

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL
Underwriting & Claims Committee Meeting
Hotel Galvez, Music Hall
2024 Seawall Blvd., Galveston, Texas 77550
April 27, 2018**

Committee Trustees Present

Randy Criswell, Chair
Rickey Childers, Vice Chair
Andres Garza
Robert Herrera
Michael Talbot
Henry Wilson

Other Trustees Present

Larry Melton
Bennett Sandlin
Peter Vargas

Staff Present

Jeff Thompson
Bob Haynes
David Reagan
Mike Bratcher
Tamara Chafin
Lindsey Fields
Susie Green
Irvin Janak
Bo Joseph
Paula Marr-Ludwig

Staff Present (con't)

David Nix
Mike Raigosa
Mike Rains
Debbye Mangum

Randy Criswell called to order the Underwriting and Claims Committee of the Texas Municipal League Intergovernmental Risk Pool at 3:05 p.m. on Friday, April 27, 2018.

Consideration of minutes of January 26, 2018 committee meeting (Tab 15)¹

MOTION by Robert Herrera, seconded by Andres Garza, to approve the Underwriting and Claims Committee meeting minutes of January 26, 2018, as written under Tab 15. Motion carried with unanimous approval.

Consideration of Revisions to the Pool's Liability and Property Coverage Documents (Tab 16)

David Reagan presented the recommended revisions to the Pool's Liability and Property Coverage Documents as set forth below.

1. Approve the proposed changes to the Liability and Property Coverage Documents set out under Tab 16 of the Board packet.
2. Approve the following changes to the Computer Fraud Coverage under the Crime Coverage Option:
 - a. Reduce the maximum coverage to \$100,000 per Member, per year;
 - b. Impose a 10% deductible on any loss payment, subject to a \$1,000 minimum deductible;

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

- c. Increase the base rates to twice the rates for Public Employee Dishonesty Coverage with an annual minimum contribution of \$250; and,
 - d. For any Member that sustains a computer fraud loss, impose a surcharge of five times the base rate and reduce coverage to \$25,000 for the remainder of the Fund Year plus one additional Fund Year.
3. Delete the first sentence of Section IV. of the Flood Coverage Option concerning the deductible.

MOTION by Robert Herrera, seconded by Andres Garza, to recommend to the Board that the proposed revisions to the Pool's Liability and Property Coverage Documents as presented above be approved. Motion carried with unanimous approval.

Consideration of Property Rate Recommendations & Property Reinsurance Recommendations for May 1, 2018 to May 1, 2019 (Tab 17)

Bob Haynes presented the recommendations for the property rates and property reinsurance coverage under Tab 17. The staff recommended an overall property rate increase of 7.5%, with 10% increase in Automobile Physical Damage rates, 15% increase to Automobile Catastrophe rates, 5% increase to Real & Personal Property rates, 15% increase to flood rates (except a 5% increase will apply to Seacoast 1 counties), and increase the wind/hail deductible buyback option from a surcharge of 10% to a surcharge of 15%. The staff also recommended approving the overall reinsurance structure as presented under Tab 17 with the external expenditure of \$9.6 million, along with an additional buffer increasing the external expenditure to no more than \$10.6 million should the Executive Director need to make modifications to the structure.

MOTION by Robert Herrera, seconded by Rickey Childers, to recommend to the Board that the property rate recommendations and property reinsurance structure recommendations be approved as set forth under Tab 17. Motion carried with unanimous approval.

Consideration of Workers' Compensation Rate Recommendations for 2018-19 (Tab 18)

Bob Haynes presented the recommendation for workers' compensation rate recommendations under Tab 18. The actuarial review for 2018-19 indicated a decrease of 3.6%. The staff recommended the upper threshold for the Experience Modifier calculation be increased to \$200,000 per loss; up from \$150,000 due to increased claim severity. Additionally, the staff recommended that payroll classifications that generate \$100,000 in contribution or greater and with a 3-5 year loss ratio greater than 100% be increased by 10% and those with a 3-5 year loss ratio between 90% to 100%, be increased by 5%. The recommended changes as outlined above result in a projected overall 0.5% decrease in contributions, and become effective October 1, 2018 through September 30, 2019.

MOTION by Rickey Childers, seconded by Andres Garza, to recommend to the Board that the workers' compensation recommended rates set forth under Tab 18 be approved. Randy Criswell, Rickey Childers, and Andres Garza voted in favor of the motion. Robert Herrera and Michael Talbot voted against the motion. Motion passed.

The committee asked the staff to develop for Board consideration a discount plan for longstanding Members with good loss ratios. Such a plan might consider 25-year Members with loss ratios consistently less than 75%, and contributions of at least \$25,000 annually. The recommendation should be presented at the Board meeting in January or April, 2019.

Consideration of Liability Rate Recommendations for 2018-19 (Tab 19)

Bob Haynes presented the recommendation of liability rates for October 1, 2018 through September 30, 2019, as set forth under Tab 19. The recommendations were presented for each line of coverage and for Liability Experience Modifiers as follows:

- Reduce rates for General Liability by an overall -3.34%
- Reduce rates for Errors and Omissions Liability by -5% (6.7% reduction in contribution)
- Law enforcement liability – no rate change
- Automobile liability – no rate change
- Aviation – no rate change
- Cyber Liability and Data Breach Coverage – Authorize renewal of the current Cyber Liability and Date Breach Coverage reinsurance with Beazley effective October 1, 2018 and continue to absorb the cost into the Liability Fund, provided terms and pricing remain stable
- Increase Liability Experience Modifier threshold cap from 1.30 to 1.40.

The recommendations result in an overall rate reduction of 1.9%.

MOTION by Robert Herrera, seconded by Michael Talbot, to recommend to the Board that the liability rate recommendations as presented under Tab 19 be approved. Motion carried with unanimous approval.

Report from Office of Project Management and Analytics, including status on Progress for Business Application & IT Road Map (Tab 12)

Mike Raigosa and Lindsey Fields presented the report from the Office of Project Management and Analytics, including the progress for business application and the IT road map under Tab 12.

Significant cases and legal developments impacting the Pool (Tab 20)

Bo Joseph presented significant cases and legal developments impacting the Pool under Tab 20.

Liability and Property Claims Report on trends concerning liability claims and property claims, including a report on Hurricane Harvey (Tab 21)

Mike Rains reported that this would be covered in the Board meeting on Saturday.

Workers' Compensation Claims Report on trends concerning workers' compensation claims (Tab 22)

Mike Bratcher presented the Workers' Compensation Claims report on trends under Tab 22.

Underwriting Report on underwriting results and loss ratios, including the Quarterly Report by Victor O. Schinnerer & Company, Inc. regarding revenues received and contract activities (Tab 23)

Paula Marr-Ludwig presented the Underwriting Report under Tab 23.

Loss Prevention Report on member surveys, training, and property valuations conducted (Tab 24)

Irvin Janak presented the loss prevention report under Tab 24.

Subrogation Report on subrogation recoveries for the pool (Tab 25)

Bo Joseph presented the subrogation report under Tab 25.

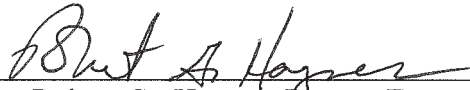
Member Services Report including Membership Activity (Tab 26)

Tamara Chafin presented the member services report under Tab 26.

Adjournment

MOTION by Andres Garza, seconded by Rickey Childers, to adjourn the Texas Municipal League Intergovernmental Risk Pool Underwriting and Claims Committee meeting at 4:58 p.m. Motion carried with unanimous approval.

Approved by the Underwriting and Claims Committee
July 20, 2018



Robert G. Haynes, Deputy Executive Director