



Nevada Public Agency Insurance Pool  
Public Agency Compensation Trust  
201 S. Roop Street, Suite 102  
Carson City, NV 89701-4779  
Toll Free Phone (877) 883-7665  
Telephone (775) 885-7475  
Facsimile (775) 883-7398

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**Minutes of Meeting of the Meeting of  
the Board of Directors and of the Executive Committee of  
Nevada Public Agency Insurance Pool  
Place: John Ascuaga's Nugget, Sparks, Nevada  
Time: 1:00 p.m. or  
Upon adjournment of PACT Board Meeting  
Date: April 25, 2008**

**April 25, 2008**

**1. Introductions and Roll**

A quorum being present, Chairman Rebaleati called the meeting to order at 1:00 p.m.

- 2. Action Item: Consent Agenda: Approve as a Whole Unless Moved From Consent Agenda**
- **Approval of Minutes of Board Meetings:  
Board Meeting April 25 & 26, 2007**
  - **Acceptance of Minutes of Committee Meetings**
    - **POOL Claims Committee Meeting of October 24, 2007**

On motion and second to approve the consent agenda items, the motion carried.

**3. Action Item: Acceptance of Audit for June 30, 2007**

Wayne Carlson commented on the annual report that included the audit noting that one page of the report had errors and that the board packet contained the correcting exhibit showing the claims experience accurately. He noted that there were no audit exceptions or internal control issues. On motion and second to accept the audit, the motion carried.

- 4. Action Item: Acceptance of Reports**
- a. **Claims Experience Report**
  - b. **Large Loss Report**
  - c. **Actuarial Update**

Doug Smith reviewed the claims experience report included in the packet and the large loss report commenting on the increased frequency of larger property losses in the most recent two years. He mentioned the recent large casualty loss arising out of the Fernley canal break flood. Doug then reviewed the actuarial report that indicated an increase in both the property and casualty funding levels. He mentioned that the property increase did not fully reflect the most recent two years loss data due to the analysis period. On motion and second to accept the reports, the motion carried.

**5. Action Item: Acceptance of Budget for 2008-2009**

Wayne Carlson reviewed the budget highlights commenting that the reinsurance premium amount would increase by about 5% as a result of the renewal quotes that will be reviewed. On motion and second to accept the budget, the motion carried.

**6. Action Item: Approve Claims Management Contract with Alternative Service Concepts, LLC.**

Chairman Rebaleati noted that the reason for the one year term had been discussed during the PACT meeting. On motion and second to approve the contract, the motion carried.

**7. Action Item: Revise to Clarify Capitalization Strategy Policy Statement and Ratify Executive Committee's Decision Regarding Additional Capitalization to Public Compensation Mutual**

Chairman Rebaleati noted that the agenda wording incorrectly said Public Compensation Mutual and should say Public Risk Mutual. Wayne Carlson said that the proposed changes clarify the intent of the policy statement and noted that the Executive Committee had authorized an additional capitalization of \$3.9 million to Public Risk Mutual. He said that the funds had not yet been transferred, but the intent would be to move the funds as cash flow permitted.

On motion and second to approve the changes to the policy statement and to ratify the Executive Committee's decision on additional capitalization of PRM, the motion carried.

**8. Action Item: Approval of Amendment to Interlocal Cooperation Agreement Article 20 Administration of Claims and Litigation to Clarify Litigation Strategy Committee Purpose and Litigation Participation by Members and Revision of the Litigation Strategy Committee Charter Accordingly**

Wayne Carlson explained that the changes proposed removed the Litigation Strategy Committee as a standing committee and changed it to an ad hoc committee. The changes also clarified the authority of the POOL to select panel counsel for defense of members in its discretion. On motion and second to approve the changes as proposed, the motion carried.

**9. Action Item: Approval of Environmental Risk Mitigation Grant Program**

Wayne Carlson explained that the POOL form contained an absolute pollution exclusion as was common in the insurance industry forms. In addition, the POOL had sponsored a risk specific pollution policy option that some members had purchased. However, most members did not have pollution coverage. In attempting to find a way to offer some relief from unexpected pollution losses, staff found that modifying the coverage form was problematic due to the industry standards. As a result, staff developed a proposal for a grant program that members could apply to for relief in the event of a sudden pollution loss. Wayne reviewed the details of the proposed grant scope and application requirements, noting that the Executive Committee had full discretion to approve or deny a grant request once the member had complied with the stipulations for eligibility.

Chairman Rebaleati commented that this approach would provide potential relief to members whose budgets might not be able to absorb clean up of a pollution loss. Other board members commented on the costs of pollution events and that the POOL was wise to anticipate these costs and to provide some relief.

On motion and second to approve the grant program as proposed, the motion carried.

#### **10. Action Item: Acceptance of Renewal Reinsurance Proposals and Options**

Bob Lombard provided a review of the history of the POOL's changes in retention and excess or reinsurance programs in the last seven years. He indicated that with so many changes, it was agreed with staff that no structural changes should be sought for the renewal programs this year. He reviewed the current program and reinsurance partners.

Regarding the property program, he commented about the London meetings attended by Mike Rebaleati, Doug Smith, Roger Mancebo, Wayne Carlson and himself and the interest the various syndicates had in the Wells earthquake. Even with that large loss and the 11% increase in property values, the syndicates priced the renewal at the same premium as the current year, in effect resulting in an 11% decrease in premium.

Turning to the casualty program, he noted that County Reinsurance (CRL) had decreased their renewal which was quota shared with PRM. Munich American Reinsurance Partners, the reinsurer above CRL, had changed its name to Munich Re America (MRA) and had offered the same premium with a two year term in spite of having experienced a large reserve on the Fernley flood liability litigation and having incurred losses at 90% of the collected premium over the past seven years. Bob noted that he had received a quote option from ACE to compare with the MRA option at about \$100,000 less, but that he had concerns that they may just be buying business this year and it would not be sustainable compared to the MRA two year offer.

Doug Smith reviewed the renewal pricing for Public Risk Mutual, the POOL's captive reminding the board of his previous discussion about the large losses and actuarial reports. He said that with the increased frequency and severity of property losses and the large casualty losses, PRM had incurred more claims than the premium charged had anticipated. As a result, the property and liability premiums were to rise significantly.

Wayne Carlson noted that the overall change in premiums was about a 5% increase over the current premiums, but if the premiums were trended for the changes in property values and liability exposures, it was effectively a 4% decrease in costs.

Tammy Fahy presented an option for a separate policy with \$10 million limits for terrorism liability coverage at either a \$1,000,000 POOL deductible or a \$500,000 POOL deductible. This coverage would replace the current coverage provided by some of the reinsurers that left gaps or no coverage for some members. She also noted that while the base quotes excluded airports and dams, she did have an option to cover airports in the amount of \$11,111, about 30% of the premium for the base program.

Chairman Rebaleati asked the board if there were questions about the proposals and asked for a motion for one of the options on the base program and a separate motion on the

terrorism liability option. He commented that the Executive Committee recommended Option 1 with MRA.

R.J. Gillum moved that Option 2 (with ACE) be selected. The motion died for lack of a second.

On motion and second that Option 1 (with MRA) be selected, the motion carried.

On motion and second to accept the terrorism liability program with a \$500,000 deductible and including the airport option, the motion carried.

- 11. Action Item: Election of Executive Committee for Two Year Terms from 2008-2010**
- a. One representative from school districts**
  - b. One representative from Counties and/or Cities with under 35,000 population**
  - c. One representative of special districts**

Chairman Rebaleati noted that Dan Newell, Jeff Zander and Mike Pennacchio were up for election and had expressed interest in continuing to serve. He called for additional nominations. Receiving none, he called for a motion. On motion and second to reelect the slate, the motion carried.

- 12. Action Item: Election of Chairman and Vice Chairman**

Chairman Rebaleati indicated that he was interested in continuing to serve as Chair as was Claudette Springmeyer as Vice Chair. He called for any nominations. On motion and second to reelect the slate, the motion carried.

**13. Public Comment**

None was received.

**14. Action Item: Adjournment**

Chairman Rebaleati adjourned the meeting at 2:10 p.m.