

**Texas Automobile Insurance Plan Association Governing Committee Meeting Agenda**  
**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=NVDPaOp3NmZLRXpRVmIzKzJpUGYrUT09>

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For anyone who would like to participate in person, the Governing Committee meeting location will be at: Las Cimas Building Management Conference Room, 807 Las Cimas Parkway, Austin, TX 78746  
We ask that anyone who wishes to attend in person, please contact TAIPA at 512-444-4441 to let us know so we can ensure we have accommodations.

## **Agenda**

1. Call to Order
2. Introductions
3. Reading of the Anti-Trust Statement
4. Conflict of Interest Policy/Disclosures
5. Review and Approval of the Minutes of the August 19, 2022 Meeting (Exhibit 1)\*
6. Chair's Report
  - A. Corise Morrison's Retirement
  - B. Welcome Keith Wechsler
  - B. Strategic Planning Subcommittee – Opening for a company member.\*
7. Manager's Report
  - A. Application Count Update as of October, 2022 (Exhibit 2)
  - B. Financial Update as of September, 2022 (Exhibit 3)
  - C. Line of Credit Renewal is complete and in place until September of 2023
  - D. Issue with Non-Affiliated position on the Governing Committee\*
    - I. Recommendations for Plan of Operation Change (Exhibit 4)
  - E. 2022 Review of 3<sup>rd</sup> Party Relationships & TAIPA Recommendations (Exhibit 5)
    - I. Actuary\*
    - II. Legal\*
    - III. Auditors\*
    - IV. Systems\*
    - V. Addendum\*
  - F. 2023 Budget (Exhibit 6)\*
  - G. 2023 Meeting Dates (Exhibit 7)\*
    - I. March 24, 2023 meeting issue

8. Strategic Planning Subcommittee Report
  - A. TAIPA's current staffing/salary grades
  - B. TAIPA Office Space Lease (Exhibit 8)\*
  - C. Enterprise Risk Management Update (Exhibit 9)\*
  
9. Operations Subcommittee Report
  - A. Over/Under Report (Exhibit 10)
  - B. Update on Review of the TAIPA Policies by Staff and Counsel\*
  - C. Update on Peer to Peer language in TAIPA policy.\*
  - D. Update on Recommendation for Plan of Operation Change on what companies leaving the market must do. (Exhibit 11)\*
  - E. Update on the discussion of what to do if LAD carriers leave Texas Market\*
  
10. Report of Counsel
  - A. TAIPA Rates\*
  
12. Next Meeting - March 24, 2023
  
13. Personnel Matters
  
14. 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.

# Exhibit 1

Minutes from August 19<sup>th</sup>, 2022 Governing Committee Meeting

**Texas Automobile Insurance Plan Association Governing Committee Meeting**

**Agenda & Exhibits for Friday, August 19th, 2022 – 9:00am**

**Held at Austin Southpark Hotel & Via Zoom**

Topic: TAIPA Governing Committee Meeting Friday, August 19th, 2022

Time: Aug 19, 2022 09:00 AM Central Time (US and Canada)

Join Zoom Meeting

<https://us02web.zoom.us/j/86359794313?pwd=TIFnSmRmV1gvd2R5WnpSYVJhaGxpdz09>

Meeting ID: 863 5979 4313

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+1 312 626 6799 US (Chicago)

Meeting ID: 863 5979 4313

Passcode: 231240

Find your local number: <https://us02web.zoom.us/j/kemPzXOV9h>

**TAIPA Governing Committee Members**

Becky Jackson

Corise Morrison

Matthew Snyder

Anh Vo

David Weber

John Lusardi

Ramon Montalvo

Kit Morris

Mike Voigt

Carmelita Hogan

Mary Carol Awalt

Laura Hausman

David Nardecchia

Adam Payton

**OPIC**

Talia Bright

**Atchley & Associates**

Tyler Mosley

Jennifer James

**TAIPA Staff**

Stacy Dutton

Mimi Leece

Amanda Reynolds

Ruth Wise

**Attorney**

Mike Jones

**TDI**

John Mooney

**1. Call to Order**

Chair Becky Jackson called the meeting to order at 9:00am.

Ruth Wise explained how the zoom meeting would work.

**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. Audit/Finance Committee Report -  
Report on 2020 Audit (Exhibit 1)\***

Chair Jackson introduced Tyler Mosley from Atchley and Associates to go over the 2021 audit.

**A. Report on 2021 Audit (Exhibit 1, Page 1-7)**

Tyler Mosely went over the audit letter. One thing he pointed out is there are new auditing standards that came out this year, which changed the composition of the audit letter and the audit opinion which Jennifer James later goes over. Mr. Mosely stated there were no new accounting policies made last year. Mr. Mosely made note that there were minimal adjustments and nothing significant to report. There were a couple small reconciling errors, but nothing that would impact the financial statements. Mr. Mosely stated the audit went very smoothly.

**B. Report on Financial Opinion and Position (Exhibit 1, Page 10-26)**

- Ms. James explained they provided an unmodified opinion, which means Atchley believes that financial statements are presented fairly which is the highest level of opinion that they can give.
- Ms. James also went over the changes in the Financial Statement portion of the letters. This portion explains assets, liabilities, equity.
- Ms. James moved on to explain TAIPA's statements of financial opinion. She stated that cash flow increased from 2020 to 2021 by \$88,000 due to membership assessments. Ms. James explained that there was an increase in prepaid expenses which relates to the benefit plan. She noted there was a decrease in the accrued pension benefits cost liability from 2020 to 2021.
- Statement of Activities (Exhibit 1, Page 12) which explains revenues, expenses, and changes in net assets. Ms. James went over the increase in total revenue from the prior year due to membership assessments. She also explained TAIPA's expenses remained basically the same.
- Statement of Functional Expenses (Exhibit 1, Page 14) which is a breakdown of natural expenses. Ms. James stated that there were no changes from the year prior in expense activity.
- Statement of Cash Flows (Exhibit 1, Page 15) which provides more information of the increase in cash flow.
- Ms. James went over Note B which is the defined contribution and defined benefit plan and shows the characteristics and activity from this.

- Supplemental Information (Exhibit 1, Page 25) Ms. James stated this sections which show budgets versus actual amounts and variance.
- Ms. James also stated that the audit went very smoothly because Stacy Dutton and Mimi Leece were very communicative.

Mr. Mosely asked if there were any questions or comments regarding the audit report. There were no questions or comments stated.

Chair Jackson asked for a motion to accept the 2021 audit. David Weber made a motion, the motion was seconded by Ramon Montalvo. The motion carried.

#### **5. Review and Approval of the Minutes of the March 25, 2022 Meeting (Exhibit 2) -**

Chair Jackson asked David Weber to go over the March 25<sup>th</sup>, 2022 meeting minutes.

Mr. Weber explained that in this meeting there was an election of officers during this meeting, an update on TAIPA's finances was also given, and a review of the Conflict of Interest Policy was reviewed. Mr. Weber also stated reports were given in this meeting from the audit and finance committee as well as the Ops Subcommittee. Mike Jones gave some background on the rate review during this meeting.

Mr. Weber asked the committee if anyone had any changes or concerns to the March 25<sup>th</sup>, 2022 Governing Committee Minutes. No changes or concerns were stated.

Chair Jackson requested a motion. A motion to approve the minutes was made by Ramon Montalvo. This motion was seconded by John Lusardi. The motion passed unanimously.

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

Chair Jackson went over the Chair's report regarding the governing committee.

- Chair Jackson stated that Ms. Hurley has resigned her public member position on the TAIPA Governing Committee due to Ms. Hurley accepting a position with an insurance company. TAIPA will miss Ms. Hurley and her unique perspective she brought to TAIPA as a longtime previous TDI employee. TAIPA will deliver a plaque to Ms. Hurley as a token of appreciation for her service from 2018 to 2022.
- Chair Jackson also noted that Mike Schalk resigned from his position with Allstate thus leaving his position as the Unaffiliated Member of the TAIPA Governing Committee. TAIPA will be sending Mr. Schalk this plaque as a token of our appreciation for his service from 2018 to 2022.
- Chair Jackson announced that Allstate elected to have John Lusardi represent Allstate as the Unaffiliated Member of the TAIPA Governing Committee. She noted that most know Mr. Lusardi from his attendance at our Governing Committee Meetings and the committee and TAIPA are pleased to welcome him as a member of the Governing Committee.
- TAIPA requested to have a flag flown over the Texas State Capital for Corise Morrison after her two years of service as the Governing Committee Chair. She will be presented with the framed Texas Flag for her professional leadership over the past two years and appreciation for her service. Ms. Morrison thanked everyone for the beautiful flag.
- Chair Jackson stated that Stacy Dutton and Mimi Leece were able to deliver Pete Hamel's flag to him recently (photo and his thank you card included in Exhibit 2). Mr. Hamel served more than 30 years on the TAIPA Governing Committee.
- Subcommittee Membership Policy – Chair Jackson announced to everyone that she has decided to go back to policy of utilizing only Governing Committee members for positions on the TAIPA subcommittees. She explained the reason behind this decision is because she believes that it does keep more of the Governing Committee Members better informed as a group about the various issues affecting TAIPA. She noted that since TAIPA's March meeting, TAIPA has lost two of the members of our 15 member Governing Committee. Both of these members were on the Governing Committee for 4 years so this was a substantial knowledge loss for the Governing Committee. Chair

Jackson encouraged non-governing committee members to continue to attend both our Governing Committee Meeting and subcommittee meetings when they are discussing issues of concern to them or their organization.

- Since the decision to return to this policy, Chair Jackson and TAIPA has asked David Weber to chair the Operations Subcommittee going forward. Chair Jackson then thanked Carol Berthold for chairing the Operation Subcommittee for the last several years.

### **Future TAIPA Governing Committee Meetings**

Chair Jackson thanked all the Governing Committee members and attendees who were able to attend the meeting in person. She stated that because we are continuing to experience various phases of COVID, she wanted to touch base with the Governing Committee about the 2023 meetings.

The Chair noted that in order to comply with the current meeting regulations for TAIPA that the committee will need to have at least one Governing Committee member physically present at the meeting.

She also noted that she and Matt Snyder are both local, so that should not be an issue with TAIPA's current Governing Committee. She then said that TAIPA also has to make sure that members of the public can attend in person. Ms. Jackson announced that the November 2022 meeting will be held via zoom with at least one Governing Committee member being present. The meeting will be held at the TAIPA office complex in the Building Management Conference Room.

Ms. Jackson then opened the floor to members for a discussion, with the below questions in mind:

- Should we continue to plan one meeting per year as an in person meeting?
- Where are the companies at with regard to travel bans, etc?

### **Discussion:**

- John Lusardi stated that he is favor of one in-person meeting. If we had one in person meeting a year, he believes that people would try harder to attend in person.
- Carmelita Hogan would vote for in person meetings again, they allow a lot of focus with attendees. David Weber stated that he has enjoyed the in-person meetings and dinners for governing committee members. He made the point that the meeting was intended to be an in-person meeting but a third of the board is missing, so if TAIPA was to make the meetings in person only it may increase attendance. He questioned if we should continue with meetings with the zoom option or move to in-person fully.
- Mr. Weber added that Mr. Lusardi and others are on other organizations boards, it may be hard for them to travel. Mr. Weber stated that others may want to attend and having the online option for those unable to travel is a great benefit. He also made the point that TAIPA will be moving possibly next year.
- Corise Morrison made the point that everyone's companies are open to travel, however companies budgets may not work. Regarding TAIPA's budget, we would need to consider that as well. Ms. Morrison said that while she and many prefer in person meetings, however we have to think of the budget and scheduling conflicts that would affect the meeting to have a quorum.
- Mike Voigt stated that he would prefer in person meetings but agrees with allowing for in-person and also the zoom option.
- Mary Carol Awalt also stated that she would prefer in person meetings (at least one per year).
- Matt Snyder made the point that traveling at this time with airlines have proven difficult so having the zoom option is great and needed. He also stated that in-person meetings are his preference as he is local.

Chair Jackson then asked if anyone would like to make a motion. David Nardecchia made a motion for all three meetings in 2023 to be in person with zoom option. Matt Snyder seconded this motion. The motion passed unanimously.



## 7. Manager's Report -

Chair Jackson turned over the meeting to Stacy Dutton for the manager's report.

### A. Application Count Update as of July 2022 (Exhibit 3)

- Through July, TAIPA is tracking fairly close to 2021 but still down 27 applications or 3.32 % down from where we were at the end of July 2020.
- Applications have been down each month except for the month of June when counts were up by 8 applications.
- By just annualizing the applications, TAIPA expects to end the year at 1347 applications at the end of 2022. This would put 2022 volume at TAIPA's lowest volume ever.

Ms. Dutton asked the committee if anyone had anything to discuss on the application counts. No one voiced any questions or concerns.

### B. Financial Update as of June 2022 (Exhibit 4)

- At the end of June, TAIPA expected to have used 50% of the budget.
- TAIPA ended June at 38.49% of budget so TAIPA is 11.51% under budget.
- The only line item that is currently over-budget is Audit Expense and that is due to the fact that the audit has already taken place and TAIPA has paid most of the expenses for the audit.

Ms. Dutton stated that currently, TAIPA expects to end on budget in all of the categories except TAIPA expects to end under budget in employee benefits, postage expense, telephone expenses, governing committee meetings, and education.

### Producer Review Panel Meeting in 2022 –

Stacy Dutton then explained that TAIPA currently has a situation with one producer that TAIPA staff feels needs to be reviewed by the Producer Review Panel. She explained that a Producer Review Panel Meeting was not budgeted for 2022 because in the past staff has been able to work through all producer related issues by offering additional training.

Since the TAIPA Plan of Operation states that: “No expenditure in excess of an approved budgeted amount or which has not been included in the budget may be made without Governing Committee approval”. Ms. Dutton requested the Governing Committee's approval for \$4000 of the Education Budget to be moved to the Producer Review Panel Budget since the Education budget will end under budget.

Chair Jackson then asked for a motion to approve moving \$4000 from Education Budget to the Producer Review Meeting General Ledger to allow staff to hold a Producer Review Panel Meeting this year.

A motion to approve was made by David Weber, then seconded by Ramon Montalvo. The motion passed unanimously.

### C. Line of Credit Renewal

Stacy Dutton explained that TAIPA retains a \$300,000 line of credit with Frost Bank, and although it has never drawn on, TAIPA carries it as a contingency. Ms. Dutton stated that the line of credit is up for renewal on September 11<sup>th</sup>, 2022. The annual renewal fees are expected to be about \$330.00, but there are no other fees unless TAIPA draws against it. Frost Bank requires that TAIPA staff receive approval from the Governing Committee by placing the Line of Credit Renewal on the Governing Committee Agenda and having the Governing Committee vote on whether they want to renew the line of credit or not.

Ms. Dutton then asked the Governing Committee if there were any questions or concerns regarding TAIPA's line of credit. No questions or concerns were stated. Chair Jackson asked for a motion to renew the line of credit and authorize Stacy Dutton and Mimi Leece as the approved signers.

A motion to approve was made by Corise Morrison and seconded by John Lusardi. The motion passed with all in favor.

**D. 2023 Meeting Dates (Exhibit 5) -**

Stacy Dutton went over the proposed 2023 Meeting dates in Exhibit 5. She noted that all three of these meetings will be in person with a zoom option available.

Proposed Dates:

- Friday, March 24, 2023
- Friday, August 18, 2023
- Friday, November 17, 2023

Ms. Dutton asked the committee if anyone had any questions or concerns regarding the proposed dates. No questions or concerns were stated.

Ms. Jackson requested a motion to accept the 2023 meeting dates. Ramon Montalvo made a motion to approve, the motion was seconded by David Nardecchia. The motion passed.

**8. Strategic Planning Subcommittee Report –**

Chair Jackson turned the meeting to Mary Carol Awalt to go over the report of the Strategic Planning Subcommittee meeting.

**A. TAIPA's current staffing:**

Mary Carol Awalt explained that the current staffing level has not changed since 2017 when the Management Transition Subcommittee and the HR/Compensation Consultant came up with the current staffing and compensation model. TAIPA staff remains at 4 employees including Association Manager, Manager of Operations/Financial Management, 2 Customer Service & Administrative Support Specialist - Level I.

She noted that TAIPA is using the HR/Compensation Consultant that TAIPA used to create the current staffing structure to review where TAIPA is with regard to staffing, compensation grades, etc. At this point, Ms. Dutton and the Strategic Planning Subcommittee feel that the staffing level is appropriate even with the reduction in applications since there is a set number of tasks/duties must be completed regardless of application volume. TAIPA is currently using this time to train staff on higher level duties, writing Standard Operating Procedures, the scanning project, etc. Ms. Awalt stated that TAIPA hopes to have a report from the HR/Compensation Consultant by the November 2022 meeting.

**B. Current Space and Lease Options for March 2023:**

Mary Carol Awalt discussed that TAIPA's current office lease runs out the end of February 2023.

TAIPA currently leases an A property in the Westlake area. The lease is for

- 1438 sq. ft. at 805 Las Cimas Parkway, Austin, TX 78746
- Currently \$30.19 per sq. ft. and \$17.15 per sq. ft. triple-net (NNN – property's operating expenses)

TAIPA has received an offer from the current location to extend the lease an additional 5 years.

- The current offer is to renew the lease at
  - 2 months free rent
  - \$36 per sq. ft.
  - \$16.19 sq. ft. for triple-net (NNN – property's operating expenses)

Ms. Awalt explained that TAIPA is utilizing the same commercial real estate agent they used 5 years ago. He indicated that:

- Generally, organizations TAIPA's size would start looking in September or October time frame.

- The market is softening somewhat as you see a lot of empty space in buildings after COVID with so many working from home. However, this is not reflected in the market rate yet because most companies that have leases are still paying their rent even though they may not be using their space and may have totally moved out of their space.

Ms. Awalt stated that TAIPA is also looking for space where ICT and TICO may be relocating to. She went on to say that TAIPA recently learned that Thompson Coe is relocating to space close to TAIPA's location so TAIPA is going to reach out to them to see what the costs would be at their new location as well. Ms. Awalt explained that the hope is that TAIPA can utilize the conference room from their neighbor if there is no shared conference room available in the building.

Ms. Awalt noted that the Strategic Planning Subcommittee will continue to work with staff on their office lease and will report on this again at the November meeting.

### **C. Enterprise Risk Management Plan (Exhibit 6):**

Mary Carol Awalt explained that the Strategic Planning Subcommittee is tasked with reviewing TAIPA's Enterprise Risk Management Plan each year. The updated Enterprise Risk Management Plan as well as a copy of the marked up version of the ERM showing all of the changes were shown in Exhibit 6. She explained:

- A. TAIPA staff reviewed the Enterprise Risk Management Plan and submitted a revised plan with the list of changes that they made.
  - a. Most of the changes were updates in dates and contacts.
  - b. The two changes that staff made to the plan involve
    1. TAIPA's new telephone system in that they have worked through the issues that they were having with the fire wall and are now working to train employees on how to use the VOIP system from their homes.
    2. TAIPA was able to purchase the small lockable file cabinets for employees' home use in an effort to keep all TAIPA equipment and documents safe and confidential.
- B. The Strategic Planning Subcommittee brought up the issue that TAIPA applications have gone up and down over the years and sometimes the volume has increased substantially and quickly. They asked TAIPA staff to add a possible increase of volume to the list of threats. The subcommittee suggested that this may be a good time for TAIPA to consider and prepare for an increase in volume by:
  - a) Developing a plan to let insurance agents know and/or remind them about TAIPA and what we do. The plan should include:
    1. Finding out how agents currently find out about TAIPA now and develop additional means of ensuring that the vast number of agents know about TAIPA and are prepared to send applications for their clients who cannot get automobile liability coverage in the open market.
    2. Reviewing what TAIPA currently does to assist agents with training including and developing ways of assisting producers with the application process so that they can submit applications correctly the first time. Ideally this will be developing online assistance through training documents or videos so that the agents could access the training any time and minimize the amount of time that customer service employees are spending walking agents through the process one on one since we would anticipate that they will be working with an increased volume.
    3. Partnering with different agent organizations such as IIAT to make presentations or have a booth at their conferences to remind agents that TAIPA is an option for their high risk clients.

Ms. Awalt stated the Strategic Planning subcommittee would like to get input from the Governing Committee and other interested parties about the proposed ERM – especially with

regard to ideas on risk of TAIPA application volume increasing and how TAIPA can prepare for this ahead of time.

No questions or concerns were presented regarding the ERM and preparing for additional volume.

Chair Jackson asked the committee for a motion to accept the Revised Enterprise Risk Management Plan outlined in Exhibit 6. A motion was made by Corise Morrison, Adam Payton seconded the motion. The motion carried.

Mary Carol Awalt then noted the strategic planning subcommittee anticipates having an additional meeting prior to the November Governing Committee and to work with staff on

1. Reviewing the Recommendations from the HR/Compensation Consultant
2. TAIPA's lease agreement for March 1, 2023.
3. Updates to the ERM with regard to preparing for additional volume

**Discussion:**

- John Lusardi asked when the HR review would be conducted. Ms. Dutton stated that he will be reaching out in the next few weeks regarding the salary review and the hope is to have the review done prior to the November 2022 Governing Committee Meeting.
- Mr. Lusardi also asked if the board thought a 5 year office lease would be a good idea with more companies and AIPSO plans to work from home.
- Mary Carol Awalt asked if there was a statutory requirement for TAIPA to have an office space due to mail and walk-in traffic.
- Mike Jones (counsel) stated that Stacy Dutton and staff process a lot of mail so having a dedicated space is needed.
- John Lusardi has stated that other associations similar to TAIPA have gone to paperless application submitting where applications and payments are submitted online.
- David Nardecchia asked if there was a statute regarding check payments for applications, Mike Jones stated he does not believe so but he would look into it further.
- Matt Snyder made the point that longer lease terms generally are much less expensive than short term leases and that TAIPA should consider this in the search for office space.
- Laura Hausman stated her company had to move in the midst of the pandemic, she feels like staff needs to have a space for morale and communication. She believes that TAIPA should have an office space of their own.
- Carmelita Hogan seconded Ms. Hausman's statement that a space is needed and to be grounded as an association.
- Corise Morrison stated that an application and payment portal is something to look into in the future and in regards to the office lease situation.
- John Lusardi stated that he wants to make sure Ms. Dutton and staff have guidance for this move and the parameters needed from the Governing Committee. Ms. Dutton stated that the Strategic Planning Subcommittee will be assisting in the decision making for the move and future lease. Ms. Dutton confirmed that she will be presenting options at the November Board Meeting and if a decision needed to be made prior, an emergency board meeting will be called.
- Chair Jackson asked if anyone else had any further questions or concerns, no further questions or comments were mentioned so the meeting moved on to the next agenda item.

**9. Operations Subcommittee Report**

Chair Jackson then turned the meeting over to David Weber to go over the Operations Subcommittee report.

**A. Over/Under Report (Exhibit 13)**

Mr. Weber noted that there is something of significance to report on the over/under report this time. He pointed out that two companies had their under positions dropped from the report. The companies were highlighted on the over/under report in exhibit 13.

- Windhaven had an under position of 10 on the Private Passenger report last time it was run and this should have carried over to this report as well.
- American Country Insurance Company had an under position of 1535 on the Other Than Private Passenger report last time it was run. This amount should have carried forward and appear on this report.

Mr. Weber stated that Mimi Leece has contacted AIPSO about this and they indicated that they will make the correction and these companies under position will appear on the report in September 2022.

The Operation Subcommittee has not met since February of this year. Mr. Weber stated that although he had not attended some of the last few meetings, he is still working to get a firm understanding on each of the issues that the Operations Subcommittee is tasked with reviewing including:

- Recommendation for what to do when companies leave the market.
- Update on Review of the TAIPA Policies by Counsel -
- Update on the discussion of what to do if LAD carriers leave Texas Market
- Update on the Peer to Peer language for TAIPA Policies

Mr. Weber stated he anticipated an Operation Subcommittee meeting prior to the November 2022 Governing Committee and working to resolve or at least move forward on a number of the above issues.

## 10. Report of Counsel

Chair Jackson then turned the meeting over to Mike Jones to give a Report of Counsel.

### a. TAIPA Rates\*

#### TAIPA Ratemaking History

The TDI has a long-standing practice of requiring that the complement of the ratemaking data's credibility be applied to one year of the projected loss trend. For example, if the rate change indication based on the ratemaking data is determined to be 90% credible, then 10% weight is given to the annual loss trend and 90% weight to the indicated rate change based on the data.

For many years, TAIPA calculated its rates by applying the complement of credibility to its annual loss trend for each coverage. When the volume of TAIPA loss data dropped dramatically, the credibility of its ratemaking data dropped to 0%. TAIPA's rate change indications were then based 100% on the annual loss trend.

For the last several years, the TDI has been accepting the all-industry linear, paid pure premium trend measured over the latest 3 years as a reliable estimate of TAIPA's indicated private passenger rate change for each coverage.

For the commercial auto coverages, the TDI has accepted the annual change in ISO's loss cost filings as the best indication of TAIPA's commercial auto rate change.

#### Texas All-Industry Annual Loss Trends

The latest available all-industry Texas loss data are as of the end of 2021. The 3-year linear, paid pure premium trends are as follows:

<u>Coverage:</u>	<u>Annual Trend:</u>
BI Liability	+0.9%
PD Liability	-10.4%
PIP	-8.5%
UM-BI	+8.9%
UM-PD	+0.6%

### **Trend Observations**

Claim frequencies have increased since we last analyzed the trend data 6 months ago. Despite the recent increases, claim frequencies are still lower than they were pre-COVID. Claim severities as of the end of 2021 are higher than they were 6 months ago.

Despite these recent increases, the paid pure premium trends measured over the latest 3 years are not materially different than they were 6 months. The current loss trends do not make a strong case for increasing TAIPA's current private passenger rates.

### **Possible Rate Changes**

If TAIPA were to submit a rate filing consistent with the latest paid pure premium annual trends, the overall rate change would be as follows:

<b><u>Coverage:</u></b>	<b><u>Rate Change:</u></b>
BI Liability	+0.9%
PD-Liability	-10.4%
BI/PD Combined	-3.8%
PIP	-8.5%
UM-BI	+8.9%
UM-PD	+0.6%
All Coverages	-3.6%

If TAIPA were to submit a rate filing that relied solely on the positive trends and proposed a 0% rate change if the loss trend was negative, the overall rate change would be as follows:

<b><u>Coverage</u></b>	<b><u>Rate Change</u></b>
BI-Liability	+0.9%
PD-Liability	0.0%
BI/PD Combined	+0.5%
PIP	0.0%
UM-BI	+8.9%
UM-PD	+0.6%
All Coverages	+0.6%

The TDI may not approve the 0% rate changes if the loss trends are negative.

### **Commercial Auto Rates**

Mike Jones stated the latest ISO loss cost filing was effective July 2021. TAIPA could use that ISO filing to justify about an overall 1.5% rate increase for commercial autos. A commercial auto rate filing would prevent TAIPA from changing its private passenger rates for 12 months after the effective date of the commercial rate changes.

1. TAIPA's last rate filing was a commercial auto only filing made September 14, 2020.

- a) a. Overall rate change was +4.8%
- b) b. Rate change effective date was March 1, 2021;

2. TAIPA's prior rate filing was September 11, 2019.

- a) a. Overall rate change was +4.9% for private passenger and +4.9% for commercial auto;
- b) b. Rate change effective date was March 1, 2020;
- c) c. The indicated rate changes and proposed and adopted changes for private passenger by coverage:

<u>Private Passenger</u>	<u>Proposed/Adopted</u>	<u>3 Year Linear Trend Indications</u>
Bodily Injury Liability	+5.0%	+9.8%
Property Damage Liability	+4.9%	+5.7%
Personal Injury Protection	+4.0%	+4.0%
Uninsured Motorists - BI	+4.3%	+12.0%
<u>Uninsured Motorists – PD</u>	<u>+1.7%</u>	+2.1%

Overall Average +4.9%

3. TAIPA's rate filing before that was September 10, 2018.

- a) a. Overall rate change was +4.9% for private passenger and +4.9% for commercial auto;
- b) b. Rate change effective date was March 1, 2019;
- c) c. The indicated rate changes and proposed and adopted changes for private passenger by coverage:

<u>Private Passenger</u>	<u>Proposed/Adopted</u>	<u>3 Year Linear Trend Indications</u>
Bodily Injury Liability	+5.0%	+9.7%
Property Damage Liability	+4.8%	+7.6%
Personal Injury Protection	+2.4%	+3.8%
Uninsured Motorists - BI	+4.5%	+13.8%
<u>Uninsured Motorists – PD</u>	<u>+4.5%</u>	+6.6%

Overall Average +4.8%

*\*See last pages for additional data on Texas Personal Auto changes.\**

Chair Jackson requested a motion if the Governing Committee wants to make a rate filing now. John Lusardi made a motion to take no action at this time and to have the committee review additional trends at the next meeting in November 2022. Ramon Montalvo seconded this motion. The motion passed.

#### **11. Next Meeting—November 18, 2022**

Chair Jackson announced that TAIPA's next Governing Committee Meeting will be held on November 18th, 2022.

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

Chair Jackson stated that there were no personnel matters to be discussed.

#### **13. Adjournment**

Chair Jackson announced the end of the agenda items and thanked everyone for their time. She then requested a motion to adjourn the meeting.

Corise Morrison made a motion to adjourn, Matt Snyder seconded the motion. The motion to adjourn carried at 10:33am.

*Dail T. Weber*

# Exhibit 2

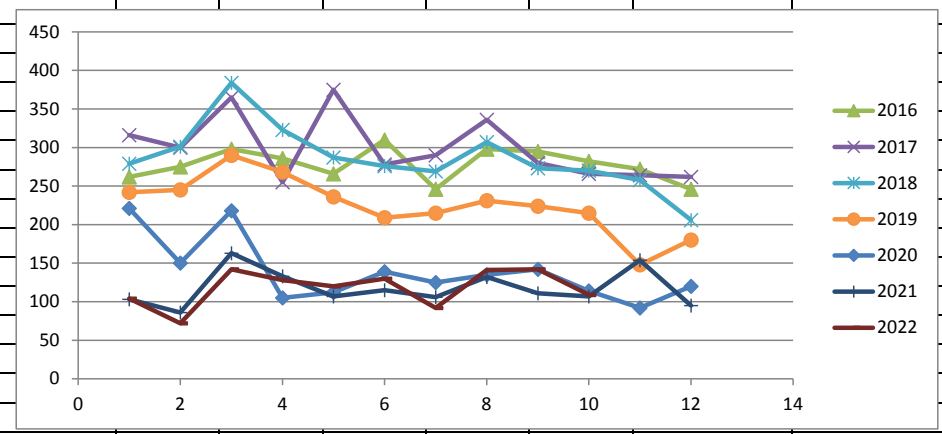
Application Count as of October 2022



<b>Monthly Total (October 2022)</b>		
	<b>Private Passenger</b>	<b>Commercial</b>
<b>EASi Applications</b>	<b>85</b>	<b>26</b>
<b>Paper Applications</b>	<b>0</b>	<b>0</b>
<b>Total Applications Received</b>	<b>84</b>	<b>25</b>
<b>Applications Assigned</b>	<b>83</b>	<b>24</b>
<b>Apps Returned for Correction</b>	<b>1</b>	<b>1</b>
<b>Applications Deficient</b>	<b>4</b>	<b>1</b>
<b>Applications with SR-22s</b>	<b>5</b>	<b>0</b>
<b>Total Applications Received in October 2021:</b>	<b>107</b>	<b>107</b>
<b>Total Applications Received in October 2022:</b>	<b>109</b>	<b>109</b>
<b>Year to Date Total (as of October 2022)</b>		
	<b>Private Passenger</b>	<b>Commercial</b>
<b>EASi Applications</b>	<b>1105</b>	<b>251</b>
<b>Paper Applications</b>	<b>0</b>	<b>0</b>
<b>Total Applications Received</b>	<b>945</b>	<b>233</b>
<b>Applications Assigned</b>	<b>919</b>	<b>230</b>
<b>Apps Returned for Correction</b>	<b>25</b>	<b>3</b>
<b>Applications Deficient</b>	<b>67</b>	<b>8</b>
<b>Applications with SR-22s</b>	<b>59</b>	<b>0</b>
<b>Total Applications Received YTD (as of October 2021):</b>	<b>1,163</b>	<b>1,163</b>
<b>Total Applications Received YTD (as of October 2022):</b>	<b>1,178</b>	<b>1,178</b>
<b>YTD Percent Change from October 2021 to October 2022:</b>	<b>1.29%</b>	<b>1.29%</b>
<b>Application Assignment History*</b>		
<b>1997: 95,461</b>	<b>2005: 31,517</b>	<b>2014: 3,628</b>
<b>1998: 55,041</b>	<b>2006: 23,634</b>	<b>2015: 3,217</b>
<b>1999: 47,108</b>	<b>2007: 16,780</b>	<b>2016: 3,089</b>
<b>2000: 44,945</b>	<b>2008: 12,896</b>	<b>2017: 3,508</b>
<b>2001: 53,477</b>	<b>2009: 10,299</b>	<b>2018: 3,338</b>
<b>2002: 66,153</b>	<b>2010: 8,725</b>	<b>2019: 2,606</b>
<b>2003: 74,506</b>	<b>2011: 7,364</b>	<b>2020: 1,673</b>
<b>2004: 47,434</b>	<b>2013: 4,708</b>	<b>2021: 1,381</b>
*Application Assignment History based on applications assigned, not received.		

### Trend of Applications Received from 2016 to 2022

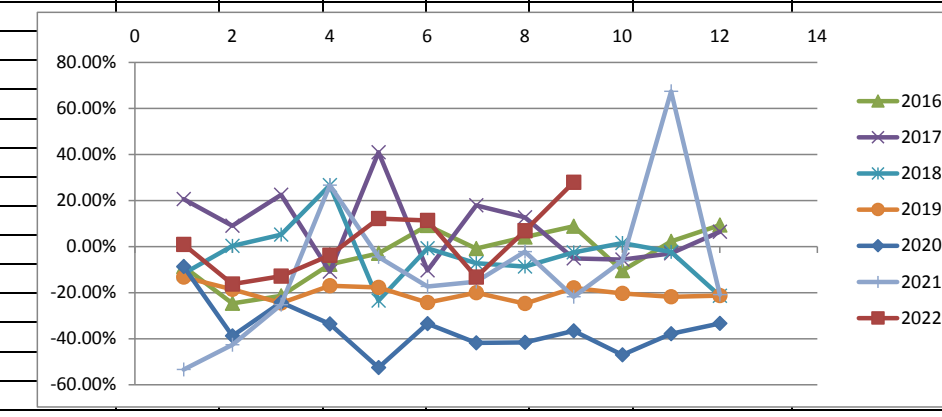
	2016	2017	2018	2019	2020	2021	2022
<b>January</b>	262	316	279	242	221	103	104
<b>February</b>	275	300	301	245	150	86	72
<b>March</b>	298	365	384	290	218	163	142
<b>April</b>	286	255	323	268	105	133	128
<b>May</b>	266	375	287	236	112	107	120
<b>June</b>	310	278	276	209	139	115	130
<b>July</b>	246	290	269	215	125	106	92
<b>August</b>	298	336	307	231	135	132	141
<b>September</b>	295	280	273	224	142	111	142
<b>October</b>	282	266	270	215	114	107	109
<b>November</b>	272	264	258	148	92	154	
<b>December</b>	246	262	206	180	120	95	
<b>Total</b>	3,336	3,587	3,433	2,703	1,673	1,412	1,180



Estimate of Applications to be Received in 2021:

### Percent Change in Applications Received from 2016 to 2022

	2016	2017	2018	2019	2020	2021	2022
<b>January</b>	-8.71%	20.61%	-11.71%	-13.26%	-8.68%	-53.39%	0.97%
<b>February</b>	-24.66%	9.09%	0.33%	-18.60%	-38.78%	-42.67%	-16.28%
<b>March</b>	-21.37%	22.48%	5.21%	-24.48%	-24.20%	-25.23%	-12.88%
<b>April</b>	-7.74%	-10.84%	26.67%	-17.03%	-33.59%	26.67%	-3.76%
<b>May</b>	-2.92%	40.98%	-23.47%	-17.77%	-52.54%	-4.46%	12.15%
<b>June</b>	9.15%	-10.32%	-0.72%	-24.28%	-33.49%	-17.27%	11.30%
<b>July</b>	-0.81%	17.89%	-7.24%	-20.07%	-41.86%	-15.20%	-13.21%
<b>August</b>	4.20%	12.75%	-8.63%	-24.76%	-41.56%	-2.22%	6.82%
<b>September</b>	8.86%	-5.08%	-2.50%	-17.95%	-36.61%	-21.83%	27.93%
<b>October</b>	-10.48%	-5.67%	1.50%	-20.37%	-46.98%	-6.14%	
<b>November</b>	2.26%	-2.94%	-2.27%	-21.82%	-37.84%	67.39%	
<b>December</b>	9.33%	6.50%	-21.37%	-21.26%	-33.33%	-20.83%	
<b>Total YTD</b>	-4.96%	7.52%	-4.29%	-20.01%	-35.79%	-9.60%	



# Exhibit 3

Financial Update as of September 2022

Audited

**Texas Auto Ins. Plan Assoc.****ACTUAL VS. BUDGET**

	<b>Actual</b>	<b>2022 Year To Date Budget</b>	<b>Variance</b>	<b>2022 Annual Budget</b>	<b>% Used</b>	<b>Reason for Variance</b>
<b><u>REVENUE</u></b>						
Assessments & Penalties	564,055	557,250	6,805	743,000	75.92%	<b>80.00%</b>
Other Revenue	2,175	0	2,175	0	0.00%	<b>70.00%</b>
<b>TOTAL</b>	<b>566,231</b>	<b>557,250</b>	<b>8,981</b>	<b>743,000</b>	<b>76.21%</b>	
<b><u>EXPENDITURES</u></b>						
Salaries	256,509	272,025	15,516	362,700	70.72%	<b>Within range.</b>
Emp. Benefits & Other Ins. Exp.	72,535	94,912	<b>22,377</b>	126,550	<b>57.32%</b>	<b>TAIPA's Med/Dent/Vis renewals came in lower than expected as we were able to continue with our medical plan instead of moving to a Affordable Healthcare Plan. In addition we moved our life insurance to Sun Life and saved additional premium.</b>
Office Equipment Expense	7,706	9,450	1,744	12,600	<b>61.16%</b>	<b>TAIPA has not restocked our Office Supplies &amp; Equip. We expect to end on budget.</b>
Printing & Stationary Exp.	0	3,225	3,225	4,300	<b>0.00%</b>	<b>We have not purchased envelopes. We expect to end on budget.</b>
Computer Expenses	4,847	9,075	4,228	12,100	<b>40.06%</b>	<b>We have not yet purchased all of the recommended computer supplies that Vintage suggested. We expect to end on budget.</b>
Postage & Shipping Exp.	14,934	18,675	3,741	24,900	<b>59.97%</b>	<b>TAIPA carried over pre-paid postage from 2021. Between the carryover and the fact that we are trying to minimize what we send out hard copy and send electronically if possible, we plan to end the year under budget.</b>
Telephone Expense	5,460	9,150	3,690	12,200	<b>44.76%</b>	<b>Telephone expenses are lower now that all of TAIPA's phone numbers have been ported over to 1 account. We expect to end under budget.</b>

***Texas Auto Ins. Plan Assoc.***  
**ACTUAL VS. BUDGET**

	Actual	2022 Year To Date Budget	Variance	2022 Annual Budget	% Used	Reason for Variance
Rent Expense	50,370	50,850	480	67,800	74.29%	<b>Within range.</b>
Moving Expense	0	0	0	0	0.00%	<b>Within range.</b>
Taxes	51	825	774	1,100	4.60%	<b>Have not paid all of TAIPA's taxes. We expect to end on budget.</b>
Other Office Expenses	3,479	5,925	2,446	7,900	44.04%	<b>TAIPA has not had very many assessment write-offs, and service awards happen more towards the end of the year.</b>
Governing Committee	10,930	16,800	5,871	22,400	48.79%	<b>TAIPA's Governing Board Meetings have been held by teleconference, thus travel expenses have been reduced. Expect to end under budget, because we only had 1 in person meeting scheduled.</b>
Subcommittee Meetings	2,500	3,375	875	4,500	55.56%	<b>TAIPA has had all of the Sub Committee meetings scheduled in 2022, we don't expect to have another on this year. We expect to end under budget.</b>
Producer Review Panel	0	0	0	0	0.00%	<b>We did not reallocate these monies to this account, due to a change in plans.</b>
Employee Meetings, Seminars & S	2,754	19,425	16,671	25,900	10.63%	<b>To date employees haven't enrolled in courses, management have enrolled in online seminars, and the manager has only attended one off site symposium. TAIPA to move \$4000 to producer review.</b>
Legal Expenses	25,364	41,700	16,336	55,600	45.62%	<b>To date TAIPA has had 2 Governing Board Meeting and as of yet TAIPA will have a Rate Filing in 2022. We expect to end on budget.</b>

**Texas Auto Ins. Plan Assoc.**  
**ACTUAL VS. BUDGET**

	Actual	2022 Year To Date Budget	Variance	2022 Annual Budget	% Used	Reason for Variance
Audit Expense	15,181	19,275	4,095	25,700	59.07%	The Audit expenses have been paid. We anticipate additional expenses for completing 990 form. We expect to end on budget.
Dues, Subscriptions & Publications	410	450	40	600	68.39%	Some of the expected dues will be paid later in the year. We expect to end on budget.
TAIPA Tradition, Visitor Meals &	1,824	2,175	351	2,900	62.89%	Events happen later in the year. Expect to end on budget.
System Consultants	37,789	40,275	2,486	53,700	70.37%	Within range.
Consultants - Other	8,784	26,100	17,316	34,800	25.24%	TAIPA has not utilized our accounting system consultants as we had expected through September, we are working on system updates on Sage. WE have not paid Intelligent Compensation, LLC for their services. We anticipate ending on budget.
Actuary	0	6,375	6,375	8,500	0.00%	We have spent \$1,560 to date but will have a rate filing before the end of the year. Expect to end on budget but may go over.
Other	0	0	0	0	0.00%	
<b>SUBTOTAL</b>	<b>521,425</b>	<b>650,063</b>	<b>128,638</b>	<b>866,750</b>	<b>60.16%</b>	
Depreciation	1,370	2,475	1,105	3,300	41.50%	
Amortization	0	300	300	400	0.00%	
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0.00%	
<b>SUBTOTAL</b>	<b>1,370</b>	<b>2,775</b>	<b>1,405</b>	<b>3,700</b>	<b>37.02%</b>	

***Texas Auto Ins. Plan Assoc.***  
**ACTUAL VS. BUDGET**

	Actual	2022 Year To Date Budget	Variance	2022 Annual Budget	% Used	Reason for Variance
<b>TOTAL OPERATING EXPENS</b>	<b>522,794</b>	<b>652,838</b>	<b>130,043</b>	<b>870,450</b>	<b>60.06%</b>	<b>We are currently under budget by 14.94%. We'd expect to be at 75% of budget at the end of this period.</b>
<b>NET FROM OPERATIONS</b>	<b>43,436</b>	<b>-95,588</b>	<b>139,024</b>	<b>-127,450</b>		
Non-Operating Pension Costs	0	0	0	0	0.00%	
<b>NET</b>	<b>43,436</b>	<b>-95,588</b>	<b>139,024</b>	<b>-127,450</b>		

**CAPITAL BUDGET**

Software Development in Progress	0	0	0	0	0.00%
Office Furniture & Equipment	0	0	0	0	0.00%
Computer Equipment	0	2,100	2,100	2,800	0.00%
Computer Software	0	0	0	0	0.00%
Leasehold Improvements	0	0	0	0	0.00%
<b>TOTAL</b>	<b>0</b>	<b>2,100</b>	<b>2,100</b>	<b>2,800</b>	<b>0.00%</b>

*NOTE: Items that are considered "within range" are within 5% or \$5,000 of the expected year-to-date budget.*

Audited

***Texas Auto Ins. Plan Assoc.*****Statement of Activities**

For the period ended September 30, 2022

Audited

## Changes in unrestricted net assets

	<b>Current YTD</b>
Revenues	
Member assessments	\$ 559,787
Interest income	2,175
Assessment penalties	4,268
Total revenues	<u>566,231</u>
Expenses	
Salaries and related expenses	329,044
Occupancy expenses	55,881
Professional Services	87,118
Depreciation & amortization	1,370
Postage and delivery	14,934
Office supplies and expense	7,706
Governing committee	10,930
Computer supplies & expenses	4,847
Subcommittee meetings	2,500
Staff education & seminars	2,754
Miscellaneous	3,479
Staff expense	1,824
Dues and subscriptions	410
Total operating expenses	<u>522,794</u>
Other revenues (expenses)	
Total other revenue (expenses)	<u>-</u>
<i>Increase (decrease) in unrestricted net assets</i>	43,436
<i>Net assets (deficiency) at beginning of year</i>	<u>469,323</u>
<i>Net assets (deficiency) as of September 30, 2022</i>	<u><u>\$ 512,759</u></u>



Audited

***Texas Auto Ins. Plan Assoc.*****Statement of Financial Position**

As Of September 30, 2022

Audited

## ASSETS

Current Assets	
Cash and cash equivalents	\$ 628,273
Accounts receivable	26,707
Prepaid expenses	13,811
Total current assets	<u>668,791</u>
Security Deposits	5,379
Prepaid Pension Benefit Costs	107,490
Property and Equipment	
Furniture and equipment	26,653
Computer equipment	15,105
Leasehold improvements	2,222
Computer software	25,000
	<u>68,980</u>
Less accumulated depreciation	<u>66,160</u>
	<u>2,820</u>
Total assets	<u><u>784,480</u></u>

## LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	17,272
Accrued vacation	40,319
Accrued payroll liabilities	23,870
Deferred revenue	185,986
Total current liabilities	<u>267,448</u>
Other Liabilities	
Deferred lease benefit	4,273
Total other liabilities	<u>4,273</u>
Net (Deficiency) Assets	
Without donor restrictions	<u>512,759</u>
Total net assets	<u>512,759</u>
Total liabilities and net assets	<u><u>\$ 784,480</u></u>

# Exhibit 4

Recommendations for Plan of Operation Change

OPTION 1 (REVISED): ELIMINATE NON-AFFILIATED AND HAVE 5 AT LARGE, 1 MUST BE TEXAS COMPANY

**Sec. 36. ADMINISTRATION**

**A. Governing Committee Composition**

The Association is administered by a Manager and a Governing Committee consisting of fifteen members.

1. Eight members shall represent the interests of insurers. To be eligible to act as a representative of insurers, a person must be a full time employee of an authorized insurer. Representatives of the insurers shall be elected by the members of the Association as follows:

a. One insurer member shall be selected by each of the following trade associations:

American Property Casualty Insurance Association (APCIA)

Association of Fire & Casualty Companies in Texas (AFACT)

National Association of Mutual Insurance Companies (NAMIC)

b. ~~[One insurer member shall be selected to represent members of the Association which are not affiliated with any of these trade associations.~~

~~e.]~~  
Five [Four] insurer members shall be elected to represent the membership at large. At least one of the five insurer members must be a Texas domestic insurance company that writes only in the State of Texas and is not an affiliate or a subsidiary of an insurance company or holding company system writing automobile insurance outside of Texas. In the event a Texas domestic insurance company is not elected at the annual meeting, then the insurer receiving the next highest votes shall be elected to represent the membership at large.

Insurer members of the Governing Committee shall be selected to represent the trade associations ~~[and unaffiliated insurers]~~ as prescribed under Section 36.B. The five [four] member insurers to serve at-large shall be elected by ballot of the members of the Association at the annual meeting.

2. Five public members shall be nominated by the Office of Public Insurance Counsel

and selected by the Commissioner of Insurance. Appointments shall be made by December 31 of each year. The public members serve staggered two year terms.

Terms for three public members shall expire in odd shall expire in even numbered years. A person may not serve as a public member if that person, an individual related to that person within the second degree of consanguinity or affinity, or an individual residing in the same household with that person is:

a. required to be registered or licensed under the Insurance Code;

b. employed by or acts as a consultant to a person required to be registered or licensed under the Insurance Code;

c. the owner of, or has a financial interest in, or participates in the management of an organization required to be registered or licensed under the Insurance Code;

d. an officer, employer or consultant of an association in the field of insurance or;

e. required to register as a lobbyist under Chapter 305, Government Code.

The Office of Public Insurance Counsel may nominate and the Commissioner of Insurance may appoint up to three additional persons who meet these qualifications to act as alternates for public members. The alternate public members shall serve two year terms or until a replacement alternate is appointed by the Commissioner of Insurance. If a public member is unable to attend a meeting of the Governing Committee, that person may designate one of these alternates to attend the meeting and act for the absent member.

3. Two members shall be licensed General Lines or Personal Lines Property and Casualty Agents, one of whom is selected by the Independent Insurance Agents of Texas and the other by the Commissioner of Insurance. The producer representatives to the Governing Committee serve a one year term.

OPTION 1 (REVISED): ELIMINATE NON-AFFILIATED AND HAVE 5 AT LARGE, 1 MUST BE TEXAS COMPANY

The Independent Insurance Agents of Texas may appoint an alternate, subject to the approval of the Commissioner of Insurance. The alternate producer member shall serve a two year term or until a replacement alternate is approved by the Commissioner of Insurance. If either producer member is unable to attend a meeting of the Governing Committee, that person may designate the alternate to attend the meeting and act for the absent member.

4. Public and producer members and any alternate members are entitled to be reimbursed for reasonable expenses incurred and to be compensated in the amount of \$250 for each day that they participate in any meeting as authorized by the Governing Committee.

**B. Selection of Insurer Governing Committee Representatives**

1. Trade Associations

Prior to the annual meeting, each trade association shown above shall select its representative to the Governing Committee. Each trade association will advise the Manager of the insurer chosen.

2. ~~Non-Affiliated Insurers~~

~~The Manager shall poll the non-affiliated insurers by mail ballot annually to determine those insurers desiring to serve on the Governing Committee. Prior to the annual meeting, the Manager will conduct a mail ballot for the non-affiliated insurers to select their representatives.~~

a. ~~Weighted Voting Procedure~~

~~Non-Affiliated insurers shall select representatives in accordance with the following weighted voting procedure:~~

~~Each non-affiliated insurer shall cast a proportionate vote based on its total voluntary automobile liability and physical damage premiums as stated on the Exhibit of Premiums and Losses of the insurer's Annual Statement written in the State for the calendar year~~

~~ending December 31 of the second prior year by non-affiliated insurers.~~

~~b. Completion of Mail Ballot~~

~~If one or more non-affiliated insurers are members of a group under the same ownership or management, the insurers must vote as a group for one insurer. A group of insurers which is non-affiliated may not split its votes between individual insurers.~~

~~3.] At-Large Representatives~~

At-Large representatives of insurers shall be elected at the annual meeting.

C. Association Annual Meeting

1. The Association shall hold an annual meeting on a date and at a place selected by the Governing Committee. At least 45 days prior to the meeting, the Manager shall send written notice to all member insurers, producer representatives of the Governing Committee and public members of the Governing Committee. An agenda for the meeting shall accompany the notice of meeting. The purpose of the meeting is the election of insurer representatives to serve on the Governing Committee.
2. At the annual meeting, ten percent of member insurers present or by proxy constitutes a quorum. Member insurer voting by proxy shall be permitted. Prior to the annual meeting, the Manager shall distribute proxies to all member insurers.
3. Each class of insurers shall select its representatives to the Governing Committee in the manner stated in Section 36.B above to serve for a term of one year.

D. Terms of Office

Terms of office for members of the Governing Committee commence on the day of the annual meeting and each member shall continue to serve until a successor for that member of the Governing Committee is selected.

OPTION 1 (REVISED): ELIMINATE NON-AFFILIATED AND HAVE 5 AT LARGE, 1 MUST BE TEXAS COMPANY

E. Vacant Seats

1. In the event a trade association insurer vacancy occurs on the Governing Committee, it shall be filled by the respective trade association by appointing a successor to serve until the next annual meeting.

~~2. [If a non-affiliated insurer vacancy occurs, the nonaffiliated insurers shall elect a successor to serve until the next annual meeting.]~~

~~3.~~ If an at-large insurer vacancy occurs, the remaining representatives of insurers shall select an insurer to serve until the next annual meeting but the vacancy of an elected Texas domestic insurance company as defined under Section 36.A.1.b is to be filled with another Texas domestic insurance company selected by the remaining representatives of insurers. In the event, a Texas domestic insurance company is not available for the vacant position, the remaining representatives of insurers shall select an insurer to represent the membership at large until the next annual meeting.

~~3.~~~~4.~~ The Commissioner of Insurance will select a public member or a Commissioner of Insurance appointed insurance producer if a vacancy occurs, to serve until the next annual meeting.

~~4.~~~~5.~~ The Independent Insurance Agents of Texas will select an Independent Insurance Agents of Texas replacement if a vacancy occurs.

## OPTION 2: ELIMINATE NON-AFFILIATED AND HAVE 5 AT LARGE

**Sec. 36. ADMINISTRATION****A. Governing Committee Composition**

The Association is administered by a Manager and a Governing Committee consisting of fifteen members.

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a. One insurer member shall be selected by each of the following trade associations:

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Association of Fire & Casualty Companies in Texas (AFACT)

National Association of Mutual Insurance Companies (NAMIC)

b.

~~[One insurer member shall be selected to represent members of the Association which are not affiliated with any of these trade associations.~~

~~c.]~~

Five ~~Four~~ insurer members shall be elected to represent the membership at large.

Insurer members of the Governing Committee shall be selected to represent the trade associations ~~[and unaffiliated insurers]~~ as prescribed under Section 36.B. The five ~~four~~ member insurers to serve at-large shall be elected by ballot of the members of the Association at the annual meeting.

2. Five public members shall be nominated by the Office of Public Insurance Counsel and selected by the Commissioner of Insurance. Appointments shall be made by December 31 of each year. The public members serve staggered two year terms.

Terms for three public members shall expire in odd shall expire in even numbered years. A person may not serve as a public member if that person, an individual related to that person within the second degree of consanguinity or affinity,

or an individual residing in the same household with that person is:

a. required to be registered or licensed under the Insurance Code;

b. employed by or acts as a consultant to a person required to be registered or licensed under the Insurance Code;

c. the owner of, or has a financial interest in, or participates in the management of an organization required to be registered or licensed under the Insurance Code;

d. an officer, employer or consultant of an association in the field of insurance or;

e. required to register as a lobbyist under Chapter 305, Government Code.

The Office of Public Insurance Counsel may nominate and the Commissioner of Insurance may appoint up to three additional persons who meet these qualifications to act as alternates for public members. The alternate public members shall serve two year terms or until a replacement alternate is appointed by the Commissioner of Insurance. If a public member is unable to attend a meeting of the Governing Committee, that person may designate one of these alternates to attend the meeting and act for the absent member.

3. Two members shall be licensed General Lines or Personal Lines Property and Casualty Agents, one of whom is selected by the Independent Insurance Agents of Texas and the other by the Commissioner of Insurance. The producer representatives to the Governing Committee serve a one year term.

The Independent Insurance Agents of Texas may appoint an alternate, subject to the approval of the Commissioner of Insurance. The alternate producer member shall serve a two year term or until a replacement alternate is approved by the Commissioner of Insurance. If either producer member is unable to attend a meeting of the Governing Committee, that person may designate

## OPTION 2: ELIMINATE NON-AFFILIATED AND HAVE 5 AT LARGE

the alternate to attend the meeting and act for the absent member.

~~may not split its votes between individual insurers.~~

4. Public and producer members and any alternate members are entitled to be reimbursed for reasonable expenses incurred and to be compensated in the amount of \$250 for each day that they participate in any meeting as authorized by the Governing Committee.

### ~~3.] At-Large Representatives~~

At-Large representatives of insurers shall be elected at the annual meeting.

## **B. Selection of Insurer Governing Committee Representatives**

### 1. Trade Associations

Prior to the annual meeting, each trade association shown above shall select its representative to the Governing Committee. Each trade association will advise the Manager of the insurer chosen.

### 2. ~~Non-Affiliated Insurers~~

~~The Manager shall poll the non-affiliated insurers by mail ballot annually to determine those insurers desiring to serve on the Governing Committee. Prior to the annual meeting, the Manager will conduct a mail ballot for the non-affiliated insurers to select their representatives.~~

#### ~~a. Weighted Voting Procedure~~

~~Non-Affiliated insurers shall select representatives in accordance with the following weighted voting procedure:~~

~~Each non-affiliated insurer shall cast a proportionate vote based on its total voluntary automobile liability and physical damage premiums as stated on the Exhibit of Premiums and Losses of the insurer's Annual Statement written in the State for the calendar year ending December 31 of the second prior year by non-affiliated insurers.~~

#### ~~b. Completion of Mail Ballot~~

~~If one or more non-affiliated insurers are members of a group under the same ownership or management, the insurers must vote as a group for one insurer. A group of insurers which is non-affiliated~~

## C. Association Annual Meeting

1. The Association shall hold an annual meeting on a date and at a place selected by the Governing Committee. At least 45 days prior to the meeting, the Manager shall send written notice to all member insurers, producer representatives of the Governing Committee and public members of the Governing Committee. An agenda for the meeting shall accompany the notice of meeting. The purpose of the meeting is the election of insurer representatives to serve on the Governing Committee.
2. At the annual meeting, ten percent of member insurers present or by proxy constitutes a quorum. Member insurer voting by proxy shall be permitted. Prior to the annual meeting, the Manager shall distribute proxies to all member insurers.
3. Each class of insurers shall select its representatives to the Governing Committee in the manner stated in Section 36.B above to serve for a term of one year.

## D. Terms of Office

Terms of office for members of the Governing Committee commence on the day of the annual meeting and each member shall continue to serve until a successor for that member of the Governing Committee is selected.

## E. Vacant Seats

1. In the event a trade association insurer vacancy occurs on the Governing Committee, it shall be filled by the respective trade association by appointing a successor to serve until the next annual meeting.

OPTION 2: ELIMINATE NON-AFFILIATED AND HAVE 5 AT LARGE

~~2. [If a non-affiliated insurer vacancy occurs, the nonaffiliated insurers shall elect a successor to serve until the next annual meeting.]~~

[3]. If an at-large insurer vacancy occurs, the remaining representatives of insurers shall select an insurer to serve until the next annual meeting.

~~3.~~[4.] The Commissioner of Insurance will select a public member or a Commissioner of Insurance appointed insurance producer if a vacancy occurs, to serve until the next annual meeting.

~~4.~~[5.] The Independent Insurance Agents of Texas will select an Independent Insurance Agents of Texas replacement if a vacancy occurs.



OPTION 3: KEEP ONE NON-AFFILIATED, BUT IF ONE NOT NOMINATED ADD A 5<sup>TH</sup> AT LARGE FOR THAT YEAR

**Sec. 36. ADMINISTRATION**

**A. Governing Committee Composition**

The Association is administered by a Manager and a Governing Committee consisting of fifteen members.

1. Eight members shall represent the interests of insurers. To be eligible to act as a representative of insurers, a person must be a full-time employee of an authorized insurer. Representatives of the insurers shall be elected by the members of the Association as follows:

a. One insurer member shall be selected by each of the following trade associations:

American Property Casualty Insurance Association (APCIA)

Association of Fire & Casualty Companies in Texas (AFACT)

National Association of Mutual Insurance Companies (NAMIC)

b. One insurer member shall be selected to represent members of the Association which are not affiliated with any of these trade associations-

c. Four insurer members shall be elected to represent the membership at large.

d. In the event no non-affiliated insurers notify the Manager they desire to serve on the Governing Committee, then a fifth insurer member shall be elected to represent the membership at large.

Insurer members of the Governing Committee shall be selected to represent the trade associations and unaffiliated insurers as prescribed under Section 36.B. The ~~four~~ member insurers to serve at-large shall be elected by ballot of the members of the Association at the annual meeting.

2. Five public members shall be nominated by the Office of Public Insurance Counsel and selected by the Commissioner of Insurance. Appointments shall be made by December 31 of each year. The public

members serve staggered two-year terms.

Terms for three public members shall expire in odd shall expire in even numbered years. A person may not serve as a public member if that person, an individual related to that person within the second degree of consanguinity or affinity, or an individual residing in the same household with that person is:

a. required to be registered or licensed under the Insurance Code;

b. employed by or acts as a consultant to a person required to be registered or licensed under the Insurance Code;

c. the owner of, or has a financial interest in, or participates in the management of an organization required to be registered or licensed under the Insurance Code;

d. an officer, employer or consultant of an association in the field of insurance or;

e. required to register as a lobbyist under Chapter 305, Government Code.

The Office of Public Insurance Counsel may nominate and the Commissioner of Insurance may appoint up to three additional persons who meet these qualifications to act as alternates for public members. The alternate public members shall serve two-year terms or until a replacement alternate is appointed by the Commissioner of Insurance. If a public member is unable to attend a meeting of the Governing Committee, that person may designate one of these alternates to attend the meeting and act for the absent member.

3. Two members shall be licensed General Lines or Personal Lines Property and Casualty Agents, one of whom is selected by the Independent Insurance Agents of Texas and the other by the Commissioner of Insurance. The producer representatives to the Governing Committee serve a one-year term.

**OPTION 3: KEEP ONE NON-AFFILIATED, BUT IF ONE NOT NOMINATED ADD A 5<sup>TH</sup> AT LARGE FOR THAT YEAR**

The Independent Insurance Agents of Texas may appoint an alternate, subject to the approval of the Commissioner of Insurance. The alternate producer member shall serve a two-year term or until a replacement alternate is approved by the Commissioner of Insurance. If either producer member is unable to attend a meeting of the Governing Committee, that person may designate the alternate to attend the meeting and act for the absent member.

4. Public and producer members and any alternate members are entitled to be reimbursed for reasonable expenses incurred and to be compensated in the amount of \$250 for each day that they participate in any meeting as authorized by the Governing Committee.

**B. Selection of Insurer Governing Committee Representatives**

1. Trade Associations

Prior to the annual meeting, each trade association shown above shall select its representative to the Governing Committee. Each trade association will advise the Manager of the insurer chosen.

2. Non-Affiliated Insurers

The Manager shall poll the non-affiliated insurers by mail ballot annually to determine those insurers desiring to serve on the Governing Committee. Prior to the annual meeting, the Manager will conduct a mail ballot for the non-affiliated insurers to select their representatives.

- a. **Weighted Voting Procedure**  
Non-Affiliated insurers shall select representatives in accordance with the following weighted voting procedure:

Each non-affiliated insurer shall cast a proportionate vote based on its total voluntary automobile liability and physical damage premiums as stated on the Exhibit of Premiums and Losses of the insurer's Annual Statement written in the State for the calendar year ending

December 31 of the second prior year by non-affiliated insurers.

b. **Completion of Mail Ballot**

If one or more non-affiliated insurers are members of a group under the same ownership or management, the insurers must vote as a group for one insurer. A group of insurers which is non-affiliated may not split its votes between individual insurers.

3. **At-Large Representatives**

At-Large representatives of insurers shall be elected at the annual meeting.

**C. Association Annual Meeting**

1. The Association shall hold an annual meeting on a date and at a place selected by the Governing Committee. At least 45 days prior to the meeting, the Manager shall send written notice to all member insurers, producer representatives of the Governing Committee and public members of the Governing Committee. An agenda for the meeting shall accompany the notice of meeting. The purpose of the meeting is the election of insurer representatives to serve on the Governing Committee.
2. At the annual meeting, ten percent of member insurers present or by proxy constitutes a quorum. Member insurer voting by proxy shall be permitted. Prior to the annual meeting, the Manager shall distribute proxies to all member insurers.
3. Each class of insurers shall select its representatives to the Governing Committee in the manner stated in Section 36.B above to serve for a term of one year.

**D. Terms of Office**

Terms of office for members of the Governing Committee commence on the day of the annual meeting and each member shall continue to serve until a successor for that member of the Governing Committee is selected.

OPTION 3: KEEP ONE NON-AFFILIATED, BUT IF ONE NOT NOMINATED ADD A 5<sup>TH</sup> AT LARGE FOR THAT YEAR

E. Vacant Seats

1. In the event a trade association insurer vacancy occurs on the Governing Committee, it shall be filled by the respective trade association by appointing a successor to serve until the next annual meeting.
2. If a non-affiliated insurer vacancy occurs, the nonaffiliated insurers shall elect a successor to serve until the next annual meeting. If the non-affiliated insurers fail to elect a successor, the remaining representatives of insurers shall elect an insurer to serve until the next annual meeting.
3. If an at-large insurer vacancy occurs, the remaining representatives of insurers shall select an insurer to serve until the next annual meeting.
4. The Commissioner of Insurance will select a public member or a Commissioner of Insurance appointed insurance producer if a vacancy occurs, to serve until the next annual meeting.
5. The Independent Insurance Agents of Texas will select an Independent Insurance Agents of Texas replacement if a vacancy occurs.

OPTION 4 (REVISED): KEEP ONE NON-AFFILIATED, BUT IF ONE NOT NOMINATED ADD A 5<sup>TH</sup> AT LARGE FOR THAT YEAR THAT MUST BE A TEXAS COMPANY

**Sec. 36. ADMINISTRATION**

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National Association of Mutual Insurance Companies (NAMIC)

b. One insurer member shall be selected to represent members of the Association which are not affiliated with any of these trade associations-

c. Four insurer members shall be elected to represent the membership at large.

d. In the event no non-affiliated insurers notify the Manager they desire to serve on the Governing Committee, then a fifth insurer member shall be elected to represent the membership at large. The fifth insurer member must be a Texas domestic insurance company that writes only in the State of Texas and is not an affiliate or a subsidiary of an insurance company or holding company system writing automobile insurance outside of Texas. In the event a Texas domestic insurance company is not elected at the annual meeting, then the insurer receiving the next highest votes shall be elected to represent the membership at large.

Insurer members of the Governing Committee shall be selected to represent the trade associations and unaffiliated insurers as prescribed under Section 36.B. The ~~four~~ member insurers to serve at-large shall be elected by ballot of the members of the Association at the annual meeting.

2. Five public members shall be nominated by the Office of Public Insurance Counsel and selected by the Commissioner of Insurance. Appointments shall be made by December 31 of each year. The public members serve staggered two-year terms.

Terms for three public members shall expire in odd shall expire in even numbered years. A person may not serve as a public member if that person, an individual related to that person within the second degree of consanguinity or affinity, or an individual residing in the same household with that person is:

a. required to be registered or licensed under the Insurance Code;

b. employed by or acts as a consultant to a person required to be registered or licensed under the Insurance Code;

c. the owner of, or has a financial interest in, or participates in the management of an organization required to be registered or licensed under the Insurance Code;

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OPTION 4 (REVISED): KEEP ONE NON-AFFILIATED, BUT IF ONE NOT NOMINATED ADD A 5<sup>TH</sup> AT LARGE FOR THAT YEAR THAT MUST BE A TEXAS COMPANY

attend the meeting and act for the absent member.

3. Two members shall be licensed General Lines or Personal Lines Property and Casualty Agents, one of whom is selected by the Independent Insurance Agents of Texas and the other by the Commissioner of Insurance. The producer representatives to the Governing Committee serve a one-year term.

The Independent Insurance Agents of Texas may appoint an alternate, subject to the approval of the Commissioner of Insurance. The alternate producer member shall serve a two-year term or until a replacement alternate is approved by the Commissioner of Insurance. If either producer member is unable to attend a meeting of the Governing Committee, that person may designate the alternate to attend the meeting and act for the absent member.

4. Public and producer members and any alternate members are entitled to be reimbursed for reasonable expenses incurred and to be compensated in the amount of \$250 for each day that they participate in any meeting as authorized by the Governing Committee.

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### 1. Trade Associations

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#### a. Weighted Voting Procedure

Non-Affiliated insurers shall select representatives in accordance with the following weighted voting procedure:

Each non-affiliated insurer shall cast a proportionate vote based on its total voluntary automobile liability and physical damage premiums as stated on the Exhibit of Premiums and Losses of the insurer's Annual Statement written in the State for the calendar year ending December 31 of the second prior year by non-affiliated insurers.

#### b. Completion of Mail Ballot

If one or more non-affiliated insurers are members of a group under the same ownership or management, the insurers must vote as a group for one insurer. A group of insurers which is non-affiliated may not split its votes between individual insurers.

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## **C. Association Annual Meeting**

1. The Association shall hold an annual meeting on a date and at a place selected by the Governing Committee. At least 45 days prior to the meeting, the Manager shall send written notice to all member insurers, producer representatives of the Governing Committee and public members of the Governing Committee. An agenda for the meeting shall accompany the notice of meeting. The purpose of the meeting is the election of insurer representatives to serve on the Governing Committee.
2. At the annual meeting, ten percent of member insurers present or by proxy constitutes a quorum. Member insurer voting by proxy shall be permitted. Prior to the annual meeting, the Manager shall distribute proxies to all member insurers.
3. Each class of insurers shall select its representatives to the Governing Committee in the manner stated in

OPTION 4 (REVISED): KEEP ONE NON-AFFILIATED, BUT IF ONE NOT NOMINATED ADD A 5<sup>TH</sup> AT LARGE FOR THAT YEAR THAT MUST BE A TEXAS COMPANY

Section 36.B above to serve for a term of one year.

Agents of Texas replacement if a vacancy occurs.

D. Terms of Office

Terms of office for members of the Governing Committee commence on the day of the annual meeting and each member shall continue to serve until a successor for that member of the Governing Committee is selected.

E. Vacant Seats

1. In the event a trade association insurer vacancy occurs on the Governing Committee, it shall be filled by the respective trade association by appointing a successor to serve until the next annual meeting.
2. If a non-affiliated insurer vacancy occurs, the nonaffiliated insurers shall elect a successor to serve until the next annual meeting. If the non-affiliated insurers fail to elect a successor, the remaining representatives of insurers shall elect an insurer to serve until the next annual meeting.
3. If an at-large insurer vacancy occurs, the remaining representatives of insurers shall select an insurer to serve until the next annual meeting, but the vacancy of an elected Texas domestic insurance company as defined under Section 36.A.1.b is to be filled with another Texas domestic insurance company. In the event, a Texas domestic insurance company is not available for the vacant position, the remaining representatives of insurers shall select an insurer to represent the membership at large until the next annual meeting.
4. The Commissioner of Insurance will select a public member or a Commissioner of Insurance appointed insurance producer if a vacancy occurs, to serve until the next annual meeting.
5. The Independent Insurance Agents of Texas will select an Independent Insurance

# Exhibit 5

2022 Review of 3<sup>rd</sup> Party Relationships & TAIPA Recommendations

## TAIPA - 2022 3rd Party Relationships

Category	Name of Organization	Services Provided	2022 Rate and Expected Expenses	2023 Rate and Expected Expenses	Changes/Recommendations
Legal	Thompson Coe	Legal services for all business matters except HR & Benefits	<ul style="list-style-type: none"> <li>• \$340 per hour</li> <li>• \$55,600 budgeted</li> </ul>	<ul style="list-style-type: none"> <li>• \$58,600 budgeted</li> </ul>	<ul style="list-style-type: none"> <li>• \$3,000 budgeted</li> <li>• Last change was from \$330 to \$340 in 2022</li> <li>• New agreement provided in 2022 for 2023</li> <li>• In place prior to 2007</li> <li>• Last RFP 2009</li> <li>• Recommend renewing for 2023</li> </ul>
Actuary	Epic Consulting	Actuary services related to TAIPA's private passenger & Commercial Rates	<ul style="list-style-type: none"> <li>• \$8500 per rate filing project.</li> <li>• Did not charge anything for work performed in 202.</li> <li>• Charged \$1561 in 2022 for work performed so far</li> </ul>	<ul style="list-style-type: none"> <li>• \$8500 per rate filing</li> </ul> <p><b>Update: Planning on retiring – See addendum page</b></p>	<ul style="list-style-type: none"> <li>• No Change</li> <li>• New agreement provided in 2021 for 2022</li> <li>• In place prior to 2007</li> <li>• Last RFP 2017</li> <li>• Recommend renewing for 2023</li> <li>• <b>Update: Planning on retiring – See addendum page</b></li> </ul>



Auditor	Atchley & Associates	Financial Audit and completion of TAIPA's form 990 and now consulting for accounting	<ul style="list-style-type: none"> <li>• \$375 per hour for Sr. Auditor (Tyler)</li> <li>• \$25,700 budgeted</li> </ul>	<ul style="list-style-type: none"> <li>• \$400 per hour for Sr. Auditor (Tyler)</li> <li>• \$26,800 budgeted</li> </ul>	<ul style="list-style-type: none"> <li>• \$25 per hour for Sr. Auditor (Tyler) <ul style="list-style-type: none"> <li>• \$1100 budgeted</li> <li>• New agreement every year.</li> <li>• In place after 2006 audit</li> <li>• Recommend renewing for 2023</li> </ul> </li> </ul>
System Consultant	AIPSO	<ul style="list-style-type: none"> <li>• Data Services provides quota calculations for TAIPA's member companies.</li> <li>• Programing - Provides APS changes requested by TAIPA</li> <li>• EASi Maintenance \$7,900 per year, and</li> <li>• EASi Enhancements</li> </ul>	<ul style="list-style-type: none"> <li>• Data Services \$109/hr. – Expect 198 hours for total of \$21,186.</li> <li>• Programing - \$123/hr.</li> <li>• EASi Maintenance \$7,900 per year</li> <li>• EASi Enhancements \$7,900 per year</li> </ul>	<ul style="list-style-type: none"> <li>• Data Services \$110/hr. – Expect 198 hours for total of \$21,582.</li> <li>• Programing - \$128/hr.</li> <li>• EASi Maintenance \$8,300 per year</li> <li>• EASi Enhancements \$7,900 per year</li> </ul>	<ul style="list-style-type: none"> <li>• Data Services \$1/hr. – Expect 198 hours for total of \$198 incr.</li> <li>• Programing – \$5/hr. in 2022</li> <li>• EASi Maintenance \$400 increase</li> <li>• EASi Enhancements No Change</li> </ul>

		\$7,900 per year	<ul style="list-style-type: none"><li>• Total \$36986</li></ul>	<ul style="list-style-type: none"><li>• Total \$37,382</li></ul>	<ul style="list-style-type: none"><li>• Send updated cost sheet every year. Agreement signed 2015</li><li>• In place prior to 2007</li><li>• Recommend renewing for 2023</li></ul>
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## Addendum

### Actuary Considerations

1. **Mike Miller's decision to retire from being TAIPA's actuary.**
  1. Mike is willing to continue through 2023 but is also open to leaving prior to that time.
2. **Mike Miller's concerns for our current rate making process**
  1. Due to the significant drop in vehicles insured through TAIPA, the loss data now lacks the actuarial credibility to conduct the traditional prospective ratemaking calculations typically done by actuaries. For the last seven years, TAIPA's rate filings have simply tracked the industry's loss cost trends, subject to a +5% limit. Using past loss trends as a benchmark is not prospective ratemaking. Benchmarking the loss trends works when annual loss trends are relatively stable.
  2. Without credible loss data, TAIPA's choice seven years ago was to subscribe to the loss costs of a rate advisory organization, or track the industry's loss cost trends. My proposal to track the trends was cheaper for TAIPA, and an approach to which the TDI agreed.
  3. Now we are in a time when claim frequencies will be increasing back to their pre-COVID levels and claim severities will be escalating due to significant inflation. Rate filings based on past loss trends might not work as well the next seven years as it has the last seven years.
3. **Mike Miller's recommendation for the future**
  1. Mike is not hopeful that TAIPA will be able to find an actuarial consultant to take on ratemaking work for a client with no credible ratemaking loss data. In our last RFP, we did not find anyone who was willing to go with our current rate making process or who was willing to complete the work for anything close to what Mike Miller did this for us.
  2. The only viable alternative might be to revisit the possibility of subscribing to advisory loss costs that have been filed and accepted by the TDI.

Note that there have been some changes in the TICO data and inflation rates that have changed since Mike Miller wrote the above.

### Ideas/Thoughts

1. So far, TAIPA has gathered names through and from Becky Jackson's contacts, Mike Jones contacts, Mike Miller's contact, David Weber, and our 2017 RFP which includes AIPSO along with some other actuarial firms.
2. If anyone knows additional actuaries that you think we should consider, we would appreciate your sending us their names and contact information.

3. In addition, if you have ideas about new ways to handle the rate making process, we would be interested in hearing those as well.
4. It is our hope that Mike Miller will work with us and whoever is selected to give additional information and/or guidance when we go through the 2023 or 2024 rate making process.
5. Need to decide on whether we want to:
  - A. Complete RFP process that could include doing a RFP, collecting ideas, and then doing an addendum if necessary.
  - B. Networking - Mike Jones and Mike Miller could review and consider the various actuaries and come back with recommendations.

# Exhibit 6

2023 Budget

**2023 TAIPA Budget Considerations:**

**Major Assumptions Used For Developing 2023 Budget**

*\*Note that any items in the budget category that are new for 2023 are noted in blue below at the end of the explanation.*

-Currently it appears that application volume will remain around 1400 per year.
-Includes salaries and benefits for four employees (all current staff--Stacy, Mimi, Ruth, and Amanda). Salaries include a merit-based salary increase budget of 5.0% for staff increases plus an additional 1% hold-back for pay adjustments for 2023 to address compensation and economic gaps as needed as recommended by our compensation consultant, \$8300 for increases if employees can perform all duties of their position, as well as the amount needed to pay the temp agency fee in case of turnover. (Salary budget increased 6% or \$21,800)
-Employee benefit and other insurance costs - The largest single item increase in our budget for 2023 is for our minimum contribution for our pension plan moving from zero to \$100,000. This is the exact opposite of what happened in 2022 where we went from \$97,000 to zero. The medical, dental, vision, and LTD costs were less than we expected in 2022 because we moved vendors for all coverages except medical. This is reflected in the 2023 budget even with an expected increase of 15% for medical and 5% increases in dental and vision. Note that TAIPA is still on a grandfathered medical plan. If we are not allowed to continue our grandfathered plan after April of 2023, we will experience a substantial increase for medical insurance next year. Because our plans are so small, each employee's medical and life insurance premium is dependent on their age and dependent covered. Any change in an employee's dependent coverage or change in employee could change our budget substantially. The cost for administration for the 401(K) plan & Noncontributory plan were down substantially since changing our plan administrator from Prudential to Voya. We did not have any turnover in 2022 so that increased our benefit costs from previous years. In 2022 we only had three employees eligible for the match on the 401(K) and one employee eligible for the noncontributory plan until this month. In 2023, we have 4 employees eligible for the match and 2 employees participating in the noncontributory plan. Our commercial insurance agents expect a 10% increase in our commercial insurance policies which include workers compensation, business owner/umbrella and EPLI. (Employee Benefits & Other Insurance Budget increased 82.62% to \$104,550) <b>The pension contribution of \$100,000 is new in 2023 as we did not make any contributions in 2022.</b>
-Office Equipment Expense is up because we anticipate ordering a new mail machine. Our current mail machine is out of warranty. Since we are renting it, we still have a monthly cost but we also had to pay for repairs because we cannot extend the warranty on the current machine. (Office equipment expense increased 30.95% or \$3900) <b>(The mail machine is new this year as warranty on our current machine is out and not renewable.)</b>
-Computer Supplies budget increased due to the need to replace some of our older equipment. We were not able to purchase several of the items we had anticipated purchasing in 2022 due to supply chain issues. We recently received a couple of the items that we ordered at the end of 2021. In 2023 we anticipate purchasing Backup UPS (battery pack, 26 port Power over Ethernet switch, improved email security, and move to M365. (Computer Supplies & expenses is up 22.31% or \$2700 )
-Telephone and Internet are down since removing all phone lines and using Voice Over Internet Phones.
-Rent is down due to moving
-Postage and Delivery increased due to increased cost of postage, and an increase for our courier service; (Postage & Delivery is up 6.02% or \$1500)
-Moving expense is anticipated to be \$12,300 or \$15,800 when you include cabling for a new office
- Property taxes - are expected to go up \$100 due to the new mail machine.
-Governing Committee Meeting Expenses are up since we plan to have 3 in person meetings with zoom access. In 2022 we only budgeted for one in person meeting. The cost for the audio visual equipment was previously \$800 when we only used a call in number. With Zoom capabilities and other increases since 2019 increase it to \$3400. (Governing Committee Budget is up 73.66% or \$16,500.) <b>Having 3 in person meetings is new as we have only had one in person meeting since 2019</b>
-Four Operations Subcommittee meetings (held via zoom)
-Other office expenses are down since we only purchase a chair's gift every other year.
-One Nominating Subcommittee meeting (held via teleconference)
-One Strategic Planning Subcommittee meeting to review TAIPA's Enterprise Risk Plan (held via zoom)
-No Producer Review Panel meetings
-No new subcommittees
-Budget includes \$5000 for each employee to pursue education
-Legal is up Budgeted 5% increase in legal expenses for Thompson Coe and \$2000 for HR attorney to review TAIPA's handbook (Legal expense is up 8.99% or \$5000) <b>Reviewing our handbook is new as we haven't don this since 2019</b>
-Dues and subscriptions is up \$2500 for TAIPA to join ICT. In addition to just additional information, and an opportunity to meet members of the insurance community, ICT would also handle any public relations requests that come up. I believe that TAIPA was a member previously and I'm not sure why the membership was dropped. (Dues and Subscriptions is up 450% or \$2700) <b>The \$2500 to join ICT is new this year as we have not been members since 2016.</b>
-No rate hearing
-No RFPs in 2023 for any vendors; would continue existing arrangements with legal counsel, actuary, auditors, and AIPSO.
-The biggest change in System Consultants is the monthly fee for our IT provider Vintage is going up from \$1192.16 to 2117.75. This is due to a change in the service level. Vintage only provides the model we would like to move to for any new business. The new plan includes: an assigned part-time IT Manager, Monthly 170+ Best Practices Audit and Quarterly Business Reviews, checks for compliance, assisting with budgeting and planning, the O365 conversion, Licenses included, O365 backups included, the shared data may be reduced with O365 but no adjustment was made and Managed SOC, DUO MFA included. We opted for this plan because we do not have any employees with an IT background. In addition if we may be responsible for additional private information, we would like someone to be checking our systems regularly. This increases the cost by \$925.59 per month. Vintage has been our IT provider since 2016. We paid \$1327 per month in 2016, \$1366 per month in 2017, and we started paying \$1192.16 in 2018. (System Consultants is up 23.65% or \$12,700) <b>The increase is due to a new higher level service agreement with Vintage.</b>
-Computer equipment was increased as we plan to purchase 2 laptops for Ruth and Amanda since their current laptops are 4 years old. (Computer Equipment is up \$25% or \$700) <b>The 2 laptops are new this year.</b>
-Leasehold improvement was increased as we expect to spend \$3500 for cabling, and possibly \$500 for secure entry system in our new location (Leasehold improvement is up from 0 to \$3500 to \$4,000) <b>The cabling is new this year and is due to moving offices.</b>
<b>Things that have been mentioned in various meetings but not approved and not budgeted for:</b>
-Mailing to all insurance agents licensed to sell auto liability coverage in Texas - There are currently 468107 agents and cost of mailing would be \$224,691 for post cards, \$276,183 for a letter with expected postage rates in 2023.
-Paying lobbyist to discuss TAIPA to legislators in 2023 in preparation for lobbying in 2025
-This does not include the costs for any additional work groups or task force that were mentioned in some subcommittee meetings

TAIPA's 2023 Annual Budget vs. 2022 Budget

Budget Category	2022 Requested Budget	2023 Requested Budget	Amount of Increase or decrease in 2023 Budget vs. 2022 Budget	% Change	Explanation of Difference*
Salaries	\$ 362,700	\$ 384,500	\$ 21,800	6.01%	Increased budget by 6% - includes merit-based salary increase budget of 5.0% for staff increases plus an additional 1% hold-back for pay adjustments for 2023 to address compensation and economic gaps as needed as recommended by our compensation consultant, \$8300 for increases if employees can perform all duties of their position, as well as the amount needed to pay the temp agency fee in case of turnover.
Emp. Benefits & Other Ins. Exp.	\$ 126,550	\$ 231,100	\$ 104,550	82.62%	Biggest change in our budget is having to make \$100,000 contribution to pension when we made none last year. This also includes a possible 15% increase for medical, 5% increase for dental and vision. 401(K) benefits include all 4 instead of 3 employees, and Noncontributory plan now includes 2 employees vs 1 last year. We did see a reduction in other benefit costs including admin fees for 401(K) plan and noncontributory plan due to changing vendors. The pension contribution of \$100,000 is new in 2023 as we did not make any contributions in 2022.
Office Equipment Expense	\$ 12,600	\$ 16,500	\$ 3,900	30.95%	Increase due to increase in cost of office supplies and new mail machine. Current mail machine is out of warranty. The mail machine is new this year as warranty on our current machine is out and not renewable.
Printing	\$ 4,300	\$ 4,300	\$ -	0.00%	Within range
Computer Supplies & Exp	\$ 12,100	\$ 14,800	\$ 2,700	22.31%	Increase is due to TAIPA ordering new equipment recommended by Vintage for security, moving to M365
Postage & Delivery	\$ 24,900	\$ 26,400	\$ 1,500	6.02%	Increase due to increased cost of postage and courier service.
Telephone & Internet	\$ 12,200	\$ 10,300	\$ (1,900)	-15.57%	Decrease is due to moving to Voip phone systems and eliminating all phone lines.
Rent	\$ 67,800	\$ 63,000	\$ (4,800)	-7.08%	Reduced rent due to move
Moving Expenses	\$ -	\$ 12,300	\$ 12,300	100.00%	Increase because we haven't moved in past 5 years.
Property Taxes	\$ 1,100	\$ 1,200	\$ 100	9.09%	Up \$100 due to new mail machine and having to pay higher tax on it.
Governing Committee	\$ 22,400	\$ 38,900	\$ 16,500	73.66%	Plan for 3 in person and Zoom meetings at hotel, costs are up substantially from 2019 especially the audio visual expenses. Having 3 in person meetings is new as we have only had one in person meeting since 2019
Operations Subcommittee	\$ 4,500	\$ 4,500	\$ -	0.00%	Within range
Producer Review Panel	\$ -	\$ -	\$ -	0.00%	Within range
Employee Meetings, Seminars, & Staff Travel	\$ 25,900	\$ 26,000	\$ 100	0.39%	Within range
Legal Expenses	\$ 55,600	\$ 60,600	\$ 5,000	8.99%	Budget includes a 5% increase for Mike Jones and \$2000 for our HR attorney to review our handbook. Reviewing our handbook is new as we haven't don this since 2019
Audit	\$ 25,700	\$ 26,800	\$ 1,100	4.28%	Within range.

Budget Category	2022 Requested Budget	2023 Requested Budget	Amount of Increase or decrease in 2023 Budget vs. 2022 Budget	% Change	Explanation of Difference*
Dues, Subscrip, Pub.	\$ 600	\$ 3,300	\$ 2,700	450.00%	Increase is due to adding \$2500 for TAIPA to join ICT in 2023- In addition to general knowledge, they will also handle any public relations issues that may come up. The \$2500 to join ICT is new this year as we have not been members since 2016.
Other Office Expenses	\$ 10,800	\$ 10,300	\$ (500)	-4.63%	No chairs gift until 2024 but added a Gov Com plaque and flowers
System Consultants	\$ 53,700	\$ 66,400	\$ 12,700	23.65%	The biggest change in System Consultants is the monthly fee for our IT provider Vintage is going up from \$1192.16 to 2117.75. This is due to a change in the service level. The new plan includes: an assigned part-time IT Manager, Monthly 170+ Best Practices Audit and Quarterly Business Reviews, checks for compliance, assisting with budgeting and planning, the O365 conversion, Licenses included, O365 backups included, the shared data may be reduced with O365 but no adjustment was made and Managed SOC, DUO MFA included. The increase is due to a new higher level service agreement with Vintage.
Consultants-Other	\$ 34,800	\$ 30,300	\$ (4,500)	-12.93%	The biggest change to this category is we didn't include a salary study but we increased hours for Adv Applications to assist staff with using CRM Sage software.
Actuary	\$ 8,500	\$ 8,500	\$ -	0.00%	Within range. - No change
<b>SUBTOTAL</b>	<b>\$ 866,750</b>	<b>\$ 1,040,000</b>	<b>\$ 173,250</b>	<b>19.99%</b>	
Depreciation	\$ 3,300	\$ 5,100	\$ 1,800	54.55%	Increase is due to adding Mimi's computer, Amanda and Ruth's laptops, and cabling for the new building.
Amortization	\$ 400	\$ -	\$ (400)	100.00%	APS is now fully amortized.
<b>Total</b>	<b>\$ 870,450</b>	<b>\$ 1,045,100</b>	<b>\$ 174,650</b>	<b>20.06%</b>	
15000--Software Development in Progress	\$ -	\$ -	\$ -	0.00%	Within range.
15100--Office Furniture & Equipment	\$ -	\$ -	\$ -	0.00%	Within range.
15200--Computer Equipment	\$ 2,800	\$ 3,500	\$ 700	25.00%	Ordering 2 new laptops for Amanda and Ruth - Current laptops are 4 years old. The 2 laptops are new this year.
15300--Computer Software	\$ -	\$ -	\$ -	0.00%	Within range.
15500--Leasehold Improvements	\$ -	\$ 3,500	\$ 3,500	100.00%	Cabling for new office space. The cabling is new this year and is due to moving offices.
<b>CAPITAL BUDGET TOTAL</b>	<b>\$ 2,800</b>	<b>\$ 7,000</b>	<b>\$ 4,200</b>	<b>150.00%</b>	
<b>GRAND TOTAL</b>	<b>\$ 873,250</b>	<b>\$ 1,052,100</b>	<b>\$ 178,850</b>	<b>20.48%</b>	Total 2022 budget is 5.01% lower than 2021 budget. Most of the change is due to not making any contributions to the pension plan in 2022.



<b>Recommended 2023 Assessment</b>					
		Total 2023 Budget			\$ 1,045,100.00
		Total 2023 Capital Budget	+		\$ 7,000.00
		2023 Depreciation & Amortization	-		\$ 5,100.00
<b>Cash Needed for 2023</b>			=		<b>\$ 1,047,000.00</b>
		Cash Expected at Yearend 2022			\$ 410,593.27
		Amount of 2022 Carryover to be Used to Reduce 2023 Assessment	-		\$ 180,000.00
<b>Remaining Amount of Cash to Carryover to 2023*</b>			=		<b>\$ 230,593.27</b>
<b>Recommended 2023 Assessment Amount</b>			=		<b>\$ 867,000.00</b>
<p><i>*Note: 2023 carryover is equivalent to a little more than 2.5 full months of 2023 budget; this carryover ensures TAIPA can pay bills while we are collecting assessment payments, and also provides assurance in case of any unbudgeted expenses. Note that TAIPA had some difficulty collecting the assessments in 2021 and 2022 due to employees not working in the office and not receiving the invoices and paying them timely.</i></p>					
<b>2022/2023 Comparison</b>					
		2023	2022	Difference	
<b>Operating Budget Amount</b>	\$	1,045,100.00	\$ 870,450.00	\$ 174,650.00	20.06%
<b>Capital Budget Amount</b>	\$	7,000.00	\$ 2,800.00	\$ 4,200.00	150.00%
<b>-Depr./Amort</b>	\$	5,100.00	\$ 3,700.00	\$ 1,400.00	37.84%
<b>-Carryover Used</b>	\$	180,000.00	\$ 120,000.00	\$ 60,000.00	50.00%
<b>Assessment Amount</b>	\$	867,000.00	\$ 743,000.00	\$ 124,000.00	16.69%

# Exhibit 7

2023 Meeting Dates

## **2023 TAIPA Governing Committee Meeting Dates**

\*Friday, March 24<sup>th</sup>, 2023

Friday, August 18<sup>th</sup>, 2023

Friday, November 17<sup>th</sup>, 2023

*\*To Be Discussed: March 24, 2023 meeting is scheduled the weekend of Nascar so the hotel can only offer us rooms at \$250 per night. \*Hotel contacted us after we scheduled our meeting there to let us know that they have a meeting room available but no rooms.*

# Exhibit 8

- A. TAIPA's Current Staffing/Salary Grades
- B. TAIPA Office Space Lease

# TAIPA

## Executive Summary 2022-2023 Organization Review Report For the Governing Committee

*Presented By:*

*Bob Cartwright, SPHR / SHRM-SCP*

*President / CEO*

*Intelligent Compensation LLC*

*[bob.cartwright@intelligentcomp.net](mailto:bob.cartwright@intelligentcomp.net)*

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**November 14, 2022**

# TAIPA

## Organization Review & Business Outlook

➤ **The purpose of the review was to:**

- ✓ Assess TAIPA current and future staffing numbers - 2022-2023
- ✓ Conduct a compensation study and assess compensation & proposed pay increases for 2023
- ✓ Assess and provide feedback on contemplated TAIPA Office move

## Key Organization Data Points - 2022-2023

### ➤ Organization Review

- ✓ # of Current Staff 4
  - ✓ Stacy Dutton – Association Manager
  - ✓ Mimi Leece – Manager of Operations & Financial Management
  - ✓ Ruth Wise – Administrative Assistant / Customer Support Spec
  - ✓ Amanda Reynolds - Administrative Assistant / Customer Support Spec
- ✓ Conducted Job Analysis – Assessment exercise & completed in October 2022
- ✓ Staff members were interviewed, and positions were reviewed based on the results of the job analysis to determine work being performed.
- ✓ Assessed talent & staffing needs based on work performed
- ✓ **Conclusion: Staffing levels are appropriate.**

# TAIPA 2022 - 2023

## Organization Review Results & Forecast

### Executive Summary

- **Staff Levels Are Appropriate:** Considering the relative size of the Association, the amount of work required to execute the business of the Association, and with Application numbers leveling out in years 2021-2022, and in addition, the potential that Application Assignments may increase based on 2023 Legislative action, the work performed by the TAIPA staff easily justifies that staffing levels for 2023 (4 Employees) are appropriate.



## Organization Review Results & Strategic / Business Outlook– Executive Summary

- **Staff Compensation:** Based on the base and total cash market analysis and compensation study results on TAIPA employees conducted in October/November 2022, it would be our recommendation to the TAIPA Governance Committee to:
  - ❑ Consider approving a 5% staff pay increase budget based on total payroll to be used for 2022-2023 staff pay increases. We would also recommend adding an additional 1% hold back budget for any pay adjustments that might be required for 2023 to address any compensation or economic gaps as needed.
    - ❑ According to the Federal Reserve Bank of Atlanta Wage Growth Tracker , Overall Unweighted US Median Wage Growth as of 11/09/2022 is trending 6.3% as of the end of September 2022.
    - ❑ The Projected Inflation Rate forecast by the DOW Jones and to be reported by the Fed on 11/10/2022 reflects inflation rate headed down from 8.2% in September to 7.7% for October.
    - ❑ This trend reflect that wages continue to trail inflation. Though not trying to match inflation, the 5% staff compensation increase budget reflects a viable methodology to ease inflation and the cost of living which has certainly risen in Austin, Texas.

Proposal	807 Las Cimas #210	110 Wild Basin #360	5508 Hwy 290 W #203
Size	1,438	1,615	1,505
Lease Term	62 Months	62 Months	62 Months
Commencement Date	5/1/2023	3/1/2023	5/1/2023
Free Rent	2 Months Base	2 Months Base	2 Months Base
Free Rent Value	\$ 8,628.00	\$ 6,325.42	\$ 4,765.83
Starting Base Rate	\$ 36.00	\$ 23.50	\$ 19.00
Starting NNN	\$ 16.91	\$ 13.61	\$ 12.40
Annual Escalation	3%/Year	3%/Year	3%/Year
Gross Rate	\$ 52.91	\$ 37.11	\$ 31.40
Starting Annual Rent	\$ 76,084.58	\$ 59,932.65	\$ 47,257.00
Starting Monthly Rent	\$ 6,340.38	\$ 4,994.39	\$ 3,938.08
<b>*Note: All pricing and terms are liable to change. No terms are binding until a formal lease agreement is fully executed.</b>			

Months 1-2	\$ 4,052.76	\$ 3,663.36	\$ 3,110.33
Months 3-12	\$ 63,403.82	\$ 49,943.88	\$ 39,380.83
	\$ 67,456.58	\$ 53,607.23	\$ 42,491.17
		Savings over Las Cimas	Savings over Las Cimas
		\$ 13,849.35	\$ 24,965.41
Months 13-24	\$ 78,367.12	\$ 61,730.63	\$ 48,674.71
		Savings over Las Cimas	Savings over Las Cimas
		\$ 16,636.49	\$ 29,692.41
Months 25-36	\$ 80,718.13	\$ 63,582.55	\$ 50,134.95
		Savings over Las Cimas	Savings over Las Cimas
		\$ 17,135.58	\$ 30,583.18
Month 37-48	\$ 83,139.67	\$ 65,490.02	\$ 51,639.00
		Savings over Las Cimas	Savings over Las Cimas
		\$ 17,649.65	\$ 31,500.68
Months 49-60	\$ 85,633.87	\$ 67,454.73	\$ 53,188.17
		Savings over Las Cimas	Savings over Las Cimas
		\$ 18,179.14	\$ 32,445.70
<b>5 year cost</b>	<b>\$ 395,315.37</b>	<b>\$ 311,865.16</b>	<b>\$ 246,128.00</b>
		Savings over Las Cimas	Savings over Las Cimas
		\$ 83,450.21	\$ 149,187.37
<b>*NOTE* Only the base rent has a set 3% annual escalation. The NNN escalation is not guaranteed and likely to differ in reality. 3% is used simply as a projection for NNN escalation, but the actual amount will vary.</b>			

**Perks of each building**

<b>Safety</b>	Very Safe - feel comfortable having staff work alone in the building at any hour	Very Safe - feel comfortable having staff work alone in the building at any hour	Probably Safe - but not comfortable with having staff work alone in the building or late hours. The social security office is in the office building behind the 5508 Hwy 290 West building that we would be in. Their clients use the building to cut through to the Social Security building. (Given that it is usually hot or cold in Texas - that is understandable.) Per the online reviews, there is a security guard at the social security office and he is continually mentioned in the reviews. We went to see the office two different times. Between the first time and the second time we went, they had added key pads on the bathroom doors due to people loitering in the bathrooms.
<b>Distance from employee's homes</b>	Within 10 miles of emp homes	Within 10 -12 miles of emp homes	Within 10 -14 miles of emp homes
<b>Distance to restaurants and shopping</b>	Walking distance to restaurants and shopping	Short drive to restaurants and shopping	Longer drive to restaurants and shopping
<b>On-site Gym</b>	Gym	No Gym	No Gym
<b>Parking</b>	Free Covered Parking with covered access into building	Free but Not Covered Parking	Free but Not Covered Parking
<b>Building Management</b>	Very Responsive Management Team	Assume Responsive Management Team	Assume Responsive Management Team
<b>Conference Room Availability</b>	Small conference room	Large Conference Room	ICT's Conference Room and Training area
<b>Office Building Environment</b>	Park Like Env	Park Like Env	Not Park like
<b>Outdoor space</b>	Good outdoor area	Good outdoor area	No good outdoor area

<b>Staff Feelings</b>	Obviously Staff likes our current location and the amenities and feels comfortable here. I currently use this location to motivate potential employees to work here. I make sure to have someone walk them around the location to see the amenities like the employee lounge, gym, outside seating area, etc.	Staff likes this location and although it doesn't have all the same amenities, it has a similar look and feel to our current location, and is located only 1.5 miles north of our current location.	This location is right off Highway 290 so it is not a space you would probably walk around. It is next to the social security office building and even though it is clearly marked around the building, people still use the building it as a means to get the social security office. Staff has reservations about this location, they are unsure of this location after reading the reviews: loitering, angry Social Security clients, depending on the COVID protocols they may have to wait outside to enter the building until their number is called etc. TAIPA staff comfort level diminished.
<b>What I like most</b>	Everything listed above and not having to move	I like that it has a similar look and feel and employees liked the space.	The thing I like most about this building is that ICT/TICO will be located downstairs. I admire Albert Betts and would enjoy working with him. I think staff would enjoy getting to know him and his staff as well. In addition, they are working to get approval for us to use their conference room and space which would also save additional money.
	Our broker ran the numbers for a 10% decrease in rent which is considered aggressive. When I suggest to offer the same as the Wild Basin location, he said it would be a 30% cut and considered offensive.	One of the big perks for these two locations is the large conference room/training room that is available in each one. If we utilized this for one or more of our Governing Committee meetings, we could save money on the audio/visual expense and food expense. The downside of it is that the Governing Committee members attending the meeting would have to drive to this location instead of just going downstairs to attend the meeting.	

# Exhibit 9

Enterprise Risk Management Update

*Enterprise Risk Management Issue – TAIPA volume increasing substantially in a short period of time – due to a change in the open market conditions – such as underwriting guidelines tightening*

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 that we can get a list of all of the insurance agents that are licensed to sell property and casualty insurance from TDI's website.
- Have contacted IIAT to see what they could help us with a list of their members – preferably their email addresses. Reagan from IIAT is looking into this. We suggested that we might be able to help by:
  - Participating in some of IIAT's events just to remind agents that they may be able to place customers with TAIPA if they can't find a solution for them in the open market?
  - Possibly assisting with some of the educational information IIAT puts out
  - Assist in other ways that IIAT thinks would be helpful.
  - Learned that TAIPA is an Associate Member of IIAT
- Created the attached documents
  - Mimi's Blurb to attach to the license renewal letters that we send out to agents
    - We know we would have to change up the documentation for agents who know nothing about TAIPA but we thought we could start with this and adjust it.
    - 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.- just fill out the TAIPA certification document and attach copy of current TDI license.
  - Document that Ruth created to walk producers through the rating process.
- Looked into taking electronic payments which was actually brought up when we were talking about space but ties into assisting agents and insureds.

- Mike Jones looked into this and we can take electronic payments but we would have to change our Plan of Operation.
  - The EASi form that we currently use can be used with electronic payments and we 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 we would have to determine 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.

# Exhibit 10

Over/Under Report



TAIPA PP Over/Under Report

COMPANY

Year End 2017

Year End 2018

Year End 2019

Year End 2020

Year End 2021

1st QTR 2022

2nd QTR 2022

PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
21ST CENTURY CENTENNIAL INS CO (SC)		315,137		266,162		269,040		82,479		173,295		172,068		142,675
ACE AMERICA	236,537		Entered LAD											
AFFIRMATIVE INS CO (co is in liquidation)		2,831		2,831		2,831		2,831	Went into storage					
AMER FAMILY MUT INS CO SI			New to quota	6		12		12		12		12		12
AMER MERCURY INS CO		7,174		4,047	Entered LAD									
AXA INS CO					New to quota	3		21		50		56		58
BERKLEY INS CO							Became grouped							
BRANCH INS EXCH														2
CLEARCOVER INS CO									Entered LAD					
DIRECT GEN INS CO							Became grouped							
FIRST CHICAGO INS CO									Entered LAD			232	Entered LAD	
FREESTONE INS CO		443		443		443	Went into storage							
GENERAL SECURITY NATL INS CO										Entered LAD				
GOVERNMENT EMPLOYEES INS CO		96,915		63,079		55,194		28,150		58,246		62,415		99,811
GREENWICH INS CO									New to quota	1		5		10
HALLMARK COUNTY MUT INS CO	441,819		440,802		440,404		440,269		440,169		440,146		440,128	

COMPANY

Year End 2017

Year End 2018

Year End 2019

Year End 2020

Year End 2021

1st QTR 2022

2nd QTR 2022

PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
HOMEOWNERS OF AMER INS CO		4,639		4,639	Went into storage									
HOUSTON GENERAL INS EXCH (co is in liquidation)					New to quota	26	New to quota	190		235		235		235
ICM INS CO		13	Went into storage											
INTEGON NATIONAL INS CO		322,579		201,462		249,885		185,414		207,690		204,395		196,518
MAIDSTONE INSURANCE COMPANY (prev AUTOONE INS CO)	330,040		330,038		330,038		Went into Storage							
MIDVALE IND CO			New to quota	1										
NOBLR RECIPROCAL EXCHANGE											Became grouped			
RIVERPORT INS CO			New to quota	51	Entered LAD									
STARR INDEMNITY & LIABILITY CO		955	Went into storage											
STATE FARM MUT AUTO INS CO		193,430		170,618		147,124		104,343	Entered LAD					
SUSSEX INS CO (prior Companion Pro & Cas Ins Co) Effective 12/31/2017, Sussex Ins Co merged into CLARENDON NATIONAL INS CO		324	CO / Inactive Merged											
TEXAS FARM BUREAU CAS INS CO		63,251		57,078		44,783		36,078	Entered LAD					
TREXIS ONE INS CORP (prev co ALFA SPECIALTY INS CORP)		352		138		659		663		613		679		723
UNITED SEC HEALTH & CAS INS CO													New to quota	1
UNIVERSAL NORTH AMERICA		89	Went into storage											
VAULT RECIPROCAL EXCHANGE										17		49		83

COMPANY	Year End 2017		Year End 2018		Year End 2019		Year End 2020		Year End 2021		1st QTR 2022		2nd QTR 2022	
PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
WINDHAVEN NATIONAL INS. CO (10348 ATX PREMIER INS CO) Co is in receivership as of 03/05/2020		264		285		442		88		10	Company has zeroed out, sent email to AIPSO.			
TOTALS	1,008,396	1,008,396	770,840	770,840	770,442	770,442	440,269	440,269	440,169	440,169	440,146	440,146	440,128	440,128
PREMIUMS WRITTEN	2,424,419		2,346,137		1,785,296		1,262,528		1,000,446		1st qtr 328,771		2nd qtr 238,158	

TAIPA OTPP Over/Under Report

COMPANY	Year End 2017		Year End 2018		Year End 2019		Year End 2020		Year End 2021		1st QTR 2022		2nd QTR 2022	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
ACCIDENT INS CO		132		154		243	Entered CLAD							
AMALGAMATED CAS INS CO	New to quota	531	Entered CLAD											
AMER BANKERS INS CO OF FLORIDA	Became ungrouped co has no Vol Premium (co w/ quota moved to Diamond StateCo is in a CLAD)													
AMER CONTRACTORS INS RISK RET. GRP		16,743	Went into storage				Started writing again- 16,743 out of storage in 2020			19,797		20,297		20,767
AMER COUNTRY INS CO						767		1,535		1,535	Company has zeroed out, sent email to AIPSO.			1,535
AMER MERCURY INS CO		13,859		12,787	Entered CLAD									
BERKLEY CAS CO												461	Became grouped	
BRITISH AMERICAN INS CO	3,696		1,489		1,067		822		611		1,346		444	
GATEWAY INS CO								2,739			Entered CLAD			
GOVERNMENT EMPLOYEES INS CO	25,871		24,233		485,639		478,955		463,695		939,458		457,602	
HOUSING ENTERPRISE INS CO INC	Entered CLAD 1st QTR 2017 *Cancelled CLAD 4th QTR 2017			6		12		12		12		24		12
HOUSTON GENERAL INS EXCHANGE (co is in liquidation)										372		373		372
INTEGON NATIONAL INS CO		1,695,119		1,715,041		1,764,552		1,775,103		1,874,186		3,783,814		1,864,877
INTREPID INS CO				New to quota		1	Became grouped							
KNIGHTBROOK INS CO											New to quota	9	Entered CLAD	

TAIPA OTPP Over/Under Report

COMPANY	Year End 2017		Year End 2018		Year End 2019		Year End 2020		Year End 2021		1st QTR 2022		2nd QTR 2022	
	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR
MAIDSTONE INSURANCE COMPANY (prev AUTOONE INS CO & Penn General)	414,900		414,900		Went into storage									
MID-CONTINENT CAS CO	746,849		746,030		744,560		743,230		742,224		1,485,096		741,536	
MOTORISTS COMM MUT INS CO (co has zeroed out-prev Amer Hardware Mut Ins Co)	27,288		27,086		27,086		27,086		27,086		54,172		27,086	
NEXT INS US CO										49		177		298
OKLAHOMA SURETY CO	681,118		679,207		677,660		676,507		675,699		1,351,954		675,216	
RIVERPORT INS CO		83		83	their adj zeroed them out	0	Became grouped							
SAMSUNG FIRE & MARINE INS CO													Co has Zeroed out	1
STARNET									Entered CLAD		Entered CLAD			
STATE FARM MUT AUTO INS CO		129,892		123,853		127,745		104,930	Entered CLAD					
TEXAS FARM BUREAU CAS INS CO (prev Southern Farm Bur)		29,894		28,473		29,789		29,114	Entered CLAD					
TEXAS HOSPITAL INS EXCH		12,178		12,469		12,824		13,086		13,280		26,421		13,385
TIG INS CO			New to quota	79		79		81		84		165		84
ULLICO CAS CO		1,291	Went into storage											
WATFORD INS CO											New to quota	285		553
WESTPORT INS CORP											Became grouped			
<b>TOTALS</b>	<b>1,899,722</b>	<b>1,899,722</b>	<b>1,892,945</b>	<b>1,892,945</b>	<b>1,936,012</b>	<b>1,936,012</b>	<b>1,926,600</b>	<b>1,926,600</b>	<b>1,909,315</b>	<b>1,909,315</b>	<b>3,832,026</b>	<b>3,832,026</b>	<b>1,901,884</b>	<b>1,901,884</b>
<b>PREMIUMS CREDITED</b>	<b>1,942,623</b>	<b>1,679,205</b>	<b>1,953,284</b>	<b>1,737,041</b>	<b>1,695,128</b>	<b>427,337 1st qtr</b>	<b>403,886 2nd qtr</b>							

# Exhibit 11

Update On Recommendation For Plan Of Operation Change On What Companies  
Leaving The Market Must Do

## **CURRENT PLAN LANGUAGE Section 47 D Current**

### **Sec. 47. GENERAL PROVISIONS**

#### **D. Insurers Discontinuing Writing**

If a member discontinues writing automobile liability insurance in this state but retains its license to write such business, it must continue to pay assessments and receive assignments until its quota established by its writings prior to discontinuance of business has been filled. If the automobile liability business of a member discontinuing the writing of automobile liability insurance in this state is purchased by, transferred to, or assumed by another member, the latter is to receive the assignments and assessments of the former until the quota of the former as established by its writings prior to such transfer has been filled, unless another member has agreed, in a manner satisfactory to the Governing Committee, to assume such obligation.

## **PROPOSED PLAN LANGUAGE Section 47 D**

### **D. Insurers Discontinuing Writing**

If a member discontinues writing automobile liability insurance in this state but retains its license to write such business, it must continue to pay assessments and receive assignments until its quota established by its writings prior to discontinuance of business has been filled unless one of the following alternatives applies.

If the automobile liability business of a member discontinuing the writing of automobile liability insurance in this state is purchased by, transferred to, or assumed by another member, including by grouping with another member under the same ownership, the latter is to receive the assignments and assessments of the former until the quota of the former as established by its writings prior to such transfer has been filled, unless another member has agreed, in a manner satisfactory to the Governing Committee, to assume such obligation.

A member that discontinues writing may also satisfy its obligation by:

Entering into a LAD/CLAD agreement (refer to Section 41.E for private passenger coverage or Section 42.E for other than private passenger coverage).