MINUTES

COMBINED AGENTS OF AMERICA, LLC
Omni Las Colinas | Dallas, TX

February 22-23rd 2023

Wednesday, February 22, 2023

The CAA Board of Members meeting was held at the Omni Las Colinas, Dallas, TX

All member agencies were represented except the following:

BUSINESS MEETING

Chairman Pete Bibby called the meeting to order.

A. CONSENT AGENDA

Pete Bibby asked for a motion to consent the agenda and approve the minutes from the November 2022 meeting.

MOTION WAS MADE BY AND SECONDED BY . MOTION CARRIED.

B. FINANCIAL REPORT

CAA CEO A.J. Lovitt presented the financials to the board.

CAA FINANCIALS through December 2022:

Income:

2022 Income finished $176K below budget. Member dues are 86% to what we budgeted due to not colleting 4th quarter dues in 2022. We budgeted to bring in six new members and we brought in seven. This is the reason the new member fee is $5K over budget. We last collected $475K in third quarter dues and $63K in technology fees in July. We collected over $252K in meeting sponsorships year to date. Great work by the team getting partners excited about sponsoring our meetings. The amount of dues and fees not collected in Q4 was $561K. Had we collected that amount we would have been $385 over our budgeted income for 2022.

Expenses:

Big Three Expenses:

Staff Travel: Under budget at 85%. Travel cost continue to climb due to adding several members and the overall costs of items such as: hotels, airfare, and fuel.

Meeting Expenses: Over budget at 120%. The cost of the February meeting was approximately $69K. We budget $70 for this meeting. We have paid $25K in deposits for future meetings. The final invoice for our November meeting is approximately $80K and we collected $25K in sponsorships. Other items included in this expense are the prospect expenses for Bainswest and hosted carrier meetings. Our sponsorships for our July meeting covered the entire cost of the meeting. We budget meeting expenses on a gross basis. For this year even though we are over budget, it is offset by the additional $152K we collect in sponsorships over what was budgeted. Also, for our July and November meeting we had approximately 20-30 people more than planned due to Bainswest. We received a $60K refund that posted in October for our overpayment of the July event in Dallas. We have prepaid for most of our February 2023 meeting.

Staff Payroll & Benefits: 100% to budget. We backfilled Kara's role with Jane Rohde at a higher salary as previously discussed. I anticipated with the staffing change we would be over budget in 2022. I am excited to come in only $1,900 over budget for the year.

Other Expenses:

Bank Charges – 1,157% to budget. Due to fees from switching banks. We are in the process of working to get these reduced/removed. The Bancorp South accounts are now all closed and the fees should reduce significantly going forward. They suspended all bank fees for three years due to a merger. The three years is now up and they are charging increased fees. We will end the year over budget on this item. Bank fees going forward should be more accurately budgeted in 2023. I have began to explore other possible banking relationships to see if we can find a significant savings on our fees. This will likely be a 2023 project.

Dues/Membership – 173% to budget. Due to paying 2023 Big I membership costs. As discussed, prior many states have increase dues for Big I memberships.

Promotional – 196% to budget. Due to items, we have purchased for 2022 and some promotional advertising we have done. Most of this was due to the new video we did at the February meeting.

QuickBooks Fees – 126% to budget. Due to slight increase in fees we did not budget for properly.

Software – 175% to budget. Due to setting up Your Membership as our new CRM system for 2023. As Nikki previously explained we had to incur the set-up cost in 2022 to be ready for 2023. In 2023 this will replace Convey and our cost should go down $20K per year going forward and give us greater capabilities for member communication.

Taxes – 117% to budget. Due to slightly higher tax obligations than expected in 2021, paid in 2022.

Telephone – 117% to budget. Due to brining on Jane and renewing our internet phone system.

All other expenses are at or below budget

Overall expenses are at 98% to budget. Even with all the extra meeting, prospecting, salary, and technology expenses this year we are still under the budget. Net Income finished the year at -$77K. Had we collected fourth quarter dues the net income would be approximately $480K. The main expense overage is meeting expenses which is being offset by the sponsorship in the income section. The other item driving expenses is the set-up cost of Your Membership. Overall, the CAA P&L continues to be solid. The more years we have consistency in the leadership and staff, the more accurate and consistent our budgeting process becomes. 2022 has been a very unpredictable year from an expense standpoint. The CAA operating account balance is $970K. Based on the amount of fourth quarter dues we needed to collect to "breakeven" I did not think we needed to collect any dues for the fourth quarter. Approximately $375K of the money in the operating account is due to new member equity collected. We will discuss in the EC call possibly moving most of that into short-term CD.

CAA FINANCIALS through December 2022:
Income:

CAAIS Income is $2.26Mil which is $101K short of the budget, but $293K more than 2021. CAAIS was $109K behind budget last month, we continue to make progress each month. We were behind pace for business placed in CAAIS, but the last three months have seen an increased flow in new business. Contingency income has exceeded our budgeted amount and is helping offset the additional staff we have added to CAAIS. Several members will be moving their NW Private Client book into CAAIS in 2022 and will continue into 2023. The more successful the production team is in helping members align premium with core internal carriers, and assisting members in getting new contracts, CAAIS will lose business to direct markets within agencies. This is a good thing for the individual members, but a challenging financial situation for CAAIS. Going into 2023 we will losing the revenue from NTX and Connell. This will be about $30K in income to CAAIS.

Operating Expenses (over budget):

Software Expenses: This expense includes both Applied costs and hardware. Over budget due to computer equipment for Kelly which was an addition to staff and for adding her as a user to Epic. Patra costs are included here.

Bank Charges: Over budget due to not putting in the budget for 2022. Per the CAA notes the Bancorp South accounts have been closed.

Payroll Benefits: Our renewal pricing for benefits exceeds what we budgeted and went into effect on 7/1. Also impacted by staff additions in 2022.

Licenses: Over budget due to having to change all of the licenses from Kara over to Kelly. This should not be an ongoing expense issue.

CAAIS Staff Travel: Over budget due to sending Julie and Kelly to Applied Net.

Office Supplies: Over Budget based on how we allocate with CAA. CAA & CAAIS combined are $406 under budget.

Office – Small Equipment: Over Budget based on how we allocate with CAA. CAA is under budget by $7.8K. Making the two entities combined $4,924 under budget.

Payroll Expenses: With the addition of Kelli and Tiffany we were over budget significantly for CAAIS for 2022. Between CAA & CAAIS we have added three staff spots this year.

Professional Development: Due to designation classes already taken by the CAAIS team. Kelly and Julie attended Applied Net. Kelly and Kim attended a high value PL conference in Dallas.

Promotional: Slightly over budget we did not have a line item built into the budget for this.

Internet and Telephone: Over Budget based on how we allocate with CAA. Included in this code is Spectrum, Amazon Web Services, and cell phone reimbursement for Kelly. Better budgeted for 2023.

Overall Operating Expenses are over budget by $216K. Salaries are $195K of the overage. As mentioned above CAAIS was over budget for the year due to the addition of Kelly and Tiffany. We needed to add and upgrade staff with a possible large increase in membership from Bainswest and to handle flow from our current members. The investment in staff will have an effect on the budget this year, but should set us up for future success in CAAIS. Next year all of Nikki's salary will go back to CAA.

Net Income:

Net Income is -$55K. This was expected due to the addition of unexpected staff. With the addition of 23 new members next year, we should be able to return to a positive net income in 2023. The operating account for CAAIS has a balance of $468K. Even though we ran a slight loss this year, we still have a healthy balance in the operating account. As I state every year this continues to be a challenging P&L to manage due to helping members place more business directly. In 2023 the budget for CAAIS Operating Expenses is $665,410.74. Our total operating expenses in 2022 was $682K. With the removal of Nikki's salary as the manager of CAAIS in 2023 I am confident in the budget for CAAIS in 2023. However, the team needs to continue to follow the proper policies and procedures to ensure members have confidence placing business with CAAIS. 2023 should provide a realistic expectation of what we can expect to properly operate CAAIS financially going forward.

MOTION WAS MADE TO APPROVE FINANCIALS BY AND SECONDED BY . MOTION CARRIED.

C. **CEO/COO UPDATE- Presentation in YourMembership**

D. **NEW BUSINESS**

1. Member Non-Solicitation

2. Pierson Fendley Voting Member Change
    a. Change from Curtis Fendley to Clifton Fendley

MOTION WAS MADE TO APPROVE VOTING MEMBER CHANGE BY AND SECONDED BY . MOTION CARRIED.

E. **MEMBER DISCUSSION**

1. Benefits Aggregation Update – Al Jannett

2. Producer Development Update – Pete Bibby

3. Claims Management/IAN Group- David Wellmann

4. Large Account Specialist- Brent Borgstedte

5. Open Discussion

MOTION WAS MADE TO ADJOURN MEETING BY AND SECONDED BY . MOTION CARRIED.