

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL**

Board of Trustees Meeting
San Antonio
July 22, 2006

Trustees Present

Pat Norriss, Chair
Leo Montalvo, Vice Chair
Alex Bickley
Byron Black
Richard Browning
Rickey Childers
Wayne Collins
Harold Dominguez
Larry Dovalina
Andres Garza
Mary Gauer
Don Henderson
Robert Herrera
Greg Ingham
Frank Sturzl
Henry Wilson

Staff Present

Marvin Townsend
Carol Loughlin
David Reagan
Mike Bratcher
Scott Epperson
Les Horne
Matt Jordan
David Longoria
Mike Rains
Allan Romer
Bill Snyder
Tito Villegas
Debbye Mangum

Also Present

Penny Wyatt, Victor O. Schinnerer
Juanita Finger, Victor O. Schinnerer

Pat Norriss called the meeting of the Board of Trustees of the TML Intergovernmental Risk Pool to order at 7:26 a.m. on Saturday, July 22, 2006.

Roll Call and Excused Absences (Tab 1)¹

Marvin Townsend noted the absences of Don Dodson and Makia Epie and reported the reasons they were asking that their absences be excused.

¹ All references to "Tabs" in these minutes are references to the Tabs in the Board of Trustees Agenda packet.

MOTION by Robert Herrera, seconded by Alex Bickley, to excuse the absences of Don Dodson and Makia Epie. Motion carried with unanimous approval.

Consideration of Minutes of April 8, 2006 Meeting in Frisco (Tab 2)

MOTION by Andres Garza, seconded by Mary Gauer, to approve the minutes as written under Tab 2. Motion carried with unanimous approval.

Consideration of the Report of the Nominating Committee (Tab 3)

Greg Ingham presented the recommendation of the Nominating Committee under Tab 3. In accordance with the Bylaws, the Vice-Chair Leo Montalvo will move up to the Chair's position. The Nominating Committee recommended that Rickey Childers be nominated to the Vice-Chair position beginning October 1, 2006.

MOTION by Greg Ingham, seconded by Robert Herrera, to approve the recommendations of the Nominating Committee that Leo Montalvo continues to be qualified to serve as Chair and that Rickey Childers be elected as Vice-Chair, effective October 1, 2006. Motion carried with unanimous approval.

Greg Ingham turned the next presentation over to Andres Garza. Mr. Garza presented the Nominating Committee's nominations for Trustee for Places 11 – 14 of the Board of Trustees as follows:

Place 11	Greg Ingham, Plainview
Place 12	Harold Dominguez, San Angelo
Place 13	Byron Black, Central Appraisal District of Johnson Co.
Place 14	Pat Norriss, Nortex Regional Planning Commission

MOTION by Andres Garza, seconded by Leo Montalvo, to accept the nominations for Places 11-14 as listed above. Motion carried with unanimous approval.

Greg Ingham presented the recommendation for Place 15. The Nominating Committee recommended that Alex Bickley remain as the citizen member of the Board of Trustees in Place 15.

MOTION by Greg Ingham, seconded by Mary Gauer, to reappoint Alex Bickley as the citizen member of the Board of Trustees for Place 15. Motion carried with unanimous approval.

David Reagan presented the election schedule for the Board of Trustees and nominations for Places 11-14 received thus far.

FINANCE COMMITTEE

Review of May 31, 2006 (8-month) Financial Statements (Tab 4)

Tito Villegas presented an overview of the financial statements for the eight months ending May 31, 2006 under Tab 4.

Review of May 31, 2006 (8-month) Investment Report (Tab 5)

Tito Villegas presented an overview of the investment report under Tab 5.

Consideration of Direct Contracting with Health Care Providers to Provide Workers' Compensation Medical Benefits, Transferring Medical Bill Review In-House and appointing the Pool's representative to the Board of the Political Subdivision Workers' Compensation Alliance. (Tab 12)

Mike Bratcher presented recommendations regarding the Political Subdivision Workers' Compensation Alliance (the Alliance) under Tab 12. The Alliance was created by interlocal agreement by the Texas Municipal League Intergovernmental Risk Pool, the Texas Association of School Boards, the Texas Association of Counties, the Texas Council Risk Management Fund, and the Texas Water Conservation Risk Management Fund to provide workers' compensation medical benefits for the members of these five pools.

The Alliance has developed a list of doctors and has drawn up a contract for the doctors to sign. The Alliance will soon contact these doctors and attempt to contract with them to provide care for the employees of the members of the five pools. Consultants may be used to assist with contracting with the doctors. The doctors will have to have their credentials verified. The cost to perform credentialing is estimated at \$45 to \$60 per provider. It is anticipated the Alliance will need as many as 5000 providers. The Alliance will create a doctor database and monitor doctors for compliance with treatment guidelines.

Each pool will be responsible for its proportionate share of expenses, based upon medical bill volume for a specified time period. It is estimated the Pool's initial share will be approximately 36%. Anticipated expenses for the first year of Alliance operations are estimated to be \$2,350,000.

All medical bills will have to be reviewed to determine compliance with medical fee guidelines. The staff recommends bringing this process in-house with software consistent with that used by the Texas Association of School Boards. The initial cost to bring the medical bill review program in-house will be approximately \$991,000. TASB will also handle the pre-authorization functions.

It was recommended that the work plan summary for the Alliance be approved in concept, the Texas Association of School Boards be authorized to carry out the pre-authorization

process, the Pool's Executive Director be appointed as the Pool's representative on the Alliance Board, medical bill review be transitioned in-house, and Corvel be given notice of termination of its contract as of November 1, 2006, or at a date mutually agreeable to both parties.

MOTION by Mary Gauer, seconded by Alex Bickley, to approve the above recommendations under Tab 12. The motion was approved with Robert Herrera voting against the motion.

Consideration of the Proposed Budget for 2006-07 and the Salary Schedule for 2006-07 (Separate document)

Tito Villegas presented the proposed budget and salary schedule for 2006-07. Such budget and salary schedule was not part of the Board agenda packet, but was presented as a separate document.

MOTION by Byron Black, seconded by Larry Dovalina, to approve the proposed budget and salary schedule. Motion carried with unanimous approval.

Consideration of a Revision to the Large Loss Fund Payment Guidelines (Tab 6)

Tito Villegas presented recommendations for revisions to the Large Loss Fund guidelines under Tab 6. It was recommended that the Large Loss Fund reimburse the three operating funds, Workers' Compensation, Liability, and Property, for any accumulation of losses in excess of \$1,000,000 per occurrence when such accumulation exceeds \$3,000,000 in any fiscal year in any one fund. The Large Loss Fund's obligation to any operating fund for aggregate losses excess of \$1,000,000 shall not exceed \$5,000,000 in any one year. The Large Loss Fund will reimburse the Reinsurance Fund for any loss in excess of \$4,000,000 per occurrence.

MOTION by Byron Black, seconded by Leo Montalvo, to approve the recommendations as listed under Tab 6. Motion carried with unanimous approval.

Management Information Systems Report (Tab 7)

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

UNDERWRITING AND CLAIMS COMMITTEE

Final Report regarding Property Reinsurance Acquisition for May 1, 2006 to April 30, 2007 (Tab 8)

Carol Loughlin presented under Tab 8 the report of the property reinsurance renewed on May 1, 2006, in accordance with the authorization given at the April 8, 2006 Board

meeting. The renewal rates were as set forth in the April Board packet with the exception of the \$50 million excess of \$50 million layer, which was placed at a rate of approximately \$250,000 less than presented at the April meeting. The amount self-insured by the Pool was different than designated by the Board but consistent with the general concept of the Pool accepting less risk in the first \$7 million excess of \$3 million layer and more risk in the \$40 million excess of \$10 million layer.

Consideration of an Equity Return in the Liability Program for the Year ending September 30, 2005 (Tab 9)

Carol Loughlin presented under Tab 9 consideration of a liability equity return for the year ending September 30, 2005 of approximately \$5,000,000 because of the strong financial position of the Liability program. The criteria for receiving a liability equity return would be as follows: (a) must have been members of the Liability Fund for three complete years as of September 30, 2006, (b) must have liability loss ratios of 100% or less since joining the Pool or for last five years whichever loss ratio is lower, and (c) must continue to be liability members as of November 1, 2006, the proposed date of the return. The equity return will be allocated to members based on their loss ratios. The staff recommends that a longevity credit be added to the loss ratio credit for members who have been members of the Pool for more than 5 years. Members with 5-10 years of longevity would receive 1% of their contribution as a longevity credit and those Members with more than 10 years longevity with the Pool would receive 2%. The staff also recommends that returns over \$1,000 be distributed by check to all members whose accounts are current and by account credit to all other members. Members' accounts must be current in order to be eligible for the return.

MOTION by Mary Gauer, seconded by Leo Montalvo, to approve the liability equity return as outlined under Tab 9. Motion carried with unanimous approval.

Further consideration of Workers' Compensation Benefits for Volunteers (Tab 10)

Mike Bratcher presented revisions to the death benefits available to volunteers. At the July 2005 Board meeting, the Board adopted revisions to the weekly income benefits available to volunteers. The staff wanted to make the Board aware that the Subsequent Injury Fund has determined that it is not responsible for the first \$81 of the weekly income benefits and the Subsequent Injury Fund will not reimburse death benefits.

It is recommended that the present benefit program for volunteers continue as approved at the July 2005 Board meeting and any new developments in volunteer benefits be reported to the Board as they arise.

MOTION by Andres Garza, seconded by Mary Gauer, to continue with the present benefit program for volunteers as approved at the July 2005 Board meeting. Motion carried with unanimous approval.

Consideration of Extending the Contract with Victor O. Schinnerer & Company, Inc. from August 1, 2006 to July 31, 2007 (Tab 11)

Carol Loughlin presented the recommendation under Tab 11 concerning the fees to be paid under the contract with Victor O. Schinnerer & Company, Inc. during the third year of the contract for specified underwriting services and reinsurance brokerage services. The current contract became effective August 1, 2004 with an option to renew annually through July 31, 2008. The staff recommends that the VOSCO contract be continued beginning August 1, 2006 through July 31, 2007, under the proposed 2006-07 fee structure set forth under Tab 11 totaling \$513,000.

MOTION by Mary Gauer, seconded by Byron Black, to approve the renewal of the Victor O. Schinnerer & Company, Inc. contract with the fees set forth under Tab 11, totaling \$513,000, beginning August 1, 2006 through July 31, 2007. Motion carried with unanimous approval.

Review of Workers' Compensation and Liability Claims Management Audits (Tab 13)

Marvin Townsend reviewed the workers' compensation and liability claims management audits prepared by Northshore International Services, Inc. as summarized under Tab 13.

Significant Cases and Legal Developments (Tab 14)

David Reagan presented the report on "Significant Cases and Legal Developments" under Tab 14.

Liability Claims Report (Tab 15)

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

Workers' Compensation Claims Report (Tab 16)

Mike Bratcher presented "Workers' Compensation Claims Report" under Tab 16.

Underwriting Report (Tab 17)

Matt Jordan presented the "Underwriting Activity Report" under Tab 17.

Loss Prevention Report (Tab 18)

Les Horne presented the "Loss Prevention Board Report" under Tab 18.

Field Services Report (Tab 19)

Scott Epperson presented the “Field Services Report” under Tab 19.

General Counsel’s Report

Legislative Update (Tab 20)

David Reagan presented the Legislative Update under Tab 20.

Consideration of Renewal of Consultant Contracts with Bob Kamm and Pam Beachley (Tab 21)

David Reagan presented the recommendation for the renewal of legislative consultant contracts with Bob Kamm and Pam Beachley beginning August 1, 2006 through July 31, 2007 under Tab 21.

MOTION by Mary Gauer, seconded by Alex Bickley, to approve the renewal of consultant contracts with Bob Kamm and Pam Beachley beginning August 1, 2006 through July 31, 2007. Motion carried with unanimous approval.

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

Richard Browning reported on the TML Intergovernmental Employee Benefits Pool’s Board meeting on June 29-30, 2006. There were no rate increases for 2006-07. Rates will remain the same or lower for the next fiscal year. TML-IEBP is in the process of negotiating with United Health Care. If the negotiations are successful, United Health Care will take over some of the functions of the Pool and there may be substantial staff changes. The TMLIEBP next Board meeting will be August 2, 2006.

Henry Wilson reported that TML Annual meeting would be held October 25-28, 2006 at the Austin Hilton.

EXECUTIVE COMMITTEE REPORT

U. S. Highway 183 Update (Tab 22)

Bill Snyder presented a report on the U. S. Highway 183 update under Tab 22.

Lawsuits in which the Risk Pool is a Participant (Tab 23)

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

Personnel Report (Tab 24)

Allan Romer presented the “Quarterly Personnel Report” under Tab 24.

Meeting Schedule (Tab 25)

Marvin Townsend reviewed the “Schedule of Meetings” and “Board Continuing Education” under Tab 25. It was recommended that the January 18-19, 2008 meeting be held in McAllen and the April 18-19, 2008 meeting be held in Frisco.

MOTION by Andres Garza, seconded by Rickey Childers, to approve the Board meetings for January and April 2008 being held in McAllen and Frisco, respectively. Motion carried with unanimous approval.

Adjournment

Meeting adjourned at 10:30 a.m. with consent.