

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

Friday, November 22, 2024 – 9:00 A.M.

Austin Marriott South, 4415 S I-35 Frontage Rd, Austin, TX 78744

Interested parties can attend the meeting in person or join via Zoom. TAIPA allows public comments on agenda items.

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 16, 2024 Meeting (Exhibit 1)*

6. Chair's Report

- A. Discussion about In-Person Meetings in the future
- B. Subcommittee Membership
- C. Operation Subcommittee Chair

7. Manager's Report

- A. Application Count Update as of October 2024 (Exhibit 2)
- B. Financial Update as of September 2024 (Exhibit 3)
- C. Line of Credit Renewal (valid until September 2025) (Exhibit 4)
- D. Issues with Quota Reports
 - I. 2nd & 3rd Quarter Quota Reports
 - II. 4th Quarter Report
- E. Plan of Operation Document Change and Clean-up
- F. Successor to Association of Fire & Casualty Companies in Texas (AFACT) to Insurance Council of Texas (ICT) (Exhibit 5)*
- G. TAIPA Data for Rate Filing Update
- H. 2024 Review of 3rd Party Relationships & TAIPA Recommendations (Exhibit 6)
 - I. Actuary*
 - II. Auditors*
 - III. Systems*
 - IV. Legal*
- I. 2025 Budget (Exhibit 7)*
- J. 2025 Meeting Dates and Locations (Exhibit 8)

8. Strategic Planning Subcommittee Report

- A. TAIPA's Current Staffing
- B. Enterprise Risk Management Update (Exhibit 9)*

9. Operations Subcommittee Report

- A. Over/Under Report (Exhibit 10)
- B. Electronic Applications and Payments Project

10. Report of Counsel

- A. TAIPA Rates*
- B. Governing Committee Meeting on Rates*
- C. Legislative Update

11. Next Meeting – April 11, 2025, at ICT Location (5508 W US Hwy 290 Service Rd, Austin, TX 78735)

12. Personnel Matters

13. Adjournment

Attendees

Governing Board Members

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

Others

Ron Wiest

TAIPA Staff

Stacy Dutton
Mimi Leece
Amanda Reynolds
Ruth Wise

TAIPA Legal Counsel

Michael W. Jones

TDI

Katelyn Boehm
Doug Danzeiser
Dan Paschal
Mellisa Herman
Reese Larmer
Jessica O'Connor

OPIC

Kim Donovan

1. Call to Order

Chair Snyder called the meeting to order at 9:03 AM. Mimi Leece explained the Zoom meeting procedures.

2. Introductions

Chair Snyder turned the meeting over to Stacy Dutton to call the roll.

3. Reading of the Anti-Trust Statement Stacy Dutton read the Anti-Trust Statement

TAIPA Anti-Trust Statement

The creation and operation of the Texas Automobile Insurance Plan Association is set forth in Chapter 2151 of the Texas Insurance Code. The Association is a non-profit corporate body composed of all authorized insurers. The organization was created to provide a means by which insurance may be assigned to an authorized insurer for a person required by the Texas Motor Vehicle Safety Responsibility Act to show proof of financial responsibility for the future.

Members of the Association and of its Governing Committee, when involved in meetings or other activities of the Association, are bound to limit their discussions and activities of the Association and shall not discuss or pursue the business interests of individual insurers or others.

4. Conflict of Interest Policy/Disclosures

Chair Snyder turned the meeting over to Mike Jones to go over TAIPA's Conflict of Interest policy and disclosures. Mr. Jones reminded everyone of TAIPA's conflict of interest policy and that disclosures would need to be made if anyone felt they have a conflict. There were no comments.

5. Review and Approval of the Minutes of the August 16, 2024 Meeting (Exhibit 1) *

Chair Snyder turned the meeting over to Betsy Blair to review the meeting minutes. There were no changes needed, and Chair Snyder asked for a motion to approve the minutes. John Lusardi made the motion. Becky Jackson seconded the motion. The motion carried.

6. Chair's Report

A. Discussion about future meetings in person

After general discussion, Becky Jackson suggested that TAIPA's in-person meeting coincide with TAIPA's annual meeting in April. Chair Snyder asked for a motion to designate the April 2025 Governing Committee meeting as in-person. Ramon Montalvo made the motion. David Weber seconded the motion. The motion carried.

B. Operation Subcommittee Chair

Chair Snyder stated that David Weber was resigning as Chair of the Operation Subcommittee. Mr. Weber stated that he felt it was important for other company members to chair subcommittees to better develop and protect the knowledge base of the organization. Chair Snyder noted that David Weber recommended Brian Ferguson to take over as chair of the Operation Subcommittee. At the time of the meeting, TAIPA was waiting to hear back from Mr. Ferguson on his decision.

C. Subcommittee Membership

The Governing Committee currently lacks strong bench strength for its company members. Currently, 5 out of 8 members actively participate as officers or subcommittee members. Among these, responsibilities are unevenly distributed, with some members taking on multiple roles while others have minimal involvement. Additionally, Stacy Dutton has announced plans to retire at the end of 2026, another reason there is a need to strengthen the committee's knowledge base and leadership. To address this, members are encouraged to join subcommittees.

Openings are available on the Strategic Planning Subcommittee and the Operations Subcommittee, with at least one and possibly two company member spots expected to open. Members interested in filling these positions should contact Stacy Dutton.

7. Manager's Report

Chair Snyder turned the meeting over to Stacy Dutton for the Manager's Report.

A. Application Count Update as of October 2024 (Exhibit 2)

Stacy Dutton gave an update on the application counts as of October 2024. She stated that in October 2024 TAIPA received 175 applications compared to 195 applications received in October of 2023. This is a 10.26% decrease. Year to date, TAIPA received

1,758 applications compared to 1,480 applications received by the same time in 2023. It was noted that applications started to decrease in October, after the rate increase. Ms. Dutton stated that if applications continue to decrease for the remainder of the year, TAIPA would expect to end the year with 1,986, which would still be an increase over 2023.

B. Financial Update as of September 2024 (Exhibit 3)

Ms. Dutton stated that as of the end of September 2024, TAIPA has used 61.95% of the operating budget which puts TAIPA 13.05% under budget. She listed the categories in which she anticipated TAIPA would end under budget. She noted that TAIPA was over budget in computer equipment due to TAIPA purchasing a new wireless access point for more than \$1,000. Ms. Dutton requested the board's authorization to move \$1,080.07 from the computer supplies to computer equipment category. Chair Snyder asked for a motion to move \$1,080.07 from computer supplies to computer equipment. Becky Jackson made the motion. Betsy Blair seconded the motion. The motion carried.

After the vote, John Lusardi asked why TAIPA staff brings budget changes to the Governing Committee. Ms. Dutton explained that it is because of the way TAIPA's Plan of Operation is written. Mr. Lusardi suggested that the Operation Subcommittee consider changing this in the Plan of Operation. Mike Jones, TAIPA's legal counsel, and other members agreed this would be a good idea.

C. Line of Credit Renewal (valid until September 2025) (Exhibit 4)

Ms. Dutton stated that TAIPA's \$300,000 line of credit had been renewed with Frost Bank. She noted that she had included in the board packet a copy of the Association Resolution from by Frost Bank so that Governing Committee members would be aware of the form that they sign.

D. Issues with Quota Reports

I. 2nd & 3rd Quarter Quota Reports

Ms. Dutton stated that there were errors on the 2nd and 3rd Quarter Quota Reports due to AIPSO uploading incorrect files. She noted that the errors were relatively minor compared to problems that TAIPA had with the 4th Quarter Quota Reports.

II. 4th Quarter Report

Ms. Dutton noted that 4th Quarter Quota Report errors were due to TICO's data being incorrect. She stated that this caused problems for the LAD and CLAD carriers since they use the quota reports to calculate a company's servicing fee. It was also noted that this caused problems for TAIPA's front office staff resulting in staff having to reassign applications daily. To mitigate having to reassign applications, TAIPA asked AIPSO to restrict the affected companies from receiving applications until the January 2025 quota reports were uploaded into the system. Ms. Dutton noted that TICO was putting additional checks in place, to prevent the errors from reoccurring.

E. Plan of Operation Review

Ms. Dutton stated that TDI has initiated discussions with TAIPA staff about proposed revisions to TAIPA's Plan of Operation.

TDI pointed out that alternate members are not mentioned in the statute. This raises potential liability issues, as the Insurance Code's immunity does not cover alternates, possibly leaving them exposed to legal risk. Because of this, TDI indicated that it will not appoint new alternate members. TAIPA staff and legal counsel will work with TDI to address TDI's concerns about alternate members.

Ramon Montalvo stated that having been an alternate member before becoming a regular member, he believes the alternate member positions are valuable and should be continued.

TDI is currently reviewing TAIPA's Plan of Operations and will send its comments to TAIPA. Discussion topics among TAIPA board members included:

- Whether all company members are alternate members since the companies have immunity, while individual members may not.
- Whether TAIPA needs Directors and Officer insurance. Ms. Dutton noted that TAIPA has looked at this in the past, but it wasn't pursued because TAIPA thought it had immunity.
- Whether individual members would need to purchase their own D&O insurance coverage.
- Whether individuals need independent counsel.

Chair Snyder stated that the Operation Subcommittee should study this further.

TDI's Dan Paschal stated that regarding the Plan of Operation language, no reading of the statute would allow TDI to fill the alternate positions.

In response to the question of why TAIPA has been allowed to have alternates until now, Mr. Paschal stated that when different TDI administrations may look differently at situations.

The TAIPA board discussed whether TAIPA should take action during this legislative session to try to get the statute changed.

John Lusardi made a motion to have Operations Subcommittee review these issues and bring recommendations to the full board. Betsy Blair seconded the motion, and the motion carried.

F. Successor to Association of Fire & Casualty Companies in Texas (AFACT) to Insurance Council of Texas (ICT) (Exhibit 5) *

Ms. Dutton stated that TAIPA's Governing Committee would need to determine what to do regarding the Association Member that AFACT has filled for TAIPA. Two solutions were presented by TAIPA staff. TAIPA could replace the AFACT Representative with an Insurance Council of Texas (ICT) representative or add another At-Large member. The Governing Committee was asked if they had other ideas.

After some discussion David Weber made a motion for TAIPA to replace AFACT with ICT in the Plan of Operation. Adam Payton seconded the motion. The motion carried.

Ms. Dutton stated that TAIPA staff had a proposed change to TAIPA's Plan of Operation (Exhibit 5) to have ICT replace AFACT and TAIPA. She requested board approval so that the change made as soon as possible. John Lusardi made a motion that the board approve the changes in Exhibit 5. Ramon Montalvo seconded the motion. The motion carried.

G. Update on TAIPA Data for Rate Filing

- H. Ms. Dutton stated that a previous meeting included a discussion of TAIPA's data being incomplete due to LAD and CLADs not reporting. Since TAIPA carriers fall outside TDI's top 70% data collection, TDI, TAIPA staff, Mike Jones and TAIPA's actuary developed a solution. They will work with servicing carriers to gather data, issue a data call, and compile results. While not statistically significant, this will improve accuracy for a 2025 rate filing and provide market comparison insights.

At the Chair's request, Mike Jones left the meeting because the board was discussing him and his firm, Thompson Coe.

I. 2024 Review of Third Party Relationships and TAIPA Recommendations (Exhibit 6)

Ms. Dutton stated that in previous discussions, the board had noted that even though TAIPA does not need to follow the state's RFP process, a regular cadence of RFPs is useful.

Ms. Dutton described the positive relationship between TAIPA and Atchley & Associates. She indicated that she understands wanting to have periodic RFPs. A discussion about the advantages of having regular RFPs included:

- Gives us an idea of what the market rate is for the services,
- Gives us an idea of what other vendors might be available in case something happened to our vendor,
- Removes the impression of a questionable relationship between TAIPA and the vendor based on the length of time TAIPA has used the vendor,
- Keeps vendors from taking the relationship for granted.

Ms. Dutton asked the Governing Committee if it wants to set a time frame for RFPs even if things are going well.

There was some concern that there are no other vendors for the work that AIPSO does for TAIPA.

There was general agreement that TAIPA should follow the same protocol with all third party vendors.

Adam Payton made a motion to commit to a 3-year period with each vendor with the potential for 2 one-year extensions. In addition, we will stagger the RFPs so as not to overburden staff. The motion was seconded by Becky Jackson. The motion carried.

Ms. Dutton described TAIPA's third party relationships.

J. Actuary*

The Burkhalter Group, relatively new to TAIPA, has been handling TAIPA's rate filings since 2023. They proposed increasing the rate filing expense from \$9,000 to \$12,000 while reducing the rate hearing cost from \$35,000 to \$23,000, bringing the total cost down to \$35,000 from the previous year's estimate of \$44,000.

TAIPA has paid Burkhalter \$26,700 through August 2024, with an estimated \$24,900 spent on the 2024 rate filing and hearing. Matt Stephenson from Burkhalter has been instrumental in collaborating with TAIPA, Legal, TDI, and LAD/CLAD carriers to refine TAIPA data collection and improve future rate development.

Initially, Burkhalter's proposal was for a standard actuarial review at \$9,000, but they adapted when the Governing Committee requested a full rate analysis. Despite data challenges, they successfully completed the 2024 rate filing, leading to a 15% increase for private passenger rates and 12.7% for commercial rates, effective October 1, 2024.

Given their strong performance and commitment, TAIPA recommends continuing the partnership with Burkhalter Group for future rate filings.

Chair Snyder asked for a motion to recommend continuing the relationship with Burkhalter Group in 2025 to the TAIPA Governing Committee. David Weber made the motion. Mary Carol Awalt seconded the motion. The motion carried.

II. Auditors*

TAIPA has worked with Atchley & Associates since 2006 and values the strong relationship. The firm proposes increasing the hourly rate for managing auditor, Tyler Mosley, from \$425 to \$450, with the 2025 financial audit expected to cost between \$15,000 and \$16,000. The Form 990 cost is projected to rise to \$3,250 in 2025, leading to an overall cost increase of \$1,200 in 2025. Ms. Dutton noted that although Mr. Mosley's rate is increasing, he only charges it when significant work is required.

The auditors have also provided valuable insights that led to improvements in TAIPA's accounting practices. Given their expertise and continued contributions, TAIPA recommends continuing the partnership with Atchley & Associates. Mary Carol Awalt questions whether TAIPA works with different auditors within Atchley & Associates each year. Ms. Dutton confirmed that they have at least one new auditor on their account each year.

John Lusardi was concerned about the fact that TAIPA has been with Atchley and Associates for so many years. It was determined that because of the number of years TAIPA had worked with the auditors, TAIPA should put out an RFP for the auditors. David Weber wanted clarification before voting regarding the timeline for an RFP. Adam Payton said we should ask Ms. Dutton to decide this based on TAIPA staff's workload.

After general discussion regarding the timeline, Adam Payton made a motion to amend the original motion to state that TAIPA would put out an RFP for audit support at TAIPA staff's discretion on when to send it. The motion carried to amend the motion. The motion carried on the amended motion.

III. Systems*

TAIPA has a long-standing relationship with AIPSO for application systems. For 2025, there will be a \$5 per hour increase in Data Services, bringing the total to \$22,176 for 198 hours, though last year saw a \$3 decrease. The cost for EASi Maintenance, now

called Computer Infrastructure Expense, remains unchanged, as do EASi Enhancements. TAIPA is exploring electronic applications and payments with AIPSO, which could add an estimated \$12,000 annually for account reconciliation services. Additional programming fees may apply if system modifications are needed, and TAIPA would cover convenience fees for electronic payments. Since no alternative system exists for TAIPA's application processing, TAIPA recommends continuing the partnership with AIPSO.

After discussion surrounding what AIPSO manages for TAIPA, Adam Payton made a motion to exclude AIPSO from the RFP process and have TAIPA staff develop an annual report on AIPSO. Betsy Blair seconded the motion.

John Lusardi and Matt Snyder abstained. The motion carried.

IV. Legal*

TAIPA has contracted with Thompson Coe for legal services since 2006. Currently, Thompson Coe attorney Mike Jones serves as counsel for TAIPA. For 2025, Thompson Coe has proposed a 4.28% increase in its hourly rate, from \$350 to \$365. Legal expenses are expected to increase from \$60,270 to \$62,853.

The cost of rate hearings is projected to increase from \$20,000 to \$20,856.

The Strategic Planning Subcommittee and Officers recommended issuing an RFP for legal services in 2025. The RFP would help identify and evaluate alternative options for legal counsel and assess capabilities for lobbying and litigation.

Chair Snyder asked for a motion to complete an RFP for legal services in 2025. David Weber made the motion. Adam Payton seconded the motion. The motion carried.

Mike Jones rejoined the meeting.

I. 2025 Budget (Exhibit 7) *

Ms. Dutton stated that TAIPA has asked for a budget of \$1,178,000 which is an increase of \$26,940 over TAIPA's 2024 budget, while the assessment request is reduced to \$957,000 (3.76% less than last year). She stated that the main addition is \$27,220 for the new e-applications and e-payments project, covering convenience fees, AIPSO accounting services, and programming. Other increases include subcommittee meetings,

staff travel, legal expenses, and system consulting. She noted that key savings come from lower cost of employee benefits, printing, governing committee expenses, consultant costs, actuary fees, and computer equipment purchases.

Chair Snyder asked for a motion to recommend accepting TAIPA's proposed 2025 budget of \$1,178,000.00. Becky Jackson made the motion. Adam Payton seconded the motion. The motion carried.

Chair Snyder requested a motion to accept TAIPA's 2025 assessment to the companies for \$957,000.00. John Lusardi made the motion. David Weber seconded the motion. The motion carried.

J. 2025 Meeting Dates and Locations (Exhibit 8)

The 2025 meeting schedule and meeting location was noted. The meetings will be held April 11th, 2025, August 1st, 2025, and November 21st, 2025. All meetings will be held at the Insurance Council of Texas Meeting Room which is located at 5508 W. US Hwy 290 Service Road Austin, TX 78735.

8. Strategic Planning Subcommittee Report

Chair Snyder turned the meeting over to Mary Carol Awalt to go over the Strategic Planning Subcommittee report. Ms. Awalt stated that the Strategic Planning Subcommittee met on November 8, 2024. She noted that the subcommittee is responsible for reviewing and making recommendations for TAIPA's staffing levels, office space, long-term contracts, any significant changes to the organization, and the Enterprise Risk Management Plan.

TAIPA's Current Staffing

TAIPA continues to maintain its 2018 staffing level of an Association Manager, Manager of Operations/Financial Management, two Administrative Assistant/Customer Service. The Strategic Subcommittee agreed that this is the correct staffing level required through 2025.

Office Space

The Governing Committee previously 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 third Party relationships. Ms. Awalt noted that since the third party relationships had already been discussed in the meeting, she would not repeat it. However, the four long-term contracts that TAIPA has were reviewed. The subcommittee has recommended that TAIPA staff review the cost of owning the office equipment that they are currently leasing. She noted that staff had agreed to do this analysis when the leases were up.

Enterprise Risk Management Update (Exhibit 9) *

TAIPA updated its Enterprise Risk Management Plan, addressing key risks such as staffing changes, including Ms. Dutton's planned retirement in 2026, potential legal counsel retirement, governing committee strength, and increased applications due to rate changes.

Progress was noted in areas like remote telephone access, and employees completed a survey to identify tasks that lack backup coverage. Training and SOP development will focus on these areas.

The Strategic Planning Subcommittee requested a clearer ERM format, and TAIPA staff will research improvements.

Chair Snyder asked for a motion to accept the Enterprise Risk Management Plan for 2025. David Weber made the motion. Adam Payton seconded the motion. The motion carried.

9. Operations Subcommittee Report

Chair Snyder turned the meeting over to David Weber to go over the Operations Subcommittee Report.

A. Over/Under Report (Exhibit 10)

Mr. Weber noted that there was nothing significant to report on the Over/Under Report.

B. Electronic Applications and Payments Project.

Mr. Weber updated the committee member on the progress that had been made regarding updating TAIPA's system to include electronic applications and payments.

10. Report of Counsel

A. TAIPA Rates*

Mike Jones started by reviewing the previous rate changes that TAIPA had made. He noted that on October 1, 2024 the approved rate increase of 15.1% overall increase for private passenger and 12.7% increase for commercial had gone into effect. He noted that the earliest TAIPA can make another filing will be March 13, 2025. The preliminary indication that he received from Matt Stephenson is +10.3% for private passenger and +0.4% for commercial. This is based on TICO's trend data through the 1st quarter of 2024 and 2023 benchmark reports for commercial.

B. Governing Committee Meeting on Rates*

Mike Jones stated that TAIPA filed its last rates in March 2024, so the committee needs to determine whether there should be a meeting on rates as soon as the rate indications are available or wait until the April 11, 2025 meeting.

A motion was made to have the officers decide on whether we need to have a meeting prior to the April 11, 2025 meeting about rates. John Lusardi made a motion to authorize the officers to consider the data that Matt Stephenson comes up with and make on whether to call a special meeting. Adam Payton seconded the motion. The motion passed.

C. Legislative Update

Mike Jones provided an overview of the upcoming legislative session. He indicated that there were several bills regarding auto insurance, but he did not believe any would affect TAIPA.

11. Next Meeting – April 11, 2025, at ICT Location (5508 W US Hwy 290 Service Rd, Austin, TX 78735)

12. Personnel Matters

Chair Snyder noted that there were no personnel matters to discuss.

13. Adjournment

Chair Snyder asked for a motion to adjourn. John Lusardi made the motion. Becky Jackson seconded the motion. The motion carried and the meeting adjourned at 11:36 AM.

Betsy Blair

Betsy Blair

Secretary