

TAIPA Governing Committee Meeting Minutes
Friday, November 22, 2019, 9:00 A.M.
Omni Austin Hotel Southpark, 4140 Governor's Row, Austin, Texas 78744

ATTENDEES:

VOTING MEMBERS:

Mary Carol Awalt, Public Member
Bill Brooks, Texas Farm Bureau (Immediate Past-Chair) (via teleconference)
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 (Secretary)
Anise Mulkey, Travelers (Second Vice-Chair) (via teleconference)
Adam Payton, Producer Member
David Weber, Hochheim Prairie (Chair)
Corise Morrison, USAA (First Vice-Chair)
Mike Schalk, Allstate (via teleconference)
Matthew Snyder, Farmers

COUNSEL:

Michael Jones, Thompson Coe, Cousins & Irons

TAIPA STAFF:

Stacy Dutton, Association Manager
Mimi Leece
Mishayla Twyman

OTHERS:

Doug Beck, Farmers (via teleconference)
Kimberly Donovan, OPIC
Regan Elmer, TDI
Melissa Herman, TDI
John Lusardi, Assigned Risk Solutions, Ltd. (via teleconference)
Ramon Montalvo, Alternate Producer Member (via teleconference)
John Mooney, TDI
Georgia Lynn Porcher, Thompson Coe

ITEM 1. CALL TO ORDER

David Weber called the meeting to order at 9:03 a.m.

ITEM 2: INTRODUCTIONS

Introductions were made.

ITEM 3: READING OF THE ANTITRUST 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 any business interest of individual insurers or others.”

ITEM 4. REVIEW AND APPROVAL OF MINUTES OF AUGUST 16, 2019 MEETING

Becky Jackson went over the August 16, 2019 meeting minutes in Exhibit 1. Mr. Weber asked if anyone had any changes or concerns. There being none, motion to approve was made by Corise Morrison and seconded by Todd Feltman. The Motion carried.

ITEM 5. CHAIR’S REPORT

A. Recognition of Alisha Darden’s Service to TAIPA.

On behalf of the TAIPA Governing Committee and OPIC, the Manager thanked Alisha Darden for her years of service to TAIPA. Ms. Darden became an Alternate Public member in 2014 and has recently accepted a position with a law firm that represents insurance companies. This prevents her from being eligible to serve as a public member. The Manager reported that Ms. Darden asked TAIPA to let each of the members know that she enjoyed serving on the TAIPA Governing Committee. TAIPA staff will be sending Ms. Darden the Texas plaque thanking her for her service.

Mr. Weber noted that OPIC is currently recruiting volunteers for this position and asked those present to let Kimberly Donovan know if they know someone who is not connected to the insurance industry and think they might be a good fit for TAIPA’s Governing Committee.

B. Officers' Meeting regarding TAIPA Benefits.

The Officers were tasked with meeting to review TAIPA benefits in the March meeting. Mr. Weber reported that TAIPA officers were able to meet recently and came up with A Total Rewards Philosophy and some recommendations for changes on a couple different benefits. These will be presented to the Governing Committee in closed session.

ITEM 6. MANAGER'S REPORT

A. Application Count Update as of October 2019.

Stacy Dutton presented information concerning the application count for October as shown in Exhibit 2.

In October 2019, TAIPA received 215 applications, compared with 270 applications received in October 2018. Year-to-date in 2019, TAIPA received 2,375 applications, compared with 2,969 applications from January through October 2018. This is a decrease of 594 applications and a 20.01% decrease compared to 2018. Right now, TAIPA is expecting to receive about 2,850 applications in 2019. This would put 2019 volume at the lowest number it has ever been. It would be 239 applications less than the 2016 volume.

There were no questions or concerns about Application Volume.

B. Financial Update as of September 2019.

Ms. Dutton reported on the September 2019 financials shown in Exhibit 4.

At the end of September, it would be expected that 75% of the budget would have been used. Only 62.87% of the budget has been used. The biggest reason for being so far under budget this year is that 2 employees left this year so this reduced the amount that was paid for salaries and employee benefits. The line items that show as over-budget at the end of September are:

Legal Expenses – Mike Jones was asked to work on some unanticipated items such as the Plan of Operation changes for HB 2048 and SB 604, some additional Operations Subcommittee work, and changing the personal auto policy. TAIPA anticipates that it will end \$5000 over budget this year in this category.

Audit Expense - This figure includes all of TAIPA's current annual audit expense. TAIPA will still have fees for preparation of its Form 990 later in the year but is expected to end on-budget.

Dues, Subscriptions & Publications – TAIPA will end over budget in this area because we changed from a 1-year contract to a 5-year contract that will be much more cost effective over the next 4 years.

Actuary – This figure includes all of TAIPA’s annual actuary expense for Mike Miller with Epic. No additional expenses for the rate filing are anticipated so TAIPA will end on budget in this category.

Office Furniture & Equipment – TAIPA will end over budget because we did not anticipate having to purchase a new fax machine.

TAIPA expects to end the year about 11.8% under-budget.

There were no questions or concerns regarding TAIPA’s financials.

C. 2019 Requests for Proposal.

TAIPA’s RFP procedure states that the Manager should annually identify any vendors with poor performance or with contracts in place 5 years or more. Of those, the procedure states the Governing Committee must review services for contracts valued at over \$20,000, or for certain categories of expenses including: legal counsel, auditors, actuary, application processing system, and Quota system.

Last year, the Governing Committee agreed by consensus to continue the existing arrangements with legal counsel, our auditors, and our actuary for another year.

This year TAIPA staff recommends the same for all of the vendors listed as TAIPA does not have a compelling reason to change vendors.

Legal: TAIPA believes its relationship with Thompson Coe is very beneficial, as they have knowledge of TAIPA and our history.

Auditors: TAIPA has a very good relationship with the current auditors and they understand TAIPA well. TAIPA was assigned a new partner in 2017, and there are different auditors assigned to the audit each year. Since Mimi Leece is new to the accounting position, TAIPA would like her to have another year working with Atchley & Associates before any changes are considered.

Actuary: Epic created our new rate filing process, and it has been going smoothly. Mike Miller has agreed to keep his rate at \$8,500.

Application processing system, and quota system – AIPSO. TAIPA has been in a contract with AIPSO for the past five years with no increases in fees. They did let TAIPA know that they will be increasing the fees in 2020, but they were minimal, especially when considering that they haven’t made an adjustment in five years.

There was no discussion.

David Weber asked for a motion to approve or for a consensus to continue the current relationship with TAIPA’s attorney, auditors, actuary, and application processing and quota

system or to go through the RFP process. A Motion to continue the current relationships was made by Corise Morrison and second by Mike Schalk. The Motion carried.

D. 2020 Budget.

The 2020 budget details are in Exhibit 4.

BUDGET ASSUMPTIONS:

The first page of the exhibit shows the major assumptions used when preparing the 2020 budget. For the most part, the 2020 budget is very similar to 2019 except for staffing. TAIPA expects that one of its temporaries will come on TAIPA's payroll in January next year and a second temporary sometime in late February or March. The temporary employees will become eligible for most of TAIPA's benefits when they come on payroll. However, they will not be eligible for TAIPA's retirement benefits until they have completed one year of service on TAIPA payroll. Therefore, the amount payable for pension and 401(k) is substantially reduced in 2020.

The Manager noted that this is a unique point in time, and TAIPA does not anticipate this occurring again.

The increases anticipated in 2020 are mostly the standard things that cause increases year-to-year like employee insurance costs, salary increase due to proposed raises, etc. The Manager noted, however, that even with employee increases, the amount requested for salaries shows a decrease. This is because staff is at lower salaries than staff was last year at this time. TAIPA budgeted most of the same items that it did last year with regard to the possible pension plan change. TAIPA included: \$19,500 for actuary costs, legal costs, 401(k) plan amendment costs, and an additional 401(k) match for employees of 6% like last year.

There were no questions on any of the assumptions.

REQUESTED BUDGET.

The 2020 requested operating budget is \$855,500. This represents a decrease of \$11,300 (1.30%) from the 2019 budget. Major line items that increased more than 6% from last year's budget included:

Printing: This increased because it is anticipated that TAIPA will have gone through all of the old envelopes by next year.

Operations Sub Committee: Anticipate having 4 meetings versus 2 last year.

Legal: TAIPA budgeted the amount that it believes 2019 will end with.

Audit: TAIPA increased the amount that it spends for Atchley Associates to review the financials and answer questions.

Major line items that decreased from last year's budget:

Salaries and Employee Benefits went down because staff is at lower salary rates than the more tenured staff that left. In addition, new employees will not be eligible for the retirement plans until after they complete one year of service on TAIPA's payroll.

Computer Supplies is lower because all of the computers were replaced in 2019 since the previous operating system would no longer be supported.

Dues and subscriptions went down because the cost for Prospera with a 5-year contract is much lower.

There is no capital budget requested for 2020.

RECOMMENDED 2020 ASSESSMENT:

The 2020 recommended assessment is \$770,000.

This is the total 2020 budget minus depreciation (which is a non-cash expenditure), minus \$79,200 of excess cash at yearend 2019 to be used to reduce the assessment. Even after applying the excess cash to reduce the assessment, TAIPA still expects to have about \$148,000 on hand at yearend 2019. This cash is needed to carry TAIPA over until payments for the 2020 assessment begin to come in. The \$148,000 is enough cash for about 2 months of the 2020 budget.

TAIPA believes that this amount of carryover is sufficient for its needs, as assessment payments are due by February 1st and payments are received fairly quickly.

We also have a \$300,000 line of credit with Frost if necessary, although TAIPA does not foresee needing to use it.

There are some issues that will be discussed in closed session that may affect the budget that the Governing Committee wants to set for 2020 so the setting and approval of the budget for 2020 will be voted on after the closed session.

There were no questions or concerns to be addressed regarding the 2020 Budget covered to this point.

E. Plan of Operation Filing Updates.

Section 36 – Governing Committee Composition.

The Commissioner of Insurance approved TAIPA's Plan of Operation change on November 14, 2019. Bulletin 236 was sent out on November 15, 2019 informing all company members about this change. The three insurance trade associations that will now designate an insurer member on TAIPA's Governing Committee are AFACT, APCIA and NAMIC.

Section 50 – Motor Vehicle Crime Prevention Authority Fee.

This change was necessary because the “Automobile Burglary & Theft Prevention Authority” was renamed to “Motor Vehicle Crime Prevention Authority” and the fee that insurers pay to the Motor Vehicle Crime Prevention Authority was changed from \$2 to \$4.

TDI will consider written comments on the proposal until December 16, 2019.

Because the effective date of the fee change was September 1, 2019 TAIPA:

1. Sent out Bulletin 234 about these proposed changes to all TAIPA’s producers and member companies on August 26, 2019;
2. Changed TAIPA’s private passenger application system to document the change in the name and amount of the fee;
3. Announced the change on TAIPA’s website; and,
4. Sent out a flyer about the change in all correspondence to TAIPA’s producers.

Thanks was expressed to TDI.

There was no discussion on these matters.

F. 2020 Meeting Dates.

The 2020 meeting dates as shown in Exhibit 5 are: Friday, March 27, 2020, Friday, August 21, 2020 and November 20, 2020. All meetings will be held at the Omni Austin Southpark.

No motion was necessary on these meeting dates as they have already been adopted.

ITEM 7. OPERATIONS SUBMITTEE REPORT

Anise Mulkey provided the Operations Subcommittee Report pursuant to Exhibit 6.

A. Over/Under Report (Exhibit 6).

Ms. Mulkey stated there was nothing significant to report.

B. Procedures Related to Insurers Discontinuing Writing.

The Subcommittee met via teleconference on September 5, 2019. The Subcommittee asked staff to write up a Plan of Operation change to give companies leaving the market the option to group with another company or enter a LAD or a CLAD. If the company does not take one of the above listed options, TAIPA will have AIPSO calculate a buyout fee. The company will be charged the higher of \$3,500 or the fee calculated. If the company is in receivership, the company will be charged a minimum of \$3,500 and TAIPA will not have AIPSO run the calculation. TAIPA staff has drafted a Plan of Operation Change and sent it to legal to review.

The Subcommittee reviewed the new assignments from the August 16, 2019 TAIPA Governing Committee.

C. Review the TAIPA Policies to determine if they are compliant.

The Subcommittee asked staff to work with Legal to review TAIPA policies against TDI's policy checklist. Staff and legal counsel have had one meeting to review the policies and at this point, they have not found any issues when reviewing them against TDI's checklist. TAIPA staff will continue to review the policies against TDI's checklist and send to Legal for review.

D. Consider legislative changes and other changes to make TAIPA more efficient.

The Subcommittee opted not to recommend pursuing legislative changes to allow companies to use their own policies and just charge a higher percentage for these policies. There was discussion about another state that has implemented this procedure and the ongoing issues it has caused for the companies that write in that state.

The Subcommittee did opt to review TAIPA procedures to determine where it can be more efficient.

The Subcommittee members and staff were asked to look for efficiencies and bring their ideas back to the Operations Subcommittee at the next meeting.

There was no discussion and no motions were made.

ITEM 8. REPORT OF COUNSEL

A. TAIPA Rates.

Mr. Jones reported that the 2020 rate filing was made September 11, 2019 for a +4.9 % increase for private passenger and +4.8 % increase for commercial auto as set out on Exhibit 7. The filing was approved by Commissioner's Order dated November 8, 2019 to be effective March 1, 2020.

B. Temporary Vehicle Personal Auto Policy Change.

Working with TAIPA staff, Mr. Jones filed a new personal auto policy form for approval by TDI. This form includes amended language intended to comply with the requirements of H.B. 3420 and new Insurance Code Section 1952.060 relating to Temporary Vehicle coverage.

There was no discussion regarding the Report of Counsel

ITEM 9. NEXT MEETING – March 27, 2020 at Omni Austin Hotel Southpark

ITEM 10. PERSONNEL MATTERS

Pursuant to Government Code Sec. 551.074 the Chair announced at 9:30 a.m. that a closed meeting would be held.

The Governing Committee met in closed session.

The Governing Committee returned to Open Session at 10:25 a.m.

Mr. Weber asked for discussion and motions for matters discussed in closed meeting.

Following discussion, a motion was made by Mary Carol Awalt and seconded by Todd Feltman to:

- A. adopt the Total Rewards Philosophy;
- B. change the name of TAIPA's time off policy from "All Purpose Leave (APL)" to "Paid Time Off (PTO)" and change the TAIPA Handbook; and,
- C. revise TAIPA's Educational Assistance policy and update the TAIPA Handbook;

all as presented to the Governing Committee today and attached to these minutes.

The Motion Carried.

A motion was made by Mary Carol Awalt and seconded by Matt Snyder to implement a practice of TAIPA to give employees \$25 for each year of service on their major employment anniversaries such as 5, 10, 15, 20, 25, etc. to be included in the TAIPA Handbook.

The Motion Carried.

A motion was made by Mary Carol Awalt and seconded by Adam Payton to close the current TAIPA defined benefit retirement plan as of November 30, 2020 to new employees and grandfather the current participating employees who shall continue to accrue benefits in accordance with the plan through the termination of their employment (soft freeze). It is further moved that the Manager is authorized and directed to take any and all action and execute such documents as needed to implement the foregoing resolution, and to consult with the Chair or officers as may be needed.

The Motion Carried.

A motion was made by Mary Carol Awalt and seconded by Carmelita Hogan that beginning January 1, 2020 TAIPA's defined contribution 401(k) plan provide for a 6% employer contribution for employees who do not accrue benefits under the defined benefit plan. This contribution is to vest in in the same manner as the vesting provisions of the plan for employer Regular Matching Contributions, or as required law. It is further moved that the Manager is authorized and directed to take any and all action and execute such documents as needed to implement the foregoing resolution, and to consult with the Chair or officers as needed.

The Motion Carried.

Mr. Weber stated that the Governing Committee now needed to approve TAIPA's budget for 2020.

TAIPA Staff have requested a budget of:

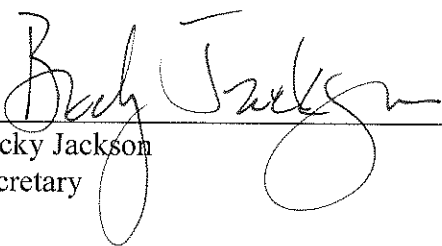
- Operating budget of \$845,500
- Assessment of \$760,000

Mr. Weber asked for a motion to approve budget and assessment. Mr. Todd Feltman made the motion which was seconded by Bill Brooks.

The Motion Carried.

ITEM 11. ADJOURNMENT

Mr. Weber asked for a motion to adjourn the meeting. Upon motion by Becky Jackson, seconded by Pete Hamel, and approved by the Governing Committee, the meeting adjourned at 10:30 a.m.


Becky Jackson
Secretary

Date Signed: Jan 26, 2020