

**Texas Automobile Insurance Plan Association Special Governing Committee Meeting**  
**Zoom Meeting Agenda**  
**Tuesday, March 6, 2024 – 9:00 A.M.**

Topic: TAIPA Governing Committee Meeting on Special Rates

Time: Mar 6, 2024, 09:00 AM Central Time (US and Canada)

Join Zoom Meeting

<https://us02web.zoom.us/j/83473727166?pwd=Zkh3TnpWTXA1YWVs4eC93bGhObTZuZz09>

Meeting ID: 834 7372 7166

Passcode: 374026

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One tap mobile

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*This meeting is being held via zoom, however, if you wish to attend in person, please let us know so that we can ensure that we can accommodate you at the TAIPA Office Building Complex in the Building Management Conference Room, at 807 Las Cimas Parkway, Austin, TX 78746*

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**Tuesday, March 6, 2024 – 9:00 A.M.**

1. Call to Order
2. Introductions
3. Reading of the Anti-Trust Statement
4. Conflict of Interest Disclosures
5. TAIPA Rate Filing
  - A. Discussion on Insurer of Last Resort vs. Statute Language
  - B. Statute regarding Rate Standards
  - C. Update
  - D. Proposed Rate Indications and reasons
  - E. Decision on Rates to file for 2024\*
  - F. Discussion of what will most likely happen from here
  - G. Possible Statutory Changes\*
6. 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.

## Attendees

### TAIPA Staff

Stacy Dutton  
Mimi Leece  
Amanda Reynolds  
Ruth Wise

### Governing Committee Members

Keith Wechsler (USAA)  
Matthew Snyder (Farmers)  
Brian Ferguson (State Farm)  
Doug Queenin (Liberty Mutual)  
John Lusardi (Allstate)  
Michael Burke (Travelers Ins)  
David Weber (Hochheim)  
Becky Jackson  
Carmelita Hogan  
Mary Carol Awalt  
Laura Hausman  
Betsy Blair  
Janet Dewey  
Ramon Montalvo III, C.I.C.  
Adam Payton  
Kit Morris

### TAIPA Legal Counsel

Mike Jones

### Others

Matt Stephenson  
Brent McGill  
Anne O’Ryan  
Reagan Elmer  
Birny Birnbaum

### TDI

Eric Hintikka  
Nicole Elliot  
Jason Lester  
Kailyn Boehm  
J’ne Byckovski  
Dan Paschal  
Brock Childs

### OPIC

Melissa Heggen  
Kim Donovan  
Talia Bright  
David Bolduc  
Taylor Richardson

## 1. Call to Order

Chair Jackson called the meeting to order at 9:03 A.M.

Mimi Leece explained how the Zoom meeting would proceed.

## 2. Introductions

Chair Jackson turned the meeting over to Stacy Dutton to call 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 turned the meeting over to Mike Jones to go over the Conflict of Interest Policy.

Mr. Jones reminded all Governing Committee members that they have access to TAIPA's Conflict of Interest document. He also reminded the Governing Committee that they are required to avoid voting on any items that they or their company have a vested interest in. He stated that he didn't believe that there would be any conflict of interest issues during this meeting.

## 5. TAIPA Rate Filing

Chair Jackson noted that she called this special Governing Committee to discuss TAIPA's rate filing for 2024.

She stated that before rates were discussed she wanted to discuss the fact that at the last Governing Committee meeting many people referred to TAIPA as the "insurer of last resort." Chair Jackson turned the meeting over to Stacy Dutton for discussion.

### A. Discussion of Insurer of Last Resort vs. Statute Language

Ms. Dutton noted that she had previously spoken to Chair Jackson regarding referring to TAIPA as the insurer of last resort. She noted that that was how TAIPA was referred to by her previous managers so she continued using the term. She stated that she and Ms. Jackson agreed to find out how the statute actually read. She read aloud the statute.

The association shall provide for the assignment of insurance to an authorized insurer for a person required by Chapter 601, Transportation Code, to show proof of financial responsibility for the future.

Ms. Dutton stated that by that definition, everyone that drives in Texas falls into this category, but noted that most don't go through TAIPA for their personal insurance.

Ms. Dutton stated that this was discussed at an Officers' Meeting. Becky was concerned that calling TAIPA the market of last resort is misleading and carries a stigma. Mike Jones indicated that even though the statute doesn't say that TAIPA is the insurer of last resort, it is implied because TAIPA doesn't have the option to turn down an application. Most of the company members indicated that in the insurance industry, most refer to TAIPA-like entities as a Market of Last Resort.

Chair Jackson asked if anyone had any questions or comments regarding this topic. There were no comments or discussion.

## B. Statute Regarding Rate Standards

Chair Jackson stated since the meeting is regarding TAIPA rates, she wanted to review what the statute says about TAIPA rates. She turned the meeting over to Stacy Dutton to discuss what was stated in the statute. Ms. Dutton read the language of the statute.

Sec. 2151.201. RATE STANDARDS. Rates for insurance provided under this chapter must be:

- (1) just, reasonable, adequate, not excessive, not confiscatory, and not unfairly discriminatory for the risks to which the rates apply; and
- (2) sufficient to carry all claims to maturity and meet the expenses incurred in the writing and servicing of the business.

She also noted that she, Mike Jones, and Matt Stephenson met with J'ne at TDI and some members of TDI's staff to discuss rates. J'ne stated during that meeting that one of the first things her department does when reviewing rate change requests is verify that the submitted rates meet the written statute.

Chair Jackson asked if anyone had any questions or comments about the statute language with regard to TAIPA rates. There were no comments or discussion.

## C. Update

Chair Jackson turned the meeting over to Mike Jones to give the update that he had given at the officer' meeting in regards to TAIPA's rate filing. Mr. Jones first reminded how TAIPA has done rate filings in the past. He also reviewed the rate filings that TAIPA has made in the past couple of years. He noted that TAIPA hired the Burkhalter Group last year as TAIPA's new actuary. He indicated that our actuary did not receive the benchmark reports until November 2023 and Matt Stephenson has been working with Ken Burton at TDI to understand the data received. He also discussed the February 9<sup>th</sup>, 2024, meeting with himself, members of TDI staff, Matt Stephenson, and Stacy Dutton. He then turned the meeting over to Matt Stephenson for his presentation.

## D. Proposed Rate Indications and Reasons

Matt Stephenson thanked everyone for selecting the Burkhalter Group for the TAIPA actuary. Matt went through the slides he prepared and discussed the data he used, the data during COVID that he didn't use, and how he smoothed out the data to come up with the rate indicators that he did. When Matt completed his explanation of his indications and his recommendations, he received several questions.

Some members discussed that they thought that the actuary had been too conservative in his recommendations and others thought that the recommendations were possibly too high given that the TAIPA data he had was very limited. Matt indicated that he did try to be very conservative in his entire approach since he was using trends and not actual TAIPA data. He discussed that he also really tried to look at the data the way that TDI would. Matt discussed that

the last three indications (Personal Injury Protection, Uninsured Motorists – BI, and Uninsured Motorists – PD) was 5% so even though the indications for these were much higher, he weighted these much lower than the indications would normally have dictated. He also discussed that there were some coverages that seemed to be in a state of flux right now so it was difficult to say exactly which way they would go in the long run. Some discussed that because of Matt's very conservative approach, they thought that at least the Private Passenger Bodily Injury recommendation should have been closer to the findings and felt that this was basically shown in the open market and documented in multiple articles about insurance. Matt was asked if he had looked at strictly TAIPA trends especially since the TAIPA coverages were so much lower than what is generally selected in the open market. The thought was that the severity trends would probably be lower since there is less coverage. Matt indicated that he had researched TAIPA data to the degree possible but found that around 25% of TAIPA's data was not reported anywhere because it is for non-owner policies. That along with the fact that TAIPA's volume is already too low to be statistically significant made that difficult at best.

#### E. Decision on Rates to file for 2024\*

Becky Jackson suggested that TAIPA go with Matt's recommendation given that Matt had indicated that some things were in flux and with the market and 15% change for some of the TAIPA insureds was already going to be quite a bit. Several Governing Committee members indicated that they agreed with this thought.

John Lusardi indicated that although he felt that the rates should be closer to the indications than they were, he did not think that a motion for this would be successful, so he made the motion to accept Matt's recommendations for TAIPA's rate filing with the thought that it was at least progress.

The motion to accept the indicated rates for Private Passenger at 15.1%, Commercial at 12.7% and 20% for BI was seconded by Ramon Montalvo. A vote was taken. Janet Dewey abstained, and the motion carried.

#### F. Discussion of what will most likely happen next

The meeting was turned over to Mike Jones to explain the rate filing and rate hearing process. He stated that Matt Stephenson will put together the filing packet which will be filed on or before March 14<sup>th</sup>, 2024. TDI will post notice of the filing with the Secretary of State's office for publication in the Texas Register. TDI has 45 days from filing to set up a rate hearing. Mr. Jones and Mr. Stephenson will attend the hearing and answer any questions that may come up. He said that there is no timeline for how long TDI will take to make a decision. He explained that the commissioner can either approve, disapprove or modify the filing. If the decision is that the filing is disapproved or needs modification, TAIPA will modify the filing and refile within 10 days and another hearing would be held. Once the rates are approved, TAIPA will inform companies of the new rates with 90 days to make the necessary changes. The proposed rates would most likely go into effect on September 1, 2024.

Chair Jackson asked the meeting if there were any questions or comments regarding this. There were none.

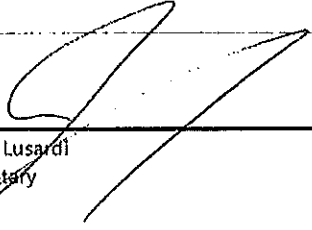
#### G. Possible Statutory Changes\*

Chair Jackson noted that at the officers' meeting there was ongoing concern about whether TAIPA's current method for determining rates is still effective. She noted that David Weber asked to address this concern with the Governing Committee. She turned the meeting over to David Weber for his presentation.

Mr. Weber noted that due to TAIPA's shrinking application count, TAIPA data is not going to be reliable because it will be no longer statistically significant. Mr. Weber proposed that TAIPA look into a different method to calculate TAIPA's rates. He stated that TAIPA does not have all of the information or capabilities that are needed to determine what the new method should be yet. He suggested that TAIPA start studying the problem now, come up with solutions and if necessary try to get a legislative change by 2027.

Chair Jackson asked for a motion to move forward with David Weber's suggestion that TAIPA send this issue to the Operations Subcommittee to discuss how TAIPA will determine rates in the future. Matt Snyder made the motion. John Lusardi seconded the motion. The motion carried unanimously.

6. Adjournment Chair Jackson asked for a motion to adjourn the meeting. David Weber gave the motion and the motion carried. The meeting was adjourned at 10:34 AM.

X 

John Lusardi  
Secretary

3/25/2024