

**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting  
McAllen, Texas  
January 22, 2005

**Trustees Present**

Pat Norriss, Chair  
Leo Montalvo, Vice Chair  
Alex Bickley  
Byron Black  
Richard Browning  
Rickey Childers  
Wayne Collins  
Don Dodson  
Larry Dovalina  
Andres Garza  
Mary Gauer  
Don Henderson  
Greg Ingham

**Staff Present**

Marvin Townsend  
Carol Loughlin  
David Reagan  
Hank Domeracki  
Mike Bratcher  
Scott Epperson  
Les Horne  
David Longoria  
Mike Rains  
Allan Romer  
Floyd Schock  
Bill Snyder  
Tito Villegas  
Debbye Mangum

**Also Present**

Kevin Bingham, Deloitte Consulting, LLP  
Debra Fox, Guy Carpenter & Co.  
Martha King, Ernst & Young  
Matthew May, Ernst & Young  
Robert Reader, Guy Carpenter & Co.  
Bennett Sandlin, TML  
Marie Solomon, Schinnerer & Company  
Penny Wyatt, Schinnerer & Company

Chair Pat Norriss called the meeting of the Board of Trustees of the TML Intergovernmental Risk Pool to order at 8:05 a.m. on Saturday, January 22, 2005.

Chair Pat Norris presented Executive Director Marvin Townsend with a pin and plaque in appreciation of his fifteen years of service to the Texas Municipal League Intergovernmental Risk Pool.

**Roll Call and Excused Absences**

Marvin Townsend noted the absence of Makia Epie, Robert Herrera, Mike McGregor and Tim Vaughn and reported the reasons they were asking that their absences be excused. It was noted that Bennett Sandlin attended the meeting in the absence of Frank Sturzl.

MOTION by Greg Ingham, seconded by Don Dodson, to excuse the absences of Makia Epie, Robert Herrera, Mike McGregor and Tim Vaughn. Motion carried with unanimous approval.

Report regarding the results of the 2004 election of trustees to Places 6, 7, 8 and 9

David Reagan reported the results of the 2004 election of the Board of Trustees for Places 6, 7, 8, and 9 showing that Mary Gauer, Place 6, Larry Dovalina, Place 7, Leo Montalvo Place 8, and Andres Garza, Place 9 were elected.

MOTION by Byron Black, seconded by Leo Montalvo, to approve the report of the election of Places 6, 7, 8, and 9. Motion carried with unanimous approval.

Committee Appointments

Chair Pat Norriss reported on the committee appointments under Tab 3<sup>1</sup>.

Announcement of ex-officio appointments to the Texas Municipal League Board of Directors and the Board of Directors of the TML Intergovernmental Employee Benefits Pool.

Chair Pat Norriss reported on the ex-officio appointments of Mary Gauer to the Texas Municipal League Board of Directors and Andres Garza to the Board of Trustees of the TML Intergovernmental Employee Benefits Pool. They both agreed to serve on the respective boards.

Consideration of Minutes of September 18, 2004 meeting in Irving

MOTION by Mary Gauer, seconded by Alex Bickley, to approve the minutes shown under Tab 4. Motion carried with unanimous approval.

**FINANCE COMMITTEE**

It was reported that the Finance Committee elected Byron Black as its chair.

Presentation of the Financial Audit for October 1, 2003 to September 30, 2004 by Ernst & Young

Hank Domeracki presented an overview of the financial statements under Tab 5.

<sup>1</sup>-All references to "Tabs" in these minutes are references to the Tabs in the Board of Trustees Agenda packet.

Martha King of Ernst & Young presented the results of the financial audit for October 1, 2003 to September 30, 2004 under Tab 5 and the auditor's letter of January 21, 2005. The auditor reported an unqualified audit.

Comments from the Actuary Kevin Bingham from Deloitte Consulting, L.L. P.

Kevin Bingham with Deloitte Consulting, L.L.P commented on actuarial review of the 2003 fiscal year reserves.

MOTION by Byron Black, seconded by Greg Ingham, to accept the audit report for October 1, 2003 to September 30, 2004. Motion carried with unanimous approval

Review of November 30, 2004 (2-month) financial statements

Tito Villegas presented a review of the November 30, 2004 (2-month) financial statements under Tab 6.

Review of November 30, 2004 (2-month) investment report

Tito Villegas presented a review of the November 30, 2004 investment report under Tab 7.

Request to receive proposals for actuarial services as of June 1, 2005

Hank Domeracki requested authorization to request proposals for actuarial services beginning June 1, 2005 under Tab 8. Deloitte Consulting, L.L.P. had a three-year contract with three one-year options to extend the contract. All three extensions have been exercised.

MOTION by Byron Black, seconded by Larry Dovalina, to approve the request for proposals for actuarial services as of June 1, 2005. Motion carried with unanimous approval.

Request to receive proposals for depository bank service as of June 1, 2005

Hank Domeracki reported that the current agreement with Frost National Bank ends on May 31, 2005. The original contract was for three years with two one-year options to extend. Both extension options have been exercised.

MOTION by Leo Montalvo, seconded by Byron Black, to request proposals for depository services beginning June 1, 2005. Motion carried with unanimous approval.

## Management Information Report

David Longoria presented the “Management Information Systems Report” under Tab 10.

## **UNDERWRITING AND CLAIMS COMMITTEE**

It was reported that the Underwriting and Claims Committee elected Mary Gauer as its chair.

### Discussion with the Pool’s reinsurance brokers

Carol Loughlin reported that in October 2004 Eliot Spitzer, Attorney General for the State of New York, filed a civil complaint against Marsh & McLennan Companies, Inc. and Marsh, Inc., a subsidiary, related to allegations that they engaged in fraudulent or illegal acts by steering business to favored insurance companies in return for receiving contingency fees from those insurance companies. Victor O. Schinnerer & Company and Guy Carpenter Co., the Pool’s contractors and subsidiaries of Marsh, Inc., were asked to address specific questions about the fees that they received related to the reinsurance business put in place with the Pool. Their responses are included in this board packet under Tab 11.

Penny Wyatt and Marie Solomon from Victor O. Schinnerer & Company and Debra Fox and Robert Reader from Guy Carpenter were in attendance to answer questions from the Board.

### Consideration of a Property Fund Equity Return Policy

Carol Loughlin presented the recommendation under Tab 12 that an equity return be triggered in the Property Fund if the following four criteria have been met at the end of a given fund year.

1. Members’ equity as a percent of net property contributions is at least 75%;
2. Members’ equity as a percent of net loss reserves is at least 50%;
3. Equity in the Property Fund increased during the prior fund year; and
4. The increase in members’ equity is at least \$1 million after offsetting any loss of equity in the year immediately preceding the prior fund year.

If all four conditions were satisfied, the policy would return to members of the Property Fund one-half of the equity gained after offsetting the loss in the preceding year. The specifics related to any equity return will be developed for Board consideration based on the conditions that exist at the time. Those specifics may establish certain thresholds to qualify for a return such as maximum loss ratio or longevity with the Pool.

MOTION by Leo Montalvo, seconded by Don Dodson, to adopt the Property Fund equity return policy set forth under Tab 12. Motion carried with unanimous approval.

Ratification of NLC-MIC's participation in workers' compensation reinsurance

Carol Loughlin presented under Tab 13 the recommendation brought to the September Board meeting regarding the National League of Cities Mutual Insurance Company's quota-share agreement. NLC-MIC's participation was not worked out at that time. Staff was authorized to finalize NLC-MIC's participation subject to ratification by the Board at the January 2005 meeting. NLC-MIC agreed to increase its quota-share participation from 2.5% to 3.75% of the \$20 million layer excess of the Pool's \$3 million retention for a 100% rate of .0919 per \$100 of payroll. This develops a deposit premium of \$99,418 based on a payroll of \$2,884,826,642.

MOTION by Don Henderson, seconded by Leo Montalvo, to ratify NLC-MIC's participation in workers' compensation reinsurance at 3.75% of the \$20 million layer excess of the Pool's \$3 million retention. Motion carried with unanimous approval.

Status of Major Claims and Related Action

David Reagan presented the status under Tab 14 of *Rodriguez et al. v. City of Harlingen*.

Significant Cases & Legal Developments

David Reagan presented a report on "Significant Cases and Legal Developments" under Tab 15.

Liability Claims Report

Mike Rains presented the "Liability/Property Claims Report" under Tab 16.

Workers' Compensation Claims Report

Mike Bratcher presented "Workers' Compensation Claims Report" under Tab 17.

Underwriting Report

Floyd Schock presented the "Underwriting Activity Report" under Tab 18.

### Loss Prevention Report

Les Horne presented the “Loss Prevention Board Report” under Tab 19 and reported on the establishment of the proposed Tony Koriath Supervisor Academy, a three-day supervisor training program that will be held four times a year around the state.

### Field Services Report

Scott Epperson presented the “Field Services Report” under Tab 20.

Carol Loughlin was asked by Mary Gauer to discuss the property reinsurance recommendation to be brought to the Board at the next meeting regarding changing the effective date from October 1 to May 1 because of the difficulties that Guy Carpenter had placing coverage during the hurricane season. Debra Fox said that the hurricane issue was the biggest issue, when going out for reinsurance, regarding pricing.

### Legislative Report

David Reagan reported that the legislative session began on January 11, 2005 and that TML-IRP is working closely with the other pools in the state and especially Frank Sturzl’s staff, Bennett Sandlin, Shanna Igo, and Susan Horton, the former General Counsel.

Mr. Reagan mentioned two that could affect the Pool. The first was Senate Bill 5, relating to the worker's compensation system and the Texas Workers' Compensation Commission. The other was a bill, expected to be introduced by Senator Deuell, creating a presumption that cancer diagnosed in a firefighter was caused by work-related activities.

Bob Kamm and Pam Beachley have been retained to help the Pool during the session and have already proven to be invaluable.

Bennett Sandlin added that TML’s top priorities this session are defeating the property appraisal caps and defending annexation procedures. Another bill of concern is HB 304, filed by Representative Talton, relating to conditions of employment for police officers employed by certain municipalities with populations over 10,000.

### Comments by Ex-officio members from and to TML and Employee Benefits Boards

Richard Browning gave a brief report on the TML Intergovernmental Employee Benefits Pool.

## **EXECUTIVE COMMITTEE REPORT**

### Lawsuits in which the Risk Pool is a Participant

David Reagan presented “Lawsuits in which the Pool is a Participant” under Tab 21.

### U.S. Highway 183 Update

Bill Snyder presented the “U.S. Highway 183 Update” under Tab 22.

### Personnel Report

Allan Romer presented the “Quarterly Personnel Report” under Tab 23.

### Meeting Schedule

Marvin Townsend reviewed the “Schedule of Meetings” and “Board Continuing Education” under Tab 24. Mr. Townsend asked for suggestions from the Board for places to meet for the 2006 dates.

MOTION by Mary Gauer, seconded by Wayne Collins, to adjourn the meeting.  
Motion carried with unanimous approval.

Meeting adjourned at 10:25 a.m.