

**Texas Automobile Insurance Plan Association Governing
Committee Meeting Agenda
Friday, November 17, 2023 – 9:00 A.M.
Austin SouthPark Hotel 4140 Governor’s Row, Austin, TX 78744**

Interested parties can attend the meeting in person or by joining the zoom meeting. TAIPA allows public comment about TAIPA related matters listed on the 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 18, 2023 Meeting (Exhibit 1)*
6. Chair’s Report
 - A. Welcome to Betsy Blair
 - B. Welcome to Adam Hall
 - C. Welcome Doug Queenin
 - D. Thank you to Mike Voigt
 - E. Thank you to Mike Hass
 - F. Thank you to Company Governing Committee Members who volunteered to fill the open subcommittee positions.
7. Manager’s Report
 - A. Application Count Update as of October, 2023 (Exhibit 2)
 - B. Time Study to determine how many applications current staff can manage. (Exhibit 3)
 - C. Financial Update as of September, 2023 (Exhibit 4)
 - D. Line of Credit Renewal is complete and in place until September of 2024
 - E. 2023 Review of 3rd Party Relationships & TAIPA Recommendations (Exhibit 5)
 - I. Actuary*
 - II. Legal*
 - III. Auditors*
 - IV. Systems*
 - F. 2024 Budget (Exhibit 6)*
 - G. 2024 Meeting Dates and Location of all 2024 Meetings (Exhibit 7)*
8. Strategic Planning Subcommittee Report
 - A. TAIPA’s current staffing
 - B. Enterprise Risk Management Update (Exhibit 8)*
9. Operations Subcommittee Report
 - A. Over/Under Report (Exhibit 9)
10. Report of Counsel
 - A. TAIPA Rates*
12. Next Meeting – April 5, 2024 at Austin Marriott South

13. Personnel Matters
14. Adjournment

The Governing Committee may act 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 act.

1. Call to Order

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

2. Introductions/Roll Call

Chair Jackson requested Stacy Dutton call roll of the attendees.

Attendees:

Keith Weschler	Janet Dewey
Matthew Snyder	Ramon Montalvo
Brian Ferguson	Adam Payton
Doug Queenin	Kit Morris
John Lusardi	Michael Jones
Michael Burke	John Mooney
Adam Hall	Talia Bright
David Weber	Stacy Dutton
Becky Jackson	Mimi Leece
Carmelita Hogan	Ruth Wise
Mary Carol Awalt	Amanda Reynolds
Laura Hausman	Kit Morris
Betsy Blair	Ron Weist
	Kenisha Schuster

3. Reading of the Anti-Trust Statement

Chair Jackson asked Stacy Dutton to read the Anti-trust statement.

TAIPA Anti-Trust Statement

“The creation and operation of the Texas Automobile Insurance Plan Association is set forth in Chapter 2151 of the Texas Insurance Code. The Association is a non-profit corporate body composed of all authorized insurers. The organization was created to provide a means by which insurance may be assigned to an authorized insurer for a person required by the Texas Motor Vehicle Safety-Responsibility Act to show proof of financial responsibility for the future. Members of the Association and of its Governing Committee, when involved in meetings or other activities of the Association, are bound to limit their discussions and actions to matters relating to the business of the Association and shall not discuss or pursue the business interest of individual insurers or others.”

4. Conflict of Interest Policy/Disclosures

Ms. Jackson requested Mike Jones go over the TAIPA of Interest Policy for the Governing Committee members.

5. Review and Approval of the Minutes of the August 18, 2023 Meeting (Exhibit 1)

Chair Jackson requested John Lusardi to go over the minutes of the last governing committee meeting. John Lusardi asked the committee for any questions or edits for the August 18, 2023 Governing Committee meeting. No questions or edits were stated. Chair Jackson asked for a motion to accept the August 18, 2023 Governing Committee meeting minutes. The motion was made by Ramon Montalvo, the motion was seconded by John Lusardi. The motion passed unanimously.

6. Chair's Report

Chair Jackson went over changes to the TAIPA governing committee and subcommittees:

- Ms. Jackson announced Betsy Blair as the new public member of the governing committee.
- Ms. Jackson announced Adam Hall as Mike Voigt's replacement from Texas Farm Bureau as the AFACT representative. Chair Jackson thanked Mike Voigt for his service on TAIPA's governing committee.
- Ms. Jackson announced Doug Queenin as Mike Hass's replacement from Liberty Mutual as an At-Large member. Chair Jackson thanked Mike Hass for his service on TAIPA's governing committee.
- Chair Jackson thanked the company Governing Committee Members who volunteered to fill the open subcommittee positions. Brian Ferguson joined the Operation Subcommittee, and Keith Wechsler joined the Strategic Planning Subcommittee.

7. Manager's Report

Chair Jackson asked Stacy Dutton to go over the manager's report:

A. Application Count Update as of October 2023 (Exhibit 2)

Ms. Dutton stated that TAIPA received 195 applications in October 2023 which is an increase of 86 or 78.9% of applications compared to 109 applications received in October of 2022.

Year to date through October 2023, TAIPA has received 1480 applications. This is an increase of 302 applications, or a 25.64% increase compared to 1178 applications received January to October 2022.

Ms. Dutton explained that TAIPA expects to end 2023 at 1776 applications which is higher than originally expected.

Discussion:

John Lusardi asked if TAIPA knew how many applications have been received for November 2023 so far. Ms. Dutton said she was not sure the exact amount received, but that staff had felt that the pace of applications had remained steady.

B. Time Study (Exhibit 3)

Ms. Dutton stated that at the August 2023 meeting, TAIPA staff was asked to determine how many applications current staff can process. To determine this, staff performed a time study with TAIPA's current staff at the current level of applications:

- 10.32 minutes to process a non-problem application from the time the application comes into the office until it leaves the following day.
- 13.42 minutes to process a problem application the first day it arrives at the office.
 - TAIPA staff implemented a process to try to resolve any problems by contacting the producer by phone and email the first day a problem application is received.
 - If staff is unable to resolve the problem application that day, it will take additional days and multiple communications for the application to leave the TAIPA office.
 - Therefore, 1.5 times the 13.42 minutes was used for the analysis.

Stacy Dutton explained this equates to an employee being able to process 40 Non-Problem Applications per day or 21 problem applications per day if staff did no other work. Ms. Dutton stated that staff had recently received 40 applications in one day and staff were able to process all 40 applications the first day in 4 hours, then sent the applications out the following day in 3.5 hours.

Stacy Dutton stated that from the study, we determined that if current staff did nothing but applications all day, staff could handle between 14,607 to 16,444 applications per year depending on the volume of problem applications.

- 14,607 represents one employee working on problem applications and the other working on regular applications all day. This would mean that 50% of the applications received in a day were problem applications.
- 15,067 represents 45% of employees' time working on problem applications. Ms. Dutton stated that it is anticipated that if volume increases substantially TAIPA will have more problem applications (at least initially) due to new producers not having worked with our applications system previously.
- 16,444 represents 30% of the employees' time working on problem applications.

Ms. Dutton explained that currently the applications that TAIPA receives generally have problems with 30% of the applications. It is expected that applications from new producers would probably increase the problem applications initially.

Stacy Dutton stated that employees on average spend 36% of their time on applications and 64% spent on other work. She explained that TAIPA would want to hire another

person in the Administrative Assistant/Customer Service position if our applications started averaging 500 per month/6000 per year because:

- TAIPA would need another person up and trained before applications became even heavier and to allow our current employees to be able to:
 - Continue working on other work outside of applications,
 - Take vacation and/or sick days without causing burdens on the other employees,
 - Handle turnover in any position at TAIPA,
 - Avoiding burnout from not doing anything but processing applications all day.

Ms. Dutton explained she does not see TAIPA receiving 25 applications per day/500 applications per month/6000 applications in 2024 because at the current rate of increase TAIPA expects to end 2023 around 1776 applications received.

She went on to explain that a lot of Texas insureds are seeing a 20% increase on their automobile insurance premiums. Taking this into consideration, Ms. Dutton also completed a study for 79% volume increase (October 2023) vs 25% increase in TAIPA volume:

- In this study it is assumed that we continue to increase our volume at 79% per year, TAIPA's 2024 estimated applications would be 3300 applications. If TAIPA volume continues to grow at 79% per year, TAIPA would get to 6000+ applications near the end of 2025 or early 2026.

Discussion:

David Weber asked if the problem applications were mostly coming from new agents who are newly certified. Staff stated that most problem applications that are submitted are small mistakes not necessarily made by newly certified agents. Ms. Leece added that there has been an increase of TAIPA certifications.

Mr. Weber noted that if more new agents are becoming certified with TAIPA, then it may be helpful to provide some online training to avoid these problem applications.

John Lusardi added that there have been 400 new agents certified in California and 100 new agents certified in New York.

Keith Weschler asked if there is a historical time of an increase in volume. Stacy Dutton stated that if you see a large increase in volume, it is generally due to changes in government. Mike Jones added that years ago TAIPA was competitive with the voluntary insurance market and that caused an increase in volume such as 700,000-800,000.

Brian Ferguson asked if there are opportunities for processing efficiency improvements or technology improvements to bring the time down any further. Stacy Dutton stated that new producer training would help get time down for handling applications. It was discussed that posting active and certified agents on TAIPA's website would cut down call time for insureds calling in search for insurance.

C. The Financial Update as of September 2023 is in (Exhibit 3)

Ms. Dutton stated TAIPA's financials through September 2023 are within the 5% budget leeway or under budget in every expense category right now. TAIPA is expected to end on or under budget for 2023 in every category except actuaries.

Ms. Dutton explained that this is because TAIPA moved to Burkhalter Actuarial Group at the August 2023 Governing Committee meeting and their bid was \$9000. She also noted that additional analysis is needed on where TAIPA's rates really should be, therefore it is unknown the total year end cost for TAIPA's actuarial services.

Ms. Dutton stated that TAIPA had its first experience with check washing. A check for \$5,530 that was mailed was stolen and a person recreated a check made out to an individual for \$35,530. Mimi Leece checked the bank and saw the check pending. Ms. Dutton and Ms. Leece spoke with Frost bank and were able to stop the check in time. TAIPA has now implemented a process with Frost bank where the bank will have a copy of all checks that are processed, if they do not have a copy of the check, they will not process the payment.

D. Line of Credit Renewal

Ms. Dutton stated that Frost approved TAIPA's \$300,000 line of credit which is in place until September 2024.

E. 2023 Review of 3rd Party Relationships & TAIPA Recommendations (Exhibit 4)

Stacy Dutton noted that TAIPA has ongoing relationships with TAIPA's attorney, auditor, system consultant. She noted that TAIPA has a new auditor as of 2023. Ms. Dutton went on to explain the document in exhibit 4, which outlines the services each provide and the expected changes in costs between 2023 and 2024.

Ms. Dutton pointed out that there was an error in last year's report which had stated that counsel Mike Jones' billing rate would remain at \$340 for 2023. She noted that his rate increased to \$350 for 2023.

- **Legal**

Stacy Dutton stated that Mike Jones from Thompson Coe has been TAIPA's attorney since the early 1990s. She stated that Mr. Jones has a good knowledge of TAIPA's history, business, rates, and legal issues.

Mr. Jones has asked for a 5% increase in his legal rate. Mr. Jones has also provided TAIPA with an estimate of \$20,000 for his legal fees for a 2024 TAIPA rate hearing.

TAIPA staff recommends continuing our relationship with Mike Jones and Thompson Coe for 2024.

Becky Jackson requested a motion whether to continue the relationship with Mike Jones and Thompson Coe for 2024. David Weber made a motion; Adam Payton seconded the motion. The motion passed unanimously.

- **Actuary**

Stacy Dutton stated that the Governing Committee elected to use the Burkhalter Group for TAIPA's actuary services for developing TAIPA's 2024 rates. Ms. Dutton stated that the actuaries had not received the needed information to do this additional rate review until a week before the meeting, therefore they were still reviewing all the information.

Ms. Dutton explained that for 2024, TAIPA added \$35,000 for the actuary's work to prepare and defend the rates if we have a rate hearing. She noted that if a rate hearing is needed for the 2024 rates, another hearing would likely not be needed for 2025 rates. She stated that the Burkhalter Group determined that the \$9,000 rate they quoted initially for the 2024 rates would still be a good estimate for the 2025 rates.

TAIPA staff recommends continuing our relationship with the Burkhalter Group as our actuary for 2024.

Becky Jackson requested a motion to continue the relationship with The Burkhalter Group for 2024. Ramon Montalvo made a motion; the motion was seconded by John Lusardi. The motion passed unanimously.

- **Auditors**

Ms. Dutton stated that TAIPA has worked with Atchley and Associates since 2007. Tyler Mosley is our Sr. Auditor and has worked closely with TAIPA staff over the years to understand our business. For 2024, Tyler's billing rate increased by \$25 per hour, however TAIPA did budget slightly less because it is not anticipated having as many questions for Atchley as in the past. This is due to knowledge staff have gained from working Mr. Mosely and Atchley associates.

TAIPA staff recommends continuing our relationship with Tyler Mosley and Atchley and Associates as TAIPA's auditors for 2024.

Becky Jackson requested a motion to continue the relationship with Atchley and Associates for 2024. Matt Snyder made a motion to accept the motion, Keith Weschler seconded the motion. The motion passed unanimously.

- **Systems**

Ms. Dutton stated that TAIPA has worked with AIPSO, a system provider for the application processing and quota for many years. She noted that TAIPA has developed a good working relationship with AIPSO.

She explained that AIPSO's data services hourly rate decreased by \$3 per hour for 2024, EASi Maintenance remained the same, and programing increase \$4 per hour (TAIPA has not used programing in years).

TAIPA staff recommends continuing the relationship with AIPSO as TAIPA's System provider for Application processing and quota for 2024.

Chair Jackson requested a motion to continue the relationship with AIPSO for TAIPA's System Provider for their application processing and quota for 2024. Adam Payton made a motion; David Weber seconded the motion. The motion carried. John Lusardi and Keith Weschler abstained from the vote.

F. **2024 Budget (Exhibit 5)**

Ms. Dutton stated that TAIPA has asked for a budget of \$1,147,960.00 which is an increase of \$110,947 over TAIPA's 2023 budget.

- She stated that the biggest change in this budget is that TAIPA added a rate hearing for the 2024 rates. It is expected that the actuaries will determine that there is a need to increase TAIPA rates by more than 5%, causing a rate hearing. Due to the new rate hearing process being new, the budget that is prepared has the estimated cost for worst case scenario with an estimated cost of \$20,000 for legal time and \$35,000 of our actuaries' time.
- Ms. Dutton also noted that 4 new workstations were included in the budget because the 4 original workstations are nearing end of life. TAIPA cannot extend the warranties on these workstations and TAIPA's IT provider will not work on end of life workstations within the agreement.
- She explained that TAIPA is currently contributing \$100,000 to the pension. The plan sponsors strongly suggested that we continue making that same contribution for 2024 even though the required contribution is \$78,012. TAIPA has budgeted \$90,000 because TAIPA's plan is in better shape than some of the plans in the PPIO group.

Chair Jackson requested a motion to accept TAIPA's proposed budget of \$1,147,960.00. John Lusardi made a motion; the motion was seconded by Matt Snyder. The motion passed unanimously.

Ms. Dutton stated that although the proposed budget is \$1,147,960.00, TAIPA is asking for an assessment of \$994,360.00, which is \$127,360.00 higher than the 2023 assessment.

Chair Jackson requested a motion to accept TAIPA's assessment to the companies for \$994,360.00 for 2024. David Weber made a motion; the motion was seconded by John Lusardi. The motion passed unanimously.

G. 2024 Meeting Dates and Location of all 2024 Meetings (Exhibit 6)

Stacy Dutton announced the approved 2024 Governing Meeting dates as:

- Friday, April 5, 2024
- Friday, August 16, 2024
- Friday, November 22, 2024

All three meetings will be held via zoom as well as in-person at the Austin Marriott South located at 4415 South IH 35 Austin, TX 78744.

8. Strategic Planning Subcommittee Report

Chair Jackson turned the meeting over to Mary Carol Awalt to give the Strategic Planning Subcommittee report. Ms. Awalt stated that the Strategic Planning Subcommittee met on October 6th, 2023.

Ms. Awalt explained that the Strategic Planning Subcommittee is tasked with reviewing and making recommendations regarding TAIPA's: office space, long-term contracts, review any significant changes for the organization, staffing levels, as well as review TAIPA's Enterprise Risk Management Plan Annually.

- Office Space:
As you may recall, the Governing Committee approved TAIPA to stay in its current office location and TAIPA renewed its lease in early 2023.
- Long Term Contracts:
The committee reviewed TAIPA's long term contracts and long-standing 3rd Party relationships voted on previously.
- Significant Changes:
The committee discussed concerns about the possibility that TAIPA may become something other than the choice of last resort for auto liability insurance in Texas. Ms. Awalt explained that is because many if not most insurance companies have had more than one double digit increase in their rates whereas TAIPA has only had one 5% increase.

TAIPA staff reviewed several items that point to there being a need to increase TAIPA's rates as well as what they have done to counter the possibility of TAIPA becoming something other than the choice of last resort for auto liability insurance.

- The Governing Committee asked the actuaries to look at more than just the loss costs in determining what TAIPA's rate should really be.

- Reviewed changes in the make-up of their applications:
 - Traditionally TAIPA has received:
 - 90% private passenger applications and 10% other than private passenger (commercial) applications
 - It has changed in recent years to:
 - 85% to 15% in 2019
 - 80% to 20% in 2021
 - 85% to 15% Year to Date 2023

TAIPA staff reviewed the TAIPA premiums the companies reported at year end 2022 compared to the TAIPA premiums TAIPA sent them. It was found that Private Passenger premiums reported to TDI for 2022 were \$109,235 less than what TAIPA had assigned to the companies, and commercial premiums were \$567,441 more than what TAIPA had assigned to the companies. Ms. Awalt noted that this could be interpreted to mean that TAIPA's rates are low enough to motivate the insureds to maintain their policy and renew it without going back through TAIPA.

Ms. Awalt stated that in past discussions with carriers and industry documentation, TAIPA came to understand that industry average of TAIPA insureds renewing with the carrier without coming back through TAIPA is between 25% and 35%. Taking that into consideration, it appears that private passenger renewals are down considerably and commercial are within the average.

Mary Carol Awalt stated the committee also reviewed where TAIPA rates were compared to other insurance companies on TDI's Help Insure website.

- TAIPA was not the least expensive option in any of the scenarios.
- That said, it wasn't as close to the bottom as you might expect for an applicant that has been turned down by two insurance companies.

MS. Awalt explained that staff also did a break-even analysis to see where TAIPA would break even if we spent the \$55,000 on a rate hearing.

- TAIPA staff didn't count the first 5% since this can be obtained without a rate hearing.
- It was found that TAIPA would break even in the first year if the rates went up 10% or more in all categories except private passenger applications if TAIPA maintained 2022 application volume.

- Staffing
TAIPA continues to maintain the staffing level they adopted in 2018 including an Association Manager, Manager of Operations/Financial Management, two Administrative Assistant/Customer Service. The Strategic Subcommittee agreed that this is the correct staff level needed through 2024.

- Enterprise Risk Management

Ms. Awalt went over TAIPA staffs changes to the Enterprise Risk Management Manual which was included in the exhibits. She stated that TAIPA staff made updates to: contacts, telephone training on the Zulty's phone application, updated staffing risks in regards to increase applications and turn over or retirement.

Ms. Awalt stated that Strategic Planning Subcommittee recommended accepting the Enterprise Risk Management Plan 2.0.

There were no further questions from the committee. Chair Jackson requested a motion to approve the Enterprise Risk Management Plan 2.0 for 2024. Ramon Montalvo made a motion; the motion was seconded by David Weber. The motion passed unanimously with no abstentions.

9. Operations Subcommittee Report

Chair Jackson turned the meeting over to David Weber to go over the Operations Subcommittee report. Mr. Weber stated that the operation subcommittee has not met due to the committee not having anything to study.

Mr. Weber then went over the Over and Under report.

Over/Under Report (Exhibit 8)

Mr. Weber noted:

- There was nothing significant to report on the TAIPA Other Than Private Passenger Over/Under report.
- The TAIPA Private Passenger Over/Under report showed incorrect.
 - American Family Mutual Insurance Company should have an underage of 12. For Year End 2022 it shows 0 on the report. The underage was correct for first quarter 2023 but was zeroed out again for 2nd quarter 2023.
 - State Farm entered into a LAD in 2021 so it should not have an overage or underage. Year end 2022 shows an overage of 15.

Mr. Weber explained that AIPSO agreed to review and correct the report next quarter. This concluded the Operations Subcommittee report.

10. Report of Counsel

Chair Jackson turned the meeting over to Mike Jones to give his report of counsel and update on the 2024 rate filing.

Mr. Jones explained that TAIPA can only request a rate filing once with a twelve-month time period. He stated the last rate filing was on January 3rd, 2023 with a rate effective date of June 1st, 2023. The statute provides that if TAIPA makes a rate filing which exceeds 5% in any coverage then there must be a hearing at the Texas Department of Insurance. Traditionally when rates were fairly stable in the past, TAIPA has weighed the cost of

having a rate hearing to the rate indication. He explained that it has become very evident among the insurance companies that a greater than 5% increase is needed.

Mr. Jones explained that TAIPA has hired the Burkhalter Group to review TAIPA's rates. The Burkhalter groups have been provided with some rate trends and have indicated that the rate increase will be above 10%. Mr. Jones went over the rate hearing timeline as it pertains to the Texas Department of insurance.

Mr. Jones asked the Governing Committee if they would prefer to meet prior to the April 5th, 2024 Governing Committee meeting to approve the indicated rates or if the Governing Committee would like to wait to approve the indicated rates until the April 5th, 2024 Governing Committee meeting.

John Lusardi stated that he would like to meet before the April 5th Governing Committee meeting to go over rates so as not to delay TDI's approval and rate filing further. Keith Weschler and David Weber agreed that a zoom meeting with all of the Governing Committee prior to the April 5th Governing Committee meeting to go over the Burkhalter Group's rate indications would be best.

There was discussion regarding the Burkhalter Group's turn around as they have not received all the data needed for a rate study. Mr. Jones indicated that there has not been a set date given for the completion of the rate study but stated that by January 2024 they should know more.

Chair Jackson requested a motion on how to move forward on a rate filing. David Weber made a motion that the information regarding the rate filing should be presented to the Governing Committee at a meeting date determined by TAIPA staff to approve a proposed rate filing with the Texas Department of Insurance. Ramon Montalvo seconded this motion. The motion passed unanimously with no abstentions.

12. Next Meeting – April 5, 2024 at Austin Marriott South

Chair Jackson announced the next Governing Committee meeting date as April 5th, 2024 held via zoom meeting as well as in-person at the Austin Marriot South. The Annual Meeting will be held April 5th, 2024 at 8:30am followed by the Governing Committee Meeting which begins at 9am.

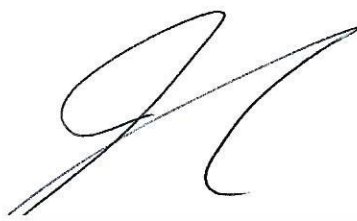
13. Personnel Matters

Chair Jackson announced that there were no personnel matters.

14. Adjournment

Chair Jackson requested a motion to adjourn the meeting. John Lusardi made a motion to adjourn, Adam Payton seconded this motion. The motion passed unanimously.

Chair Jackson announced the November 17th, 2023 TAIPA Governing Committee Meeting adjourned at 10:20am.

A handwritten signature in black ink, appearing to be a stylized 'J' or 'L' followed by a flourish.