DUE TO COVID-19 (EXHIBIT 7)

TAIPA employees started working at home on March 23, 2020 which was slightly ahead of the Governor's mandate and right before our March 27th Governing Committee Meeting. Technically, TAIPA is considered an essential business and because we have only 4 employees in our office, we were not mandated to work from home. We opted to work from home for the safety of our employees.

We initially divided the front office work into:

- One employee was responsible for receiving the mail from our main PO Box at their home via the courier service and processing the mail.
- The second employee would answer all of the phone calls by accessing the voicemail system.
- Both employees worked on our scanning project.
- Mimi and Stacy continued to perform their normal duties from home.
- Mimi used Zoom meetings to train employees

This plan worked for a while but we ran into problems when:

- Employees requested time off
- Not being able to train new employees on occasional projects causing Mimi to complete projects ultimately putting TAIPA behind on some accounting procedures

Therefore, we implemented the plan that we are currently working where:

- The employees are split into two teams
- The two teams go into the office every other day and work in the office until the daily mail and application processing is complete then prepare whatever they are going to need to work on for the afternoon and the following day in order to minimize their exposure to the office.

Atchley & Associates has provided us with someone who doesn't work on the audit side of the business to assist us in getting caught up with our accounting work.

To ensure employees safety:

- We have implemented many protections that are listed in the exhibit from temperature checks to UV lights to clean our office space similar to what ICUs use to clean the hospital rooms. Our building also has implemented protocols from the time you enter the building until you leave. Currently there are very few people in our building and fewer on our floor.

c. COSTS FOR TAIPA REGARDING COVID-19 (EXHIBIT 8)

We looked at what the expenses were that we would not have incurred had it not been for COVID-19. The overall unexpected costs for TAIPA to date due to COVID-19 are \$19,988.39. This can be broken down between Legal costs and Office supplies costs due to employees working from home.

1. Legal Costs associated with the March Meeting related to COVID-19 were \$6,105.

This was due to the amount of time Mike had to spend:

- Researching whether we could hold our annual meeting by telephone
- Issues around the proxies and election of company members
- Telephone conferences with TDI, TAIPA, the officers, and figuring out the protocol
- Recording the meeting and providing the recording to TAIPA staff

2. Legal Costs associated with the April Meeting related to TAIPA's COVID-19 Relief Program were 11,088.

This was due to the amount of time Mike had to spend:

- Meetings with Jay Thompson on what he was seeing insurance companies do
- Reviewing what other states were doing, what companies were filing and how they were being filed
- Emails and conferences with TDI, TAIPA, and TAIPA officers on potential programs
- Attending meetings of the Governing Committee and Sub Committee
- Preparing and submitting the plan to TDI for review
- Recording and providing the meeting recording to TAIPA staff

3. Office Supplies associated with employees working at home and the safety equipment for the office costed about \$2795.39 and includes expenses for printers, ink cartridges, processing stamps, Zoom software, safety equipment for the office, and additional costs for mail.

E. 2021 MEETING DATES (EXHIBIT 9)

- Friday, March 26, 2021
- Friday, August 20, 2021
- Friday, November 19, 2021

If those dates are acceptable we do need to have a motion.

Leslie Hurley made a motion to accept the dates and Becky Jackson seconded the motion. The motion carried unanimously.

ITEM 9: Operations Subcommittee Report

Bill Brooks presented the Operations Subcommittee Report.

- a. Over and Under Report (Exhibit 10)** - Nothing significant to report.

ITEM 10: GEICO Request to remove their remaining overage from storage (Exhibit 11)

Carol Berthold discussed GEICO's request to remove their remaining overage from storage.

She indicated that she sent this request because many years ago the plan manager asked GEICO to take their high over assignment out of the quota system at \$5000 each year because it was distorting numbers. GEICO is the only company on this type of program.

In talking with TAIPA staff, we determined that this would be a good time to take the overage back out of the special program and put it back in the quota since GEICO has around a half a million in and Maidenstone, who is no longer working in Texas will be putting about the same amount into storage. This will present a minimum change to the quota to other companies if we do this at the same time.

There was a discussion about the timing of this. Mimi Leece stated that we are coming to the year end and Maidenstone is going into storage. The timing is going to work well, with what is going into storage and what is coming out of storage there is only a difference of 55,000. Therefore, when the companies receive their annual report, they won't see a big shift in numbers if we approve it today. If we do this at year end 2019 annual, we will see it with a minimum amount of impact. Note that this is for Commercial only, it doesn't affect Private Passenger at all.

Carol asked if there was any discussion on this. She stated that based on the discussion she had with Stacy that the timing is pretty good with other company changes. She said it is something we should consider but she was open to feedback.

Doug Beck had a question for Mimi. -"if we did not do this at this point in time, with Maidenstone coming out, that would change the over under relationship, would any of that get spread back to the people that are buying out under the clad contract? Mimi indicated that it would because you only pay for your portion, what would happen is when the dollar amount goes into storage that would be spread to all companies based on their quota. Doug indicated that Carol's recommendation makes a lot of sense at this point in time and he thinks it works very well that this coincides with this change.

Corise Morrison asked for a motion to approve the removal of GEICO's remaining coverage from storage.

- It was moved by David Weber and seconded by Becky Jackson to:
- "Remove GEICO's remaining overage from storage."
- The motion carried unanimously.

ITEM 11: Report of Counsel

- a. TAIPA RATES**

Mike Jones stated that our actuarial consultant, Mike Miller, has prepared a rate filing that has the indications of the overall weighted average of:

Plus 2.5% for Private Passenger rates,
this is comprised of a liability indications
Bodily Injury Liability of +3.5 and
Property Damage Liability of +1.4%.

Plus 4.8% for Commercial Auto
this is comprised of a liability indications
Bodily Injury Liability of +5.0 and
Property Damage Liability of +5.0%.

Mike gave a little context on how TAIPA has been developing rates. We used to have enough volume in the plan to use TAIPA experience. It followed the traditional actuarial process. The actuary would develop the losses and premium and project them into the future. Then as the TAIPA population decreased, we ended up relying more on the trend data since the TAIPA experience was no longer credible. In 2015, we began indexing TAIPA rates to historical benchmark data and that is what Mike Miller has done in his development of the rate indications.

He used the industry wide data that TAIPA obtains through TDI. These are annual reports that goes through the three years ending December 2018. The data we are using is old. This data does not take into account the effects of COVID-19.

Proposal 1 -would be to make a filing using the indications we have in September for a rate change that would be effective March 1, 2021. Some might say that we can expect things to get back to normal, and it would be appropriate to have a rate change.

TDI is currently opposing rate exchanges that are less than the 2.5% rate increase we are looking at. We expect we would have a problem with TDI. TDI is under a lot of pressure when it comes to approving a rate increase. Recently a large carrier filed a large decrease of 10% or maybe more, therefore, we expect to have some push back and the commissioner could decide not to approve anything.

TDI is asking companies for their most up to date data. TICO is preparing some data for the second quarter but it is not going to be available until December. The optics do not look good for filing a rate increase. Note that this is about Private Passenger because the Commercial auto filing is on track. TAIPA is actually behind in its Commercial auto indications. Mike Miller has limited the filings to 5%, because if we go over 5% we have to go into a hearing and there are a lot of expenses that go along with that. Commercial rates are behind and, combined with the experiences in the country today, the 5% is justified. The rate filing for Commercial should not receive any objection from TDI.

As a Governing Committee we need to discuss what we might do:

Option 1: make filing with rates presented with Private Passenger and Commercial

Option 2: make a Commercial auto filing only and not file anything for Private Passenger

Option 3: determine if the committee wants to come up with something different.

We have a statute that says you can only make one rate filing in twelve months. We have asked TDI if the rate filings for Commercial and Private Passenger are considered one filing or two. We haven't heard back on that. In the past, we used to file them separately. We made our last filing September 2019 so we would make this one in September if we only file a Commercial filing. Then the questions would be what are we going to do about Private Passenger auto and when can we file again.

If we use the annual data, that data wouldn't be available until fall of 2021. The other thing to consider is that we have found out that TDI obtains a trend report from TICO. They shared an example of it with us. It is published quarterly 4 or 5 months after the quarter has ended. The TICO report would be available in April/May time frame. This would almost be back to our normal schedule. For ease of discussion, we broke up the filing to Commercial versus Private Passenger.

Mike - Overall weighted average of 4.8% OTPP
BI +5.0%
PD +5.0%
PIP +0.0%
UM +0.0%

Corise stated that the Commercial indication is at 4.8% and asked if there were concerns with moving forward with the Commercial filing. TDI does not appear to have any concerns about filing for that.

David Weber asked Mike if it is still unclear with his discussion with TDI that if we make Commercial filing, we won't have to make Private Passenger filing. Mike indicated that it is still unclear on how they want to treat the statute.

Corise discussed the Private Passenger indication of 2.5%
Understanding the TDI feedback on rate filing for Private Passenger, she asked if there were any thoughts or concerns on the two options Mike pointed out.

There were questions about what would happen if we waited to file.

Corise stated that legally there is not a requirement to file. The only issue is if we make a Commercial filing, does that commit us to another 12 months before being able to do a Private Passenger filing. It might almost be 12 months until we have information to see how COVID-19 affected Private Passenger experience.

Mike Jones stated that would be the case if we used the benchmark data results. The only other thing we are looking at is whether we would be able to use TICO reports on trend data.

Anh Vo stated that for those reasons she would be in favor of option 2.

Corise Morrison indicated that she was leaning towards that as well, given this situation and knowing that we would expect some blowback to our committee and TDI possibly not accepting it. She shared she believed option 2 is our best course of action but that she was open to any other feedback.

There were discussions about:

- If we don't file Commercial rate increases then the Commercial rates are going to fall even further behind.
- If we made a filing, we may receive a rate decrease so maybe we should wait to see what happens in 2021.
- Companies can make rate changes and have the luxury of making new rate filings whenever things change for them. TAIPA does not have that ability.
- That TDI's response is not unusual as many of the other like agencies around the country are responding the same way.
- The benchmark for the past number of years, with the volume in Private Passenger is so low, this change of 2.5% is basically a loss trend relation and not really related to our underlying loss ratio. The issue we have is not necessarily with this indication whether we file right now or don't. A year from now the next indication we have is going to be our app volume is going to be at an all-time low this year. That trend is going to be distorted fundamentally. Next year if we are basing the indication off of loss trend we have a significantly negative indication. Perhaps we need to have some discussion with TDI now, so we don't find ourselves in this next year. Mike Jones agreed and stated that these are loss trends from industry wide losses. Mike Miller in making his calculations and will go through them and exercise his judgment. He has the ability to say these are distorted for this 6 month period so we aren't stuck with these. These are just the tools he uses. We often talk to TDI in advance of the filing and give them a preview of what we are filing and see if they have any thoughts. We make the filing and the commissioner approves it or disapproves it.

TAIPA was contacted by Kimberly Donovan on August 21, 2020, that OPIC was concerned that Talia Bright's comments regarding rates were not heard during the August 21, 2020 meeting. Therefore, OPIC is requesting that TAIPA add the following statement with regard to the rate filing.

"OPIC has consistently raised objections to auto rate filings that appear excessive given the COVID-19 pandemic's impact on driving behavior, and will continue to do so as appropriate. OPIC will review TAIPA's rate filing when it comes in".

Corise Morrison asked for a motion for Counsel and Mike Miller to make the rate filing, and to direct them to make any changes that may be required in response to TDI.

- David Weber made the motion and Matt Snyder seconded the motion to:
"Have counsel and Mike Miller make Commercial Auto rate only as presented to the Governing Committee and to make any adjustments that may be required by TDI."
- The motion carried with one abstention

ITEM 12: Next Governing Committee Meeting

Stacy Dutton presented the date for the next Governing Committee Meeting to be held via Zoom on Friday, November 20, 2020.

ITEM 13: Personnel Matters

There were no personnel matters to discuss.

ITEM 14: Adjournment

There being nothing further to discuss,

- It was moved by Leslie Hurley and seconded by Matt Snyder to:
"Adjourn the Meeting"
- The motion carried unanimously and the meeting ended at 10:47 a.m.

Anh Vo

Date Signed: September 24, 2020

Anh Vo
Secretary