

**TEXAS MUNICIPAL LEAGUE  
INTERGOVERNMENTAL RISK POOL**

**Board of Trustees Planning Session Meeting**

**JW Marriott San Antonio Hill Country Resort & Spa  
Periwinkle-Verbena Room  
23808 Resort Parkway  
San Antonio, TX 78261**

**January 25, 2024 (8:00 AM)**

**Trustees Present**

Mary M. Dennis, Chair  
Bert Lumbreras, Vice-Chair  
Austin Bleess  
Rickey Childers  
Chris Coffman  
Randy Criswell  
J.W. "Buzz" Fullen  
Allison Heyward  
Opal Mauldin-Jones  
Mike Land  
Kimberly Meismer  
Bennett Sandlin  
Jeffrey Snyder

**Staff Present**

Jeff Thompson  
Lindsey Fields  
Susie Green  
Aaron Hardiman  
Scott Houston  
Bo Joseph  
Patti Ledesma  
Paula Marr-Ludwig  
Julie Nguyen  
David Nix  
Atul Poladia  
Mike Raigosa  
David Reagan

**Staff (Cont).**

Debbie Sherwood  
Tito Villegas  
Kim Williams

**Others Present**

Ron Cox,  
Ron Cox Consulting  
Kevin Wick, PwC LLC  
Mary Barrett,  
TASB, Risk Mgmt Svcs  
Lee Taft, Taft Solutions

Chair Mary M. Dennis called the meeting of the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool Planning Session to order at 9:00 AM on Thursday, January 25, 2024. Chair Mary M. Dennis led those in attendance in an invocation and Buzz Fullen led the Pledge of Allegiance to the United States flag and the Texas flag.

1. **Roll call and excused absences**

Jeff Thompson reported the absence of Victor A. Flores and the reason for his absence. He also reported the absence of Holly Gray-Moore because of another meeting she had to attend but expected her to join the Board meeting later.

MOTION by Opal Mauldin Jones, seconded by Jeffrey Snyder, to excuse the absences of Victor A. Flores and Holly Gray-Moore. Motion carried with unanimous approval.

2. **Public Comment on Agenda Items**

Chair Mary M. Dennis opened the meeting to public comment on any item on the agenda for this meeting. No comments were made. Chair Mary M. Dennis closed the meeting to public comments.

3. Receive and discuss comments on Pooling from the Texas Association of School Boards Risk Management Fund

Jeff Thompson introduced Mary Barrett to the Board of Trustees. She is the Associate Executive Director of the Texas Association of School Boards and the Director of the TASB Risk Management Fund.

Mary Barrett outlined the governance, operations, services, and trends of the TASB Risk Management Fund. The TASB Risk Management Fund has been in existence for 50 years and primarily serves school districts in Texas. Its goals are continued financial strength, membership retention and growth, continuous improvement, and responsiveness to membership and the changing environment. Current issues for the TASB Risk Management Fund are property exposure and growth, more severe weather events to its covered properties, responding to rate and coverage issues when member budgets are tight, its equity range, cyber risk, capital capacity, and developing Board and staff training and leadership.

4. Consider Board governance matters, including planning session commitments for the next two years, Pool mission statement, Pool guiding objectives, Pool core values and results from Board Survey

Ron Cox, the facilitator for the Board Planning Session, led the Board in a discussion of the Board governance model, which included a review of the Pool's mission statement, its guiding objectives, and its core values. In the discussion it was noted that a full review and discussion of different aspects of the Pool's governance model has taken place or will take place according to the schedule below:

- Mission Statement and Objectives – 2025
- Bylaws – 2023
- Coverage Document – as needed (2024)
- Code of Conduct Policy – 2023
- Board Travel and Expense Policy – 2023
- Board Survey – 2024
- Sponsorship Agreement with TML – as needed (2023)
- Target Equity Study – 2024
- Comp and Class Review – 2024/25

Ron Cox then led the Board of Trustees in a detailed review of the 2024 Board Survey responses. Prior to the meeting, the Board members had completed a survey and the responses and comments were reviewed. During the discussion, there were no motions made, but there was a consensus that the following directives be provided:

- Committees should deliberate issues before being considered by the full Board, which includes having the appropriate committee further discuss issues even after there has been a full Board workshop on the issue.
- Staff should assume all Board and staff will utilize the electronic Board packet rather than hard copies. Members who prefer hard copies will request them in advance.
- Staff is to continue to find opportunities for the Risk Pool Board to collaborate with the Boards and staff of other pools on emerging risks.

- The Board and should continue to be mindful of operational expenses it can control, including expenditures related to the Board Meetings. The Board asked staff to continue to be mindful of the number of staff attending Board Meetings.
- At future planning sessions, identify and discuss long-term and emerging risks more deeply and review the committee structure for accuracy and determine if new or different committees are needed.

It was the consensus of the Board that the following should be the primary focus for the Board in 2024 and 2025:

- Financial stability of the Pool.
- Property fund coverage pressures should be addressed.
- Rates and coverages should be adjusted to allow for a positive cash flow for all the risk categories.
- Training to ensure sound understanding of the Pool position.
- Planning for the future of the Pool office space.
- The potential impact of climate change on members and the Pool's resources.
- Maintaining dependable service at the best price possible.
- Support excellence in law enforcement initiatives.

It was the consensus of the Board that the following changes be addressed to improve the Board and its governance:

- Board Chair Selection: Although the Bylaws allow for two-year terms of a Chair, the Board should address how a Chair will be selected and if a Chair can serve more than one term.
- TML: The Texas Municipal League is an integral part of the Pool's identity, and every effort should be made to keep the relationship positive and beneficial to both organizations.
- Committees: Review the committee structure to determine if the current committee structure is adequate or if additional committees are needed.
- Financials: Staff is to be mindful of the length and the time it takes to present financial reports.

Chair Mary M. Dennis recessed the meeting at 11:12 AM.

Chair Mary M. Dennis reconvened the meeting at 11:45 AM.

5. Review and Consideration of the Members' Target Equity, with an Update From PricewaterhouseCoopers

Jeff Thompson provided the Board with an overview of exposures that are ideally insurable and those not as easy to insure, along with the need for the Pool to focus on its capacity to cover certain exposures. Disability and property coverages have been ideally insurable, but cyber-attacks are on the rise and present the possibility of catastrophic risks. Such risks can be so great they are beyond the capacity of the Pool.

Kevin Wick from PricewaterhouseCoopers reported on the valuation of the target equity formula established by the Board in 2014. Although the Pool's equity amount has remained stable since its inception, there are pressures indicating the target equity needs to grow to continue to fund the ever-growing risk exposures.

It was the consensus of the Board that the recommendations set forth below should be followed.

Short-Term Recommendations:

- Consider higher reinsurance retention levels.
- Consider additional property reinsurance limits/capital support above \$300 million.
- Continue reporting Pool's Members' equity with both realized/unrealized gains incorporated.
- Consider a new overall target equity range in April.
- Consider simplification of the equity return policy in April.

Long-Term Recommendations:

- Continue to monitor catastrophic risks, particularly in property.
- Continue to find ways to report impact of individual programs (Property, WC, Liability and Cyber) on Members' Equity
- Consider developing target equity ranges for individual funds/programs.

Chair Mary M. Dennis recessed the meeting at 1:09 PM.

Chair Mary M. Dennis reconvened the meeting at 1:23 PM.

6. Sharpening the Pool's Cyber Coverage and Management of Related Fiduciary Risks

Lindsey Fields provided an overview to the Board of the Pool's cyber coverage and its reinsurance agreement with Beazley. The cyber program currently covers a \$4 billion total exposure. Beazley will no longer provide unlimited reinsurance coverage beginning in 2024. The incidents of cyber claims under the Pool's cyber coverage have increased dramatically since 2020. In 2021, claims incurred totaled \$662,320. In 2023, claims totaled \$1,930,417. It is expected cyber claims will continue to grow significantly.

The Board discussed how much of the Pool's Members' Equity it is willing to put at risk to continue to fund the cyber coverage and considered several options to address concerns regarding the cyber coverage. It was the consensus of the Board that staff should prepare a new interlocal agreement for the Board's approval establishing a separate Cyber fund and establish Pool-wide shared limits. It was also the Board's consensus for the staff to begin preparations for the following to be presented to the Board for approval:

- Allocate approximately \$10 million of current cyber funds from the Liability fund into a newly created Cyber fund.
- Implement a Pool annual cyber coverage occurrence limit.

- Implement a Pool annual cyber coverage aggregate limit, to be composed of Beazley's treaty aggregate cap and a Pool aggregate limit.
- Set responsible rates that provide coverage but still assume financial stability.
- Establish conditions and protocols as a condition for providing coverage to Pool Members as follows:
  - Identify minimum requirements for participating in coverage.
  - Identify and require participants to have specific safeguards for cyber security in place prior to providing coverage.

7. Consideration of Providing Coverage for Line of Duty Illness and Injury Salary Continuation Required for First Responders by HB 471

The Chair announced this item would be discussed at the Pool's Board meeting the following day on January 26, 2024.

Chair Mary M. Dennis recessed the meeting at 2:25 PM.

Chair Mary M. Dennis reconvened the meeting at 2:35 PM.

Chair Mary M. Dennis announced it was 2:35 PM and the Board of Trustees would go into Executive Session to discuss claims and lawsuits under agenda item 6 under Texas Government Code Section 551.071.

8. Executive Session

a. Receive Update on Litigation Involving the City of Uvalde

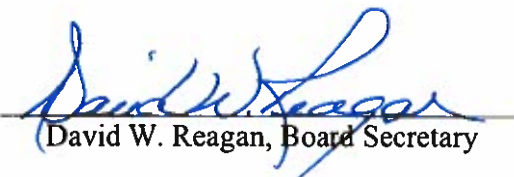
This item was discussed in Executive Session.

Chair Mary M. Dennis reconvened the meeting of the Board of Trustees in Open Session at 3:57 PM. No action was taken on the agenda item discussed in the Executive Session.

9. Adjournment

Chair Mary M. Dennis adjourned the meeting of the Texas Municipal League Intergovernmental Risk Pool Board of Trustees at 3:58 PM.

Approve by the Board of Trustees on  
April 26, 2024

  
David W. Reagan, Board Secretary