

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL
Underwriting and Claims Committee, Orion Room
Holiday Inn – Tyler Conference Center
5701 South Broadway Avenue, Tyler, Texas 75703
April 26, 2019**

Committee Members Present

Andres Garza, Chair
Rickey Childers
Mary Dennis
David Harris
Jeffrey Snyder

Committee Members Absent

Michael Smith

Other Board Members Present

John Fullen
Larry Melton

Staff Present

Jeff Thompson
Bob Haynes
David Reagan
Hank Domeracki
Atul Poladia
Mike Bratcher
Tamara Chafin
Susie Green
Irvin Janak
Bo Joseph
Mike Rains
Debbie Mangum

Underwriting and Claims Committee

Andres Garza called the meeting of the Texas Municipal League Intergovernmental Risk Pool Underwriting & Claims Committee to order at 3:05 p.m., April 26, 2019.

Consideration of minutes of January 25, 2019 committee meeting (Tab 16)

MOTION by Rickey Childers, seconded by Jeffrey Snyder, to approve the Underwriting and Claims Committee minutes of January 25, 2019, as written under Tab 16. Motion carried with unanimous approval.

Consideration of Property Rate Recommendations & Property Reinsurance Recommendations for May 1, 2019 to May 1, 2020 (Tab 17)

Bob Haynes presented the upcoming 2019-20 property rates and coverages set forth under Tab 17. Rates are recommended to increase overall by 2.8% for property coverage and the wind and hail deductible buyback surcharge is recommended to increase from 15% to 20%. The staff also recommended the Pool no longer offer property coverage on a monoline basis; that property coverage will not be written unless the member also purchases either workers' compensation coverage or all eligible lines of liability coverage. Additionally, the staff recommended that Members currently purchasing property coverage monoline, would be allowed to continue to do so. The committee discussed the monoline coverage for those Members currently purchasing on this basis and recommended Members be given three years to either add another line of coverage or withdraw from the Pool.

MOTION by David Harris, seconded by Jeffrey Snyder, to recommend to the Board the following property rate and reinsurance recommendations:

Increase property rates as follows:

- 1.5% Real and Personal Property Rates
- 15% Flood & Earthquake Rates
- 15% Auto Catastrophe Rates
- 15% Equipment Breakdown (Boiler and Machinery) Rates
- Increase wind/hail deductible buyback surcharge of 15% to 20%

Implement a restriction on Property Coverage whereby:

- New property coverage (including real and personal property, auto physical damage or auto catastrophe coverage) will not be written on a monoline basis without a member also purchasing either workers' compensation, or all eligible liability lines
- Property coverage will not be written for any current member who moves all other lines of coverage, other than property to another provider
- Monoline property coverage will continue to be supported for members who currently only have a property coverage for a maximum of three years to allow the Member to purchase other lines of coverage or withdraw from the Pool;

and,

Approve the overall reinsurance structure as outlined under Tab 17:

- Add a seventh layer, \$50M x \$250M, funded internally, 50% allocated to the Property Fund and 50% allocated to the Reinsurance Fund
- Purchase from reinsurers 80% of each layer above \$25M and 85% of the \$50M x \$150M layer
- Purchase from reinsurers 52.50% of the layer \$15M x \$10M and increase NLC Mutual share in the \$15M X \$10M layer from 10% to 17.5%
- Allocate to the Reinsurance Fund the internal shares for layers above \$10M up to \$250M

Approve the overall anticipated reinsurance expenditure on layers above \$10M of \$18.8M, with authority to expend an additional \$1.8M, if necessary, with leeway for the Executive Director to make modifications to the structure, not to exceed \$20.6M in total (internal & external) reinsurance expenditure/allocation.

Motion carried with unanimous approval.

Consideration of Workers' Compensation Rate Recommendations for 2019-20 (Tab 18)

Bob Haynes presented the workers' compensation rate recommendations for 2019-20 under Tab 18. The committee discussed the calculation of the experience modifier, presumption bills pending in the Texas Legislature and the low, medium, and high options recommended by staff.

The rates for certain classification codes, based on 5-year loss ratios, are recommended to be adjusted as follows:

Electric Distribution	Increase 10%
Police Officers-Paid	Decrease 5%
Parks and Recreation/Golf Courses	Decrease 5%
Waterworks Operations	Decrease 10%
Street and Road Repair & Construction	Decrease 15%
Combined Utility Operations (Water and Sewer)	Match Waterworks

MOTION by David Harris, seconded by Jeffrey Snyder, to recommend to the Board:

1. Increase the loss threshold for the Experience Modifier formula to \$225,000
2. Increase the minimum Experience Modifier to .30; but members that currently have a modifier below .30 will not be increased until such time their modifier equals or exceeds .30
3. Establish additional funding for enhanced presumption claims by increasing Paid and Volunteer Firefighter rates by 32% for the 2019-20 Fund Year, if the presumption bill passes the Texas Legislature; but if no presumption bill passes, decrease such rates by 1.3%.
4. Adjust rates for certain classification codes as set forth above.

Motion carried with unanimous approval.

Consideration of Liability Rate Recommendations, including Cyber Coverage, for 2019-20 (Tab 19)

Bob Haynes presented the liability rate recommendations under Tab 19. The Liability Fund has performed well over the past 19 years. The actuarial indication is for a decrease in liability rates of 4.1%. Rate changes recommended by the staff are as follows:

General Liability	-9.9%
Errors & Omissions Liability	-3.4%
Law Enforcement Liability	-5.4%
Automobile Liability	0%

The staff did not recommend rate changes in aviation, cyber liability and data breach, or auto liability coverages for 2019-20. The staff recommended an increase of the experience modifier threshold cap from 1.4 to 1.5.

MOTION by Rickey Childers, seconded by David Harris, to recommend to the Board the liability rate adjustments as set forth above beginning October 1, 2019. 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)

Atul Poladia presented the report from the Office of Project Management and Analytics under Tab 13.

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 presented the liability and property claims report on trends and gave an update on Hurricane Harvey claims under Tab 21.

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

Mike Bratcher presented the Workers' Compensation Claims Report under Tab 22.

Chair Andres Garza excused himself from the Committee to attend the Nominations Committee. Vice Chair Rickey Childers resumed the meeting.

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)

Bob Haynes 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. He stated that Wendy Standorf, Loss Prevention Training Specialist, has been involved in recognizing trends in losses and makes adjustments to training to address those trends.

Subrogation Performance Report (Tab 25)

Bo Joseph presented the Subrogation Performance Report under Tab 25.

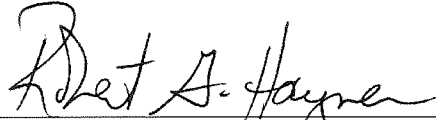
Member Services Report including Membership Activity (Tab 26)

Tamara Chafin presented the report on member services membership activity under Tab 26. She reported Member Services will participate in 19 partnership meetings starting mid-May through August.

Adjournment

Rickey Childers adjourned the meeting at 4:46 p.m.

Approved by the Underwriting & Clams Committee on
July 19, 2019

A handwritten signature in black ink, appearing to read "Robert G. Haynes", written over a horizontal line.

Robert G. Haynes,
Deputy Executive Director