

The logo for Charlesworth Consulting features the company name centered within a square frame. The frame is composed of four thick, L-shaped corner pieces. The top-left and bottom-left pieces are teal, while the top-right and bottom-right pieces are dark grey.

charlesworth
consulting



EXECUTIVE RISK REVIEW 2018

A LITTLE BACKGROUND

- **Established in 1977; Wholly Owned Subsidiary of HMA 11/2017**
- **Lead Team Members and Key Responsibilities:**
 - James Charlesworth, ARM, President – contract risk manager services for public entities
 - Bob Charlesworth, CPCU, ARM, ALCM, AIS, Vice President – public retirement systems with focus on executive risk and Life/LTD programs
 - Connie Sargent, ARM – CMBS Market loan reviews
 - Chris Leek, AINS – RFP facilitation for public entity P&L consulting groups
- **Our Approach – Pure Risk Management Consulting**
- **Specialty: Municipalities, Public Retirement Systems, K-12 and Higher Education, CMBS Loan reviews; Rural Hospitals/bond indenture reviews, Public Airports, etc.**



WHERE WE FIT IN



BREAKDOWN OF KEY RISK AREAS – EXECUTIVE RISK

- **DIRECTORS & OFFICERS LIABILITY (*)**
- **EMPLOYMENT PRACTICES LIABILITY (*)**
- **CYBER LIABILITY (*)**
- **CRIME/EMPLOYEE DISHONESTY**
- **FIDUCIARY LIABILITY (*)**

(*) INCLUDES TEXAS TORT CLAIMS ACT PROVISION

DIRECTORS & OFFICERS LIABILITY SUMMARY (TML)

- **PROTECTS ALL EMPLOYEES, TRUSTEES AND TMRS AS AN ENTITY**
- **COVERS “WRONGFUL ACTS” COMMITTED OR ALLEGEDLY COMMITTED BY AN INSURED WITHIN SCOPE OF DUTY**
- **CURRENT POLICY LIMIT OF \$1,000,000 (INCLUSIVE OF DEFENSES); \$2,000,000 POLICY AGGREGATE; \$5,000 DEDUCTIBLE; PREMIUM \$2,326 (10/17-9/18)**
- **SAMPLE COVERAGE ALLEGATIONS:**
 - Discrimination (non-employment related)
 - Defamation by an Insured
 - Documentation and Records maintenance
 - Conflicts of Interest
 - Mismanagement of System affairs

EMPLOYMENT PRACTICES LIABILITY SUMMARY (TML)

- **PROTECTS ALL EMPLOYEES, TRUSTEES AND TMRS AS AN ENTITY**
- **COVERS ALLEGATIONS OF “WRONGFUL ACTS” ON EMPLOYMENT ISSUES.**
- **CURRENT POLICY LIMIT OF \$1,000,000 (INCLUSIVE OF DEFENSE) WITH \$5,000 DEDUCTIBLE; PART OF THE D&O POLICY THROUGH TML**

- **SAMPLE ALLEGATIONS INCLUDE:**
 - Hiring or Termination
 - Advancement or Training
 - Retaliatory Actions
 - Workplace Harassment (including Sexual)
 - Discipline

D&O/EPL RE-RATE FOR 2018-2019

INCREASING THE “COMBINED” LIMIT TO THE \$10,000,000 POLICY LIMIT

- Occurrence form (higher limit will have new bind date for incidents/claims going forward)
- Combined limit could erode quicker thus reasoning behind higher limit
- Estimated annual premium of \$3,000
- Extremely price competitive. Options of:
 - *\$3,000,000 Limit @ \$2,519 (estimate)*
 - *\$5,000,000 Limit @ \$2,657 (estimate)*

CYBER LIABILITY SUMMARY

(ISSUED BY AIG THROUGH TML)

- **INSURES ALL EMPLOYEES, TRUSTEES AND TMRS AS AN ENTITY**
- **COVERS ALLEGATIONS ARISING OUT OF VIOLATIONS OF ANY RESPONSIBILITY, OBLIGATIONS OR OTHER DUTIES TO SECURE PERSONAL PROTECTED INFORMATION.**
- **COVERAGES INCLUDE:**
 - Media Content Insurance (MC) *
 - CyberEdge Security and Privacy Liability *
 - CyberEdge Event Management insurance *
 - CyberEdge Cyber Extortion insurance *

* \$2 million sublimit; \$25,000 deductible

- Personal Identity coverage endorsement for employees (\$25k)
- Includes First Response Coverage endorsement for \$250,000

CRIME SUMMARY – 2018-2019 RERATE (THE HARTFORD, THROUGH TML)

- **TMRS IS CURRENTLY OBTAINING QUOTES
(PREMIUM UNKNOWN – ESTIMATE \$2-\$3,000)**
- **EMPLOYEE DISHONESTY: \$1,000,000 LIMIT; \$5,000 DEDUCTIBLE**
- **FORGERY & ALTERATION: \$1,000,000 LIMIT; \$5,000 DEDUCTIBLE**
- **COMPUTER AND FUNDS TRANSFER FRAUD: \$1,000,000 LIMIT; \$5,000 DEDUCTIBLE**
- **THEFT, DISAPPEARANCE AND DESTRUCTION OF MONEY OR OTHER SECURITIES:**
 - \$50,000 loss inside the premises; \$50,000 loss outside the premises; each with \$5,000 deductible
- **INCLUDES TRUSTEES, EXEC DIRECTOR, AND ANY OTHER EMPLOYEE WITHIN THEIR SCOPE OF DUTIES FOR TMRS.**

FIDUCIARY LIABILITY SUMMARY

- **PROTECTS ALL EMPLOYEES, TRUSTEES AND TMRS AS AN ENTITY**
- **ALLEGATIONS OF VIOLATIONS OF RESPONSIBILITIES, OBLIGATIONS OR DUTIES IMPOSED ON FIDUCIARIES**
- **TMRS BENEFITS ALSO INCLUDES THE EMPLOYEE DEFERRED COMP PLAN**
- **CURRENT POLICY LIMIT OF \$1,000,000 (INCLUSIVE OF DEFENSE) WITH \$100,000 DEDUCTIBLE; PREMIUM OF \$35,929 THROUGH CHUBB**
- **SAMPLE ALLEGATIONS INCLUDE:**
 - Counseling with respect to welfare & pension plans
 - Providing interpretations of plans
 - Handling of records or administering enrollment
 - Failure to comply with HIPAA
 - Termination or cancellation of participants under the plans

FIDUCIARY LIABILITY RECOMMENDATION

CONSIDER THE \$3,000,000 LIMIT OF LIABILITY; WITH \$150,000 DEFENSE FOR HIPAA ALLEGATIONS

- Chubb remains strong insurer
- Other proposals not competitive, TML does not handle internally – uses AIG
- Recognize reason for purchase is mostly for defense cost
- Endorsed to address any defenses under Texas Statutes
- Added Pre-Approved counsel for non-class action allegations
- Prior acts on original \$1Mil limit
- Continue waiver of recourse for Trustees and Employees
- \$100,000 deductible
- \$70,008 annual premium
- Higher limit of \$5,000,000 with \$250,000 deductible quoted at \$88,240

WHY INSURE?

- Transfer a portion of risk – key purpose of prior Board has been for the DEFENSE provisions of the policy.
- TMRS board has professional defense and service from specific firms to provide defense – not reliant on the Texas Attorney Generals Office.
- Money at risk (beyond the deductible) is the INSURERS dollars – Insurer has a vested interest in defense and realistic settlements when necessary.
- Transfers the decision obligation on who is covered and how defended per the Contract.

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DISCUSSIONS/QUESTIONS?

BOB CHARLESWORTH