

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL
Underwriting & Claims Committee Meeting**

**Horseshoe Bay Resort – Cypress Room
200 Hi Circle North
Horseshoe Bay, Texas 78657**

April 28, 2022 (2:00 P.M.)

Committee Members Present

David Harris, Chair
Austin Bleess
Opal Mauldin-Jones
Noel Bernal
Michael Smith

Other Board Members Present

Randy Criswell

Staff Present

Jeff Thompson
Mike Rains
Mike Bratcher
David Nix
Paula Marr-Ludwig
Lindsey Fields
Joshua Haley
Bo Joseph
Aaron Hardiman

Staff Present (cont.)

Gil Lee
Cindy Arce-Shaddix
Debbie Sherwood
Sandra Simmons

Others Present

Dan Smereck, Strategic
Asset Alliance
Collin Schoenfeld, Guy
Carpenter, LLC

At 2:08 P.M. on Thursday, April 28, 2022, David Harris, Committee Chair called the meeting of the Underwriting and Claims Committee of the Texas Municipal League Intergovernmental Risk Pool to order.

Consideration of Property Rate Recommendations & Property Reinsurance Recommendations for May 1, 2022 to May 1, 2023 (Tab 11)

Lindsey Fields presented the property rate recommendations and the property reinsurance recommendations for the year of May 1, 2022 to May 1, 2023 under Tab 11. The Pool's actuary indicates a change in rates ranging from -0.7% to 29.9%, based on the Pool's most recent six-year loss history, with the large range of the rate indications being emblematic of the volatility of the coverage. The property program rate and funding recommendation is to assess a 15% inflationary factor to all Real & Personal Property ('RPP') scheduled values, to increase RPP rates for Housing Authority members by 20% based on poor loss experience, and to increase Auto Physical Damage, Auto Catastrophe, and Mobile Equipment coverages by 5%, which will result in an overall 15.1% (\$15.5 million) change in property revenues. The overall reinsurance expense is projected to increase by \$3.75 million (15%), from \$24.57 million to \$28.31 million. The increase in reinsurance premiums is attributed to inflation in constructions costs, the Pool's poor five and ten-year loss experience in the three primary layers of the reinsurance structure (15x10, 25x25, and 50x50), and the effects of Winter Storm Uri and the accompanying perceptions regarding the increasing volatility of Texas weather patterns.

MOTION by Opal Mauldin-Jones, seconded by Austin Bleess, to recommend to the Board changes to property rates and approve reinsurance rates and layer structure as set forth below.

Property Rates:

- Apply a 15% inflationary increase to all Members' scheduled building values and contents values.
- Apply a 20% increase to real and personal property rates for Housing Authorities due to a poor loss experience indicated in the five-year loss ratio.
- Apply a 5% rate increase to Mobile Equipment coverage.
- Apply a 5% rate increase to the Auto Physical Damage and Auto Catastrophic coverage.

The above rate changes result in an overall 15.1% increase in the property program contributions.

Reinsurance Rates and Structure:

- Approve the overall reinsurance structure set forth under Tab 11 for May 1, 2022 to May 1, 2023.
- Approve the overall anticipated external reinsurance expenditure on reinsurance layers above \$10M of \$21,376,125, with an additional contingency of \$2,137,613 (10%), with authorization for the Executive Director to make modifications to the reinsurance structure, but not to exceed \$23,513,738 in total external reinsurance expenditure.
- Approve the per layer internal Reinsurance Fund allocated cost structure (for layers excess of the \$6M x \$4M reinsurance layer) as set forth under Tab 11 for a total estimated allocation of \$6,933,660.

Motion carried with unanimous approval.

Consideration of Workers' Compensation Rate Recommendations for 2022-23 (Tab 12)

Lindsey Fields presented the rate recommendations for 2022-23 under Tab 12. The recommendations were for a 20% rate increase for public safety class codes of paid police officers, paid firefighters, paid motorcycle police officers, and paid ambulance/EMS services. The recommendation also included a cap on the experience modifier change at the Member level to no more than a 50% change to smooth the impact of including COVID-19 losses in the experience modifier. It was also recommended that the deductible credit factors be reduced for all deductible options offered to Pool Members as shown in the chart on page 6 of Tab 12.

MOTION by Noel Bernal, seconded by Opal Mauldin-Jones, to recommend to the Board the following workers' compensation rate increases, resulting in an overall 11.8% increase in Pool Member contribution:

1. Implement a 20% rate increase to four Public Safety class codes (paid police officers, paid firefighters, paid motorcycle police officers, and paid ambulance/EMS services) resulting in a projected overall 9.8% increase in contributions; and

2. Include COVID-19 claims in the experience modifier calculations with a cap on the experience modifier change at the Member level to more than a 50% change resulting in an additional projected overall 2% increase in Pool Member contribution.

The motion includes approving the reduction of the retention program deductible credit factors for all deductible options as shown in the chart of page 6 of Tab 12. Motion carried with unanimous approval.

Consideration of Liability Rate Recommendations for 2022-23 (Tab 13)

Lindsey Fields presented the liability rate recommendations for 2022-23. It was recommended there be no changes to liability rates, and allow the experience modifiers to drive contribution growth for the 2022-23 fund year.

MOTION by Noel Bernal, seconded by Opal Mauldin-Jones, to recommend to the Board that rates remain at their current levels for all liability lines of coverage for the 2022-23 fund year. Motion carried with unanimous approval.

Consideration of Cyber Reinsurance Agreement Renewal and Cyber Coverage Rate Recommendation for 2022-23 (Tab 14)

Lindsey Fields presented the recommendation to approve a reinsurance agreement with Beazley, and to approve the continuation of the Pool retaining the cost for the base limit (Core) contribution for Pool Members that participate in either the Real & Personal Property Coverage or the General Liability Coverage.

MOTION by Austin Bleess, seconded by Opal Mauldin-Jones, to recommend to the Board approval of a reinsurance agreement with Beazley for the 2022-23 fund year at a 25% increase in the rate for the Core Tier and Tiers 3-5 and a 30% increase in the rate for the Core+ Tier, and to approve the Pool to continue to retaining costs for the base limit (Core) contribution for Pool Members that participate in either the Real & Personal Property Coverage or the General Liability Coverage. Motion carried with unanimous approval.

Consideration of Proposed Changes to the Property, Liability, and Cyber Liability and Data Breach Response Coverage Documents (Tab 15)

Joshua Haley presented the proposed changes to the Property Coverage Document, the Liability Coverage Document, and the Cyber Liability and Data Breach Response Coverage Document as set forth under Tab 15.

MOTION by Austin Bleess, seconded by Opal Mauldin-Jones, to recommend to the Board the approval of the changes set forth under Tab 15 for the Property Coverage Document, the Liability Coverage Document, and the Cyber Liability and Data Breach Response Coverage Document; and to revise VII. EXCLUSIONS, A.3., of the Supplemental Sewage Backup Coverage under the Liability Coverage Document to apply to a 25-year or greater storm event. MOTION carried with unanimous approval.

Consideration of Expansion of Cyber Grant Program (Tab 16)*

Aaron Hardiman presented the recommendation to expand the Cyber Grant Program to include a cyber phishing training program that would be available to all Pool Members as set forth under Tab 16.

MOTION by Opal Mauldin-Jones, seconded by Austin Bleess, to recommend to the Board the expansion of the Cyber Grant Program to include a cyber phishing training program utilizing funds already allocated to the Cyber Grant Program, and to authorize the Executive Director to enter into a two-year agreement with the Center for Internet Security (CIS) to provide the proposed phishing training program at a cost of \$136,400, with an additional year per Tier at \$57,200. Motion carried with unanimous approval.

Consideration of revisions to the list of approved defense attorneys (Tab 17)

Bo Joseph presented the proposed changes set forth under Tab 17 to the list of approved defense attorneys used by the Pool to defend Pool Members in liability claims and lawsuits.

MOTION by Noel Bernal, seconded by Opal Mauldin-Jones, to recommend to the Board the changes under Tab 17 to the list of approved defense attorneys used by the Pool to defend Pool Members in liability claims and lawsuits. Motion carried with unanimous approval.

Significant Cases and Legal Developments impacting the Pool (Tab 18)

Bo Joseph presented the report on Significant Cases and Legal Development impacting the Pool under Tab 18.

Liability and Property Claims Report on Liability Litigation Trends (Tab 19)

The Liability and Property Claims Report on Liability Litigation Trends was deferred to the full board meeting on April 29, 2022.

Workers' Compensation Claims Report on trends concerning workers' compensation claims (Tab 20)

The Workers' Compensation Claims Report on trends concerning workers' compensation claims was deferred to the full board meeting on April 29, 2022.

Report from Office of Project Management and Analytics, including report on Progress for Business Application & IT Road Map (Tab 9)

Lindsey Fields presented the report from the Office of Project Management and Analytics under Tab 9.

Member Services Report including Membership Activity (Tab 21)

Aaron Hardiman presented the Member Services report on membership activity under Tab 21

Underwriting Report on underwriting results, loss ratios, including the Quarterly Report by Victor O. Schinnerer & Company, Inc. regarding revenues received and contract activities (Tab 22)

Paula Marr-Ludwig presented the report on underwriting results, loss ratios, including the Quarterly Report by Victor O. Schinnerer & Company, Inc. regarding revenues received and contract activities, under Tab 22.

Loss Prevention Report on member surveys, training, and property valuations conducted (Tab 23)

Mike Rains presented the report on members surveys, training, and property valuations conducted under Tab 23.

Subrogation Division Report

Bo Joseph presented the Subrogation Report under Tab 24.

Adjournment

David Harris adjourned the meeting at 4:15 P.M.

Approved by the
Underwriting & Claims Committee
on July 28, 2022

Lindsey Fields
Deputy Executive Director and COO