

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL
Underwriting & Claims Committee Meeting
Hilton Garden Inn - Lionfish
April 28, 2017**

Trustees Present

Michael Talbot, Chair
Rickey Childers
Randy Criswell
Robert Herrera

Staff Present

Bob Haynes
Mike Bratcher
Tamara Chafin
Susie Green
Irvin Janak
Bo Joseph
Paula Marr-Ludwig
Mike Raigosa
Mike Rains
Debbye Mangum

Also Present

David Reagan
Collin Schoenfeld

Trustees Absent

Andres Garza
Henry Wilson

Michael Talbot called to order the Underwriting and Claims Committee of the Texas Municipal League Intergovernmental Risk Pool at 3:50 p.m. on Friday, April 28, 2017.

Consideration of minutes of January 20, 2017 committee meeting (Tab 15)¹

MOTION by Randy Criswell, seconded by Robert Herrera, to approve the Underwriting and Claims Committee meeting minutes of January 20, 2017, as set forth under Tab 15. Motion carried with unanimous approval.

Chair Michael Talbot moved to Agenda Item 6.c., so Mr. Reagan could return to the Executive Committee meeting.

Consideration of Revisions to the Pool's Property Coverage Document (Tab 17)

David Reagan presented the recommended revisions to the Pool's Property Coverage Document as set forth in the Board Report under Tab 17. Rickey Childers inquired as to how we could educate Members regarding changes to the Property Coverage Document. It was reported that the staff was developing several avenues of communications with Members, such as speaking at conferences and regional meetings, writing articles for the TT&C Magazine, and developing a better website. Paula Marr-Ludwig reported that staff is examining ways to assist Members properly set the values of the properties listed on the Property Schedule.

MOTION by Robert Herrera, seconded by Rickey Childers, to recommend to the Board the adoption of the Property Coverage Document changes as set forth under Tab 17, except paragraphs 9 and 12, with such changes to be effective on October 1, 2017, except the changes in paragraphs 11 and 13 to be effective immediately; and delete the phrase "where the premises is located" in the language recommended for the first sentence of E.3.a. of paragraph 4 on page 4 of the Board report and replace the phrase "paragraph G" with "paragraph Q" in the language recommended under paragraphs 14.b. and c. on pages 13 and 14 of the Board report. Motion carried with unanimous approval.

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

Consideration of Property Reinsurance Recommendations for May 1, 2017 to May 1, 2018 (Tab 16)

Bob Haynes introduced Collin Schoenfeld, Senior Vice President of Guy Carpenter, who gave an overview of the reinsurance market and placement of TMLIRP coverage in the London, Bermuda and domestic markets. Bob Haynes presented the recommendation for Property Reinsurance renewals for May 1, 2017 to May 1, 2018, as set forth under Tab 16.

MOTION by Robert Herrera, seconded by Randy Criswell, to recommend the Board authorize Guy Carpenter to place coverage on behalf of the Pool within a range of \$12.9 to \$14.1 million in total premium, for renewal terms as follows:

- \$190 million excess of \$10 million for all losses, for a total of \$200 million in limits
- Two-risk warranty in the layers excess of \$25 million
- All reinsurers participating in the Pool's property reinsurance program will hold a current A.M. Best's rating of at least A-(Excellent).
- The \$6 million excess of \$4 million layer be completely retained by the Pool (50% Property Fund and \$50 Reinsurance Fund) remaining the same as in 2016-17;
- The reinsurance contribution allocated to the Reinsurance Fund remain at a 30% discount to market pricing, consistent with the 2016-17 structure;
- The 2016-17 quota share allocations be maintained, with the following exceptions:
 - NLC Mutual be ceded a 10% share in the \$15M x \$10M layer, at market pricing;
 - Pool increase its purchase on the \$50M x \$100M layer by 10%, and
 - Pool purchase 20% of a newly created \$50M x \$150M layer.

MOTION carried with unanimous approval.

Consideration of Property Rate Recommendations for 2017/18 (Tab 18)

Bob Haynes presented the recommendations along with Paula Marr-Ludwig for the property rate recommendations under Tab 18, to be effective October 1, 2017. Taking into consideration the Pool's property reinsurance placement, the members' equity considerations, and the overall loss trends within the Property Fund, the staff is recommending property rate recommendations as set forth under Tab 18.

MOTION by Rickey Childers, seconded by Randy Criswell, to recommend to the Board the adoption of the following property rates to be effective October 1, 2017:

- Increase rates for housing authorities by 10%;
- Increase flood rate by 10% for the first tier of counties adjacent to the Gulf Coast;
- Increase Boiler and Machinery rate for Municipal Utility Districts (no employees) by 100%;
- Increase the pricing for the Wind/Hail Deductible buyback provision by an additional 5%;
- Increase the Extended Coverage Rate by 15% for the Northwest rating territory and 10% for the Central Inland rating territory;
- Increase the Mobile Equipment and Auto Physical Damage rates by 5%; and
- Reduce the aggregate cap of the 1% per building wind/hail deductible to 0.1% of Total Covered Building Values for a member (from 0.5%) retroactive to October 1, 2016.

Motion carried with unanimous approval.

Consideration of Workers' Compensation Rate Recommendations for 2017/18 (Tab 19)

Bob Haynes presented the recommendation for workers' compensation rates under Tab 19. The cancer presumption for firefighters and the remarriage benefit for spouses of public safety workers killed in line of duty were expanded by the Division of Workers' Compensation. There is also potential for increases in workers' compensation benefits from the Legislature, the courts, and the Division of Workers' Compensation. Rudd and Wisdom, the Pool's actuary, reviewed the workers' compensation performance and trends to develop a rate indication of +0.9%. Since experience modifiers are expected to decrease, which will result in a projected 3% reduction in contributions; the targeted overall increase to Workers' Compensation contributions for 2017-18 is +3.9%. The staff recommended the class codes be adjusted as follows, which will result in a 4.2% increase in contributions:

- Paid and volunteer firefighters 10% increase
- Police and police reserves 5% increase

It was also recommended that the minimum contribution charged for Elected and Appointed Officials be increased from \$105 to \$250, effective October 1, 2017.

MOTION by Randy Criswell, seconded by Rickey Childers, to recommend to the Board the adoption of workers' compensation rate changes effective October 1, 2017, as set forth under Tab 19 to include:

- 10% increase for Paid and Volunteer Firefighter classifications
- 5% increase to Paid and Reserve Police classifications
- Increase the minimum contribution to \$250 for Elected & Appointed Officials classifications.

Motion carried with unanimous approval.

Consideration of Liability Rate Recommendations for 2017/18 (Tab 20)

Bob Haynes presented the recommendation under Tab 20 for liability rate recommendations to be effective October 1, 2017. The recommendations presented will result in an overall increase of 2.3% across the four major liability lines. The staff recommended no change in rates for General Liability, Law Enforcement Liability and Aviation Liability. A 5% reduction in rates was recommended for Public Officials Liability, applicable for municipalities only. With regard to Automobile Liability, the staff recommended the following:

- A 10% rate increase in police and transit classifications;
- A 10% rate increase in territories with over 100% loss ratios and where losses exceed contributions by \$1 million or more;
- A 5% rate increase for heavy trucks and garbage trucks;
- A 5% rate increase in territories with over 100% loss ratios and where losses exceed contributions by more than \$100,000 and up to \$999,999; and
- A 5% rate decrease in the fire truck classification.

These changes resulted in an overall increase of 5.9% for Automobile Liability. The staff is also recommending the experience modifier cap be raised from 1.20 to 1.30 and the Pool continue to absorb the cost in the Liability Fund for Cyber Liability and Data Breach Coverage.

MOTION by Rickey Childers, seconded by Randy Criswell, to recommend the Board adopt the following liability rate recommendations as set forth under Tab 20, effective October 1, 2017:

Line of Coverage	Recommended Change
General Liability	No Change
Law Enforcement Liability	No Change
Errors & Omissions Liability	-5.0% (Municipalities Only)
Automobile Liability (Overall)	+5.9%
10% Rate Increase: <ul style="list-style-type: none"> • Police and transit classifications, • Territories with over 100% loss ratio and where losses exceed contributions by \$1 million or more 5% Rate Increase: <ul style="list-style-type: none"> • Heavy Trucks and Garbage Trucks • Territories with over 100% loss ratios and where losses exceeded contributions by more than \$100,000 and up to \$999,999 5% Rate Decrease: <ul style="list-style-type: none"> • Fire Trucks 	
Aviation Liability	No Change
Overall	+2.3%

Raise the experience modifier cap from 1.20 to 1.30. Continue to absorb the cost for Cyber Liability and Data Breach coverage. Motion carried with unanimous approval.

Consideration of Ratification of Contract for System Integrator Services with Capgemini for Inception Phase of Guidewire Policy Center Project, and Adoption of Inception Phase Project Budget (Tab 21)

Paula Marr-Ludwig presented the recommendation under Tab 21 for ratification of the contract for system integrator services with Capgemini for the inception phase of the Guidewire Policy Center Project. The staff reported at the January 2017 Board meeting that the RFP was issued for the System Integrator services. The Pool received four responses and narrowed it to two, Cynosure and Capgemini. Capgemini was the staff’s recommendation as the Pool’s System Integrator. Due to time constraints, the Executive Director executed a contract for \$410,000 with Capgemini on March 27, 2017, for the inception phase of the Underwriting software system. The staff requested the Board to ratify the agreement executed by the Executive Director with Capgemini to provide system integrator services for the inception phase of the project and adopt the inception phase of the budget as set forth under Tab 21.

MOTION by Robert Herrera, seconded by Randy Criswell, to recommend the Board ratification of the Capgemini agreement executed by the Executive Director on March 27, 2017, in the amount of \$410,000 for the inception phase of the Underwriting System project and adopt the budget set forth under Tab 21 for the inception phase of the project. Motion carried with unanimous approval.

Report from Office of Project Management and Analytics, including status on Progress for Business Application & IT Road Map (Tab 13)

Mike Raigosa presented the report under Tab 13 from the Office of Project Management and Analytics, including the progress for business applications and the IT road map.

Significant cases and legal developments impacting the Pool (Tab 22)

Bo Joseph presented significant cases and legal developments impacting the Pool under Tab 22.

Liability and Property Claims Report on trends concerning liability claims and property claims (Tab 23)

Mike Rains presented the Liability and Property Claims report on trends under Tab 23.

Workers' Compensation Claims Report on trends concerning workers' compensation claims (Tab 24)

Mike Bratcher presented the Workers' Compensation Claims report on trends under Tab 24.

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 25)

Paula Marr-Ludwig presented the Underwriting Report under Tab 25.

Loss Prevention Report on member surveys, training and property valuations conducted (Tab 26)

Irvin Janak presented the loss prevention report under Tab 26.

Subrogation Report on subrogation recoveries for the Pool (Tab 27)

Bo Joseph presented the subrogation report under Tab 27.

Member Services Report including Membership Activity (Tab 28)

Tamara Chafin presented the member services report under Tab 28.

Adjournment

Chair Michael Talbot adjourned the Texas Municipal League Intergovernmental Risk Pool Underwriting and Claims Committee meeting at 5:52 p.m.

Approved by the Underwriting and Claims Committee
July 21, 2017



Robert G. Haynes, Deputy Executive Director