

Minutes of April 26, 2003

**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting  
Austin, Texas  
April 26, 2003

Trustees Present

Robert Herrera, Chair  
Byron Black  
Richard Browning  
Rickey Childers  
Wayne Collins  
Don Dodson  
Larry Dovalina  
Makia Epie  
Andres Garza  
Mary Gauer  
Don Henderson  
Greg Ingham  
Mike McGregor  
Leo Montalvo  
Tim Vaughn

Staff Present

Marvin Townsend  
Carol Loughlin  
Tito Villegas  
David Reagan  
Mike Rains  
Mike Bratcher  
Allan Romer  
Chris Remmert  
Floyd Schock  
Bill Snyder

Also Present

Penny Haubold, Schinnerer  
& Company  
Tony Koriath, LOTK  
Elaine Pruden, LOTK  
Martha King, Ernst & Young  
Brenda Betts, Ernst & Young  
Rick Pokorny, Northern Trust  
Kevin Bingham, Deloitte &  
Touche  
Patricia Lasky, Deloitte &  
Touche

The meeting of the Board of Trustees of the TML Intergovernmental Risk Pool was called to order at 8:03 a.m. on Saturday, April 26, 2003 by Chair Robert Herrera.

Roll Call and Excused Absences

Robert Herrera noted the absence of Pat Norris and Frank Sturzl.

MOTION by Makia Epie, seconded by Don Dodson, to excuse the absence of Pat Norris and Frank Sturzl. Motion carried with unanimous approval.

Consideration of Alex Bickley's Leave of Absence

The board considered Alex Bickley's request for extended leave of absence until June 1, 2003, in a separate letter dated April 15, 2003.

MOTION by Makia Epie, seconded by Don Dodson, approving extending the leave of absence for Alex Bickley until the July Board meeting. Motion carried with unanimous approval.

Consideration of Minutes of January 18, 2003 Meeting in Frisco

MOTION by Makia Epie, seconded by Don Dodson to approve the minutes shown under Tab 2. Motion carried with unanimous approval.

Consideration of Amendments to the Bylaws

Marvin Townsend presented a proposed amendment, Exhibit 2 under Tab 3, which had been revised to apply to all Board members by amending Article 4, rather than Article 7.

MOTION by Don Dodson, seconded by Don Henderson, to approve the Bylaw amendment timely proposed and discussed under Tab 3. Motion carried with unanimous approval.

Further Board discussion emphasized that any Trustee serving more than one Pool member should inform the Board about such service.

**FINANCE COMMITTEE**

Consideration of Report Regarding Purchase of Employee Dishonesty and Crime Bonds and Vacation Policy for Employees Involved with Cash and Check Administration

The auditor's report by Ernst & Young sets forth suggestions regarding Employee Dishonesty/Crime bonds and mandatory vacations for employees in the Finance Department. Committee Chair Montalvo presented the cost of bonding employees with an independent broker and discussed internal controls to minimize mishandling of funds. Consideration was given to Marvin Townsend's letter, "Response to Auditor's Suggestions for Improvement", under Tab 4, in which it was suggested the Pool continue to self-insure Employee Dishonesty/Crime Coverage. In addition, the Pool does not need a mandatory leave of absence policy for employees working in Finance since Finance employees are taking sufficient time away from the office for their work to be reviewed by other staff members.

MOTION by Byron Black, seconded by Don Henderson, to continue self-insurance coverage of Employee Dishonest/Crime and not establish a mandatory leave policy. Motion carried with unanimous approval.

Option to Extend Actuary's Contract with Deloitte & Touche for One Year

Leo Montalvo presented a recommendation that the Pool exercise its option to extend the Agreement for Actuarial Consulting Services with Deloitte & Touche for one year beginning June 1, 2003 and ending May 31, 2004 as set forth under Tab 5.

MOTION by Leo Montalvo, seconded by Wayne Collins, to extend the Agreement for Actuarial Consulting Services with Deloitte & Touche as presented under Tab 5. Motion carried with unanimous approval.

Consideration of a Contract for Auditing Services

Leo Montalvo presented proposals for Auditing Services from PricewaterhouseCoopers, LLP and Ernst & Young under Tab 6. After review of qualifications and fees, Ernst & Young was recommended for the contract.

MOTION by Leo Montalvo, seconded by Rickey Childers, to accept proposal for Auditing Services from Ernst & Young under Tab 6. Motion carried with unanimous approval.

Financial Statements as of February 28, 2003

Tito Villegas presented the Financial Statements as of February 28, 2003 under Tab 7. Rick Pokorny of Northern Trust and Tito Villegas presented the Investment Report under Tab 8.

Management Information Report

David Longoria presented the “Management Information System Report” under Tab 9.

**UNDERWRITING AND CLAIMS COMMITTEE**

Consideration Regarding Revising the Pool’s Coverage for Terrorism Acts

Carol Loughlin presented a report regarding revising the Pool’s coverage for Terrorism Acts under Tab 10. It was recommended that additional coverage for terrorism losses be made available subject to the following conditions:

1. Coverage be available for one loss in excess of \$10 million for the entire Pool, after considering all applicable reinsurance to the Pool and Federal or State assistance to the individual member or members.
2. Should such a loss in excess of \$10 million occur, the coverage above \$10 million be terminated for subsequent terrorism losses.
3. The maximum limit available for property losses caused by a single act of terrorism be \$25 million. The Large Loss Fund, to the extent necessary and available, be utilized to help pay any unreinsured terrorism loss in excess of \$5 million.

MOTION by Makia Epie, seconded by Wayne Collins, to revise the Pool’s coverage for Terrorism Acts as set forth under Tab 10. Motion carried with unanimous approval.

### Status of Reinsurance Discussions

Penny Haubold discussed market research regarding renewal terms for reinsurance.

### Consideration of Rates for Workers' Compensation and Liability for 2003-04

Carol Loughlin reviewed recommendations regarding Rates for Worker's Compensation and Liability for 2003-04

#### *Workers' Compensation Rates*

It was recommended that the impact of experience modifiers and discounts be recognized and that seven workers' compensation classifications be increased 5% as set forth under Tab 11.

MOTION by Makia Epie, seconded by Mary Gauer, to only increase seven workers' compensation classifications by 5% under Tab 11. Motion carried with unanimous approval.

#### *Liability Rates*

It was recommended that Liability experience modifiers be applied and that rates remain at their current levels for 2003-04 under Tab 11.

MOTION by Makia Epie, seconded by Wayne Collins, to maintain rates at their current levels for 2003-04 under Tab 11. Motion carried with unanimous approval.

### Consideration of Rates for Property Coverage

Carol Loughlin presented a recommendation that property rates remain at 2002-03 levels for 2003-04 as outlined under Tab 12.

MOTION by Makia Epie, seconded by Wayne Collins, to maintain property rates at 2002-03 levels for 2003-04 as outlined under Tab 12. Motion carried with unanimous approval.

### Report Regarding Marsh Non-Compete Agreement

Penny Haubold of Schinnerer & Company presented a response to concerns about possible conflicts of interest related to Marsh, Inc., both companies being members of the Marsh family. Modifications to the non-compete agreement were outlined in a letter written by Jim Smith dated April 19, 1999 and restated in a letter from Penny Haubold dated April 8, 2003 (Tab 13). Robert Herrera recommended that Marvin Townsend provide a copy of this letter to Frank Sturzl.

### Significant Cases & Legal Developments

David Reagan presented a report on “Significant Cases and Legal Developments” under Tab 14.

### Liability Claims Report

Mike Rains presented the “Liability/Property Claims Report” under Tab 15.

### Workers’ Compensation Claims Report

Mike Bratcher presented “Workers’ Compensation Claims Report” under Tab 16.

### Underwriting Report

Floyd Schock presented the “Underwriting Activity Report” under Tab 17.

### Loss Prevention Report

Chris Remmert presented the “Loss Prevention Report” under Tab 18.

### Field Services Report

Carol Loughlin presented the “Field Services Report” under Tab 19.

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

Tim Vaughn noted there are numerous key legal bills under consideration at the legislature.

## **GENERAL COUNSEL’S REPORT**

Tony Koriath presented an update of legislative matters of importance to the Pool. He also discussed the need to communicate in advance with the Texas Municipal League concerning legislation or resolutions the League supports which directly effect the Pool and its legislative objectives.

## **EXECUTIVE COMMITTEE REPORT**

### Litigation in which the Pool is a Participant

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

U.S. Highway 183 Update

Marvin Townsend 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” under Tab 24. It was decided that the April 16-17, 2004 meeting would be held at the Moody Gardens in Galveston. The September 24-25, 2004 meeting will be held in Frisco.

**EXECUTIVE SESSION**

The Trustees went into executive session to discuss and consider appropriate action in regard to *Teague and Burkett v. Town of Flower Mound*. The session lasted from 10:55 a.m. to 11:30 a.m.

MOTION by Leo Montalvo, seconded by Don Henderson, to adjourn the meeting. Motion carried with unanimous approval.

Meeting adjourned at 11:31 a.m. with consent.