

**Texas Automobile Insurance Plan Association Governing Committee Meeting  
Agenda for Friday, November 22, 2019 – 9:00 A.M.  
Omni Austin Hotel Southpark, 4140 Governor’s Row, Austin, TX 78744  
Dress: Business Casual**

1. Call to Order
2. Introductions
3. Reading of the Anti-Trust Statement
4. Review and Approval of the Minutes of the August 16, 2019 Meeting (Exhibit 1)\*
5. Chair’s Report
  - A. Recognition of Alisha Darden for her service to TAIPA
  - B. Officers Meeting regarding TAIPA Benefits
6. Manager’s Report
  - A. Application Count Update
    - a. As of October, 2019 (Exhibit 2)
  - B. Financial Update as of September 2019 (Exhibit 3)
  - C. 2020 Request for Proposal\*
  - D. 2020 Budget (Exhibit 4)\*
  - E. Plan of Operation Filing Updates
    - a. Section 36 – Governing Committee Composition
    - b. Section 50 – Motor Vehicle Crime Prevention Authority Fee
    - c. Comments by TDI on the filings if necessary
  - F. 2020 Meeting Dates (Exhibit 5)
7. Operations Subcommittee Report
  - A. Over/Under Report (Exhibit 6)
  - B. Procedures Related to Insurance Discontinuing Writing
  - C. Review TAIPA Policies to ensure that they are where they need to be
  - D. Look at Considering legislative changes and other changes to make TAIPA more efficient
8. Report of Counsel
  - A. TAIPA Rates (Exhibit 7)
  - B. Temporary Vehicle Personal Auto Policy Change
  - C. Comments by TDI on A and B if necessary
9. Next Meeting – March 27, 2019 at Omni Austin Hotel Southpark
10. Personnel Matters\*
11. 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.

TAIPA Governing Committee Meeting  
August 16, 2019

**TAIPA GOVERNING COMMITTEE MEETING MINUTES  
AUGUST 16, 2019 AT 9:00 AM  
OMNI AUSTIN HOTEL SOUTHPARK**

**ATTENDEES:**

**VOTING MEMBERS:**

Todd Feltman, State Farm  
Pete Hamel, Producer Member  
Laura Hausman, Public Member (Via teleconference)  
Carmelita Hogan, Public Member  
Leslie Hurley, Public Member (Via teleconference)  
Stephen Hylka, Liberty Mutual/Safeco (Via teleconference)  
Becky Jackson, Public Member  
Corise Morrison, USAA  
Adam Payton, Producer Member  
Matthew Snyder, Farmers  
Alisha Darden, Public Member Alternate  
Marti Luparello, Texas Farm Bureau  
Michael Schalk, Allstate  
David Weber, Hochheim Prairie (Chair)

**COUNSEL:**

Michael Jones, Thompson, Coe, Cousins & Irons  
Georgia Lynn Porcher, Thompson, Coe, Cousins & Irons (Minute Taker)

**TAIPA STAFF:**

Stacy Dutton (Association Manager)  
Mimi Leece  
Ines Diaz

**OTHERS:**

Doug Beck, Farmers (Via teleconference)  
Carol Berthold, GEICO (Via teleconference)  
Kimberly Donovan, OPIC  
John Lusardi, Assigned Risk Solutions, Ltd. (Via teleconference)  
Ramon Montalvo, Producer Member Alternate  
John Mooney, TDI  
Melissa Herman, TDI  
Tyler Mosley, Atchley and Associates  
Joy Qi, Atchley and Associates

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**ITEM 1: CALL TO ORDER**

David Weber called the meeting to order at 9:01 AM.

**ITEM 2: INTRODUCTIONS**

Introductions were made.

**ITEM 3: READING OF THE ANTI-TRUST STATEMENT**

Stacy Dutton read the Anti-Trust Statement:

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

**ITEM 4: Audit/Finance Committee Report**

Tyler Mosley from Atchley and Associates took the floor and went over their responsibility in relation to the Financial Statement Audit for the year ending December 31, 2018. He discussed what the audit covered and what it did not. Tyler stated there were no adjustments made by them during the audit. After the audit, however, he stated that they made a minimum liability adjustment to the pension, thus creating a loss. There was some discussion from the chair regarding this adjustment, benefit obligation, and fund status. He tasked the board to review these expenses and take note. Mr. Mosely also point out new reports that are now required, such as, “Statement of Functional Expenses”, “Liquidity and Availability”. He went over items that had changed over the past year and how these items were reflected on the new statements. These items are now requirements for non-profit organizations.

David Weber asked for a motion to accept the 2018 Audit.

- Corise Morrison made the motion and Todd Feltman seconded the motion to: “Accept the 2018 Audit.”
- The motion carried unanimously.

**ITEM 5: Review and Approval of the Minutes of the March 22, 2019 Meeting (Exhibit 2)\***

Becky Jackson presented the Minutes of the March 22, 2019 meeting.

David Weber asked for a motion to approve the minutes.

- Matthew Snyder made the motion and Todd Feltman seconded the motion to: “Approve the minutes.”
- The motion carried unanimously.

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

David Weber indicated that the only thing he had to report was that the officers had tried to get together to discuss TAIPA benefits, but had been unable to do this due to scheduling conflicts. He stated that they plan to meet on October 29, 2019 to review the benefits.

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

Stacy Dutton presented the Manager's Report.

##### **A. APPLICATION COUNT UPDATE AS OF OCTOBER 2018 (EXHIBIT 3)**

TAIPA received 219 applications in July 2019, compared to 269 in July 2018. Year-to-date, TAIPA has received 1,705 applications in 2019, compared to 2,119 in 2018, which is a decrease of 414 applications or about 19.54%. This means we are down an average of 2-3 applications per day from last year. We expect to receive 3,000 applications this year, which would be slightly below our 2018 volume.

##### **B. FINANCIAL UPDATE AS OF SEPTEMBER 2018 (EXHIBIT 4)**

TAIPA would expect to be at 50% of the budget used at the end of June, and is under-budget at about 10%. The items that are currently over-budget were explained. We expect to end the year about 10% under-budget due to our reduced staffing level. Stacy also went over the fact that she expected to end the year over budget in Computer Supplies and Expenses.

##### **C. LINE OF CREDIT RENEWAL**

TAIPA retains a \$300,000 line of credit with Frost Bank, and although we've never drawn on it, we carry it as a contingency. The line of credit is up for renewal on September 11, 2019. The annual renewal fees are expected to be about \$300, but there are no other fees unless we draw against it.

David Weber asked for a motion to approve the line of credit and make Stacy Dutton and Mimi Leece signers on the line of credit.

- It was moved by Carmelita Hogan and seconded by Pete Hamel to:  
"Approve line of credit and to name Stacy Dutton and Mimi Leece as signers on the Line of Credit."
- The motion carried unanimously.

##### **D. PLAN OF OPERATION FILING**

###### **a.) Update on TAIPA's proposed change to the Insurance Association Members of Governing Committee:**

TDI has published TAIPA's requested change in the Texas Register. TAIPA is waiting for the Comment Period to close on September 3, 2019, and after that, the Commissioner will decide how to proceed and TAIPA will respond accordingly.

###### **b.) Motor Vehicle Crime Prevention Authority (SB 604 and HB 2048)**

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Recently House Bill 2048 and Senate Bill 604, passed and have made changes related to the Automobile Burglary and Theft Prevention Authority (ABTPA). HB 2048 increases the fee from \$2 to \$4 per motor vehicle each year, and is effective September 1, 2019 for insurance policies issued, delivered, or renewed on or after that date. SB 604 changes the name of the Automobile Burglary & Theft Prevention Authority to the Motor Vehicle Crime Prevention Authority (MVCPA).

This requires that TAIPA:

1. Amend our Plan of Operation to reflect these changes
2. Communicate this change to our Company Members and TAIPA Certified Producers.
3. Update our EASi Application

**c.) Proposed Plan of Operations Language Change (Exhibit 5)**

Legal Counsel wrote the proposed amendment to provide that that companies electing to pass through the fee must give notice of comply with applicable statute, regulation, or as may be approved by TDI instead of directing the language for the of notice. This was done for a couple of reasons: TDI is approving other language, and it will keep TAIPA from having to change the Plan of Operation each time the amount changes.

TAIPA is working with AIPSO to update our EASI applications to comply with the increase in fee and to change the description from “Burglary/Theft Fee” to “Crime Prevention Fee”. We have completed the testing on this and expect it to roll out September 1, 2019. TAIPA will be sending out a Bulletin to all of the Member companies and TAIPA certified producers to let them know of the change.

Mike Jones explained Exhibit 5 in depth and why these changes were made.

- It was moved by Becky Jackson and seconded by Todd Feltman to: “Approve the proposed changed to TAIPA’s Plan of Operation.”
- The motion carried unanimously.

**ITEM 8: 2020 MEETING DATES (EXHIBIT 6)**

The 2020 meeting dates are March 27, August 21, and November 20. All meetings will be held at the Omni Austin Southpark.

- It was moved by Corise Morrison and seconded by Matthew Snyder to: “Approve and accept the 2020 Meeting Dates.”
- The motion carried unanimously.

**ITEM 9: OPERATIONS SUBCOMMITTEE REPORT**

Stacy Dutton presented the Operations Subcommittee Report.

- a. **Over and Under Report (Exhibit 7)** – Nothing significant to report.
- b. **Procedures Related to Insurers Discontinuing Writing**

The Operations Sub Committee met on May 17, 2019, and continues to work on recommendations

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on how to handle companies that leave the market. At the meeting we answered a number of questions that TAIPA Staff asked and decided how to proceed. TAIPA was asked to reach out to AIPSO and TAIPA's actuary about what it would cost to calculate a 5 year loss ratio calculation for companies leaving the Texas Market. TAIPA Staff has received this information last week and plan to have another Operations Sup Committee Meeting on September 5, 2019.

#### **ITEM 10: REPORT OF COUNSEL**

Mike Jones presented the Report of Counsel.

##### **a. TAIPA Rates**

Mr. Jones discussed the fact that Mike Miller had completed his work on the rate filing and that although he could actually recommend a higher rate filing, he was recommending an overall rate increase of 4.9% for both commercial and private passenger. Mr. Miller's selections would mean that a formal rate hearing would not be required. This would avoid additional expense that would be difficult to justify given the small population of insureds in TAIPA.

- It was moved by Alisha Darden and seconded by Todd Feltman:  
"For Counsel and Mike Miller to make the rate filing and make any changes that may be required in response to TDI"
- The motion carried unanimously.

##### **b. Legislative Update**

Mike Jones provided details in regards to bills that will affect TAIPA such as, SB 1640 amending the open meetings law to clarify what constitutes an impermissible "walking quorum," and HB 3420 requiring personal auto policy forms to provide primary coverage for loaner vehicles as defined in the bill.

John Mooney from TDI took the floor and discussed:

- HB 259 – Named Driver bill which bars excluding a class of drivers.
- companies that plan to pass through the increased Motor Vehicle Crime Prevention Authority fee (\$2 fee moving to \$4) will need to file a rate filing,
- HB 3420 Coverage of Temporary Vehicles – making the user's insurance primary.
- the challenges companies might face with the language, definition and exclusions
- that TDI can supply companies with language when they have it

##### **c. Insurance Policy Form Change due to Coverage for Temporary Vehicles (HB 3420)**

There was discussion about the coverage of temporary vehicles needing to be covered under the TAIPA policy.

- It was moved by Corise Morrison and seconded by Pete Hamel to:  
"Approval of Legal Counsel to work with the Manager to update TAIPA's policy form with regard to coverage of temporary vehicles and submit to TDI for approval"
- The motion carried unanimously.

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**d. Suggestion to have Operations Subcommittee review TAIPA Policies**

Mike Jones discussed the fact that TAIPA's private passenger and commercial policies should be reviewed. He suggested that Operations Subcommittee should study this and make recommendations to the Governing Committee.

David Weber opened a discussion about reviewing how TAIPA operates and suggested looking at ways to make TAIPA and the process more efficient, including such matters as whether to allow companies to use their own policies and rates and just adding a percentage for TAIPA business. He stated that if the Operations Subcommittee wanted to pursue this, they would need to have a decision by August of 2020 so that they could prepare for a legislative Update for 2021. He stated that finding ways to use what companies already have in place for policies and procedures may make the process more efficient to consumers and producers. There was discussion that we would need to change the statute and that there would be quite a bit of cost to do this and that this is not an easy task.

- It was moved by Todd Feltman and seconded by Alisha Darden:  
"For Operations Subcommittee to:
  1. Review TAIPA Policies to ensure that they are where they need to be" and
  2. Look at considering legislative changes or other changes to make TAIPA more efficient.
- The motion carried unanimously.

**ITEM 11: NEXT GOVERNING COMMITTEE MEETING**

Stacy Dutton presented the date for the next Governing Committee Meeting for Friday, November 22, 2019.

- It was moved by Becky Jackson and seconded by Todd Feltman:  
"Approval of the date for the next Governing Committee Meeting.
- The motion carried unanimously.

**ITEM 12: PERSONNEL MATTERS**

David Weber announced at 10:15 am that a closed meeting will be held pursuant to Government Code Section 551.074 relating to personnel matters and Section 551.071 for consultation with attorney. All left the room except members of Governing Committee, alternates, counsel, and the Manager.

A closed session meeting was held.

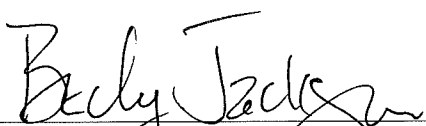
TAIPA came back from closed session at 10:43 a.m. There was no action taken following the closed session.

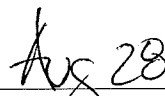

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**ITEM 13: ADJOURNMENT**

There being nothing further to discuss,

- it was moved by Corise Morrison and seconded by Todd Feltman to:  
“Adjourn the Meeting”
- The motion carried unanimously and the meeting ended at 10:44 a.m.

  
\_\_\_\_\_  
Becky Jackson  
Secretary

Date Signed: \_\_\_\_\_, 2019  


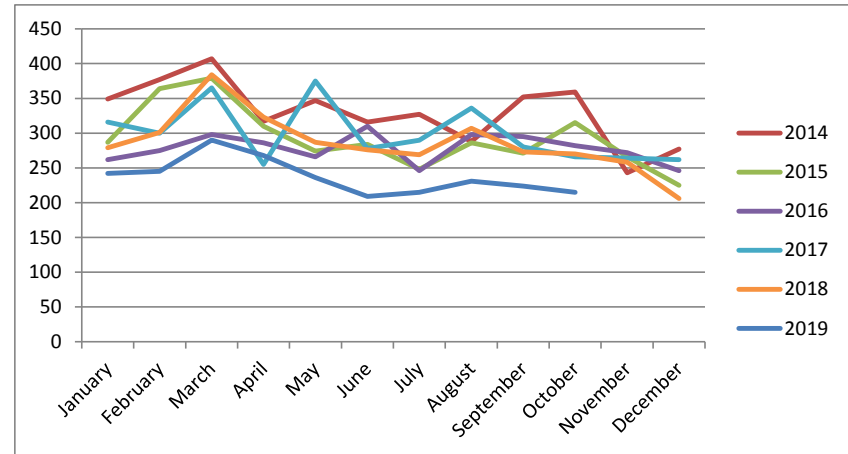


<b>Monthly Total (October 2019)</b>		
	<b>Private Passenger</b>	<b>Commercial</b>
<b>EASi Applications</b>	<b>173</b>	<b>42</b>
<b>Paper Applications</b>	<b>0</b>	<b>0</b>
<b>Total Applications Received</b>	<b>173</b>	<b>42</b>
<b>Applications Assigned</b>	<i>162</i>	<i>42</i>
<b>Apps Returned for Correction</b>	<i>10</i>	<i>0</i>
<b>Applications Deficient</b>	<i>9</i>	<i>6</i>
<b>Applications with SR-22s</b>	<i>3</i>	<i>0</i>
<b>Total Applications Received in October 2018:</b>	<b>270</b>	<b>270</b>
<b>Total Applications Received in October 2019:</b>	<b>215</b>	<b>215</b>
<b>Year to Date Total (as of October 2019)</b>		
	<b>Private Passenger</b>	<b>Commercial</b>
<b>EASi Applications</b>	<b>2013</b>	<b>362</b>
<b>Paper Applications</b>	<b>0</b>	<b>0</b>
<b>Total Applications Received</b>	<b>2013</b>	<b>362</b>
<b>Applications Assigned</b>	<i>1939</i>	<i>350</i>
<b>Apps Returned for Correction</b>	<i>73</i>	<i>12</i>
<b>Applications Deficient</b>	<i>146</i>	<i>52</i>
<b>Applications with SR-22s</b>	<i>70</i>	<i>0</i>
<b>Total Applications Received YTD (as of October 2018):</b>	<b>2,969</b>	<b>2,969</b>
<b>Total Applications Received YTD (as of October 2019):</b>	<b>2,375</b>	<b>2,375</b>
<b>YTD Percent Change from October 2018 to October 2019:</b>	<b>-20.01%</b>	<b>-20.01%</b>
<b>Application Assignment History*</b>		
<b>1995:</b> 461,059	<b>2003:</b> 74,506	<b>2011:</b> 7,364
<b>1996:</b> 214,744	<b>2004:</b> 47,434	<b>2012:</b> 5,898
<b>1997:</b> 95,461	<b>2005:</b> 31,517	<b>2013:</b> 4,708
<b>1998:</b> 55,041	<b>2006:</b> 23,634	<b>2014:</b> 3,628
<b>1999:</b> 47,108	<b>2007:</b> 16,780	<b>2015:</b> 3,217
<b>2000:</b> 44,945	<b>2008:</b> 12,896	<b>2016:</b> 3,089
<b>2001:</b> 53,477	<b>2009:</b> 10,299	<b>2017:</b> 3,508
<b>2002:</b> 66,153	<b>2010:</b> 8,725	<b>2018:</b> 3,338

\*Application Assignment History based on applications assigned, not received.

### Trend of Applications Received from 2014 to 2019

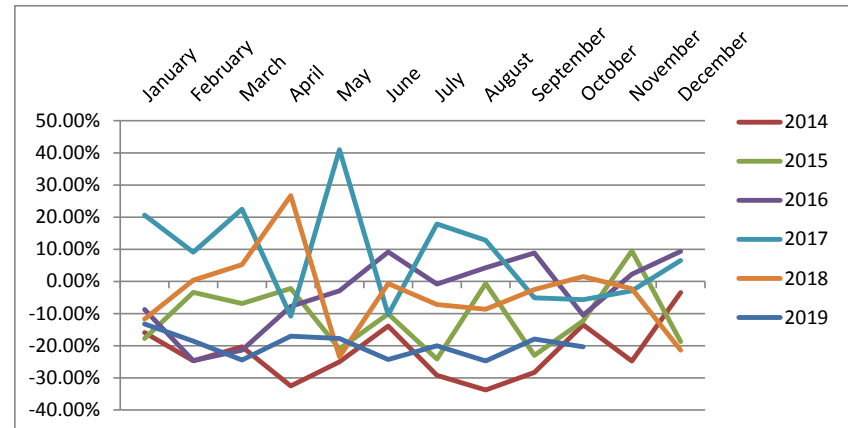
	2014	2015	2016	2017	2018	2019
January	349	287	262	316	279	242
February	377	364	275	300	301	245
March	407	379	298	365	384	290
April	317	310	286	255	323	268
May	347	274	266	375	287	236
June	316	284	310	278	276	209
July	327	248	246	290	269	215
August	288	286	298	336	307	231
September	352	271	295	280	273	224
October	359	315	282	266	270	215
November	243	266	272	264	258	
December	277	225	246	262	206	
<b>Total</b>	<b>3,959</b>	<b>3,509</b>	<b>3,336</b>	<b>3,587</b>	<b>3,433</b>	<b>2,375</b>



Estimate of Applications to be Received in 2019: **3,500**

### Percent Change in Applications Received from 2014 to 2019

	2014	2015	2016	2017	2018	2019
January	-15.90%	-17.77%	-8.71%	20.61%	-11.71%	-13.26%
February	-24.75%	-3.45%	-24.66%	9.09%	0.33%	-18.60%
March	-20.35%	-6.88%	-21.37%	22.48%	5.21%	-24.48%
April	-32.55%	-2.21%	-7.74%	-10.84%	26.67%	-17.03%
May	-25.05%	-21.04%	-2.92%	40.98%	-23.47%	-17.77%
June	-13.90%	-10.13%	9.15%	-10.32%	-0.72%	-24.28%
July	-29.22%	-24.16%	-0.81%	17.89%	-7.24%	-20.07%
August	-33.79%	-0.69%	4.20%	12.75%	-8.63%	-24.76%
September	-28.31%	-23.01%	8.86%	-5.08%	-2.50%	-17.95%
October	-13.49%	-12.26%	-10.48%	-5.67%	1.50%	-20.37%
November	-24.77%	9.47%	2.26%	-2.94%	-2.27%	
December	-3.48%	-18.77%	9.33%	6.50%	-21.37%	
<b>Total YTD</b>	<b>-22.98%</b>	<b>-11.37%</b>	<b>-4.96%</b>	<b>7.52%</b>	<b>-4.29%</b>	<b>-20.01%</b>



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

As Of September 30, 2019

Unaudited

## ASSETS

Current Assets	
Cash and cash equivalents	\$ 434,840
Accounts receivable	20,666
Prepaid expenses	15,809
Total current assets	<u>471,315</u>
Security Deposits	5,379
Property and Equipment	
Furniture and equipment	26,772
Computer equipment	8,124
Leasehold improvements	2,222
Computer software	25,000
	<u>62,118</u>
Less accumulated depreciation	<u>51,793</u>
	<u>10,325</u>
Total assets	<u><u>487,020</u></u>

## LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	10,922
Accrued vacation	23,761
Accrued payroll liabilities	10,231
Deferred revenue	200,057
Total current liabilities	<u>244,971</u>
Other Liabilities	
Accrued pension benefit costs	301,284
Deferred lease benefit	7,283
Total other liabilities	<u>308,567</u>
Net (Deficiency) Assets	
Without donor restrictions	<u>(66,519)</u>
Total net assets	<u>(66,519)</u>
Total liabilities and net assets	<u><u>\$ 487,020</u></u>

# *Texas Auto Ins. Plan Assoc.*

## Statement of Activities

For the period ended September 30, 2019

Unaudited

### Changes in without donor restrictions net assets

	<b>Current YTD</b>
Revenues	
Member assessments	\$ 600,143
Interest income	4,445
Assessment penalties	5,243
Total revenues	609,830
Expenses	
Salaries and related expenses	311,790
Occupancy expenses	56,908
Professional Services	113,201
Depreciation & amortization	4,693
Postage and delivery	15,198
Office supplies and expense	9,946
Governing committee	13,608
Computer supplies & expenses	4,107
Subcommittee meetings	2,000
Staff education & seminars	9,192
Miscellaneous	1,172
Staff expense	1,328
Dues and subscriptions	1,841
Total operating expenses	544,984
Other revenues (expenses)	
Total other revenue (expenses)	-
<i>Increase (decrease) in unrestricted net assets</i>	64,846
<i>Net assets (deficiency) at beginning of year</i>	(131,365)
<i>Net assets (deficiency) as of September 30, 2019</i>	\$ (66,519)

**Texas Auto Ins. Plan Assoc.**

**ACTUAL VS. BUDGET**

For the period ended September 30, 2019

	2019		2019		% Used	Reason for Variance
	Actual	Year To Date Budget	Variance	Annual Budget		
<b><u>REVENUE</u></b>						
Assessments & Penalties	605,385	600,000	5,385	800,000	75.67%	<b>80.67%</b>
Other Revenue	4,445	0	4,445	0	0.00%	<b>70.67%</b>
<b>TOTAL</b>	<b>609,830</b>	<b>600,000</b>	<b>9,830</b>	<b>800,000</b>	<b>76.23%</b>	
<b><u>EXPENDITURES</u></b>						
Salaries	199,701	250,350	<b>50,649</b>	333,800	<b>59.83%</b>	Currently under - Staff is down two employees, we recently added two temp to hire employees.
Emp. Benefits & Other Ins. Exp.	112,089	138,450	<b>26,361</b>	184,600	<b>60.72%</b>	Currently under - Staff is down two employees with benefits.
Office Equipment Expense	8,671	9,075	404	12,100	71.66%	Within Range
Printing & Stationary Exp.	1,275	1,350	75	1,800	70.83%	Within Range
Computer Expenses	4,107	9,150	<b>5,043</b>	12,200	<b>33.66%</b>	Currently under - We have purchase new computers (laptops w/ docking stations) for all staff. Cost includes setup/reimage etc.. There was a price increase from the time we budgeted to the time of purchase. We will end over budget.
Postage & Shipping Exp.	15,198	18,600	3,402	24,800	<b>61.28%</b>	Currently under - but we expect to end over budget. We budgeted for 5 bulletins but expect to send 7 or 8 bulletins before year end. Bulletin 234 was mailed to all member companies and active/certified producers (approximately 4,300 total which is the equivalent of 4.75 regular bulletin mail outs).
Telephone Expense	7,759	7,575	-184	10,100	76.82%	Within Range
Rent Expense	48,996	46,800	-2,196	62,400	78.52%	Within Range
Moving Expense	0	0	0	0	0.00%	
Taxes	153	675	522	900	<b>17.02%</b>	We haven't paid the majority of Property Taxes. Expect to end on budget.

Other Office Expenses	1,172	4,500	3,328	6,000	19.53%	Budgeted for monthly fees with Frost, but Frost has not initiated the new fee structure yet. Assessment write-offs have been minimal and we had fewer people in the office (kitchen supplies) TAIPA tradition and service awards usually happen later in the year. Expect to end on budget.
Governing Committee	13,608	18,675	5,067	24,900	54.65%	Within Range. We have had 2 of 3 Governing Committee Meetings to date.
Subcommittee Meetings	2,000	2,250	250	3,000	66.67%	Within Range
Producer Review Panel	0	0	0	0	0.00%	
Employee Meetings, Seminars & Staff Travel	9,192	22,500	13,308	30,000	30.64%	Staff was unable to attend seminars and complete course, due to work load this year. TAIPA was reimbursed for Fall Classes when employee withdrew. Expect to end under budget.
Legal Expenses	38,340	35,025	-3,314	46,700	82.10%	Additional work due to Plan of Ops changes for HB 2048 & SB 604. Expect to end over budget \$5K-\$10K. Per Mike: This is attributable to the additional Ops Subcommittee work, including work on the plans changes, upcoming proposals for withdrawing companies. There will also be more work on changing the personal auto policy form that was unanticipated.
Audit Expense	21,251	17,925	-3,326	23,900	88.92%	We have paid most of the expense for the audit and paid Watson, Towers to work on our 2018 pension disclosure. Expect to end on budget.
Dues, Subscriptions & Publications	1,841	1,200	-641	1,600	115.04%	Most dues and subscriptions have been paid for the year. Expect to end on slightly over budget due to changes in J.J. Keller subscription (change 1 yr. to 5 yrs.).
TAIPA Tradition, Visitor Meals & Gifts	1,328	2,025	698	2,700	49.17%	Events are later in the year. Expect to end on budget.
System Consultants	32,657	38,400	5,743	51,200	63.78%	Currently below budget. Expect to end on budget.
Consultants - Other	12,454	14,475	2,021	19,300	64.53%	Currently below budget. Expect to end on budget.
Actuary	8,500	6,375	-2,125	8,500	100.00%	All actuary work is complete. Expect to end on budget.
Other	0	0	0	0	0.00%	

<b>SUBTOTAL</b>	<b>540,291</b>	<b>645,375</b>	<b>105,084</b>	<b>860,500</b>	<b>62.79%</b>	
Depreciation	943	975	32	1,300	72.53%	Within Range
Amortization	3,750	3,750	0	5,000	75.00%	Within Range
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0.00%	
<b>SUBTOTAL</b>	<b>4,693</b>	<b>4,725</b>	<b>32</b>	<b>6,300</b>	<b>74.49%</b>	
<hr/>						
<b>TOTAL OPERATING EXPENSE</b>	<b>544,984</b>	<b>650,100</b>	<b>105,116</b>	<b>866,800</b>	<b>62.87%</b>	We should have used 75.67% of our budget at this time, however we are at 62.87%. We attribute most of this to reduction of staff.
<b>NET FROM OPERATIONS</b>	<b>64,846</b>	<b>-50,100</b>	<b>114,946</b>	<b>-66,800</b>		
Non-Operating Pension Costs	0	0	0	0	0.00%	
<b>NET</b>	<b>64,846</b>	<b>-50,100</b>	<b>114,946</b>	<b>-66,800</b>		
<hr/>						
<b><u>CAPITAL BUDGET</u></b>						
Software Development in Progress	0	0	0	0	0.00%	Within Range - No software development expenditures this year.
Office Furniture & Equipment	119	0	-119	0	0.00%	Slightly over because we had to buy a new fax machine.
Computer Equipment	0	0	0	0	0.00%	Within Range - No computer equipment expenditures this year.
Computer Software	0	0	0	0	0.00%	Within Range - No computer software expenditures this year.
Leasehold Improvements	0	0	0	0	0.00%	Within Range - No computer Leasehold Improvements this year.
<b>TOTAL</b>	<b>119</b>	<b>0</b>	<b>-119</b>	<b>0</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.

## 2020 TAIPA Budget Considerations:

### Major Assumptions Used For Developing 2020 Budget

-Stable application application volume (around 3000 applications)
-Includes salaries and benefits for four employees (all current staff--Stacy, Mimi, & 2 new employees), plus merit-based salary increases (current market values shows 3.5% average salary increase), Includes 3 months of temporary service mark-up and possible increase for 1 Customer Service & Admin Support Spec to become a level II sometime during the year.
-Increases in all employee benefit costs (15% medical, 5% vision, 6% dental, 5% long-term disability, 0% life) - The amount requested also includes amount for new employees age differences and dependent coverage. Because our plans are so small, each employee's medical and life insurance premium is dependent on their age and dependents covered.
-Contributing minimum amount required to the pension
-Includes budget to pursue pension freeze (actuary costs, legal costs, 401K plan amendment costs, and additional 401K match for employees March-Dec.)
-Increases in all insurance policies (2% workers comp., 2% businessowner/umbrella, 2% EPLI)
-Purchase 1 spare computer
-Stable costs for phone/internet service, copier lease, postage machine lease
-Increase of 5% in operating expenses for building lease
-Stable property taxes
-Three Governing Committee meetings (all held in-person)
-Four Operations Subcommittee meetings (held via teleconference)
-One Nominating Subcommittee meeting (held via teleconference)
-One Strategic Planning Subcommittee meeting to review TAIPA's Enterprise Risk Plan (held via teleconference)
-No Producer Review Panel meetings
-No new subcommittees
-All employees will pursue education next year (Stacy ICT, SHRM, & Residual Market Forum, and professional development courses at UT, Mimi--professional development courses at UT, planning to start bachelors in accounting; 2 new employees - anticipate \$5250 each for tuition.
-Increase of Legal fees by \$5000 based on 2019 legal expense and expected increase for Ops Sub Committee Meeting needs including review of TAIPA policies, TAIPA efficiency initiatives, and providing note taking at Governing Committee meetings; do not anticipate any litigation.
-No rate hearing
-No RFPs in 2019 for any vendors; would continue existing arrangements with legal counsel, actuary, auditors, AIPSO, etc.
-No new assets needed/no capital budget.



	2019 Approved Budget	2020 Requested Budget	Increase (Decrease) in Budget	% Increase (Decrease) in Budget	Reason for Increase (Decrease)
Salaries	\$ 333,800	\$ 321,000	\$ (12,800)	-3.83%	Within range - Decrease due to change in staffing and lower salary range for new employees. (Includes 3.5% increase overall for salary increases as well as \$8085 for temporary service fee from January to March, and \$9532 for increasing Cust Service Admin Assist from a I to a II)
Emp. Benefits & Other Ins. Exp.	\$ 184,600	\$ 170,200	\$ (14,400)	-7.80%	Decrease due to large decrease in pension costs and 401K exp since only 2 empl in plans for 2020 (also includes 15% inc for Medical & 5-6% for Dental, Vision & LTD rates as well as possibility New Employee elects dependent coverage & age dep rates)
Office Equipment Expense	\$ 12,100	\$ 12,500	\$ 400	3.31%	Within range.
Printing	\$ 1,800	\$ 5,100	\$ 3,300	183.33%	We will have used up all of our stock of old envelopes so will need to order more.
Computer Supplies & Exp	\$ 12,200	\$ 10,300	\$ (1,900)	-15.57%	Decrease due to computers being replaced in 2019
Postage & Delivery	\$ 24,800	\$ 24,900	\$ 100	0.40%	Within range
Telephone & Internet	\$ 10,100	\$ 10,400	\$ 300	2.97%	Within range.
Rent	\$ 62,400	\$ 64,900	\$ 2,500	4.01%	Within range
Moving Expenses	\$ -	\$ -	\$ -	0.00%	Within range
Property Taxes	\$ 900	\$ 900	\$ -	0.00%	Within range.
Governing Committee	\$ 24,900	\$ 25,900	\$ 1,000	4.02%	Within range.
Operations Subcommittee	\$ 3,000	\$ 4,500	\$ 1,500	50.00%	Increase due to anticipating having 4 meetings vs. 2 that were scheduled last year.
Producer Review Panel	\$ -	\$ -	\$ -	0.00%	Within range.
Employee Meetings, Seminars, & Staff Travel	\$ 30,000	\$ 29,700	\$ (300)	-1.00%	Within range. All employees plan to take professional development classes next year. Also includes ICT conf, SHRM conf for Mgr and Plan Manager Symposium at
Legal Expenses	\$ 46,700	\$ 51,700	\$ 5,000	10.71%	Increased by \$5000 overall as we expect to go over budget by \$5000 for 2019. The percentage was spread across each category based on 2019 usage.
Audit	\$ 23,900	\$ 25,500	\$ 1,600	6.69%	Increase due to the estimate for the 2020 audit increasing and TAIIPA staff needing to use more of our auditor's time due to learning curve
Dues, Subscrip, Pub.	\$ 1,600	\$ 600	\$ (1,000)	-62.50%	Decrease due to Prospera now being a 5 year contract at much lower rate
Other Office Expenses	\$ 8,700	\$ 9,200	\$ 500	5.75%	Increase due to Gift for Chair in Service Awards GL. This expense occurs every other year typically.
System Consultants	\$ 51,200	\$ 54,100	\$ 2,900	5.66%	Fee for telephone programing went up to \$140 per incident, and AIPSO costs went up \$2172 per year.
Consultants-Other	\$ 19,300	\$ 19,300	\$ -	0.00%	Within range. Includes actuarial & legal fees to pursue possible pension freeze that were included last year and additional hours for our accounting consultants to set up our CRM
Actuary	\$ 8,500	\$ 8,500	\$ -	0.00%	Within range. - No change
SUBTOTAL	\$ 860,500	\$ 849,200	\$ (11,300)	-1.31%	
Depreciation	\$ 1,300	\$ 1,300	\$ -	0.00%	Within range.
Amortization	\$ 5,000	\$ 5,000	\$ -	0.00%	Within range.
TOTAL	\$ 866,800	\$ 855,500	\$ (11,300)	-1.30%	Total 2020 budget is a decrease of 1.32% from 2019 budget.
Software Dev in Progress	\$ -	\$ -	\$ -	0.00%	Within range.
Office Furniture & Equip	\$ -	\$ -	\$ -	0.00%	Within range.
Computer Equip	\$ -	\$ -	\$ -	0.00%	Within range.
Computer Software	\$ -	\$ -	\$ -	0.00%	Within range.
Leasehold Improvements	\$ -	\$ -	\$ -	0.00%	Within range.
CAPITAL BUDGET TOTAL	\$ -	\$ -	\$ -	0.00%	
*NOTE: Items that are considered "within range" are within \$5,000 of last year's expenses.					

<b>Recommended 2020 Assessment</b>					
		Total 2020 Budget		\$ 855,500.00	
		Total 2020 Capital Budget	+	\$ -	
		2020 Depreciation & Amortization	-	\$ 6,300.00	
		<b>Cash Needed for 2020</b>	=	<b>\$ 849,200.00</b>	
		Cash Expected at Yearend 2019		\$ 227,359.71	
		Amount of 2019 Carryover to be Used to Reduce 2020 Assessment	-	\$ 79,200.00	
		<b>Remaining Amount of Cash to Carryover to 2020*</b>	=	<b>\$ 148,159.71</b>	
		<b>Recommended 2020 Assessment Amount</b>	=	<b>\$ 770,000.00</b>	
				<i>carryover ensures TAIPA can pay bills while we are collecting assessment payments, and also provides assurance in case of any unbudgeted expenses.</i>	
<b>2019/2020 Comparison</b>					
		2020	2019	Difference	Incr./(Decr.)
<b>Operating Budget Amount</b>	\$	855,500.00	\$ 866,800.00	\$ (11,300.00)	-1.30%
<b>Capital Budget Amount</b>	\$	-	\$ -	\$ -	
<b>-Depr./Amort</b>	\$	6,300.00	\$ 6,300.00	\$ -	
<b>-Carryover Used</b>	\$	79,200.00	\$ 60,500.00	\$ 18,700.00	30.91%
<b>Assessment Amount</b>	\$	770,000.00	\$ 800,000.00	\$ (30,000.00)	-3.75%



2020 SCHEDULED GOVERNING COMMITTEE MEETING DATES

Friday, March 27, 2020  
Omni Austin Southpark

Friday, August 21, 2020  
Omni Austin Southpark

Friday, November 20, 2020  
Omni Austin Southpark

A teleconference line will be available for those unable to attend in-person.

TAIPA PP Over/Under Report

COMPANY      YearEnd 2014      YearEnd 2015      Year End 2016      Year End 2017      1st QTR 2018      2nd QTR 2018      3rd QTR 2018      4th QTR 2018      1st QTR 2019

PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	
21ST CENTURY CENTENNIAL INS CO (SC)		273,200		279,672		280,342		315,137		309,087		238,148		205,230		265,915		258,416	
ACE AMERICA	246,672		245,800		244,859		236,537	Entered LAD											
AFFIRMATIVE INS CO					New to quota	2,446		2,831		2,831		2,831		2,831		2,831		2,831	
ALLSTATE INS CO		85,156		93,356		90,642		Entered LAD											
AMER FAMILY MUT INS CO SI														New to quota		3		10	
AMER MERCURY INS CO		616		3,313		1,954		7,174		5,711		3,226		1,716		Entered LAD			
ASSURANCEAMERICA INS CO		45		56		58		Entered LAD											
AXA INS CO																		1	New to quota
CLARENDON NATIONAL INS CO								New to quota (Sussex's quota)		324		Entered LAD							
COLONIAL LLOYDS		1,277		1,277		Entered LAD													
CRESTBROOK INS CO			New to quota	8		155		Became grouped											
ESURANCE PROP & CAS INS CO	New to quota	15		218		Became grouped													
FALCON INS CO			New to quota	4		4		Entered LAD											
FREESTONE INS CO		171		443		443		443		443		443		443		443		443	443
GENERAL CAS CO OF WISCONSIN	New to quota	72		73		76		Entered LAD											
GOVERNMENT EMPLOYEES INS CO		75,542		93,728		128,245		96,915		76,369		112,027		125,755		62,991		65,454	
HALLMARK COUNTY MUT INS CO	443,485		443,407		443,127		441,819		441,505		441,211		440,984		440,802		440,670		

RCVR/CO  
Restricted

Storage  
2019  
RCVR/CO

TAIPA PP Over/Under Report

COMPANY YearEnd 2014 YearEnd 2015 Year End 2016 Year End 2017 1st QTR 2018 2nd QTR 2018 3rd QTR 2018 4th QTR 2018 1st QTR 2019

PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	
HOMEOWNERS OF AMER INS CO		4,637		4,639		4,639		4,639		4,639		4,639		4,639		4,639		4,639	Storage 2019 WD/CO
HOUSTON GENERAL INS EXCH		3,006		Went into Storage															Storage 2015
ICM INS CO		13		13		13		13		13		13		13		13		13	Storage 2018 Rvr/CO
IMPERIAL FIRE & CAS	1,417		1,395		1,381		Became grouped												
INTEGON NATIONAL INS CO					New to quota	279,949		322,579		164,244		215,999		218,404		204,973		208,830	
KNIGHTBROOK INS CO		Entered LAD																	
LINCOLN GENERAL		51,337		Went into Storage															Storage 2015
MAIDSTONE INSURANCE COMPANY (prev AUTOONE INS CO)	330,062		330,051		330,044		330,040		330,039		330,038		330,038		330,038		330,038		
MILEMETER INS CO		2,211		2,211	Cert of Authority Cancelled														CO / Inactive
NATIONAL LIABILITY & FIRE (SC)		260,661		294,194		Entered LAD													
NATIONWIDE MUT INS CO		Entered LAD																	
ONEBEACON INS CO	Became grouped																		
PACIFIC SPECIALTY INS CO		Entered LAD																	
PALOMAR SPECIALTY INS CO	New to quota	16		AIPSO Error	Became grouped														
PHARMACISTS MUT INS CO			New to quota	3		25		Entered LAD											
QBE INS CORP	Became grouped																		
RIVERPORT INS CO															New to quota	38		107	

TAIPA PP Over/Under Report

COMPANY YearEnd 2014 YearEnd 2015 Year End 2016 Year End 2017 1st QTR 2018 2nd QTR 2018 3rd QTR 2018 4th QTR 2018 1st QTR 2019

PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	
SOMPO JAPAN INS CO (prev Yasuda F&M)	1,976			Went into Storage															
SOUTHLAND LLOYDS INS CO		293		Went into Storage															
STARR INDEMNITY & LIABILITY CO		955		955		955		955		955		955		955		955		955	Went into Storage
STATE FARM MUT AUTO INS CO		203,426		190,293		175,003		193,430		151,040		142,836		156,846		170,492			169,954
SUSSEX INS CO (prior Companion Pro & Cas Ins Co) Effective 12/31/2017, Sussex Ins Co merged into CLARENDON NATIONAL INS CO		318		324		324		324	Merged into CLARENDON NATIONAL INS CO										
TEXAS FARM BUREAU CAS INS CO		59,922		55,332		53,796		63,251		55,100		49,543		53,471		57,035			59,787
TOKIO MARINE & NICHIDO FIRE INS		5		Went into Storage															
TREXIS ONE INS CORP (prev co ALFA SPECIALTY INS CORP)		629		428		88		352		432		232		358		138		176	
UNIVERSAL NORTH AMERICA	New to quota	89		89		89		89		89		89		89		89		89	
WESTERN GEN INS CO																		New to quota	1
WINDHAVEN NATIONAL INS. CO			New to quota	24		165		264		267		268		272		285			311
YOUNG AMERICA INS CO		Entered LAD																	
<b>TOTALS</b>	<b>1,023,612</b>	<b>1,023,612</b>	<b>1,020,653</b>	<b>1,020,653</b>	<b>1,019,411</b>	<b>1,019,411</b>	<b>1,008,396</b>	<b>1,008,396</b>	<b>771,544</b>	<b>771,544</b>	<b>771,249</b>	<b>771,249</b>	<b>771,022</b>	<b>771,022</b>	<b>770,840</b>	<b>770,840</b>	<b>770,885</b>	<b>770,885</b>	
<b>PREMIUMS WRITTEN</b>	<b>2,156,742</b>	<b>1,864,575</b>	<b>1,916,600</b>	<b>2,424,419</b>	<b>571,299 1st qtr</b>	<b>614,096 2nd qtr</b>	<b>583,162 3rd qtr</b>	<b>577,580 4th qtr</b>	<b>515,700 1st qtr</b>										

Storage 2015  
Storage 2015  
Storage 2018  
WD/CO  
CO / Inactive  
Storage 2015  
Storage 2018  
WD/CO

TAIPA PP Over/Under Report

COMPANY	YearEnd 2014	YearEnd 2015	Year End 2016	Year End 2017	1st QTR 2018	2nd QTR 2018	3rd QTR 2018	4th QTR 2018	1st QTR 2019										
PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR			
21ST CENTURY CENTENNIAL INS CO (SC)		273,200		279,672		280,342		315,137		309,087		238,148		205,230		265,915		258,416	
ACE AMERICA	246,672		245,800		244,859		236,537	Entered LAD											
AFFIRMATIVE INS CO					New to quota	2,446		2,831		2,831		2,831		2,831		2,831		2,831	
ALLSTATE INS CO		85,156		93,356		90,642		Entered LAD											
AMER FAMILY MUT INS CO SI														New to quota		3		10	
AMER MERCURY INS CO		616		3,313		1,954		7,174		5,711		3,226		1,716		Entered LAD			
ASSURANCEAMERICA INS CO		45		56		58		Entered LAD											
AXA INS CO																		1	New to quota
CLARENDON NATIONAL INS CO								New to quota (Sussex's quota)		324		Entered LAD							
COLONIAL LLOYDS		1,277		1,277		Entered LAD													
CRESTBROOK INS CO			New to quota	8		155		Became grouped											
ESURANCE PROP & CAS INS CO	New to quota	15		218		Became grouped													
FALCON INS CO			New to quota	4		4		Entered LAD											
FREESTONE INS CO		171		443		443		443		443		443		443		443		443	443
GENERAL CAS CO OF WISCONSIN	New to quota	72		73		76		Entered LAD											
GOVERNMENT EMPLOYEES INS CO		75,542		93,728		128,245		96,915		76,369		112,027		125,755		62,991		65,454	
HALLMARK COUNTY MUT INS CO	443,485		443,407		443,127		441,819		441,505		441,211		440,984		440,802		440,670		

RCVR/CO  
Restricted

Storage  
2019  
RCVR/CO

TAIPA PP Over/Under Report

COMPANY YearEnd 2014 YearEnd 2015 Year End 2016 Year End 2017 1st QTR 2018 2nd QTR 2018 3rd QTR 2018 4th QTR 2018 1st QTR 2019

PRIVATE PASSENGER	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	OVER	UNDR	
HOMEOWNERS OF AMER INS CO		4,637		4,639		4,639		4,639		4,639		4,639		4,639		4,639		4,639	Storage 2019 WD/CO
HOUSTON GENERAL INS EXCH		3,006		Went into Storage															Storage 2015
ICM INS CO		13		13		13		13		13		13		13		13		13	Storage 2018 Rvr/CO
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LINCOLN GENERAL		51,337		Went into Storage															Storage 2015
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MILEMETER INS CO		2,211		2,211	Cert of Authority Cancelled														CO / Inactive
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PALOMAR SPECIALTY INS CO	New to quota	16		AIPSO Error	Became grouped														
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RIVERPORT INS CO															New to quota		38		107



COMPANY      YearEnd 2014      YearEnd 2015      Year End 2016      Year End 2017      1st QTR 2018      2nd QTR 2018      3rd QTR 2018      4th QTR 2018      1st QTR 2019

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SOUTHLAND LLOYDS INS CO		293		Went into Storage															
STARR INDEMNITY & LIABILITY CO		955		955		955		955		955		955		955		955		955	Went into Storage
STATE FARM MUT AUTO INS CO		203,426		190,293		175,003		193,430		151,040		142,836		156,846		170,492			169,954
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TOKIO MARINE & NICHIDO FIRE INS		5		Went into Storage															
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UNIVERSAL NORTH AMERICA	New to quota	89		89		89		89		89		89		89		89		89	
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<b>TOTALS</b>	<b>1,023,612</b>	<b>1,023,612</b>	<b>1,020,653</b>	<b>1,020,653</b>	<b>1,019,411</b>	<b>1,019,411</b>	<b>1,008,396</b>	<b>1,008,396</b>	<b>771,544</b>	<b>771,544</b>	<b>771,249</b>	<b>771,249</b>	<b>771,022</b>	<b>771,022</b>	<b>770,840</b>	<b>770,840</b>	<b>770,885</b>	<b>770,885</b>	
<b>PREMIUMS WRITTEN</b>	<b>2,156,742</b>	<b>1,864,575</b>	<b>1,916,600</b>	<b>2,424,419</b>	<b>571,299 1st qtr</b>	<b>614,096 2nd qtr</b>	<b>583,162 3rd qtr</b>	<b>577,580 4th qtr</b>	<b>515,700 1st qtr</b>										

Storage 2015  
Storage 2015  
Storage 2018  
WD/CO  
CO / Inactive  
Storage 2015  
Storage 2018  
WD/CO

# Memorandum

**To:** Texas Automobile Insurance Plan Association Governing Committee and Manager

**From:** Michael W. Jones  
Thompson Coe

**Date:** November 22, 2019

**Re:** 2019 Rate Filing Summary

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The Texas Department of Insurance has approved TAIPA's rate filing by Commissioner's Order No. 20019-6138, signed November 8, 2019 and published November 11. The filing was made September 11, 2019 and provides for the following rate adjustments:

## Private Passenger.

Bodily Injury Liability	+5.0%
Property Damage Liability	+4.9%
Personal Injury Protection	+4.0%
Uninsured Motorists - BI	+4.3%
<u>Uninsured Motorists – PD</u>	<u>+1.7%</u>
Overall Average	+4.9%

## Commercial Auto

Bodily Injury Liability	+4.8%
Property Damage Liability	+5.0%
Personal Injury Protection	+1.3%
Uninsured Motorists - BI	+3.6%
<u>Uninsured Motorists – PD</u>	<u>+3.2%</u>
Overall average	+4.8%

The average rate level increases in this filing are generated by changes in the base rates for each territory. This filing does not adjust any of the territorial or class factors. The rate change effective date is March 1, 2020.