

**Texas Automobile Insurance Plan Association Governing Committee Meeting Minutes**  
**Friday, November 18, 2022**  
**9:00 A.M.**  
**Meeting Held via Zoom**

This meeting is scheduled to be a zoom meeting. The Zoom Meeting Address is:

Topic: TAIPA Governing Committee Meeting Friday, November 18th, 2022

Time: Nov 18, 2022 09:00 AM Central Time (US and Canada)

Join Zoom Meeting

<https://us02web.zoom.us/j/83324322262?pwd=NVDPa0p3NmZLRXpRVmlZKzJpUGYrUT09>

Meeting ID: 833 2432 2262

Passcode: 242264

One tap mobile

+13462487799,,83324322262#,,,,\*242264# US (Houston)

+12532158782,,83324322262#,,,,\*242264# US (Tacoma)

Dial by your location

+1 346 248 7799 US (Houston)

+1 253 215 8782 US (Tacoma)

+1 669 900 6833 US (San Jose)

+1 929 436 2866 US (New York)

+1 301 715 8592 US (Washington DC)

+1 312 626 6799 US (Chicago)

Attendees:

TAIPA Governing Committee Members:

Ryan Shapiro, APCIA rep

Michael Hass, Liberty Mutual

Mike Voigt, AFACT rep

Becky Jackson, consumer

Matthew Snyder, Farmers

Anh Vo, State Farm

John Lusardi, Allstate

David Weber, NAMIC rep

Carmelita Hogan, consumer

David Nardecchia, consumer

Mary Carol Awalt, consumer

Laura Hausman, consumer

Adam Payton, agent

Ramon Montalvo, agent

Kit Morris, agent

Keith Wechsler, USAA

Counsel:

Mike Jones

Other Company Members:

Carol Berthold, GEICO

Ron Weist, 21<sup>st</sup> Century

TDI:

John Mooney

Katelyn Marak

OPIC:

Talia Bright

Melissa Heggins

David Bolduc

TAIPA Staff:

Stacy Dutton

Mimi Leece

Ruth Wise

Amanda Reynolds

## **1. Call to Order**

Chair Becky Jackson called the meeting to order at 9:04am.

## **2. Introductions**

Stacy Dutton called roll.

## **3. Reading of the Anti-Trust Statement**

Stacy Dutton read the Anti-Trust Statement.

### **TAIPA 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."

## **4. Conflict of Interest Policy/Disclosures**

Chair Jackson asked Mike Jones to go over the conflict of interest disclosures.

Mr. Jones reminded the committee the meeting may contain topics which would make certain committee members ineligible to vote based on the company or organization the member works for or is a board member of.

## **5. Review and Approval of the Minutes of the August 19, 2022 Meeting (Exhibit 1)**

Chair Jackson asked David Weber to go over the last TAIPA Governing Committee Meeting minutes from August 19<sup>th</sup>, 2022. Mr. Weber went over the topics of the last TAIPA Governing Committee per the minutes. David Weber and John Lusardi pointed out two corrections within the minutes. Mr. Weber asked the committee if there were any other changes or questions regarding the minutes. No other changes or questions were mentioned. David Weber made the motion to accept the August 18<sup>th</sup>, 2022 Governing Committee Minutes with amendments. David Nardecchia seconded the motion. The motion carried unanimously.

## **6. Chair's Report**

Becky Jackson went over the Chair's report. She noted Corise Morrison officially retired from USAA and the TAIPA Governing Committee as of November 1st, 2022. Ms. Morrison asked the Chair to thank everyone for the Texas Flag presented to her at the August meeting. Chair Jackson welcomed Keith Wechsler from USAA to the committee. Mr. Wechsler has taken Corise Morrison's place on the Governing Committee. Chair Jackson also announced the Strategic Planning Subcommittee is seeking another company member, and to contact the Chair or Stacy Dutton if interested in the position.

## **7. Manager's Report**

Becky Jackson asked Stacy Dutton to go over the Managers Report.

### **A. Application Count Update as of October 31, 2022 (Exhibit 2)**

Stacy Dutton stated at the end of October 2022 TAIPA had assigned 109 applications, which is up from 107 applications in October 2021. Ms. Dutton noted this is 1.8% increase from the previous year or two applications. Ms. Dutton also stated Year-to-Date at the end of October 2022, TAIPA had assigned 1178 applications compared to 1163 applications assigned Year-to-Date through October 2021. She noted this increase is only 15 applications but this is the first time TAIPA's Year to Date numbers have been higher than the previous year since 2017.

Stacy Dutton asked if there were any questions on the application counts. Matt Snyder asked if the increase was in private passenger or commercial applications. Stacy Dutton confirmed the increase is mostly in commercial applications.

B. Financial Update as of September, 2022 (Exhibit 3)

Stacy Dutton noted this is the first time she has been reporting the budget numbers TAIPA has been within range or under budget in every single category. Ms. Dutton stated she expects for TAIPA to end the year under budget as well. She explained it is possible for TAIPA to have to complete a rate filing so there is a chance to end over budget in this category. Ms. Dutton noted TAIPA did not transfer the \$4000 to the Producer Review Panel budget as planned, this was due to the fact while Ruth Wise was pulling information together for the rate hearing, she discovered some additional information. Stacy Dutton explained after discussing this information with Mike Jones, it was decided TAIPA will need to send this information to TDI for resolution. Stacy Dutton asked the committee if anyone had any questions in regards to the financials. No questions were asked.

C. Line of Credit Renewal is complete and in place until September of 2023

Ms. Dutton confirmed the line of credit renewal is in place with Frost bank until September 2023 for \$300,000.

D. Issue with Non-Affiliated position on the Governing Committee\*

Recommendations for Plan of Operation Change (Exhibit 4)

Stacy Dutton stated TAIPA sent out Bulletin #250 Notice of Non-Affiliated Governing Committee Representative Nominations, which was followed up with an addendum to Bulletin #250 indicating Allstate would not be nominating itself for this position for 2023. Ms. Dutton stated she discussed the situation with the officers and they decided to send the addendum letting the companies know TAIPA did not have anyone nominated for the Non-affiliated position and asking any non-affiliated companies to seriously consider becoming a member of the Governing Committee.

Prior to the addendum going out, Ms. Dutton stated she had four insurance companies let her know they were not affiliated with AFACT, APCIA, or NAMIC. She contacted them to encourage them to apply for the Non-Affiliated position. She received 2 responses from the 4 companies. One indicated it was being sold and the other indicated it did not sell auto insurance in Texas even though they were licensed.

Ms. Dutton explained by October 26, 2022 she had not received any interest from any Non-Affiliated Company to be a member of TAIPA's Governing Committee. Ms. Dutton talked with the officers group regarding the fact Allstate would not be pursuing the Non-Affiliated position, and the officers discussed what might be done if TAIPA did not receive any interest from a Non-Affiliated company.

Ms. Dutton stated she assumed the following:

- The insurance companies are not going to want to leave this position unfilled for 2023.
- TAIPA would need to decide how they want to proceed at this Governing Committee meeting because whatever solution we come up with will require a Plan of Operation Change.
- TAIPA would request a rush from TDI on any proposed change, but it was still pushing it to have it be resolved prior to the March 24, 2023 annual meeting.

- The solutions the Officers' group developed were related to adding a possible 5<sup>th</sup> At Large member. Since these members are elected at the annual meeting, it adds some additional time constraints.

Stacy Dutton asked Mike Jones to go over the change options for the revision to the Non-Affiliated member position. Mr. Jones summarized each of the options:

Option 1: Eliminate the non-affiliated position, have five at-large members with at least one Texas Company who only writes in Texas.

Option 2: Eliminate the non-affiliated position, and have five at-large members from any company.

Option 3: Keep the non-affiliated position, but if in a particular year TAIPA does not receive nominations or do not fill the position then we would add a fifth at-large position for that year to serve until the next annual meeting. This option would also include language in the case where no Texas companies step up to the position then it goes back to the five at-large.

Option 4: Keep the non-affiliated position, but if in a particular year there not nominated or do not fill the position than a fifth at-large member position for a Texas company would be added for that year to serve until the next annual meeting. This option would also include language in the case where no Texas companies step up to the position then it goes back to the five at-large.

#### Discussion:

- Carmelita Hogan stated she was in favor of keeping a Texas company member which would be either Option 1 or Option 4.
- John Lusardi stated he would prefer to have 5 At-large members to avoid a Texas company member taking the position automatically without the Governing Committee approving the member's position due to the member's attendance or qualifications.
- Mike Jones stated there is language in the Plan of Operation stating committee members must attend meetings and the governing committee would elect the member with a vote.
- John Lusardi stated he would rather have the option with 5 At-Large members and the non-affiliated member eliminated.
- David Nardecchia stated he would rather have the option where a Texas company member has a position.
- John Lusardi asked Stacy Dutton how many non-affiliates have applied in the last few year.
- Stacy Dutton stated there was one in the last five years, but prior to that there were more.
- David Weber stated we should eliminate the Non-Affiliate position because there aren't many members out there and in the past the board has had trouble finding someone who knows they are not affiliated. He noted in regards to an additional member, he believes it is very important to have a Texas company because TAIPA is a Texas entity and serves Texans. Mr. Weber discussed currently we have representation for Texas companies through the Association of Fire and Casualty Companies in Texas (AFACT). Mr. Weber stated his recommendation is Option 1, because it allows a Texas company to be on the board and in the event we do not have a Texas company an At-large nomination would be allowed.
- Carol Berthold stated she believes Option 1 is the best option.
- Matt Snyder asked in the event where six companies run with one being a Texas domestic company, and they are not represented currently, would a current company be compelled to vote for them.

- Mike Jones stated if a Texas domestic company was nominated they would receive the position. He explained in the situation where two Texas domestic companies ran for the position, the company with the higher vote would receive the fifth position.
- Matt Snyder asked if the current bulletin would give the option for companies to select either At-Large, Non-Affiliated, or Texas Domestic.
- Stacy Dutton stated TAIPA would have to wait until we have the plan of Operation change before we can change the bulletin.
- Carmelita Hogan asked Stacy Dutton which option would include the above bulletin option. Stacy Dutton replied it would be Option 4 because right now that is the only bulletin sent out for Non-Affiliated but in the future TAIPA could add a box to check for Texas domestic companies to check to identify themselves.
- Becky Jackson asked if it would be better in the board's opinion to give the preference to a Texas domestic company over a Non-Affiliated.
- Mike Jones explained over the years it has been hard to find a Non-Affiliate position. He stated this has been hard due to most companies being members of trade associations.

David Weber made the motion to approve Option 1. Ramon Montalvo seconded the motion. The motion carried unanimously.

Mike Jones stated he will send to the commissioner and ask for her approval for the amended plan of operation language.

#### E. 2022 Review of 3<sup>rd</sup> Party Relationships & TAIPA Recommendations (Exhibit 5)

- i. Actuary\* (Epic Consulting – Mike Miller)
- ii. Legal (Thompson Coe – Mike Jones)
- iii. Auditors (Atchley & Associates – Tyler Mosley)
- iv. Systems (Application processing, and Quota - AIPSO)

Stacy Dutton explained the exhibit shows the:

- Category
- Name of the organization
- Services provided
- 2022 Rate and Expected Expenses
- 2023 Rate and/or Expected Expenses
- Any changes

\*Note this also includes information on the last RFP performed or the how long the 3<sup>rd</sup> Party has worked with TAIPA.

Ms. Dutton reminded everyone the TAIPA Vendor and Service Provider Selection Procedure was changed at our August 2021 meeting. The procedure states the manager will do an analysis and let you know annually (or sooner if necessary) about:

- Any 3<sup>rd</sup> Party Relationships contracts that have been in place for 5 years.
- Any vendor with poor performance.

Ms. Dutton stated TAIPA has not had any vendors with poor performance, however all of the 3<sup>rd</sup> Party Relationships have been in place 5 or more years. She pointed out TAIPA's actuary, Mike Miller with Epic Consulting has let her know he plans to retire in 2023.

Last year, the Governing Committee made a consensus to continue the existing arrangements with legal counsel, auditors, actuary, application processing system, and quota system for another year.

Stacy Dutton stated TAIPA's staff recommendation is to continue with all of the vendors as there is no compelling reason to change vendors.

Ms. Dutton announced it is up to the Governing Committee to determine if they would like TAIPA staff to come up with either:

- A list of potential vendors/providers who may be interested in providing the services identified; or
- If they would like TAIPA to do an RFP for any of our 3<sup>rd</sup> party relationships.

Chair Jackson stated we will be taking motions to continue each of the vendors individually.

A motion to continue legal counsel with Thompson Coe was made Ramon Montalvo and seconded by Mike Voigt. All were in favor, none were against, and there were no abstentions. The motion carried unanimously.

A motion to continue financial auditing services with Atchley & Associates under Tyler Mosely. Matt Snyder made a motion to continue, John Lusardi seconded the motion. All were in favor, none were against, and there were no abstentions. The motion carried unanimously.

A motion to continue with the current application processing system and quota system AIPSO was made by Keith Weischler, Matt Snyder seconded the motion. John Lusardi abstained from this vote due to a conflict of interest. None were against. The motion carried unanimously.

A motion to continue with the actuary services of Epic Consulting by Mike Miller was made by John Lusardi and seconded by Ramon Montalvo. All were in favor, none were against, and there were no abstentions. The motion carried unanimously.

Ms. Dutton stated when she received Mike Miller's email regarding his future retirement, she gathered names of potential actuaries from committee member's contacts as well as the names of the actuaries who responded to our 2017 RFP including AIPSO.

Stacy Dutton also mentioned the benefits and drawbacks of doing an RFP versus just networking to find an actuary who would be interested in completing TAIPA's rate filing. She stated she has some reservations about going through the RFP process since it was quite a bit of work for not much information in the way of new ideas or even actuaries who are were willing to work with the current practices.

Ms. Dutton explained she reviewed the RFP she wrote in 2017. She explained the RFP states what the current process is, but also asks for new ideas, and it goes so far as to say TAIPA may decide to take ideas from this process and send out an addendum with the "new idea" and get prices.

Stacy Dutton stated TAIPA's current actuary is telling us the current rate filing process may not work going forward. Ms. Dutton talked about how Mike Miller will help TAIPA review all the suggestions and come up with a new rate filing procedure. TAIPA can document the new procedure and send it out and get bids. She explained we are in a good situation since TAIPA is planning on going through a rate process soon and we would have until the rate filing for 2024 to find a new actuary and rate filing process.

Stacy Dutton turned the discussion over to Mike Jones to discuss the networking process.

Discussion:

- Mike Jones explained this issue has recently come up. He also stated Mike Miller has an associate who may be able to take over the rate filing process going forward. Mr. Jones explained he believes our current rate filing procedure will be reasonable moving forward.
- David Weber made the point the methodology for our rates has been a problem in the past, and he believes it is time to look at the statute to find a different way to set our rates. He explained TWIA made a recommendation to get their rates from TDI. He stated maybe it would be a good option for TAIPA to look into having TDI give us rates.
- Mary Carol Awalt asked if all of the actuaries would be contacted to get ideas from. She also made the point networking may be the best idea to find a suitable actuary replacement to give to Stacy Dutton and staff.
- Mike Jones voiced his concerns about finding a suitable actuary for TAIPA's rate filing.

David Weber made a motion to allow staff and counsel to find a replacement for Mike Miller, and if unsuccessful by the next meeting then move to a RFP process considered by the governing committee. Ramon Montalvo seconded the motion. The motion carries unanimously.

#### F. 2023 Budget

Stacy Dutton went over the 2023 budget details in Exhibit 6.

Ms. Dutton noted for the most part, the budget for 2023 is very similar to 2022. She discussed it includes:

- A 6% salary in increase over 2022's budget. This includes a 5% budget for staff increases and a 1% hold back to address compensation and other economic gaps in 2023 which was recommended by TAIPA's compensation consultant.

Ms. Dutton explained the largest increase in the 2023 budget is due to the fact TAIPA has to make a \$100,000 contribution to the pension plan this next year. She stated this is due to the investments made by the plan not performing as expected. The plan did not need any contributions in 2022 due to a surplus, however in years prior contribution was also needed.

The other potential increases Ms. Dutton went over \$5,000 are:

- \$12,300 for moving expense
- \$16,500 for Governing Committee Expenses since we are planning on having 3 in person meetings next year. This is not new per se, but TAIPA has only had one in person meeting since 2019
- \$5000 for Legal Expenses – Thompson Coe estimated a 5% increase and \$2000 was added for the HR Attorney to review the TAIPA handbook in 2023.
- \$12,700 increase in System Consultants because TAIPA wants to move to a different service level agreement without IT vendor Vintage. The new plan would assign a part time IT manager to TAIPA, use 170 Best Practices Audit, includes quarterly business reviews, checks for compliance, assist with budgeting, planning, Office 365 conversion, backups are included and manages SOC. Stacy Dutton pointed out she feels this service is necessary given TAIPA does not have employees with any IT background and due to the continued issues with security.

- Two new laptops were budgeted for staff since current laptops are 4 years old.
- The other new things less than a \$5000 per year increase are: a new postage machine, adding ICT membership, and cabling for a new office.

Stacy Dutton stated the 2023 requested operating budget is \$1,052,100. She noted is an increase of \$178,850 from TAIPA's 2022 budget.

Ms. Dutton explained the recommended 2022 Assessments is \$867,000.

- This is the total 2023 budget minus amortization and depreciation (which are non-cash expenditures), and minus \$180,000 of "excess cash" at yearend 2022 to be used to reduce the assessment.
- She explained after applying the "excess cash" to reduce the assessment fees, she expects to have \$230,593 at 2022 yearend. This cash will be used to carry over into the first quarter of 2023 operating expenses.
- She also noted TAIPA does have the \$300,000 line of credit with Frost.

Stacy Dutton asked the committee for any questions. No questions or concerns were mentioned.

Chair Jackson asked for a motion to accept TAIPA's recommended budget of \$1,052,100 and the assessment of \$867,000. David Nardecchia made a motion to approve this budget. Mary Carol Awalt seconded the motion. The motion carried.

#### G. 2022 Meeting Dates

Stacy Dutton went over the 2023 approved meeting dates shown in Exhibit 7.

Friday, March 24, 2023  
 Friday, August 18, 2023  
 November 1, 2023

Ms. Dutton explained the hotel where TAIPA planned to have the March 24<sup>th</sup>, 2023 meeting has a scheduling conflict that week and hotel rooms are no longer available at the agreed upon rate. Stacy Dutton asked the committee to decide if TAIPA wants to keep that date, and make it a zoom meeting or move the date.

Chair Jackson requested a motion to move the date or have a zoom meeting on March 24, 2023. John Lusardi made a motion to have the meeting via zoom on the same date. Matt Snyder seconded the motion. The motion carried.

### 8. **Strategic Planning Subcommittee Report**

Becky Jackson passed the meeting over to Mary Carol Awalt to give the Strategic Planning Subcommittee Report.

#### A. TAIPA's current staffing/salary grades

Ms. Awalt explained the Strategic Planning Subcommittee feels comfortable with TAIPA's current staffing level, however the committee wanted to find out the compensations consultant's thoughts as well. She stated the consultant indicated he agreed with TAIPA's staffing level of 4 employees based on the amount of work the Association has and even though the application numbers are going down. Mary Carol Awalt stated the compensation consultant



recommended the Governing Committee consider approving a 5% staff pay increase budget based on total payroll to be used for 2022-2023 staff pay increases. She explained it was also recommend adding an additional 1% hold back budget for any pay adjustments that might be required for the rest of 2023. She explained the compensation consultant stated TAIPA's current salary grades are still correct for what they have found in the market. Mary Carol Awalt asked if there were any questions, no questions were asked from the committee.

**B. TAIPA Office Space Lease**

Mary Carol Awalt went over TAIPA's office space lease and potential properties.

Ms. Awalt explained:

- TAIPA's current lease does not end until April 30, 2023.
- TAIPA spoke to Texas Windstorm Insurance Association regarding their move and new space.
- TAIPA also spoke to the Texas Property and Casualty Insurance Guaranty Association about their property and they voiced concerns about their buildings area and their staffs' safety.
- TAIPA staff visited and toured nine potential office spaces. The top three locations were shown in Exhibit 8.

Option 1: 805 Las Cimas Parkway, Suite 210, Austin, TX 78746 (current leased space)

Ms. Awalt stated TAIPA Staff's first choice is to stay where they are currently at. She explained staff would prefer not to move because their current location is very nice, has many perks, is close to everyone's homes, and probably most importantly they all feel safe there by themselves and at any hour. She also stated staff agrees the lease is expensive and the property management would likely turn down a negotiated offer due to the increase in companies moving into the building.

Option 2: 110 Wild Basin, Suite 360, Austin, TX 78746

Mary Carol Awalt stated TAIPA Staff's second choice is 110 Wild Basin and is about a mile north of their current location. She explained TAIPA staff felt safe at this location and the building had the same look and feel as TAIPA's current location. She noted a perk about this building is a very large conference room that could accommodate TAIPA's Governing Committee Meetings in the future.

Option 3: 5508 West 290, Suite 203, Austin, TX 78735

Mary Carol Awalt explained the most attractive thing about this office is Insurance Council of Texas and Texas Insurance Checking Office will be moving into this space. However, per Insurance Council of Texas and Texas Insurance Checking Office only around five employees will be onsite at their office on a given day. She noted staff is most concerned about the safety in this building due to the other companies in the building. Ms. Awalt pointed out Stacy Dutton did not feel comfortable allowing staff to work at this office by themselves or at late hours.

Ms. Awalt pointed out the comparison in exhibit 8, the locations rents are:

- Highest at 805 Las Cimas,
- Reduced by 83,450 over the 5 year lease agreement at 110 Wild Basin, and
- Reduced by \$149,187 at the 5508 Hwy 290 W location.

Discussion:

- Ramon Montalvo asked if TAIPA's current property would negotiate the current lease.

- Ms. Awalt stated per TAIPA's broker, the existing property management is not prone to negotiation.
- Mike Jones asked if the management would keep the rate the same but have months of free rent. Ms. Dutton stated she believes the broker may be able to negotiate another free month of rent in TAIPA's current building but they are not for certain.
- Chair Jackson asked if the 110 Wild Basin meeting room would incur more costs for the committee to drive to this location for meetings. Stacy Dutton stated it would likely not save to use this buildings conference room.
- John Lusardi asked how much the moving expense would be and pointed out the moving expenses would costs would cause TAIPA to not save anything on the first year of being at a new location.
- David Weber asked if the broker believes there would be a drop in the market in the upcoming year. Stacy Dutton stated the broker does not believe the market will drop rates any time soon.
- Laura Hausman stated she believes TAIPA has it in the budget to stay where they are. Since the staff feels safe and does not want to go through the moving process.

Chair Jackson asked the committee to make a motion on the office space lease. Mary Carol Awalt made a motion to stay at the current location or Option 1. Ramon Montalvo seconded the motion. The motion passed with all in favor.

Stacy Dutton noted the approved budget did not include the current office space rent but she believes the budget would not be too far off from what was approved. Ms. Dutton stated she would make it work.

#### C. Enterprise Risk Management Update (Exhibit 9)\*

Mary Carol Awalt stated the Strategic Planning Subcommittee asked TAIPA staff to consider what they would do if the application volume increased substantially and specifically address how they would communicate to Insurance Agents. TAIPA has done the following to prepare for an increase in volume and to assist insurance agents with additional information and/or training.

- Have verified where they can get lists of insurance agents to communicate with.
- Have contacted Independent Insurance Agents of Texas to see what they could help them with and made suggestions on how TAIPA might be able to assist IIAT as well.
- Created a document to start the process of reminding insurance agents who TAIPA is and how they can assist the agent, with the idea it could be changed up for different communications to agents who have never heard of TAIPA.
- Verified which agents could become TAIPA certified and determined it is not difficult to become TAIPA certified - Anyone who has a general, county mutual, limited, personal, temporary insurance license is eligible to be certified with TAIPA.
  - o Ruth Wise created a document to walk producers through the application rating process.
- Looked into taking electronic payments which was actually brought up when they were talking about space but ties into assisting agents and insureds;
  - Mike Jones looked into this and TAIPA can take electronic payments but there would have to be a change of the Plan of Operation.
  - The EASi forms TAIPA currently uses can be used with electronic payments and TAIPA would not have to pay anything to use the EASi system in this manner.
  - AIPSO is concerned about security and privacy with regard to insured electronic payments so they use a third party for these payments. The third

party does charge a fee so it would have to be determined who would pay for this fee – the insured or TAIPA.

- There would probably be some charges from AIPSO to change our EASi application to print out with this option, and some programming fees.
- Plan to look at having our website mobile friendly and more searchable by google.

## 9. Operations Subcommittee Report

### A. Over and Under Report (Exhibit 10)

Chair Jackson asked David Weber to go over the Over and Under report in Exhibit 10.

Mr. Weber noted companies Windhaven and American Country had their underage's drop off the last report. Mr. Weber noted American Country's underage has been restored on the new report. He explained nothing was changed with Windhaven because it is in receivership and the underage was negligible and wouldn't be put into storage.

Mr. Weber stated after TAIPA's last meeting staff found additional errors in the previous Over/Under Report. He noted on the previous Over/Under report for commercial (Other than Private Passenger -OTPP-):

- Most companies reporting data showed their quota responsibility was doubled. An example of this is British American which had an:
  - overage of 611 at the end of 2021,
  - overage of 1346 at the end of first quarter 2022, and now
  - overage of 444 at the end of 2<sup>nd</sup> quarter 2022

Mr. Weber explained TAIPA worked with AIPSO to correct this for second quarter 2022 and noted the affected companies were overstated in 1<sup>st</sup> QTR 2022 are back on trend in 2<sup>nd</sup> QTR 2022. There was no further discussion on the Over and Under report.

### B. Update on Review of the TAIPA Policies by Staff and Counsel\*

David Weber turned the meeting over to Mike Jones to give an update on TAIPA's review of TAIPA policies.

Mike Jones stated he and TAIPA staff reviewed the Texas Department of Insurance's family code requirement for a minor's examination under oath with a parent present. Mr. Jones explained this came up due to TDI's checklist requirement for an automobile policy. Mr. Jones stated because TAIPA policies are approved by the commissioner pursuant to TAIPA's Plan of Operation, there is no need to change the policy language as the minor examination should be done in adherence to the family code law.

It was discussed there should be no action taken and no vote needed at this time as counsel's advice was to leave TAIPA's policy language as is until the policy is revised for other reasons. When the policy is revised, TAIPA will add the required language.

### C. Update on Peer to Peer language in TAIPA policy.\*

Mr. Weber went over the update to Peer to Peer language in the TAIPA policy. This update is related to the passage of House Bill 113 in 2021 which allows people to share their vehicles with each other. Mr. Weber stated he and Mike Jones went through the bill and TAIPA's policies regarding this update. Mr. Jones explained a TAIPA policy already includes an exclusion for

coverage while the vehicle is being rented or leased to another. No action was needed to change TAIPA policies.

D. Update on Recommendation for Plan of Operation Change on what companies leaving the market must do. (Exhibit 11)\*

David Weber explained the proposed plan of operation language was discussed at the TAIPA Operations Subcommittee meeting. Mr. Weber explained the first proposed language includes a buy-out fee of \$3500 for companies or having staff calculate a fee based on a five year loss ratio. Mr. Weber explained the Operations Subcommittee believed this fee or a calculation would be difficult to enforce with companies who may be leaving the market due to going out of business. Mr. Weber stated the proposed language was amended by the Operations Subcommittee. He explained the new language and stated a company leaving the market may group or enter into a LAD/CLAD agreement.

David Weber asked for a motion to accept this new language into the Plan of Operation. Ramon Montalvo made a motion, David Weber seconded the motion. John Lusardi abstained from the motion. The motion carried.

E. Update on the discussion of what to do if LAD carriers leave Texas Market (exhibit 11)

David Weber explained the issue of LAD/CLAD carriers leaving the Texas market has been discussed many times in the past. David Weber stated the current LAD/CLAD carriers in Texas have stated they will not be pulling out of the market.

Mr. Weber went on to explain he does not believe this issue is a crisis occurring in Texas. Mr. Weber stated it was his suggestion to look at options outside of AIPSO for this issue. He also stated he believes when TAIPA looks at this issue in the future it should be reviewed by the entire Governing Committee because this would change how TAIPA works as a whole. He went on to explain this change would require a legislative change.

Mr. Weber stated there could be future changes in the legislature that may impact the marketplace in the future but at this time it is his opinion to wait on addressing this issue. Mr. Weber asked the Governing Committee their thoughts on making any changes or moving forward in regards to this issue.

Discussion:

David Nardecchia stated he also does not believe there is a problem at this time with carriers leaving the market, therefore he does not believe there should be any action taken on this issue. Mr. Nardecchia stated if and when we believe the market will change or the carriers indicate they will pull out of the market, we can look into this issue further.

David Nardecchia indicated it has always been his experience he can't solve a problem he doesn't have. He made a motion to table this issue until a change in the market occurs, David Weber seconded the motion. John Lusardi abstained from this vote. The motion carried.

Carol Berthold made the point if there is a concern with LAD/CLAD carriers leaving the market it will take a year or two to make any legislative changes in Texas. Ms. Berthold explained with legislative sessions only meeting every two years she does not want the committee to be short

sighted on this issue which is why she brought this issue to the committee's attention in past meetings.

#### **10. Report of Counsel**

Chair Jackson asked Mike Jones to give his report of counsel.

Mr. Jones explained the committee will be asked to approve a rate recommendation to make a rate filing as soon as possible. Mr. Jones explained this was discussed at the August Governing Committee.

Mike Jones went explained the last private passenger and commercial rate filing was submitted in September 2019 and this was for an overall rate increase of 4.9%. In 2020 due to COVID, TAIPA did not file a private passenger rate filing. In 2020 a commercial passenger rate filing was completed with a 4.8% overall rate increase. In 2021 the three year loss trend data for private passenger would not support a rate increase. In 2021 for commercial passenger rates, a 1.5% increase overall rate increase was indicated. Mr. Jones pointed out TAIPA elected to defer a rate filing for 2021 at the March 2022 Governing Committee meeting to see how the data would develop in the private passenger area.

Mike Jones explained he was able to obtain the latest Texas Insurance Checking Office quarterly trend data provided to TAIPA by the Texas Department of Insurance for the first two quarters of 2022. Mike Jones stated he shared this report with TAIPA's actuary, Mike Miller, who from looking at the report believes the data can support a rate increase of 5% for private passenger and commercial passenger from an inflation standpoint.

Chair Jackson asked the committee to make a motion on what to do with regard to the rate filing for a 5% increase for commercial and private passenger. Matt Snyder made a motion, John Lusardi seconded the motion. The motion carries unanimously.

#### **11. Next Governing Committee Meeting**

Becky Jackson announced the next TAIPA Governing Committee Meeting will be held on Friday, March 24, 2023 via Zoom.

#### **12. Personnel Matters**

There were no personnel matters brought to attention.

#### **13. Adjournment**

Chair Jackson asked for a motion to adjourn the meeting. David Nardecchia made a motion to adjourn, this motion was seconded by David Weber. The motion carries unanimously.

Chair Jackson announced the meeting adjourned at 11:31am.



David T. Weber, Secretary