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

- Charlesworth Consulting
- TMRS
- TML
- & Insurers
- BROKER(S)
  when applicable
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.
DISCUSSIONS/QUESTIONS?
BOB CHARLESWORTH