

**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting  
San Antonio, Texas  
July 17, 2004

**Trustees Present**

Robert Herrera, Chair  
Pat Norriss, Vice Chair  
Alex Bickley  
Byron Black  
Richard Browning  
Rickey Childers  
Wayne Collins  
Don Dodson  
Makia Epie  
Andres Garza  
Mary Gauer  
Don Henderson  
Greg Ingham  
Mike McGregor  
Leo Montalvo  
Frank Sturzl  
Tim Vaughn

**Staff Present**

Marvin Townsend  
Carol Loughlin  
Tito Villegas  
David Reagan  
Mike Rains  
Mike Bratcher  
Allan Romer  
Bill Snyder  
Les Horne  
David Longoria  
Matt Jordan  
Terry Friggel

**Also Present**

Penny Haubold, Schinnerer &  
Company  
Elaine Pruden

Chair Robert Herrera called the meeting of the Board of Trustees of the TML Intergovernmental Risk Pool to order at 8:01 a.m. on Saturday, July 17, 2004.

**Roll Call and Excused Absences**

Marvin Townsend noted the absence of Larry Dovalina and reported the reason Mr. Dovalina was asking that his absence be excused.

MOTION by Don Dodson, seconded by Byron Black, to excuse the absence of Larry Dovalina. Motion carried with unanimous approval.

Resolution Appreciating and Honoring the Life of Tony Koriath

A resolution was presented under Tab 2 appreciating and honoring the life of Tony Koriath, former General Counsel to the Texas Municipal League Intergovernmental Risk Pool.

MOTION by Pat Norriss, seconded by Makia Epie, to pass the resolution appreciating and honoring the life of Tony Koriath. Motion passed with unanimous approval.

Consideration of Minutes of April 24, 2004 meeting in Galveston

MOTION by Mary Gauer, seconded by Rickey Childers to approve the minutes shown under Tab 3. Motion carried with unanimous approval.

Consideration of the report of the Nominating Committee

Don Dodson, Chair of the Nominating Committee, presented the recommendation of the committee under Tab 4 that Vice-Chair Pat Norriss continue to be qualified to become Chair on October 1, 2004, and recommended Leo Montalvo to serve as Vice-Chair effective October 1, 2004. The committee also recommended David Reagan for the position of Board Secretary, to be effective immediately.

Motion by Alex Bickley, seconded by Rickey Childers, to approve the recommendations of the Nominating Committee that Pat Norriss continues to be qualified to serve as Chair on October 1, 2004, that Leo Montalvo be elected as Vice-Chair, effective October 1, 2004, and that David Reagan be elected Board Secretary effective immediately. Motion carried with unanimous approval.

Don Dodson also presented the Nominating Committee's nominations for Trustee for Places 6 – 9 of the Board of Trustees as follows:

- Place 6 - Mayor Mary Gauer  
Harker Heights
- Place 7 - City Manager Larry Dovalina  
Laredo
- Place 8 - Mayor Leo Montalvo  
McAllen
- Place 9 - City Manager Andres Garza  
Wharton

The mail-out soliciting nominations has been mailed to all members.

MOTION by Don Henderson, seconded by Alex Bickley, to concur in placing on the ballot the Trustee Nominations by the Nominating Committee for Places 6 – 9. Motion carried with unanimous approval.

Don Dodson asked the board to consider the appointment to Place 10, now held by Don Henderson.

MOTION by Don Dodson, seconded by Alex Bickley, to reappoint Don Henderson to Place 10. Motion carried with unanimous approval.

#### Committee Appointments

There were no committee appointments.

### **FINANCE COMMITTEE**

#### Review of the May 31, 2004 (8-month) Financial Statements

Tito Villegas presented a review of the May 31, 2004 (8-month) Financial Statements under Tab 5.

#### Review of May 31, 2004 (8 month) Investment Report

Tito Villegas presented a review of the May 31, 2004 (8-month) Investment Report under Tab 6.

#### Consideration of the Proposed Budget for 2004-05 (separate document) and the salary schedule for 2004-05.

Tito Villegas presented the proposed budget for 2004-05 and the salary schedule for 2004-05 under separate document.

MOTION by Don Dodson, seconded by Byron Black, to approve the proposed budget and salary schedule for 2004-05. Motion carried with unanimous approval.

### Actuarial Services Contract Correction

Tito Villegas presented a recommendation under Tab 9 to correct the minutes of January 17, 2004 Board meeting concerning the one-year extension option in the contract with Deloitte Consulting, LLP for actuarial services. The minutes should have reflected that the extension of the agreement covered the reserve review for the fiscal year ending September 30, 2004 (instead of 2003) and the rate review for the fiscal year beginning October 1, 2005 (instead of 2004) for \$66,900 to be accomplished from June 1, 2004 to May 31, 2005.

MOTION by Alex Bickley, seconded by Mary Gauer, to approve this correction to the minutes of January 17, 2004 Board meeting regarding the one-year extension option in the contract with Deloitte Consulting, LLP for actuarial services under Tab 9. Motion carried with unanimous approval.

### Management Information Report

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

## **UNDERWRITING AND CLAIMS COMMITTEE**

### Employers’ Casualty Company in Receivership Report

Mike Bratcher presented a report under Tab 8 regarding the Pool’s recovery against the ECC Estate.

### Consideration regarding the percent of quota sharing between National League of Cities Mutual Insurance Company and the Pool

Carol Loughlin presented the quota-share participation between the Pool and the National League of Cities Mutual Insurance Company (NLC-MIC) under Tab 11. She recommended that the Pool accept the NLC-MIC’s renewal terms to quota-share 26.67% in the \$3 million layer above the Pool’s \$2 million retention for liability reinsurance for the year beginning October 1, 2004. NLC-MIC will follow General Reinsurance’s terms and pricing for the layer.

MOTION by Makia Epie, seconded by Don Dodson, to accept NLC-MIC’s renewal terms to quota-share 26.67% in the \$3 million layer above the Pool’s \$2 million retention under Tab 11. Motion passed with unanimous approval.

### Consideration of Award for Aviation and Boiler & Machinery Reinsurance

Carol Loughlin presented the following recommendations regarding the Aviation and Boiler & Machinery reinsurance coverages for October 1, 2004 to September 30, 2005 under Tab 12:

**Aviation Renewal** – It was recommended the Pool accept renewal on the same basis as expiring as proposed by Phoenix Aviation/Old Republic Insurance Company and increase the Pool’s quota share from 35 percent to 40 percent with Old Republic reinsuring the Pool for 60 percent of all losses and receiving 60 percent of the Aviation coverage contributions.

MOTION by Makia Epie, seconded by Don Henderson, to accept Aviation Reinsurance renewal on the same basis as expiring as proposed by Phoenix Aviation/Old Republic Insurance Company and increase the Pool’s quota share from 35 percent to 40 percent with Old Republic reinsuring the Pool for 60 percent of all losses and receiving 60 percent of the Aviation coverage contributions under Tab 12. Motion carried with unanimous approval.

**Boiler & Machinery Renewal** – It was recommended the Pool accept Travelers Insurance Company’s offer to renew Boiler & Machinery reinsurance coverage and provide inspection services for another 12 months beginning October 1, 2004 with no changes in reinsured limits or reinsurance contract terms and with a 10 percent rate reduction.

MOTION by Makia Epie, seconded by Andres Garza, to approve Travelers Insurance Company’s offer to renew Boiler & Machinery reinsurance coverage and provide inspection services for another 12 months beginning October 1, 2004 with no changes in reinsured limits or reinsurance contract terms and with a 10 percent rate reduction under Tab 12. Motion carried with unanimous approval.

### Update of Workers’ Compensation and Property Reinsurance

Penny Haubold of Schinnerer & Company presented an update on the status of workers’ compensation and property reinsurance.

### Consideration of Victor O. Schinnerer’s Contract for August 1, 2004 to July 31, 2005

Carol Loughlin presented a recommendation under Tab 13 that the Pool continue to contract with Victor O. Schinnerer & Company, Inc. for specified underwriting services and that the fee for August 1, 2004 to July 31, 2005 be \$523,000. If it is determined that it is in the best interests of the Pool not to purchase workers’ compensation reinsurance for 2004-05 and there is no workers’ compensation marketing activity for 2005-06, this fee will be reduced by \$15,000.

MOTION by Makia Epie, seconded by Mike McGregor, to approve the contract with Victor O. Schinnerer & Company for underwriting services under Tab 13. Motion carried with unanimous approval.

#### Consideration of Returning a Portion of Liability Members' Equity

Carol Loughlin presented the recommendation under Tab 7 that, given the strong equity position of the Liability Fund and the growth in members' equity over the past ten years, some Members' Equity be returned to members with Liability loss ratios no greater than 100 percent. More specifically, it was recommended that approximately \$4.5 million of the equity in the Liability program be returned to members that:

- a) have been members of the Liability Fund for three complete years on September 30, 2004,
- b) have liability loss ratios no greater than 100% since joining the Pool or for the last five years whichever loss ratio is lower, and
- c) continue to be Liability members as of November 1, 2004, the proposed date of the return.

It was further recommended that the equity return be based on the scale set out under Tab 7.

MOTION by Makia Epie, seconded by Byron Black, to approve returning a portion of the Liability Members' Equity as recommended under Tab 7. Motion carried with unanimous approval.

#### Consideration of Renewal of Corvel Contract

Mike Bratcher presented the recommendation to approve the Corvel Corporation contract extension. He recommended a three-year contract extension with Corvel Corporation with an increase in the line item audit fee each year as specified under Tab 14. Preauthorization fees would be paid at the current contract amount of \$70 per case for all three years. Case Management fees would be paid at \$75 per hour for all three years. Preferred Provider fees would remain at 25% of the reduction.

MOTION by Makia Epie, seconded by Don Henderson, to approve the renewal of the three-year contract extension with Corvel Corporation at the rates specified under Tab 14. Motion carried with unanimous approval.

#### Status of Major Claims and Related Action

David Reagan presented the status under Tab 15 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 16.

### Liability Claims Report

Mike Rains presented the “Liability/Property Claims Report” under Tab 17.

### Workers’ Compensation Claims Report

Mike Bratcher presented “Workers’ Compensation Claims Report” under Tab 18.

### Underwriting Report

Matt Jordan presented the “Underwriting Activity Report” under Tab 19.

### Loss Prevention Report

Les Horne presented the “Loss Prevention Board Report” under Tab 20.

### Field Services Report

Carol Loughlin presented the “Field Services Report” under Tab 21.

## **GENERAL COUNSEL’S REPORT**

Frank Sturzl presented legislative matters of importance to the Pool under separate cover.

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

Richard Browning reported the TML Employee Benefits Pool is doing well, especially with its cost containment program.

## **EXECUTIVE COMMITTEE REPORT**

### Consideration regarding assignment of General Counsel duties

Marvin Townsend presented pending matters regarding the Law Office of Tony Koriath, P.C. contract under Tab 22. It was recommended that monthly payments continue under the contract until the 12 monthly payments have been processed for the 2003-04 contract term as set forth in Exhibit 1 under Tab 22. In addition to the contract payments, approximately \$5,000 will be due to the Law Office of Tony Koriath for subrogation cases in which the Law Office has time and expenses involved are closed and the subrogation amount due is collected.

MOTION by Pat Norriss, seconded by Greg Ingham, to approve the items covered by the contract with the Law Office of Tony Koriath according to the status of payments for 2003-04 set forth in Exhibit 1 under Tab 22. Approximately \$5,000 will also be paid to the Law Office of Tony Koriath as subrogation cases in which the Law Office has time and expenses involved are closed and the subrogation amount due is collected. Motion carried with unanimous approval.

#### Litigation in which the Pool is a Participant

David Reagan presented “Lawsuits in which the Pool is a Party” under Tab 23.

#### U.S. Highway 183 Update

Bill Snyder presented the “U.S. Highway 183 Update” under Tab 24.

#### Personnel Report

Allan Romer presented the “Quarterly Personnel Report” under Tab 25.

### **EXECUTIVE SESSION**

The Trustees went into executive session to discuss and consider the report of the Ad Hoc Personnel Committee concerning compensation for the Executive Director and assignment of General Counsel duties. The session lasted from 11:15 a.m. to 11:47 a.m.

The Chair reconvenes the regular meeting at 11:47 a.m.

#### Consideration regarding assignment of General Counsel duties and compensation for Executive Director

MOTION by Mike McGregor, seconded by Don Henderson, to approve the assignment of the duties and the title of General Counsel to the Director of Legal Services, David Reagan, who will continue to use consultants, such as Bob Kamm and Pam Beachley, for legislative and technical support and to approve a 5% pay increase for the Executive Director. A vacant position now exists in the Legal Department, which later could be filled to provide assistance to the Director of Legal Services if the workload so dictates. Motion carried with unanimous approval.

Mike McGregor pointed out that no one other than Marvin Townsend would answer directly to the Board.

## **MEETING SCHEDULE**

Marvin Townsend reviewed the “Schedule of Meetings” under Tab 26. The September 16-17, 2005 Board Meeting in Austin will be held at Lakeway or Barton Creek.

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

Meeting adjourned at 11:49 a.m.