

**TAIPA GOVERNING COMMITTEE MEETING MINUTES  
NOVEMBER 20, 2020 AT 9:00 AM  
ZOOM MEETING**

Given the continuing concerns related to the COVID-19 virus, TAIPA held the TAIPA Governing Committee Meeting on November 20, 2020 as a Zoom Meeting Only.

Zoom Meeting Information

<https://us02web.zoom.us/j/82804858059?pwd=RDZDcHhKa0dzMXdaNFFaK3B0RGpuZz09>

Meeting ID: 810 0106 9015

Passcode: 992985

One tap mobile

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Dial by your location

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**ATTENDEES:**

**VOTING Members:**

- Corise Morrison, USAA
- Adam Payton, Producer Member
- Becky Jackson, Public Member
- Bill Brooks, Texas Farm Bureau
- Carmelita Hogan, Public Member
- David Nardecchia, Alternate 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
- Ryan Shapiro, Travelers
- 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.

Kimberly Donovan, OPIC

Melissa Herman, TDI

**ITEM 1: CALL TO ORDER**

Corise Morrison called the meeting to order at 9:00AM.

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

Anh Vo presented the Minutes of the August 21, 2020 meeting and went over the highlights of the meeting.

Corise Morrison asked for a motion to approve the minutes.

Mike Jones asked for a change on page 10. Change make a rate filing every calendar year to every 12 months.

- Anh Vo made the motion to accept the meeting notes with the above mentioned changes and Becky Jackson seconded the motion to:  
“Approve the Minutes.”
- The motion carried unanimously.

**ITEM 5: Chair’s Report****a. Welcome to David Nardecchia – Alternate Public Member –**

Corise Morrison welcomed David Nardecchia to the Governing Committee. David previously attended the Governing Committee Meetings when he was a representative at OPIC. David brings with him experience from various insurance related organizations as well as TDI. TAIPA is pleased to have David join the Governing Committee as our alternate public member.

**b. Thank you to volunteers for Sub Committees -**

Corise Morrison thanked everyone that volunteered for sub-committee openings. Stacy sent an e-mail with the names of the subcommittee members.

### c. Officers' Discussion on October 2, 2020 letter to Board Members from TDI -

All of the Governing Committee members received a letter from James Person of TDI dated October 2, 2020 discussing some of the responsibilities of board members. Stacy sent a copy of this letter to each of the Governing Committee Members as well. The officers discussed this letter in regards to what they could do to ensure that everyone one feels comfortable in their role as a Governing Committee Member.

The three main themes of the letter focus on:

- Training received
  - The Governing Committee's ability to access and control counsel
  - Understanding TAIPA's Third Party Relationships
1. Training -
    - TAIPA currently sends a welcome letter which includes information regarding
      - i. A brief history/description of the organization
      - ii. TAIPA's Conflict of Interest Policy
      - iii. Information on the Open Meetings Act Training
      - iv. Another way that TAIPA keeps everyone informed is through the notes of the previous meeting so everyone is aware of the various issues discussed at each meeting.
    - Additional training from the organizations that the Governing Committee represents is optional as well.
  2. Access and Control of Counsel
    - Mike Jones is TAIPA's Attorney
    - Mike regularly reports to the Governing Committee at scheduled meetings. Day-to-day matters that come up are addressed with the Manager, and in some cases with the Chair. If the matter involves something more significant, the Chair decides if officers should be consulted. If it is determined that the matter requires Governing Committee attention, the matter is brought up for its consideration. The officers are all members of the Governing Committee, and in this regard, the Governing Committee has direct access to and control over its Counsel.
    - All Governing Committee Members can contact TAIPA's Counsel whenever they have a need to.
  3. TAIPA's Third Party Relationships
    - A copy of TAIPA's Vendor and Service Provider Selection Procedure is attached in Exhibit 4
    - After receiving the letter, the TAIPA officers discussed what TAIPA could do to ensure that each member of the TAIPA Governing Committee had all the information that they needed to understand TAIPA's third party relationships and why we are where we are currently.

- The officers asked TAIPA staff to do a study of TAIPA's Third Party Relationships as listed in the procedures but to also look at any other entities that TAIPA spends \$20,000 or more with each year because that is what our procedure calls on. A copy of the study is in Exhibit 5.

Currently, TAIPA does the following to follow the TAIPA Vendor and Service Provider Selection Procedure:

1. TAIPA puts the Third Party Vendors and the RFP Procedure on the TAIPA Governing Committee Meeting Agenda at least once each year. (Historically, it is the November meeting.)
2. TAIPA makes a recommendation about completing a RFP for each of the entities that we have a Third Party Relationship with at this meeting.
3. The Governing Committee then discusses the matter and makes a decision on whether to complete an RFP or not.

There was discussion that the Governing Committee may want to consider:

1. Is our current process/procedure and/or dollar amount still valid for TAIPA as it is today?
2. Do we have or need an agreement with the organization?
3. If we have an agreement, does it cover everything that we need it to cover? The thought process being that the contracts/agreements that we do have may be quite old.
4. Anything else that the Governing Committee would find helpful with regard to TAIPA's Third Party Relationships.

The Governing Committee discussed the following:

- It was asked if anyone had any comments on the letter itself.
- There was discussion about the public member handbook that OPIC gave to public members.
  - It had reference documents that might be helpful for people not in the industry.
  - One of the public members indicated that this was always really helpful. Kim might be able to access it in the archives.
  - There was discussion about how Stacy could work with Kim and Becky to get a copy of this document.
- Discussion about Open Meetings Act training
  - The letter seems to have an expectation of on-going or refresher training.
  - There was a suggestion that everyone should review that every 2-3 years because rules could change.
  - Depending on how long someone has been on the committee, it can be more than 2 years. It's there, online.
  - Mike Jones indicated that we review what the legislature does every year and we do look at whether or not they change open statutes. He suggested people to look at open meeting requirements.
- Access to control of counsel:
  - Mike Jones stated that
    - All the officers are members of the Governing Committee and there is good access from the Governing Committee to deal with the attorney as well as the staff
    - There is a lot of work with the Manager on day to day matters which don't always rise up to a matter the Governing Committee/Officers should consider.

- One issue for TDI was does the lawyer represent the board, the member, the entity. Who is the attorney's client?
  - Mike Jones indicated that he has never perceived in TAIPA that there has ever been conflict between board and entity.
- Third party relationship. There was discussion around the following:
  - Should we look at existing relationships?
  - Is the fee accurate?
  - For those who don't have a written document should we have one?
  - Is it purely a purchase order kind of relationship and not a third party?
  - Do we need to refresh the documents we have?
  - If the Governing Committee feels that they would like to have the RFP process reviewed further, it was suggested that the Strategic Planning Subcommittee Governing Committee review this and come back with recommendations.
  - There were questions about the \$20,000 threshold and history of it and discussion if it should be moved to a percentage of budget?

Corise commented that:

- Another thing that we may want to consider is whether or not we as a board want to respond to TDI to let them know that we have received their letter and formally discussed it even though it doesn't appear that there is a formal response expected.
- If it is the Governing Committee's desire to have the Strategic Planning subcommittee meet and review this information, we would anticipate this to increase the cost for legal to attend the subcommittee meetings and possibly review any new agreements/contracts. We would also anticipate a small per diem cost for our producer or public members who would want to become members of this committee.
- Corise asked that anyone who has any questions, comments, or suggestions for anything that we could do better with regard to the requirements set out in the TDI letter to either discuss it now or to reach out to Stacy or Corise.

Corise Morrison asked for a motion to refer the matter of third party vendor evaluation to the strategic planning subcommittee:

- David Weber made the motion to accept and Stephen Hylka seconded the motion.
- The motion carries.

## **ITEM 6: Manager's Report**

Stacy Dutton presented the Manager's Report.

### **A. APPLICATION COUNT UPDATE AS OF OCTOBER 2020 (EXHIBIT 2)**

TAIPA received 114 applications in October 2020, compared to 215 applications in October 2019. 1,461 applications in 2020, compared to 2,375 applications in 2019, which is a decrease of 908 applications or about 38.48%. We expect to receive about 1,800 applications this year, which would put our 2020 volume at our lowest volume ever.

## **B. FINANCIAL UPDATE AS OF SEPTEMBER 2020 (EXHIBIT 3)**

TAIPA would expect to be at 75% of the budget used at the end of September, and has used only 66.31% of the budget. The items that are currently over-budget were explained. We anticipate to end the year under-budget.

## **C. 2021 REQUESTS FOR PROPOSAL**

### **i. TAIPA Policy (Exhibit 4)**

### **ii. TAIPA Third Party Providers (Exhibit 5)**

### **iii. TAIPA Recommendations**

- TAIPA's RFP procedure states that the manager should annually identify any vendors with poor performance or with contracts in place 5 years or more. Of those, the procedure states the Governing Committee must review services for contracts valued at over \$20,000, or for certain categories of expenses including:
  - Legal counsel,
  - Auditors,
  - Actuary,
  - Application processing system, and
  - Quota system.
- Last year, the Governing Committee made a consensus to continue the existing arrangements for another year with
  - Legal counsel,
  - Auditors,
  - Actuary
  - Application processing system, and
  - Quota system

This year TAIPA staff recommends the same for all of the vendors listed as we don't have a compelling reason to change vendors.

- Legal: We believe our relationship with Thompson Coe is very beneficial, as they have knowledge of TAIPA and our history. Thompson Coe is well versed in all aspects of insurance matters including regulatory, forms, rate-making, legislative, and business as well as general business matters including contracts and real estate leasing.
- Auditors: We have very good relationship with our auditors and they understand our organization well.
  - We were assigned a new partner in 2017, and
  - We typically have different auditors assigned to our audit each year.

- Since Mimi is new to the accounting position, there is a desire to have another year working with Atchley & Associates before any changes are considered.
- Actuary: Epic created our new rate filing process, and it has been going smoothly.
  - Mike Miller has agreed to keep his rate at \$8500 as he has, since we changed the process.
  - An Actuary RFP was conducted in 2016-2017 so our agreement has been in place since 2017.
- Application processing system, and quota system – AIPSO
  - We have been in a contract with AIPSO since 2015 with fairly low increases in fees.
  - They did let us know that they will be increasing the fees in 2021 but the fees were pretty minimal.

Corise Morrison asked for a motion to approve or consensus to continue the current relationship with TAIPA's attorney, auditors, actuary, and application processing and quota system or to go through the RFP process.

- Matt Snyder made the motion to accept TAIPA's recommendations and continue the current relationships.
- Bill Brooks seconded the motion
- The motion carried unanimously.

#### **D. 2021 BUDGET**

The 2021 budget details are in Exhibit 6.

#### **BUDGET ASSUMPTIONS:**

- First page of the exhibit shows the major assumptions we used when preparing the 2021 budget.
  - For the most part, we've budgeted for 2021 to be very similar to 2020.
  - The increases you'll see in 2021 are mostly the standard things you'll see increases in each year like employee insurance costs, salary increase due to proposed raises, etc.
  - The largest increase in budget this year is due to TAIPA benefits.

#### **REQUESTED BUDGET:**

- 2020 requested operating budget is \$912,400
  - Increase of \$66,900 (7.91%) from 2020 budget
  - Major line items that increased more than 6% from last year's budget:
    - The largest increase in budget this year is due to TAIPA benefits which went up 35.39%
      - The largest single item that caused an increase in TAIPA's budget was the increase in the minimum pension contribution which went from \$50,600 to \$97,000 a difference of \$46,400.



- The second largest item was for Prudential fees. Prudential administers TAIPA's 401(K) plan. 2021 was already scheduled to be the year that TAIPA would have the restatement fee of about \$5250. (This is for Prudential completing a new Summary Plan Description). Given that the Noncontributory plan was added – it is probably good timing. Prudential also added fees for compliance tests (\$500 for each of 5 compliance tests) and \$1500 for completing TAIPA's 5500 form. This is an increase of \$9250.00
- The third largest item was newer employees' eligibility for TAIPA's retirement benefits in February and April of 2021 for both the matching 401(K) and the 6% Noncontributory plan. The estimated cost of this is \$8,600. 2019 and 2020 we had very low benefit costs due to the turnover in 2019 and the waiting period for benefits.
- Other items up over 6% were:
  - Telephone/Internet-increase of \$900 or 8.65% increase – Added Zoom
  - Property Taxes – increase of \$200 or a 22.22% increase – Could be higher depending on what happens today on voting on the train and parks in Austin.
  - Other Office Expenses – increase of \$700 or 7.61% - Frost is going to actually start charging admin fees.
  - Depreciation is up because we are depreciating the computers that we had not budgeted for in 2020.
  - Computer Equipment – increase of \$2300 or 100% increase – which is really just moving this expense from Computer supplies to Computer equipment.

Major line items that decreased 6 or more percent from last year's budget:

- Printing – down \$1000 – down 19.61%
- Computer Supplies is lower \$2000 or 19.42% because we moved the expense of a new computer from computer supplies to computer expenses.
- Postage and Delivery is down \$1900 or 7.63% since we are not mailing out bulletins any longer.
- Employee Meetings, Seminars & Staff travel is down \$4200 or 14.41% since we implemented the \$5000 per year per employee.
- There is a capital budget request of \$2300 for one new computer for 2021.

## **RECOMMENDED 2020 ASSESSMENT:**

- 2020 recommended assessment is \$850,000.
  - This is the total 2021 budget
    - minus amortization and depreciation (which are non-cash expenditures),
    - minus \$54,200 of “excess cash” at yearend 2020 to be used to reduce the assessment.
  - Even after applying the excess cash to reduce the assessment, we still expect to have about \$221,688.53 on hand at yearend 2020. We need this cash to carry us over until payments for the 2021 assessment begin to come in. The \$221,688.53 is enough cash for about two and a half months of the 2021 budget.
  - This amount of carryover is sufficient for our needs, as assessment payments are due by February 1<sup>st</sup> and we have received payments fairly quickly previously.
  - Furthermore, there is a \$300,000 line of credit with Frost if necessary, although we do not foresee needing to use it.

Corise Morrison asked for a motion to approve the TAIPA budget for 2021 for \$912,400 with an assessment of \$850,000.

It was moved by Becky Jackson and seconded by Pete Hamel to:

- “Approve the TAIPA budget.”
- The motion carried unanimously.

#### **E. COVID-19 UPDATE (Exhibit 7)**

The changes that we have made with regard to COVID since our last meeting are:

Office Protocol:

1. Given the current workload and the projects Mimi and Stacy have been coming into the office more regularly.
2. Mishayla and Ruth have continued to come into the office every other day, however, they now work in the office for the entire day so that they can return phone calls, etc. (Previously, Mimi would handle any calls that came in after they had left for the day.)
  - The employees prepare whatever they are going to need to work on for the following day.
  - In addition, we have asked the employees to spend some part of their day studying an issue that has come up that they are not sure about each day.
  - The scanning project is ongoing.
  - Updating TAIPA’s data bases and communicating changes to AIPSO. These are due mostly to TAIPA’s recent change in emailing bulletins instead of mailing them, and TAIPA’s annual questionnaire regarding TAIPA Assignments. (Writing and Licensing in each State and public auto)
  - This work arrangement has continued to improve the training and reduce the amount of time that Mimi is handling customer service issues.

- Stacy and Mimi have also started having Mishayla and Ruth train Mimi on customer service to better analyze where they are in their job training.
3. As we discussed in the August meeting, Atchley & Associates have provided us with someone who doesn't work on the audit side of their business to assist us in getting caught up with our accounting work. This is working out very well and this is giving Mimi additional accounting training.

To ensure employees safety:

4. TAIPA has continued safety protocols and to date, TAIPA has not had anyone become ill.
  - If any employees have traveled, they quarantine and work from home as much as possible.
  - The building did contact TAIPA, when someone from another suite in our building tested positive for COVID.
    - It appears that the building requires a quarantine of all of the employees in the suite for a period of time.
    - Therefore, TAIPA continues to work on ways that would allow employees to work from home in the future if it is required.
    - TAIPA is specifically looking at changing phones to a VOIP system. TAIPA was looking at this anyway but given that the current phone system is no longer supported, they are pursuing this more aggressively now.
  - More people continue to use the building and it appears that delivery drivers are being given more access to the building than they were before.

Businesswise –

5. We received only 114 applications. This was less than what we anticipated. We had expected an increase because:
  - We have seen an increase in producer certification forms in order for them to write TAIPA business. Producers who were in our system but let their certification lapse are now requesting to be active again.
  - Recently we conducted a training for a producer who was suspended from writing in 2011. The Producer Review Panel required her to go through training before she could write TAIPA business again. She felt like she needed to be able to offer her clients policies through TAIPA again.
  - Customer Service reported that they are receiving more inquiries about commercial coverage. We had anticipated that the applications would go up instead of down in October.

Expenses –

6. There have not been any significant costs associated with COVID since our August meeting.

## **F. 2021 MEETING DATES (EXHIBIT 8)**

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

## **ITEM 7: OPERATIONS SUBCOMMITTEE REPORT**

Bill Brooks presented the Operations Subcommittee Report.

- a. Over and Under Report (Exhibit 9) - Nothing significant to report.

## **ITEM 8: REPORT OF COUNSEL**

### **a. TAIPA Rates (Exhibit 10)**

- The Governing Committee approved the filing in August for Commercial.
- The filing was made on September 14<sup>th</sup>.
  - TDI has 30 days to approve and can extend it by 30 days, which they did: November 13<sup>th</sup>.
  - The commissioner approved +4.8%.
- The next filing cannot be made for a period of 12 months (on or after September 15, 2021).

This year's filing used data through December 2018. Updated data becomes available in the fall. There is the option to wait a few months to file to use more current data in the future.

### **b. Legislative Update**

The Texas legislature meets once every two years and are meeting in 2021. Legislature meets for a period of 140 days, starting January 12, 2021 through May 27, 2021. Thompson Coe monitors bills that are passed dealing with auto. Thompson Coe also monitors bills that directly affect TAIPA.

Legislature can pre-file their bills on November 9, 2020. There were no pre-filed bills that currently would affect TAIPA.

## **ITEM 9: LETTER FROM CAROL BERTHOLD REGARDING LAD COVERAGE (Exhibit 11)**

Carol Berthold discussed her letter to the Governing Committee regarding LAD coverage.

A year and a half ago, the only LAD servicing carrier in 15 states gave notice that they were no longer interested. The AIPSO board looked at this and set up a long term work route to handle this issue. The board decided to adopt the process that AISPO handle business in those 15 states. With LAD in Texas there is 66% of business in LAD. It is important that we make sure that we have some sort of backup process if LAD carriers opt to not to do business in the state any longer.

Ms. Berthold suggested we get the Operation Subcommittee to review.

Corise Morrison asked for a motion regarding how we want to move forward on Carol's recommendation and to refer it to the Operation Subcommittee:

- Mary Carol Awalt made the motion and Anh Vo seconded the motion to:  
"Refer it to the Operation Subcommittee."
- David Weber abstained.
- The motion carried.

Corise Morrison suggested that she would like someone else on the Strategic Planning Subcommittee to be the chair of the committee.

**ITEM 10: NEXTING GOVERNING COMMITTEE MEETING**

Corise Morrison presented the date for the next Governing Committee Meeting to be held on March 26, 2021.

**ITEM 11: PERSONNEL MATTERS**

There were no personnel matters to discuss.

**ITEM 12: ADJOURNMENT**

There being nothing further to discuss,

- It was moved by Pete Hamel and seconded by Becky Jackson to:  
"Adjourn the Meeting"
- The motion carried unanimously.



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Anh Vo Secretary

Date Signed: February 9 , 2021