

**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting  
San Antonio Hyatt Hill Country  
July 19, 2003

Trustees Present

Robert Herrera, Chair  
Pat Norriss, Vice-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  
Frank Sturzl  
Tim Vaughn

Staff Present

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

Also Present

Penny Haubold, Schinnerer  
& Company  
Tony Koriath, LOTK  
Elaine Pruden, LOTK

The meeting of the Board of Trustees of the TML Intergovernmental Risk Pool was called to order at 8:00 a.m. on Saturday, July 19, 2003 by Chair Robert Herrera.

Roll Call and Excused Absences

Robert Herrera noted the absence of Alex Bickley.

Consideration of Alex Bickley's Leave of Absence

Robert Herrera presented Alex Bickley's letter of resignation from the Texas Municipal League Intergovernmental Risk Pool Board, dated June 18, 2003, under Tab 2.

MOTION by Don Dodson, seconded by Leo Montalvo, to accept Alex Bickley's letter of resignation from the Texas Municipal League Intergovernmental Risk Pool Board. Motion carried with unanimous approval.

#### Consideration of Minutes of April 26, 2003 Meeting in Austin

MOTION by Ricky Childers, seconded by Larry Dovalina to approve the minutes shown under Tab 2. Motion carried with unanimous approval.

MOTION by Makia Epie, seconded by Byron Black to publicize approved minutes on the Internet. Motion carried with unanimous approval.

### **FINANCE COMMITTEE**

#### Consideration of the 2003-2004 Budget

Hank Domeracki presented, as a separate report, the 2003-2004 Budget.

MOTION by Leo Montalvo, seconded by Pat Norriss to accept the 2003-2004 Budget. Motion carried with unanimous approval.

Hank Domeracki discussed transfer of the Large Loss Sub-fund to a separate fund, and an increase of the contribution cap in the Large Loss Fund from \$20 million to \$40 million.

MOTION by Leo Montalvo, seconded by Larry Dovalina to separate the Large Loss Sub-fund into a separate fund and increase its contribution cap from \$20 million to \$40 million. Motion carried with unanimous approval.

#### Issues Regarding Member Unpaid Contributions and Charges

Marvin Townsend presented the following policies for consideration regarding member unpaid contributions and charges under Tab 4:

- a. Interest be charged only when a member asks to defer deductibles, audits, shared settlements, windstorm annual premiums or other extraordinary payments for the member's convenience due to budgetary limitations or other unanticipated member problems.
- b. Any member who terminates membership owing the Pool earned contributions be allowed to return as a probationary member with an annual reentry surcharge and waiver of any discount which the member would otherwise be entitled to receive.

- c. Coverage for Brackettville, Elsa, Kendleton, La Joya, La Villa, Log Cabin, and Rio Bravo be terminated as of September 30, 2003 after 30 days written notice, unless probationary member endorsements are executed before the expiration of the 30-day notice period or these members have established an adequate payment history as determined by the Pool's Deputy Director, Chief Financial Officer, and Executive Director.

MOTION by Don Henderson, seconded by Leo Montalvo, to approve these policies regarding member unpaid contributions and charges under Tab 4. Motion carried with unanimous approval.

#### Review of the May 31, 2003 (8-Month) Financial Statements

Tito Villegas presented the Financial Statements as of May 31, 2003 under Tab 5.

#### Review of May 31, 2003 Investment Report

Tito Villegas presented the Investment Report as of May 31, 2003 under Tab 6.

#### Management Information Report

David Longoria presented the "Management Information System Report" under Tab 7.

### **UNDERWRITING AND CLAIMS COMMITTEE**

#### Status of Reinsurance Acquisition for Workers' Compensation, Property, Boiler and Machinery, and Aviation Liability Programs

Penny Haubold of Schinnerer & Company discussed the status of negotiations regarding reinsurance acquisition for Workers' Compensation, Property, Boiler and Machinery, and Aviation liability programs under Tab 8. Penny expects to present final recommendations to the Board at its September meeting.

#### Consideration of Purchase of Liability Reinsurance for 2003-04

Carol Loughlin presented the following recommendations for 2003-04 liability renewal reinsurance terms with General Reinsurance and the National League of Cities Mutual Insurance Company (NLC MIC) under Tab 9:

1. The following reinsurance program negotiated with General Reinsurance and NLC MIC be adopted for 2003-04:

- ◆ Increase reinsurance rates for the \$4 million excess of \$1 million layers by 6.5%;
  - ◆ Apply minimum reinsurance premiums for all new and renewal members purchasing coverage in the \$5 million excess of \$5 million layers;
  - ◆ Revise the quota-share participation in the \$1 million excess of \$1 million layer as follows: Pool's participation, 30%; General Re's participation, 50%; and NLC MIC's participation, 20%.
2. In the current year and prior years, the Liability Fund paid its quota share participation to the Reinsurance Fund at the same cost as if it were purchasing coverage from an outside reinsurer, which included a charge for profit and overhead expenses. It is estimated that these costs add over 20 percent to the cost of reinsurance. Because the Pool does not build profit into its rates and because it spreads its overhead among its operating funds, it is recommended that the payment by the Liability Fund to the Reinsurance Fund be based on 80 percent of the rate being charged by General Reinsurance. This 20 percent reduction in the charge to the Liability Fund will be approximately \$174,000.

MOTION by Makia Epie, seconded by Mary Gauer, to approve the recommendations regarding the purchase of Liability Reinsurance for 2003-04 under Tab 9. Motion carried with unanimous approval.

#### Consideration of Contracting of Medical Claims Review Services

Mike Bratcher presented a recommendation under Tab 10 to extend Corvel Corporation's contract due to the new fee schedule guideline, using Medicare rules, which takes effect August 1, 2003. This contract extension will remain under the current contract rates for one year with a 90-day cancellation clause by either party for any reason. This one-year timeframe will allow Corvel and the Pool to evaluate the Medicare audit methodology and determine if pricing adjustments are indicated.

MOTION by Makia Epie, seconded by Wayne Collins, to extend Corvel Corporation's contract for one year with a 90-day cancellation clause by either party for any reason under Tab 10. Motion carried with unanimous approval.

#### Status of Major Claims and Related Actions

Under Tab 11, David Reagan presented the status of three cases previously presented to the Board involving settlement authority in excess of \$500,000. In the case of *Kalimah et al. v. City of McKinney*, a settlement demand in the amount of \$1.45 million had been presented to the City and the Pool. Mr. Reagan recommended the Board approve such settlement with the Pool paying \$1.075 million and the City paying \$375,000.

MOTION by Leo Montalvo, seconded by Byron Black, to approve settlement of this lawsuit with the Pool paying \$1.075 million of the settlement. Motion carried with unanimous approval.

Significant Cases & Legal Developments

David Reagan presented a report on “Significant Cases and Legal Developments” under Tab 12.

Liability Claims Report

Mike Rains presented the “Liability/Property Claims Report” under Tab 13.

Workers’ Compensation Claims Report

Mike Bratcher presented “Workers’ Compensation Claims Report” under Tab 14.

Underwriting Report

Floyd Schock presented the “Underwriting Activity Report” under Tab 15.

Loss Prevention Report

Les Horne presented the “Loss Prevention Board Report” under Tab 16.

Field Services Report

Scott Epperson presented the “Field Services Report” under Tab 17.

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

Richard Browning stated the Employee Benefits Fund had a good year for 2002-03, estimating to finish the year with \$15 million.

Frank Sturzl commented on the success of the two pools and indicated he was working on ways to promote this success.

Tim Vaughn commented on the positive feedback he received during the last quarterly meeting regarding the low rate increase.

## **GENERAL COUNSEL'S REPORT**

### The 2003 Legislative Summary

Tony Koriath, under Tab 18, presented the 2003 Legislative Summary, including bills of interest sent to the Governor, Texas Workers Compensation Commission Sunset '05, Governor's veto message of HB2493 regarding competitive bid requirements, and bills of interest tracked during the 2003 session. Mr. Koriath also recommended a one-time appropriation of \$30,000 for General Counsel including:

1. Hiring Pam Beachly to monitor issues and actions of Sunset review during the 2004-2005 biennium.
2. Hiring Bob Kamm to research issues and actions regarding SB1414, which states cancer and respiratory illnesses are presumed due to fire.

MOTION by Pat Norriss, seconded by Andres Garza, to appropriate \$30,000 for the services of Pam Beachly to monitor Sunset review and Bob Kamm to research the progress of issues presented under SB1414. Motion carried with unanimous approval.

## **EXECUTIVE COMMITTEE REPORT**

### Consideration of Authorizing Updated TMRS Service Credit for Transferred Service. Tabled on January 18, 2003 to the July 2003 Board Meeting

Marvin Townsend presented a report regarding adding updated transfer credits to the Pool's TMRS Program under Tab 19. After discussions with TMRS representatives and the failure of the Legislature to amend Section 854.003, Townsend recommended that the TMRS option to adopt Updated Transfer Credits receive no further consideration.

MOTION by Andres Garza, seconded by Byron Black, and carried with unanimous approval, to discontinue consideration of TMRS' option to adopt Updated Transfer Credits.

### Consideration of the 2003-04 Budget's Personnel Recommendations

Marvin Townsend presented the 2003-04 Budget's personnel recommendations

MOTION by Byron Black, seconded by Don Henderson, and carried with unanimous approval, to approve the 2003-04 Budget's personnel recommendations, including a 2-½% cost of living adjustment.

Litigation in which the Pool is a Participant

David Reagan presented “Lawsuits in which the Pool is a Party” under Tab 20.

U.S. Highway 183 Update

Bill Snyder presented the “U.S. Highway 183 Update” under Tab 21.

Personnel Report

Allan Romer presented the “Quarterly Personnel Report” under Tab 22.

**MEETING SCHEDULE AND BOARD CONTINUING EDUCATION**

Robert Herrera reviewed the “Schedule of Meetings” and “Board Continuing Education” meetings under Tab 23. The next Board meeting is scheduled for September 26-27 in Corpus Christi, and the next continuing education meeting is scheduled for August 3-5 in Park City, Utah.

**EXECUTIVE SESSION**

The Trustees went into executive session to discuss compensation for the executive director. The session lasted from 11:25 a.m. to 11:50 a.m.

MOTION by Leo Montalvo, seconded by Makia Epie, to approve a 5% pay increase for the Executive Director. Motion carried with unanimous approval.

MOTION by Don Henderson, seconded by Mike McGregor, to create a committee to evaluate the Executive Director’s pay, the pay structure of the executive staff, and the evaluation process to be implemented regarding the Executive Director, and present a report to the Board by the January 2004 meeting. Motion carried with unanimous approval.

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

Meeting adjourned at 11:55 a.m. with consent.