



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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**Notice of Meetings and Agendas for the Joint Meeting of  
the Board of Directors and of the Executive Committees of  
Nevada Public Agency Insurance Pool and  
the Board of Trustees of  
Public Agency Compensation Trust  
Place: John Ascuaga's Nugget,  
Sparks, Nevada**

**Date: April 25, 2013 Time: 1:30 p.m.**

**Date: April 26, 2013 Time: 8:00 a.m.**

**JOINT BOARDS and EXECUTIVE COMMITTEES' AGENDA**

**April 25, 2013**

**Notices:**

- 1. Items on the agenda may be taken out of order;**
- 2. Two or more items on the agenda may be combined for consideration**
- 3. Any item on the agenda may be removed or discussion may be delayed at any time**
- 4. The general Public Comment periods are limited to those items not listed on the agenda. Public Comment periods are devoted to comments by the general public, if any, and may include discussion of those comments; however, no action may be taken upon a matter raised under Public Comments until the matter itself has been included specifically on an agenda as an item upon which action may be taken.**
- 5. At the discretion of the Chair of the meeting, public comments on specific agenda items may be allowed, but must be limited to the specific agenda item.**

**Board Governance Workshops**

**1:30 p.m. – 3:00 p.m. Cyber Risk Management Workshop**

**3:00 p.m. – 3:15 p.m. Break**

**3:15 p.m.- 4:30 p.m. What does a pool board member need to know about pooling and captives?  
Board Member Panel – Mike Rebaleati, Alan Kalt, Cash Minor, Roger Mancebo**

**5:30 p.m. – 6:30 p.m. Board Attitude Assessment and Entertainment**

**6:30 p.m. – 9:00 p.m. Dinner and Games**

## JOINT BOARDS and EXECUTIVE COMMITTEES' AGENDA

April 26, 2013

### Notices:

1. Items on the agenda may be taken out of order;
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5. At the discretion of the Chair of the meeting, public comments on specific agenda items may be allowed, but must be limited to the specific agenda item.

1. Introductions and Roll
2. Public Comment
3. For Possible Action: Acceptance of Investment Advisor's Report and Action on Recommendations
4. For Possible Action: Review of Investment Policies and Procedures
  - a. PACT Investment Guidelines
  - b. POOL Investment Guidelines
5. For Possible Action: Consent Agenda: Approve as a Whole Unless Moved From Consent Agenda
  - Approval of Minutes of Board:  
Joint Board Meeting April 27 & 28, 2012
  - Acceptance of Minutes of Committee Meetings
    - Joint Executive Committee Meeting of April 24, 2012
    - Joint Executive Committee Meeting of December 27, 2012
    - Joint Executive Committee Meeting of March 4, 2013
    - Audit Committee Meeting of October 29, 2012
    - Audit Committee Meeting of December 7, 2012
    - Human Resources Oversight Committee Meeting of June 15, 2012
    - Human Resources Oversight Committee Meeting of September 21, 2012
    - Human Resources Oversight Committee Meeting of December 7, 2012
    - Human Resources Oversight Committee Meeting of March 8, 2013
    - Loss Control Committee Meeting of June 11, 2012
    - Loss Control Committee Meeting of September 18, 2012
    - Loss Control Committee Meeting of January 15, 2013
    - Loss Control Committee Meeting of March 14, 2013
  - Strategic Plan Progress Report
  - Executive Director's Report
6. For Possible Action: Legislative Report

7. **For Possible Action: Loss Control Committee**
  - a. Loss Control Committee Report
  - b. Loss Control Excellence Program Review
  - c. Recognition of Members for Loss Control Excellence Program Awards
  - d. Risk Management Grants Report
8. **For Possible Action: Employee Assistance Program Report**
9. **For Possible Action: POOL/PACT Human Resources**
  - a. HR Oversight Committee Report
  - b. Grant Progress Report
  - c. Grant Financial Report
10. **For Possible Action: Stewardship Reports**
  - a. Alternative Service Concepts
  - b. Willis Pooling
11. **Public Comment**
12. **For Possible Action: Adjournment**

**This Agenda was posted at the following locations:**

**N.P.A.I.P. / P.A.C.T.  
201 S. Roop Street, Suite 102  
Carson City, NV 89701**

**Carson City Courthouse  
885 E. Musser Street  
Carson City, NV 89701**

**Eureka County Courthouse  
Complex  
10 S. Main Street  
Eureka, NV 89316**

**Churchill County Administrative  
155 North Taylor Street  
Fallon, NV 89406**

## **NOTICE TO PERSONS WITH DISABILITIES**

**Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to notify the Nevada Public Agency Insurance Pool or Public Agency Compensation Trust in writing at 201 S. Roop Street, Suite 102, Carson City, NV 89701, or by calling (775) 885-7475 at least three working days prior to the meeting.**

# PUBLIC AGENCY COMPENSATION TRUST

## INVESTMENT GUIDELINES

### 1. Scope

This investment policy applies to all financial assets of PACT. These funds are accounted for in PACT's annual financial report.

### 2. Statement of Purpose

- A. Safety of principal is an important objective of the investment program. To ensure that investment of funds is accomplished in a safe and secure manner, particularly with respect to limiting the exposure of the PACT to unnecessary risk investments shall be undertaken in a manner that seeks to ensure the preservation of capital. To attain this objective, diversification is required in accordance with these guidelines.
- B. To provide adequate liquidity to meet all operating obligations which reasonably may be anticipated.
- C. To structure an investment portfolio which is designed to attain a rate of return throughout budgetary and economic cycles commensurate with the investment risk constraints and cash flow characteristics of the portfolio. A balanced return of current income and modest growth of principal is an important objective. In addition, a related objective is to achieve returns in excess of the rate of inflation over the investment horizon in order to preserve the purchasing power of PACT.
- D. To assure that the investment allocation does not impair the maintenance of capital in accordance with the PACT Capitalization Policy Statement.

### 3. Investment Strategy

- A. PACT generally will adhere to the concept of matching amounts and maturities to uses of funds.
- B. Investment officers acting in accordance with written procedures and exercising due diligence will not have personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Investment officials will adhere to the Prudent Investor Rules that state that a fiduciary must:

- 1. Make investment and management decisions with respect to individual assets in the context of the investment portfolio as a whole and as part of an overall investment strategy, not in isolation.
- 2. Adhere to fundamental fiduciary duties of loyalty, impartiality, and prudence.
- 3. Maintain overall portfolio risk at a reasonable level. That is, risk and return objectives must be reasonable and suitable to the portfolio. The tradeoff between risk and return is the fiduciary's central concern.
- 4. Provide for the reasonable diversification of investments.
- 5. Act with prudence in deciding whether and how to delegate authority to experts and in selecting supervising agents. Be cost conscious when investing. The fiduciary should incur only costs that are reasonable in amount and appropriate to the investment responsibilities of the fiduciary.

C. Investment strategy will facilitate an appropriate balance of these investment objectives:

- 1) capital preservation;

- 2) diversification among types of investments, issuers and credit ratings; and
- 3) allocation of investments in a manner consistent with principles of prudent investment management.

D. The investment strategy will conform to state statutes governing investment of public funds.

#### **4. Investment Risk**

A. It is the policy of PACT that safety of principal is an important objective of the investment program and seeks to mitigate to mitigate risks to the extent possible. Four types are recognized:

1. Credit Risk - is the risk that the issuer of a security will default on the principal and interest. PACT will not assume significant credit risk in an attempt to enhance return. Therefore, below investment grade securities shall not be utilized. Acceptable credit ratings for securities shall be AAA or AA as rated by Moody's or Standard & Poor's. In addition, PACT will diversify the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

2. Liquidity Risk - is the risk that an investment may not be converted into cash if a need for cash arises. PACT will minimize liquidity risk to the extent possible through planning investment maturities to ensure that funds are available to meet cash flow needs (static liquidity) and maintain a portion of the funds in money market mutual funds which offer same-day liquidity for short-term funds. In addition, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).

3. Maturity Risk - is the risk that an investment may yield poor results if the length of maturity or maturity structure is inappropriate for the market conditions. The PACT will minimize this risk by actively managing the maturity structure to enable holding securities to maturity unless 1) the security has declining credit and needs to be sold early to minimize loss of principal, 2) a security swap would improve the quality, yield or target duration of the portfolio, or 3) liquidity needs of the portfolio require that the security be sold.

4. Market Risk - arises from the change in the value of the investment as economic conditions and interest rates change. PACT will, to the extent possible, minimize market risk by matching investments with its liabilities, making it possible to hold investments to maturity if appropriate. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles consistent with investment risk constraints and liquidity needs.

#### **5. Investment Responsibility**

A. Investment authority for PACT rests with the Board of Trustees. This authority may be delegated to the Executive Committee and the Executive Director.

B. The Board of Trustees may contract with investment advisor(s) to advise and manage the PACT's investments. Such advisor(s) shall provide a comprehensive report at least annually to the Board of Directors or its designee of all transactions and the investment performance of funds under management. The report shall suggest changes in policies or improvements that might be made in the investment program.

C. The Executive Director will manage all investment activity as closely as is practicable. The Executive Director will make day-to-day investments. In all cases, the Executive Director will:

1. Ensure that all investments are made in accordance with PACT policies;

2. Make recommendations to the Board of Trustees concerning investment policy and strategy;
3. Inventory all securities held by PACT (This shall be done in conjunction with the annual CPA audit);
4. Provide quarterly reports to the Executive Committee and annually to the Board of Trustees of all investment activity. The report shall include a listing of all securities bought, sold and matured. The report will also include a status of all investments held;
5. The Board of Trustees will review the investment report, and shall make the review a matter of record in the minutes;
6. The Board of Trustees may appoint a Fiscal Officer. The Fiscal Officer will, at the direction of the Board of Trustees, make investments and execute transactions in cooperation with the Executive Director.
7. Officers, the Executive Director and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Such persons shall disclose to the Executive Director or to the Chairman of the Board any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the PACT.
8. The Board of Directors will review this investment policy and the asset allocation, diversification and risks at least annually and at any other time as needed to fulfill its fiduciary responsibility.

## **6. Authorized Investments**

A. The following types of securities are eligible investments subject to asset allocation:

1. U.S. Treasury Securities;
2. Federal Agency Securities;
3. Federal Funds;
4. Bank Certificates of Deposit insured ;
5. Savings and Loan Certificates of Deposit insured ;
6. Repurchase Agreements;
7. Money Market Mutual Funds;
8. Statutorily eligible Mortgage-backed securities at a price not to exceed 102% of par value
9. Such other securities as authorized under Nevada laws applicable to the PACT.

Not more than ten percent (10%) of the fixed income portfolio should be to any one issuer, other than securities of the U.S. government or agencies.

B. A Master Repurchase Agreement must be signed with the bank or dealer.

C. If governmental sponsored pools and/or mutual funds are to be utilized, a thorough investigation of the pool/fund is required prior to investing, and on a continual basis. The following general information must be addressed:

1. A description of the eligible investment securities, and a written statement of investment policy and objectives
2. A description of interest calculations and how its is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes) and how often the securities are priced and the program audited.

4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. A statement regarding utilization by the pool/funds of reserves or retained earnings.
7. A fee schedule and when and how it is assessed.
8. A statement regarding whether the pool/fund is eligible for bond proceeds and/or whether it will accept such proceeds.

## **7. Authorized Financial Dealers and Institutions**

The Executive Director will maintain a list of financial institutions authorized by the Board or the Executive Committee to provide investment services. No public deposit shall be made except in a qualified public depository as established by Nevada law. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Executive Director with the following evidence of qualifications:

- a. audited financial statements
- b. proof of National Association of Security Dealers certification
- c. trading resolution
- d. proof of Nevada registration
- e. completed broker/dealer questionnaire
- f. certification as having read the PACT's Investment Guidelines and depository contracts

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Executive Director. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the PACT invests.

## **8. Investment Guidelines and Limitations**

A. Diversity. There will be sufficient diversity in the authorized instruments to allow for variety in the makeup of the portfolio. The Board of Trustees will review investment activity reports to assure appropriate diversity exists. PACT will diversify its investments by maturity, security type and issuer. Maturities selected shall provide for stability of income and reasonable liquidity. For cash management funds, the following guidelines shall apply: Liquidity shall be assured through practices ensuring that the next disbursement date is covered through maturing investments or marketable U.S. Treasury bills

Risks of market price volatility shall be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

With the exception of U.S. Treasury securities, money markets, certificates of deposit, exchange traded funds and authorized pools, no more than fifteen percent (15%) of the PACT's total investment portfolio will be invested in a particular issuer or class of securities or in an industry or company.

B. Maximum Maturities. To the extent possible, the PACT will attempt to match its investments with anticipated cash flow requirements. The PACT will not directly invest in securities maturing more than ten (10) years from the date of purchase, except as permitted by law. The average maturity of the portfolio will not exceed five (5) years.

C. Return on Investment. The PACT's investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the PACT's investment risk constraints and the cash flow characteristics of the portfolio.

D. Performance Standards. The investment portfolio results will be compared to reasonably comparable indexes reflective of the investment goals listed below:

1. Goal - to outperform over a 4-5 year period the risk free return from short-term U.S. Treasury bills by at least 100 to 200 basis points per year.
2. Goal - to outperform the Consumer Price Index over a 4 to 5 year period by at least 200 basis points per year.
3. Goal - to perform in line with the iShares Lehman 1-3 Year Treasury Bond Fund (currently trading as SHY) over a 4 to 5 year period.

## **9. Safekeeping and Custody**

Securities purchased by the PACT will be held by a professionally qualified institution that has the necessary specialization to provide accurate and timely safekeeping of the assets of PACT. If securities are purchased from outside dealers, then trades will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

The Executive Director shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the Audit Committee and with the independent auditor. The controls shall be designed to prevent the loss of PACT funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees, service providers and officers of PACT.

## **10. Collateralization**

Collateralization will be required on two types of investments: certificates of deposit in excess of current FDIC insurance limits and repurchase (and reverse) agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest.

Collateral always will be held by an independent third party with which the PACT has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the PACT and retained.

The right of collateral substitution is granted.

## **11. Selection and Performance Review of Investment Managers**

The PACT Board of Directors will select appropriate investment managers to manage PACT assets. A qualifying investment manager must meet the following minimum criteria:

- Be a registered investment advisor under the Registered Investment Advisors Act of 1940 or be a bank, insurance company or investment management company.
- Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees.
- Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
- Provide detailed information on the history of the firm, key personnel, key clients, fee schedule and support personnel.
- Clearly articulate the investment strategy that will be followed and document that the strategy successfully has been adhered to over time.
- Have no outstanding legal judgments or past judgments that may reflect negatively on the firm.
- Provide in writing acknowledgement of fiduciary responsibility to PRI.

The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration will be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this investment policy statement.

The Board of Directors intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason, including the following:

- Investment performance that significantly is less than anticipated given the discipline employed and the risk parameters established or unacceptable justification of poor results.
- Failure to adhere to any aspect of this investment policy statement including communication and reporting requirements.'
- Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

## **12. Reporting**

The Executive Director will include a market report on investment activity and returns in the PACT's Financial Report, which will be distributed quarterly to the Executive Committee and at each Board meeting.

## **13. Investment Policy Adoption**

The PACT's investment policy will be adopted by the Board of Trustees. The policy will be reviewed on an annual basis by the Executive Committee and any modifications made thereto must be approved by the Board.

Adopted 9/91  
Revised 10/95  
Revised 4/98  
Revised 5/1/2000  
Revised 9/13/2006  
Revised 5/1/2009

# NEVADA PUBLIC AGENCY INSURANCE POOL

## INVESTMENT GUIDELINES

### 1. Scope

This investment policy applies to all financial assets of the POOL. These funds are accounted for in the POOL's annual financial report.

### 2. Statement of Purpose

- A. Safety of principal is an important objective of the investment program. To ensure that investment of funds is accomplished in a safe and secure manner, particularly with respect to limiting the exposure of the POOL to unnecessary risk, investments shall be undertaken in a manner that seeks to ensure the preservation of capital. To attain this objective, diversification is required in accordance with these guidelines.
- B. To provide adequate liquidity to meet all operating obligations which reasonably may be anticipated.
- C. To structure an investment portfolio which is designed to attain a rate of return throughout budgetary and economic cycles commensurate with the investment risk constraints and cash flow characteristics of the portfolio. A balanced return of current income and modest growth of principal is an important objective. In addition, a related objective is to achieve returns in excess of the rate of inflation over the investment horizon in order to preserve the purchasing power of POOL.
- D. To assure that the investment allocation does not impair the maintenance of capital in accordance with the POOL Capitalization Policy Statement.

### 3. Investment Strategy

- A. POOL generally will adhere to the concept of matching amounts and maturities to uses of funds.
- B. Investment officers acting in accordance with written procedures and exercising due diligence will not have personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Investment officials will adhere to the Prudent Investor Rules that state that a fiduciary must:

1. Make investment and management decisions with respect to individual assets in the context of the investment portfolio as a whole and as part of an overall investment strategy, not in isolation.
2. Adhere to fundamental fiduciary duties of loyalty, impartiality, and prudence.
3. Maintain overall portfolio risk at a reasonable level. That is, risk and return objectives must be reasonable and suitable to the portfolio. The tradeoff between risk and return is the fiduciary's central concern.
4. Provide for the reasonable diversification of investments.

5. Act with prudence in deciding whether and how to delegate authority to experts and in selecting supervising agents. Be cost conscious when investing. The fiduciary should incur only costs that are reasonable in amount and appropriate to the investment responsibilities of the fiduciary.

C. Investment strategy will facilitate an appropriate balance of these investment objectives:

- 1) capital preservation;
- 2) diversification among types of investments, issuers and credit ratings; and
- 3) allocation of investments in a manner consistent with principles of prudent investment management.

D. The investment strategy will conform to state statutes governing investment of public funds.

#### **4. Investment Risk**

A. It is the policy of the POOL that safety of principal is an important objective of the investment program and seeks to mitigate risks to the extent possible. Four types are recognized:

1. Credit Risk - is the risk that the issuer of a security will default on the principal and interest. POOL will not assume significant credit risk in an attempt to enhance return. Therefore, below investment grade securities shall not be utilized. Acceptable credit ratings for securities shall be AAA or AA as rated by Moody's or Standard & Poor's. In addition, POOL will diversify the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

2. Liquidity Risk - is the risk that an investment may not be converted into cash if a need for cash arises. POOL will minimize liquidity risk to the extent possible through planning investment maturities to ensure that funds are available to meet cash flow needs (static liquidity) and maintain a portion of the funds in money market mutual funds which offer same-day liquidity for short-term funds. In addition, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).

3. Maturity Risk - is the risk that an investment may yield poor results if the length of maturity or maturity structure is inappropriate for the market conditions. The POOL will minimize this risk by actively managing the maturity structure to enable holding securities to maturity unless 1) the security has declining credit and needs to be sold early to minimize loss of principal, 2) a security swap would improve the quality, yield or target duration of the portfolio, or 3) liquidity needs of the portfolio require that the security be sold.

4. Market Risk - arises from the change in the value of the investment as economic conditions and interest rates change. POOL will, to the extent possible, minimize market risk by matching investments with its liabilities, making it possible to hold investments to maturity if appropriate. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles consistent with investment risk constraints and liquidity needs.

#### **5. Investment Responsibility**

- A. Investment authority for POOL rests with the Board of Directors. This authority may be delegated to the Executive Committee and the Executive Director.
- B. The Board of Directors may contract with investment advisor(s) to advise and manage the POOL's investments. Such advisor(s) shall provide a comprehensive report at least annually to the Board of Directors or its designee of all transactions and the investment performance of funds under management. The report shall suggest changes in policies or improvements that might be made in the investment program.
- C. The Executive Director will manage all investment activity as closely as is practicable. The Executive Director will make day-to-day investments. In all cases, the Executive Director will:
  - 1. Ensure that all investments are made in accordance with POOL policies;
  - 2. Make recommendations to the Board of Directors concerning investment policy and strategy;
  - 3. Inventory all securities held by POOL (This shall be done in conjunction with the annual CPA audit);
  - 4. Provide quarterly reports to the Executive Committee and annually reports to the Board of Directors of all investment activity. The reports shall include a listing of all securities bought, sold and matured. The reports will also include a status of all investments held;
  - 5. The Board of Directors will review the investment report, and shall make the review a matter of record in the minutes;
  - 6. The Board of Directors may appoint a Fiscal Officer. The Fiscal Officer will, at the direction of the Board of Directors, make investments and execute transactions in cooperation with the Executive Director.
  - 7. Officers, the Executive Director and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Such persons shall disclose to the Executive Director or to the Chairman of the Board any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the POOL.
  - 8. The Board of Directors will review this investment policy and the asset allocation, diversification and risks at least annually and at any other time as needed to fulfill its fiduciary responsibility.

## **6. Authorized Investments**

- A. The following types of securities are eligible investments subject to asset allocation:
  - 1. U.S. Treasury Securities;
  - 2. Federal Agency Securities;
  - 3. Federal Funds;
  - 4. Bank Certificates of Deposit insured;
  - 5. Savings and Loan Certificates of Deposit insured;
  - 6. Repurchase Agreements;
  - 7. Money Market Mutual Funds;

8. Statutorily eligible Mortgage-backed securities at a price not to exceed 102% of par value
9. Such other securities as authorized under Nevada laws applicable to the POOL.

Not more than ten percent (10%) of the fixed income portfolio should be to any one issuer, other than securities of the U.S. government or agencies.

- B. A Master Repurchase Agreement must be signed with the bank or dealer.
- C. If governmental sponsored pools and/or mutual funds are to be utilized, a thorough investigation of the pool/fund is required prior to investing, and on a continual basis. The following general information must be addressed:
  1. A description of the eligible investment securities, and a written statement of investment policy and objectives
  2. A description of interest calculations and how its is distributed, and how gains and losses are treated.
  3. A description of how the securities are safeguarded (including the settlement processes) and how often the securities are priced and the program audited.
  4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
  5. A schedule for receiving statements and portfolio listings.
  6. A statement regarding utilization by the pool/funds of reserves or retained earnings.
  7. A fee schedule and when and how it is assessed.
  8. A statement regarding whether the pool/fund is eligible for bond proceeds and/or whether it will accept such proceeds.

## **7. Authorized Financial Dealers and Institutions**

The Executive Director will maintain a list of financial institutions authorized by the Board or the Executive Committee to provide investment services. No public deposit shall be made except in a qualified public depository as established by Nevada law. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Executive Director with the following evidence of qualifications:

- a. audited financial statements
- b. proof of National Association of Security Dealers certification
- c. trading resolution
- d. proof of Nevada registration
- e. completed broker/dealer questionnaire
- f. certification as having read the POOL's Investment Guidelines and depository contracts

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Fiscal Officer. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the POOL invests.

## **8. Investment Guidelines and Limitations**

- A. **Diversity.** There will be sufficient diversity in the authorized instruments to allow for variety in the makeup of the portfolio. The Board of Directors will review investment activity reports to assure appropriate diversity exists. The POOL will diversify its investments by maturity, security type and issuer. Maturities selected shall provide for stability of income and reasonable liquidity. For cash management funds, the following guidelines shall apply: Liquidity shall be assured through practices ensuring that the next disbursement date is covered through maturing investments or marketable U.S. Treasury bills

Risks of market price volatility shall be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

With the exception of U.S. Treasury securities, money markets, certificates of deposit, exchange traded funds and authorized pools, no more than fifteen percent (15%) of the POOL's total investment portfolio will be invested in a particular issuer or class of securities or in an industry or company.

- B. **Maximum Maturities.** To the extent possible, the POOL will attempt to match its investments with anticipated cash flow requirements. The Pool will not directly invest in securities maturing more than ten (10) years from the date of purchase, except as permitted by law. The average maturity of the portfolio will not exceed five (5) years.
- C. **Return on Investment.** The POOL's investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the POOL's investment risk constraints and the cash flow characteristics of the portfolio.
- D. **Performance Standards.** The investment portfolio results will be compared to reasonably comparable indexes reflective of the investment goals listed below:
  - 1. Goal - to outperform over a 4-5 year period the risk free return from short-term U.S. Treasury bills by at least 100 to 200 basis points per year.
  - 2. Goal - to outperform the Consumer Price Index over a 4 to 5 year period by at least 200 basis points per year.
  - 3. Goal - to perform in line with the iShares Lehman 1-3 Year Treasury Bond Fund (currently trading as SHY) over a 4 to 5 year period.

## **9. Safekeeping and Custody**

Securities purchased by the POOL will be held by a professionally qualified institution that has the necessary specialization to provide accurate and timely safekeeping of the assets of POOL. If securities are purchased from outside dealers, then trades will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

The Executive Director shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the Audit Committee and with the independent auditor. The controls shall be designed to prevent the loss of POOL funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees, service providers and officers of POOL.

## **10. Collateralization**

Collateralization will be required on two types of investments: certificates of deposit in excess of current FDIC insurance limits and repurchase (and reverse) agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest.

Collateral always will be held by an independent third party with which the POOL has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the POOL and retained.

The right of collateral substitution is granted.

## **11. Selection and Performance Review of Investment Managers**

The POOL Board of Directors will select appropriate investment managers to manage POOL assets. A qualifying investment manager must meet the following minimum criteria:

- Be a registered investment advisor under the Registered Investment Advisors Act of 1940 or be a bank, insurance company or investment management company.
- Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees.
- Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
- Provide detailed information on the history of the firm, key personnel, key clients, fee schedule and support personnel.
- Clearly articulate the investment strategy that will be followed and document that the strategy successfully has been adhered to over time.
- Have no outstanding legal judgments or past judgments that may reflect negatively on the firm.
- Provide in writing acknowledgement of fiduciary responsibility to PRI.

The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration will be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this investment policy statement.

The Board of Directors intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason, including the following:

- Investment performance that significantly is less than anticipated given the discipline employed and the risk parameters established or unacceptable justification of poor results.
- Failure to adhere to any aspect of this investment policy statement including communication and reporting requirements.
- Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

## **12. Reporting**

The Executive Director will include a market report on investment activity and returns in the POOL's Financial Report, which will be distributed quarterly to the Executive Committee and at each Board meeting.

## **12. Investment Policy Adoption**

The POOL's investment policy will be adopted by the Board of Directors. The policy will be reviewed on an annual basis by the Executive Committee and any modifications made thereto must be approved by the Board.

**Adopted 9/91**  
**Revised 10/95**  
**Revised 4/98**  
**Revised 5/1/2000**  
**Revised 9/13/2006**  
**Revised 5/1/2009**

## **Executive Director's Report March 2013**

### **POOL and PACT Budgets:**

The budgets reflect current economic conditions and a continuation of the actuarial 70% confidence level for funding. Amounts generally are flat or reduced with the exception of the PACT presumptive benefits post-employment rate that is scheduled to increase by 10% based per board policy. It is anticipated that medical inflation will continue to pressure PACT rates and substantial presumptive benefits losses can surprise at any time. To demonstrate the volatility risks, two heart claims from incumbent employees recently led to reserve increases affecting 2004 by \$1.9 million and 2007 by \$1.3 million. PACT retains a significant part of each of these losses, but they also affect reinsurers, thus total program costs. We saw unusual volatility in POOL in 2008 with the earthquake and canal breach litigation. Retaining sufficient net assets to absorb these shock losses is important to the long-term viability and stability of these pools.

Both program budgets rely on the actuarial confidence level to generate sufficient margin. If the ratable exposures differ, gross POOL/PACT revenues will be affected as will potential reinsurance costs and the draft budget will need further revision prior to or at the annual board meeting after renewal decisions are reached.

PRI's grant budget reflects the planned increase in the current grant amount. PRI has built a reserve of nearly a full year's grant and continues to operate at a modest margin.

### **NPAIP Building Leases:**

The first floor space now is occupied by the Nevada Sagebrush Ecosystem Program so the building is fully rented.

PARMS has an existing lease that expires 7/1/2013 at \$1.77 per square foot based upon a full allocation of common and conference room space. PRI does not have a lease, but the rent incorporated into the grant is based upon the same rate and allocation methodology as PARMS. A new PARMS five-year lease starting at the current lease rate and increasing by two per cent (2%) is proposed as is the same provision in the PRI grant.

### **Renewal Strategies:**

#### **POOL:**

The property coverage program is placed through Willis Re in various syndicates at Lloyds of London. We have scheduled our renewal negotiations in London during the week of April 1-5, 2013. Wayne Carlson along with Bob Lombard of Willis Pooling will be meeting with the various syndicates and Willis Re London. Property market conditions have shown some increases in the windstorm areas, not likely to impact our capacity or rates much. Our broker indicates that we should be able to negotiate favorable rates based upon our experience and long term relationships.

Public Risk Mutual will offer renewal at current terms, but also may take up additional coverage layers in both property and liability depending upon opportunities to grow participation and reaction to renewal terms from other reinsurers.

County Reinsurance, Ltd. (CRL), a member owned captive insurance company in which NPAIP placed a substantial capital contribution, reinsures the liability layer of \$1,500,000 above the POOL retention of \$500,000 on an 80% quota share basis with PRM bearing 20%. CRL may offer expanded capacity which may enable us to adjust our POOL retention and/or PRM's participation. CRL preliminary indications are for a nominal overall rate increase.

United Educators writes a liability limit of \$1,500,000 excess of the POOL's \$500,000 retention and there have been no losses in that layer since we began the relationship with UE. UE is a member-owned captive risk retention group in which POOL has a subscribers' surplus account. We intend to continue this relationship but will consider an alternative structure since they have additional capacity to offer. Rates are expected to remain stable.

Government Entities Mutual (GEM), a member owned captive insurance company in which NPAIP placed a substantial capital contribution, reinsures the layer of \$2,000,000 above the POOL retention of \$3,000,000. Rates are expected to remain stable.

Brit provides liability limits of \$5,000,000 excess of POOL and PRM/CRL/GEM combined \$5,000,000 retention. We will be meeting with Brit representatives in early March. Rates are expected to remain stable.

Our equipment breakdown reinsurer is Travelers Boiler Re which provides up to \$60,000,000 with various sublimits. Since their limits and pricing have been stable for several years now, we anticipate renewal with them as our best option.

POOL Form changes being considered include a cyber liability sublimit. CRL's coverage attorney drafted proposed language and we sent it to Jack Angaran to tailor it to our POOL Form for consideration on renewal.

#### **PACT:**

Public Compensation Mutual (PCM) maintains a quota share agreement with CRL in excess of PACT's retention of \$500,000 on all classifications plus a \$500,000 corridor deductible. PCM bears \$250,000 excess of PACT's retention plus the quota share of the next \$2,250,000. CRL bears 75% and PCM 25% of the next \$2,250,000. Safety National now attaches at \$3,000,000 and covers to statutory limits. Both PCM and Safety National provide aggregate limits that attach above a high aggregate retention along with PCM. We will evaluate changes in the quota share or excess attachment points.

#### **PACT Cardiac Wellness Program:**

Participation is growing slowly and we continue to promote the program to more agencies. We have had some success stories that demonstrate the efficacy of the program. SpecialtyHealth developed a promotional educational video that is quite convincing. It utilizes several local governmental agency employees as examples of the risks and

successes. SpecialtyHealth will present an update of the cardiac wellness program at the annual board meeting.

### **Board Retreat Actions:**

Specific retreat areas of focus are shown below with notes regarding activities in support of those areas:

#### **Member Needs: Assigned to HR OSC**

- ❖ **Human resources expanded and consulting/education**
- ❖ **High level human resources services**
- ❖ **Central hiring services (single input application process, candidate database, background checks, initial application scoring, etc) – PRI coordinate; HR OSC issue from retreat**

***Status: HR sent survey on 1/19; results received and reported to Ex Comm and OSC 3/16/2012; included in board packet 4/29/12; 7/20/12 contract for labor consulting services implemented and five training sessions conducted. A collective bargaining agreement database is being implemented. Expanded training including Advanced Essential Management Skills has been initiated. The current HR Compliance Assessment Program continues and an additional program added: HR Assessment Phase II – the compensation-related assessment.***

#### **Shared Services: Assigned to PARMS**

- ❖ **Technology**
- ❖ **Information technology support services**

*Status: 1/5/12 Wayne emailed NV state CIO; 1/17/12 called CIO left message; talked to CIO, he'll send shared services IT and purchasing lists; 1/25/2012 saved an RFP from VMLIP for shared IT consultant services; NV state CIO indicated interest in shared services opportunities; 4/9/2012 Link CIO website that includes service catalog.*

*<http://it.nv.gov/IT-Service-Catalog/>*

*Link to the Purchasing website for contracts.*

*[http://purchasing.state.nv.us/services\\_index.htm](http://purchasing.state.nv.us/services_index.htm)*

*David Gustafson | Chief Information Officer  
State of Nevada | Department of Administration | Enterprise IT Services  
T: (775) 684-5849 | F: (775) 684-5846 | E: [dgustafson@admin.nv.gov](mailto:dgustafson@admin.nv.gov)*

*Your contact person at Purchasing is:*

*Marti Marsh*

*[mmarsh@admin.nv.gov](mailto:mmarsh@admin.nv.gov)*

*775.684.0180*

3/6-8/2012 attended GROWCO conference in New Orleans; gathered information about potential ways to invest in local businesses for econ development; shared services

Sent letter 5/29/2012 to board/liaisons re State contracts opportunities and contracts

12/13/2012 Attended Digital Government Summit and discussed potential vendor consulting services

### **Social Media: Assigned to HR OSC and PARMS**

- ❖ **Guidelines for use**
- ❖ **Policy standards (best practices)**

Regional Workshops – Charity Felts with Erickson, Thorpe, and Swainston provided seven sessions of Social Media throughout the state. POOL/PACT HR reviewed its model policies.

### **Technology: Assign to PARMS**

#### **Information technology shared services, cloud services**

- ❖ **Information technology support**

3/22/12 participated in Imperva Webinar on IT security – anonymous attacks

5/23/12 participated in GovTech IT shared services security Webinar

5/10/12 CRL presentation on Cyber Security risk management; CRL U/W committee to review what approach to take on both risk management and coverage; Wayne chairs Committee

5/31/2012 created cyber liability file to gather info; topic for CRL U/W committee as well as POOL Form issues

6/13/2012 Sent email to Bob Lombard to have cyber liability expert evaluate POOL Form and coverage issues

7/13/12 Checked into Web site and mobile app security per Imperva presentation.

Contact: Sean at Imperva (data security tools) (408) 218-2251;

8/15/12 analyzing IT security solutions from IDEXperts for POOL

8/2012 Further research on cyber liability issues; CRL UW committee evaluating – will be board item; CRL board having legal counsel review coverage and options; gathering information on subject; considering security risk management assessment services; Cyber Liability coverage and RM may be a needed solution

10/9-11/2012 Wayne attended CTIA conference on technology and security issues

11/1/2012 [www.socrata.com](http://www.socrata.com) – open source government data transparency and info sharing

11/2/2012 met with E2C re PARMS, but they are also outsourcing potential for pools so discussed possibilities

12/13/2012 Attended Digital Government Summit and discussed potential vendor consulting services

3/15/2013 CRL Board approved sublimit on cyber liability coverage including a training and consulting support for prevention and response

### **Resistance to Change: Once changes identified, assign to SmartBrand to develop educational/communication campaign**

- ❖ **Communicate**
- ❖ **Educate**

*Nothing at this time; awaiting results of other topics*



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 Meetings of the Joint Meeting of  
the Board of Directors and of the Executive Committees of  
Nevada Public Agency Insurance Pool and  
the Board of Trustees of  
Public Agency Compensation Trust  
Place: John Ascuaga's Nugget,  
Sparks, Nevada**

**Date: April 26, 2012 Time: 1:30 p.m.**

**Date: April 27, 2012 Time: 8:00 a.m.**

**JOINT BOARDS and EXECUTIVE COMMITTEES' AGENDA**

**April 26, 2012**

**Notices:**

- 1. Items on the agenda may be taken out of order;**
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- 5. At the discretion of the Chair of the meeting, public comments on specific agenda items may be allowed, but must be limited to the specific agenda item.**

**Board Governance Workshops**

**1:30 p.m. – 3:00 p.m. Disaster Recovery Before the Disaster (Brian Foote, Belfor)**

Due to unexpected unavailability of speaker, this workshop was changed to a review of the Risk Management Grant program for Stryker emergency services equipment.

**3:00 p.m. – 3:15 p.m. Break**

**3:15 p.m.- 4:30 p.m. County Reinsurance, Ltd. Enterprise Risk Management Responding to Crisis (Phil Bell, Executive Director, CRL)**

Phil Bell presented an overview of CRL and its efforts at managing through a financial and investment crisis.

**5:30 p.m. – 6:15 p.m. Board Attitude Assessment and Entertainment**

**6:15 p.m. – 9:30 p.m. Dinner and POOL's Anniversary Celebration**

The POOL celebrated its anniversary with a reflection on the history of the POOL and a roast of Wayne Carlson, its Executive Director, who had led the effort to enable pooling, then the formation and development efforts over the last 25 years. A Governor's Proclamation was read recognizing the anniversary and Wayne's efforts.

DRAFT

## JOINT BOARDS and EXECUTIVE COMMITTEES' AGENDA

April 27, 2012

### Notices:

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### 1. Introductions and Roll

A sign-in sheet was circulated at a quorum was determined to be present. Chair Kalt called the joint meeting to order at about 8:10 a.m.

### 2. Public Comment

Chair Kalt called for public comment and hearing none, closed the public comment period.

### 3. For Possible Action: Acceptance of Investment Advisor's Report and Action on Recommendations

Joe Woods of Raymond James & Associates, the investment advisor, and Alan Ashworth of Eagle Asset Management, one of the key money management firms for the pools, presented a review of the investment portfolios and results currently and since inception. They also reviewed current economic and investment trends and responded to questions from members.

On motion and second to accept the reports, the motion carried.

### 4. For Possible Action: Review of Investment Policies and Procedures

- a. PACT Investment Guidelines
- b. POOL Investment Guidelines
- c. Money Management Controls Procedure

Doug Smith reviewed the background of the investment guidelines, noting there were no suggested changes at this time. He then explained that the Money Management Controls Procedures were adopted and presented as a matter of transparency to the boards so they knew how their funds were being handled and what to expect in terms of fraud prevention controls. He invited comments or suggestions regarding these controls. Alan Kalt noted that the Executive Committees jointly review these guidelines and controls and had no changes to recommend.

On motion and second to accept the guidelines and controls procedures, the motion carried.

**5. For Possible Action: Consent Agenda: Approve as a Whole Unless Moved From Consent Agenda**

- **Approval of Minutes of Board:**
  - Joint Board Meeting April 28 & 29, 2011**
- **Acceptance of Minutes of Committee Meetings**
  - Joint Executive Committee Meeting of March 16, 2012**
  - Joint Executive Committee Meeting of August 23, 2011**
  - Audit Committee Meeting of January 17, 2012**
  - Audit Committee Meeting of December 29, 2011**
  - Human Resources Oversight Committee Meeting of March 23, 2012**
  - Human Resources Oversight Committee Meeting of December 16, 2011**
  - Human Resources Oversight Committee Meeting of September 16, 2011**
  - Human Resources Oversight Committee Meeting of June 17, 2011**
  - Loss Control Committee Meeting of March 8, 2012**
  - Loss Control Committee Meeting of January 24, 2012**
  - Loss Control Committee Meeting of July 22, 2011**
  - Loss Control Committee Meeting of June 21, 2011**

Chair Kalt called for a motion for approval of the consent agenda. Tom Fransway requested that the minutes of the Joint Board meeting of April 28 & 29, 2011 be pulled from the agenda for separate action so that he could abstain since he was not on the board at that time. Chair Kalt ordered the separation of this item from the consent agenda.

On motion and second to approve the minutes of the Joint Board meeting of April 28 & 29, 2011, the motion carried, with Tom Fransway abstaining.

On motion and second the accept the committees meeting minutes as a whole, the motion carried.

**6. For Possible Action: Acceptance of Reports:**

- **Board Retreat Report**
- **Strategic Plan Progress Report**
- **Executive Director's Report**

Wayne Carlson highlighted the results of the board retreat and updated the board on activities that had occurred in response to the board's conclusions to focus on shared services, information technology shared services, IT security risk management, social media, enhanced human resources services and economic development issues. He noted that the HR Oversight committee had conducted a survey and done further reviews of the potential for enhanced HR services that Jeanne Greene would report on later. He said that he had been in contact with the State of Nevada Chief Information Officer about shared IT services and received a link to all of the contracts for both IT and Purchasing that allow local governments to utilize the State's bargaining power and contracts. Wayne indicated that he would be getting information to the members soon about this. He also said that he had attended the GROWCO conference in New Orleans to learn about their economic development efforts and results post-Katrina. He expressed that both New Orleans Mayor Landrieu and former President Bill Clinton both spoke on similar themes encouraging a focus on common ground in order to develop economic development strategies for the nation without having to have a disaster as the triggering event.

Wayne then reviewed the strategic plan progress report that showed the actions taken for the period 2009-2012. A new plan for 2012-2015 would be developed to measure progress on the retreat goals.

He added to the Executive Director's report a review of the Net Asset growth of both pools and the captives since 2004, noting the substantial 5-year annual average growth and strengthening the pools' ability to manage more risk retention over time.

On motion and second to accept the reports, the motion carried.

7. **For Possible Action: Loss Control Committee**
- a. **Loss Control Committee Report**
  - b. **Recognition of Members for Loss Control Excellence Program Awards**
  - c. **Risk Management Grants Report**

Ann Wiswell presented the report noting the shift from a return-to-work program of the pools toward educating members about the value of return-to-work as part of the HR team efforts. She explained that a major initiative was adding a matching grant program for Stryker emergency services equipment. The strategic plan for 2012-2015 would focus on these areas:

- OSHA and ADA Compliance
- E-Learning curriculum development
- Emergency Planning
- Continued focus on enhancing POOL/PACT member communication
- Claims Analysis/Benchmarking
- Wellness/Body Mechanics
- Auto/Driver Safety training
- LCEP Administration
- Grant Program Administration

Ann commented that the Loss Control Excellence Program was being revised to an electronic self-audit scoring system for the future.

Loss Control Excellence Program Awards were grant to:  
Battle Mountain General Hospital  
Boulder City  
Douglas County  
Elko County School District  
Lyon County  
Town of Pahrump

Risk Management Grants report:

Ann noted that the committee reviewed the current guidelines for the Risk Management Grant Program and determined a few changes were in order as follows:

- 50% match on all grant funding for property risk related measures
- 25% match for OSHA compliance related measures and personal protective equipment
- 100% funding for all training grants with a \$2000.00 per person limit.

On motion and second to accept the reports, the motion carried.

8. **For Possible Action: Employee Assistance Program**
- a. **Employee Assistance Program Report**
  - b. **Approval of Aetna Horizon Behavioral Services, Inc. Contract for the Period July 1, 2012 – July 1, 2015**

a. Wayne Carlson provided an overview of the results of the EAP program indicating that the legal and financial services utilization has increased recently in light of the economy and tax season. Telephonic work-life benefits were noted as helping members with things such as moving relatives into care facilities, helping to find appropriate care facilities and services and other similar services support. He noted that the management consultation and referral benefit usage was excellent and growing in collaboration with the POOL/PACT HR team coordination as needed. The HR team has been very supportive of promoting the EAP to members and arranging for EAP training programs. Wayne highlighted aspects of the written report.

b. Wayne commented that the current contract contained a provision enabling an extension up to two years. Horizon proposed a two year extension at the current rates.

On motion and second to accept the EAP report and to approve a two year extension at the current rates, the motion carried.

**9. For Possible Action: POOL/PACT Human Resources**

**a. HR Oversight Committee Report**

**b. Grant Progress Report**

**c. Grant Financial Report**

**d. Approval of Grant for the period July 1, 2012 - July 1, 2015**

Curtis Calder presented awards to the following members for achieving recognition under the HR Assessment Program: Mt. Grant Hospital, Douglas County, West Wendover, Town of Tonopah, Sun Valley GID and Yerington. Jeanne Greene provided an overview of the strategic plan results noting the additional and ongoing training programs being offered, updated sample policies and the HR assessments that were done. She pointed out the new program, called the FRISK documentation program, developed by a California attorney that licensed its use to POOL/PACT HR. She noted the survey results following up on the board retreat outcomes, commenting that several items will be incorporated into the strategic plan for 2012-2015.

Wayne Carlson noted that what Jeanne Greene had described was incorporated into Exhibit A of the grant and that the grant had been reduced slightly. He complimented staff and the utilization by members of the services offered. He recommended approval of the grant. Alan Kalt noted that the savings under the current grant had been retained as a cushion for future use.

On motion and second to approve the grant for the period of July 1, 2012-July 1, 2015, the motion carried.

**10. For Possible Action: Stewardship Reports**

**a. Alternative Service Concepts**

**b. Willis Pooling**

Donna Squires reviewed the first claims of the POOL from 25 years ago, the largest property and liability claims ever faced by the POOL (both happened in early 2008) and noted that the most frequent losses were general liability claims, but the most expensive on average were errors and omissions claims.

Donna Squires, Pam Finch (ASC regional supervisor) and Bob Bennett (CEO of ASC) noted that ASC is celebrating its year. They presented a wall-mounted fountain in honor of the POOL's anniversary to be hung in the POOL offices. Bob Bennett commented about his experience with the POOL some 25 years ago to the present and thanked the board for their faith in ASC.

Mike Livermore presented the stewardship report on PACT. He commented about the frequency and severity of claims, focusing specifically on the large, heart claims that were driving up costs. He expressed concerns about the need to control the costs of these claims. He noted a substantially increasing trend in the frequency of heart claims that was worrying in light of their common cost over \$1,000,000 each. He cited the statutory compliance requirements for employers on physical examinations and the substantial penalties and fines that may accrue for noncompliance. Not only is noncompliance a regulatory concern, but also a claims management concern since lack of physicals makes it difficult to adjudicate claims, let alone help with prevention of claims via the Cardiac Wellness Program. He commended SpecialtyHealth for this program. He encouraged members to inquire about regulatory compliance within their agencies.

Chair Kalt asked about utilization of ARC for the physical examinations. Mike indicated that he seldom saw such physicals, but it may be early since ARC started offering its services. Jack Cox added information about the current level of physical examinations from ARC that SpecialtyHealth was receiving.

Bob Lombard presented the Willis Pooling stewardship report beginning with a celebratory video from Joe Plumeri, Chairman and CEO of Willis, congratulating POOL on its anniversary and thanking POOL for the continuing relationship with Willis from the beginning. Bob then review the services and staff Willis provides to the pools. Rick Hudson reviewed the loss control services and future focus. Bob reviewed the market conditions overall, noting the accumulation of disasters in 2011 and the effects of changes in risk modeling on capacity. He introduced the Willis Pooling team.

On motion and second to accept the reports, the motion carried.

#### **11. Public Comment**

Chair Rebaleati called for public comment and hearing none, closed the public comment period.

#### **12. For Possible Action: Adjournment**

On motion and second to adjourn, the meeting was adjourned at about 11:17 a.m.

**The Agenda was posted at the following locations:**

**N.P.A.I.P. / P.A.C.T.  
201 S. Roop Street, Suite 102  
Carson City, NV 89701**

**Eureka County Courthouse  
10 S. Main Street  
Eureka, NV 89316**

**Carson City Courthouse  
885 E. Musser Street  
Carson City, NV 89701**

**Churchill County Administrative  
Complex  
155 North Taylor Street  
Fallon, NV 89406**



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

**Minutes of Joint Meeting of the Executive Committees of  
Nevada Public Agency Insurance Pool and for Public Agency Compensation Trust**

**Date: April 24, 2012**

**Time: 10:00 A.M.**

**Place: 201 S. Roop St.,  
Carson City, Nevada 89701**

**Conference Call: 1-800-593-9034 Passcode: Wayne C.**

**Notices:**

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**1. Roll**

Members Present: Alan Kalt, Cash Minor, Toni Inserra, Roger Mancebo, Joshn Foli, Steve West, Pat Whitten, Mike Rebaleati, Dan Newell, Lisa Jones, Paul Johnson, Gerry Eick, Jeff Zander

Members Absent: Bill Kohbarger

Others Present: Wayne Carlson, Doug Smith, Ann Wiswell, Debbie Connally, Bob Lombard

Alan Kalt, Chair, called the meeting to order.

**2. Public Comment**

Alan Kalt, Chair, called for public comment. None was received.

**3. For Possible Action: Consent Agenda - Approve as a Whole Unless Moved From Consent Agenda**

**a. Approval of Minutes of Meeting of Joint Executive Committee March 16, 2012**

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

4. **For Possible Action: Approval of Applications for AGRiP Advisory Standards Recognition Renewal**  
a. POOL  
b. PACT

Wayne Carlson explained that each of these applications was for a renewal of the present AGRiP Recognition Award that each pool has received continuously since 1996 with renewals every three years. The standards require that the governing body approves the application.

Discussion ensued in which members commented on the thoroughness and detailed responses required in meeting the standards. Several members made positive comments about the pools.

On motion and second to approve both applications and the authorize the chairs to sign, the motion carried.

Prior to consideration of Item 5, the Joint Executive Committee declared a recess at 10:15 a.m. to enable the captives boards to convene their respective meetings to determine which renewal options they would present to the pools. Upon conclusion of the two captives meetings, the Joint Executive Committee was reconvened by Chair Mike Rebaleati at 11:00 a.m. for Item 5 and the remainder of the agenda.

5. **For Possible Action: Review of POOL and PACT Program Renewal Status and Action on Options**  
a. Willis Pooling Report  
b. Select POOL and PACT Program Renewal Options  
c. Consider Granting Renewal Credits

a. Bob Lombard commented on the overall market conditions and the renewal options process.

b. **PACT renewal:** Bob Lombard reviewed a spreadsheet with several options for higher retentions from PACT and/or PCM. Doug reviewed the loss history provided by CRL about the losses that historically would exceed PACT retention and the effect on PCM and CRL attachment points. Bob showed that renewal with current retentions for PACT would rise significantly (about 53%) in part due to CRL increasing its limit, some general rate base increase, but mostly from PACT's own loss experience over the previous nine year period. PCM likewise had a substantial increase. Safety National Casualty Company is excess of CRL, attaching on renewal at \$3,000,000 retention, and their premium remained nearly flat, but at a \$500,000 higher attachment point. Wayne noted that the underlying PACT actuarial projections plus these reinsurance proposals would result in an overall increase of about 10% subject to individual members experience rating and payroll changes. Considerable discussion ensued regarding each of the four options:

- 1) Renewal at current \$500,000 retention plus \$500,000 corridor deductible
- 2) Option 1: \$750,000 retention plus \$500,000 corridor deductible; PCM would take the layer from \$500,000 retention to \$750,000 retention and a 25% quota share of CRL's layer to \$3,000,000
- 3) Option 2: \$1,000,000 retention with no corridor deductible; PCM would take the layer from \$500,000 retention to \$1,000,000 retention and a 25% quota share of CRL's layer to \$3,000,000

- 4) Option 3: \$750,000 retention with no corridor deductible; PCM would take the layer from \$500,000 retention to \$750,000 retention and a 25% quota share of CRL's layer to \$3,000,000

On motion and second to offer the renewal as is plus options 1 and 2, with the Executive Committee recommending Option 1, the motion carried.

**POOL renewal:** Bob Lombard reviewed the market conditions learned in particular at Lloyds of London during the renewal negotiations trip at which he, Executive Committee Member Lisa Jones, Wayne Carlson and Ann Wiswell attended. Property rates for those not consistently visiting Lloyds underwriters and remaining with the Lloyds market went up substantially more (25% or more) than the NPAIP property rates, which increased about 7.5% on a rate basis. While we had requested an option for increased retentions up to \$1,000,000 on property, the pricing offset was insufficient to warrant taking that level of risk in light of the modest rate increase. Bob then reviewed the liability program, noting that the County Reinsurance, Ltd. rates decreased some, the Public Risk Mutual (NPAIP's captive) rates decreased significantly, Government Entities Mutual (GEM) rates remained flat, United Educators rates remained flat and Brit's rates remained flat. Bob indicated that the overall reinsurance costs for property and casualty coverage resulted in about a 1.2% increase. Wayne Carlson added that adding the loss fund and administrative costs to the reinsurance pricing would result in an overall flat renewal program cost. Individual members would vary based upon exposure changes and experience. Wayne also commented that the cost allocation formula he had been using was being developed by the actuary this year.

On motion and second to present to the board the renewal program as proposed, the motion carried.

- c. Wayne explained that since renewal credits had been voted on at past annual meetings, the committee may want to discuss whether or not to do so at this meeting. Gerry Eick commented that it is important for the stability and security of POOL and PACT that they maintain their surplus in case of adversity and recommended no credits. Ala Kalt concurred with those comments and added that surplus growth is essential. He also said that there are risk management grants and the Loss Control Excellence Program that are better forms of credit in that members do things to reduce risks.

On motion and second to not grant renewal credits, the motion carried.

## 6. **For Possible Action: Update on Annual Meeting Activities**

Wayne advised the committee that Kevin Curnes of Carson City School District volunteered as a candidate to replace Jeff Zander as school district member of the Executive Committee. Also, a local Reno band called Burning Peace has been hired for the 25<sup>th</sup> celebration event.

## 7. **Public Comment**

Chair Rebaleati called for Public Comment. No comments were received.

**8. For Possible Action: Adjournment**

On motion and second to adjourn, the meeting was adjourned at about 12:15 a.m.

**The Agenda was posted at the following locations:**

**N.P.A.I.P. / P.A.C.T.  
201 S. Roop Street, Suite 102  
Carson City, NV 89701**

**Carson City Courthouse  
885 E. Musser Street  
Carson City, NV 89701**

**Eureka County Courthouse  
10 S. Main Street  
Eureka, NV 89316**

**Churchill County Administrative Complex  
155 North Taylor Street  
Fallon, NV 89406**



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  
Executive Committees of  
Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust**

**Date: Thursday, December 27, 2012**

**Time: 10:00 A.M.**

**Place: Conference Call-In # 1-800-593-9034, Passcode: WayneC  
and at 201 S. Roop Street, Carson City, NV 89701**

**1. Roll**

Members Present: Cash Minor, Michael Rebaleati, Alan Kalt, Steve West, Bill Kohbarger, Gerry Eick, Roger Mancebo, Pat Whitten, Kevin Curnes

Members Absent: Paul Johnson, Lisa Jones, Dan Newell, Josh Foli

**2. Public Comment**

Chair Kalt opened public comment and hearing none, closed the public comment period.

**3. For Possible Action: Acceptance of Audits**

- a. Nevada Public Agency Insurance Pool**
- b. Public Agency Compensation Trust**

Chair Kalt opened discussion of the audit of Public Agency Compensation Trust. Wayne Carlson reviewed highlights of the financial results, noting the reasons for the decline in net assets from increased claims reserves and amortization costs of contributions to Public Compensation Mutual, its captive. Gerry Eick commented that Note 9 on Pooling Resources, Inc. should be expanded in the future to clarify any obligations that run between PRI and PACT/NPAIP both for shortfalls or return of funds per the grant. Wayne Carlson noted that the grant contains provisions that address these concerns, but that he would convey the discussion to Michael Bertrand, CPA, the auditor.

On motion and second to accept the Public Agency Compensation Trust audit, the motion carried.

Chair Rebaleati opened discussion of the audit of Nevada Public Agency Insurance Pool. Wayne Carlson reviewed highlights of the financial results, noting the improved gains in net assets. Gerry Eick commented on the audit committee letters for both NPAIP and PACT stating that the discussion about the percentage of testing was rather broad and further details as to the nature of the tests, particularly the claims account test would be better. He said the statement does not say whether the tests are administrative or processing of claims, thus what was tested is not clear. Wayne Carlson said he would so advise the auditor.

On motion and second to accept the Nevada Public Agency Insurance Pool audit, the motion carried.

4. **For Possible Action: Approval of Transfer of Net Asset Gains**

- a. **From Nevada Public Agency Insurance Pool to Public Risk Mutual**
- b. **From Public Agency Compensation Trust to Public Compensation Mutual**

Chair Rebaleati opened discussion of the net asset gains transfer from NPAIP to PRM. Wayne Carlson noted that board policy authorized transfer of up to 50% of the gains in the discretion of the Executive Committee. Gerry Eick commented that the amount would be about 60% of cash flow and wondered whether a lower amount of \$1,500,000 in lieu of the approximate \$1,750,000 available would be better. He asked whether that difference adversely would affect PRM's capacity decisions in the future and Wayne responded that it would not. He noted also that additional cash flow came in since the audit period with the renewals.

On motion and second to transfer \$1,500,000 from NPAIP to PRM, the motion carried.

Chair Kalt opened discussion of the net asset gains transfer from PACT to PCM. Wayne Carlson explained there was a reduction in net assets. Based upon this, Chair Kalt stated that since there were no gains, then no action was needed on this item.

5. **For Possible Action: Request from Lyon County School District to Refund Contributions**

Chair Rebaleati opened discussion. Wayne Carlson provided a synopsis of the documentation he previously provided to the committee members. He noted the application procedures provided information to the member's agent and member and that the member signs off on the property schedule each year. Several committee members commented about their internal review process and felt that it was a member's responsibility to be certain the information was accurate. They acknowledged that NPAIP has certain safeguard coverages for omitted locations and buildings to be covered automatically. It was also noted that had the building not been added during the preceding years, no member would willingly pay retroactive additional contributions for their oversight so should not expect such a refund.

On motion and second to deny the request, the motion carried.

6. **For Possible Action: Request from Truckee Carson Irrigation District for NPAIP Membership**

Chair Rebaleati opened discussion. Wayne Carlson and Ann Wiswell provided background on this request for membership noting that TCID staff and board members had stated that they had cleared up the problems they had in the past that resulted in the canal breach loss. Wayne noted that he had discussed this also with the agent. Several members added comments about the risks and concerns over future breaches.

On motion and second to deny membership, the motion carried.

7. **For Possible Action: Consider Replacement of Toni Inserra on PACT Executive Committee due to withdrawal of South Lyon Medical Center as a Member of PACT effective December 1, 2012**

Chair Kalt opened discussion. Wayne Carlson commented that this item was on the agenda for the Executive Committee to determine whether or not to fill the vacancy at this time or to defer to the annual meeting. He noted that with the withdrawal of this hospital member and another hospital soon, the number of hospital members would be reduced to five and that raised the issue as to whether to consider continuing the seat on the Executive Committee as a required seat. Several members commented about whether to do so. Wayne noted

that since the agenda on called for action regarding filling the vacancy, the discussion and action should be limited to that issue.

On motion and second to leave the position vacant until the annual meeting, the motion carried.

**8. Public Comment**

Chair Kalt opened public comment. Cash Minor suggested the PACT Bylaws being amended to consider hospitals for the executive committee in a many similar to special districts or as an at large seat for both. Other committee members suggested similar changes be considered at the annual meeting. Chair Kalt directed staff to develop options for the annual meeting.

Chair Kalt asked whether Gerry Eick would be interested in becoming a members of the Audit Committee to which Gerry responded in the affirmative. Wayne Carlson noted that that would increase the committee from three to four, but that it was unlikely that a tie vote would ensue under most circumstances. Chair Kalt thanked Gerry for his willingness to join the Audit Committee.

**9. For Possible Action: Adjournment**

On motion and second to adjourn, the meeting adjourned at 11:04 a.m.

**The Agenda was posted at the following locations:**

**N.P.A.I.P.  
201 S. Roop  
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**Minutes of Meeting of  
Executive Committees of  
Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust  
Date: Monday, March 4, 2013**

**1. Roll**

Members Present: Michael Rebaleati, Alan Kalt, Cash Minor, Paul Johnson, Gerry Eick, Kevin Curnes, Dan Newell, Roger Mancebo, Steve West, Josh Foli

Members Absent: Lisa Jones, Bill Kohbarger, Pat Whitten

Others Present: Wayne Carlson, Doug Smith, Ann Wiswell, Debra Connally, Donna Squires, Mike Livermore, Bob Lombard, Jeanne Greene, Nikki Neilon

**2. Public Comment**

No public comment was received.

**3. For Possible Action: Consent Agenda**

- a. Approval of Minutes of Meeting of December 27, 2012
- b. Executive Director's Report
- c. Financial Reports of NPAIP and PACT

On motion and second to approve the consent agenda as a whole, the motion carried.

**4. For Possible Action: Review Investment Guidelines for NPAIP and PACT**

Wayne Carlson noted that this review was a requirement of the AGRiP Pooling standards. No changes were recommended to the current guidelines.

On motion and second to approve with no changes, the motion carried.

**5. For Possible Action: Report by Lobbyist; Consideration of Legislation Strategies, Bills**

Randy Waterman reviewed the bills he is tracking and commented on current status. Wayne Carlson added comments on various bills. Both responded to questions from committee members. No action was taken.

**6. For Possible Action: Acceptance of Reports**

- a. Large Loss Report
- b. Loss Control Committee Report
- c. Human Resources Oversight Committee Report

- a. Mike Livermore reviewed the PACT losses incurred valued over \$100,000; Donna Squires reviewed NPAIP losses incurred valued over \$100,000. They commented on major claims status and outstanding

issues. Wayne Carlson asked Mike to comment on the Subsequent Injury Fund cases pending that may help offset some of the costs.

- b. Ann Wiswell provided an overview of the Loss Control Committee activities and plans. They will be preparing a strategic plan update soon. She noted several training programs that had been delivered and the status of the various grants.
- c. Jeanne Greene provided an overview of the current POOL/PACT HR services and training activity. She also highlighted the draft strategic plan. She then commented about the Subsequent Injury Fund issues and forms recently distributed to members. Another topic was the BenefitSolver service that recently had been quoted by Willis Pooling to the larger members. The program helps with benefits administration in an online format and is optional for members.

On motion and second to accept all of the reports, the motion carried.

The committee recessed for lunch.

**7. For Possible Action: Approval of Prospective Members**

**a. Public Agency Compensation Trust – Incline Village General Improvement District**

Wayne Carlson indicated that the basic information about Incline Village GID remained essentially the same as last year. He noted, however, that the estimated assessments were calculated using general government classifications rather than the split classifications used last year. The reasoning was that this merges the many operations that are similar to a city, except for police, plus ski operations as a general recreation risk that may offset the police exposure exclusion. Overall it was expected that the assessments amounts will be reasonable for the risks. Gerry Eick commented that he was weighing the options and will take PACT's along with a private carrier's and continuing self-insurance to his board for consideration.

On motion and second to approve offering PACT membership, the motion carried.

**8. For Possible Action: Acceptance of Proposals for Broker/Loss Control Services Contract – Willis Pooling**

Wayne Carlson commented that he discussed the renewal contract with Bob Lombard of Willis Pooling and Bob agreed to renew the contract on its present terms. Bob added his comments about the long-standing relationship and the services provided via the contract. He expressed his appreciation for the relationship.

On motion and second to approve the contract as is with appropriate date changes, the motion carried.

**9. For Possible Action: Approval of Lease Agreement Terms for Public Agency Risk Management Services, Inc. and Grant Cost Allocation for Pooling Resources, Inc. Effective July 1, 2013**

Wayne Carlson reviewed the status of the current lease and grant costs. He noted that the renewal lease was based upon the expiring monthly rental amount with a reduction in the escalator from 3% to 2% each anniversary.

On motion and second to approve the lease with PARMS and cost allocation for PRI, the motion carried.

**10. For Possible Action: Review of NPAIP and PACT Program Renewal Status and Action on Options**

- a. Willis Pooling Report**
- b. Market Conditions and Status Overview**
- c. Review of NPAIP Coverage Form Changes for 2013-2014**
- d. Review of Reinsurance Coverage and Retention for NPAIP and PACT**

Bob Lombard addressed a, b and d as a whole noting that market conditions overall were hardening some in property, fairly flat in liability and going up for workers compensation due to medical inflation. He noted that Dave Ritch of Willis Pooling had reviewed the cyber liability potential coverage within the NPAIP form to assist with assessment of the existing coverage and gaps, then to see what the market may or may not offer. Wayne Carlson commented that County Reinsurance was also reviewed its reinsurance coverage form and had drafted some endorsements for consideration by their underwriting committee and board this week and next. Once we know the outcome of their potential changes, we may be able to look at some possible NPAIP form changes (item c), but otherwise no other form changes were contemplated at this time. Wayne also indicated that no retention changes were planned at this time since both pools and their captives had taken significant changes the present year. Once renewal quotes are obtained, this will be re-analyzed for consideration at the next meeting. No action was taken.

**11. For Possible Action: Review of Services and Approval of**

- a. Strategies for Mitigation of Program Costs NPAIP and PACT**
- b. PACT Budget for 2013-2014**
- c. NPAIP Budget for 2013-2014**

- a. Mike Rebaleati commented that this issue was raised for discussion in consideration of the present economic strain on members in light of the gains in NPAIP, although PACT had no gain this past audit, and in light of national debates on how much surplus is reasonable. Various committee members discussed that it was important to contain to maintain strong financial position so that the pools were able to adjust retentions as necessary in the future. Bob Lombard commented that another pool his works with did do subsidies for several years until their surplus drained down to their minimum requirements and now must raise rates by 18%, which they are spreading over four years. He cautioned about surplus maintenance. Wayne Carlson said he was facilitating a panel of actuaries at the next AGRiP conference on the subject of measuring and valuing surplus as a policy tool with five different actuarial firms presenting their approaches. Staff was directed to place this item for further discussion at a meeting to be scheduled for April 23<sup>rd</sup> prior to the annual board meeting.

- b. Wayne reviewed the highlights of the PACT Budget, noting the loss of two members reduced revenue growth some even though some payroll increases will offset a portion of that loss. Gerry Eick suggested a change in the revenue forecast formula, which when made reduced the revenue resulting in a minimal net income loss instead of a minimal net income gain. In addition, he suggested adding a commentary on the major changes to the board summary section. On motion and second to approve the budget as changed and to add the commentary, the motion carried.
- c. Wayne reviewed the highlights of the POOL Budget, noting that the rental income would be up since all suites in the POOL Building now were rented. He indicated no loss of NPAIP members had occurred nor was expected, thus revenues were expected to increase slightly due to exposure changes and modest rate increases based upon renewal negotiations and actuarial results. He also commented that there was a question from a member regarding inclusion of volunteers in the Employee Assistance Program. There was discussion about the cost impact and how many volunteers could become eligible. Wayne indicated that he had a call in to the provider to discuss this, but estimated it would be the same as for current employees. It appeared that the requestor primarily was concerned with critical incident response, not individual counseling. Staff was directed to explore expanded critical incident response, but not regular EAP services. On motion and second to approve the budget, the motion carried.

**12. For Possible Action: Review of Financial Performance of**

- a. Public Risk Mutual**
- b. Public Compensation Mutual**

Since these two captive boards held a meeting and reviewed these results with the committee members in attendance, no action was deemed necessary.

**13. For Possible Action: Review and Revise Drafts of Annual Meeting Agendas Including:**

- a. Executive Committee and Officers Up for Election at the Annual Meeting, Candidates and Conduct of the Elections**
- b. Joint Board Agenda, NPAIP Board Agenda, PACT Board Agenda**
- c. PRM and PCM Annual Meeting Agendas**

a. Wayne Carlson noted that there was a vacancy on the PACT Executive Committee as a result of the withdrawal of that Member. There also was an issue resulting from the ballot measure that passed in Nye County to change the Town of Pahrump from a Town Board form of government to a Town Advisory Board, thus potentially requiring a change in the items under number 14 below and a possible vacancy, although the measure does not go into effect until 2015 and the matter may be appealed to the Nevada Supreme Court.

b. and c. Wayne asked for any changes to the proposed agendas. It was suggested that the board member panel discussion also include a review of the various captives with which we have relationships and capital contributions. Alan Kalt, Mike Rebaleati, Cash Minor and roger Mancebo offered to serve on the panel.

**14. For Possible Action: Consideration of Changes to Propose to the Boards**

**a. Interlocal Cooperation Agreements for NPAIP and PACT**

**b. Bylaws of NPAIP and PACT**

Wayne Carlson reviewed the potential changes to the Interlocal Cooperation Agreements and Bylaws for both pools, noting the some were minor corrections and clarifications, others involved addressing what should change should the Town of Pahrump status go into effect in 2015 and a change to clarify vacancies.

On motion and second to approve placing the proposed changes to the Interlocal Cooperation Agreements for board action at the annual meeting, the motion carried.

On motion and second to approve placing the proposed changes to the Bylaws for board action at the annual meeting, the motion carried.

**15. Public Comment**

Donna Squires noted that Robert Bennett no longer was CEO of ASC and that they were recruiting a new CEO; otherwise, no changes in operations.

Wayne Carlson asked members to comment on the effects of the federal sequester on their budgets. Several estimated negative impacts on funds available to support current programs.

**16. For Possible Action: Adjournment**

On motion and second to adjourn, the meeting adjourned at 3:40 p.m.

**The Agenda was posted at the following locations:**

**N.P.A.I.P.  
201 S. Roop  
Carson City, NV 89701**

**Eureka County Courthouse  
10 S. Main Street  
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**Minutes of Meeting of the  
Audit Committee of  
Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust  
Date: October 29, 2012  
Time: 11:00 A.M.  
Place: 201 S. Roop St., Suite 102  
Carson City, NV 89701 and  
Conference Call: 1-800-593-9034; Passcode: 15042**

**1. Roll**

Members Present: Cash Minor, Rogene Hill, Josh Foli  
Other Present: Michael Bertrand, CPA, Wane Carlson, Debra Connally, Melissa Mack

**2. Action Item: Approval of Minutes of Meeting of January 17, 2012**

On motion and second to approve, the motion carried.

**3. Action Item: Acceptance of Auditor's Report and Recommendations  
a. Regarding Public Agency Compensation Trust**

Cash Minor asked the auditor, Michael Bertrand, CPA, to review the audit and recommendations. Michael highlighted key financial results. The reasons for the negative net assets arose from increased claims reserves and amortization of capitalization costs for Public Compensation Mutual, PACT's captive. He noted the adjustments he made and commented that the failure to implement his prior recommendation to reconcile assessments each quarter resulted in a large adjustment at time of audit. Debra Connally commented that she had overlooked this during the previous year, but had implemented and completed the reconciliation for the first quarter of the new fiscal year and would continue that process going forward. Michael noted that the bookkeeping records otherwise were in good shape and complimented both Debra and Melissa on their efforts. He responded to questions from the committee.

On motion and second to accept the report, the motion carried.

**4. Action Item: Acceptance of Audit:  
a. Public Agency Compensation Trust**

On motion and second to accept the audit, the motion carried.

**5. Public comment**



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Wayne Carlson noted that the agenda inadvertently omitted the first public comment period so two periods were needed. No public comments were received.

**6. Action Item: Adjournment**

On motion and second to adjourn, the meeting adjourned.

**The Agenda was posted at the following locations:**

**N.P.A.I.P.; P.A.C.T.**  
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**Minutes of Meeting of the  
Audit Committee of  
Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust  
Date: Friday, December 7, 2012  
Time: 1:30 P.M.  
Place: 201 S. Roop St., Suite 102  
Carson City, NV 89701 and  
Conference Call: 1-800-593-9034; Passcode: 15042**

**1. Roll**

Members Present: Cash Minor, Rogene Hill, Josh Foli

Others Present: Michael Bertrand, CPA, Wayne Carlson, Debbie Connally, Melissa Mack, Doug Smith

**2. Action Item: Approval of Minutes of Meeting of October 29, 2012**

On motion and second to approve, the motion carried.

**3. Action Item: Acceptance of Auditor's Report and Recommendations  
a. Regarding Nevada Public Agency Insurance Pool**

Michael Bertrand review the financial statements and his auditor's report noting that his key recommendation was to reconcile all accounts regularly in order to avoid adjustments due to misclassification as happened in this audit. He said that the staff had prepared well for the audit and it went smoothly more than the past.

On motion and second to accept the report, the motion carried.

**4. Action Item: Acceptance of Audit:  
a. Nevada Public Agency Insurance Pool**

On motion and second to accept the audit, the motion carried.

**5. Public comment**

Wayne Carlson noted that an inadvertent error in the agenda omitted the second public comment period. NO other public comments were received.

**6. Action Item: Adjournment**

On motion and second to adjourn, the meeting adjourned.



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**APPROVED MINUTES OF THE  
NEVADA PUBLIC AGENCY INSURANCE POOL AND  
PUBLIC AGENCY COMPENSATION TRUST  
HUMAN RESOURCES  
OVERSIGHT COMMITTEE MEETING**

**Date: June 15, 2012 Time: 10:30 a.m.  
Place: Humboldt County Courthouse  
50 W. 5<sup>th</sup> Street  
Winnemucca, NV 89445**

**1. Oversight Committee Roll Call:**

Members participating: Chairman Curtis Calder; Geof Stark; Ben Sharit; Robert Quick; Bill Diest; Ann Murdoch; and Steve Englert. Not Present: Ben Zunino; Jose Delfin; Pat Whitten; and Darcy Worms. PRI Staff: Jeanne Greene and Christine Vido.

**2. Item: Public Comment**

No public comment was made.

**3. For Possible Action: Approval of Minutes of Meeting March 23, 2012**

Robert Quick made a motion to approve the minutes of March 23, 2012. Geof Stark seconded the motion. Bill Diest abstained from voting due to not being present at the previous meeting. Motion was carried.

**4. For Possible Action: Report on Current Activities**

Jeanne reported almost all of the items have been completed this fiscal year.

- **11/12 Strategic Plan** (July 1, 2011, through June 30, 2012)

**New Instructor-Led Courses** – Four new courses were developed and presented this fiscal year.

**Revised/Updated Trainings** – 17 courses were identified and updated this fiscal year.

**New E-Learning Courses** – Jeanne advised the committee that the drug and alcohol courses are still not complete. The 3<sup>rd</sup> party contractor is in the process of completing their portion of the process.

**Regional Trainings** – 13 regional trainings were presented this fiscal year. Ten additional regional trainings on Internal Investigations and legislative changes for school districts were presented by Ann Alexander throughout the state.



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**New HR Briefings** – Three new briefings were developed this fiscal year. They are Handling Employee Complaints, Reasonable Suspicion, and Conducting Internal Investigations.

**Revised HR Briefings** – 26 were reviewed and updated this fiscal year. The balance will be reviewed in the upcoming year.

**Level 3 Surveys** – All level 3 surveys scheduled to be sent out to participants this year have been completed.

**Alerts** – Ten were sent out which is lower than most years. Jeanne stated to the committee this is due to being a presidential election year and few bills were passed at the federal level.

**Webinars** – Five webinars were presented with Horizon Health. The last webinar of the year was called Dealing with Job Burnout.

**Member Service Programs** – Succession Planning and Recruitment and Hiring Coaching are available to the members. Tonopah has requested the Succession Planning program.

**Statistics – Trainings** – 176 trainings scheduled; 112 completed; 2,765 participants. Other statistics were presented on the report including trainings cancelled by the member, moved to next year, or postponed; Average evaluation rating 4.6 out of 5.0. **E-Learnings** – 8,886 employees have enrolled in various classes; 4,458 completed. **HR Briefings** – 24 have been scheduled; 21 are complete. **Policy Development** – 40 organizations have indicated that they want to update or adopt new policies. Nine have completed.

**Sample Policies** – Revised in July 2011. They are currently being reviewed and the revisions will be released in July 2012.

**HR Compliance Assessment Program** – Jeanne reviewed the status of assessments. She advised the committee that Tonopah and West Wendover completed their assessments and their grant applications will be presented to the committee for approval later in the meeting. Jeanne also advised the status of other assessments in the program. For fiscal year 09/10, the City of Yerington and Tahoe Douglas Fire should be completing their assessments during the upcoming quarter and they should have applications to present to the committee by the next meeting. For fiscal year 10/11, the Town of Pahrump, Sun Valley GID, and the City of Fernley will be completed in the next few months. For fiscal year 11/12, the City of Ely and White Pine County, and Moapa Valley Water District requested to have their assessment moved to the upcoming fiscal year and it has been reflected on the new 12/13 strategic plan.

Curtis asked if the City of Elko needed to request an extension into the next fiscal year for their HR assessment and Jeanne advised that the uncompleted assessments were carried over automatically.



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- **Employment Opportunity Listing Website**

Jeanne advised that Christine pulled statistics from the website to show the members who had links on the website. Only about 1/3 of the membership is currently listed on the website. Jeanne stated during the service plan meetings this year, organizations would be encouraged to participate on the website by adding a link back to their employment pages. Jeanne is hopeful that by the next meeting, another 30 members will be added to the website.

**5. For Possible Action: Report on Other Activities**

- **HR Problem-Solving Reports**

Jeanne advised the committee that two situations were listed in the report. The low number was due to the business partners going out of the office for service plan meetings and not having all of the data collected to report the scenarios. Jeanne advised that the next meetings report would include some scenarios from this quarter as well as next quarter.

- **Report on Employment Related Claims**

Jeanne thought that the numbers are encouraging. The report was created June 5<sup>th</sup>, toward the end of the fiscal year and there are 28 new claims listed which is nine less than last year. It is also significantly less than fiscal year 09/10.

Curtis said that the numbers are very encouraging and he can see it reflected in Elko's renewal premium which went down 3.8%. Curtis said he knows the decrease is directly related to the lower number of claims. Ben Sharit made a similar comment for Tahoe Douglas Fire which received a 5.7% decrease. Jeanne said that a part of this trend is because of the attorney's working to resolve claims. Curtis also mentioned that POOL/PACT HR is probably a reason for this trend as well.

**6. For Possible Action: Approval of 2012/2013 Strategic Plan (July 1, 2012, through June 30, 2013)**

Jeanne explained that the strategic plan presented is for approval for the 12/13 fiscal year. The full board approved the Scope of Services in May.

**New Instructor-Led Courses** – Three are identified; Performance Management: From Start to Finish; Document, Discipline, and Due Process; and So, You Think You Want to be a Supervisor.

**Revised/Updated Trainings** – Three are scheduled to be updated and two have been identified. The first course is Advanced EMS. A documentation portion will be added which will make the course a full two days. The second course scheduled to be updated is Great



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Customer Service in the Public Sector. This course is being updated to better meet the needs of our members. The third course for revision has not been identified at this time.

**Regional Trainings** – Jeanne advised that the strategic plan was changed before the full board from two regional trainings to six each year. Ten are currently scheduled with dates. Two sessions of Essential Management Skills, HR Representative, three sessions of Advanced EMS, A Perfect Storm, and three sessions of Workplace Violence Awareness will be presented.

Jeanne advised the committee that the HR Representative Certificate Program was very successful this year, with 35 participants wanting to register. Curtis Calder asked how many people completed the course. Christine Vido advised that after cancellations, there were about 31 participants in the course and 26 received their certificates. Jeanne said it is very significant considering the locations that some of the participants came from including West Wendover, Caliente, Eureka, and Ely.

**FRISK Documentation Program** – It is slowly being rolled out. The author is revising the non-school book and is hoping it will be published in September. Storey and Humboldt counties will be the first to receive the non-school trainings. Humboldt County School District and Esmeralda County School District will be receiving the training in August and Lander County School District has expressed interest in the training as well. Douglas County is tentative; they are still determining if they want to participate. Nevada Rural Housing is also listed but there has not been a definite commitment from them either.

**Regional Workshops** – This was a result of the survey sent out last spring. Social Media has been scheduled for two sessions in Carson City on September 25, Winnemucca on October 16, and Elko on October 17. Additional sessions will be scheduled, tentatively in Mesquite, Boulder City, and Tonopah. The dates for those locations have not been determined. The training will be provided by Charity Felts from Erickson, Thorpe, and Swainston, Ltd.

**Negotiations Training** – This is also a result of the survey sent out last spring. The plan is to have four sessions for schools and another four sessions for non-school organizations. Jeanne advised that she has been discussing the training with Charlie Cockerill for the non-school members. Proctor Hug is also being contacted to provide the training for school districts.

**New HR Briefings** – Four new briefings are scheduled for development. They are Return to Work, Overtime Requirements under State Law, Smart Phones, and Social Media. Jeanne advised the committee that Smart Phones and Social Media may be combined after the research for the topic is complete. The Smart Phones briefing will focus on overtime issues specifically, non-exempt employees who use their smart phones to work or access email after hours.



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Ben Sharit asked if the employees would receive compensation for the phone or compensation for using the phone. Jeanne responded that the compensation would be for time they are on the phone during non-work hours.

**Revised HR Briefings** – 14 will be reviewed and updated in the upcoming fiscal year.

**Webinars** – Four webinars will be presented in conjunction with Horizon Health. No dates have been confirmed at this time.

**Sample Policies** – Jeanne anticipated the policies will be available for distribution by July 5, 2012.

Curtis asked Jeanne if there are a lot of changes. Jeanne said there are significant changes in the school policies. Jeanne explained that Ann Alexander is reviewing the student section of the sample student policy and POOL/PACT HR is taking that work and incorporating some of those changes into the personnel policies to ensure consistency.

**Collective Bargaining Concessions Database** – This project was also a result of the spring survey. This project should begin the first part of July. The intent is to have a sub-committee of HR directors or representatives to get an idea of what will be included in the database.

**Reduced Rate for Members for Labor Expert** – Jeanne will also discuss with Charlie Cockerill.

**HR Compliance Assessment Program** – Jeanne indicated not all members have been confirmed for the 12/13 assessment program due to not having service plan meetings at this time. The City of Ely, White Pine County, and Moapa Valley Water District have been moved over from the 11/12 Strategic Plan.

Robert Quick asked Jeanne if the on-site assessments are broken out between the County and Sheriff's Office. Jeanne responded that it had not been done in the past but she is open to that request. Robert requested the Lander County assessment include a separate assessment of the Sheriff's Office files.

**HR Assessment Phase II** – Jeanne stated this also resulted from the spring survey. Jeanne advised that the focus of the phase II assessment will be compensation related including, reviewing exempt job descriptions to determine if positions correctly meet the definition of exempt status. Overtime practices will also be reviewed for compliance with Federal and State Law.



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Curtis asked if job descriptions would be reviewed for appropriate ADA language. Jeanne advised Curtis that job descriptions were reviewed during the Phase I Assessment and they should be up to date at this time.

Robert Quick asked Jeanne about addressing employees on workers' compensation when on volunteer status. Robert wanted to know if information could be provided to help other organizations through a similar situation. Jeanne suggested that it could be added to the existing Workers' Compensation briefing. Jeanne asked Geof Stark if he had a similar situation in Churchill County and he said he had not, but volunteers are a big issue. Geof did recall another situation in which a search and rescue volunteer was thrown from a horse and now they are going after the county for lost wages from their regular job since the volunteer incident prevented them from working.

Jeanne asked if there were any additions that needed to be made to the strategic plan as presented. Robert Quick commented that there were some policies missing on the POOL/PACT website. He specifically asked about the High Risk Critical Task Jail Policies. Jeanne mentioned that those are probably listed on the Risk Management side of the website, and she would ask Ann Wiswell.

Curtis mentioned with regard to the HR Assessment Phase II, adding a review of the 7K exemption, especially in fire departments and law enforcement.

Curtis asked for a motion to approve the 12/13 strategic plan as presented. Bill Diest made a motion. Ben Sharit seconded the motion. The motion carried and the strategic plan is approved.

**7. For Possible Action: HR Assessment Grant Application Approval**

Jeanne mentioned to the committee that there were two applications for approval. They are for the Town of Tonopah and the City of West Wendover. Both organizations requested \$500. Bill Diest made the motion to approve the applications. Ben Sharit seconded the motion. The motion carried and the applications were approved.

**8. For Possible Action: Discussion of IRS Audits**

Bill Diest requested this item added for discussion. Humboldt County was contacted by the IRS last fall to have an audit conducted. The audit noted that employees requesting per diem for purchasing lunch without an overnight stay was taxable. Bill said take home vehicles are an issue especially if they do not have lights, sirens, or markings on them. Without those items, the IRS considers them a "personal use" vehicle. They were able to get some vehicles exempted because they have fuel tanks to refuel equipment or tool boxes and the employee driving the vehicle is on call. Some vehicles that were not able to be exempted included a Suburban driven by an employee of the TV/communications department and an unmarked van driven by an employee of the juvenile probation department. A penalty for not having the exemption can be \$1.50 per trip in the "personal use" vehicle.



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Other issues that the audit brought to light include who is considered an employee of the county such as a Child Support Court Master who is funded by the State and supervised by a District Court Judge. The audit also states that employees performing financial work and the Board of Directors for water districts in the county, and receive compensation for their services, have been determined to be employees because the County is issuing the payments for those services. Bill explained the IRS considers, in those situations, all are employees of Humboldt County and Bill stated that they are fighting that determination.

Curtis asked Bill what triggered the IRS to review their records. Bill responded that to his knowledge, the trigger was the county's court reporters who received both W-2s and 1099s. According to statute, the reporters are to be paid \$3 per page for all transcripts. To comply with statute, the County paid the reporters \$3 per page and reported those payments on a 1099. Their regular salary was reported on a W-2 form. The IRS has now told the County that the \$3 per page should be included in the Court Reporter's income and taxed accordingly. Other issues that were brought to light was \$50 per wedding being paid to the Justice of the Peace. Again, that amount was paid separately but the IRS has also advised to include as part of the salary. Jeanne asked Bill if the IRS received a complaint or had reviewed tax documents. Bill replied to the best of his knowledge, they reviewed tax documents. This audit was for 2009. Curtis said that this is good to know and all organizations should go back and review their vehicle use policies. Jeanne asked Bill if the IRS had provided the information in writing. Bill said they had and would provide to Jeanne. Jeanne stated that she would use that paperwork to review the current policies and see if any adjustments need to be made.

**9. For Possible Action: Schedule Next Regular Meeting for POOL/PACT Human Resources Oversight Committee**

Curtis Calder said that the next meeting will be in September. The next Oversight Meeting is scheduled on Friday, September 21, 2012 at 10:30 a.m. in Carson City.

**10. Item: Public Comment:**

No public comment was made.

**11. For Possible Action: Adjournment**

Curtis Calder called the meeting adjourned at 11:30 a.m.



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**APPROVED MINUTES OF THE  
NEVADA PUBLIC AGENCY INSURANCE POOL AND  
PUBLIC AGENCY COMPENSATION TRUST  
HUMAN RESOURCES  
OVERSIGHT COMMITTEE MEETING**

**Date: September 21, 2012 Time: 10:30 a.m.  
Place: POOL/PACT Offices  
201 S. Roop Street, floor conference room  
Carson City, NV 89701**

**1. Oversight Committee Roll Call:**

Members participating: Chairman Curtis Calder; Geof Stark; Pat Whitten; Ann Murdoch, Danelle Shamrell, and Robert Quick. Not Present: Bill Deist; Ben Zunino; Jose Delfin; and Ben Sharit. PRI Staff: Jeanne Greene and Christine Vido.

**2. Item: Public Comment**

No public comment was made.

**3. For Possible Action: Approval of Minutes of Meeting June 15, 2012**

Geof Stark made a motion to approve the minutes of June 15, 2012. Robert Quick seconded the motion. Motion was carried.

**4. For Possible Action: Report on Current Activities**

Jeanne reported the following:

- **Final 11/12 Strategic Plan** (July 1, 2011, through June 30, 2012)

Jeanne did not go through the plan in detail with the committee. Jeanne advised that most of the projects had been completed. The e-learning courses were not completed due to delays of the contractor. One POWER course was cancelled due to lack of registrants. There were no requests for the Succession Planning program during the year; however, Jeanne did advise that the program is still available in the current fiscal year to anyone who requests it. Jeanne asked the committee if they had any comments regarding the strategic plan and there were none.

- **12/13 Strategic Plan** (July 1, 2012, through June 30, 2013)

**New Instructor-Led Courses –Performance Management:** From Start to Finish is 75 percent complete.

**Revised/Updated Trainings –Advanced EMS** has been updated. The training has been expanded to a full two day course.



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**Regional Trainings** – Essential Management Skills Certificate Program has started and the first two sessions had 30 participants. The course is scheduled again in Carson City beginning in March 2013. Three Advanced EMS (AEMS) courses are scheduled in the fall starting October 9 in Carson City, October 16 in Douglas County, and November 7 in Elko. Another AEMS course is scheduled in May. HR Rep will be presented in the Spring. A Perfect Storm is scheduled in Carson City in February. Workplace Violence is scheduled in Carson City in December and tentatively in Tonopah in the spring.

**FRISK Documentation Program** – FRISK was presented to Humboldt County School District. It will be presented to Lander County School District in October. Jeanne advised the committee that the local government version of the training is still being reviewed and modified. Storey County will receive the local government training first in January.

**Regional Workshops** – Seven sessions of Social Media are scheduled throughout the state. Charity Felts with Erickson, Thorpe, and Swainston is providing the training. Negotiations 101 training will be presented by Charlie Cockerill five times in October.

**New HR Briefings** – Three new briefings are scheduled for development this fiscal year. Return to Work was requested by the Executive Committee.

**Revised HR Briefings** – 13 are scheduled for revision and three have been completed so far.

**Webinars** – Four webinars will be presented in conjunction with Horizon Health. The first was presented on September 20 with 41 participants.

**Sample Policies** – The revisions were completed and distributed to members in July. The policies will be reviewed again at the end of the year.

**Collective Bargaining Concessions Database** – This was also a result of the spring survey. Jeanne advised that this is the next agenda item and will be discussed in more detail at that time.

**Alerts** – Two have been issued this year. The first was the contract with Charlie Cockerill and the second was regarding Health Care Reform and the items that will need to be completed in the next few months. Jeanne advised the most critical item to be completed is for organizations who issued more than 200 W-2s last year. These organizations will have to include health care benefits on the W-2 that goes out in January.

**Statistics – Trainings** – 16 trainings have been completed with 1,000 participants. The reason for the large participant count is due to the Misconduct Trainings presented to the schools with large attendance numbers. The average evaluation rating was 4.8.

Pat Whitten asked Jeanne if there was a problem with the e-learning system. Jeanne advised that the platform for the e-learning was being updated but thought that the current system



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could still be accessed. Jeanne said she would discuss with Ann Wiswell to check the status of the system.

**HR Briefings** – 29 have been scheduled; 0 are complete. **Policy Development** – 35 organizations have indicated that they want to update or adopt new policies.

**HR Compliance Assessment Program** – Two members are still not complete from FY09/10. Yerington has not adopted their new job descriptions that Jeanne helped write. Churchill County School District continues working on their recommendations and is making progress. Tahoe Douglas Fire Protection District completed all of their recommendations and Jeanne advised the committee that their Grant Application will be presented for approval later in the meeting. The City of Fernley has completed their assessment. They were part of the FY10/11 assessment group. Their grant application has not been received as of the meeting so it will be presented for approval at the next oversight meeting. All other assessments are still in progress and members continue to work on their recommendations. Jeanne commented that policy adoption was holding up many of the completions. For FY12/13, Eureka County has accepted their recommendations and plans to complete all by December. Nye County's assessment is scheduled for the end of October. Lander County is scheduled for December. Jeanne advised that based on the request of Robert Quick she will be doing the Lander assessment at the County offices as well as the Sheriff's Office.

**HR Assessment Phase II** – Jeanne advised the committee that this is the compensation-related assessment. Jeanne said that the next organization to be contacted will be the City of Carlin. Jeanne is still hopeful to complete the assessments for Douglas County and Lyon County after their new HR managers are settled into their positions.

- **HR Assessment Phase II Provisions**

Jeanne presented a handout outlining items to be reviewed during the Phase II assessment. Specific policies will be reviewed for compliance with state and federal law including workers' comp, FMLA, exempt vs. non-exempt, compensation, and volunteer programs. Another item will be reviewing CBAs to ensure that the agreements are in compliance with federal law.

Danelle asked if this assessment would be conducted after the first phase and Jeanne confirmed that it would.

Jeanne said all exempt job descriptions would be reviewed to make sure they meet the FLSA test for exempt status. The volunteer program will be reviewed to specifically look for employees who also work as volunteers to assure that their role is not an extension of their paid position; potentially bringing up overtime issues for the organization. Records will be reviewed for volunteers paid a salary/stipend because if the amount of payment goes over a certain threshold, the volunteer may be considered an employee. Independent contracts will be reviewed to assure individuals in this class are not actually employees. Jeanne advised the committee that this area is being reviewed closely by federal and state governments. Jeanne



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also advised that the Governor vetoed several bills during the last legislative session that would have given the state more authority to review these records. Jeanne said it will go before the legislature again this session to see if the vetoed bills are overridden. Overtime pay practices will be reviewed to see if organizations are in compliance with state and federal law as well as CBAs. 7k and 7j exceptions will be reviewed for those organizations that have police/fire and hospital employees. Individual payroll files will be reviewed for supplemental pay especially for police/fire. There are also “optional” items that an organization can choose to have reviewed. This includes reviewing FMLA files to determine if the organization is compliant with whole week and intermittent FMLA, catastrophic leave (if offered), and workers’ compensation.

Jeanne mentioned that once the first assessment is complete, the process will be assessed to see if any changes are required for future assessments. Robert Quick asked if ADA compliance regarding reasonable accommodation requests would be reviewed. Jeanne stated that several issues have come forth regarding ADA leave in law enforcement. She stated that once a law enforcement employee has exhausted FMLA leave, but continues to have a qualifying disability, leave without pay may be considered a reasonable accommodation. Jeanne said it is not included in the program at this time and could be added. Pat Whitten asked if PERS classification could be reviewed. Jeanne responded that the intent of the assessment is to catch issues before the organization is penalized so it could be an “optional” item for organization to add. Jeanne asked if anyone had a list of items that PERS looked for. Geoff replied that he did not. Robert suggested contacting PERS directly and talking to one of their auditors.

Curtis asked if any of the new healthcare reform requirements should be added. Jeanne responded that it will not be added at this time as many of the items have not gone into effect. Curtis commented that he is currently researching if organizations are required to comply with the healthcare reform requirements when employees are covered under union health benefits. Jeanne asked Curtis to provide his findings to her.

- **CBA Database**

Jeanne explained to the committee that this was another item that came out of the member survey. A draft was included with the board packets that outline the types of items that will be looked at in the collective bargaining agreements (CBA). Jeanne stated that Bill Zelinski is heading this project along with the help of Christine Vido. The draft is a result of a meeting between Bill, Christine, Darcy Worms, and Neal Freitas. The intent of this project is to identify collective bargaining agreements and outline what the organizations have or have not agreed to. Pat Whitten asked if employee/employer paid PERS could be identified in the database. Robert Quick stated that the old NACO salary surveys were inconsistent in the past because the way different items were paid (e.g., extra duty pay). He suggested having a way to identify those differences for each organization. Jeanne said that could be accomplished. Jeanne also advised the committee that another item to be added to the database is a hyperlink to the appropriate CBA. Danelle requested having the hyperlink take the user directly to the



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specific section referenced in the database. Jeanne advised that the database will be available on the website only to specified users. Jeanne mentioned that Darcy had asked for Washoe County agreements to be added. Danelle commented that the units in her organization frequently refer to Clark County agreements and she requested that information added as well. Jeanne asked the committee if they liked knowing how many employees were in the unit. Robert said the number covered may not be the number of the unit. Robert also thought that links to EMRB information, NAC, or NRS would be helpful as well as retiree insurance premiums. Pat requested annual salary schedule links added. Jeanne said once the information was inputted in draft format, it would be sent to each organization to assure that the information is accurate. Jeanne told the committee that a finalized draft would be provided at the next meeting.

- **Employment Opportunity Listing Website** - Jeanne let the committee know that the number of visits to the website continue to remain consistent.

#### 5. **For Possible Action: Report on Other Activities**

- **HR Problem-Solving Reports** – Jeanne advised that these were unique situations that occurred during the last quarter. Jeanne asked if there were any comments and there were none.
- **Report on Employment Related Claims** – Jeanne said the report gives an overview of current claims as well as final numbers for last fiscal year. Last year, 38 HR-related claims were opened. The majority of the claims involved school districts. In the current fiscal year, there are four opened claims. Jeanne pointed out that the paid expenses vs. paid claims shows there is not a lot of money being paid out to the people filing the claims. Jeanne commented on a claim that she recently reviewed in which an at-will employee for a City was required to reimburse the POOL for attorney fees due to not having ground for the claim. Pat asked if there was information that could be provided to find out how to get those types of reimbursements. Jeanne said that she did not have that information but Becky Bruch had been the attorney on the case she referenced.

#### 6. **For Possible Action: Subsequent Injury Fund**

Jeanne advised that this item is being deferred until the December meeting. Jeanne provided a brief overview to the committee. When an employee has a subsequent injury, PACT can access that fund to pay for the claim. A recent Supreme Court case says in order to access the fund, the employer must have written documentation that they were aware that the employee has some type of impairment before the injury and they were kept on the payroll. This will be discussed further during the next meeting.



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**7. For Possible Action: POOL/PACT HR Seminar: Current Issues in Public Sector Employment**

Jeanne told the committee that the idea for the seminar is to bring HR people from different organizations together to discuss HR-relevant issues. POOL/PACT HR will host the seminar. All primary HR contacts will be invited. The tentative dates for this event is currently May 2 and 3 in Reno. A list of possible topics and speakers was provided in the agenda packet. Jeanne pointed out that one of the sessions would involve “roundtable” discussions with members of similar organizations such as schools, counties, towns, etc. (Curtis suggested that this could be condensed to one day.). Robert commented that once the discussion at seminars begin, they can continue for a long time so he felt that one day would not be long enough and two days is a good starting point. Geof agreed with Robert and said taking into account the travel time that some would require getting to the event, a two day seminar is better. Jeanne advised the committee the three locations in consideration for the event are the Nugget, Peppermill, and Atlantis in Reno. Jeanne asked if there were any preferences to the location. Pat commented that the Nugget has done a great job for the POOL/PACT events in the past. Danelle asked why the specific dates were selected. Jeanne responded that the dates were determined by several factors including the upcoming legislative session, PRIMA conference, and the full POOL/PACT board meetings. Jeanne asked the committee if there were any additional topics that they would like to include. Pat thought a presentation by POOL/PACT attorneys; outlining unique situations and “horror stories” would be very informative.

**8. For Possible Action: Legislative Session**

Jeanne advised the committee that a tracking form will be presented at the next meeting that will outline how the committee will be updated on bill tracking during the upcoming legislative session. Curtis mentioned he had heard about bills requiring labor negotiations to be conducted in open meeting. Jeanne responded that she had heard the same. Robert asked about Federal legislation regarding labor negotiations. Jeanne said that federal laws are followed however the NLRB does not cover public sector organizations. Jeanne said everything at the federal level is at a standstill until the presidential election is concluded.

**9. For Possible Action: HR Assessment Grant Application**

The application presented to the committee was for Tahoe Douglas Fire Protection District. Jeanne told the committee that all of their recommendations were completed and they requested the full \$500 grant for a new file cabinet. Pat Whitten made a motion to approve the grant application as presented. Robert Quick seconded the motion. Motion was carried.

**10. For Possible Action: Schedule Next Regular Meeting for POOL/PACT Human Resources Oversight Committee**

The next meeting will be held in December. Jeanne indicated that the best dates would be December 7 and 14. Curtis recommended December 7. Jeanne asked Curtis where he would like to have the meeting. Curtis selected Carson City for the meeting.

**11. Item: Public Comment:**

Pat Whitten complimented Christine for the organization of the agenda and handouts. Danelle also indicated her appreciation of the agenda organization.



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**12. For Possible Action: Adjournment**

Curtis Calder called the meeting adjourned at 11:31 a.m.



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**APPROVED MINUTES OF THE  
NEVADA PUBLIC AGENCY INSURANCE POOL AND  
PUBLIC AGENCY COMPENSATION TRUST  
HUMAN RESOURCES  
OVERSIGHT COMMITTEE MEETING  
Date: December 7, 2012 Time: 10:30 a.m.  
Place: POOL/PACT Offices  
201 S. Roop Street, floor conference room  
Carson City, NV 89701**

**1. Oversight Committee Roll Call:**

Members participating: Chairman Curtis Calder; Danelle Shamrell; Robert Quick; Bill Deist; Ben Sharit; Tracy Walters. Not Present: Ben Zunino; Jose Delfin; Geof Stark; Ann Murdoch; Pat Whitten. PRI Staff: Jeanne Greene, Chelsea Moore, and Wayne Carlson.

**2. Item: Public Comment**

No public comment was made.

**3. For Possible Action: Approval of Minutes of Meeting September 21, 2012**

Robert Quick made a motion to approve the minutes. Bill Diest abstained from voting due to not being present at the previous meeting. Danelle Shamrell seconded the motion; however, with Bill Deist abstaining, there was not a quorum. Motion did not carry. The minutes will be presented for approval at the next scheduled meeting.

**4. For Possible Action: Report on Current Activities**

Jeanne reported the following:

- **12/13 Strategic Plan** (July 1, 2012, through June 30, 2013)

**New Instructor-Led Courses** – The Performance Management class is complete. Document, Discipline, and Due Process is almost complete. So, You Think You Want to be a Supervisor is a condensed, one-day course intended for employees thinking about becoming a supervisor.

**Revised/Updated Trainings** –Advanced EMS has been updated. The Customer Service course has not been started at this time. One more course will be updated this year; however, it has not yet been identified.

**Regional Trainings** – 11 regional trainings have been scheduled this year; four have been completed including, Essential Management Skills (EMS), two sessions of Advanced EMS, and Workplace Violence. Another EMS, HR Representative Certificate Program, two



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Advanced EMS', A Perfect Storm, and two Workplace Violence courses will be offered this year.

**FRISK Documentation Program** – POOL/PACT HR continues to move forward with the school version of the program. The non-school version is not yet complete but it should be ready for release in February. Humboldt County and Storey County will be the first organizations to receive the non-school version of the training.

**Regional Workshops** – Charity Felts with Erickson, Thorpe, and Swainston provided seven sessions of Social Media throughout the state. Labor attorney, Charlie Cockerill presented Negotiations 101 trainings five times in October.

Robert Quick commented that he had attended both of the trainings and thought that the attendance was not as good as it should have been and noted the information presented was very good and helpful. Curtis also stated that he had received very good feedback from the Charlie Cockerill training. Jeanne advised the committee that the evaluations from Charlie's trainings came back very positive and there were many requests for a longer or advanced training. Jeanne said she has already discussed the possibility of doing so with Charlie when he is available either in the spring or fall.

**HR Seminar** – This seminar is scheduled May 2 and 3. The "Save the Date" notice has already been sent out to all HR contacts. The registration for the seminar will go out in March. The speakers and accommodations have already been confirmed.

Curtis asked Jeanne who some of the speakers are. Jeanne advised that several attorneys from the Erickson Thorpe group would be speaking. One of the events is a mock trial. The attorney takes a real case and acts out the parts with the participants acting as a jury. Karen Jenkins from the Ethics Commission, Dottie Merrill from the Nevada Association of School Boards, Jeff Fontaine from NACO, and a representative from the Nevada League of Cities will also be speakers. Jeanne offered to send out the tentative agenda to all committee members.

**New HR Briefings** – Three new briefings are scheduled for development this fiscal year. Overtime Requirements Under State Law is almost complete. Social Media is currently being reviewed by Charity Felts before it is released. The other briefing in development is Return to Work.

**Revised HR Briefings** – 13 are scheduled for revision and three have been completed.

**Webinars** – Four webinars will be presented in conjunction with Horizon Health; two have been completed. Managing the Difficult Interaction was presented on December 6, with 42 participants.

Tracy commented that several managers had advised her that the last webinar was very good and asked if it could be presented again. Danelle commented that she received the same



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feedback and asked Jeanne if an audio file would be available. Jeanne advised that she would have to check with Horizon Health to see if a recording was available. Danelle also stated that the training could have been longer since the presenter wasn't able to cover everything. Jeanne said that she did verify with Horizon Health that these trainings could be extended to an hour-and-a-half if necessary.

**Sample Policies** – The revisions were completed and distributed to members in July. The policies will be reviewed again after the legislature adjourns.

**Collective Bargaining Concessions Database** – Jeanne advised that this is a separate agenda item and will be discussed in more detail later in the meeting.

**Alerts** – Three have been issued this year.

**Statistics – Trainings** – 166 trainings have been scheduled so far this year with 56 completed with 1,700 participants. **ELearning** – 437 employees enrolled with 295 completed. Jeanne did advise the committee that the elearning platform was being moved so there has been a slight delay in having employees complete those trainings.

**HR Compliance Assessment Program** – Two members from FY09/10 are still not complete but continue working forward. Members from FY10/11 and 11/12 also continue working on their recommendations. For FY12/13, Eureka County, Carson Water Subconservancy District, Nye County, City of Ely, and Lander County have completed their on-site assessment.

**HR Assessment Phase II** – This is the compensation-related assessment. The City of Carlin has been rescheduled for January and . Jeanne indicated that Lyon County might still be interested in participating this year and Tracy Walters confirmed they were.

Curtis asked about the dates for the HR Seminar and if it is a conflict with the POOL/PACT board meeting. Jeanne said it is scheduled for the week after. Bill Deist asked about the Alert that was released regarding the contract with Charlie Cockerill. Jeanne told Bill that she would provide that information to him. Jeanne also asked Bill if he received the Alert regarding healthcare reform. Jeanne explained the healthcare reform requires organizations to include the cost of the health benefits on the employees W-2 for organizations with more than 250 employees. Bill asked that Alert be sent to him as well.

- **CBA Database**

Jeanne explained to the committee that in the packet is a sample of the CBA database with all of the requested fields added. Jeanne explained that the police/sheriff agreements will be entered first. When this group is complete, the information will be sent out to the members to confirm that the information was entered correctly. Once confirmation is received, the file will be uploaded to the POOL/PACT website and will have limited access. Jeanne pointed out numbers on the handout that are in parenthesis. Those numbers refer to specific pages



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within member contracts. Jeanne explained that member contracts will also be uploaded and available for review in the same area of the website so the HR contacts will be able to look up these contracts and review specific language and have the coordinating references in the database. Jeanne advised the group that the law enforcement section of the database should be complete by the end of the year. Jeanne also advised the group that Bill Zelinski was overseeing this project.

- **Employment Opportunity Listing Website** - Jeanne let the committee know that the number of visits to the Nevada Rural Job website continue to remain consistent.

Robert asked if there was a way to see which local sites were getting the most views. Jeanne let Robert know that she would get more information regarding this.

#### **5. For Possible Action: Report on Other Activities**

- **HR Problem-Solving Reports** – Jeanne advised that these were unique situations that occurred during the last quarter that the oversight committee might be interested in. One of the situations involved a trans-gender issue which had not been dealt with before.
- **Report on Employment Related Claims** – Jeanne said the report was as of October 31, 2012. There were 12 claims at that time. Jeanne advised the committee that she was aware of several more claims from school districts since then and they should be reflected on the reports at the next meeting.

Curtis asked Jeanne if there was a common theme to all of the claims. Jeanne said many of the school claims involve abuse of special education students. Jeanne explained that the claims continue a downward trend since the all-time high of 09/10. Curtis asked Wayne Carlson if schools add more risk versus other agencies that participate in the POOL. Wayne responded that more employees open up more opportunity for liability but there was not a significant adverse trend. Wayne also added that schools tend to have more claims because there are students involved. Jeanne added that Ann Alexander has been reviewing school policies and is presenting them via webinar. Jeanne said if school organizations adopt the updated policies, it will hopefully reduce the claims as well.

#### **6. For Possible Action: Benefitsolver**

The committee reviewed a presentation of the Benefitsolver program via webinar. The committee members who were unable to attend in person were emailed login instructions to review the same presentation.

Tamara Tretter from Willis opened up the webinar presentation. Benefitsolver is an online benefits enrollment system. The advantage of using the program is to put the responsibility for benefits information into the hands of employees. Organizations limit their exposure to errors regarding entering benefit information. Tamara explained that POOL is offering this for members and paying for the initial implementation setup fee. Mike from Benefitsolver then began walking the committee through the demonstration. For the demonstration, Mike pointed out that many fields could be



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modified to accommodate member organization needs. The system is updated in real time so employees always have up to date information. Language that employees view is configurable and additional fields can be added to fit the organization's needs. Mike explained that Willis will do the initial setup for member organizations. Administrators will have the ability to make changes on the employee's behalf. Employees will be able to review plan pricing for different plans, key in enrollment information, and choose who is covered under the plan. Also, Mike explained that it is possible to enter new hire information once as it can be exported from an organization's payroll software. The exported file can be used to set up the employee in Benefitsolver.

Curtis asked Mike how clean is the upload. Mike explained that the Benefitsolver system fields are mapped to match existing records in the organization. Mike also said that a team of individuals at Willis who will be reviewing the importing process to look for any issues or discrepancies. Curtis also asked Mike if once the data is in Benefitsolver can it be exported and manipulated for reports. Mike confirmed that it could. Robert asked if the system can allow the employee to scan and attach records to their files such as birth certificates. Mike said it is possible for employees to do this and once uploaded the file is available for the administrators to view.

Mike then discussed the reporting function of the software. Participation analytics provides a point-in-time snapshot of all employees currently in the system. It can be broken down into demographic information or displayed to show the number of employees enrolled in different programs. They are interactive charts. There are full reporting options including a number of preloaded reports as well as the ability to create customizable reports. Also, there is the option to save and schedule recurring reports. Comparison reports are also available to compare information between benefits and payroll to assure accuracy.

Another feature that Mike presented was the export dashboard which helps to minimize the administrative burden of updating carriers. When an employee enrolls for benefits, the system takes a snapshot of the information submitted and provides the carrier with any changes in terms.

Mike also showed the committee the payroll dashboard. He explained that a payroll file can be created to an organization's specific requirements. They can be scheduled to send to a member's payroll company on a regular basis. Mike also pointed out if there is ever a question of the payroll information and benefits information not matching, a comparison report can be generated to see if any discrepancies exist.

Mike presented termination and COBRA administration support dashboard. He demonstrated how to enter termination information, in the example; an employee gives two week notice. When the termination date is entered, the system automatically takes the user to COBRA information. The system knows the plan rules and prompts the user accordingly.

The next item discussed by Mike is how carriers are paid. He showed the committee the billing/invoice document center. Once a month, invoices will be created to show how much money will be owed to each benefits carrier. The reports can be generated in Excel or as a PDF. The reports can be modified to the organization's need or the benefit carrier's needs. Mike also explained that rules can be built into the system so it knows when and how to bill each month. In an example, Mike



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said if a carrier does not bill for new employees who are hired after the of the month until the following month, the rule can be set in the system so the member is not charged accordingly.

The final part of the presentation involved how member organizations can communicate with their employees through the Benefitsolver system. Mike demonstrated the message center. An employee will receive an email stating they have an important message regarding their benefits. The message will then prompt the employee to log into the system and access the information through a secure mailbox. Mike then concluded the presentation by reviewing the different training options available through Willis, which would assist users in getting comfortable with the system.

Wayne let the committee know that the Executive Committee had already approved funding the initial implementation setup. Wayne said the next steps for member organizations who would like to use the system, is to review the annual costs associated with the system. Wayne also indicated that the more members that join, those costs can be shared between members. Jeanne stated that a survey had been sent out to the members asking about the number of employees who receive benefits and which carriers they are using. The deadline for that survey is December 17. Jeanne said with the information compiled, there would be a better understanding of how the costs can be shared. Jeanne added if anyone on the committee is interested, they can email Jeanne who will then contact Tamara for a proposal. There were no additional questions.

#### **7. For Possible Action: Subsequent Injury Fund**

Wayne started by informing the committee that the subsequent injury fund was created in the workers' comp statute for employees who have an injury with a disability rating of over 6% and are kept in employment or an employee hired with a disability rating over 6%, there is potential to recover half or more of the cost of the claim. PACT contributes to the fund as an organization; about 15% of the population of the self-insured groups. The benefit of this is that it reduces claims cost and it keeps member experience rates down. In the past, these claims could be submitted, medical records could be received and reviewed, and it could be determined if the injury exceeded 6%. A recent court case stated that the employer must have knowledge of the injury or disability before the fact in order to access the fund. The question before the committee is how does a member organization get this information without violating other areas of HR such as the ADA?

Jeanne informed the committee that Bob Balkenbush, who is the primary PACT attorney put together the draft questionnaire for the committee's consideration. The employee would complete the questionnaire after being hired. The questionnaire would then be placed in the employee's confidential medical file. If the employee had a workers' comp injury, this information could be reviewed to assist in determining if the subsequent injury fund could be accessed. Jeanne also pointed out that along with the handout; she gave the committee members specific questions to consider. One question is, should it be strongly encouraged for all PACT members to use this form? Jeanne advised the committee that Becky Bruch is reviewing the form for possible ADA ramifications. Another issue is if the form is made mandatory, what can be done regarding employees who refuse to complete the form.



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Curtis said he reviewed the form and it looked similar to many post-hire supplement forms. He asked Wayne what PACT has required in the past. Wayne said that to date, PACT has not required the form because access to the medical information had been fairly simple to acquire. With easy access to the information, PACT has been successful in collecting recoveries, but with the current ruling, there has to be documentation that a condition existed and the member hired or retained them anyway. Curtis said he does not see a problem with the form, but he thinks a problem will occur when trying to get existing employees to fill it out. Jeanne pointed out a concern that she had is on the second page of the form which asks if the employee has ever received treatment for back, neck, or upper extremities. Jeanne thinks if someone indicates that they do, then HR would be obligated to start the ADA interactive process to determine if any reasonable accommodations are needed for their job. Jeanne asked Danelle for her input. Danelle stated that she has never been involved with this type of issue but is interested in finding out what Becky will determine. Curtis said even if the disability or condition is perceived, organizations are obligated to follow the ADA. Jeanne's concern is that if organizations have this type of documentation and an employee is terminated during probation, can the employee use the form to say they were terminated due to the disability. Tracy Walters asked if a follow-up question could be added to the form asking if the employee is currently experiencing problems or has it been resolved by treatment. Curtis asked, depending on the pros and cons, which way would save the most money? Wayne said that there have been arguments in the legislature to determine if abolishing the subsequent injury fund makes sense as the ADA accomplishes the same purpose of encouraging employers to hire people with disabilities. Wayne mentioned that a majority of the claims involve back injuries. Wayne also stated that getting heart/lung claims paid through subsequent injury would be huge. Curtis asked Wayne, if the fund was abolished would PACT receive a refund of monies paid into it? Wayne said there would not be a refund because it is a revolving fund and has no cumulative balance.

Jeanne said perhaps HR should start retaining all medical notes in the medical file, such as time sheets noting time off for medical issues, doctor's notes, or other documentation. Jeanne asked the committee how much additional work this would cause. Tracy said they keep all information until the employee terminates. The record retention says the information needs to be retained for two years. Most of the committee members indicated that they retain the information as long as the employee is at the organization at this time. Danelle thought that it would be simple to get new hires to fill out the form; the difficulty will be asking existing employees to do the same. Curtis said that he did not have difficulty having employees fill out a similar form in the past. He said the path of least resistance would be having new hires fill out the form. Curtis said the best approach is waiting for Becky's review to be complete before making a decision. Wayne said getting engaged in the interactive process would be a good thing to get the documentation for the medical files. Wayne asked, if this form is used as part of the open enrollment process would it be difficult to get employees to complete it? Curtis thought that would be the best time. Wayne said it would be the least threatening approach for current employees. Curtis asked if the cover page could be elaborated to explain to the employees why this information was being collected and advise employees of the consequences of not filling out the form. Jeanne asked if it should be stated on the form that filling it out is voluntary. Curtis thought that would be best, though only about 50% of the employees will fill it out. Jeanne closed the discussion summarizing what was agreed to which included: having Becky review the form, including it with new hire packet, and having existing employees complete the form



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during the open enrollment period. Curtis asked if a motion needed to be made. Wayne said in terms of making it a requirement of the program, it would be a recommendation of this committee to the Executive Committee. Curtis asked the group if there is a quorum. There was not a quorum as Ben Sharit and Bill Deist was no longer on the phone. There was no action on this item.

**8. For Possible Action: Legislative Session**

Jeanne advised the committee that legislation will be tracked. There are over 600 BDRs currently. There are over 100 that could possibly be tracked. Jeanne said the plan is to have a tracking form that can be uploaded online. Jeanne asked if just the oversight committee should have the ability to view this information or should all HR contacts have access to this tracking. The committee agreed that all HR contacts should be able to view this information.

**9. For Possible Action: HR Assessment Grant Application**

No applications were completed prior to the oversight meeting.

**10. For Possible Action: Schedule Next Regular Meeting for POOL/PACT Human Resources Oversight Committee**

The next meeting will be held in March 2013. Jeanne indicated that every Friday in March is available. Robert Quick indicated that March would not work. Curtis recommended March in Winnemucca at 10:30 a.m. Jeanne said she would contact Bill Deist to see if he is agreeable to hosting the meeting.

**11. Item: Public Comment:**

No public comment was made.

**12. For Possible Action: Adjournment**

Curtis Calder called the meeting adjourned at 12:25 p.m.



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**UNAPPROVED MINUTES OF THE  
NEVADA PUBLIC AGENCY INSURANCE POOL AND  
PUBLIC AGENCY COMPENSATION TRUST  
HUMAN RESOURCES  
OVERSIGHT COMMITTEE MEETING**

**Date: March 8, 2013      Time: 10:30 a.m.  
Place: Humboldt County Courthouse  
50 W. St.  
Winnemucca, NV 89445**

**1. Oversight Committee Roll Call:**

Members participating: Chairman Curtis Calder; Danelle Shamrell; Robert Quick; Bill Deist; Ann Murdoch; Pat Whitten; Tracy Walters. Not Present: Ben Zunino; Jose Delfin; Geof Stark; Ben Sharit. PRI Staff: Jeanne Greene.

**2. Item: Public Comment**

No public comment was made.

**3. For Possible Action: Approval of Minutes of Meeting September 21, 2012**

Tracy Walters made a motion to approve the minutes of September 21, 2012. Robert Quick seconded the motion. Motion was carried.

**4. For Possible Action: Approval of Minutes of Meeting December 7, 2012**

Bill Deist made a motion to approve the minutes of December 7, 2012. Tracy Walters seconded the motion. Motion was carried.

**5. For Possible Action: Report on Current Activities**

Jeanne reported the following:

- **12/13 Strategic Plan** (July 1, 2012, through June 30, 2013)

**New Instructor-Led Courses** – Three were developed during the current year; Performance Management, Documentation, and So You Think You Want to be a Supervisor.

**Revised/Updated Trainings** – Many classes have received updates this year. The Customer Service class is currently being updated and should be ready to present this year.

**Regional Trainings** – EMS has been given twice. The Carson City class is currently being taught. Two more are scheduled for Pahrump and Eureka.



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Curtis asked Jeanne if the EMS class had good attendance. Jeanne responded that the EMS course is always well attended and there were 26 participants in session one that was presented on March .

Advanced EMS has been presented twice already this year; once in Carson City and once in Douglas County. Two more are scheduled in May; one in Carson City and one in Elko. HR Representative Certificate Program is scheduled to begin in April. A Perfect Storm was presented in Carson City at the end of February. So You Think You Want to be a Supervisor will be taught twice in April and Workplace Violence was taught once in Carson with another scheduled in Eureka in the spring.

**FRISK Documentation Program** – POOL/PACT HR continues to teach the school version of the program. The local government edition is not yet released.

**Regional Workshops** – Charity Felts with Erickson, Thorpe, and Swainston provided seven sessions of Social Media throughout the state. Labor attorney, Charlie Cockerill presented Negotiations 101 trainings five times. Ann Alexander and Becky Bruch with Erickson, Thorpe, and Swainston provided Internal Investigations training to Nye County School District at the end of February.

**HR Seminar** – This seminar is scheduled May 2 and 3 at the Atlantis in Reno. Jeanne asked the committee if anyone besides Danelle and Robert was planning to attend. Tracy stated she would like to attend. Curtis said that he may have conflicts so he could not commit at this time. Jeanne asked the committee members if they would be agreeable to introducing speakers at the event. Danelle, Robert, and Tracy all agreed. Curtis said Doug Gailey could stand in on his behalf. Jeanne stated she would ask Brenda Wiley to stand in for Bill Deist.

**New HR Briefings** – Three new briefings were scheduled to be completed this year. Overtime Requirements Under State Law and Social Media are now complete. The Return to Work briefing is 60 percent complete and should be ready for release in April.

**Revised HR Briefings** – A number of briefings were identified for revision and Jeanne stated all would be reviewed and finalized before the end of the fiscal year.

**Webinars** – Four webinars were scheduled to be presented in conjunction with Horizon Health; three have been completed. Strengthening Work Relationships and Teambuilding was presented on March ; 50 people registered which is the maximum.

Danelle asked Jeanne if the webinar will be recorded. Jeanne advised that the webinar was being recorded. After the presentation, the webinar is re-recorded because Horizon Health will not record the actual session due to concerns about confidentiality. Once the recording is complete, it will be uploaded to the website and an email will be sent notifying members of its availability.



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**Sample Policies** – The revisions were completed and distributed to members in July. Jeanne advised that she was going to start the annual update; however, it will not be finalized until after completion of the legislative session in order to capture any changes in law.

**Collective Bargaining Concessions Database** – The law enforcement portion is complete and on the website. Access to this information is restricted to specific individuals. The school district portion will be complete by April . The general employees section will be finalized by June .

**Alerts** – The most recent alert issued informed members of new FMLA regulations.

**Statistics – Trainings** – Jeanne advised that 1,900 participants have received training this year. **ELearning** – Close to 10,000 employees are enrolled with about 1,600 completed.

**HR Compliance Assessment Program** – Two organizations from FY09/10 are still not complete but continue working forward. They are Yerington and Churchill School District. Jeanne is hopeful they will be complete by the end of the year. Members from FY10/11 and 11/12 continue working on the recommendation; mostly job description completion. Some changes in management have caused delays in some of the assessments. For FY12/13, Douglas Schools, White Pine County, and Mesquite have scheduled their initial assessment visit. White Pine School District still has not been scheduled.

**HR Assessment Phase II** – This is the compensation-related assessment. Jeanne did the assessment for Carlin and found some recommendations. West Wendover and Nevada Rural Housing are now scheduled in May. Douglas County, Lyon County, and Storey County all experienced turnover in their HR positions so Jeanne is not sure if any of those assessments will be conducted this year.

Pat Whitten asked Jeanne to go ahead and move Storey County to the next fiscal year. Tracy Walters told Jeanne that she would be open to having the phase II assessment conducted this year.

- **Employment Opportunity Listing Website** - Jeanne pointed out that the numbers presented to the committee was incorrect. For November, there were 262 unique visitors and for December, it was 317. Jeanne did point out that Robert Quick's request for more detailed information regarding the number of visits to specific organization websites could not be completed, however; a breakdown was provided to show which territories were getting viewed the most.

#### **6. For Possible Action: Report on Other Activities**

- **HR Problem-Solving Reports** – Jeanne advised that these were unique situations that occurred during the last quarter.



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- **Report on Employment Related Claims** – Jeanne said the report was as of January 31. There were 22 claims at that time. Four of the claims have been closed and three of those claims were closed with no cost.

**7. For Possible Action: Subsequent Injury Fund**

Jeanne stated this is a follow-up to the last oversight meeting. The questionnaire presented at the last meeting was presented to Becky Bruch to review as she is an ADA expert. As a result, the questionnaire was scaled back to one page. Bob Balkenbush said that there would be enough information on the form to make a case to access the Subsequent Injury Fund.

Jeanne said once the form was approved, an alert was issued to all members asking that all new employees complete the form at the time of hire and to have current employees fill out at the time of open enrollment for health benefits. If an existing employee chooses not to fill out the form, there is to be no disciplinary action. Members are being asked to retain all medical documentation on employees including doctor's notes, time sheets indicating time off for medical reasons and keeping this information in a medical file.

Jeanne asked if anyone has used this form so far. No one indicated that they had. Jeanne if there were any issues regarding this form to contact the POOL/PACT HR office.

**8. For Possible Action: Legislative Tracking**

Jeanne advised the committee that legislation affecting employment is being tracked by HR, but will not include workers' compensation. Wayne Carlson has hired lobbyist, Randy Waterman, who is tracking all of the workers' compensation-related bills. Jeanne advised the committee that a spreadsheet outlining the bills being tracked will be on the website for review and will be updated on a weekly basis.

Jeanne highlighted some bills of interest:

**AB104** – Requires public employers to use the e-verify system.

**AB112** – Changes to CBAs; the evergreen language. Contract expires unless there is language in the contract that states it continues.

**SB70** – Adds status as a family caregiver to employee-protected categories. The bill does not give a definition of what family caregiver leave is so Jeanne stated she will have to listen to the hearing.

**SB87** – Jeanne explained that there is currently a provision that states an employer cannot discriminate against an employee doing something lawful (i.e., smoking). This bill would abolish that provision. Again, Jeanne stated that she will have to listen to the hearing to understand the intent of the bill.

**SB95** – Creates a task force on employee misclassification.



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**SB124** – Requires fact finders, hearing officers, and arbitrators under collective bargaining agreements to be licensed attorneys.

**SB127** – Prohibits employers from using consumer credit report in making an employment decision.

**SB144** – Regarding NRS289 for police officers. Currently, if a police officer is disciplined, they are entitled to review the entire investigation file. The bill would allow the file to be reviewed before discipline is implemented.

**SB188** – Makes English the sole language of political subdivisions with limited exceptions.

**SB192** – Prohibits a governmental entity from substantially burdening the exercise of the religion of a person.

Curtis asked Jeanne if POOL/PACT HR was going to track PERS-related legislation and Jeanne indicated that it was going to be tracked.

Jeanne asked the committee if there were any questions or suggestions regarding how the bills are being tracked and there were none. Jeanne did state that there has not been an alert issued to advise the HR contacts that the spreadsheet is available on the website. It was agreed that something should be sent. Danelle commented that she had been on the website and the form was easy to find.

**9. For Possible Action: Approval of 13/14 Strategic Plan (July 1, 2013 through June 30, 2014)**

Jeanne started by explaining that the Executive Board was presented the Strategic Plan with the knowledge that it had not review or approved by the Oversight Committee.

**New Instructor-Led Courses** – Two are identified; Advanced HR Rep and Employee From Hell. Jeanne explained that a video was purchased that the Employee From Hell course will be written around.

**Revised/Updated Trainings** – Jeanne stated that many courses will most likely be updated this year due to legislation.

**Regional Trainings** – Many of the regional trainings for the next fiscal year have already been scheduled. Essential Management Skills is scheduled in the Fall and will be taught again in the Spring. The Good, The Bad, The Ugly, Advanced EMS, and HR Rep will also be taught.

Jeanne advised the committee that the reason for getting the trainings scheduled so early was due to sharing the upstairs conference room with two other state agencies.

**Regional Workshops** – Charlie Cockerill has agreed to do a full-day negotiation training course. The first two hours will consist of Negotiations 101 which would be the same training presented last year; the remainder of the day will be Advanced Negotiations containing two hours of additional instruction and two hours of practical exercises. It is scheduled in Carson City, Pahrump, Elko, and Ely.



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Jeanne advised that there are several other topics that could be presented by an outside speaker this year and offered the ideas to the committee for consideration. Some ideas include a Health Care Reform presentation or Media Relations by Bill Brown or Steve Mulvenon. If there are changes to records retention and requirements during the legislative session, Jeanne stated Jerry Lindsay from State Archives could be contacted for a presentation as well. Jeanne asked the committee if any of the ideas were worth considering or if the committee had other ideas.

Curtis thought Health Care Reform would be beneficial to members. Curtis stated that he has had issues arise with union benefits programs and was unable to find someone to help answer his questions. Jeanne offered if POOL/PACT HR moved forward with a presentation on this topic, perhaps a questionnaire could be sent out to gather questions that could be researched prior to the presentation. Tracy and Danelle also agreed this would be a beneficial presentation.

Curtis mentioned another issue that he has heard about regarding individuals who retire in PERS then try to collect Social Security. Curtis said many are shocked to find out that Social Security is offset and they do not collect as much money as they thought they would. Danelle stated she notices the same thing and asked if a Briefing could be put together to address that issue. Jeanne stated she would look into this topic further.

**FRISK Documentation Program** – The balance of member school districts are listed on the service plan. All are tentative at this time.

**HR Seminar** – This is the event scheduled in May of this year. If successful, it will be an annual event.

**Research New Methods of Delivering HR Training** – This was an item listed on the three year strategic plan. Possible ideas include using webinar software or Skype to deliver trainings.

**New HR Briefings** – Jeanne advised that a new Mentoring briefing will be completed this year however credit will be taken in the next fiscal year. There are two other briefings listed on the strategic plan; Strategic Planning and Bring Your Own Device. Jeanne explained Bring Your Own Device will focus on smartphones that have access to email. The issue is non-exempt employees who are checking email on smartphones during off hours and its overtime implications. Windfall elimination provision (PERS offset) can also be added as a topic.

**Revised HR Briefings** – Half of the briefings are reviewed and updated every year.

**Webinars** – Four webinars will be presented in conjunction with Horizon Health. No dates have been confirmed at this time.



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**HR Compliance Assessment Phase I Program** – Jeanne indicated members have not confirmed their participation for the 13/14 phase I assessment program due to not having service plan meetings at this time. Jeanne advised that most of the large organizations have participated in the program so the focus is now on the smaller organizations.

**HR Compliance Assessment Phase II Program** – Storey County and Lyon County are listed but if either organization completes the initial assessment visit, they will be moved over to the current service plan.

**Pay Schedules/Tables** – This was a request from the Executive Committee. Jeanne said she does not have a problem doing this however, a disclaimer would need to be on the form to confirm information with the organization to assure it is current and getting a current job description so individuals are comparing “apples to apples.”

Robert Quick asked if organizations could send in copies of their job descriptions and upload them to the website to save time researching. Jeanne agreed this could be done. Danelle also suggested having links to the organizations website. Jeanne said she would present a plan at the next meeting.

Jeanne asked if the Strategic Plan should be amended to include the pay table request. Curtis agreed it should be added. Bill Deist made a motion to approve the Strategic Plan with amendment. Robert Quick seconded the motion. Motion was carried.

**10. For Possible Action: HR Assessment Grant Application**

The application presented was from the City of Fernley. Jeanne advised the committee that the recommendations they completed included updating policies, job descriptions, employee files, and I-9s. Robert Quick made the motion to approve the application as presented. Tracy Walters seconded the motion. Motion was carried.

**10. For Possible Action: Schedule Next Regular Meeting for POOL/PACT Human Resources Oversight Committee**

The next meeting will be held June in Winnemucca at 10:30 a.m.

**11. Item: Public Comment:**

Jeanne mentioned that the Executive Committee did approve the budget for the next fiscal year. Some of the funds were moved to increase the member education and services category by \$10,000 with the intent of offering more training around the state. Tracy asked how much money was in the budget for grants. Jeanne responded that there was not a separate category built into the budget for that. It comes out of the same member education and services category. Jeanne further explained that for Phase I, the grant amount is \$500 and for Phase II, the grant amount is \$750. Jeanne did explained that the risk management grant will help pick up travel costs for individuals wanting to attend trainings in Carson City or other areas but are unable to do so because of financial constraints. Jeanne advised that Ann Wiswell handles those applications. Danelle mentioned Jeanne coming to



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Nye County and presenting HR Briefings during management staff meetings which have been really well received and doesn't take away from any of their workdays. It is good training and appreciated. Bill Deist indicated John Bates does the same for Humboldt County.

**12. For Possible Action: Adjournment**

Curtis Calder called the meeting adjourned at 11:47 a.m.



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**Minutes of Meeting of  
Loss Control Committee of  
Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust  
Date: June 11, 2012**

**1. Roll**

The meeting was called to order by Chairman Cash Minor at 11:00 a.m. Ann Wiswell confirmed that a quorum was present.

Members present: Chairman Cash Minor (Elko County), Shannon Gardner (Storey County), Mike Callahan (City of Mesquite), Bob Spellberg (Gardnerville Ranchos GID), Kevin Curnes (Carson City School District), C.J. Manthe (Incline Village General Improvement District), Jan Archuleta (Eureka County), Steve West (Winnemucca), Geoff Stark (Churchill County), Dan Murphy (Pershing County School District)

Others present: Ann Wiswell, Mel Iida, Wayne Carlson, Chuck Haley (MSDS Online)

**2. Public Comment:**  
none

**3. For Possible Action: Approval of Minutes of Committee Meeting of March 8, 2012**  
Ann noted a typographical error under agenda item 8 for correction. Upon motion and second the minutes were approved.

**4. For Possible Action: Staff Reports:**

**a. LCEP Program**

Ann Wiswell reported that the new web based survey program was nearly finished and would be put into use before the next meeting. An announcement will be included in the Pooling Perspectives Newsletter and links will be sent to all members who were scheduled for requalification in 2011.

**b. Stryker Grant Fund**

Ann Wiswell reviewed the final draft of the Stryker grant applications. Upon review and discussion, the committee approved the use of the grant application.

**c. Respiratory Fit Testing Program**

Rick Hudson updated the committee on the respiratory fit testing program. Members who have taken advantage of the program this year include:

Sierra FPD, Mesquite, Nye County (all depts.), Fernley Public Works, Elko Public Works, Eureka Fire Dept., Churchill County and Fallon Fire Depts. and Winnemucca Police Dept.

Other members who have scheduled testing for this year include Boulder City, Ely, Winnemucca FD, Nye County School District and the Town of Pahrump.

**d. Risk Management Grant Program**

Ann Wiswell advised the Committee that a grant application similar to the Stryker grant form would be developed to reflect the changes to the grant program adopted at the March 8, 2012 L.C. Committee meeting. The new grant application would be used effective July 1, 2012.

**5. For Possible Action: Consideration and Approval of Fit Responder Public Safety Fitness, Wellness and Injury Prevention Program**

Ann Wiswell introduced Bryan Fass, the developer of the Fit Responder Program to present a proposal for the consideration of the committee. The Mesquite Fire Dept. had submitted a Risk Management Grant application to fund training for their staff on the Fit Responder program. After evaluation by staff, it was determined that this was a program that would benefit all PACT first responder agencies. Ann, Rick Hudson and Josh Wilson had met with Bryan Fass to learn more about the program and concurred that it would be beneficial for the Loss Control Committee to consider funding this program for PACT members. The purpose of the Fit Responder program is to:

- Reduce on the job injury and workers compensations claims.
- Establish a safe patient handling and ergonomics guideline which will eventually become a policy for patient and equipment handling.
- Train key staff on the core components of the Fit Responder program.
- Muscular stabilization and the 5 steps of patient handling.
- Injury prevention through tissue flexibility and mobility.
- Patient handling and equipment handling; a hands on training system.
- Safe and effective exercise to improve fitness while reducing injury.
- Utilize existing command structure to establish a system of oversight for proper ergonomics.
- Clearly defined training modules for retraining, new employee orientation & field training officer training.
- Change the culture and behaviors of field employees through biomechanical behavior modification, nutritional education, fitness, wellness and self care.

C.J. Manthe asked if it other municipal risk pools that were using the Fit Responder had seen results. Bryan advised that among those departments that had the structure in place to measure the results, there was a reduction in both frequency and severity of injury. The program in North Carolina initially targeted the agencies having the most claims. It was noted that ergonomics,

fitness and wellness goals are all a priority for the committee and that this program was a way to support the committee's goals. Upon motion and second the committee approved funding of six Fit Responder training sessions.

**6. For Possible Action: Consideration and Approval of Material Safety Data Sheet Program**

Chuck Haley of MSDS Online gave a presentation of an enhanced service for the POOL/PACT members. POOL/PACT currently contracts with this company to provide members with access to a database of current Material Data Safety Sheets (MSDS). The enhanced service would provide electronic storage and maintenance of each member's MSDS records in a web hosted environment, eliminating the need for the POOL/PACT member to maintain a paper three ring binder. Recent changes to OSHA's record keeping requirements make the maintenance of MSDS even more challenging, and this new system would allow members to more easily transition to the global harmonization requirements of OSHA. Upon motion and second the committee approved funding of the electronic binder system for POOL/PACT members.

**7. For Possible Action: Consideration and Approval of Risk Management Grant Application Submitted by Pershing County School District**

Dan Murphy of the Pershing County School District answered questions regarding a Risk Management Grant application submitted on behalf of his school district. The application was for funding of security fencing to prevent use of a dirt road by the public. The road runs through the center of the school property. Often times people use the road to avoid driving around the school property, creating a hazard for children on the property. Concession stands on the school property accessed by this road have also been vandalized and food items stored at the concession stands had been stolen. Upon motion and second the committee approved funding of the Risk Management Grant Program submitted by Pershing County School District.

**8. Public Comment**

None.

**9. For Possible Action: Adjournment**



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Telephone (775) 885-7475  
Facsimile (775) 883-7398

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**Minutes of Meeting of  
Loss Control Committee of  
Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust  
Date: September 18, 2012**

**1. Roll**

The meeting was called to order by Chairman Cash Minor at 11:00 a.m. Ann Wiswell confirmed that a quorum was present.

Members present: Chairman Bob Spellberg (Gardnerville Ranchos GID), Shannon Gardner (Storey County), Kevin Curnes (Carson City School District), C.J. Manthe (Incline Village General Improvement District), Steve West (Winnemucca), Geoff Stark (Churchill County)

Others present: Ann Wiswell, Wayne Carlson, Chris Van Aken (Stryker EMS)

**2. Public Comment:**

none

**3. For Possible Action: Approval of Minutes of Committee Meeting of June 11, 2012**

Upon motion and second the minutes were approved.

**4. For Possible Action: Approval of Stryker Grant Allocations**

Upon motion and second the allocation of grant funds as presented by staff were approved.

**5. Public Comment**

None.

**6. For Possible Action: Adjournment**



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**Minutes of Meeting of  
Loss Control Committee of  
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Public Agency Compensation Trust  
Date: January 15, 2013**

**1. Roll**

The meeting was called to order by Chairman Cash Minor at 10:00 a.m. Ann Wiswell confirmed that a quorum was present.

Members present: Bob Spellberg (Gardnerville Ranchos GID), Shannon Gardner (Storey County), Kevin Curnes (Carson City School District), Dan Murphy (Pershing County School District), Steve West (Winnemucca), Geoff Stark (Churchill County)

Others present: Ann Wiswell, Rick Hudson, Josh Wilson

**2. Public Comment:**

none

**3. For Possible Action: Approval of Minutes of Committee Meeting of September 18, 2012**

Upon motion and second the minutes were approved.

**4. For Possible Action: Consideration and Approval of Risk Management Grant Application submitted by Douglas County Sheriff's Department**

Upon motion and second the grant application for the firearms simulator training system was approved.

**5. For Possible Action: Consideration and Approval of Risk Management Grant Application submitted by Douglas County School District**

Upon motion and second the grant application for playground equipment was tabled to request a properly completed current grant form be completed

**6. For Possible Action: Consideration and Approval of Risk Management Grant Application submitted by North Lyon County Fire Protection District**

Upon motion and second the grant application for automated cardiac resuscitation equipment was denied as not meeting grant eligibility guidelines for meaningful impact.

Minutes Continued

7. **Public Comment**  
None.

8. **For Possible Action: Adjournment**



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**Minutes of Meeting of  
Loss Control Committee of  
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Public Agency Compensation Trust  
Date: March 14, 2013**

**1. Roll**

The meeting was called to order by Chairman Cash Minor at 10:00 a.m. Ann Wiswell confirmed that a quorum was present.

Members present: Cash Minor (Elko County), Shannon Gardner (Storey County), Kevin Curnes (Carson City School District), Steve West (Winnemucca), Darren Wagner (Yerington).

Others present: Ann Wiswell

**2. Public Comment:**

none

**3. For Possible Action: Approval of Minutes of Committee Meeting of January 15, 2013**

Upon motion and second the minutes were approved.

**4. For Possible Action: Consideration and Approval of Risk Management Grant Application Submitted by Douglas County School District**

Upon motion and second the grant application for ADA compliant playground equipment was approved.

**5. For Possible Action: Review and approval of Loss Control Committee Strategic Plan**

The committee reviewed the strategic plan for 2012-15. No significant changes were made to the plan, which carries through to July 1, 2015. Ann Wiswell noted that the committee needs two new voting committee members as the seats occupied by the City of Mesquite and Incline Village General Improvement District were now vacant. Upon motion and second the strategic plan was approved.

**6. For Possible Action: Review and approval of Loss Control Excellence Awards**

Upon motion and second Loss Control Excellence Awards were approved subject to final review and acceptance of applications prior to July 1, 2013 for the following members: Battle Mountain

**Minutes Continued**

**Page 2**

General Hospital, Boulder City, Douglas County, Elko County School District, Lyon County, and Town of Pahrump.

**7. Public Comment**

None.

**8. For Possible Action: Adjournment**

**Assigned to PARMS/Risk Management**

**GOAL:** Enhance communication with members in a manner that provides members with easy access to essential information and resources. Plan, promote and implement risk management initiatives to reduce liability and protect public assets.

Objectives:	Strategies	Target Date	Progress/Status Report
<b>Goal: Enhance Communications with Members and Access to Information</b>			
<b>Implement Written Communications Plan</b>			
Written plan to address:			
periodic print publications;	Risk Management Bulletins	FY 2012-15	ongoing; periodicals
online communications;	Website enhancements; Pooling Perspectives newsletter	FY 2012-15	ongoing; periodicals
meeting and conference materials;	Board packets, RM Conference materials, banners, giveaways	FY 2012-15	ongoing; periodicals
media relations and public relations materials;	Industry association communications, member orientation tools	FY 2012-15	ongoing; periodicals
marketing and sales tools;	Producer Services Guide, Risk Management Services Booklet	FY 2012-15	ongoing; periodicals
			Adobe Connect licensed for unlimited online meetings w/ up to 100 persons in meeting
committee and board communiques;	Web Meetings, enhanced meeting tools (DimDim)	FY 2012-15	ongoing; periodicals
annual reports;	Access online and in print	FY 2012-15	ongoing; periodicals
<b>Enhance &amp; Market POOL/PACT E-Learning Program</b>			
Curriculum development, Schools			
	Bloodborne Pathogens for Schools	FY 2012-15	completed
	School Bullying	FY 2012-15	in development FY 2013 incorporated into violence/threat assessment
	School Intruders	FY 2012-15	completed
	FERPA:Confidentiality of Records	FY 2012-15	completed
	School Violence and Threat Assessment	FY 2012-15	in development FY 2013
	Child Abuse: Identification & Intervention	FY 2012-15	in development FY 2013
Curriculum development, Safety & Environmental			
	Office Ergonomics	FY 2012-15	completed
	Hazard Communication	FY 2012-15	completed
	Slips, Trips and Falls	FY 2012-15	completed
	Respiratory Protection Programs	FY 2012-15	in development FY 2013
	Preventing Back Injuries	FY 2012-15	completed
	Confined Spaces	FY 2012-15	in development FY 2013
	Lockout/Tagout	FY 2012-15	in development FY 2013
	Snow & Ice Management	FY 2012-15	in development FY 2013
	Automobile Safe Driving	FY 2012-15	completed
Curriculum development, Risk Management for Public Entities			
	PERI Series	FY 2012-15	tabled; PERI folded tabled; webinars more appropriate means of keeping current on changing laws
Curriculum development, Law Enforcement	High Risk Critical Task training content provided by PATC	FY 2012-15	FY 2013
Moodle LMS enhancements	Track on ground training	FY 2012-15	tabled; software expanding FY 2013-15
	Enterprise Learning Information System install	FY 2012-15	tabled; software expanding FY 2013-15
	Host webinars and instructor led courses	FY 2012-15	tabled; software expanding FY 2013-15
	one to one member meetings, newsletter links and announcements, print material, POST, DOE and HR promotion	FY 2012-15	ongoing
Market & Promote E-Learning Program			
<b>Goal: Plan, promote and implement risk management initiatives to reduce liability and protect public assets.</b>			
Evaluate loss trends	Quarterly review of large losses; monthly review of loss development		ongoing

PARMS\_Risk Mgmt.

<b>Monitor Swimming Pool exposures and continually train operators</b>	Inspect each swimming pool every three years; host annual Swimming Pool Operators certification course.	annually	completed for southern regions in 2012; N Nevada to complete 2013, Eastern Nevada 2014
<b>Monitor electrical hazards in aging buildings</b>	Conduct thermal imaging surveys of select buildings based on COPE data	annually	completed for central regions in 2012; eastern to complete 2013, northern in 2014
<b>Plan, promote and implement risk management initiatives to address exposures unique to school districts</b>	Host workshops on relevant topics	FY2012-2013	threat assessment plans, concussion risk FY 2013-14 scheduled and in process FY 2013
<b>Plan, promote and implement risk management initiatives to address exposures unique to law enforcement agencies</b>	Webinar series on student affairs policies	FY2012-2013	ongoing;periodicals
	Circulate UE publications	FY2012-2015	
	Constitutional Law Update	annually	
<b>Deliver Elected Officials Liability Training Workshops</b>	Implement standardized policies	annually	completed FY2012; 2013 scheduled completed 6 regions for FY2012-2013 completed 6 regions for FY2012-2013 completed 6 regions for FY2012-2013 completed 6 regions for FY2012-2013 completed 6 regions for FY2012-2013
	Provide SkidCar training to four regions once per year	annually	
	Deliver Emergency Management Dispatch Training	quarterly	
	Public Officials Liability	FY2012-2015	
	Open Meeting Law	FY2012-2015	
<b>Risk Management Contract Review</b>	School Board Legal Liability	FY2012-2015	ongoing
	Positive Governance	FY2012-2015	
	Ethics	FY2012-2015	
<b>Risk Research Projects</b>	Review member contracts for risk transfer, assumption of liability and insurance requirements	FY2012-2015	ongoing
	Conduct ad hoc research and publish relevant findings to membership in newsletters and rm bulletins	FY2012-2015	
<b>Wellness programs</b>	Promote Cardiac Wellness to Law Enforcement and Fire agencies	annually	done 2012-2013

Loss Control

**Assigned to: Loss Control Control Committee**

**Goal:** Deliver risk control services by planning, promoting, and implementing safety, health, and environmental initiatives to protect public assets and reduce

<b>Objectives:</b>	<b>Strategies</b>	<b>Target Date</b>	<b>Progress/Status Report</b>
<b>OSHA and ADA Compliance</b>	Accessibility Surveys as requested	FY2012-15	City of Fernley FY2012;
			Fernley, Douglas County FY 2012; Eureka School Dist.,
	Playground Surveys as requested	FY2012-15	White Pine School Dist FY 2013
			Lyon County School District , Storey County FY 2012
	Premises Site Surveys	FY2012-15	Storey County School Dist., IVGID FY 2013
	MSDS Online Web Service expansion of scope	FY2012-15	
			Carson Valley entities FY 2012, Boulder City & IVGID
	HAZCOM Globalization Harminization Systems (GHS)	FY2012-15	FY 2013
	Promote and deliver Fire Extinguisher Training Program	FY2012-15	IVGID, Storey County, Douglas County FY 2012;
	ADA training on 2010 Accesibility Design Standards	FY2012-15	Carson Valley entities FY 2013
		Webinars completed FY 2012; FY 2014 followup.	
		none in 2012; Nye County FY 2013 tbd; regionals	
		planned FY 2015	
			Boulder City FD City of Elko, City of Fernley, Crescent
			Valley VFD, White Pine SD, City of Ely, Eureka County,
			Fallon, Mesquite, Nye County, Paurump, Sierra VFPD,
			Truckee Meadows Fire , Winnemucca FY 2012. Lander
			County, Elko , West Wendover FY 2013
<b>E-Learning Curriculum Development</b>	Respiratory fit testing services	FY2012-15	ongoing
	Periodically review training content and assess safety training needs	FY2012-15	FY 2012 ADA; FY 2013 Student Affairs; FY 2014 ADA
			and School Safety
<b>Emergency Planning and Disaster Management</b>	Determine topics for webinar based training	FY2012-15	FY2013-14
	Earthquake preparedness and response training	FY2012-15	FY2013-14
	Earthquake nonstructural hazard mitigation workshops using Belfor	FY2012-15	FY 2013-14
	Coordinate with local emergency planning officials	FY2012-15	semi annual review of PACT; last reviewed 3/2013
<b>Claims Analysis/Benchmarking</b>	Committee evaluates major POOL/PACT trends	FY2012-15	ongoing
	Aging workforce trends	FY2012-15	ongoing
	EMC/First Responder back injury rates and the impact of the Stryker Grant Program.	FY2012-15	FY2014-15
			Churchill County , Carson City Schools FY 2012,
<b>Wellness/Body Mechanics</b>	Ergonomics, Back Injury Prevention; Wellness education & awareness	FY2012-15	Central Lyon County FD FY 2013
			Douglas County FY 2012, Boulder City, Pershing
	Bloodborne Pathogens, CPR training	FY2012-15	County, FY2013 Boulder City
	FitResponder Program for EMS	FY2012-15	Boulder City FY 2012; Tahoe Douglas FD FY 2013
<b>Auto/Driver Safety training</b>	4 Hour defensive driving as requested	FY2012-15	Pershing County FY 2012
	School bus safety training courses	FY2012-15	ongoing
	Skidcar instructor training and courses for members	FY2012-15	none in 2012; Boulder City FY 2013
<b>Inform &amp; Educate Members on risk management topics</b>	Sponsor the annual PRIMA Chapter conference in lieu of the Loss Control Retreat.	FY2012-15	Reno FY 2014
<b>Loss Control Excellence Program</b>	Develop 2 new members per year	FY2012-15	
	Promote continuation awards	FY2012-15	ongoing
	Launch online LCEP self-evaluation tool	FY2012-15	completed FY2013
	Promote risk management through funding of training, compliance and acquisition of safety equipment	FY2012-15	
<b>Risk Management Grant Program</b>	Promote risk management through funding of Stryker emergency services equipment grants	FY2012-15	fully funded 8/1/12
	Monitor and revise grant program as necessary	FY2012-15	revised 7/2012
<b>Enhancing POOL/PACT member communication</b>	Internet/email based marketing and registration for Webinars, workshops, etc.	FY2012-15	ongoing
	Risk Research Bulletins	FY2012-15	ongoing

Human Resources Management

**Responsible Committee: HR Oversight**

Goal: Serve as a business partner with POOL/PACT members to enhance their human resource programs, improve employee/employer relations, and reduce liability.

**Strategy: Provide resources and training that increase members' ability to manage human resources risks and to incorporate best practices techniques into their operations. Increase awareness and understanding of effective human resources management practices and methods to mitigate risks.**

<b>Objectives:</b>	<b>Action Plans</b>	<b>Target Date</b>	<b>Progress/Status Report</b>
<b>Develop and Revise Training Courses</b>	Develop two new instructor-led training courses.	Annually	FY2012, Three Completed
	Update and revise three instructor-led training courses.	Annually	FY2012, 11 Completed, One in Process
	Provide regional workshops utilizing outside resources.	Annually	FY2012, 13 Completed
	Offer six regional training courses throughout the State.	Annually	FY2012, Six Completed, Eight in Process
	Offer four mandatory on-line training courses for new employees.	Annually	FY 2012, Completed
<b>Enhance and Market Online Training Communications and Access to Information</b>	Research and implement new methods of delivering training.	FY2013	
	Market and promote e-learning and webinars.	Annually	FY2012, Completed
	Develop three new briefings.	Annually	FY2012, Two Completed, One in Process
	Update ten briefings.	Annually	FY2012, Seven Completed, Seven in Process
	Maintain a library of 200 job descriptions	Annually	FY2012, Completed
<b>Continue to Improve Use of Technology</b>	Issue alerts as needed.	Annually	FY2012, Seven Issued
	Conduct three to six webinars on timely issues as necessary.	Annually	FY2012, Three Completed, One in Process
<b>Conduct HR Practices Assessments</b>	Update and maintain HR documents on website	Annually	FY2012, Completed
	Offer HR compliance assessment program to a minimum of ten members.	Annually	FY2012, Eight On-Site Completed, Three Scheduled
<b>Develop and Deliver Member Service Plans</b>	Develop member service plans to include trainings, briefings, and policy development.	Annually	FY2012, Completed
<b>Maintain Sample HR Policies</b>	Annually review, update, and create new sample policies for small organizations, large organizations, schools and CDL holders.	Annually	FY2012, Completed
<b>Coaching and Problem Solving</b>	Assist members with HR-related issues by providing advice and consultation.	Annually	FY2012, Completed
<b>New Services</b>	FRISK documentation training	Annually	FY2012, Four Completed
	Develop and offer HR assessment, phase II	Annually	FY2012, One On-Site Completed, Three Scheduled
	Create database of collective bargaining concessions	FY2012	Two Databases Completed, One in Process
	Contract with labor expert for training	Annually	FY2012, Five Sessions Completed
	Contract with labor expert for reduced rate	FY2012	Completed

Claims

Assigned to: ASC/PARMS

GOAL: Provide effective claims and litigation management systems for the benefit of members. Assist members in understanding claims trends and members' role in reducing claims to control costs. Increase awareness and understanding of regulatory requirements associated with internal claims

Objectives:	Strategies:	Target Date	Progress/Status Report
<b>POOL</b>			
<b>Excellence in claims management</b>	POOL claims audit every two years POOL claims audit every two years		Audit completed week of March 18, 2013. Results to be reported at 2013 POOL/PACT Board meeting 2015
<b>Reduce claims severity</b>	Use effective litigation management; # cases resolved < authority, < \$50,000 and < SIR Large loss report (cases with total incurred xs \$100k)	annually annually	# of litigated claims closed in 2012 calendar year=90. Total paid in legal expense \$\$2,236,073.72 or average \$24,245.26 per claim. Total indemnity paid \$889,248.69 or average \$9,880.54 per claim. All claims resolved for less than the SIR. 62 cases closed with no indemnity payment. 18 cases closed with indemnity payment < \$25,000 authority. 4 cases closed with indemnity payment between \$25,001 and \$50,000. 6 cases closed with indemnity payment between \$60,000 and \$225,000. Largest indemnity payment \$225,000.00 on a EO claim involving a wrongful prosecution claim. The case was settled at mediation. \$130,083.04 spent in legal fees in that case (due to conflicts multiple defense counsel was necessary) Will be presented at 2013 annual board meeting All ASC staff attend annual fraud training through G4S. Donna, Dan and Jasmine attended the ETS Employment Law Update in October 2012. Donna and Jasmine attended the Litigation Strategy Workshop in February 2013.
<b>Develop claims adjuster capabilities</b>	Attend two HR and one Law Enforcement training course; attend litigation workshop	annually	The Large Loss Report and Stewardship reports are presented annually at the POOL PACT Board Meetings and incorporate trends analysis.
<b>Enhance members understanding of loss trends and risks</b>	Conduct lessons learned workshop and publications from case histories; Trends Reports	annually	
<b>Enhance defense and members' counsel capacity to prevent and contain litigation</b>	Assist Members with internal claims management and prevention; Conduct litigation strategy educational workshop	annually	Litigation strategy workshop held 2/22/2013
<b>Train members on claims management practices</b>	Train members on internal claims reporting, adjusters role, members role	ongoing	Spring and Fall trips in planning stage for 2013
<b>PACT</b>			
<b>Excellence in claims management</b>	PACT claims audit every two years PACT claims audit every two years		2012 completed 4/2012 2014 pending March 2014 Nye & Mineral Counties referred to CWP this past period. ASC adjusters educate members about program availability and refer them to Specialty Health when need is indicated by a claim or member query. SpecialtyHealth trains as new members sign up for CWP.
<b>Reduce claims severity</b>	Police/fire members cardiac wellness program expand to more members	ongoing	

Claims

<b>Assist members' understanding of loss causes and trends</b>	Produce annual claims trend analysis reports and review with members during quarterly visits	ongoing	Met with City of Elko, Elko Co., Lander Co. 6/2012; Truckee Meadows FPD 6/2012, 7/2012, 10/2012, 2/2013, 3/2013; Boulder City, Boulder City Hospital, Town of Pahrump, Nye County 8/2013; Mineral Co., Mineral Co. School Dist, Mt. Grant Hospital 10/2012; N. Lyon Co. FPD 11/2012;Eureka Co. 2/2013; East Fork Swimming Pool District 3/2013; attended Loss Control Comm. Meeting 1/2013; provided Perfect Storm Training 2/2013 w/PPHR to multiple members. SIF mtng 7/2012 w/PPHR, General Counsel, PARM: review of Holiday Resorts vs. DIR Supreme Court decision, draft plan to gain employer knowledge of preexisting conditions when employees hired, etc. Worked w/Gen. Counsel to seek SIF recovery on 21 claims including supplemental submissions. 10 claims pending for work up/1st submission to DIR; 13 claims pending SIF Board decision. Obtained \$333,342 in recoveries for past year. Obtained SIF decision 3/2013 to grant SIF: projected recovery = \$254,597 + potential PTD to \$1,844,000.
<b>Utilize Subsequent Injury Fund</b>	Identify potential SIF cases and file timely	ongoing	Cont'd MCO utilization: 91 new claims; lost time, spine & major joint injuries, heart & hearing loss claims.
<b>Utilize SpecialtyHealth MCO</b>	Consult for medical management of difficult cases; identify potential heart/lung problems in any claim for fire or law enforcement; involve SH in cardiac wellness training	ongoing	Monthly case management meetings held to review claims with issues.
	Utilize SH to identify potential medical complexities in all new claims	ongoing	New claims sent for review daily as received, 584 in 2012
<b>Train members on claims management practices</b>	Train members on internal claims communications with employees, adjusters role, members role, SH role with filing claims, evidence preservation, documentation, and claim reviews.	ongoing	Met with City of Elko, Elko Co., Lander Co. 6/2012; Truckee Meadows FPD 6/2012, 7/2012, 10/2012, 2/2013, 3/2013; Boulder City, Boulder City Hospital, Town of Pahrump, Nye County 8/2013; Mineral Co., Mineral Co. School Dist, Mt. Grant Hospital 10/2012; N. Lyon Co. FPD 11/2012; Eureka Co. 2/2013; East Fork Swimming Pool District 3/2013. Perfect Storm Training 2/2013 w/PPHR provided to multiple members. Ongoing training via member emails and phone calls on specific claims.
	Conduct quarterly visits with members for training purposes on rotating basis.	annually	Met with City of Elko, Elko Co., Lander Co. 6/2012; Truckee Meadows FPD 6/2012, 7/2012, 10/2012, 2/2013, 3/2013; Boulder City, Boulder City Hospital, Town of Pahrump, Nye County 8/2013; Mineral Co., Mineral Co. School Dist, Mt. Grant Hospital 10/2012; N. Lyon Co. FPD 11/2012; Eureka Co. 2/2013; East Fork Swimming Pool District 3/2013;

Executive

**Assigned to: Executive Committee & PARMS Jointly**

**GOAL:** Lead the pools effectively to assure accomplishment of the mission and vision adopted by the board. Develop the capacity of the pools to maintain financial solvency and flexibility to meet future financial conditions and strategies for program development.

Objectives:	Strategies:	Target Date	Progress/Status Report
<b>Goal: Grow Members net assets; Increase Financial Strength of Pools</b>			
<b>Grow net assets of each pool and captive</b>	POOL & PACT(includes PRM and PCM): Target at least 15% average net assets growth per year over rolling 4 year cycles;	annually	slightly below target (-0.2%) this cycle
<b>Maintain net assets to highest SIR ratio of at least 12:1 for each pool</b>	POOL: continue to grow above target to enable increased retention - SIR \$500,000 = \$6,000,000	annually	15.2% growth over 4 years
	PACT: continue to grow above target to cushion for increased retention - SIR \$500,000 = \$6,000,000	annually	3% growth over 4 years
<b>Enhance boards' understanding of financial results</b>	Produce M D & A reports showing critical benchmarks and financial performance ratios; review with Boards	annually	done 11/2012
	Provide actuarial summary each board meeting	annually	4/2012; 4/2013
	Prepare annual report with financial audit	annually	4/2012; 4/2013
	Include fiscal impact notes in budget documents showing overall effect of changes	annually	4/2012; 4/2013
	Review budgets with Executive Committees; include discussion of actuarial confidence level selection and allocation methodology	annually	3/2012; 3/2013
<b>Goal: Grow Leadership Capacity of Pools</b>			
<b>Enhance board leadership</b>	Executive Committees attend AGRIP trustees training	annually	10/2012; 10/2013
<b>Board &amp; Member Development</b>	Conduct new board member orientation	annually	4/25/2013
	Conduct board development training at annual meeting	annually	4/26/2012; 4/25/2013
	Conduct member orientations about POOL/PACT programs and services	annually	4/25/2013
<b>Strengthen Services Delivery</b>	Monitor strategic plan progress on goals and review objectives	annually	done
	Monitor service provider performance	annually	done
	Require annual stewardship reports from service providers	annually	done
<b>Monitor Legislation and Regulation</b>	Utilize lobbyist effectively during legislative sessions	bi-annually	2013
	Participate in regulatory process for Division of Insurance and Division of Industrial Insurance Regulation	annually	2013
<b>Monitor Board Retreat Action Items</b>		FY2012-2015	
<b>Member Needs: Assigned to HR OSC</b>	v Human resources expanded and consulting/education		refer to HR report
	v High level human resources services		
	v Central hiring services (single input application process, candidate database, background checks, initial application scoring, etc) – PRI coordinate; HR OSC issue from retreat		
<b>Shared Services: Assigned to PARMS;</b>	v Technology		refer to Executive Director report
	v Information technology support services		
<b>Social Media: Assigned to HR OSC and PARMS</b>	v Guidelines for use		refer to HR report
	v Policy standards (best practices)		
<b>Technology: Assigned to PARMS</b>	v Information technology shared services, cloud services		refer to Executive Director report
	v Information technology support		
<b>Resistance to Change:</b>	v Communicate		
Once changes identified, assign to SmartBrand to develop educational/communication campaign	v Educate		

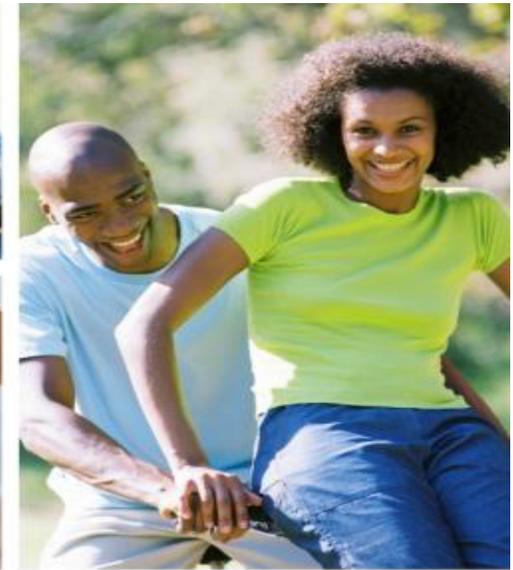
Audit Year	POOL Net Assets	PRM Net Assets	PACT Net Assets	PCM Net Assets)	Combined Net Assets	% Change vs. Prior Year		
2012	\$ 29,769,405	\$ 23,529,608	\$ 46,546,686	\$ 31,343,581	\$ 131,189,280	21%		
2011	\$ 26,261,322	\$ 17,167,612	\$ 48,159,833	\$ 28,484,097	\$ 120,072,864	10%		
2010	\$ 23,786,160	\$ 12,461,784	\$ 47,888,678	\$ 24,556,268	\$ 108,692,890	22%		
2009	\$ 19,232,942	\$ 8,224,361	\$ 45,671,608	\$ 16,063,396	\$ 89,192,307	22%		
2008	\$ 16,701,095	\$ 5,994,660	\$ 41,198,184	\$ 9,285,447	\$ 73,179,386	31%		
2007	\$ 15,084,263	\$ 3,445,221	\$ 32,236,857	\$ 5,045,477	\$ 55,811,818	62%		
2006	\$ 12,178,425	\$ 1,334,805	\$ 21,000,513	\$ -	\$ 34,513,743	66%		
2005	\$ 8,256,649	\$ 1,109,897	\$ 11,414,812	\$ -	\$ 20,781,358	39%		
2004	\$ 6,878,950	\$ 1,000,000	\$ 7,042,968	\$ -	\$ 14,921,918			
<b>TOTAL 2009-2012</b>	<b>\$ 99,049,829</b>	<b>\$ 61,383,365</b>	<b>\$ 188,266,805</b>	<b>\$ 100,447,342</b>	<b>\$ 449,147,341</b>	<b>14.8% Average</b>	<b>4 year Average</b>	<b>Excess of 15% growth Target</b>
<b>TOTAL 2008-2011</b>	<b>\$ 85,981,519</b>	<b>\$ 43,848,417</b>	<b>\$ 182,918,303</b>	<b>\$ 78,389,208</b>	<b>\$ 391,137,447</b>	<b>19.7% Average</b>	<b>4 year Average</b>	<b>Excess of 15% growth Target</b>
<b>TOTAL 2007-2010</b>	<b>\$ 74,804,460</b>	<b>\$ 30,126,026</b>	<b>\$ 166,995,327</b>	<b>\$ 54,950,588</b>	<b>\$ 326,876,401</b>			

## Risk Management Grant Program

<u>Date</u>	<u>Grant #</u>	<u>Entity</u>	<u>Purpose</u>	<u>Grant Amount</u>
7/21/11	68	Douglas CSD	Security/ Intrusion System	14,229.91
7/21/11	69	City of Fernley	6 Camera surveillance system/intrusion alarms	16,425.00
7/21/11	70	City of Winnemucca	Upgrade its 2-way radio system	25,000.00
8/19/11	71	Lander County School District	Training Seminar for Assistants	1,600.00
8/19/11	72	Elko County School District	Sprinkler Restoration Service via ASC claim	9,745.95
10/25/11	73	Lincoln County School Dist	Security Fencing/ Appends Orig. Grant #62	3,830.00
10/25/11	74	Lyon County School District	New Fire Alarm equipment	6,573.00
10/31/11	75	Churchill County School District	Olweus Bullying surveys	1,655.00
12/2/11	76	So. Lyon Medical Center	OSHA survey/requirements	4,300.00
1/30/12	77	Lyon Co. School District	Buses: 11 for video security & 28 for VHS/VCR units	48,438.00
1/30/12	78	Lincoln County School Dist	Fencing and Gate	10,650.00
1/30/12	79	Mineral County	2 Dispatch Radios/ 4 Repeaters	10,000.00
1/30/12	80	Pershing County	2012 NV Prima Conference attendance (2)	1,200.00
1/30/12	81	Sun Valley GID	2012 NV Prima Risk Conf attend(2), Henderson	813.00
1/30/12	82	Douglas County	Prima Annual Conf, Nashville (2) attendance	5,900.00
2/3/12	83	Carson City School District	Upgrade for DVR monitoring system	4,000.00
2/3/12	84	Churchill CSD	Attendance at NV PRIMA conference	1,156.00
2/3/12	85	Douglas County	NV Prima Training	1,061.20
2/3/12	86	Kingsbury GID	Attendance at PRIMA conference	775.00
2/3/12	87	Storey County	Attendance at NV PRIMA conference	572.28
2/21/12	88	Churchill County	Attendance at NV PRIMA conference	898.31
2/21/12	89	Churchill Co. School District	Security Cameras for school buses	10,000.00
2/21/12	90	Elko Co. Sheriff's office	Attendance at NV PRIMA conference	1,890.00
2/21/12	91	Elko Co. Sheriff's office	Skid Car Equipmnt & Training /Dodge Durango	10,000.00
2/21/12	92	Esmeralda Co. School Dist.	Attendance at NV PRIMA conference	378.72
2/21/12	93	City of Mesquite	Attendance at NV PRIMA conference	300.00
2/21/12	94	Pershing County SD	Attendance at NV PRIMA conference	652.12
2/21/12	95	Storey County	Attendance at NV PRIMA conference	794.67
2/21/12	96	White Pine Co. Sheriff's Office	Attendance at NV PRIMA conference	929.92
2/24/12	97	Mineral CSD	Attendance at NV PRIMA conference	913.00
3/2/12	98	Nevada Rural Housing Auth'y	Attendance at NV PRIMA conference	455.00
3/2/12	99	Mineral Co. Fire Dept	Hi Visibility Jackets/ Compliance related	9,960.00
3/19/12	100	Pershing General Hospital	Adv. Essential Mgmt. Skills/ Pact	182.59

4/12/12	101 City of Caliente	Attendance at NV PRIMA conf// & HR course	5,424.00
4/12/12	102 City of Caliente	Sewer camera/ equipment	10,000.00
4/12/12	103 City of Caliente	Mask respirator/boots, rescue tubes, CPR manikins	1,704.70
4/12/12	104 Nye County	Attendance at NV PRIMA conference	367.36
4/13/12	105 Lyon County	NV Prima Conference registration	150.00
4/13/12	106 Douglas CSD	Attendance at NV PRIMA conference	1,489.54
4/23/12	107 Mineral Co. Sheriff Office	16 Ballistic Deputy vests	10,000.00
4/27/12	108 Douglas CSD	GESchool replmt of hardware locks	14,000.00
4/27/12	109 Elko CSD	update School buses security cameras	9,960.00
4/27/12	110 Churchill CSD	purchase /install surveillance cameras	14,837.00
5/31/12	111 Indian Hills GID	OSHA fall protection Equipment	9,764.55
5/31/12	112 Pershing County	Protective Fencing for museum equipmt.	10,000.00
5/31/12	113 Churchill CSD	Security Cameras for school buses	26,115.00
6/7/12	114 Richard Marshall	NV Prima Conference registration	186.30
		<b>FY 11-12 Grant Total</b>	<b>319,277.12</b>
8/10/12	115 Pershing CSD	Fencing	22,781.00
8/31/12	116 Churchill County	Attendance at IPMA-HR Conference	1,404.30
10/5/12	117 City of Fernley	CPR/First Aid Training	1,800.00
10/5/12	118 Lincoln County	Video surveill system/equipmt	11,883.25
10/5/12	119 Pershing Co GH	Attendance at Adv EMS	329.43
10/5/12	120 No Lake Tahoe FPD	On-line enrollmt & Testing fee EMS/Fire	475.00
12/7/12	121 Churchill County	OSHA/ Exposure Control Program	562.50
12/20/12	122 Carson City School District	Camera Security Syst/ Bordewich Bray Elem School	6,000.00
1/25/13	123 Douglas County	Vitra 180 system/ Training Simulator	26,000.00
1/30/13	124 City of Mesquite	Training for dispatchers/ polic dpt.	1,409.00
1/30/13	125 City of Mesquite	Armorskin external vest covers/ police dpt.	4,454.19
2/15/13	126 Douglas County	Attendance to PRIMA conference in FL	4,000.00
3/15/13	127 City of Mesquite/ PD	Dispatcher(s) training	519.00
3/15/13	128 City of Mesquite/ Fire&Rescue	Reimbmt for wellness training course	2,754.64
3/15/13	129 Douglas CSD	Revitalize all elementary playgrounds p/assessmts	15,952.36
3/15/13	130 City of Lovelock	Equipment for swimm pools/ Aquatic lift	4,462.50
3/29/13	131 Pershing County	Purch High visibility jackets/fire & emergency serv	9,948.75
		<b>FY 12-13 Total to Date</b>	<b>114,735.92</b>

## Horizon Health



NEVADA PUBLIC AGENCY INSURANCE POOL AND PUBLIC AGE

Employee Head Count 12,415

Reporting Period 01/01/2012 - 12/31/2012



# Utilization Definitions

**Utilization Formula:**

(Number of Services Requested / Number of Days in the Reporting Period) \* 365 / Employee Head Count

**Annualized Member Usage:**

Measures the number of individual members requesting assistance for personal use.

**Annualized Organizational Usage:**

Measures organizational contact a member has with the EAP, including web site hits and training attendance.

**Annualized Utilization Rate:**

Combination of member usage and organization usage.

# Total Usage

Member Usage	#	%	YTD
Face to Face Consultation Referral	185	52.7%	185
Telephone Counseling	9	2.6%	9
Clinical Assessment	51	14.5%	51
WorkLife	7	2.0%	7
Financial	10	2.8%	10
Legal	50	14.2%	50
General Information & Referral	39	11.1%	39
Benefit Integration	0	0.0%	0
Totals	351	100.0%	351
<b>Annualized Member Usage</b>		2.8%	2.8%

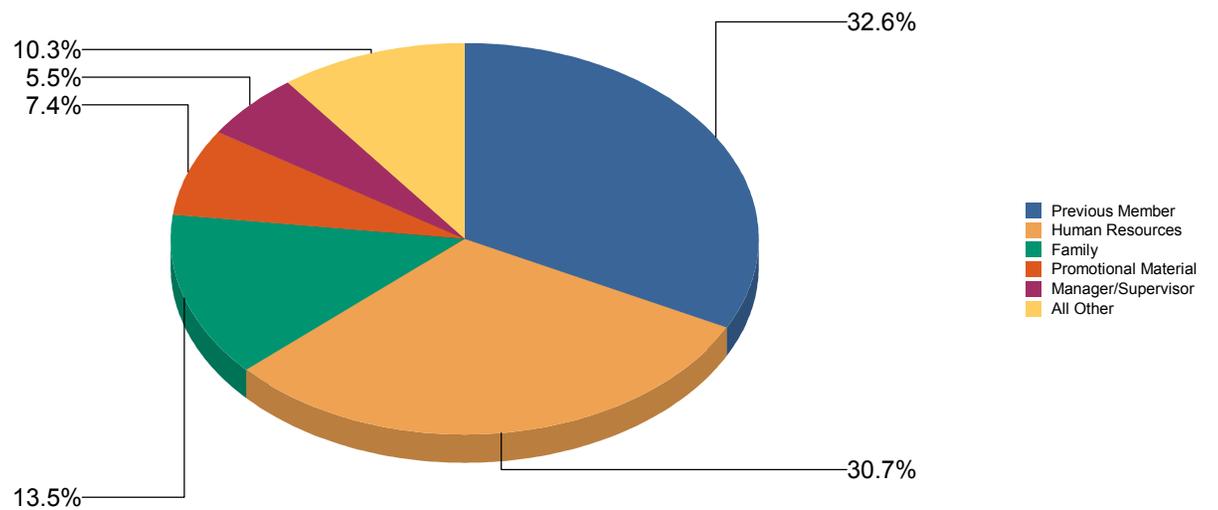
Organizational Usage	Event Counts	Participants	Length	YTD Participant Totals
Critical Incident Consultation	1			1
Critical Incident On-Site Consultation	0	0	0.00	0
Management Consultations	23			23
Training/Seminars	4	109	4.00	109
Professional Development / Coaching	0			0
Health Fairs / Open Enrollment	3	770	22.00	770
Company Group Meetings	0	0	0.00	0
Program Orientation / Supervisor Training	0	0	0.00	0
Web Hits	379			379
Totals	410	879	26.00	1,282
<b>Annualized Organizational Usage</b>		10.3%		10.3%

<b>Annualized Utilization Rate</b>	13.1%	13.1%
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# Referral Source

Referral Sources	#	%
Co-worker	10	3.2%
Family	42	13.5%
Health Fairs	1	0.3%
Home Mailing	1	0.3%
Human Resources	96	30.8%
Manager/Supervisor	17	5.5%
Orientation	3	1.0%
Other	5	1.6%
Previous Member	102	32.7%
Promotional Material	23	7.4%
Self-Referred	6	1.9%
Training	1	0.3%
Website	5	1.6%

Top Referral Sources



# Member Services Demographics

Employee Work Status	#
Non-Management	197
Management	29
Terminated	0
Retired	1
Student	0
Declined	47
<b>Total</b>	<b>274</b>

Age	#
20 and Under	23
21-30	28
31-40	58
41-50	102
51-60	83
Over 60	16
Declined	2
<b>Total</b>	<b>312</b>

Gender	#
Female	194
Male	103
Unspecified	15
<b>Total</b>	<b>312</b>

Employee / Dependent Status	#
Dependent	38
Employee	274
<b>Total</b>	<b>312</b>

# Geographic Breakdown

State	Percent
NV	96.79%

# Primary Presenting Issues

Unhealthy Habits	#
Alcohol	3
Drug	1
Eating	0
Gambling	0
Internet	0
Sex	0
Tobacco	0
Other	0
Childhood	#
ADD/ADHD	0
Behavior Problems	1
Learning Disabilities	0
Other	6
Member Inquiry	#
EAP Benefit Inquiry	1
HRA/Stress Assessment	0
Other	0
Declined	#
Declined to Share	0

Personal	#
Anger Management	9
Anxiety	12
Depression	16
Grief/Loss	13
LGBT	0
Self-Esteem	0
Spiritual/Religious Concerns	0
Stress	22
Victimization/Trauma	4
Other	9
Relationship	#
Divorce/Separation	17
Family	35
Parent-Child	13
Spouse/Significant Other	37
Other	5
Risk of Violence	#
Abuse of Child/Elder/Disabled	1
Domestic Violence	4
Homicidal Thoughts	0
Self-Harming Behavior	1
Suicidal Thoughts	4
Threat of Workplace Violence	2
Other	0

Life Management	#
Academics	0
Adoption	0
Adult Care	2
Child Care	0
Concierge Services	1
Financial	4
Health Issues	3
Housing	0
Legal	53
Pregnancy/Prenatal	0
Transportation	0
Other	0
Workplace Issues	#
Absenteeism	0
Conflict - Co-worker(s)	4
Conflict - Management	2
Critical Incident	0
Harassment in Workplace	2
Loss/Reduction	1
Performance	7
Stress	14
Other	3

# Primary Assessed Issues

Unhealthy Habits	#
Alcohol	4
Drug	0
Eating	0
Gambling	0
Internet	0
Sex	0
Tobacco	0
Other	1
Childhood	#
ADD/ADHD	0
Behavior Problems	0
Learning Disabilities	0
Other	1
Member Inquiry	#
EAP Benefit Inquiry	0
HRA/Stress Assessment	0
Other	0
Declined	#
Declined to Share	0

Personal	#
Anger Management	5
Anxiety	1
Depression	4
Grief/Loss	7
LGBT	0
Self-Esteem	0
Spiritual/Religious Concerns	0
Stress	5
Victimization/Trauma	3
Other	2
Relationship	#
Divorce/Separation	3
Family	3
Parent-Child	5
Spouse/Significant Other	10
Other	1
Risk of Violence	#
Abuse of Child/Elder/Disabled	1
Domestic Violence	2
Homicidal Thoughts	0
Self-Harming Behavior	1
Suicidal Thoughts	1
Threat of Workplace Violence	1
Other	0

Life Management	#
Academics	0
Adoption	0
Adult Care	0
Child Care	0
Concierge Services	0
Financial	0
Health Issues	0
Housing	0
Legal	0
Pregnancy/Prenatal	0
Transportation	0
Other	1
Workplace Issues	#
Absenteeism	0
Conflict - Co-worker(s)	4
Conflict - Management	3
Critical Incident	0
Harassment in Workplace	1
Loss/Reduction	1
Performance	9
Stress	15
Other	8

# Face to Face Closed Cases & Referrals

Statistics	
Total Closed Authorizations	168
Total Closed Sessions	396

Resolution Statistics	#	%
No Referral Needed	119	70.8%
Member Referred	49	29.2%

Referral	
Community Resources	11
Insurance Plan	40
<b>Total</b>	<b>51</b>

# Telephonic Services & Referrals

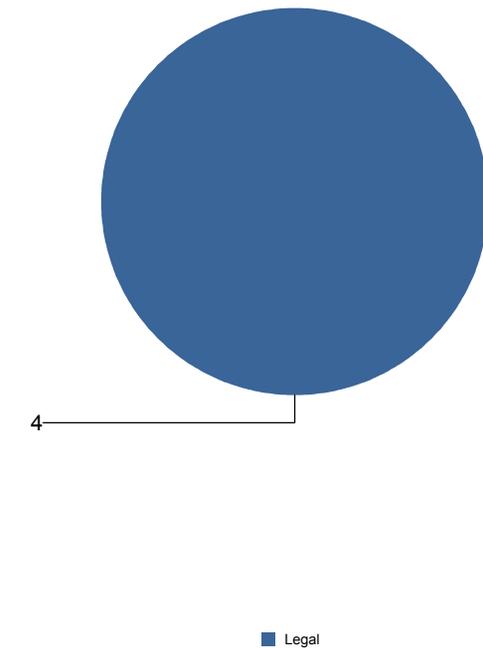
Services	#
Telephonic Counseling	7
Telephonic Sessions	7

Contacts	#
Follow-up Calls	183

General Information and Referral	#
Calls Explaining Services	33
Plan Sponsor Information Requests	6
<b>Total</b>	<b>39</b>

Resource Referrals	#
Basic Financial	0
Child Care	0
Child/Elder/Disabled Abuse	0
Debt Management	0
Domestic Violence	0
Elder Care	0
Employment	0
Health Care	0
Homelessness	0
Legal	4
Medical Clinics	0
Mental Health Clinics	0
Natural Disaster Resources	0
Prescription Assistance	0
Student Loans	0
Substance Abuse	0
Support Groups	0
Tax Assistance	0
Other	0
<b>Total</b>	<b>4</b>

## Top Resource Referrals

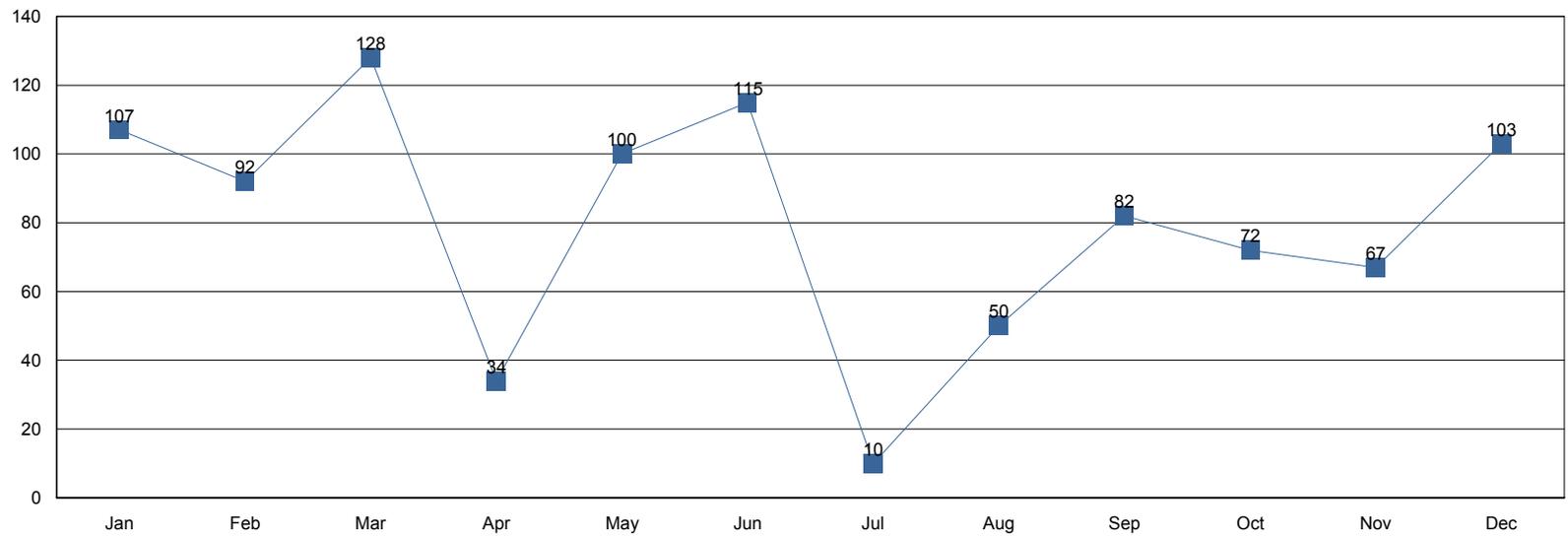


# Web Content Access

Topic Analysis	#
My Family	90
My Health	298
My Time	40
My Money	87
My Benefits	381
Manager Services	64
<b>Total</b>	<b>960</b>

<b>Web Log In</b>	379
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**Total Website Pages Visited**



# Management Consultations & Referrals

Informal Referrals	Count	%
Alcohol / Drug	0	0.0%
Anger Management	0	0.0%
Code of Conduct	0	0.0%
Emotional / Psychological Stability	0	0.0%
Fitness for Duty	0	0.0%
Grief / Trauma	0	0.0%
Harassment in the Workplace	0	0.0%
Performance Issues	0	0.0%
Positive Alcohol / Drug Screen	0	0.0%
Substance Abuse Professional / Dept. of Transportation	0	0.0%
Suicidal	0	0.0%
Threat of Violence	0	0.0%
Other	0	0.0%
<b>Total</b>	<b>0</b>	<b>100.0%</b>
Mandatory Referrals	Count	%
Alcohol / Drug	0	0.0%
Anger Management	5	31.3%
Code of Conduct	3	18.8%
Emotional / Psychological Stability	0	0.0%
Fitness for Duty	0	0.0%
Grief / Trauma	1	6.3%
Harassment in the Workplace	1	6.3%
Performance Issues	4	25.0%
Positive Alcohol / Drug Screen	0	0.0%
Substance Abuse Professional / Dept. of Transportation	0	0.0%
Suicidal	1	6.3%
Threat of Violence	1	6.3%
Other	0	0.0%
<b>Total</b>	<b>16</b>	<b>100.0%</b>

Formal Referrals	Count	%
Alcohol / Drug	0	0.0%
Anger Management	1	100.0%
Code of Conduct	0	0.0%
Emotional / Psychological Stability	0	0.0%
Fitness for Duty	0	0.0%
Grief / Trauma	0	0.0%
Harassment in the Workplace	0	0.0%
Performance Issues	0	0.0%
Positive Alcohol / Drug Screen	0	0.0%
Substance Abuse Professional / Dept. of Transportation	0	0.0%
Suicidal	0	0.0%
Threat of Violence	0	0.0%
Other	0	0.0%
<b>Total</b>	<b>1</b>	<b>100.0%</b>
Consult Type	Count	%
Alcohol / Drug	2	8.7%
Anger Management	8	34.8%
Code of Conduct	3	13.0%
Emotional / Psychological Stability	0	0.0%
Fitness for Duty	0	0.0%
Grief / Trauma	1	4.3%
Harassment in the Workplace	0	0.0%
Performance Issues	6	26.1%
Positive Alcohol / Drug Screen	0	0.0%
Substance Abuse Professional / Dept. of Transportation	0	0.0%
Suicidal	1	4.3%
Threat of Violence	1	4.3%
Other	1	4.3%
<b>Total</b>	<b>23</b>	<b>100.0%</b>

# Materials Provided

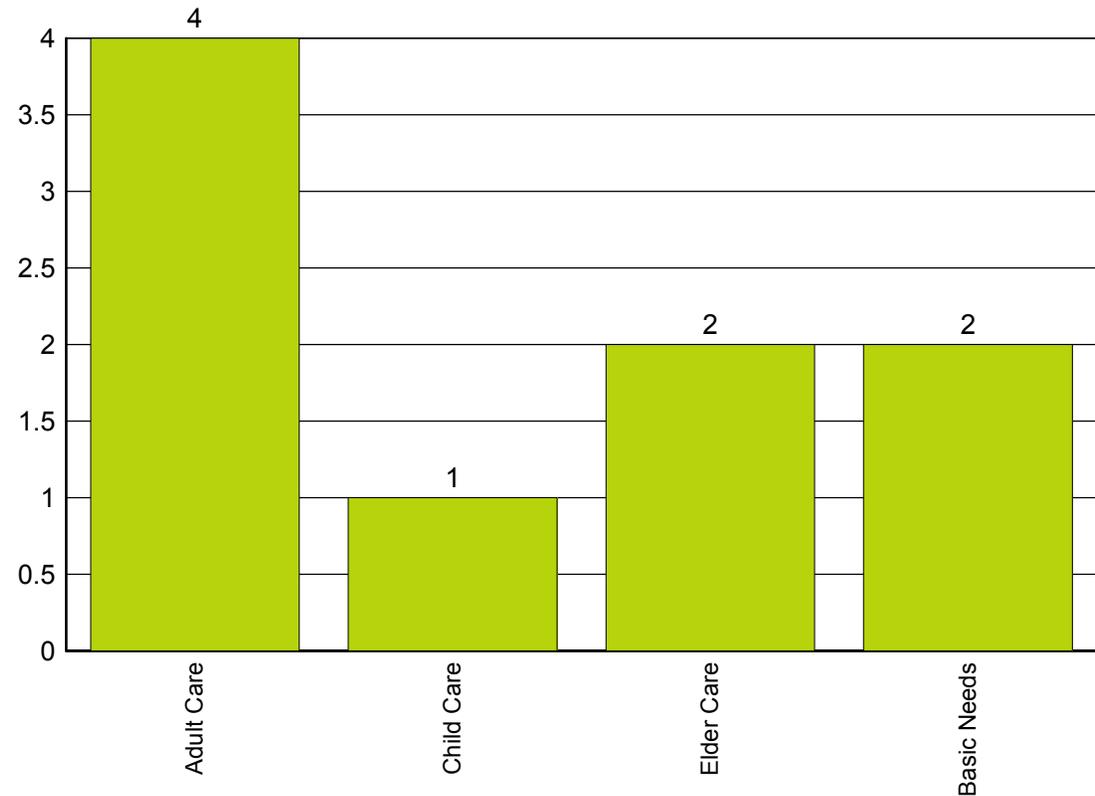
Worklife Material Support	#
Adoption	0
Adult Caregiving	4
Child Care	2
Financial/Daily Living	0
Health & Safety	0
Parenting	0
Schools & College	0
<b>Total</b>	<b>6</b>

# WorkLife Services Summary

Worklife Category	#	%	YTD	%
Intake Sessions	9	13.64%	9	13.64%
Consulting Sessions	4	6.06%	4	6.06%
Follow Up Sessions	3	4.55%	3	4.55%
Provider Consultations	44	66.67%	44	66.67%
Worklife Materials	6	9.09%	6	9.09%
Total	66	100.00%	66	100.00%

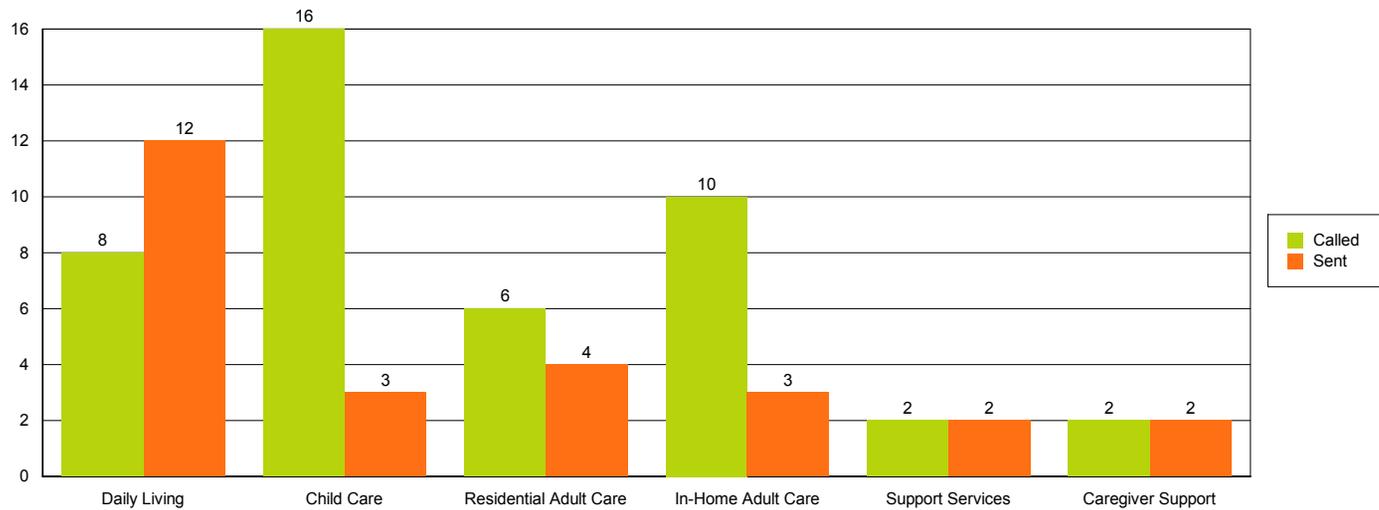
# WorkLife Cases

Case Type	Number
Adult Care	4
Care Kits	0
Child Care	1
Concierge	0
Convenience	0
Elder Care	2
Financial Counseling	0
Identity Theft	0
Legal Services	0
Will Kits	0
Basic Needs	2
Research Request	0
<b>Total</b>	<b>9</b>



# WorkLife Provider Consultations

Provider	Called	Sent
Daily Living	8	12
Child Care	16	3
Residential Adult Care	6	4
In-Home Adult Care	10	3
Support Services	2	2
Caregiver Support	2	2
<b>Total</b>	<b>44</b>	<b>26</b>



# Training Overview

Date	Name of Seminar	Account / Division	Location	Participants	Hours
03/15/2012	Stress Reduction	Other Entities	Virtual,	22	1.00
04/17/2012	Managing Violence In The Workplace (Supe	Other Entities	Virtual,	23	1.00
06/13/2012	Burnout	Other Entities	Virtual,	31	1.00
12/06/2012	Managing The Difficult Interaction	Other Entities	Virtual,	33	1.00
<b>Total</b>				<b>109</b>	<b>4.00</b>

# Critical Incident Consultation Overview

Date	Reason	Location	Priority
05/15/2012	Death (onsite)	Mesquite, NV	Level 3



# POOL/PACT HR

2012/2013

STRATEGIC PLAN

HIGHLIGHTS

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# HR Oversight Committee Members

- Curtis Calder, City of Elko – Chair
- Bill Deist, Humboldt County – Vice Chair
- Ann Murdoch, Nevada Rural Hospital Partners
- Ben Sharit, Tahoe Douglas FPD
- Ben Zunino, Eureka County School District
- Danelle Shamrell, Nye County
- Geof Stark, Churchill County
- Jose Delfin, Carson City School District
- Pat Whitten, Storey County
- Robert Quick, Lander County
- Tracy Walters, Lyon County

# NEW TRAINING COURSES

- Performance Management: From Start To Finish
- Document, Discipline, Due Process: Ensure Your Organization Is Covered
- So, You Think You Want To Be A Supervisor

# COLLECTIVE BARGAINING AGREEMENT (CBA) DATABASE

- Law Enforcement
- Schools
- General Employees

# REGIONAL TRAININGS

- Essential Management Skills (EMS), Four Sessions
- Advanced EMS, Four Sessions
- Human Resource Representative, One Session
- A Perfect Storm, One Session
- So You Think You Want To Be A Supervisor, Two Sessions
- Workplace Violence Awareness, Two Sessions

# REGIONAL WORKSHOPS

- Social Media, Seven Sessions
- Negotiations 101, Five Sessions

# NEW BRIEFINGS

- Overtime Requirements Under State Law
- Social Media
- Return To Work

# HR ASSESSMENT, PHASE I

- Carson Water Subconservancy District
- Douglas County School District
- City of Ely
- Eureka County
- Nye County
- Lander County
- Lander County Sheriff
- City of Mesquite
- North Lake Tahoe Fire Protection District
- White Pine County

# HR ASSESSMENT, PHASE II

- City of Carlin
- Lyon County
- Nevada Rural Housing Authority
- City of West Wendover

# HR SEMINAR, Day 1

## Thursday, May 2, 2013

### *Media Relations Survival Guide*

Steve Mulvenon, Ph.D.  
Mulvenon Media Relations  
8:00 -9:00

### *Hiring: Recruitment/Background Checks*

Charity Felts  
Erickson, Thorpe, & Swainston, Ltd  
9:00-10:30

### *HR Legal Updates*

Ann Alexander  
Erickson, Thorpe, & Swainston, Ltd  
10:45-12:15

### *Lunch/Horror Stories (Lessons Learned)*

POOL Defense Attorneys  
12:30-1:30

### *Investigation and Documentation*

Becky Bruch  
Erickson, Thorpe, & Swainston, Ltd  
1:45 – 3:15

### *Round Tables by Organization Type*

POOL/PACT HR Business Partners  
3:30 -5:00

# HR SEMINAR, Day 2

## Friday, May 3, 2013

### *Ethics in Government*

Caren Jenkins

Nevada Commission on Ethics

8:30 – 10:00

### *Regulating Off the Job Conduct*

Molly Malone Rezac

Gordon Silver Attorneys

& Counselors at Law

10:15 – 11:45

### *Lunch/Mock Trial*

Erickson, Thorpe, & Swainston, Ltd.

12:00 -2:45

### *Legislative Update*

Jeff Fontaine

Nevada Association of Counties

Wes Henderson

Nevada League of Cities

Dottie Merrill

Nevada Association of School Boards

3:00-4:00

# STATISTICS

- 81 Training Classes Given
- 2,110 Participants Trained
- Average Evaluation, 4.5
- 10,129 Employees Scheduled for HR  
E-Learning classes; 3,121 Completed

# 2013/2014 STRATEGIC PLAN HIGHLIGHTS

- New Training Courses
  - Advanced Human Resources Representative
  - Employee From Hell
- Nine Regional Training Courses Scheduled
- Regional Workshops
  - Advanced Negotiations
  - Healthcare Reform
- Research New Methods of Providing Training
- Post Members Pay Scales on Website

**Pooling Resources, Inc.**  
**Budget Comparison to Actuals**  
**As of February 28, 2013**

<b>Account ID</b>	<b>Account Description</b>	<b>Budget Amount</b>	<b>YTD Income</b>	<b>YTD Expenses</b>	<b>Remaining Budget</b>
<b>INCOME</b>					
4000	Grant Income	1,050,000	700,000		350,000
4200	Interest Income	500	6		494
4220	Investment Interest Income	1,500	14,593		(13,093)
4221	Invest. Realized Gains/(Losses)	-	(101)		101
4222	Invest. Unrealized Gains/(Losses)	-	(9,840)		9,840
4500	Other Income	-			-
<b>Income Totals</b>		<b>1,052,000</b>	<b>704,658</b>	<b>-</b>	<b>347,342</b>
<b>EXPENSES</b>					
7010	Salaries	519,685		329,871	189,814
7011	FICA & Medicare Expense	47,291		24,891	22,401
7013	IRA Contributions	67,559		38,919	28,640
7014	Health Insurance	67,144		28,527	38,617
7017	ESD Expense	6,360		502	5,858
7500	Audit Fees	8,000		5,550	2,450
7600	Bank Charges	500		224	276
7700	Casualty Insurance	8,159		6,064	2,095
7750	Committee Meetings	1,000		-	1,000
7760	Contract Services	30,000		9,462	20,538
7800	Depreciation Expense	-			-
7880	Dues & Subscriptions	7,000		1,553	5,447
7900	Equipment	2,000			2,000
7905	Equipment Repairs	-			-
8000	Furniture	-			-
8300	Investment Expense/Fees	300		1,259	(959)
8600	Legal & Professional Services	15,000		560	14,440
8700	Management Services	45,000		26,250	18,750
8720	Member Education & Services	40,000		23,687	16,313
8740	Miscellaneous Expense	500			500
8900	Office Supplies	10,000		3,245	6,755
9000	Payroll Processing Service	2,000		1,234	766
9050	Postage	2,000		736	1,264
9060	Printing & Copying	7,000		639	6,361
9065	Professional Development	10,000		8,013	1,987
9200	Rent	87,132		57,232	29,900
9400	Taxes & Licenses	5,000		1,609	3,391
9420	Telephone	8,000		4,946	3,054
9490	Travel (Airlines & Cars)	20,000		10,403	9,597
9495	Travel (Hotels & Meals)	10,000		6,168	3,832
9700	Workers Comp Insurance	2,000		473	1,527
<b>Expense Totals</b>		<b>1,028,630</b>	<b>-</b>	<b>592,018</b>	<b>436,612</b>
<b>Carry Over From 6-30-08</b>					<b>201,188</b>
<b>Carry Over From 6-30-09</b>					<b>92,837</b>
<b>Carry Over From 6-30-10</b>					<b>142,481</b>
<b>Carry Over From 6-30-11</b>					<b>138,742</b>
<b>Carry Over From 6-30-12</b>					<b>260,173</b>
<b>NET INCOME</b>		<b>23,370</b>	<b>704,658</b>	<b>112,639</b>	<b>343,497</b>

Pooling Resources, Inc.  
 Budget Summary 2012-2013  
 As of February 28, 2013

	<b>Budget Amount</b>	<b>% of Revenue</b>	<b>Year To Date 2-28-13</b>	<b>% of Revenue</b>
<b>Payroll and Benefits</b>				
Salaries	\$ 519,685	49.5%	\$ 329,871	47.1%
Social Security	\$ 47,291	4.5%	\$ 24,891	3.6%
IRA Contributions	\$ 67,559	6.4%	\$ 38,919	5.6%
Health Insurance	\$ 67,144	6.4%	\$ 28,527	4.1%
Unemployment Insurance	\$ 6,360	0.6%	\$ 502	0.1%
<b>Subtotal:</b>	<b>\$ 708,039</b>	<b>67.4%</b>	<b>\$ 422,710</b>	<b>60.4%</b>
<b>General Expenses</b>				
Capital Outlay	\$ -	0.0%	\$ -	0.0%
Insurance	\$ 10,159	1.0%	\$ 6,537	0.9%
Operating Expenses	\$ 117,000	11.1%	\$ 53,256	7.6%
Outsourced Services	\$ 30,000	2.9%	\$ 9,462	1.4%
PARMS Management Fee	\$ 45,000	4.3%	\$ 26,250	3.8%
Rent	\$ 87,132	8.3%	\$ 57,232	8.2%
Travel Expenses	\$ 30,000	2.9%	\$ 16,572	2.4%
<b>Subtotal:</b>	<b>\$ 319,291</b>	<b>30.4%</b>	<b>\$ 169,309</b>	<b>24.2%</b>
<b>Margin</b>	<b>\$ 24,670</b>	<b>2.3%</b>	<b>\$ 112,639</b>	<b>16.1%</b>
<b>Total Grant 2012-13</b>	<b>\$ 1,050,000</b>		<b>\$ 700,000</b>	
<b>Investment/Interest Income</b>	<b>\$ 2,000</b>		<b>\$ 4,658</b>	



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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**Notice of Meetings and Agendas for the Meeting of  
the Board of Directors and of the Executive Committee of  
Public Agency Compensation Trust**

**Place: John Ascuaga's Nugget, Sparks, Nevada**

**Time: 10:00 a.m. or**

**Upon adjournment of Joint Board Meeting**

**Date: April 26, 2013**

**AGENDA**

**April 26, 2013**

**Notices:**

- 1. Items on the agenda may be taken out of order;**
- 2. Two or more items on the agenda may be combined for consideration**
- 3. Any item on the agenda may be removed or discussion may be delayed at any time**
- 4. The general Public Comment periods are limited to those items not listed on the agenda. Public Comment periods are devoted to comments by the general public, if any, and may include discussion of those comments; however, no action may be taken upon a matter raised under Public Comments until the matter itself has been included specifically on an agenda as an item upon which action may be taken.**
- 5. At the discretion of the Chair of the meeting, public comments on specific agenda items may be allowed, but must be limited to the specific agenda item.**

- 1. Introductions and Roll**
- 2. Public Comment**
- 3. For Possible Action: Consent Agenda: Approve as a Whole Unless Moved From Consent Agenda**
  - Approval of Minutes of Board Meetings:  
Board Meeting April 28, 2012**
  - Approval of Minutes of Committee Meetings  
PACT Executive Committee May 23, 2012  
PACT Executive Committee June 8, 2012**
  - Acceptance of Interim Financial Statements for 2-28-13**
  - Amend Records Retention Policy Statement to Remove Current PACT Policy Language and to Adopt the Local Government Records Retention Schedule as Published by the Nevada State Library and Archives as the PACT Records Retention Policy Statement**

4. **For Possible Action: Acceptance of Audit for June 30, 2012**
5. **For Possible Action: Cardiac Wellness Program Status Report**
6. **For Possible Action: Acceptance of Reports**
  - a. Claims Review Report
  - b. Large Loss Report
  - c. Actuarial Update
  - d. Claims Services Audit Report
7. **For Possible Action: Acceptance of Renewal Reinsurance Proposals and Options**
8. **For Possible Action: Approval of Renewal Risk Retention Options**
9. **For Possible Action: Acceptance of Budget for 2013-2014**
10. **For Possible Action: Approval of Amendments to Interlocal Cooperation Agreement**
  - a. Changing Member voting status upon change of form of government from independent to advisory board status
  - b. Changing method for approving towns and special districts for voting status
  - c. Changing composition of Executive Committee membership
  - d. Changing notice of withdrawal from 120 days advance notice to 120 days notice in advance of program renewal date
  - e. Changing method for approval of interlocal cooperation agreement changes
  - f. Correcting typographical errors
11. **For Possible Action: Approval of Amendments to Bylaws**
  - a. Changing method for filling vacancies of Member board positions
  - b. Changing provision as to when a vacancy is deemed to have occurred
12. **For Possible Action: Action regarding these topics as required by Nevada Administrative Code:**
  - a. Review of financial condition of each member and prompt notification to the Members of any Member determined to be operating in a hazardous financial condition
  - b. Review of the loss experience of each Member of the association - Claims Experience Report Summary
  - c. Review for removal of Members with excessive loss experience or Members determined by the Board to be operating in a hazardous condition
13. **For Possible Action: Election of Executive Committee for Two Year Terms from 2013-2015**
  - a. One Representative from Counties and/or Cities with less than 35,000 Population
  - b. One Representative from Hospitals
  - c. One Representative of School Districts
14. **For Possible Action: Election of Chair and Vice Chair**

**15. Public Comment**

**16. For Possible Action: Adjournment**

**ANNUAL MEETING OF THE MEMBERS OF PUBLIC COMPENSATION MUTUAL**

**Time: Upon Adjournment of the Meeting of Public Agency Compensation Trust**

**Agenda: See separate agenda for Public Compensation Mutual**

This Agenda was posted at the following locations:

**N.P.A.I.P. / P.A.C.T.  
201 S. Roop Street, Suite 102  
Carson City, NV 89701**

**Carson City Courthouse  
885 E. Musser Street  
Carson City, NV 89701**

**Eureka County Courthouse  
10 S. Main Street  
Eureka, NV 89316**

**Churchill County Administrative Complex  
155 North Taylor Street  
Fallon, NV 89406**

**NOTICE TO PERSONS WITH DISABILITIES**

Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to notify the Nevada Public Agency Insurance Pool or Public Agency Compensation Trust in writing at 201 S. Roop Street, Suite 102, Carson City, NV 89701, or by calling (775) 885-7475 at least three working days prior to the meeting.



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 the Meeting of  
the Board of Trustees and of the Executive Committee of  
Public Agency Compensation Trust  
Place: John Ascuaga's Nugget, Sparks, Nevada  
Time: 10:00 a.m. or  
Upon adjournment of Joint Board Meeting  
Date: April 27, 2012**

**AGENDA**

**1. Introductions and Roll**

A sign in sheet was circulated and a quorum determined to be present. Chair Kalt called the meeting to order at 11:17 a.m.

**2. Public Comment**

Chair Kalt called for public comment and hearing none, closed the public comment period.

**3. For Possible Action: Consent Agenda: Approve as a Whole Unless Moved From  
Consent Agenda**

- **Approval of Minutes of Board Meetings:  
Board Meeting April 28-29, 2011**
- **Acceptance of Interim Financial Statements for February 29, 2012**

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

Chair Kalt then moved to item 8 on the agenda.

**4. For Possible Action: Acceptance of Audit for June 30, 2011**

Chair Kalt reviewed highlights of the financial statements and notes.

On motion and second to accept the audit, the motion carried.

**5. For Possible Action: Acceptance of Reports**

- a. Claims Review Report**
- b. Large Loss Report**
- c. Actuarial Update**
- d. Claims Services Audit Report**

- a. Wayne Carlson reviewed highlights of the claims review report. Mike Livermore added commented on the large loss impact, mostly heart disease.
- b. Doug smith handed out a CRL exhibit of the large losses that impacted the reinsurance layers, noting that most of them were heart disease cases.
- c. Doug smith reviewed the several actuarial report exhibits and responded to questions regarding the projections and rate implications.
- d. Wayne Carlson indicated that the draft independent claims audit had just been received. The overall reserves results showed a 2% difference between the claims auditor reserves and the ASC adjuster reserves, well within the margin of plus or minus 10%. He said that the draft audit report had been sent to ASC for comment.

On motion and second to accept all of the reports, the motion carried.

#### **6. For Possible Action: Acceptance of Budget for 2012-2013**

Chair Kalt said that the Executive Committee had reviewed and approved the budget.

On motion and second to accept the budget, the motion carried.

#### **7. For Possible Action: Approval of Contracts**

- a. **Alternative Service Concepts – Claims Management Services**
- b. **SpecialtyHealth - Managed Care Organization Services**

- a. Wayne Carlson indicated that the proposed claims management contract was recommended for a five year term and had been reviewed by the Executive Committee. Chair Kalt noted that the profit margin for this cost-plus contract was reduced from 15% to 13% by entering into a five year contract.

On motion and second to approve the five year contract, the motion carried.

- b. Wayne Carlson commented that SpecialtyHealth's current contract had a provision allowing for a two-year extension and that they were offering the same pricing and terms for this extension.

On motion and second to approve the two-year contract extension, the motion carried.

#### **8. For Possible Action: Cardiac Wellness Program Status Report**

Dr. James Greenwald, Medical Director of SpecialtyHealth, provided an extensive review of the cardiac wellness program, handing out a synopsis of the participation rates by member and noting the disease risks by percentage. He then presented information about sleep apnea, insulin resistance, diet, obesity, cardiovascular disease and cancer risks associated with insulin resistance. He provided a handout showing the results of case studies in which intervention produced dramatic improvements in risk factors. These cases studies came from actual police and fire cases handled under the cardiac wellness program. No action was taken on this item.

Chair Kalt recessed the meeting for lunch at 12:17 p.m. and reconvened the meeting at 12:52 p.m.

**9. For Possible Action: Acceptance of Renewal Reinsurance Proposals and Options**

Bob Lombard presented three options to the board including renewing as currently structured, an option for a \$750,000 retention and an option for a \$1,000,000 retention. He explained each option and Doug Smith added comments about Public Compensation Mutual's willingness to take an additional \$250,000 excess of PACT's \$500,000 retention under the \$750,000 retention option. Considerable discussion ensued.

On motion and second to accept the option for a \$750,000 retention with PCM taking \$250,000 excess of \$500,000 plus its current 50% share of the aggregate excess limit, the motion carried.

**10. For Possible Action: Approval of Renewal Risk Retention Options**

This agenda item was combined into item 9 for discussion and action.

**11. For Possible Action: Action regarding these topics as required by Nevada**

**Administrative Code:**

- a. **Review of financial condition of each member and prompt notification to the Members of any Member determined to be operating in a hazardous financial condition**
  - b. **Review of the loss experience of each Member of the association - Claims Experience Report Summary**
  - c. **Review for removal of Members with excessive loss experience or Members determined by the Board to be operating in a hazardous condition**
- a. Chair Kalt commented about those members that were under financial watch by the Committee on Local Government Finance, of which he is a member, noting that Pershing General Hospital was making progress on their financial recovery plan. No other members were in a hazardous financial condition.
  - b. Chair Kalt directed the board's attention to the loss experience reports and in particular to the Nye County results that were being driven by heart claims. He said that perhaps it was necessary to focus on getting improved results for those entities like Nye County that apparently may not be getting physical examinations and press them to get into compliance and into the cardiac wellness program. Considerable discussion ensued about the costs of noncompliance and that staff should direct a letter to Nye County regarding this, requesting a prompt report back to the Executive Committee of the action they plan to take. Wayne Carlson noted that they were discussing having their human resources staff take over managing the physical examinations process.

On motion and second to direct staff to advise all members of their compliance obligations and specifically to write a letter to Nye County consistent with the board's discussion, the motion carried.

- c. No action was taken regarding removal of any members.

**12. For Possible Action: Election of Executive Committee for Two Year Terms from 2012-2014**

- a. **One Representative from Counties and/or Cities with less than 35,000 Population**
- b. **One Representative from Hospitals**
- c. **One Representative of School Districts**

Chair Kalt noted that each of the incumbents had expressed interest in continuing to serve. He called for any other nominations and seeing none, he closed the nominations. On motion and second to reelect the incumbents Toni Inserra, Steve West and Paul Johnson, the motion carried.

**13. For Possible Action: Election of Chair and Vice Chair**

Chair Kalt indicated that both he and Vice Chair Minor were willing to continue to serve. On motion and second to reelect both, the motion carried.

**14. Public Comment**

Chair Kalt called for public comment and hearing none, closed the public comment period.

**15. For Possible Action: Adjournment**

On motion and second to adjourn, the meeting was adjourned at 2:12 p.m.

The Agenda was posted at the following locations:

**N.P.A.I.P. / P.A.C.T.  
201 S. Roop Street, Suite 102  
Carson City, NV 89701**

**Eureka County Courthouse  
10 S. Main Street  
Eureka, NV 89316**

**Carson City Courthouse  
885 E. Musser Street  
Carson City, NV 89701**

**Churchill County Administrative Complex  
155 North Taylor Street  
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Facsimile (775) 883-7398

**Minutes of Meeting of the Executive Committee of  
Public Agency Compensation Trust  
Date: June 8, 2012  
Time: 2:00 P.M.  
Place: 201 S. Roop St.,  
Carson City, Nevada 89701  
Conference Call: 1-800-593-9034 Passcode: Wayne C.**

**1. Roll**

Members Present: Cash Minor, Steve West, Paul Johnson, Roger Mancebo, Josh Foli  
Members Absent: Toni Inserra, Bill Kohbarger, Alan Kalt  
Others Present: Wayne Carlson

**2. Public Comment**

Vice Chair Minor called for public comment and hearing none, closed the public comment period.

**3. For Possible Action: Approval of Minutes of Meeting of May 23, 2012**

On motion and second to approve the minutes, the motion carried.

**4. For Possible Action: Approval of Prospective PACT Member: Palomino Valley General Improvement District**

Wayne Carlson commented about the application, operations as a road district and loss experience. He noted that they recently joined the Nevada Public Agency Insurance Pool.

On motion and second to approve membership, the motion carried.

**5. Public Comment**

Vice Chair Minor called for public comment and hearing none, closed the public comment period.

**6. For Possible Action: Adjournment**

On motion and second to adjourn, the meeting adjourned.

**The Agenda was posted at the following locations:**

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**Minutes of Meeting of the Executive Committee of  
Public Agency Compensation Trust  
Date: May 23, 2012  
Time: 2:00 P.M.  
Place: 201 S. Roop St.,  
Carson City, Nevada 89701  
Conference Call: 1-800-593-9034 Passcode: Wayne C.**

**1. Roll**

Members Present: Alan Kalt, Paul Johnson, Steve West, Roger Mancebo, Josh Foli, Cash Minor Toni Inserra  
Members Absent: Bill Kohbarger  
Others Present: Gerry Eick, Wayne Carlson, Doug Smith, Ann Wiswell  
Chair Kalt called the meeting to order at about 2:05 p.m. once a quorum was determined to be present.

**2. Public Comment**

Chair Kalt called for public comment and hearing none, closed the public comment period.

**3. For Possible Action: Approval of Prospective PACT Member: Incline Village General Improvement District**

Chair Kalt opened this item for discussion. Wayne Carlson provided a brief summary of the background for this item and Incline Village GID's interest in possibly joining PACT. He explained that they presently are self-insured with a \$1,250,000 retention per loss and have been for several years. They are examining alternatives.

Gerry Eick, CFO of Incline Village GID, explained that he was analyzing alternatives from a resources allocation perspective and felt that there may be ways, other than holding funds in reserve for self-funding, that they could manage their workers compensation risks. He indicated that price was not the critical factor, but risk and appropriate financial resource deployment was more important to him. He said that the GID board would have to determine the course of action ultimately, but he wanted to present them with PACT as a choice for consideration. He expressed interest in a hybrid approach in which Incline Village GID would only purchase excess coverage from PACT. Alan Kalt asked whether or not Public Compensation Mutual (PACT's captive) could consider this. Wayne Carlson and Doug Smith offered insights and cautions that this would be a departure from the current business plan and that there were considerations such as the claims processing and reporting that would need to change from the current claims administrator to PACT's.

Wayne Carlson asked Gerry to explain their risk management and safety program changes following the retirement of their risk manager. Gerry offered that the safety program had been transferred to human resources and the insurance portion to him. However, recently the human resources director announced her retirement on June 30, 2012 and the general manager reassigned the safety program to Gerry. Subsequently, Gerry requested a part-time safety officer position to assist him and the general manager approved appointment of the ski patrol manager to serve as part-time safety officer in addition to his seasonal ski duties. He further indicated that the organizational safety culture remained strong. Ann Wiswell asked Gerry about the return to work program they had and whether or not it would continue if they joined PACT. Gerry confirmed that it would and that the cumulative fund balance they had for both losses and other programs would continue to support those efforts.

Chair Kalt asked whether there were other questions and hearing none, called for a motion. On motion and second to approve PACT membership for Incline Village General Improvement District, subject to the district's board's decision to join, and to authorize staff to develop pricing and experience rating to quote, the motion carried.

**4. Public Comment**

Chair Kalt called for public comment and hearing none, closed the public comment period.

**5. For Possible Action: Adjournment**

Chair Kalt called for a motion to adjourn. On motion and second to adjourn, the motion carried and the meeting adjourned at 2:35 p.m.

**The Agenda was posted at the following locations:**

**N.P.A.I.P. / P.A.C.T.  
201 S. Roop Street, Suite 102  
Carson City, NV 89701**

**Carson City Courthouse  
885 E. Musser Street  
Carson City, NV 89701**

**Eureka County Courthouse  
10 S. Main Street  
Eureka, NV 89316**

**Churchill County Administrative Complex  
155 North Taylor Street  
Fallon, NV 89406**

**PUBLIC AGENCY COMPENSATION TRUST**  
**Statement of Assets, Liabilities and Equity**  
**February 28, 2013**

	<b>Operating Fund (Unrestricted)</b>	<b>Trust Fund (Restricted)</b>	<b>TOTAL FUNDS</b>
<b>ASSETS</b>			
Cash and Equivalents	512,416.45	1,772,961.52	2,285,377.97
Pledged Account Cash Equivalents	-	340,669.35	340,669.35
Investments	16,982,075.28	36,647,370.49	53,629,445.77
Investments - State of Nevada	-	4,156,704.00	4,156,704.00
Investments Interest Receivable	85,439.15	206,398.95	291,838.10
Member Assessments Receivable	10,459.36	31,378.75	41,838.11
Heart/Lung Fund Receivable	-	0.01	0.01
A/R ASC TPA Services	-	-	-
Interfund Account	(455,698.13)	455,698.13	-
Interfund Account - Heart/Lung Fund	(84,235.50)	84,235.50	-
Accrued Assessments	504,362.00	1,445,892.00	1,950,254.00
Accrued Assessments - Heart/Lung Fund	-	272,346.00	272,346.00
Accrued Agent Compensation	39,960.00	-	39,960.00
Public Compensation Mutual Investment	2,000,000.00	25,159,437.00	27,159,437.00
PCM Amortization	(719,994.22)	(9,113,418.75)	(9,833,412.97)
Specific Recoverable	-	112,373.28	112,373.28
Prepaid Expenses	140,557.00	461,739.50	602,296.50
	<b>19,015,341.39</b>	<b>62,033,785.73</b>	<b>81,049,127.12</b>
<b>TOTAL ASSETS</b>	<b>19,015,341.39</b>	<b>62,033,785.73</b>	<b>81,049,127.12</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Specific Recoverable		112,373.28	112,373.28
Loss Reserves		78,635,664.53	78,635,664.53
Loss Reserves - Heart/Lung		12,419,894.19	12,419,894.19
Claims Payments		(56,672,675.82)	(56,672,675.82)
Claims Payments - Retirees Heart/Lung		(67,610.17)	(67,610.17)
Fund Balances:			
Fund Balance	19,015,341.39	27,606,139.72	46,621,481.11
	<b>19,015,341.39</b>	<b>62,033,785.73</b>	<b>81,049,127.12</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>19,015,341.39</b>	<b>62,033,785.73</b>	<b>81,049,127.12</b>

Unaudited Report for Management and Insurance Division Use Only

**PUBLIC AGENCY COMPENSATION TRUST**  
**Income Statement**  
**For the Eight Months Ending February 28, 2013**

	<u>Operating Fund (Unrestricted)</u>	<u>Trust Fund (Restricted)</u>	<u>TOTAL FUNDS</u>
<b>REVENUES</b>			
Assessments	1,593,843.81	4,781,531.53	6,375,375.34
Heart Lung Fund		933,685.88	933,685.88
Accrued Assessments	504,362.00	1,445,892.00	1,950,254.00
Accrued Assessments - Heart/Lung Fund		272,346.00	272,346.00
Accrued Agent Compensation	39,960.00		39,960.00
Agent Compensation	178,269.75		178,269.75
Investment Interest Income	297,627.87	790,814.45	1,088,442.32
Bank Interest Income		507.44	507.44
Investment Realized Gains/(Losses)	(27,640.08)	(53,952.15)	(81,592.23)
Investment Unrealized Gains/(Losses)	(63,989.35)	(231,202.06)	(295,191.41)
	<u>2,522,434.00</u>	<u>7,939,623.09</u>	<u>10,462,057.09</u>
<b>LOSS RESERVES EXPENSES</b>			
Claims and Adjustment Expenses	-	3,932,280.52	3,932,280.52
Heart Lung Loss Reserves Expenses	-	933,685.88	933,685.88
	<u>-</u>	<u>4,865,966.40</u>	<u>4,865,966.40</u>
<b>PROGRAM EXPENSES</b>			
Excess Insurance Premiums	-	345,616.00	345,616.00
Reinsurance Premium (PCM)	-	449,800.00	449,800.00
Claims TPA Fees (ASC)	-	421,746.60	421,746.60
Underwriting Fees (Willis Pooling)	-	19,807.00	19,807.00
Nevada Insolvency Fund	-	22,318.65	22,318.65
Security Bond/Regulatory Assessments	-	203,057.94	203,057.94
Specialty Health MCO Contract	-	28,000.00	28,000.00
Amortization Expense	-	1,677,288.00	1,677,288.00
	<u>-</u>	<u>3,167,634.19</u>	<u>3,167,634.19</u>
<b>ADMINISTRATION EXPENSES</b>			
Management Services	277,585.00	-	277,585.00
Sponsorship Fees	1,617.50	-	1,617.50
Travel	15,144.57	-	15,144.57
Casualty Insurance	20,920.00	-	20,920.00
Due and Seminar Fees	11,530.55	-	11,530.55
Audit Expense	19,686.20	-	19,686.20
Printing & Copying Expense	1,359.87	-	1,359.87
Postage	683.96	-	683.96
Office Supplies	1,478.99	-	1,478.99
Telephone Expense	1,326.04	-	1,326.04
Legal Expense	13,672.70	-	13,672.70
Miscellaneous Expenses	-	-	-
Board & Committee Meetings	329.01	-	329.01
Actuary Expense	14,500.00	-	14,500.00
Member Education and Services	84,586.90	-	84,586.90
Bank Service Charges	5,339.09	-	5,339.09
PRI Contract Services	306,250.00	-	306,250.00
Agent Compensation	179,716.25	-	179,716.25

# PUBLIC AGENCY COMPENSATION TRUST

## Income Statement

For the Eight Months Ending February 28, 2013

Insurance Division Fees	260,988.01	-	260,988.01
Loss Control Expense	268,061.00	-	268,061.00
SMEP Awards	-	-	-
Specialty Health - Cardiac Wellness	85,069.37	-	85,069.37
Risk Management Grants	487,679.93	-	487,679.93
Amortization Expense	133,328.00	-	133,328.00
Investment Expenses	162,808.78	-	162,808.78
<b>Total Administrative Expenses</b>	<u>2,353,661.72</u>	-	<u>2,353,661.72</u>
<b>REVENUES OVER EXPENSES</b>	<u><b>168,772.28</b></u>	<u><b>(93,977.50)</b></u>	<u><b>74,794.78</b></u>

Unaudited Report for Management and Insurance Division Use Only

**Public Agency Compensation Trust Records Management Policy**  
**Adopted 4/26/2013**

**Mission Statement**

The mission of the records management program of the Public Agency Compensation Trust (PACT) is to maintain a cost effective program, as well as accurate and accessible retrieval and handling of all information generated in any recorded format by officers, employees and service providers of PACT for the official conduct of PACT's business, and to preserve such records of historical significance for the benefit of both present and future generations.

**Goals & Objectives**

- To lower the cost of operating PACT by reducing the amount of time, storage space, and materials necessary to conduct PACT's business.
- To assure compliance with all applicable legal, historical, administrative, and fiscal requirements for record-keeping as set forth in federal, state, and local statutes.
- To provide courteous and professional access and reference services for officers and employees of PACT as well as members of the general public to public record materials stored and maintained by PACT.

**Policy Statement**

**Section 1**

As used in this policy, unless the context otherwise requires, the words and terms defined in sections 2 to 16, inclusive, of this policy have the meanings ascribed to them in those sections.

**Section 2**

"Records manager" means the designated manager of records of PACT.

**Section 3**

"Duplicate" means any accurate and unabridged copy of a record or series of records, which is not an original.

**Section 4**

"Non-record material" means published books and pamphlets, books and pamphlets printed by a government printer, worksheets used to collect or compile data after that data has been included in a record, answer pads for a telephone or other informal notes, stenographers' notes after the information contained therein has been transcribed, unused forms except ballots, brochures, newsletters, magazines, newspapers or parts of newspapers retained as evidence of publication, scrapbooks and property left or deposited with an office which would otherwise be defined as a record except that the ownership of that property does not reside with PACT.

**Section 5**

"Office" means an office, department, board, commission, committee, entity, or any other sub-records manager of PACT.

**Section 6**

"Original" means an original as defined in NRS 52.205, a reproduction made pursuant to the provisions of NRS 239.051, or any record designated by the records committee to be an original. An original made pursuant to the provisions of NRS 239.051 consists of both the stored copy, and the copy maintained for the use of authorized persons.

**Public Agency Compensation Trust Records Management Policy**  
**Adopted 4/26/2013**

**Section 7**

"Record" means all documents, papers, letters, pamphlets, books, maps, charts, blueprints, drawings, photographs, films, software used to process electronic data, information stored on magnetic tape or computer, laser or optical disc, materials which are capable of being read by a machine, including microforms and audio and visual materials, computer printouts, newspapers received pursuant to NRS 247.070, artifacts entered as exhibits in any proceeding in any court, and any other evidence, including all copies thereof, made or received pursuant to a law, regulation or policy or in connection with the transaction of the official business of any office or department PACT.

**Section 8**

"Records Committee" means the records committee established in section 12 of this ordinance.

**Section 9**

1. Pursuant to the provisions of subsection 1 of section 125 of chapter 239 of the Nevada Revised Statutes, a records manager is hereby designated.
2. It is the intent of PACT that the records manager, in carrying out its functions, follows accepted:
  - a. Procedures for the management of records to increase the efficiency of the records keeping system and reduce the administrative costs associated with the creation, maintenance, use, retention, and disposition of records; and
  - b. Standards of archival practice to ensure the preservation of records with permanent value and maximum accessibility to records for the general public.

**Section 10**

The records manager shall:

1. Establish standards, procedures, and techniques for the effective management of records;
2. Make continuing surveys of current practices for the management of records and recommend improvements in those practices, including the use of space, equipment and supplies to create, maintain and store records;
3. Establish standards for the preparation of schedules providing for the retention of records of continuing value and for the prompt and orderly disposition of records, which no longer possess sufficient administrative, legal, fiscal or research value to warrant their further retention;
4. Establish, maintain and operate a center for storing and receiving records of the several offices pending their disposition in a manner prescribed by law;
5. Establish an arrangement for micrographic services to the offices of PACT;
6. Establish a program for the management of forms and files;
7. Establish a program for the protection of records essential for the continuation or reestablishment of governmental operations in the event of natural or other disaster; and
8. Establish a program for the preservation and conservation of records designated by the state or the records manager as having a permanent retention value.

**Section 11**

The records manager may employ separately or cooperatively with another local governmental entity a PACT records administrator to carry out the duties of the records manager.

**Public Agency Compensation Trust Records Management Policy**  
**Adopted 4/26/2013**

Section 12

1. A records committee is hereby established to be known as the PACT records committee.
2. The records committee shall be composed of representatives from the following areas:
  - a. Legal counsel
  - b. Executive Director
  - c. Fiscal Officer
  - d. Information technology
  - e. Records manager
  - f. Human resources manager

Section 13

The records committee shall:

1. Draft, review, and prepare records retention schedules for the State Library and Archives Administrator's approval;
2. Evaluate and authorize the purchase of filing equipment or the creation of a new form, or an application for conversion to micrographics or optical imaging, word processing or data processing;
3. Review any request for access to information which was denied by an official to determine whether the denial was in keeping with prevailing law; and
4. Review all proposals for the expansion or modification of the records management program and make recommendations to the board of PACT.

Section 14

1. The rights of custody and control of records transferred to the PACT records center remain with the transferring office.
2. The rights of custody and control of accession to the city/county archives transfer to the records manager at the time the records are accepted as an accession.

Section 15

Records may be disposed of only in accordance with the schedules for the retention and disposition of records prepared by the records manager and approved by the records committee. The most recent version and subsequent revisions to the State Library and Archives "Local Government Records Retention Program Manual" is adopted as the records management and retention schedule for PACT, except as amended by the records management committee and approved by the State Library and Archives Administrator.

Section 16

1. Records to be destroyed must be disposed of in accordance with procedures approved by the records committee and NAC 239.165.
2. The records manager or a representative of the office must supervise the destruction of all records in their care and attest that such destruction was carried out in the manner provided for by the records committee and NAC 239.165.

# **Nevada Public Agency Insurance Pool**

**&**

## **Public Agency Compensation Trust**

**201 S. Roop St., Suite 102**

**Carson City, NV 89701**

**Phone: (775) 885-7475**

**Fax: (775) 883-7398**

**[www.poolpact.com](http://www.poolpact.com)**

## **Records Retention Schedule**

**Adopted 5/1/2000**

## **NAC 239.151 Categories of Records**

The following categories of records are hereby established:

1. Category 1 includes records that are necessary for the daily business of an office or department or used as a source of reference.
2. Category 2 includes records of the creation, development or elimination of a local governmental entity, or unique evidence or information about conditions, people, activities or events that is essential for legal, historical, genealogical or other professional research or inquiry.
3. Category 3 includes records of the source, receipt and expenditure or transfer of public money which are required for the operation of a local governmental entity or until an audit is completed.
4. Category 4 includes records which are required by law to be retained and those which have a legal basis for their retention.
5. Category 5 includes irreplaceable records which are needed during or after an emergency or to protect the rights and obligations of a local governmental entity or members of the general public.

**Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust  
Records Retention Schedule**

Title of Series of Records	Categories of Records					Period of Minimum Retention
	1	2	3	4	5	
<b>ADMINISTRATION:</b>						
Agendas: Agendas of all Boards, Commissions and Committees	x	x			x	Permanent
Agreements	x			x	x	6 Years after Termination of the Agreement
Agreements concerning the maintenance of Equipment	x			x		6 Years after Termination of the Agreement
Contracts & Agreements	x			x		6 years after termination of contract
Correspondence: Administrative	x	x				Permanent
Complaints & Inquiries	x					1 year after response or resolution
General	x					1 year, unless needed to be retained for a longer period
Subject Files	x					1 year, unless needed to be retained for a longer period
Electronic Mail (E-mail)	x		x	x		Until hard copy of mail may be disposed of pursuant to retention schedule.
Files used to produce the hard copy that is retained	x					None
Lists of vendors from whom equipment and products are purchased	x					Until superseded
Master copies of forms	x					Until superseded
Minutes of all boards, commissions, committees, and councils	x	x		x	x	Permanent
Minutes of formal hearings	x	x				Permanent
Proclamations	x	x				Permanent
Requests for opinions	x			x		2 years
Schedules for retention of records	x			x		6 years after date schedule is superseded by revised schedule
Tape recordings, either audio or visual of all commission & board meetings	x			x		1 year if transcribed in minutes exist, permanent if minutes not transcribed
Word Processing files: Files maintained only as an electronic record	x	x	x	x		Until hard copy of information may be disposed of pursuant to retention schedule

**Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust  
Records Retention Schedule**

Title of Series of Records	Categories of Records					Period of Minimum Retention
	1	2	3	4	5	
<b>FINANCE &amp; ACCOUNTING:</b>						
Accounting Reports	x		x			6 Years
Accounts Payable	x		x	x		6 Years
Accounts Receivable	x		x	x		6 Years
Annual Internal Audit Reports	x		x	x		3 Years
Annual Budgets:						
Files	x		x			6 Years
Final Budget	x	x	x	x		Permanent
Auditor's Final Annual Reports	x	x	x	x		Permanent
Auditor's Workpapers	x		x			Until completion of audit.
Backup of all computer files made for security purposes	x				x	Until replaced by a more recent backup file
Backup of computer system made on disk on a daily or weekly cycle.	x				x	2 cycles
Bank Reconciliation	x		x	x		6 Years
Bank Statements & Deposit Slips	x		x	x		6 Years
Billings	x		x	x		6 Years
Check Registers	x		x	x		6 years
Checks, cancelled	x		x	x		3 years
Daily cash receipts, reports	x		x	x		6 Years
Financial Statements of Revenues and Expenditures	x	x	x	x		Permanent
General Ledger	x		x			Permanent
Invoices (office copies)	x		x			6 Years
Journal Entries	x		x			6 years
Property and Equipment updates	x	x	x	x	x	5 years after update
Quarterly report of resources and expenditures	x	x	x	x		6 Years
Reimbursements including claims	x		x	x		6 Years
Report of proposed expenditures	x	x	x	x		Permanent

**Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust  
Records Retention Schedule**

Title of Series of Records	Categories of Records					Period of Minimum Retention
	1	2	3	4	5	
<b>CLAIMS ADMINISTRATION:</b>						
Civil Cases	x			x		7 years
Civil Rights Administrative Complaints	x	x		x		7 years after final disposition of case
Claims	x		x	x	x	7 years after closure or final settlement or, if applicable, after last correspondence in closed file, whichever is later
Incident reports	x					7 years
Lawsuits against a local government	x	x		x		7 years if no action pending
Listing of Claims	x		x	x		10 years
Insurance Policies	x	x		x	x	Permanent

<b>LOSS CONTROL:</b>						
	1	2	3	4	5	
Plans for recovery from disasters	x	x			x	Permanent
Records of emergency exercises	x	x				Permanent
Records of safety committees	x					2 years
Records of training exercises	x	x				Permanent
Reports of safety inspections	x					Until superseded

**PUBLIC AGENCY COMPENSATION TRUST**

**FINANCIAL STATEMENTS**

**June 30, 2012 and 2011**

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**BERTRAND & ASSOCIATES, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Member American Institute of Certified Public Accountants

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591 S. Saliman Rd. Suite 2  
Carson City, NV 89701  
Tel 775.882.8892  
Fax 775.562.2667  
E-mail: michael@bertrandcpa.com

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Public Agency Compensation Trust

We have audited the accompanying statement of net assets of the Public Agency Compensation Trust as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets, and the statements of cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts disclosed in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the Public Agency Compensation Trust as of June 30, 2012 and 2011 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the supplemental section, which includes the 10 Year Claims Development schedule, are not a required part of the basic financial statement, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedure, which consisted principally of inquires of management regarding the methods of measurements and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The supplemental schedule on unpaid loss liabilities for the Worker's compensation and Heart & Lung funds, Comparative Schedule of Claim Development for Workers Comp and Heart & Lung, the statutory Schedule P requirements and investment schedules prepared in NAIC format is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion those schedules.

*Bertrand & Associates, LLC*

October 18, 2012  
Carson City, Nevada

## Management's Discussion and Analysis

### **Purpose:**

To further understanding of significant financial issues, this Public Agency Compensation Trust management's discussion and analysis a) provides an overview of PACT's financial activities, b) identifies significant changes in PACT's financial position and its ability to address subsequent year financial challenges and c) provides insights into the long-term financial viability of PACT.

### **Background:**

As a result of changes in the Governmental Accounting Standards Board (GASB) requirements set forth in GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*, PACT's financial information must be accompanied by enhanced analysis, both short and long term, and explanations of significant financial statement elements. Since Public Agency Compensation Trust operates as an enterprise created pursuant to NRS 277, the Interlocal Cooperation Act, its financial statements will be presented in a manner that reflects its operations much like a private company. PACT also is regulated by the Nevada Division of Insurance as an association of self-insured public agencies and must file certain financial schedules in addition to the GASB required information.

### **Using this Annual Report:**

Since the financial statements report information about PACT using accounting methods similar to those used by private sector organizations, these statements offer short and long term financial information about PACT's activity. The financial statements show a comparison of two audited years ending June 30, 2012 and June 30, 2011 to facilitate understanding of changes in the financial position over time.

The Statement of Net Assets includes all of PACT's assets and liabilities and information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluation of the capital structure and for assessing the liquidity and financial flexibility of PACT.

Current year revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the success of PACT's operations for the fiscal year compared to the previous year and can be used as a measure of PACT's credit worthiness and whether PACT successfully recovers its costs through its sources of revenue.

The Statement of Cash Flows serves to provide information about PACT's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations and investments. It also discloses from where cash comes, for what it was used and the change in cash balance during the reporting period. Since PACT incurs financial obligations to pay for claims that occurred in the past from current year resources and at the same time receives revenue that it must retain for payment of future claims from future resources, cash flow may vary significantly from year to year.

### **Financial Highlights:**

Statutory requirements and board policy require PACT to be audited each year by an independent auditor. Since its inception on April 1, 1996 and continuing through this fiscal year, the independent auditor's report offers an unqualified opinion on the financial statements. Such an opinion reflects the highest opinion that can be obtained from an independent auditor.

#### Changes in net assets:

Fiscal year ended June 30, 2012: \$46,546,686

Fiscal year ended June 30, 2011: \$48,159,833

Net decrease: (\$1,613,147) or (3.9) %.

PACT's primary revenue source comes from Member contributions to PACT's Loss Fund, administrative budget and reinsurance and excess insurance costs. Interest income on investments constitutes the secondary revenue source.

Total assessments revenues:

Fiscal year ended June 30, 2012: \$13,740,006

Fiscal year ended June 30, 2011: \$12,778,111

Net increase: \$961,895 or 7.5%.

The increase resulted from increased rates.

Total expenses:

Fiscal year ended June 30, 2012: \$17,843,024

Fiscal year ended June 30, 2011: \$13,916,733

Net increase: \$3,926,291 or 28.2%.

The most significant factors in this change are attributable to increased amortization expense and the significant increase in claims reserves. The amortization expense is attributable to PACT's further contribution of surplus to Public Compensation Mutual (PCM), its captive insurance company. The development schedule included in the financial statement provides the history of the claims reserve changes each year over 10 years.

Operating net assets:

Fiscal year ended June 30, 2012: \$(4,103,018)

Fiscal year ended June 30, 2011: \$(1,138,622)

Net decrease: \$(2,964,396)

The most significant contributor to the decrease in operating net assets came from claims reserves which increased \$2,989,246, thus contributing 73% of the decrease. Increases in amortization expenses contributed \$430,918 or 11% of the decrease in operating net assets. Increased amortization expense reflects the board's decision to increase contributions to surplus to PCM consistent with its long-term strategy. The Insurance Division Fees contributed \$781,115 or 19% of the increased expenses due to higher regulatory budgets and a substantial increase in the subsequent injury fund assessment.

Net investment income:

Fiscal year ended June 30, 2012: \$2,489,871

Fiscal year ended June 30, 2011: \$1,409,777

Net increase: \$1,080,094

Investments are marked to market value at the time of the financial statements, which may result in a negative or positive overall result. Maintaining positive returns under the difficult economic conditions during this fiscal year speaks to the conservative investment strategies employed by PACT. The investment portfolio consists of governmental type investments which, if held to maturity, will yield the respective coupon rates although interim performance may lag. Most of PACT's investments are anticipated to be held to maturity.

**Financial Analysis:**

In order to enhance analysis, comparative information is provided for assets, liabilities, net equity, revenues and expenses as shown in the chart at the end of this narrative. The benchmarks shown in the chart resulted from a pooling and captives' industry study conducted a few years ago by Tillinghast and provides a useful tool to facilitate management's analysis and understanding of the financial results. Other performance indicators may be used by insurance companies but are not necessarily useful comparative indicators for risk pools.

**Assets:**

In fiscal year ended June 30, 2012, net assets declined by (3.3) % or \$1,613,147. This result substantially is less than the modest gain of the previous fiscal year largely due to the increased claims reserves, amortization of PCM contributions and the regulatory fee increase. . An explanation about how these results were achieved was provided in the financial highlights. Continuing to grow the asset base is critical to the long term viability and stability of PACT due to the volatility of workers compensation claims and the level of retention taken by PACT. A strong base enables PACT to withstand a substantial reversal in incurred claims costs due to catastrophes or substantially increased high cost claims frequency. PACT's Board policies require a strong, sustainable and durable financial condition to avoid adversity. Workers compensation is a volatile business, thus attention to long term strategies to maintain net assets is critical to success.

**Revenues, Expenses and Changes in Assets:**

Gross revenues (assessments plus net investment income) increased by 7.5% for fiscal year ended June 30, 2012 as a result of a rate increase and improvements in the net investment income.

**Actuarial**

The actuarial analysis for the current fiscal year revealed a substantial increase in case reserves and IBNR reserves over prior years' estimated incurred losses. Refer to Note 13 for the details of Unpaid Loss Liabilities.

Other factors also apply: 1) Alternative Risk Services' (ASC -PACT's claims administrator) experienced adjusters have been able to manage claims efficiently and effectively and have maintained quality as evidenced by external claims audits; however, adverse development of claims reserves on a few claims contributed to the increased actuarial reserves 2) SpecialtyHealth, the managed care organization and bill reviewer for PACT has greatly helped the adjusters manage claims effectively, 3) loss control efforts have proven effective and further initiatives are being implemented, and 4) the continuing roll-out of the Cardiac Wellness Program that should help reduce potential heart claims, although implementation impediments continue to slow down the program. It is important to continue to strengthen these approaches to assure continued success for PACT.

Workers compensation self-funded programs experience significant volatility particularly when the retention levels per loss are high. Because PACT retains a substantial portion of the risk in all classifications, it is important to the long term viability of PACT and to assure its ability to meet its obligations to injured workers that PACT grow its net assets. We continue to face pressure to increase our retentions in light of medical and wage inflation trends as well as market pressures, which suggests that volatility will further increase and will need to be cushioned strongly. By growing net assets strongly, PACT is better positioned to respond to these demands while maintaining financial stability. PACT management, consistent with board policy, selected a 75% actuarial confidence level as a prudent level to develop a strong financial position in keeping with the PACT Board's goals of creating and sustaining a durable financial position.

**Capital Assets and Debt Administration:**

PACT has no physical assets and no debt. It has pledged certain investments to satisfy a regulatory solvency security requirement and thus, cannot access those funds without approval from the Nevada Division of Insurance.

**Economic Factors:**

For fiscal year ending June 30, 2012, economic conditions showed signs of continued uncertainty with tepid growth beginning to appear for the nation and Nevada. Medical inflation moderated nationally but still exceeds the general inflation rate and this affects the underlying costs of claims payable by PACT. While Nevada retains a fee schedule to limit cost increases, recent reviews of the fee schedule components resulted in increases in the last few years. Wage inflation generally is low in the public sector, which keeps disability costs down. A legislative change in 2003 resulted in adoption of the 5<sup>th</sup> Edition of the AMA guide to rating impairments, which increased costs overall. The 2009 Legislature

fixed the 5<sup>th</sup> Edition into statute rather than having the most current edition be implemented by regulation. The 6<sup>th</sup> edition would have reduced costs in several key ratings of impairments due to recognition of improved medical outcomes.

The Nevada Supreme Court reached a decision in 1998 interpreting the special provisions for heart and lung coverage for qualifying police officers and firefighters that concluded that once these persons meet the five years of continuous service eligibility for benefits, those benefits are available for life regardless of any connection to actual work at the time the claims is made. Staff immediately implemented a judgment loading in the rates for this new interpretation of the statute, pending legislative action. PACT unsuccessfully attempted to have the Legislature modify this court interpretation to require that the claim must manifest within a reasonable time frame from leaving the workplace. As a result of that failed effort, PACT undertook an actuarial study to estimate the lifetime cost of risk associated with this decision. That study was concluded and the results indicated that the present value of the future benefits for former employees was estimated to range from \$5,668,000 to \$22,258,000, depending upon the interpretation as to which legal theory may be applicable. A subsequent actuarial study confirmed a change in the range of values to between twenty and eight million, again depending upon the assumptions made about claims manifestation.

These figures were presented to a task force who recommended to the board that they eliminate the judgment loading and implement a funding plan based on the actuarial study effective with the subsequent fiscal year. The board adopted the funding plan for implementation effective July 1, 2002. By taking this action, the board began its mitigation plan for the long-term adverse financial impact of the risk of former police officers and firefighters filing workers compensation claims long after employment. Subsequently, the board authorized acceleration of the funding rate. The rate set in 2002 was increased by 10% as a result of the second actuarial study that increased the range of potential losses from prior studies and demonstrated the need to accelerate needed assessments in future fiscal years as demographic factors begin to influence the post-employment risks.

The heart/lung assessments collected for fiscal year ended June 30, 2012 were \$1,634,083 compared to June 30, 2011 were \$1,503,026 even though PACT had one large member withdraw on July 1, 2010.

PACT sought relief before the United States Supreme Court to address the question of the constitutionality of the post employment conclusive presumption of eligibility for workers compensation for police officers and firefighters, but was denied review.

We continue to experience adverse rulings at hearing and appeal levels regarding heart-lung cases. Political actions to increase benefits continues each legislative session, particularly by law enforcement and firefighter lobbyists, and that causes pressure by excess insurers and reinsurers to increase PACT's retention or cause increased costs or both, which would require rate increases or weaken the financial position. Demographically, there is an emerging and accelerating likelihood of additional heart-lung claims from both current and post-employment eligible law enforcement officers and firefighters. PACT supported a bill brought forth in 2011 by Sen. Rhoades on behalf of the Nevada Taxpayers Association that would have capped post-employment eligibility, but the bill died in the Assembly.

#### **Subsequent Events:**

There were no subsequent events that would affect the financial statements for the current fiscal year.

#### **Requests for Information:**

While the purpose of this discussion and financial report is to provide a general overview of PACT's financial position, requests for additional financial information should be addressed to Wayne Carlson, Executive Director, 201 S. Roop St., Suite 102, Carson City, NV 89701-4790.

Wayne Carlson  
Executive Director, Public Agency Compensation Trust

<b>Financial Ratios</b>	<b>2007/2008</b>	<b>2008/2009</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>
<b>Total Revenue</b>	\$ 15,746,515	\$ 14,978,027	\$ 14,043,571	\$ 12,778,111	\$ 13,740,006
<b>Revenue over (under) Expenses</b>	\$ 8,964,327	\$ 4,473,424	\$ 2,217,070	\$ 271,155	\$ (1,613,147)
<b>Net Operating Income</b>	\$ 5,493,640	\$ 1,069,234	\$ (595,858)	\$ (1,138,622)	\$ (4,103,018)
<b>Net Investment Income</b>	\$ 3,467,687	\$ 3,404,190	\$ 2,812,928	\$ 1,409,777	\$ 2,489,871
<b>Total Assets</b>	\$ 60,092,890	\$ 67,664,744	\$ 73,829,771	\$ 76,488,418	\$ 79,370,901
<b>Total Liabilities</b>	\$ 18,894,706	\$ 21,993,136	\$ 25,941,093	\$ 28,328,585	\$ 32,824,215
<b>Net Assets</b>	\$ 41,198,184	\$ 45,671,608	\$ 47,888,678	\$ 48,159,833	\$ 46,546,686
<b>Net Assets to SIR (Board Target 12:1); Benchmark &gt;5:1</b>	80.78	89.55	93.90	94.43	93.09
<b>SIR to Net Assets (Benchmark: captives &lt;.10; group captives &lt;.25)</b>	0.01	0.01	0.01	0.01	0.01
<b>% Assets attributable to Net Assets</b>	68.6%	67.5%	64.9%	63.0%	58.6%
<b>Total assets/total liabilities</b>	3.18	3.08	2.85	2.70	2.42
<b>Revenues to Net Assets (Benchmark: &lt;2.5:1 and &gt;0)</b>	0.38	0.33	0.29	0.27	0.30
<b>Loss Reserves to Net Assets (discounted): Benchmark &lt;3:1 and &gt;0</b>	0.31	0.33	0.35	0.37	0.41
<b>Total liabilities to liquid assets: Benchmark &lt;100%</b>	40%	43%	47%	51%	54%
<b>Change in members' Net Assets: &gt;-10%</b>	27.8%	10.9%	4.9%	0.6%	-3.3%
<b>Return on Net Assets: Net Operating Income/Net Assets</b>	13.3%	2.3%	-1.2%	-2.4%	-8.8%
<b>Return on Net Assets: Total Income/Net Assets</b>	21.8%	9.8%	4.6%	0.6%	-3.5%

**PUBLIC AGENCY COMPENSATION TRUST**  
**STATEMENTS OF NET ASSETS**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Current assets:		
Cash and cash equivalents - Note 2	\$ 917,127	\$ 3,207,550
Investments - Note 3	51,135,355	44,969,712
Investment income receivable - Note 3	372,481	347,173
Member assessments receivable Note 4	3,427,253	3,369,665
Specific recoverable	84,625	68,570
Prepaid expenses	68,062	81,366
Total current assets	<u>56,004,903</u>	<u>52,044,036</u>
Other assets:		
Pledged investments - Note 3	4,229,358	4,183,609
Contributed surplus PCM, net - Note 14	19,136,640	20,260,673
<b>Total Assets</b>	<b><u><u>\$ 79,370,901</u></u></b>	<b><u><u>\$ 76,488,318</u></u></b>
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 82,382	\$ 44,889
Specific recoverable	84,625	68,571
Current portion of reserve for losses and expenses - Note 13	6,474,150	5,798,385
Total current liabilities	<u>6,641,157</u>	<u>5,911,845</u>
Noncurrent liabilities:		
Reserve for losses and loss adjustment expenses, net current portion - Note 13	14,696,850	12,564,615
Heart and Lung expense reserve - Note 9	11,486,208	9,852,125
Total non-current liabilities	<u>26,183,058</u>	<u>22,416,740</u>
 <b>NET ASSETS</b>		
Net assets-unrestricted	46,546,686	48,159,833
<b>Total Liabilities &amp; Net Assets</b>	<b><u><u>\$ 79,370,901</u></u></b>	<b><u><u>\$ 76,488,418</u></u></b>

See accompanying notes

**PUBLIC AGENCY COMPENSATION TRUST**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Years ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>REVENUES:</b>		
Assessments for workers compensation	\$ 12,104,713	\$ 11,275,085
Assessments for heart and lung	1,634,083	1,503,026
Agent commissions	1,210	-
Total Revenues	<u>13,740,006</u>	<u>12,778,111</u>
<b>LOSS FUND AND PROGRAM EXPENSES:</b>		
Claims and adjustment expenses	9,301,255	6,312,209
Heart and Lung loss expenses	1,634,083	1,503,026
Excess insurance premium	577,229	537,039
Re-insurance premium	244,000	223,667
Underwriting and claims processing	699,641	642,021
Total loss fund and program expenses	<u>12,456,208</u>	<u>9,217,962</u>
<b>ADMINISTRATION EXPENSES:</b>		
Management fees	462,000	471,955
Professional services	90,544	77,240
Administrative and overhead	251,587	239,216
Member education and services	711,057	677,099
Insurance Division fees	781,115	572,784
Insolvency fund and related expenses	14,819	15,800
Loss control expenses	409,599	409,500
Amortization expense	2,666,095	2,235,177
Total administration expenses	<u>5,386,816</u>	<u>4,698,771</u>
<b>Increase (decrease) in operating net assets</b>	<b>(4,103,018)</b>	<b>(1,138,622)</b>
Increase in non-operating net investment income	<u>2,489,871</u>	<u>1,409,777</u>
<b>Increase in net assets</b>	<b>(1,613,147)</b>	<b>271,155</b>
Net assets, beginning of year	48,159,833	47,888,678
<b>Net assets, end of year</b>	<b><u>\$ 46,546,686</u></b>	<b><u>\$ 48,159,833</u></b>

See accompanying notes

**PUBLIC AGENCY COMPENSATION TRUST**  
**STATEMENTS OF CASH FLOWS**  
**For Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Assessments and other revenues	\$ 13,681,207	\$ 12,960,783
Payment for claims	(6,493,255)	(5,172,234)
Payment to vendors	<u>(4,189,584)</u>	<u>(4,182,074)</u>
Net cash provided from operating activities	2,998,368	3,606,475
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributed surplus of Public Compensation Mutual	<u>(1,542,062)</u>	<u>(7,517,375)</u>
Net cash used for capital and related financing activities	(1,542,062)	(7,517,375)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and net realized investment income	1,551,830	2,151,013
Sale of investments	-	2,896,750
Purchases of investments	<u>(5,298,559)</u>	<u>(2,374,578)</u>
Net cash provided (used) for investing activities	<u>(3,746,729)</u>	<u>2,673,185</u>
Decrease in cash and cash equivalents	(2,290,423)	(1,237,715)
Cash and cash equivalents, beginning of fiscal year	3,207,550	4,445,265
<b>Cash and cash equivalents, year ended June 30</b>	<b><u><u>\$ 917,127</u></u></b>	<b><u><u>\$ 3,207,550</u></u></b>
<b>RECONCILIATION FOR OPERATING INCOME</b>		
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating net loss	\$ (4,103,018)	\$ (1,138,622)
<b>Adjustments to reconcile operating income</b>		
<b>to net cash provided (used) by operating activities:</b>		
Member assessments receivable	(57,589)	182,672
Specific recoverable	(16,054)	(3,153)
Prepaid expenses	13,306	(57,092)
Accounts payable	37,491	(258,660)
Specific recoverable	16,054	3,153
Amortization of contributed surplus	2,666,095	2,235,177
Loss reserves	4,442,083	2,643,000
<b>Net cash provided by operating activities</b>	<b><u><u>\$ 2,998,368</u></u></b>	<b><u><u>\$ 3,606,475</u></u></b>

See accompanying notes

**PUBLIC AGENCY COMPENSATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011**

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**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of program

Public Agency Compensation Trust (PACT) was formed by local governments for the purpose of organizing a self-insured workers' compensation group. The Trust began operations April 1, 1996. The trust's objective is to provide members with a lower cost alternative achieved through enhanced claims management, program administration, and member services that will reduce the cost of claims.

PACT provides workers' compensation coverage to member governmental entities and hospitals pursuant to state statutes. The program is fully funded by member entities and is governed by a Board of Trustees comprised of representatives of each member. Any member may withdraw from the program by giving 120 days notice. PACT's independent actuary, who is an approved Rate Service Organization, develops PACT rates.

Principles of presentation

PACT has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. PACT prepares its financial statements on the accrual method of accounting recognizing income when earned and expenses when incurred. PACT has implemented Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments and GASB Statement 38, Certain Financial Statement Note Disclosures*.

The financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises, where applicable, which may differ from the basis of accounting followed in statutory reporting.

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Measurement focus and basis of accounting

The financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Expenditures are recorded when the related fund liability is incurred.

Cash and cash equivalents

The Operating Fund has a checking account, money market investment account, and an investment account for long-term investments. For the purposes of the Statement of Cash Flows, the PACT considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. The Claims Fund has two checking accounts, one for payment of claims and the other for claims related expenses as required by Nevada Revised Statute 616B.368.

Investments and investment income

Investments consist predominately of government and government backed securities and are reported at their fair value in the statement of position. Fair value is determined utilizing the market value of the investments as reflected on the applicable brokerage statements. Net increases and decreases in the fair value are included in the statement of activities and changes in fund balances.

PACT is authorized to make investments in bonds and debentures of the United States, bills and notes of the U.S. Treasury, and in high-grade equity securities. PACT also is authorized to purchase negotiable certificates of deposit issued by commercial banks or insured savings and loan associations. PACT's investments have been restricted by policy of the Board to those allowable for local governments.

Budget

A budget is prepared by management but there is no legal budgetary requirement.

**PUBLIC AGENCY COMPENSATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011**

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**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Credit Risk:

Credit risk is the risk that the issuer of a security will default on principal and interest of the security. PACT's policy is to invest in corporate debt issues with a minimum of an "AA" rating from Moody's or Standard and Poor's rating services or U.S. Government and government backed securities. In addition, PACT's policy is to diversify the investment portfolio so that the impact of potential losses from any one type of security or from any one issuer will be minimized.

Concentration of Credit Risk: PACT limits investments in fixed income securities to 10% of the total fixed income portfolio to any one issuer. No more than 15% of the total investment pool will be invested in any one class of security, industry or company. PACT will not directly invest in securities maturing more than ten (10) years from the date of purchase, except as permitted by law. The policy does not place a limit on the purchase of U.S. Government and government backed securities.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. PACT will, to the extent possible, minimize this risk by matching investment maturities to liability due dates. This allows PACT to hold investments to maturity thus mitigating losses from the sale of investments prior to their maturity date. Additionally, exposure to fair value losses arising from decreasing interest rates is minimized by investing predominantly in investments with short to mid-term maturities that perform in line with the return of a managed fund comprised of 1 – 3 year Treasury Bonds.

Member Assessments

Member assessments and reports are due 20 days after the end of the quarter. Assessment rates are based on independent actuarial estimates that are reviewed and approved by the Insurance Commissioner.

Losses and loss adjustment expense

Reserves for losses and allocated loss adjustment expenses are provided based on case-based estimates for losses reported and PACT's historical loss experience for claims incurred but not reported (IBNR). The liability for unpaid losses and loss adjustment expenses includes the estimated cost of investigating and settling all claims incurred as of the balance sheet date. Such amounts are determined based on an evaluation prepared by management and an independent consulting actuary. Although such estimates are best estimates of the expected values, the actual results may vary from these values.

The liability represents the estimated ultimate cost of settling claims, including the effects of inflation and other societal and economic factors. The liability also includes unallocated costs which are estimated by management. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. The loss reserve estimates are discounted at 3% in 2012 and 2011, the expected investment rate, to show the present value of those reserves.

Income Taxes

In accordance with Internal Revenue Service code Section 115, organizations formed, operated and funded by political subdivisions may exclude income from those activities that qualify for exclusion. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

Insurance Division Annual Fees

The Insurance Division annually assesses fees to the Trust based on prior year's claims expenditures. It is the policy of management to record the invoice received each year as the expense for that year as these invoices cannot be reasonably estimated and therefore accrued.

Supplementary development schedule - Unaudited

The statements and development schedule reports claims paid on a reported year basis. Loss reserves shown on the financial statements are discounted; however, the development schedule reflects undiscounted loss reserves.

Prior year's reclassification

The prior year's financial statements have been reclassified were applicable to conform to current year's presentation.

**PUBLIC AGENCY COMPENSATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011**

**NOTE 2 – CASH & EQUIVALENTS**

The carrying amount of PACT's deposits with financial institutions at June 30, 2012 and 2011 are \$917,127 and \$3,207,550 respectively. The financial institution balances were \$1,040,152 and \$3,384,389 respectively. The difference between the carrying amounts and financial institution balances results from outstanding checks and deposits not yet reflected in the bank's records.

	<u>2012</u>	<u>2011</u>
Amounts insured by FDIC	\$250,000	\$250,000
Amounts collateralized	307,363	1,176,896
Cash equivalents at brokerage firm	<u>482,789</u>	<u>1,957,493</u>
Total deposits at financial institutions	<u>\$1,040,152</u>	<u>\$3,384,389</u>

PACT maintains its cash, cash equivalents and investments in a commercial bank and a brokerage institution. All amounts in the commercial bank are insured by the FDIC or collateralized. Amounts at the brokerage firm up to the SPIC insurance limit are insured through SPIC and additional amounts are insured by the broker through an insurance policy.

**NOTE 3 – INVESTMENT SECURITIES**

A summary of investments as of June 30, 2012 is as follows:

	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>1 year of less</u>	<u>1-5</u>	<u>5-10</u>	<u>Over 10</u>
U.S. Treasuries	\$ 17,554,956	\$ -	\$ 10,057,974	\$ 7,496,982	\$ -
U.S. Government & Agencies	\$ 16,582,502	502,447	8,112,421	2,371,239	5,596,395
U.S. Mortgage-backed securities	\$ 11,781,540	2,604,257	4,846,845	3,103,090	1,227,348
U.S. Government backed securities	\$ 9,445,715	126,786	-	547,436	8,771,493
Less pledged investments	\$ (4,229,358)	-	(3,519,390)	(709,968)	-
Total cash and investments	<u>\$ 51,135,355</u>	<u>\$ 3,233,490</u>	<u>\$ 19,497,850</u>	<u>\$ 12,808,779</u>	<u>\$ 15,595,236</u>

A summary of investments as of June 30, 2011 is as follows:

	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>1 year of less</u>	<u>1-5</u>	<u>5-10</u>	<u>Over 10</u>
U.S. Treasuries	\$ 15,796,766	1,126,221	1,791,020	12,879,525	-
U.S. Government & Agencies	\$ 8,911,858	695,358	5,644,666	2,284,891	286,943
U.S. Mortgage-backed securities	\$ 2,736,246	-	443,661	61,038	2,231,547
U.S. Government backed securities	\$ 21,708,451	8,332,785	9,732,939	3,056,486	586,241
Less pledged investments	\$ (4,183,609)	-	-	(4,183,609)	-
Total cash and investments	<u>\$ 44,969,712</u>	<u>\$ 10,154,364</u>	<u>\$ 17,612,286</u>	<u>\$ 14,098,331</u>	<u>\$ 3,104,731</u>

Investment income receivable was \$372,481 on June 30, 2012 and \$347,173 on June 30, 2011.

Actual maturities may differ from contractual maturities as some borrows have the right to call or prepay with or without call or prepayment penalties. Restricted investments are those investments pledged to Insurance Commission. Investments are reported at fair value by the investment broker as determined by an outside pricing firm. All securities are U.S Government or government backed.

**PUBLIC AGENCY COMPENSATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011**

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**NOTE 4 – MEMBER ASSESSMENTS RECEIVABLE**

Member assessments receivable were \$3,427,253 and \$3,369,665 for the years ended June 30, 2012 and 2011. Amounts receivable at both years' end are primarily assessments for the last quarter of the fiscal year and are determined based on the annual payroll audits.

**NOTE 5 – LIABILITY OF MEMBERSHIP**

Members of PACT are jointly and severally liable to pay benefits to injured workers as required by law. Workers compensation pools can be subject to assessments by the Insurance Commissioner should other self-insured workers compensation pools encounter financial difficulties.

**NOTE 6 – REINSURANCE & EXCESS INSURANCE**

In the ordinary course of business, PACT maintains both reinsurance and excess insurance contracts with various insurance carriers through their broker company, Willis Pooling. These reinsurance and excess insurance contracts provide both a specific and an aggregate limit of liability to protect PACT against potentially large losses or an accumulation of losses. This provides coverage in excess of PACT's self-insured retention. The limits provided by these reinsurance and excess insurance contracts, including PACT's self-insurance retention, are as follows:

- 1) The specific limit of liability per accident is statutory excess of a self-insured retention per accident of \$2,500,000. PACT reinsures a portion of PACT's limit of indemnity of \$2,500,000 through Public Compensation Mutual, which bears 25% of \$2,000,000 excess of PACT's \$500,000 retention and through County Reinsurance, LTD., which bears 75% of \$2,000,000 excess of PACT's \$500,000 retention
- 2) A limit of liability of \$3,000,000 excess of an aggregate retention of \$2.83 per \$100 of payroll, subject to a minimum aggregate retention of \$8,394,594 and \$8,397,190 for years ended June 30, 2012 and 2011. PACT reinsures a portion of PACT's aggregate excess limit of \$3,000,000 through Public Compensation Mutual which bears \$1,500,000 of PACT's annual aggregate excess limit and through Safety National Casualty Company which bears \$1,500,000 of PACT's annual aggregate excess limit.

Both Public Compensation Mutual and County Reinsurance, Ltd. are captive insurance companies in which PACT has a financial interest.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

Public Agency Risk Management Services, Inc. (PARMS) is presently contracted to provide management services. PARMS serves both PACT and the Nevada Public Agency Insurance Pool (POOL) as the Executive Director/Administrator. PARMS is a service corporation wholly owned by Mr. Wayne Carlson. Management fee paid under the contract for years ended June 30, 2012 and 2011 was \$462,000 and \$471,955 respectively. The management contract agreement was renewed with PARMS commencing July 1, 2012 and terminating on July 1, 2014 with an option to extend with the same terms and conditions for an additional two years. A 3% annual increase for management fees is included in the contract.

PARMS is under obligation to lease office space from the Nevada Public Agency Insurance Pool throughout the term of the management contract. Payments made in 2012 and 2011 were \$63,864 and \$62,004. The contract includes a 3% per annum increase in the lease expenses.

Many of the board members of the Nevada Public Agency Insurance Pool (POOL) are also members of PACT as they share a common membership. The board of Public Compensation Mutual comprises of several PACT board members. Nevada Association of Counties (NACO) is a member of PACT and was a tenant until January 1, 2012.

**PUBLIC AGENCY COMPENSATION TRUST  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011**

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**NOTE 7 - RELATED PARTY TRANSACTIONS (continued)**

Effective July 1, 2006, NPAIP jointly with PACT provided a grant with Pooling Resources, Inc. (PRI), a nonprofit organization formed by the executive director of NPAIP, Wayne Carlson, and whose directors are Wayne Carlson, Alan Kalt and Michael Rebaleati. The cost of this grant was \$583,500 and \$566,000 for 2012 and 2011 respectively. The grant was renewed for three years beginning July 1, 2012 with future costs being \$525,000, \$535,500 and \$546,500 for years ended June 30, 2013, 2014 and 2015 respectively. PRI provides human resources management services to PACT members. PRI pays PARMs a management fee to provide operational and financial oversight of PRI.

**NOTE 8 – PLEDGED INVESTMENTS & UNUSED LETTER OF CREDIT**

According to NRS 616B.353.1(d) and (e) and related regulations, an association of self-insured employers must deposit with the Commissioner a bond or other authorized security, payable to reasonably secure payment of the workers compensation benefits to employees

PACT has obtained a letter of credit from Wells Fargo Bank with the named beneficiary being the State of Nevada Division of Insurance. In April of 2011, PACT decided to not renew the letter of credit and instead pledged certain investments to secure payment. The amounts pledged at June 30, 2012 were \$4,229,358 and \$4,183,609. In the event that PACT becomes delinquent in its payment of workers compensation benefits, the proceeds will be used to satisfy losses, costs or expenses incurred by the Insurance Division.

**NOTE 9 – HEART AND LUNG LOSS FUND**

The Heart and Lung Loss Fund reflects special reserves set aside for the purpose of covering post-employment heart or lung disease claims that may be the responsibility of PACT members pursuant to the Last Injurious Exposure Rule interpretation of the law and court cases that determined that coverage for such claims applies to former employees who meet the statutory eligibility requirements for the heart and lung disease benefit

Post-employment claims historically have not been reflected in rate classifications for the appropriate police officer and firefighter classifications. The actuarial projections of loss and loss adjustment expense are intended to be fully funded, thus assessments for this fund are offset 100% by claims reserves. Management followed this conservative approach because of the uncertainty and volatility inherent in this specific risk. The reserve for 2012 and 2011 is \$11,486,208 and \$9,852,125 respectively.

**NOTE 10 – ALLOCATION OF ASSESSMENTS REVENUES**

The Nevada Revised Statute 616B.368 requires that 75% of assessment revenues collected be placed in a separate account and that disbursements from this account be limited to paying claims, claims related expenses, excess insurance costs, assessments, payments and penalties related to the subsequent injury fund and the uninsured employer's claim fund. Initially, all funds collected for member assessments and prepayments of assessments and deposits are deposited into the operating account. Periodically, 75% of the assessments are transferred to a separate bank or investment account to comply with this statute.

**NOTE 11 – POOLING RESOURCES INC.**

Pooling Resources Inc. is required to provide status reports and quarterly financial statements to the POOL and PACT Executive Committees according to the grant document. A renewal of this contract was made for three years beginning July 1, 2012. PACT's share of the cost is for the first year is \$525,000, \$535,500 for the second year and \$546,500 for the third year.

**NOTE 12 –SUBSEQUENT EVENTS**

Management has evaluated the activities and transactions subsequent to June 30, 2012 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended June 30, 2012. Management has evaluated subsequent events through October 18, 2012 which is the date the financial statements were available for issue.

**PUBLIC AGENCY COMPENSATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011**

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**NOTE 13 – UNPAID LOSS LIABILITIES**

PACT establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related loss adjustment expenses. The following represents changes in those aggregate liabilities during the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Unpaid losses and loss adjustment expenses at beginning of year or period	<u>\$ 28,215,125</u>	<u>\$ 25,572,125</u>
Incurring losses and loss adjustment expenses:		
Provision for insured events of current year	8,749,083	7,643,209
Increase in provision for insured events of prior fiscal years	<u>2,186,255</u>	<u>172,000</u>
Total incurred losses and loss adjustment	<u>10,935,338</u>	<u>7,815,209</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year/period	(1,875,000)	(1,627,000)
Claims and claims adjustment expenses attributable to insured events of prior	<u>(4,618,255)</u>	<u>(3,545,209)</u>
Total Payments	<u>(6,493,255)</u>	<u>(5,172,209)</u>
<b>Unpaid claims and claims adjustment expenses At end of fiscal year</b>	<u><b>\$ 32,657,208</b></u>	<u><b>\$ 28,215,125</b></u>

The current portion of the long term loss reserve for 2012 and 2011 is \$6,474,150 and \$5,798,385 with the long term portion for 2012 and 2011 being \$26,183,058 and \$22,416,740.

Incurring losses and loss adjustment expenses are comprised of two significant factors. Provisions for events of the current year increased from \$7,643,209 for 2011 to \$8,749,083 for 2012. The increase and decrease in the provision for insured events of prior fiscal years for 2012 and 2011 reflects changes in case reserves and actuarial reserve calculations for all prior years cumulatively.

Individual case reserves may increase or decrease as the case develops over time for various reasons. This may affect actuarial projections for past and future years since the various actuarial methodologies are based both on individual case reserve changes and long term trends in reserves. The effect of both the individual case reserve changes over time and the actuarial projections combined may result in a significant increase or decrease that is reflected in the current year's audited net assets. In other words, a decrease in reserves results in an increase in net assets, while an increase in reserves reduces net assets.

**PUBLIC AGENCY COMPENSATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011**

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**NOTE 14 – SURPLUS CONTRIBUTION TO PUBLIC COMPENSATION MUTUAL COMPANY**

In May of 2007, PACT’s board of directors authorized the start up of a member-owned nonprofit captive mutual insurance company and contributed surplus to the company in the amount of \$5,000,000 and subsequent additional surplus contributions have been added. Capitalization at June 30, 2012 was \$27,159,437 with accumulated amortization of \$8,022,797 for a net amount of \$ 19,136,640. Capitalization at June 30, 2011 was \$25,617,375 with accumulated amortization of \$5,356,702 for a net amount of \$20,260,673.

The company, named Public Compensation Mutual, (“PCM”) is domiciled in Nevada and as of July 1, 2007, became one of the workers compensation reinsurers for PACT. Some of the Public Compensation Mutual’s board members also serve as board members of PACT.

Public Compensation Mutual was formed by members of PACT to reduce the costs of insurance, to obtain direct access to reinsurance, to provide broader coverage for policyholders, to broaden investment opportunities and to build equity to enable providing coverage not obtainable elsewhere.

As a condition of contributed surplus, but without any expectation that the funds will be returned, PACT required that prior to any distributions such as dividends, the contributed surplus must be repaid to PACT.

Management considers the contributed surplus costs a development cost that can provide lower operating costs in the future and estimates that the savings in reinsurance costs to PACT will recoup the start up capital. Therefore, the PACT’s contributed surplus to PCM will be amortized over 10 years.

**PUBLIC AGENCY COMPENSATION TRUST**  
**Supplemental Schedule On Unpaid Loss Liabilities for Workers Compensation and Heart Lung**

PACT establishes a liability for both reported and unreported insured events which includes estimates of both future payments of losses and related loss adjustment expenses. The following represents changes in those aggregate liabilities for the workers compensation and heart and lung coverages during the years ended June 30, 2012 and 2011:

	2012			2011		
	Workers Compensation	Heart & Lung	Total	Workers Compensation	Heart & Lung	Total
Unpaid losses and loss adjustment expenses at beginning of the year	\$ 18,363,000	\$ 9,852,125	\$ 28,215,125	\$ 17,223,000	\$ 8,349,125	\$ 25,572,125
Incurred losses and loss adjustment expenses:						
Provision for insured events of current year	7,115,000	1,634,083	8,749,083	6,140,209	1,503,000	7,643,209
Increase (decrease) in provision for insured events of prior fiscal year	2,186,255	-	2,186,255	172,000	-	172,000
Total incurred losses and loss adjustments	9,301,255	1,634,083	10,935,338	6,312,209	1,503,000	7,815,209
Payments:						
Claims and claim adjustment expense attributable to insured events of current year	(1,875,000)	-	(1,875,000)	(1,627,000)	-	(1,627,000)
Claims and claims adjustment expense Attributable to insured events of a prior period	(4,618,255)	-	(4,618,255)	(3,545,209)	-	(3,545,209)
Total payments	(6,493,255)	-	(6,493,255)	(5,172,209)	-	(5,172,209)
<b>Unpaid claims and claims adjustments expenses at end of fiscal year</b>	<b>\$ 21,171,000</b>	<b>\$ 11,486,208</b>	<b>\$ 32,657,208</b>	<b>\$ 18,363,000</b>	<b>\$ 9,852,125</b>	<b>\$ 28,215,125</b>

**PUBLIC AGENCY COMPENSATION TRUST**  
**COMPARATIVE SCHEDULE OF CLAIM DEVELOPMENT FOR WORKERS COMP AND HEART & LUNG – UNDISCOUNTED - (UNAUDITED)**  
**EARNED ASSESSMENTS AND ALLOCATED EXPENSES FOR TEN-YEAR PERIOD - YEAR ENDED JUNE 30,**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Required Contributions & Investment Income:										
Earned	\$ 9,290,486	\$ 11,609,553	\$ 12,638,430	\$14,150,771	\$17,528,899	\$19,214,202	\$18,382,217	\$16,856,499	\$14,187,888	\$16,229,877
Ceded	(481,095)	(551,944)	(789,791)	(626,266)	(673,485)	(711,236)	(999,595)	(1,019,746)	(760,706)	(821,229)
Net earned	8,809,391	11,057,609	11,848,639	13,524,505	16,855,414	18,502,966	17,382,622	15,836,753	13,427,182	15,408,648
Unallocated Expenses	2,378,840	2,753,420	2,280,908	2,401,410	2,644,815	3,467,687	3,888,708	4,372,365	5,340,792	6,086,457
Estimated Incurred Claims & Expense End of Policy Year:										
Incurred	5,721,353	7,611,959	7,694,786	7,221,184	6,932,261	6,211,000	6,699,000	7,604,904	7,226,000	8,393,000
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	5,721,353	7,611,959	7,694,786	7,221,184	6,932,261	6,211,000	6,699,000	7,604,904	7,226,000	8,393,000
Paid (cumulative) as of:										
End of policy year	1,059,764	815,018	1,153,042	903,024	955,534	1,396,400	1,813,443	1,576,283	1,627,122	1,875,562
One Year Later	2,242,826	1,833,437	2,466,279	1,863,166	2,333,923	3,334,645	3,630,752	3,121,442	3,604,503	
Two Years Later	2,581,248	2,286,157	2,774,180	2,317,418	3,332,247	4,312,797	4,050,129	4,039,612		
Three Years Later	2,780,197	2,624,047	3,033,660	2,626,506	3,930,487	4,768,994	4,496,682			
Four Years Later	2,898,113	2,864,122	3,323,358	2,872,958	4,102,622	5,095,774				
Five Years Later	2,892,851	2,995,578	3,399,607	3,226,213	4,388,188					
Six Years Later	2,979,779	3,209,246	3,454,799	3,457,294						
Seven Years Later	2,966,483	3,533,041	3,512,672							
Eight Years Later	2,997,581	3,749,627								
Nine Years Later	3,022,844									
Re-estimated ceded claims & Expenses	-	-	-	-	-	-	-	-	-	-
Re-estimated Claims & Expense										
End of policy year	5,721,353	7,611,959	7,964,786	7,221,184	6,932,261	6,211,000	6,699,000	7,604,904	7,226,026	8,403,083
One Year Later	5,823,353	6,558,041	5,783,000	5,100,000	6,163,261	7,066,000	7,100,000	7,767,000	8,156,000	
Two Years Later	5,006,353	4,952,041	5,147,000	4,117,000	7,269,261	7,695,000	6,892,000	8,507,000		
Three Years Later	4,285,353	4,645,041	5,230,000	4,388,000	7,555,261	7,612,000	7,010,000			
Four Years Later	4,114,353	4,941,041	5,287,000	4,574,184	7,453,261	8,127,000				
Five Years Later	4,093,535	4,870,041	5,238,899	4,729,000	7,650,261					
Six Years Later	3,617,000	5,260,041	5,235,000	4,819,000						
Seven Years Later	4,061,353	5,887,041	5,202,000							
Eight Years Later	4,059,353	5,814,041								
Nine Years Later	4,088,353									
Increase(Decrease) in Estimated Incurred Claims & Expenses from End of Policy Year:	<b>(1,662,000)</b>	<b>(1,724,918)</b>	<b>(2,729,786)</b>	<b>(2,492,184)</b>	<b>718,000</b>	<b>1,916,000</b>	<b>311,000</b>	<b>902,096</b>	<b>926,974</b>	-

PACT Counties

Member Name	Claims		TOTAL	TOTAL Claims Costs 2007/2008- 2011/2012	Average	Average									
	Frequency	Claims Costs	Claims		TOTAL Claims	Annual Cost 5	Annual Cost								
	7/1/07- 6/30/08	7/1/07- 6/30/08	7/1/08- 6/30/09	7/1/08- 6/30/09	7/1/09- 6/30/10	7/1/09- 6/30/10	7/1/10- 6/30/11	7/1/10- 6/30/11	7/1/11- 6/30/12	7/1/11- 6/30/12	2007/2008- 2011/2012		2007/2008- 2011/2012	2007/2008- 2011/2012	2009/2010- 2011/2012
CARSON CITY (No Longer Member)	117	\$ 636,421	129	\$ 479,311	131	\$ 1,797,344	0	\$ -	0	\$ -	377	\$ 2,913,076	\$ 971,025.17	\$ 599,115	
CHURCHILL COUNTY	19	\$ 94,548	8	\$ 14,764	14	\$ 30,741	13	\$ 211,247	13	\$ 8,531	67	\$ 359,831	\$ 71,966	\$ 83,506	
DOUGLAS COUNTY	156	\$ 318,132	159	\$ 179,612	148	\$ 925,230	149	\$ 377,364	125	\$ 227,180	737	\$ 2,027,519	\$ 405,504	\$ 509,925	
ELKO COUNTY	27	\$ 195,375	40	\$ 136,105	29	\$ 87,737	28	\$ 584,666	39	\$ 97,550	163	\$ 1,101,434	\$ 220,287	\$ 256,651	
ESMERALDA COUNTY	4	\$ 2,238	3	\$ 5,008	4	\$ 3,128	4	\$ 8,823	2	\$ 3,511	17	\$ 22,708	\$ 4,542	\$ 5,154	
EUREKA COUNTY	6	\$ 20,895	4	\$ 199,407	8	\$ 20,451	7	\$ 8,403	13	\$ 71,304	38	\$ 320,460	\$ 64,092	\$ 33,386	
HUMBOLDT COUNTY	9	\$ 26,119	20	\$ 89,129	7	\$ 3,255	15	\$ 52,379	11	\$ 87,336	62	\$ 258,218	\$ 51,644	\$ 47,657	
LANDER COUNTY	11	\$ 52,550	8	\$ 45,599	11	\$ 16,058	20	\$ 206,338	15	\$ 165,724	65	\$ 486,270	\$ 97,254	\$ 129,373	
LINCOLN COUNTY	10	\$ 7,717	11	\$ 39,252	6	\$ 47,132	11	\$ 16,144	5	\$ 17,773	43	\$ 128,018	\$ 25,604	\$ 27,016	
LYON COUNTY	34	\$ 1,144,683	41	\$ 405,429	36	\$ 59,904	34	\$ 487,327	37	\$ 321,000	182	\$ 2,418,343	\$ 483,669	\$ 289,410	
MINERAL COUNTY	12	\$ 15,646	14	\$ 108,814	21	\$ 185,407	27	\$ 94,549	20	\$ 46,294	94	\$ 450,711	\$ 90,142	\$ 108,750	
NYE COUNTY	41	\$ 245,536	43	\$ 216,437	61	\$ 1,801,621	60	\$ 389,033	73	\$ 315,134	278	\$ 2,967,761	\$ 593,552	\$ 835,263	
PERSHING COUNTY	13	\$ 8,063	4	\$ 5,282	4	\$ 2,833	6	\$ 3,007	9	\$ 44,847	36	\$ 64,032	\$ 12,806	\$ 16,896	
STOREY COUNTY	23	\$ 27,418	15	\$ 238,247	24	\$ 99,854	12	\$ 21,951	17	\$ 82,798	91	\$ 470,267	\$ 94,053	\$ 68,201	
WHITE PINE COUNTY	7	\$ 4,162	13	\$ 84,413	27	\$ 240,128	22	\$ 5,632	19	\$ 61,954	88	\$ 396,289	\$ 79,258	\$ 102,571	
<b>TOTAL</b>	<b>489</b>	<b>\$ 2,799,504</b>	<b>512</b>	<b>\$ 2,246,808</b>	<b>531</b>	<b>\$ 5,320,825</b>	<b>408</b>	<b>\$ 2,466,864</b>	<b>398</b>	<b>\$ 1,550,936</b>	<b>2,338</b>	<b>\$ 14,384,936</b>	<b>\$ 3,265,397</b>	<b>\$ 3,112,875</b>	

PACT Cities

Member Name	Claims		Claims		Claims		Claims		Claims		TOTAL		Average	Average
	Frequency	Claims Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Claims	TOTAL	Annual Cost	Annual Cost
	7/1/07- 6/30/08	7/1/07- 6/30/08	7/1/08- 6/30/09	7/1/08- 6/30/09	7/1/09- 6/30/10	7/1/09- 6/30/10	7/1/10- 6/30/11	7/1/10- 6/30/11	7/1/11- 6/30/12	7/1/11- 6/30/12	2007/2008- 2011/2012	2007/2008- 2011/2012	5 years 2007/2008- 2011/2012	3 years 2009/2010- 2011/2012
BOULDER CITY	25	\$ 109,688	28	\$ 194,301	20	\$ 14,557	28	\$ 330,155	24	\$ 58,993	125	\$ 707,693	\$ 141,539	\$ 134,568
CALIENTE	1	\$ 120	1	\$ 1,337	5	\$ 28,001	2	\$ 1,220	3	\$ 1,885	12	\$ 32,563	\$ 6,513	\$ 10,369
CARLIN CITY	7	\$ 8,457	5	\$ 5,644	5	\$ 6,138	5	\$ 3,442	6	\$ 3,337	28	\$ 27,019	\$ 5,404	\$ 4,306
CITY OF ELKO	22	\$ 166,057	40	\$ 127,390	36	\$ 88,515	40	\$ 82,381	36	\$ 194,454	174	\$ 658,798	\$ 131,760	\$ 121,784
ELY CITY	3	\$ 1,162	3	\$ 10,386	2	\$ 60,974	9	\$ 41,018	3	\$ 2,732	20	\$ 116,273	\$ 23,255	\$ 34,908
CITY OF FALLON	23	\$ 890,011	12	\$ 32,568	18	\$ 83,658	11	\$ 114,297	16	\$ 114,170	80	\$ 1,234,704	\$ 246,941	\$ 104,042
CITY OF FERNLEY	6	\$ 3,010	7	\$ 5,919	4	\$ 10,763	3	\$ 147,252	2	\$ 2,788	22	\$ 169,732	\$ 33,946	\$ 53,601
CITY OF LOVELOCK	3	\$ 2,086	7	\$ 6,755	3	\$ 360	5	\$ 2,517	6	\$ 9,813	24	\$ 21,531	\$ 4,306	\$ 4,230
MESQUITE CITY	21	\$ 257,186	41	\$ 42,194	31	\$ 142,046	33	\$ 37,725	27	\$ 110,157	153	\$ 589,309	\$ 117,862	\$ 96,643
WELLS CITY	2	\$ 1,764	2	\$ 113	1	\$ 319	6	\$ -	2	\$ 37,769	13	\$ 39,965	\$ 7,993	\$ 12,696
CITY OF WEST WENDOVER	5	\$ 2,616	13	\$ 182,991	2	\$ 312	5	\$ 1,829	3	\$ 42,058	28	\$ 229,805	\$ 45,961	\$ 14,733
CITY OF WINNEMUCCA	7	\$ 3,025	6	\$ 6,261	8	\$ 259,169	6	\$ 6,436	6	\$ 5,786	33	\$ 280,677	\$ 56,135	\$ 90,464
CITY OF YERINGTON	5	\$ 643	6	\$ 2,421	7	\$ 32,056	2	\$ 425	3	\$ 116,887	23	\$ 152,432	\$ 30,486	\$ 49,789
<b>TOTAL</b>	130	\$ 1,445,825	171	\$ 618,279	142	\$ 726,870	155	\$ 768,697	137	\$ 700,829	735	\$ 4,260,500	\$ 852,100	\$ 732,132

PACT Schools

Member Name	Claims Frequency	Claims Costs	Claims Frequency	Claims Costs	Claims Frequency	Claims Costs	Claims Frequency	Claims Costs	Claims Frequency	Claims Costs	TOTAL Claims Frequency	TOTAL Claims Costs	Average Annual Cost 5 years	Average Annual Cost 3 years
	7/1/07-6/30/08	7/1/07-6/30/08	7/1/08-6/30/09	7/1/08-6/30/09	7/1/09-6/30/10	7/1/09-6/30/10	7/1/10-6/30/11	7/1/10-6/30/11	7/1/11-6/30/12	7/1/11-6/30/12	2007/2008-2011/2012	2007/2008-2011/2012	2007/2008-2011/2012	2009/2010-2011/2012
ESMERALDA COUNTY SCHOOL DISTRICT	4	\$ 103,766	9	\$ 204,160	5	\$ 2,047	3	\$ -	1	\$ -	22	\$ 309,973	\$ 61,995	\$ 682
EUREKA COUNTY SCHOOL DISTRICT	4	\$ 48,341	6	\$ 9,834	1	\$ 81	1	\$ 351	1	\$ 6	13	\$ 58,613	\$ 11,723	\$ 146
HUMBOLDT COUNTY SCHOOL DISTRICT	17	\$ 71,506	19	\$ 299,757	16	\$ 71,558	10	\$ 5,553	19	\$ 66,890	81	\$ 515,265	\$ 103,053	\$ 48,001
LANDER COUNTY SCHOOL DISTRICT	3	\$ 6,780	4	\$ 2,943	4	\$ 15,948	10	\$ 22,424	9	\$ 1,393	30	\$ 49,488	\$ 9,898	\$ 13,255
LINCOLN COUNTY SCHOOL DISTRICT	15	\$ 248,231	23	\$ 195,500	12	\$ 55,258	7	\$ 108,140	8	\$ 42,208	65	\$ 649,337	\$ 129,867	\$ 68,535
MINERAL COUNTY SCHOOL DISTRICT	5	\$ 1,923	5	\$ 71,497	10	\$ 525,775	25	\$ 36,728	20	\$ 10,574	65	\$ 646,498	\$ 129,300	\$ 191,026
NYE COUNTY SCHOOL DIST (No longer member)	54	\$ 454,215	0	\$ -	0	\$ -	0	\$ -	0	\$ -	54	\$ 454,215	\$ 90,843	\$ -
PERSHING COUNTY SCHOOL DISTRICT	5	\$ 5,107	5	\$ 9,208	6	\$ 18,994	5	\$ 8,971	3	\$ 7,203	24	\$ 49,482	\$ 9,896	\$ 11,723
WHITE PINE COUNTY SCHOOL DISTRICT	29	\$ 102,296	25	\$ 71,938	25	\$ 51,851	18	\$ 37,973	19	\$ 43,146	116	\$ 307,204	\$ 61,441	\$ 44,323
<b>TOTAL</b>	<b>136</b>	<b>\$ 1,042,166</b>	<b>96</b>	<b>\$ 864,836</b>	<b>79</b>	<b>\$ 741,512</b>	<b>79</b>	<b>\$ 220,140</b>	<b>80</b>	<b>\$ 171,420</b>	<b>470</b>	<b>\$ 3,040,073</b>	<b>\$ 608,015</b>	<b>\$ 377,691</b>

PACT Hosptials

Member Name	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	TOTAL Claims	TOTAL	Average	Average
	Frequency 7/1/07- 6/30/08	Costs 7/1/07- 6/30/08	Frequency 7/1/08- 6/30/09	Costs 7/1/08- 6/30/09	Frequency 7/1/09- 6/30/10	Costs 7/1/09- 6/30/10	Frequency 7/1/10- 6/30/11	Costs 7/1/10- 6/30/11	Frequency 7/1/11- 6/30/12	Costs 7/1/11- 6/30/12	Frequency 2007/2008- 2011/2012	Claims 2007/2008- 2011/2012	Costs 2007/2008- 2011/2012	Annual Cost 5 years 2007/2008- 2010/2011	Annual Cost 3 years 2009/2010- 2011/2012
BATTLE MOUNTAIN GENERAL HOSPITAL	3	\$ 1,216	9	\$ 1,646	14	\$ 2,018	1	\$ 1,136	5	\$ 2,496	32	\$ 8,511	\$ 1,702	\$ 1,883
BOULDER CITY HOSPITAL (No longer member)	17	\$ 10,798	20	\$ 22,646	14	\$ 9,269	17	\$ 11,055	11	\$ 15,512	79	\$ 69,280	\$ 13,856	\$ 11,945
CARSON TAHOE HOSPITAL (No longer member)	95	\$ 694,424	30	\$ 156,228	0	\$ -	0	\$ -	0	\$ -	125	\$ 850,651	\$ 425,326	\$ -
GROVER C. DILS MEDICAL CENTER	6	\$ 6,616	12	\$ 15,137	7	\$ 11,769	3	\$ 348	4	\$ 4,929	32	\$ 38,799	\$ 7,760	\$ 5,682
HUMBOLDT GENERAL HOSPITAL	13	\$ 60,806	11	\$ 59,977	9	\$ 109,943	12	\$ 107,760	18	\$ 93,188	63	\$ 431,674	\$ 86,335	\$ 103,630
MT. GRANT GENERAL HOSPITAL	10	\$ 17,949	13	\$ 19,795	8	\$ 43,778	14	\$ 8,237	9	\$ 3,925	54	\$ 93,683	\$ 18,737	\$ 18,647
PERSHING GENERAL HOSPITAL	10	\$ 33,487	15	\$ 9,897	10	\$ 67,303	6	\$ 30,002	8	\$ 45,928	49	\$ 186,616	\$ 37,323	\$ 47,744
SO. LYON MEDICAL CENTER (No longer member)	33	\$ 52,718	32	\$ 38,531	25	\$ 89,506	34	\$ 260,746	36	\$ 47,010	160	\$ 488,510	\$ 97,702	\$ 132,420
<b>TOTAL</b>	187	\$ 878,014	142	\$ 323,855	87	\$ 333,585	87	\$ 419,283	91	\$ 212,988	594	\$ 2,167,726	\$ 688,741	\$ 321,952

PACT Special Districts and Towns

Member Name	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	TOTAL	TOTAL	Average	Average
	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Claims	Claims	Annual Cost	Annual Cost
	7/1/07- 6/30/08	7/1/07- 6/30/08	7/1/08- 6/30/09	7/1/08- 6/30/09	7/1/09- 6/30/10	7/1/09- 6/30/10	7/1/10- 6/30/11	7/1/10- 6/30/11	7/1/11- 6/30/12	7/1/11- 6/30/12	2007/2008- 2011/2012	2007/2008- 2011/2012	2007/2008- 2011/2012	2009/2010- 2011/2012
<b>CARSON CITY:</b>														
NEVADA ASSOCIATION OF COUNTIES	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
NEVADA LEAGUE OF CITIES	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
NEVADA RURAL HOUSING AUTHORITY	3	\$ 1,030	1	\$ 3,112	2	\$ 2,845	0	\$ -	0	\$ -	6	\$ 6,987	\$ 1,397	\$ 948
<b>CLARK COUNTY:</b>														
VIRGIN VALLEY WATER DISTRICT	0	\$ -	0	\$ -	1	\$ 904	1	\$ 155	2	\$ 1,255	4	\$ 2,313	\$ 463	\$ 771
<b>CHURCHILL COUNTY:</b>														
CHURCHILL CO COMMUNICATIONS	5	\$ 6,529	2	\$ 7,029	3	\$ 7,487	0	\$ -	1	\$ 565	11	\$ 21,610	\$ 4,322	\$ 2,684
CHURCHILL COUNTY MOSQUITO & ABATEMENT DISTRICT	1	\$ 276	2	\$ 20,582	2	\$ 1,983	0	\$ -	2	\$ 27,526	7	\$ 50,367	\$ 10,073	\$ 9,836
<b>DOUGLAS COUNTY:</b>														
DOUGLAS CO. MOSQUITO CONTROL DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
EAST FORK FIRE & PARAMEDIC DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
EAST FORK SWIMMING POOL DISTRICT	0	\$ -	4	\$ 3,487	1	\$ 1,032	1	\$ 289	1	\$ 1,865	7	\$ 6,673	\$ 1,335	\$ 1,062
GARDNERVILLE, TOWN OF	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
GENOA, TOWN OF	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
MARLA BAY GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
MINDEN, TOWN OF	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
NV TAHOE CONSERVATION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
TAHOE DOUGLAS FIRE PROTECTION DISTRICT	21	\$ 103,901	26	\$ 38,059	18	\$ 132,023	18	\$ 146,722	13	\$ 72,366	96	\$ 493,071	\$ 98,614	\$ 117,037
<b>ELKO COUNTY:</b>														
ELKO CENTRAL DISPATCH	0	\$ -	0	\$ -	0	\$ -	1	\$ 1,145	0	\$ -	1	\$ 1,145	\$ 229	\$ 382
ELKO CONVENTION & VISITORS AUTHORITY	0	\$ -	3	\$ 17,264	0	\$ -	2	\$ -	0	\$ -	5	\$ 17,264	\$ 3,453	\$ -
ELKO TELEVISION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
JACKPOT TOWN	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>ESMERALDA COUNTY:</b>														
GOLDFIELD TOWN	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
SILVER PEAK TOWN	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>LANDER COUNTY:</b>														
AUSTIN, TOWN OF	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
AUSTIN VOL AMBULANCE	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
AUSTIN VOL FIRE DEPT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
BATTLE MOUNTAIN, TOWN OF	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
BATTLE MOUNTAIN VOL. AMBULANCE	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
BATTLE MOUNTAIN VOL FIRE	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
KINGSTON TOWN	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
KINGSTON VOL FIRE DEPT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>LINCOLN COUNTY:</b>														
ALAMO SEWER & WATER GID	0	\$ -	0	\$ -	1	\$ 16,050	0	\$ -	0	\$ -	1	\$ 16,050	\$ 3,210	\$ 5,350
LINCOLN COUNTY WATER DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
PAHRANAGAT VALLEY FIRE DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
PANACA VOLUNTEER FIRE DEPT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
PIOCHE, TOWN OF	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
PIOCHE VOLUNTEER FIRE DEPT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>LYON COUNTY:</b>														
CENTRAL LYON COUNTY FIRE PROTECT	8	\$ 8,395	3	\$ 9,811	0	\$ -	6	\$ 12,198	13	\$ 62,701	30	\$ 93,105	\$ 18,621	\$ 24,966
MASON VALLEY FIRE PROTECTION DISTRICT	1	\$ 344	1	\$ 2,428	2	\$ 1,338	0	\$ -	1	\$ 700	5	\$ 4,810	\$ 962	\$ 679
NORTH LYON COUNTY FIRE PROTECTION DISTRICT	3	\$ 1,807	3	\$ 4,880	4	\$ 130,078	4	\$ 2,685	1	\$ 325	15	\$ 139,776	\$ 27,955	\$ 44,363
SMITH VALLEY FIRE PROTECTION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>MINERAL COUNTY:</b>														
HAWTHORNE FIRE & VOL FIRE	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
HAWTHORNE UTILITIES	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
MINA VOL FIRE DEPT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
MINERAL CO. CARE & SHARE	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>NYE COUNTY:</b>														
PAHRUMP, TOWN OF	16	\$ 66,578	16	\$ 243,494	5	\$ 7,316	17	\$ 184,561	10	\$ 114,109	64	\$ 616,058	\$ 123,212	\$ 101,995
ROUND MOUNTAIN, TOWN OF	1	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ -	\$ -	\$ -
TONOPAH, TOWN OF	0	\$ -	1	\$ 252	0	\$ -	0	\$ -	1	\$ 25,987	2	\$ 26,239	\$ 5,248	\$ 8,662
TONOPAH PUBLIC UTILITIES	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>PERSHING COUNTY:</b>														
PERSHING COUNTY WATER CONSERVATION DISTRICT	0	\$ -	0	\$ -	2	\$ 23,386	1	\$ 381	4	\$ 6,978	7	\$ 30,744	\$ 6,149	\$ 10,248
<b>STOREY COUNTY:</b>														
CANYON GENERAL IMPROVEMENT DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ 134	1	\$ 134	\$ 27	\$ 45
<b>WASHOE COUNTY:</b>														
NORTH LAKE TAHOE FIRE PROTECTION DISTRICT	24	\$ 296,658	36	\$ 75,004	32	\$ 207,735	36	\$ 237,214	27	\$ 231,685	155	\$ 1,048,297	\$ 209,659	\$ 225,545
SIERRA FIRE PROTECTION DISTRICT	41	\$ 10,747	16	\$ 411,271	16	\$ 49,651	24	\$ 59,422	9	\$ 71,580	106	\$ 602,671	\$ 120,534	\$ 60,218
SUN VALLEY GENERAL IMPROVEMENT DIST (No longer member)	0	\$ -	1	\$ 915	2	\$ 2,086	1	\$ 412	0	\$ -	4	\$ 3,413	\$ 683	\$ 833

PACT Special Districts and Towns

TRUCKEE MEADOWS FIRE PROTECTION DISTRICT	2	\$ 5,742	0	\$ -	2	\$ 1,798	5	\$ 110,868	4	\$ 32,339	13	\$ 150,747	\$ 30,149	\$ 48,335
TRUCKEE MEADOWS REGIONAL PLANNING AUTHORITY	0	\$ -	2	\$ 176	0	\$ -	0	\$ -	0	\$ -	2	\$ 176	\$ 35	\$ -
<b>WHITE PINE COUNTY:</b>														
ELY MUNICIPAL WATER DEPT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
MCGILL RUTH CONSOLIDATED SEWER & WATER GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
WHITE PINE COUNTY FIRE PROTECTION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	2	\$ -	2	\$ -	\$ -	\$ -
WHITE PINE COUNTY TOURISM & RECREATION BOARD	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
WHITE PINE HISTORICAL RAILROAD FOUNDATION	2	\$ 829	4	\$ 1,095	1	\$ 327	2	\$ 899	1	\$ 770	10	\$ 3,920	\$ 784	\$ 665
<b>TOTAL</b>	<b>128</b>	<b>\$ 502,837</b>	<b>121</b>	<b>\$ 838,858</b>	<b>94</b>	<b>\$ 586,038</b>	<b>119</b>	<b>\$ 756,951</b>	<b>93</b>	<b>\$ 650,885</b>	<b>555</b>	<b>\$ 3,335,569</b>	<b>\$ 667,114</b>	<b>\$ 776,597</b>

PACT Summary of All Claims  
as of 6/30/12

Claims Frequency	Claims Costs	Claims Frequency	Claims Costs	Claims Frequency	Claims Costs	Claims Frequency	Claims Costs	Claims Frequency	Claims Costs	TOTAL Claims Frequency	TOTAL Claims Costs	Average Annual Cost 5 years	Average Annual Cost 3
7/1/07-6/30/08	7/1/07-6/30/08	7/1/08-6/30/09	7/1/08-6/30/09	7/1/09-6/30/10	7/1/09-6/30/10	7/1/10-6/30/11	7/1/10-6/30/11	7/1/11-6/30/12	7/1/11-6/30/12	2007/2008-2011/2012	2007/2008-2011/2012	2007/2008-2011/2012	2009/2010-2011/2012
1,070	\$ 6,668,346	1,042	\$ 4,892,636	933	\$ 7,708,830	848	\$ 4,631,936	799	\$ 3,287,058	4,692	\$ 27,188,805	\$ 5,437,761	\$ 5,209,275

**PACT**  
**Open Workers' Compensation Losses Over \$100,000**

<b>DATE OF LOSS</b>	<b>LOSS DESCRIPTION</b>	<b>TOTAL INCURRED</b>
9/9/1996	ARTERIAL FLUTTER; STRESS RELATED; INCREASED HEARTBEAT; HOSPITALIZED (Police)	140,325.67
1/16/1998	HEAD-ON COLLISION RESULTING IN CLOSED HEAD INJURY-RIGHT WRIST FRACTURE AND LOWER LEFT LEG LACERATION (Police)	111,879.40
5/5/1998	RIGHT ELBOW FELL AND TRIED TO BREAK FALL	178,857.86
5/24/1998	BOAT CAPSIZED-DROWNED (Police)	528,407.80
2/4/2000	HEART-REFERRED TO DOCTOR AS RESULT OF PHYSICAL. (Police)	275,114.83
7/25/2000	STRUCK BY LIGHTNING	1,524,170.34
11/4/2000	ATRIAL FIBRILLATION (Police)	1,103,507.61
12/29/2000	MAKING "U" TURN ATTEMPTING TO MAKE TRAFFIC STOP STRUCK BY OTHER VEHICLE (Police)	365,291.76
3/13/2001	HEART--CHEST PAIN WHILE DRIVING PATROL VEHICLE (Police)	129,131.80
9/19/2002	RIGHT KNEE PAIN/POSSIBLE TORN MENISCUS--LANDING AFTER SLIDING DOWN FIRE POLE. ENGINEER (Fire/Ambulance)	202,759.41
10/11/2002	LOWER BACK & RIGHT LEG PAIN--UNLOADING GURNEY CARRYING LARGE PATIENT; FIREFIGHTER/PARAMEDIC (Fire/Ambulance)	285,294.21
5/5/2003	LUMBAR SPRAIN/STRAIN--SHOVELING DIRT; EQUIPMENT OPERATOR	165,420.72
8/27/2003	LEFT & RIGHT HANDS/CARPAL TUNNEL SYNDROME--DOING COMPUTER WORK; PROPERTY MANAGER	385,356.70
9/16/2003	BACK STRAIN & LEFT THUMB CRUSHING INJURY--EXTRICATING OBESE PT FROM VEHICLE; CAPTAIN (Fire/Ambulance)	283,570.83
10/27/2003	HEART/CHEST PAIN--SEVERAL EPISODES OF ANGINA AT WORK; DEPUTY SHERIFF (Police)	366,172.80
1/9/2004	PREPARING FOR TRAINING STANDING IN DAY ROOM (Fire/Ambulance)	2,006,907.30
2/20/2004	WHILE TRANSPORTING A PRISONER (Police)	927,674.20
4/11/2004	LUNGS FILLED WITH WATER, HEART UNABLE TO PUMP IT OFF (Fire/Ambulance - Retiree)	154,512.53
6/8/2004	HEART ATTACK WHILE WATCHING TV IN CLASS (Police)	998,672.02
7/29/2004	EXTRICATING PT FROM VEH (Fire/Ambulance)	145,672.21
3/3/2005	ROUTINE ANNUAL HEART STRESS TEST- FAILED (Fire/Ambulance)	1,092,004.25
4/2/2005	HAND RECEIVED GUNSHOT WOUND (Police)	215,226.70
4/17/2005	FOOT SLIPPED OUT FROM UNDER CLMT WHILE LIFTING PATIENT FROM FLOOR (Fire/Ambulance)	198,436.92
11/5/2005	NECK & SHOULDER SNAPPED WHILE SHOTING SHOTGUN & FELT DIZZY (Police)	161,639.96
11/25/2005	VEHICLE EXTRACATION DURING SNOW STORM. SLIPPED/REACHED TO GRAB FOR SUPPORT (Fire/Ambulance)	111,405.22
7/28/2006	HEART; ONGOING CHEST PAIN AND WEAKNESS (Police)	1,159,313.26
8/23/2006	LIFTING BLOCKS TO MAKE A RETAINING WALL	369,761.62
3/16/2007	CHEST PAIN, SHORTNESS OF BREATH WHILE DRIVING (Police)	251,544.46
4/25/2007	ANNUAL PHYSICAL 4-25-07 ABNORMAL TEST (Fire/Ambulance)	1,198,036.46
5/16/2007	FELL 12 FEET DOWN OFF A RETAINING WALL WHILE FIGHTING A FIRE (Fire/Ambulance)	353,457.90
7/28/2007	HIT BUMP WHILE DRIVING EQUIPMENT	675,661.60
11/30/2007	CARRYING PERSON IN A STAIR CHAIR (Fire/Ambulance)	259,217.40
2/4/2008	HEART DISEASE (Police)	1,074,062.41
2/20/2008	LIFTING A LARGE PERSON BACK INTO BED WHEN THE INDIVIDUAL WAS LAYED UPON RT ANKLE. (Fire/Ambulance)	227,560.05
9/18/2008	UNLOADING A FLOOR CLEANER AND BACK TWINGED	152,037.51
9/23/2008	PULLING OUT A 6FT GATE VAVLE FORM THE TRUCK. FELT A SHARP PAIN/MUSCLE PULL ON THE TOP OF R SHOULDER	101,576.70

**PACT**  
**Open Workers' Compensation Losses Over \$100,000**

10/6/2008	ATTEMPTING TO ARREST A COMBATIVE SUBJECT (Police)	148,466.91
1/2/2009	WALKING DOWN STEPS AT RECREATION BASIN, MY BOOT HEEL CAUGHT EDGE OF STEP CAUSING ME TO STUMBLE AND FALL	200,744.42
3/9/2009	EXITED BOYS P.E. LOCKER ROOM, SLIPPED ON ICE, FELL ON CONCRETE AND INJURED BACK AND RIGHT LEG.	114,168.54
4/3/2009	WALKING INTO THE BUILDING, SLIPPED ON STEPS AND FELL BACKWARDS (Police)	379,337.58
11/17/2009	ATTEMPTING TO SUBDUE SUSPECT, FELL TO GROUND STRIKING LEFT SIDE ON GROUND (Police)	706,849.56
11/18/2009	EXPOSURE TO COMBUSTIVE MATERIALS AND OTHER HAZARDOUS CHEMICALS DURING NORMAL COURSE OF JOB DUTIES (Fire/Ambulance)	1,246,092.26
11/12/2009	ASTHMA ATTACK WHILE ON VACATION IN FLORIDA. RETURNED TO SEE DR. IN RENO (Fire/Ambulance)	112,618.90
4/26/2010	RESPONDING TO A CALL AT A CASINO, GUN SHOTS WERE FIRED. (Police)	1,544,054.28
3/1/2010	WHEN LIFTING HEAVY OBJECT, FELT A SLIGHT SNAP THAT WENT THROUGH BACK AND RIGHT SIDE OF NECK, SHOULDER	234,952.05
9/16/2010	WALKING DOWN THE FIRE STATION HALLWAY AND HAD A SEIZURE/STROKE (Fire/Ambulance)	254,597.96
1/12/2011	EXITING THE PASSENGER SIDE OF BRUSH 227, FEET GOT TANGLED UP IN WEATHER STRIPPING AND FELL FROM TRUCK (Fire/Ambulance)	141,663.86
2/24/2011	SHOT DURING DOMESTIC VIOLENCE CALL (Police)	359,404.76
3/24/2011	HEART ATTACK (Police)	115,872.59
7/7/2011	WHILE DRIVING A TRACTOR, HIT A BUMP IN THE ROAD AND THE TRACTOR SEAT COLAPSED AND COMPRESSED LOWER BACK	111,668.57
8/23/2011	DURING CHIPPER DUTIES, PULLED A TREE BACKWARDS AND STEPPED ON A PINECONE, TWISTING LEG. HEARD AND FELT A POP AND CRUNCHING/GRINDING IN R. KNEE (Fire/Ambulance)	104,643.24
1/4/2012	LIFTING BOXES OF COPY PAPER OUT OF A VAN AND STACKING IN COPIER ROOM	101,640.07
3/11/2012	HEART ATTACK (Police)	112,367.52
5/9/2012	WHILE WALKING FELT PAIN IN CENTER OF CHEST, NUMBNESS IN LEFT ARM AND SHORTNESS OF BREATH (Police)	133,642.99

**TOTAL ALL CLAIMS \$ 24,002,428.48**

Report Data As of 3/31/13

**PACT**  
**Open Workers' Compensation Losses Over \$100,000**

**PUBLIC AGENCY COMPENSATION TRUST**  
**CLAIMS OVER \$100,000 - HISTORICAL**

Entity	Date of Loss	SIR	Total Incurred	Total Paid	Description
Boulder City	9/9/1996	300,000	140,325.67	78,914.18	ARTERIAL FLUTTER; STRESS RELATED; INCREASED HEARTBEAT; HOSPITALIZED (Police)
Elko General Hospital	2/1/1997	300,000	159,321.13	159,321.13	CLMT STRAINED BACK WHEN SHE TURNED AROUND WHILE DRAWING BLOOD FROM A PATIENT.
Pershing General Hospital	8/23/1997	300,000	129,723.05	129,723.05	COCCYX BRUISED--SLIP AND FALL
Nye County	1/16/1998	300,000	111,879.40	109,357.94	HEAD-ON COLLISION RESULTING IN CLOSED HEAD INJURY-RIGHT WRIST FRACTURE AND LOWER LEFT LEG LACERATION (Police)
Elko General Hospital	5/5/1998	300,000	178,857.86	177,530.95	RIGHT ELBOW FELL AND TRIED TO BREAK FALL
Douglas County	5/24/1998	300,000	528,407.80	129,154.77	BOAT CAPSIZED-DROWNED (Police)
Yerington, City of	6/28/1998	300,000	122,618.35	122,618.35	SUBDUING SUSPECT DURING ARREST SUFFERED ASTHMA ATTACK AND NOW LUNG CONDITIONGETTING WORSE WITH FREQUENT ASTHMA ATTACKS AND STILL REQUIRING TREATMENT. (Police)
Elko County	9/5/1998	300,000	128,956.34	128,956.34	HEART--ON DUTY AT SCENE OF ACCIDENT; CHEST BEGAN TO TIGHTEN (Police)
Douglas County	12/2/1998	300,000	151,585.92	151,585.92	LUMBAR STRAIN--THROWN TO MAT DURING DEFENSIVE TACTICS TRAINING (Police)
South Lyon Medical Center	3/16/1999	300,000	129,846.85	129,846.85	LUMBAR/SPINE STRAIN--REPOSITIONING PATIENT
Douglas County	2/4/2000	300,000	275,114.83	148,635.11	HEART-REFERRED TO DOCTOR AS RESULT OF PHYSICAL. (Police)
Churchill County	3/2/2000	300,000	177,726.31	177,726.31	LUMBAR STRAIN STEPPING OFF OF THE BACK OF A TRUCK AND TWISTED BACK.
White Pine County	7/25/2000	300,000	1,524,170.34	363,744.48	STRUCK BY LIGHTNING
Storey County	11/4/2000	500,000	1,103,507.61	466,299.82	ATRIAL FIBRILLATION (Police)
Lander County	12/2/2000	500,000	128,965.57	128,965.57	LEFT SHOULDER MUSCLE STRAIN DEMONSTRATING DEFENSIVE TACTICS MANUEVER TO THE BATTLE MOUNTAIN HIGH SCHOOL (Police)
Nye County	12/29/2000	500,000	365,291.79	287,352.86	MAKING "U" TURN ATTEMPTING TO MAKE TRAFFIC STOP STRUCK BY OTHER VEHICLE (Police)
Elko County	1/12/2001	300,000	177,998.24	177,998.24	LOWER BACK/LEGS--SHOVELING SNOW OFF OF SIDEWALKS
White Pine County	2/7/2001	300,000	147,722.51	147,722.51	CERVICAL STRAIN - REAR-ENDED AT STOP LIGHT
Pahrump, Town of	2/20/2001	500,000	114,581.13	114,581.13	HEAD/NECK/BACK - ON COMING CAR EXCUTED U-TURN; AMBULANCE UNABLE TO AVOID (Fire/Ambulance)
Nye County	3/13/2001	500,000	129,131.80	37,573.10	HEART - CHEST PAIN WHILE DRIVING PATROL VEHICLE (Police)
White Pine Co School District	5/23/2001	300,000	167,713.92	167,713.92	LUMBAR STRAIN (RIGHT) LIFTING HEAVY GARBAGE INTO DUMPSTER
White Pine County	7/28/2001	300,000	119,884.16	119,884.16	ACUTE HEAD TRAUMA/RIGHT SHOULDER--FELL FROM HORSE
Douglas County	8/21/2001	300,000	102,392.36	102,392.36	UNKNOWN--TURNING LEFT, HIT BY ON-COMING VEHICLE.CARE FLIGHTED
Nye County	9/20/2001	500,000	288,634.74	288,634.74	LT-KNEE & MULTIPLE INJURIES IN LATER MVA STEPPED INTO HOLE BETWEEN MATSDURING DEFENSIVE TACTICS TRAINING ROLLOVER MVA ENROUTE TO PHYSICAL THERAPY11-28-01. MULTIPLE INJURIES. HEAD, NECK, BACK, HIPS, SPLEEN, LIVER, ETC. (Police)
Boulder City Hospital	10/3/2001	300,000	242,978.61	242,978.61	LOW BACK STRAIN--KICK BY RESIDENT
Lander Co School District	2/26/2002	300,000	110,918.53	110,918.53	BACK PAIN/MUSCLE SPASM--BENDING OVER; BACK POPPED TEACHER
Nye County	3/21/2002	300,000	226,281.64	226,281.64	CERVICAL/THORACIC/LUMBAR SPRAIN-MVA; REAR-ENDED AT TRAFFIC LIGHT INVESTIGATOR/DISTRICT ATTORNEY'S OFFICE
Douglas County	6/26/2002	300,000	131,067.85	131,067.85	BACK STRAIN/SPRAIN - ROLLING UP BALLFIELD DRAG AFTER PREPARING IN FIELD FOR PLAY
Tahoe Douglas Fire Prot District	9/19/2002	500,000	202,759.41	134,681.97	RIGHT KNEE PAIN/POSSIBLE TORN MENISCUS--LANDING AFTER SLIDING DOWN FIRE POLE. ENGINEER (Fire/Ambulance)
Lander County	9/30/2002	300,000	158,482.19	158,482.19	NECK & LEFT SHOULDER & ARM STRAIN--AFTER LIFTING THE BUFFER FM TABLE TO FLOOR; POOL MANAGER
Tahoe Douglas Fire Prot District	10/11/2002	500,000	285,294.21	190,745.07	LOWER BACK & RIGHT LEG PAIN--UNLOADING GURNEY CARRYING LARGE PATIENT; FIREFIGHTER/PARAMEDIC (Fire/Ambulance)
Town of Pahrump	12/28/2002	300,000	140,113.22	140,113.22	LUMBAR STRAIN--PICKING UP DEAD TREE TO PUT IN DUMPSTER; MAINT I
Nye County	2/20/2003	500,000	120,398.91	120,398.91	WORKING ON GARAGE DOOR SYSTEM WHEN IT CAME APART AND CRUSHED CLMT'S HANDS; FIREFIGHTER (Fire/Ambulance)
Pershing County	5/5/2003	300,000	165,420.72	125,772.97	LUMBAR SPRAIN/STRAIN--SHOVELING DIRT; EQUIPMENT OPERATOR

**PACT**  
**Open Workers' Compensation Losses Over \$100,000**

**PUBLIC AGENCY COMPENSATION TRUST**  
**CLAIMS OVER \$100,000 - HISTORICAL**

Entity	Date of Loss	SIR	Total Incurred	Total Paid	Description
Carson Tahoe Regional HealthCare	8/27/2003	350,000	385,356.70	364,763.85	LEFT & RIGHT HANDS/CARPAL TUNNEL SYNDROME-DOING COMPUTER WORK PROPERTY MANAGER
Carson City	9/16/2003	600,000	283,570.83	251,658.79	BACK STRAIN & LEFT THUMB CRUSHING INJURY--EXTRICATING OBESE PT FROM VEHICLE; CAPTAIN (Fire/Ambulance)
Nye County	10/27/2003	600,000	366,172.80	160,667.83	HEART/CHEST PAIN--SEVERAL EPISODES OF ANGINA AT WORK; DEPUTY SHERIFF (Police)
North Lake Tahoe Fire Prot District	1/9/2004	600,000	2,006,907.30	12,577.05	PREPARING FOR TRAINING STANDING IN DAY ROOM (Fire/Ambulance)
Lyon County	2/20/2004	600,000	927,674.20	325,894.96	WHILE TRANSPORTING A PRISONER (Police)
Elko County	4/11/2004	600,000	154,512.53	54,704.07	LUNGS FILLED WITH WATER, HEART UNABLE TO PUMP IT OFF (Fire/Ambulance)
Lander County	5/31/2004	600,000	135,000.17	135,000.17	HAD HEART ATTACK WHILE SLEEPING (Police)
Mineral County	6/8/2004	600,000	998,672.02	181,537.43	HEART ATTACK WHILE WATCHING TV IN CLASS (Police)
Tahoe Douglas Fire Prot District	7/29/2004	750,000	145,672.21	143,245.91	EXTRICATING PT FROM VEH (Fire/Ambulance)
Lyon County	12/29/2004	350,000	120,669.79	120,669.79	STRUCK BY DEBRIS FROM PIPE EXPLOSION
Elko County	2/8/2005	750,000	100,606.46	100,606.46	S/F ON ICE WHILE DOING SECURITY CHECKS (Police)
North Lake Tahoe Fire Prot District	3/3/2005	750,000	1,092,004.25	314,863.11	ROUTINE ANNUAL HEART STRESS TEST- FAILED (Fire/Ambulance)
Douglas County	4/4/2005	750,000	215,226.70	196,142.43	HAND RECEIVED GUNSHOT WOUND (Police)
Tahoe Douglas Fire Prot District	4/17/2005	750,000	198,436.92	144,532.88	FOOT SLIPPED OUT FROM UNDER CLMT WHILE LIFTING PATIENT FROM FLOOR (Fire/Ambulance)
Douglas County	5/18/2005	750,000	103,908.65	103,908.65	CORONARY HEART DISEASE; UNKNOW CAUSE; DETECTED DURING EMPLOYEE DEPARTMENT PHYSICAL (Police)
Tahoe Douglas Fire Prot District	9/6/2005	750,000	134,135.76	134,135.76	FELT CHEST PAINS AFTER WORKOUT ON STAIR STEPPER (Fire/Ambulance)
Boulder City Hospital	10/18/2005	350,000	545,968.57	545,968.57	S/F ON SLIPPERY FLOOR
Douglas County	11/5/2005	750,000	161,639.96	133,914.14	NECK & SHOULDER SNAPPED WHILE SHOTING SHOTGUN & FELT DIZZY (Police)
Carson Tahoe Hospital	11/21/2005	350,000	144,091.09	144,091.09	SLIPPED & FELL; WALKING INTO PATIENT'S ROOM
Tahoe Douglas Fire Prot District	11/25/2005	750,000	111,405.22	66,514.50	VEHICLE EXTRACATION DURING SNOW STORM. SLIPPED/REACHED TO GRAB FOR SUPPORT (Fire/Ambulance)
White Pine Co School District	6/28/2006	350,000	182,034.73	182,034.73	S/F BACKWARDS OFF SINK WHILE STANDING ON SINK COUNTER CLEANING WALLS.
White Pine County	7/28/2006	750,000	1,159,313.26	341,954.44	HEART; ONGOING CHEST PAIN AND WEAKNESS (Police)
Lincoln Co School District	8/23/2006	350,000	369,761.62	270,332.02	LIFTING BLOCKS TO MAKE A RETAINING WALL
Pershing General Hospital	1/8/2007	350,000	121,866.01	121,866.01	T/F ON ALARM WIRE WHILE MAKING BED, LANDING ON ARM
Lyon County	2/27/2007	350,000	106,857.50	106,857.50	THROWN INTO WINDSHIELD AFTER STOPPING SNOWPLOW ON PATCH OF SNOW
Nye County	3/16/2007	750,000	251,544.46	192,409.36	CHEST PAIN, SOB WHILE DRIVING (Police)
Sierra Fire Protection District	4/25/2007	750,000	1,198,036.46	278,290.68	ANNUAL PHYSICAL 4-25-07 ABNORMAL TEST (Fire/Ambulance)
Sierra Fire Protection District	5/16/2007	750,000	353,457.90	218,569.61	FELL 12 FEET DOWN OFF A RETAINING WALL WHILE FIGHTING A FIRE (Fire/Ambulance)
Carson Tahoe Hospital	5/25/2007	350,000	214,939.05	214,939.05	HELPING LIFT A PATIENT IN BED
Boulder, City of	7/19/2007	500,000	100,008.18	100,008.18	MOVING COPIERS WITHIN POLICE BUILDING
Fallon, City of	7/28/2007	500,000	675,661.60	346,078.57	HIT BUMP WHILE DRIVING EQUIPMENT
Carson Tahoe Hospital	9/17/2007	500,000	487,431.46	487,431.46	TWISTED KNEE LIFTING A PATIENT
Carson City	10/10/2007	500,000	234,096.74	234,096.74	STEPPED IN HOLE & FELL IN STORM DRAIN DITCH
North Lake Tahoe Fire Prot Dist	11/30/2007	500,000	259,217.40	224,110.40	CARRYING PERSON IN A STAIR CHAIR (Fire/Ambulance)
Lincoln Co School District	12/7/2007	500,000	210,560.44	210,560.44	S/F ON BACK WHILE CARRYING PLATFORM FOR CHRISTMAS PLAY
Carson City	12/25/2007	500,000	161,361.43	161,361.43	S/F WHILE CHECKING WATER FLOW AT POND
Lyon County	2/4/2008	500,000	1,074,062.41	324,405.56	HEART DISEASE (Fire/Ambulance)
Douglas County	2/20/2008	500,000	227,560.05	78,419.15	LIFTING A LARGE PERSON BACK INTO BED WHEN THE INDIVIDUAL WAS LAYED UPON RT ANKLE. (Fire/Ambulance)
Nye Co School District	5/1/2008	500,000	133,969.69	133,969.69	FELL WHILE CLOSING ROOF DOOR
Esmeralda Co. School District	7/21/2008	500,000	152,037.51	145,486.08	UNLOADING A FLOOR CLEANER AND BACK TWINGED

**PACT**  
**Open Workers' Compensation Losses Over \$100,000**

**PUBLIC AGENCY COMPENSATION TRUST**  
**CLAIMS OVER \$100,000 - HISTORICAL**

Entity	Date of Loss	SIR	Total Incurred	Total Paid	Description
Sierra Fire Protection District	9/18/2008	500,000	112,265.39	112,265.39	EXTRACTING A COMBATIVE PT FROM VEHICLE AND GOT CAUGHT BETWEEN PT AND CAR. LANDED ON KNEE. (Fire/Ambulance)
Elko, City of	9/23/2008	500,000	101,576.70	76,845.06	PULLING OUT A 6FT GATE VAVLE FORM THE TRUCK. FELT A SHARP PAIN/MUSCLE PULL ON THE TOP OF R SHOULDER
Carson City	10/6/2008	500,000	148,466.91	89,079.70	ATTEMPTING TO ARREST A COMBATIVE SUBJECT (Police)
Lyon County	1/2/2009	500,000	200,744.42	191,374.22	WALKING DOWN STEPS AT RECREATION BASIN, MY BOOT HEEL CAUGHT EDGE OF STEP CAUSING ME TO STUMBLE AND FALL
Sierra Fire Protection District	1/11/2009	500,000	153,882.13	153,882.13	RENDERING MEDICAL AID AND FELL ON ICE (Fire/Ambulance)
Sierra Fire Protection District	2/24/2009	500,000	128,988.83	128,988.83	LIFTING HEAVY OBJECT AND TWISTED BACK (Fire/Ambulance)
West Wendover, City of	3/5/2009	500,000	166,539.19	166,539.19	WHILE TRYING TO PRY HEAVY TRUCK TIRE OFF WHEEL BY HAND WITH TIRE IRONS, EXPERIENCED PAIN IN THE NECK
Humboldt Co. School District	3/9/2009	500,000	114,168.54	27,296.03	EXITED BOYS P.E. LOCKER ROOM, SLIPPED ON ICE, FELL ON CONCRETE AND INJURED BACK AND RIGHT LEG.
Nye County	3/18/2009	500,000	106,649.26	106,649.26	LIFTING TRASH OVER 5 FEET INTO TRASH BINS
Storey County	4/3/2009	500,000	379,337.58	256,152.24	WALKING INTO THE BUILDING, SLIPPED ON STEPS AND FELL BACKWARDS (Police)
Eureka County	4/30/2009	500,000	199,047.37	199,047.37	WHILE RINSING THE FLOOR WITH THE HOSE, STEPPED BACK INTO THE ROOM AND SLIPPED ON THE WET CONCRETE. HIT KNEE ON THE GROUND
Winnemucca, City of	9/16/2009	500,000	205,852.31	205,852.31	LIFTING A BOTTLE OF CHLORINE INTO THE BACK OF A TRUCK, WHEN R HIP POPPED CAUSING A LOT OF LOWER BACK AND HIP PAIN
Douglas County	11/17/2009	500,000	706,849.56	90,244.15	ATTEMPTING TO SUBDUE SUSPECT, FELL TO GROUND STRIKING LEFT SIDE ON GROUND (Police)
Carson City	11/18/2009	500,000	1,246,092.26	152,907.26	EXPOSURE TO COMBUSTIVE MATERIALS AND OTHER HAZARDOUS CHEMICALS DURING NORMAL COURSE OF JOB DUTIES (Fire/Ambulance)
North Lake Tahoe Fire Prot Dist	11/12/2009	500,000	112,618.90	19,856.57	ASTHMA ATTACK WHILE ON VACATION IN FLORIDA. RETURNED TO SEE DR. IN RENO (Fire/Ambulance)
Carson City	12/1/2009	500,000	117,316.61	117,316.61	FILE CABINET FELL FORWARD PINNING ME ON FLOOR
Carson City	12/4/2009	500,000	103,948.15	103,948.15	WHILE RAISING FLAGS, SLIPPED AND FELL
Mineral County School District	12/14/2009	500,000	118,189.53	118,189.53	WALKING OUT OF THE DOOR AT THE END OF THE DAY, SLIPPED ON ICE.
Mineral County School District	3/1/2010	500,000	234,952.05	125,087.73	WHEN LIFTING HEAVY OBJECT, FELT A SLIGHT SNAP THAT WENT THROUGH BACK AND RIGHT SIDE OF NECK, SHOULDER
Nye County	4/26/2010	500,000	1,544,054.28	140,676.90	RESPONDING TO A CALL AT A CASINO, GUN SHOTS WERE FIRED. (Police)
White Pine County	4/27/2010	500,000	127,123.04	127,123.04	LOADING PANELS WHICH SLIPPED OFF FORKS, HITTING LEG
Humboldt General Hospital	5/2/2010	500,000	107,236.58	107,236.58	GETTING PATIENT LEMONAIDE FROM FRIDGE IN DINING ROOM, SLIPPED ON WATER ON FLOOR AND HIT L KNEE
North Lyon Co. Fire Protection District	5/15/2010	500,000	137,236.39	137,236.39	PULLING 1" CHARGED HOSE UP A SMALL SLOPE. THE HOSE SNAGGED ON A PIECE OF BURNT BRUSH CAUSING THE HILLSIDE TO GIVE WAY CAUSING ME TO FALL FACE FIRST. R WRIST HIT A ROCK AS I CAUGHT MY FALL. (Fire/Ambulance)
Mineral County School District	6/23/2010	500,000	154,498.49	154,498.49	CLIMBING OUT OF THE WATER VALVE PIT, HURT LOW BACK AND LEG
Fernley, City of	7/28/2010	500,000	112,420.11	112,420.11	WHILE DESCENDING LADDER, FOOT SLIPPED OFF OF LADDER RUNG AND FELL TO FLOOR
Churchill County	9/6/2010	500,000	145,893.50	145,893.50	WHILE LINING UP FOR PARADE, SEARCH & RESCUE HORSE GOT SPOOKED AND THREW ME OFF (Police)
Boulder City	9/16/2010	500,000	254,597.96	55,679.46	WALKING DOWN THE FIRE STATION HALLWAY AND HAD A SEIZURE/STROKE (Fire/Ambulance)
Truckee Meadows Fire Prot District	1/12/2011	500,000	141,663.86	93,185.40	EXITING THE PASSENGER SIDE OF BRUSH 227, FEET GOT TANGLED UP IN WEATHER STRIPPING AND FELL FROM TRUCK (Fire/Ambulance)
North Lake Tahoe Fire Prot Dist	2/13/2011	500,000	119,246.27	119,246.27	WHILE WASHING STAIRS IN APPARATUS FLOOR OF STATION 13, SLIPPED ON 3RD STEP FROM BOTTOM, LANDING FLAT ON BACK (Fire/Ambulance)

**PACT**  
**Open Workers' Compensation Losses Over \$100,000**

**PUBLIC AGENCY COMPENSATION TRUST**  
**CLAIMS OVER \$100,000 - HISTORICAL**

Entity	Date of Loss	SIR	Total Incurred	Total Paid	Description
Elko County	2/24/2011	500,000	359,404.73	242,669.96	SHOT DURING DOMESTIC VIOLENCE CALL (Police)
Lyon County	3/8/2011	500,000	151,309.24	151,309.24	WHILE STANDING ON THE FRAME BENDING OVER ENGINE, FELT PAIN IN LOWER BACK
Lyon County	3/24/2011	500,000	115,872.59	83,060.55	HEART ATTACK (Police)
Tahoe Douglas Fire Prot. District	5/31/2011	500,000	112,517.97	112,517.97	8 TO 9 FOOT WAVES DURING WATER SAFETY TRAINING AND COMPRESSED BACK
Yerington, City of	7/7/2011	500,000	111,668.57	55,898.41	WHILE DRIVING A TRACTOR, HIT A BUMP IN THE ROAD AND THE TRACTOR SEAT COLAPSED AND COMPRESSED LOWER BACK
North Lake Tahoe Fire Prot Dist	8/23/2011	500,000	104,643.24	79,550.47	DURING CHIPPER DUTIES, PULLED A TREE BACKWARDS AND STEPPED ON A PINECONE, TWISTING LEG. HEARD AND FELT A POP AND CRUNCHING/GRINDING IN R. KNEE (Fire/Ambulance)
Yerington, City of	1/4/2012	500,000	101,640.07	59,749.23	LIFTING BOXES OF COPY PAPER OUT OF A VAN AND STACKING IN COPIER ROOM
Nye County	3/11/2012	500,000	112,367.52	24,338.27	HEART ATTACK (Police)
Nye County	5/9/2012	500,000	133,642.99	24,332.72	WHILE WALKING FELT PAIN IN CENTER OF CHEST, NUMBNESS IN LEFT ARM AND SHORTNESS OF BREATH (Police)
Truckee Meadows Fire Prot District	7/18/2012	500,000	102,056.48	102,056.48	WHILE ON EMERGENCY INCIDENT FELL FROM SECOND STEP OF ENGINE (Fire/Ambulance)

**Totals All Claims**  
 Report Data As of 3/31/12

**33,300,062.57    18,206,454.46**

**PACT**  
**Open Workers' Compensation Losses Over \$100,000**

**PUBLIC AGENCY COMPENSATION TRUST**  
**CLAIMS OVER \$100,000 - HISTORICAL by Member**

Entity	Date of Loss	SIR	Total Incurred	Total Paid	Description
Boulder, City of	9/9/1996	300,000	140,325.67	78,914.18	ARTERIAL FLUTTER; STRESS RELATED; INCREASED HEARTBEAT; HOSPITALIZED (Police)
Boulder, City of	7/19/2007	500,000	100,008.18	100,008.18	MOVING COPIERS WITHIN POLICE BUILDING
Boulder, City of	9/16/2010	500,000	254,597.96	55,679.46	WALKING DOWN THE FIRE STATION HALLWAY AND HAD A SEIZURE/STROKE (Fire/Ambulance)
<b>Boulder, City of Total</b>			<b>494,931.81</b>	<b>234,601.82</b>	<b>1 Fire Claim and 1 Police Claim</b>
Boulder City Hospital	10/3/2001	300,000	242,978.61	242,978.61	LOW BACK STRAIN--KICK BY RESIDENT
Boulder City Hospital	10/18/2005	350,000	545,968.57	545,968.57	S/F ON SLIPPERY FLOOR
<b>Boulder City Hospital Total</b>			<b>788,947.18</b>	<b>788,947.18</b>	
Carson City	9/16/2003	600,000	283,570.83	251,658.79	BACK STRAIN & LEFT THUMB CRUSHING INJURY--EXTRICATING OBESE PT FROM VEHICLE; CAPTAIN (Fire/Ambulance)
Carson City	10/10/2007	500,000	234,096.74	234,096.74	STEPPED IN HOLE & FELL IN STROM DRAIN DITCH
Carson City	12/25/2007	500,000	161,361.43	161,361.43	S/F WHILE CHECKING WATER FLOW AT POND
Carson City	10/6/2008	500,000	148,466.91	89,079.70	ATTEMPTING TO ARREST COMBATIVE SUBJECT (Police)
Carson City	11/18/2009	500,000	1,246,092.26	152,907.26	EXPOSURE TO COMBUSTIVE MATERIALS AND OTHER HAZARDOUS CHEMICALS DURING NORMAL COURSE OF JOB DUTIES (Fire/Ambulance)
Carson City	12/1/2009	500,000	117,316.61	117,316.61	FILE CABINET FELL FORWARD PINNING ME ON FLOOR
Carson City	12/11/2009	500,000	103,948.15	103,948.15	WHILE RAISING FLAGS, SLIPPED AND FELL
<b>Carson City Total</b>			<b>2,294,852.93</b>	<b>1,110,368.68</b>	<b>2 Fire Claims And 1 Police Claim</b>
Carson Tahoe Hospital	8/27/2003	350,000	385,356.70	364,763.85	LEFT & RIGHT HANDS/CARPAL TUNNEL SYNDROME--DOING COMPUTER WORK; PROPERTY MANAGER
Carson Tahoe Hospital	11/21/2005	350,000	144,091.09	144,091.09	SLIPPED & FELL; WALKING INTO PATIENT'S ROOM
Carson Tahoe Hospital	5/25/2007	350,000	241,939.05	214,939.05	HELPING LIFT A PATIENT IN BED
Carson Tahoe Hospital	9/17/2007	500,000	487,431.46	487,431.46	TWISTED KNEE LIFTING A PATIENT
<b>Carson Tahoe Hospital Total</b>			<b>1,258,818.30</b>	<b>1,211,225.45</b>	
Churchill County	3/2/2000	300,000	177,726.31	177,726.31	LUMBAR STRAIN STEPPING OFF OF THE BACK OF A TRUCK AND TWISTED BACK.
Churchill County	9/6/2010	500,000	145,893.50	145,893.50	WHILE LINING UP FOR PARADE, SEARCH & RESCUE HORSE GOT SPOOKED AND THREW ME OFF (Police)
<b>Churchill County Total</b>			<b>323,619.81</b>	<b>323,619.81</b>	<b>1 Police Claim</b>
Douglas County	5/24/1998	300,000	528,407.80	129,154.77	BOAT CAPSIZED - DROWNED (Police)
Douglas County	12/2/1998	300,000	151,585.92	151,585.92	LUMBAR STRAIN--THROWN TO MAT DURING DEFENSIVE TACTICS TRAINING (Police)
Douglas County	2/4/2000	300,000	275,114.83	148,635.11	HEART-REFERRED TO DOCTOR AS RESULT OF PHYSICAL. (Police)
Douglas County	8/21/2001	300,000	102,392.36	102,392.36	UNKNOWN--TURNING LEFT, HIT BY ON-COMING VEHICLE. CARE FLIGHTED
Douglas County	6/26/2002	300,000	131,067.85	131,067.85	BACK STRAIN/STRAIN - ROLLING UP BALLFIELD DRAG AFTER PREPARING IN FIELD FORPLAY.
Douglas County	4/2/2005	750,000	215,226.70	196,142.43	HAND RECEIVED GUNSHOT WOUND (Police)
Douglas County	5/18/2005	750,000	103,908.65	103,908.65	CORONARY HEART DISEASE; UNKNOW CAUSE; DETECTED DURING EMPLOYEE DEPARTMENT PHYSICAL (Police)
Douglas County	11/5/2005	750,000	161,639.96	133,914.14	NECK & SHOULDER SNAPPED WHILE SHOOTING SHOTGUN, & FELT DIZZY (Police)
Douglas County	2/20/2008	500,000	227,560.05	78,419.15	LIFTING A LARGE PERSON BACK INTO BED WHEN THE INDIVIDUAL WAS LAYED UPON RT. ANKLE (Fire/Ambulance)
Douglas County	11/17/2009	500,000	706,849.56	90,244.15	ATTEMPTING TO SUBDUE SUSPECT, FELL TO GROUND STRIKING LEFT SIDE ON GROUND (Police)
<b>Douglas County Total</b>			<b>2,603,753.68</b>	<b>1,265,464.53</b>	<b>1 Fire Claim and 7 Police Claims</b>

**PACT**  
**Open Workers' Compensation Losses Over \$100,000**

**PUBLIC AGENCY COMPENSATION TRUST**  
**CLAIMS OVER \$100,000 - HISTORICAL by Member**

Entity	Date of Loss	SIR	Total Incurred	Total Paid	Description
<b>City of Elko</b>	<b>9/23/2008</b>		<b>101,576.70</b>	<b>76,845.06</b>	PULLING OUT A 6 FT GATE VAVLE FORM THE TRUCK. FELT A SHARP PULL ON THE TOP OF R SHOULDER
Elko County	9/5/1998	300,000	128,956.34	128,956.34	HEART--ON DUTY AT SCENE OF ACCIDENT; CHEST BEGAN TO TIGHTEN (Police)
Elko County	1/12/2001	300,000	177,998.24	177,998.24	LOWER BACK/LEGS--SHOVELING SNOW OFF OF SIDEWALKS
Elko County	4/11/2004	600,000	154,512.53	54,704.07	LUNGS FILLED WITH WATER, HEART UNABLE TO PUMP IT OFF (Fire/Ambulance - Retiree)
Elko County	2/8/2005	750,000	100,606.46	100,606.46	SLIP AND FALL WHILE DOING SECURITY CHECKS (Police)
Elko County	2/24/2011	500,000	359,404.73	242,669.96	SHOT DURING DOMESTIVE VIOLENCE CALL (Police)
<b>Elko County Total</b>			<b>921,478.30</b>	<b>704,935.07</b>	<b>1 Fire Claims and 3 Police Claims</b>
Elko General Hospital	2/1/1997	300,000	159,321.13	159,321.13	CLAIMANT STRAINED BACK WHEN SHE TURNED AROUND WHILE DRAWING BLOOD FROM A PATIENT
Elko General Hospital	5/5/1998	300,000	178,857.86	177,530.95	RIGHT ELBOW FELL AND TRIED TO BREAK FALL
<b>Elko General Hospital Total</b>			<b>338,178.99</b>	<b>336,852.08</b>	
<b>Esmeralda Co. School District</b>	<b>7/21/2008</b>	<b>500,000</b>	<b>152,037.51</b>	<b>145,486.08</b>	UNLOADING A FLOOR CLEANER AND BACK TWINGED
<b>Eureka County</b>	<b>4/30/2009</b>	<b>500,000</b>	<b>199,047.37</b>	<b>199,047.37</b>	WHILE RINSING THE FLOOR WITH THE HOSE, STEPPED BACK INTO THE ROOM AND SLIPPED ON THE WET CONCRETE. HIT KNEE ON THE GROUND
<b>Fallon, City of</b>	<b>7/28/2007</b>	<b>500,000</b>	<b>675,661.60</b>	<b>346,078.57</b>	HIT BUMP WHILE DRIVING EQUIPMENT
<b>Fernley, City of</b>	<b>7/28/2010</b>	<b>500,000</b>	<b>112,420.11</b>	<b>112,420.11</b>	WHILE DESCENDING LADDER, FOOT SLIPPED OFF OF LADDER RUNG AND FELL TO FLOOR
<b>Humboldt Co. School District</b>	<b>3/9/2009</b>	<b>500,000</b>	<b>114,168.54</b>	<b>27,296.03</b>	EXITED BOYS P.E. LOCKER ROOM, SLIPPED ON ICE, FELL ON CONCRETE AND INJURED BACK AND RIGHT LEG.
<b>Humboldt General Hospital</b>	<b>5/2/2010</b>	<b>500,000</b>	<b>107,236.58</b>	<b>107,236.58</b>	GETTING A PATIENT LEMONADE FROM FRIDGE IN DINING ROOM. SLIPPED ON WATER ON FLOOR AND HIT L KNEE
Lander County	12/2/2000	500,000	128,965.57	128,965.57	LEFT SHOULDER MUSCLE STRAIN DEMONSTRATING DEFENSIVE TACTICS MANUEVER TO THE BATTLE MOUNTAIN HIGH SCHOOL (Police)
Lander County	9/30/2002	300,000	158,482.19	158,482.19	NECK & LEFT SHOULDER & ARM STRAIN--AFTER LIFTING THE BUFFER FM TABLE TO FLOOR; POOL MANAGER
Lander County	5/31/2004	600,000	135,000.17	135,000.17	HAD HEART ATTACK WHILE SLEEPING (Police)
<b>Lander County Total</b>			<b>422,447.93</b>	<b>422,447.93</b>	<b>2 Police Claims</b>
<b>Lander Co School District</b>	<b>2/26/2002</b>	<b>300,000</b>	<b>110,918.53</b>	<b>110,918.53</b>	BACK PAIN/MUSCLE SPASM--BENDING OVER; BACK POPPED TEACHER
Lincoln Co School District	8/23/2006	350,000	369,761.62	270,332.02	LIFTING BLOCKS TO MAKE A RETAINING WALL
Lincoln Co School District	12/7/2007	500,000	210,560.44	210,560.44	S/F ON BACK WHILE CARRYING PLATFORM FOR CHRISTMAS PLAY
<b>Lincoln Co School District Total</b>			<b>580,322.06</b>	<b>480,892.46</b>	
Lyon County	2/20/2004	600,000	927,674.20	325,894.96	WHILE TRANSPORTING A PRISONER (Police)
Lyon County	12/29/2004	350,000	120,669.79	120,669.79	STRUCK BY DEBRIS FROM PIPE EXPLOSION
Lyon County	2/27/2007	350,000	106,857.50	106,857.50	THROWN INTO WINDSHIELD AFTER STOPPING SNOWPLOW ON PATCH OF SNOW

**PACT**  
**Open Workers' Compensation Losses Over \$100,000**

**PUBLIC AGENCY COMPENSATION TRUST**  
**CLAIMS OVER \$100,000 - HISTORICAL by Member**

Entity	Date of Loss	SIR	Total Incurred	Total Paid	Description
Lyon County	2/4/2008	500,000	1,074,062.41	324,405.56	HEART DISEASE (Fire/Ambulance)
Lyon County	1/2/2009	500,000	200,744.42	191,374.22	WALKING DOWN STEPS AT RECREATION BASIN, MY BOOT HEEL CAUGHT EDGE OF STEP CAUSING ME TO STUMBLE AND FALL
Lyon County	3/8/2011	500,000	151,309.24	151,309.24	WHILE STANDING ON THE FRAME BENDING OVER ENGINE, FELT PAIN IN LOWER BACK
Lyon County	3/24/2011	500,000	115,872.59	83,060.55	HEART ATTACK (Police)
<b>Lyon County Total</b>			<b>2,697,190.15</b>	<b>1,303,571.82</b>	<b>1 Fire Claim and 2 Police Claims</b>
<b>Mineral County</b>	<b>6/8/2004</b>	<b>600,000</b>	<b>998,672.02</b>	<b>181,537.43</b>	<b>HEART ATTACK WHILE WATCHING TV IN CLASS (Police)</b> <b>1 Police Claim</b>
Mineral County School District	12/14/2009	500,000	118,189.53	118,189.53	WALKING OUT OF THE DOOR AT THE END OF THE DAY, SLIPPED ON ICE.
Mineral County School District	3/1/2010	500,000	234,952.05	125,087.73	WHEN LIFTING HEAVY OBJECT, FELT A SLIGHT SNAP THAT WENT THROUGH BACK AND RIGHT SIDE OF NECK, SHOULDER
Mineral County School District	6/23/2010	500,000	154,498.49	154,498.49	CLIMBING OUT OF THE WATER VALVE PIT, HURT LOW BACK AND LEG
<b>Mineral County School District Total</b>			<b>507,640.07</b>	<b>397,775.75</b>	
North Lake Tahoe Fire Prot Dist	1/9/2004	600,000	2,006,907.30	12,577.05	PREPARING FOR TRAINING STANDING IN DAY ROOM (Fire/Ambulance)
North Lake Tahoe Fire Prot Dist	3/3/2005	750,000	1,092,004.25	314,863.11	ROUTINE ANNUAL HEART STRESS TEST- FAILED (Fire/Ambulance)
North Lake Tahoe Fire Prot Dist	11/30/2007	500,000	259,217.40	224,110.40	CARRYING PERSON IN A STAIR CHAIR (Fire/Ambulance)
North Lake Tahoe Fire Prot Dist	11/12/2009	500,000	112,618.90	19,856.57	ASTHMA ATTACK WHILE ON VACATION IN FLORIDA. RETURNED TO SEE DR. IN RENO (Fire/Ambulance)
North Lake Tahoe Fire Prot Dist	2/13/2011	500,000	119,246.27	119,246.27	WHILE WASHING STAIRS IN APPARATUS FLOOR OF STATION 13, SLIPPED ON 3RD STEP FROM BOTTOM, LANDING FLAT ON BACK (Fire/Ambulance)
North Lake Tahoe Fire Prot Dist	8/23/2011	500,000	104,643.24	79,550.47	DURING CHIPPER DUTIES, PULLED A TREE BACKWARDS AND STEPPED ON A PINECONE, TWISTING LEG. HEARD AND FELT A POP AND CRUNCHING/GRINDING IN R KNEE (Fire/Ambulance)
<b>North Lake Tahoe Fire Prot Dist Total</b>			<b>3,694,637.36</b>	<b>770,203.87</b>	<b>6 Fire Claims</b>
<b>North Lyon Co. Fire Protection District</b>	<b>5/15/2010</b>	<b>500,000</b>	<b>137,236.39</b>	<b>137,236.39</b>	<b>PULLING 1" CHARGED HOSE UP A SMALL SLOPE. THE HOSE SNAGGED ON A PIECE OF BURNT BRUSH CAUSING THE HILLSIDE TO GIVE WAY CAUSING ME TO FALL FACE FIRST. R WRIST HIT A ROCK AS I CAUGHT MY FALL. (Fire/Ambulance)</b> <b>1 Fire Claim</b>
Nye County	1/16/1998	300,000	111,879.40	109,357.94	HEAD-ON COLLISION RESULTING IN CLOSED HEAD INJURY-RIGHT WRIST FRACTURE AND LOWER LEFT LEG LACERATION (Police)
Nye County	12/29/2000	500,000	365,291.79	287,352.86	MAKING "U" TURN ATTEMPTING TO MAKE TRAFFIC STOP STRUCK BY OTHER VEHICLE (Police)
Nye County	3/13/2001	500,000	129,131.80	37,573.10	HEART--CHEST PAIN WHILE DRIVING PATROL VEHICLE (Police)
Nye County	9/20/2001	500,000	288,634.74	288,634.74	LT-KNEE & MULTIPLE INJURIES IN LATER MVA STEPPED INTO HOLE BETWEEN MATSDURING DEFENSIVE TACTICS TRAINING ROLLOVER MVA ENROUTE TO PHYSICAL THERAPY11-28-01.
Nye County	3/21/2002	300,000	226,281.64	226,281.64	MULTIPLE INJURIES. HEAD, NECK, BACK, HIPS, SPLEEN, LIVER, ETC. (Police)
Nye County	2/20/2003	500,000	120,398.91	120,398.91	CERVICAL/THORACIC/LUMBAR SPRAIN--MVA; REARENDED AT TRAFFIC LIGHTINVESTIGATOR/DISTRICT ATTORNEY'S OFFICE
Nye County	10/27/2003	600,000	366,172.80	160,667.83	WORKINGON GARAGE DOOR SYSTEM WHEN IT CAME APART AND CRUSHED CLMT'S HANDS; FIREFIGHTER (Fire/Ambulance)
Nye County	3/16/2007	750,000	251,544.46	192,409.36	HEART/CHEST PAIN--SEVERAL EPISODES OF ANGINA AT WORK; DEPUTY SHERIFF (Police)
Nye County	3/18/2009	500,000	106,649.26	106,649.26	CHEST PAIN, SHORTNESS OF BREATH WHILE DRIVING (Police)
Nye County					LIFTING TRASH OVER 5 FEET INTO TRASH BINS.

**PACT**  
**Open Workers' Compensation Losses Over \$100,000**

**PUBLIC AGENCY COMPENSATION TRUST**  
**CLAIMS OVER \$100,000 - HISTORICAL by Member**

Entity	Date of Loss	SIR	Total Incurred	Total Paid	Description
Nye County	4/26/2010	500,000	1,544,054.28	140,676.90	RESPONDING TO A CALL AT A CASINO, GUN SHOTS WERE FIRED. (Police)
Nye County	3/11/2012	500,000	112,367.52	24,338.27	HEART ATTACK (Police)
Nye County	5/9/2012	500,000	133,642.99	24,332.72	WHILE WALKING FELT PAIN IN CENTER OF CHEST, NUMBNESS IN LEFT ARM AND SHORTNESS OF BREATH (Police)
<b>Nye County Total</b>			<b>3,756,049.59</b>	<b>1,718,673.53</b>	<b>1 Fire Claim and 9 Police Claims</b>
<b>Nye Co School District</b>	<b>5/1/2008</b>	<b>500,000</b>	<b>133,969.69</b>	<b>133,969.69</b>	FELL WHILE CLOSING ROOF DOOR
Pahrump, Town of	2/20/2001	300,000	114,581.13	114,581.13	HEAD/NECK/BACK-ON-COMING CAR EXECUTED U-TURN; AMBULANCE UNABLE TO ADVOID (Fire/Ambulance)
Pahrump, Town of	12/28/2002	300,000	140,113.22	140,113.22	LUMBAR STRAIN--PICKING UP DEAD TREE TO PUT IN DUMPSTER; MAINT I
<b>Pahrump, Town of Total</b>			<b>254,694.35</b>	<b>254,694.35</b>	<b>1 Fire Claim</b>
<b>Pershing County</b>	<b>5/5/2003</b>	<b>300,000</b>	<b>165,420.72</b>	<b>125,772.97</b>	LUMBAR SPRAIN/STRAIN--SHOVELING DIRT; EQUIPMENT OPERATOR
Pershing General Hospital	8/23/1997	300,000	129,723.05	129,723.05	COCCYX BRUISED--SLIP AND FALL
Pershing General Hospital	1/8/2007	350,000	121,866.01	121,866.01	T/F ON ALARM WIRE WHILE MAKING BED, LANDING ON ARM
<b>Pershing General Hospital Total</b>			<b>251,589.06</b>	<b>251,589.06</b>	
Sierra Fire Protection District	4/25/2007	750,000	1,198,036.46	278,290.68	ANNUAL PHYSICAL 4-25-07 ABNORMAL TEST (Fire/Ambulance)
Sierra Fire Protection District	5/16/2007	750,000	353,457.90	218,569.61	FELL 12 FEET DOWN OFF A RETAINING WALL WHILE FIGHTING A FIRE (Fire/Ambulance)
Sierra Fire Protection District	9/18/2008	500,000	112,265.39	112,265.39	EXTRACTING A COMBATIVE PT FROM VEHICLE AND GOT CAUGHT BETWEEN PT AND CAR. LANDED ON KNEE. (Fire/Ambulance)
Sierra Fire Protection District	1/11/2009	500,000	153,882.13	153,882.13	RENDERING MEDICAL AID AND FELL ON ICE (Fire/Ambulance)
Sierra Fire Protection District	2/24/2009	500,000	128,988.83	128,988.83	LIFTING HEAVY OBJECT AND TWISTED BACK (Fire/Ambulance)
<b>Sierra Fire Protection District Total</b>			<b>1,946,630.71</b>	<b>891,996.64</b>	<b>5 Fire Claims</b>
<b>South Lyon Medical Center</b>	<b>3/16/1999</b>	<b>300,000</b>	<b>129,846.85</b>	<b>129,846.85</b>	LUMBAR/SPINE STRAIN--REPOSITIONING PATIENT
Storey County	11/4/2000	500,000	1,103,507.61	466,299.82	ATRIAL FIBRILLATION (Police)
Storey County	4/3/2009	500,000	379,337.58	256,152.24	WALKING INTO THE BUILDING, SLIPPED ON STEPS AND FELL BACKWARDS (Police)
<b>Storey County Total</b>			<b>1,482,845.19</b>	<b>722,452.06</b>	<b>2 Police Claims</b>
Tahoe Douglas Fire Prot District	9/19/2002	500,000	202,759.41	134,681.97	RIGHT KNEE PAIN/POSSIBLE TORN MENISCUS--LANDING AFTER SLIDING DOWN FIRE POLE. ENGINEER (Fire/Ambulance)
Tahoe Douglas Fire Prot District	10/11/2002	500,000	285,294.21	190,745.07	LOWER BACK & RIGHT LEG PAIN--UNLOADING GURNEY CARRYING LARGE PATIENT; FIREFIGHTER/PARAMEDIC (Fire/Ambulance)
Tahoe Douglas Fire Prot District	7/29/2004	750,000	145,672.21	143,245.91	EXTRICATING PT FROM VEH (Fire/Ambulance)
Tahoe Douglas Fire Prot District	4/17/2005	750,000	198,436.92	144,532.88	FOOT SLIPPED OUT FROM UNDER CLMT WHILE LIFTING PATIENT FROM FLOOR (Fire/Ambulance)
Tahoe Douglas Fire Prot District	9/6/2005	750,000	134,135.76	134,135.76	FELT CHEST PAINS AFTER WORKOUT ON STAIR STEPPER (Fire/Ambulance)
Tahoe Douglas Fire Prot District	11/25/2005	750,000	111,405.22	66,514.50	VEHICLE EXTRACATION DURING SNOW STORM. SLIPPED/REACHED TO GRAB FOR SUPPORT (Fire/Ambulance)
Tahoe Douglas Fire Prot District	5/31/2011	500,000	112,517.97	112,517.97	8 TO 9 FOOT WAVES DURING WATER SAFETY TRAINING AND COMPRESSED BACK
<b>Tahoe Douglas Fire Prot District Total</b>			<b>1,190,221.70</b>	<b>926,374.06</b>	<b>7 Fire Claims</b>

**PACT**  
**Open Workers' Compensation Losses Over \$100,000**

**PUBLIC AGENCY COMPENSATION TRUST**  
**CLAIMS OVER \$100,000 - HISTORICAL by Member**

Entity	Date of Loss	SIR	Total Incurred	Total Paid	Description
Truckee Meadows Fire Prot District	1/12/2011	500,000	141,663.86	93,185.40	EXITING THE PASSENGER SIDE OF BRUSH 227, FEET GOT TANGLED UP IN WEATHER STRIPPING AND FELL FROM TRUCK (Fire/Ambulance)
Truckee Meadows Fire Prot District	7/18/2012	500,000	102,056.48	102,056.48	WHILE ON EMERGENCY INCIDENT FELL FROM SECOND STEP OF ENGINE (Fire/Ambulance)
<b>Truckee Meadows Fire Prot District Total</b>			<b>243,720.34</b>	<b>195,241.88</b>	<b>2 Fire Claims</b>
<b>West Wendover, City of</b>	<b>3/5/2009</b>	<b>500,000</b>	<b>166,539.19</b>	<b>166,539.19</b>	WHILE TRYING TO PRY HEAVY TRUCK TIRE OFF WHEEL BY HAND WITH TIRE IRONS, EXPERIENCED PAIN IN THE NECK
White Pine County	7/25/2000	300,000	1,524,170.34	363,744.48	STRUCK BY LIGHTNING
White Pine County	2/7/2001	300,000	147,722.51	147,722.51	CERVICAL STRAIN--REAR-ENDED AT STOP LIGHT
White Pine County	7/28/2001	300,000	119,884.16	119,884.16	ACUTE HEAD TRAUMA/RIGHT SHOULDER--FELL FROM HORSE
White Pine County	7/28/2006	750,000	1,159,313.26	341,954.44	HEART; ONGOING CHEST PAIN AND WEAKNESS (Police)
White Pine County	4/27/2010	500,000	127,123.04	127,123.04	LOADING PANELS WHICH SLIPPED OFF FORKS, HITTING LEG
<b>White Pine County Total</b>			<b>3,078,213.31</b>	<b>1,100,428.63</b>	<b>1 Police Claim</b>
White Pine Co School District	5/23/2001	300,000	167,713.92	167,713.92	LUMBAR STRAIN (RIGHT) LIFTING HEAVY GARBAGE INTO DUMPSTER
White Pine Co School District	6/28/2006	350,000	182,034.73	182,034.73	S/F BACKWARDS OFF SINK WHILE STANDING ON SINK COUNTER CLEANING WALLS.
<b>White Pine Co School District Total</b>			<b>349,748.65</b>	<b>349,748.65</b>	
<b>Winnemucca, City of</b>	<b>9/16/2009</b>	<b>500,000</b>	<b>205,852.31</b>	<b>205,852.31</b>	LIFTING A BOTTLE OF CHLORINE INTO THE BACK OF A TRUCK, WHEN R HIP POPPED CAUSING A LOT OF LOWER BACK AND HIP PAIN
Yerington, City of	6/28/1998	300,000	122,618.35	122,618.35	SUBDUING SUSPECT DURING ARREST SUFFERED ASTHMA ATTACK AND NOW LUNG CONDITION GETTING WORSE WITH FREQUENT ASTHMA ATTACKS AND STILL REQUIRING TREATMENT. (Police)
Yerington, City of	7/7/2011	500,000	111,668.57	55,898.41	WHILE DRIVING A TRACTOR, HIT A BUMP IN THE ROAD AND THE TRACTOR SEAT COLLAPSED AND COMPRESSED LOWER BACK
Yerington, City of	1/4/2012	500,000	101,640.07	59,749.23	LIFTING BOXES OF COPY PAPER OUT OF VAN AND STACKING IN COPIER ROOM
<b>Yerington, City of Total</b>			<b>335,926.99</b>	<b>238,265.99</b>	<b>1 Police Claim</b>

Report Data As of 3/31/13

## **Actuarial Report – PACT – April, 2013**

**Each year we receive at least two primary PACT actuarial reports from Bickmore and Associates, one which estimates reserve liabilities for end-of-year financials, and one which forecasts rates for the coming year. The first report which follows contains selected pages from the reserve study. However, heart-lung retiree reserves are not included in this study due to their extreme volatility and long potential duration. Those reserves are reflected separately in the audited financial statements, and are a function of the separate rate we charge for those exposures. The following report was used for the audited financial statements.**

**The second report is a draft (cover letter dated March 21, 2013) of the PACT rate study, which was not yet finalized (as of our printing deadline for board packets), so may be subject to change. We will have the final results by the time of the Board Meeting, however, and will update the results at that time if necessary.**

**The preliminary forecast is for a 3.4% percentage increase in rates, but please remember this does not reflect your individual modification factor (“mod”) or changes in your entity’s payroll. Also, the Executive Committee will meet to discuss the rate forecasts and approve any rate changes prior to the Board Meeting, as usual.**

**As last year, staff is recommending a 10% increase in heart-lung retiree rates per the independent study which was done a few years ago, which is intended to fund for the retiree benefits beyond the normal work comp fire/police losses. The normal losses (non-retiree) are contemplated and included in the base rates.**

**Additionally, each member of PACT can see their rates fluctuate by as much as 10% each year (up or down) as a result of changes in their experience modification factor, or “mod.” The mods have been calculated, and you should receive your indication of pricing and mod prior to the Board Meeting. Please remember that the insurance world does not cap mod changes, and that our 10% cap was implemented by PACT in order to stabilize changes in work comp rates for members some time ago.**

# Actuarial Review of the Self-Insured Workers' Compensation Program - PACT

Outstanding Liabilities as of June 30, 2012

Presented to

**Nevada Public Agency  
Compensation Trust**

August 2012



Bickmore Risk Services  
*Reducing Cost of Risk*



Bickmore Risk Services

Friday, August 31, 2012

Mr. Wayne Carlson  
Executive Director  
Public Agency Compensation Trust (PACT)  
201 S. Roop St. Suite 102  
Carson City, NV 89701-4790

Re: Actuarial Review of the Self-Insured PACT Program

Dear Mr. Carlson:

As you requested, we have completed our review of PACT's self-insured workers' compensation program. We estimate the program's liability for outstanding claims at the 75% confidence level to be \$32,647,000 as of June 30, 2012, which includes an \$11,476,386 liability for retirees with heart-lung claims. This amount also includes allocated loss adjustment expenses (ALAE), unallocated loss adjustment expenses (ULAE) and a discount for anticipated investment income. ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer all claims to final settlement, which may be years into the future (e.g. claims adjusters' salaries, taxes). The amount also includes a discount for investment income which is calculated based on the likely payout pattern of PACT's claims, assuming a 3.0% return on investments per year.

The estimated program liability at the expected confidence level is \$30,096,000 and is the minimum liability to be booked at June 30, 2012 for PACT's workers' compensation program, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires PACT to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

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800.541.4591  
f. 916.244.1199

**CORPORATE**

1750 Creekside Oaks Drive  
Suite 200  
Sacramento, CA 95833  
d. 916.244.1100

1100 Town & Country Road  
Suite 1550  
Orange, CA 92868  
d. 714.426.8525

5200 SW Macadam Avenue  
Suite 310  
Portland, OR 97239  
d. 503.419.0450

Our conclusions regarding PACT's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2012 are summarized in the table below.

PACT Self-Insured Workers' Compensation Program Estimated Liability for Unpaid Loss and LAE at June 30, 2012						
	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE	\$20,151,000					
Heart/Lung	11,476,386					
ULAE	858,000					
Investment Income Offset	<u>(2,389,000)</u>					
Discounted Loss and LAE	\$30,096,000	\$31,884,000	\$32,647,000	\$33,559,000	\$34,695,000	\$36,203,000

Although our liability estimates for Loss & ALAE and ULAE listed in the table above have been actuarially determined in this analysis, the estimate for Heart/Lung liabilities has simply been made equal to the assessed Heart/Lung contributions to date. The manual assessment rate for Heart/Lung, which is applied to the members' police and fire payroll in order to calculate the required annual Heart/Lung contribution, has been estimated in prior studies as a projection of the necessary funding to cover such claims.

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on PACT's financial statements. Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level. We consider funding to the 70% level to be marginally acceptable and funding to the 90% confidence level conservative.

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety, including the graphs, attachments, exhibits and appendices. Our report has been developed for PACT's internal use. It is not intended for general circulation.

We appreciate the opportunity to be of service to PACT in preparing this report. Please feel free to call Mark Priven at (916) 244-1161 or Derek Burkhalter at (916) 244-1167 with any questions you may have concerning this report.

Sincerely,

Bickmore Risk Services



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Mark Priven, FCAS, MAAA  
Director, Regulatory and Alternative Risk Consulting, BRS  
Fellow, Casualty Actuarial Society  
Member, American Academy of Actuaries



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Derek Burkhalter  
Manager, Property and Casualty Insurance Services, BRS  
Associate, Casualty Actuarial Society  
Member, American Academy of Actuaries

We estimate the program's expected, discounted liability for outstanding claims to be \$30,096,000 as of June 30, 2012. Again, these amounts include ALAE and ULAE and a \$11,476,386 liability for retirees with heart-lung claims.. The information presented in Graph 1 is also summarized in tabular form below.

Liability for Outstanding Claims at June 30, 2012

Confidence Levels	<u>Expected</u>	<u>70%</u>	<u>75%</u>	<u>85%</u>	<u>90%</u>
Discounted	\$30,096,000	\$31,884,000	\$32,647,000	\$34,695,000	\$36,203,000
Undiscounted	32,485,000	34,502,000	35,364,000	37,675,000	39,376,000

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on PACT's financial statements. Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level. We consider funding to the 70% level to be marginally acceptable and funding to the 90% confidence level conservative.

The table below displays a breakdown of the program's outstanding loss and LAE liabilities into case reserves and incurred but not reported (IBNR) reserves at June 30, 2012, before recognition of investment income.

**PACT**  
**Self-Insured Workers' Compensation Program**  
**Estimated Liability for Unpaid Loss and LAE at June 30, 2012**

Year	Case Reserves	IBNR Reserves	Total Outstanding
1996-1997	\$31,830	\$3,774	\$35,604
1997-1998	188,228	45,449	233,677
1998-1999	58,892	43,368	102,260
1999-2000	159,672	48,060	207,732
2000-2001	308,810	90,461	399,271
2001-2002	39,329	83,149	122,478
2002-2003	253,393	83,110	336,503
2003-2004	1,131,466	30,838	1,162,304
2004-2005	614,032	128,191	742,223
2005-2006	167,239	183,936	351,175
2006-2007	1,324,211	156,572	1,480,783
2007-2008	827,639	602,362	1,430,001
2008-2009	399,363	787,364	1,186,727
2009-2010	1,672,780	761,616	2,434,396
2010-2011	1,027,433	1,667,064	2,694,497
2011-2012	1,411,872	3,034,942	4,446,814
<b>Loss and ALAE</b>	<b>\$9,616,189</b>	<b>\$7,750,256</b>	<b>\$17,366,445</b>
<b>Corridor Deductible</b>	<b>\$1,750,000</b>	<b>\$1,034,769</b>	<b>\$2,784,769</b>
<b>ULAE</b>		<b>857,620</b>	<b>857,620</b>
<b>Heart-Lung</b>		<b>11,476,386</b>	<b>11,476,386</b>
<b>Total</b>	<b>\$11,366,189</b>	<b>\$21,119,031</b>	<b>\$32,485,220</b>

## **B. PROGRAM FUNDING: GOALS AND OBJECTIVES**

As self-insurance programs have proliferated among public entities, it has become apparent that there is a large measure of inconsistency in the way in which these programs recognize and account for their claims costs. This is the result of the fact that there have been several different sources of guidance available, none of which has been completely relevant to public entity self-insurance programs.

According to the Governmental Accounting Standards Board (GASB), the most relevant source of guidance on the subject is Financial Accounting Standards Board Statement #60. A liability for unpaid claim costs, including all loss adjustment expenses, should be accrued at the time the self-insured events occur. This liability should include an allowance for incurred but not reported claims. It may be discounted for investment income at an appropriate rate of return, provided the discounting is disclosed. The regulations detailing the way in which this must be done are outlined in GASB's statements #10 and #30. These regulations are required to be applied by PACT.

GASB #10 and #30 do not address funding requirements. They do, however, allow a range of funded amounts to be recognized for accounting purposes, specifically GASB #10 and #30 allow recognition of a funding margin for unexpectedly adverse loss experience. Thus, it is possible to formulate a funding policy from a range of alternatives all acceptable for accounting purposes. The uncertainty in any estimate of the program's liability for outstanding claims should be taken into consideration in determining funding policy, but it may be offset by recognizing anticipated investment income earnings. This usually means developing a funding program based on discounted claims costs with some margin for unexpected adverse loss experience.

The amount of the margin should be a question of long-term funding policy. We recommend that the margin be determined by thinking in terms of the probability that a given level of funding will prove to be adequate. For example, a reasonable goal might be to maintain a fund at the 85% confidence level.

A key factor to consider in determining funding policy is the degree to which stability is required in the level of contributions to the program from year to year. If you elect to fund at a low confidence level, the chances are much greater that future events will prove that additional contributions should have been made for current claims. The additional contributions for years by that time long past may be required at the same time that costs are increasing dramatically on then-current claims. The additional burden of funding increases on past years as well as current years may well be prohibitive.

We generally recommend maintaining program funding at the 80% confidence level, after recognition of investment income, with a recommended range of the 75% to 85% confidence levels. We tend to think of the 70% confidence level as marginally acceptable and of the 90% confidence level as conservative. We recommend the 75% to 85% confidence level range because the probabilities are reasonably high that resulting funding will be sufficient to meet claim liabilities, yet the required margins are not so large that they will cause most self-insured entities to experience undue financial hardship. In addition, within this range, anticipated investment income generally pretty much offsets the required margin, which means that it is also reasonable to think of the liabilities as being stated on an undiscounted basis.

We also strongly believe, however, that the confidence level to which any future year is funded should be evaluated in light of the relative certainty of the assumptions underlying the actuarial analysis, PACT's other budgetary constraints, and the relative level of risk it is believed appropriate to assume. This means formulating both short- and long-term funding goals, which may be the same in some years, but different in others.

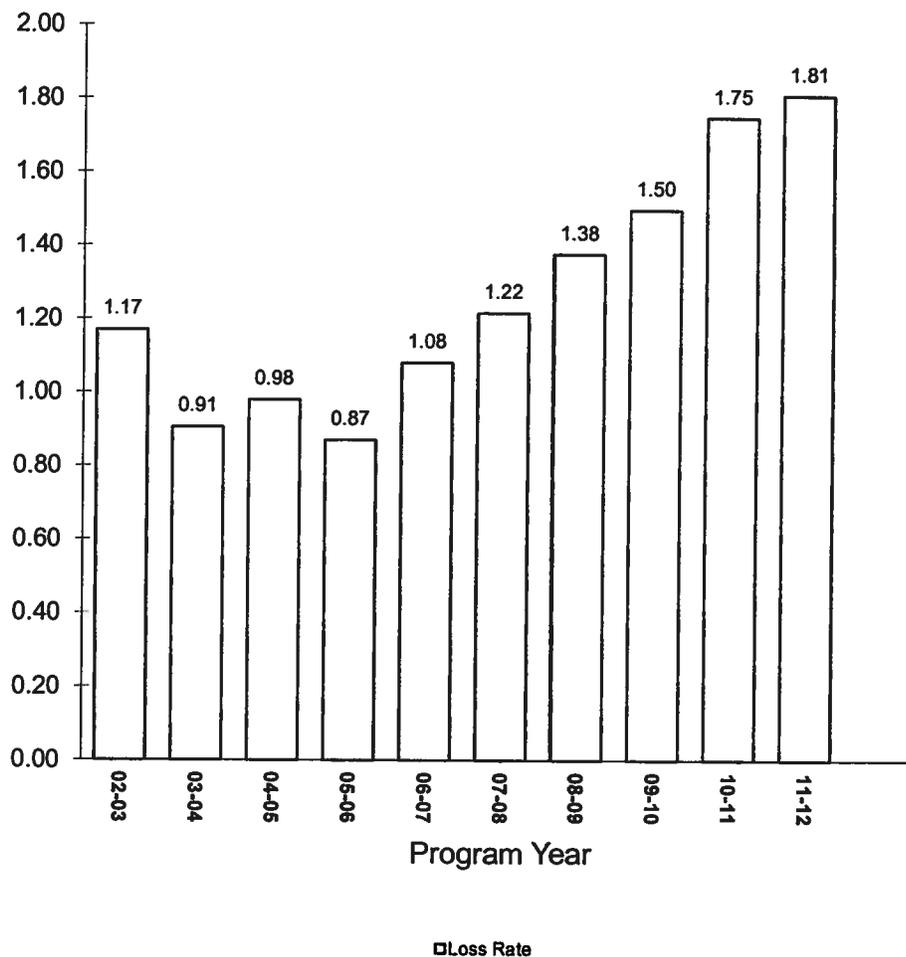
In general, we recommend that you fund each year's claims costs in that year. When surpluses or deficiencies have developed and funding adjustments are necessary, they should be clearly identified as such so that the habit of funding each year's claims costs that year is maintained. We also recommend that you reduce surplus funding more slowly than you would accumulate funding to make up a deficiency.

### C. HISTORICAL TRENDS IN THE SELF-INSURANCE PROGRAM

The average dollars of loss per \$100 of payroll, or loss rate, for PACT generally decreased from 2002-03 to 2005-06, but has steadily increased since then. For the purposes of this graph, all losses have been limited to \$100,000 per occurrence.

Graph 2

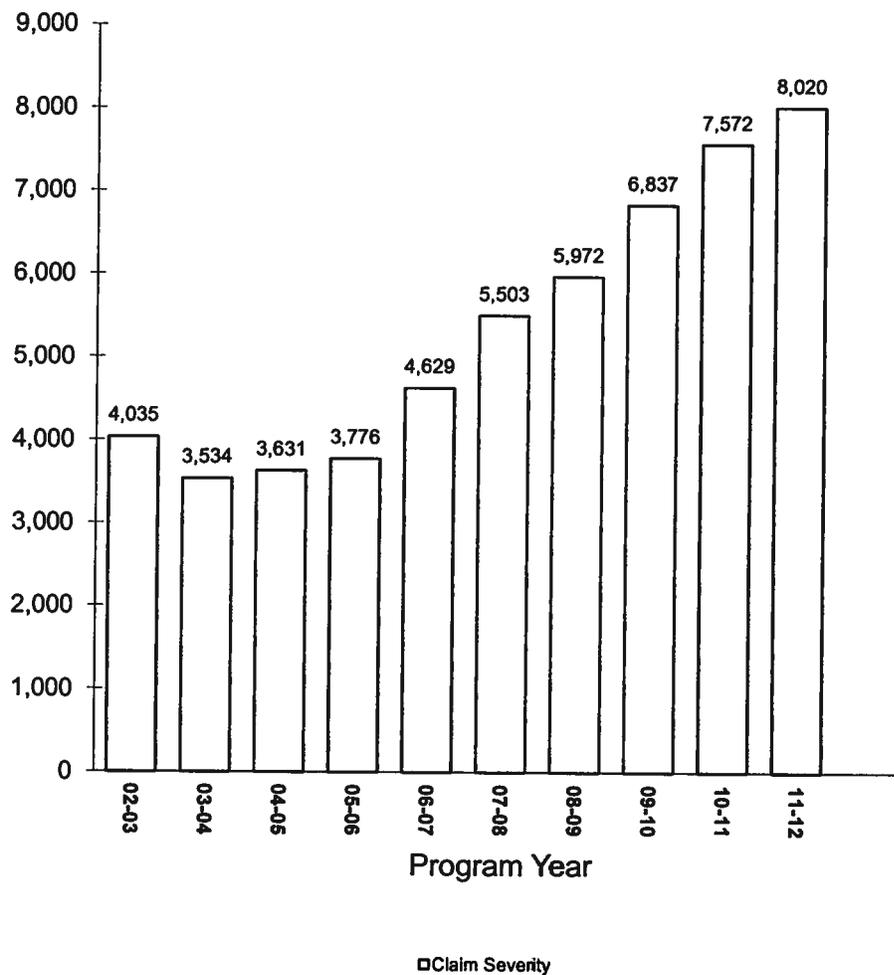
NV PACT - Workers' Compensation  
Dollars of Loss per  
\$100 of Payroll



The average dollars of loss per claim, or severity, has steadily increased from its low of \$3,534 in 2003-04. Again, for the purposes of this graph, all losses have been limited to \$100,000 per occurrence.

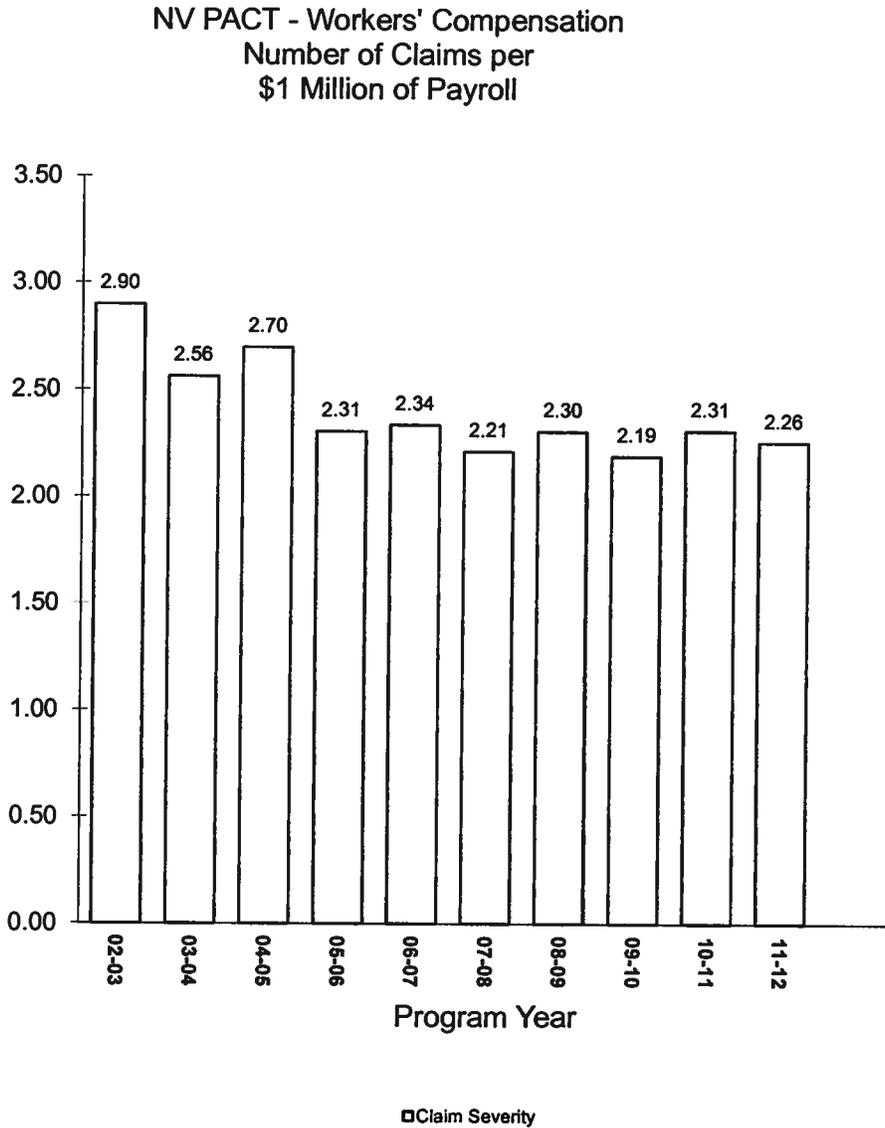
Graph 3

NV PACT - Workers' Compensation  
Dollars of Loss per Claim



PACT's frequency trend has decreased from its high of 2.90 in 2002-03. Since 2005-06, however, the number of claims per \$1 million of payroll has remained fairly stable.

Graph 4



In the table below we display the change in our estimates of the program's ultimate losses and ALAE by accident year since our prior report.

**Change in Ultimate Loss and ALAE**

Accident Year	Prior Report	Current Report	Change In Ultimate
1995-1996	177,641	177,641	0
1996-1997	952,000	953,000	1,000
1997-1998	2,701,000	2,690,000	(11,000)
1998-1999	3,064,000	3,100,000	36,000
1999-2000	2,430,000	2,447,000	17,000
2000-2001	4,387,000	4,415,000	28,000
2001-2002	3,636,000	3,585,000	(51,000)
2002-2003	3,336,000	3,365,000	29,000
2003-2004	4,972,000	4,899,000	(73,000)
2004-2005	4,298,000	4,265,000	(33,000)
2005-2006	3,529,000	3,612,000	83,000
2006-2007	5,672,000	5,869,000	197,000
2007-2008	6,076,000	6,526,000	450,000
2008-2009	5,501,000	5,680,000	179,000
2009-2010	5,734,000	6,474,000	740,000
2010-2011	5,288,000	6,299,000	1,011,000
2011-2012	5,363,000	6,322,000	959,000
Total	\$67,116,641	\$70,678,641	\$3,562,000

As shown, overall we have increased our estimated ultimates by \$3,562,000 since our prior report. These changes tend to correlate to a certain extent with the actual versus expected development for incurred and paid loss and ALAE discussed above.

At the time of the prior report, we estimated the liability for outstanding claims as of June 30, 2011 to be \$26,002,000 at the discounted expected level. Our current estimate as of June 30, 2012 is \$30,096,000, reflecting an increase in our assessment of PACT's outstanding liabilities, as shown below:

**Outstanding Claim Liabilities for Loss and LAE**

	Prior Report at June 30, 2011	Current Report at June 30, 2012	Change
(A) Case Reserves:	\$7,857,368	\$9,616,189	\$1,758,821
(B) IBNR Reserves:	6,935,068	7,750,256	\$815,188
(C) Corridor Deductible Reserves:	2,542,852	2,784,769	\$241,916
(D) Heart and Lung Reserves:	\$9,852,081	11,476,386	1,624,305
(E) Claims Administration Reserves:	831,000	858,000	\$27,000
(F) Total Reserves:	28,018,369	32,485,599	4,467,230
(G) Offset for Investment Income:	(\$2,016,268)	(2,389,000)	(372,732)
(H) Total Outstanding Claim Liabilities:	26,002,101	30,096,599	4,094,498

As shown, our estimate of outstanding claims liabilities at the discounted expected level has increased between June 30, 2011 and June 30, 2012, as reflected in our prior and current reports, respectively.

Since our prior report, case reserves limited to the SIR and IBNR reserves have both increased. Reserves for losses subject to the corridor deductible have increased due to the inclusion of the 2011-12 year. The Heart and Lung reserves have increased as we continue to reflect the contributions to date. Reserves for future claims administration, based in part on the current year's annual fee, are slightly higher. Finally, after considering the offset for investment income, the net change due to the above factors is an overall increase of \$4,094,000 in our estimate of outstanding claim liabilities for Loss and LAE.

#### **IV. GLOSSARY OF ACTUARIAL TERMS**

**Accident Year** - Year during which the accidents that generate a group of claims occurs, regardless of when the claims are reported, payments are made, or reserves are established.

**Allocated Loss Adjustment Expenses (ALAE)** - Expense incurred in settling claims that can be directly attributed to specific individual claims (e.g., legal fees, investigative fees, court charges, etc.)

**Case Reserve** - The amount left to be paid on a claim, as estimated by the claims administrator.

**Claim Count Development Factor** - A factor that is applied to the number of claims reported in a particular accident period in order to estimate the number of claims that will ultimately be reported.

**Claim Frequency** - Number of claims per \$1 million payroll.

**Confidence Level** - An estimated probability that a given level of funding will be adequate to pay actual claims costs. For example, the 85% confidence level refers to an estimate for which there is an 85% chance that the amount will be sufficient to pay loss costs.

**Discount Factor** - A factor to adjust estimated loss costs to reflect anticipated investment income from assets held prior to actual claim payout.

**Expected Losses** - The best estimate of the full, ultimate value of loss costs.

**Incurred but not Reported (IBNR) Losses** - Losses for which the accident has occurred but the claim has not yet been reported. This is the ultimate value of losses, less any amount that has been set up as reported losses by the claims adjuster. It includes both amounts for claims incurred but not yet received by the administrator and loss development on already reported claims.

**Loss Development Factor** - A factor applied to losses for a particular accident period to reflect the fact that reported and paid losses do not reflect final values until all claims are settled (see Section IV).

**Loss Rate** - Ultimate losses per \$100 payroll.

**Outstanding Losses** - Losses that have been incurred but not paid. This is the ultimate value of losses less any amount that has been paid.

**Paid Losses** - Losses actually paid on all reported claims.

**Program Losses** - Losses, including ALAE, limited to PACT's SIR for each occurrence.

**Reported Losses** - The total expected value of losses as estimated by the claims administrator. This is the sum of paid losses and case reserves.

**Self-Insured Retention (SIR)** - The level at which an excess insurance policy is triggered to begin payments on a claim. Financially, this is similar to an insurance deductible.

**Severity** - Average claim cost.

**Ultimate Losses** - The value of claim costs at the time when all claims have been settled. This amount must be estimated until all claims are actually settled.

**Unallocated Loss Adjustment Expenses (ULAE)** – Claim settlement expenses that cannot be directly attributed to individual claims (e.g., claims adjusters' salaries, taxes, etc.)

PACT - Total - Workers' Compensation  
Municipalities, Medical Facilities, & School Districts Combined  
Funding Guidelines for Outstanding Liabilities at  
June 30, 2012

(A) Estimated Ultimate Losses Incurred through 6/30/12:	\$73,659,000
(B) Estimated Paid Losses through 6/30/12:	53,508,000
(C) Estimated Liability for Claims Outstanding at 6/30/12:	<u>\$20,151,000</u>
(D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/12: (From Appendix F)	\$858,000
(E) Total Outstanding Liability for Claims at 6/30/12: ((C) + (D))	<u>\$21,009,000</u>
(F) Reserve Discount Factor	0.886
(G) Discounted Outstanding Liability for Claims at 6/30/12 (ex Heart-Lung Retiree): ((E) x (F))	<u>\$18,620,000</u>
(H) Heart-Lung Retiree Liability	11,476,386
(I) Discounted Outstanding Liability for Claims at 6/30/12: ((G) + (H))	<u>\$30,096,000</u>

Confidence Level of Adequacy:	Marginally Acceptable	Recommended			Conservative
	70%	75%	80%	85%	90%
(J) Confidence Level Factor:	1.096	1.137	1.186	1.247	1.328
(K) Margin for Adverse Experience (ex Heart-Lung Retiree): ((G) x [(J) - 1])	1,788,000	2,551,000	3,463,000	4,599,000	6,107,000
(L) Total Required Available Funding at 6/30/12: ((I) + (K))	<u>\$31,884,000</u>	<u>\$32,647,000</u>	<u>\$33,559,000</u>	<u>\$34,695,000</u>	<u>\$36,203,000</u>

DRAFT



Thursday, March 21, 2013

Mr. Wayne Carlson  
Executive Director  
Public Agency Compensation Trust  
201 S. Roop St. Suite 102  
Carson City, NV 89701-4790

Re: Actuarial Review of the Self-Insured Workers' Compensation Program:  
Forecast for Program Year 2013-14

Dear Mr. Carlson:

As you requested, we have completed our review of the Public Agency Compensation Trust (PACT) self-insured workers' compensation program for all members combined. Assuming an SIR of \$500,000, we estimate the ultimate cost of claims and expenses for claims incurred during the 2013-14 program year to be \$6,169,000. This amount includes allocated loss adjustment expenses (ALAE) and a discount for anticipated investment income. ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). Unallocated loss adjustment expenses (ULAE) are not included. Please also note that this amount includes a provision for a one-time \$500,000 corridor deductible which applies to losses above the SIR.

The table on the following page shows our funding recommendations for PACT for the 2013-14 fiscal year.

**DRAFT**

**PACT – All Members Combined  
Self-Insured Workers' Compensation Program  
Loss and ALAE Funding Guidelines for 2013-14  
Self-Insured Retention (SIR) of \$500,000**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
		Low 75% CL	Target 80% CL	High 85% CL		
Loss and ALAE	\$6,228,000					
Corridor Deductible	500,000					
Investment Income Offset	(559,000)					
Discounted Loss and ALAE	\$6,169,000	\$6,798,000	\$7,051,000	\$7,341,000	\$7,693,000	\$8,168,000
Rate per \$100 of 2013-14 Payroll	\$2.45	\$2.70	\$2.80	\$2.91	\$3.05	\$3.24

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2013. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

**DRAFT**

**D. COMPARISON WITH OUR PREVIOUS RESULTS**

The prior report for PACT was dated March 23, 2012. In the table below we display actual versus expected development of incurred losses and ALAE by accident year between the 12/31/11 evaluation date of the prior report and the 9/30/12 evaluation date of the current report.

**Actual Versus Expected Incurred Loss and ALAE Development**

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
1996-1997	\$1,000	\$6,466	\$5,466
1997-1998	1,000	27,066	26,066
1998-1999	3,000	55,021	52,021
1999-2000	0	(17,194)	(17,194)
2000-2001	0	39,209	39,209
2001-2002	0	127	127
2002-2003	0	11,767	11,767
2003-2004	2,000	(175,202)	(177,202)
2004-2005	7,000	(137,748)	(144,748)
2005-2006	59,000	144,479	85,479
2006-2007	50,000	28,456	(21,544)
2007-2008	163,000	96,449	(66,551)
2008-2009	229,000	363,910	134,910
2009-2010	281,000	583,094	302,094
2010-2011	795,000	933,070	138,070
2011-2012	1,849,000	2,286,693	437,693
Total	\$3,440,000	\$4,245,663	\$805,663

As shown, total actual incurred development was greater than anticipated since the prior report. However, the greater than anticipated development in the last four program years is partially offset by the overall less than anticipated development for program years prior to 2007-08.

**DRAFT**

In the table below we display actual versus expected development of paid losses and ALAE by accident year between the 12/31/11 evaluation date of the prior report and the 9/30/12 evaluation date of the current report.

**Actual Versus Expected Paid Loss and ALAE Development**

Accident Year	Expected Paid Development	Actual Paid Development	Actual Minus Expected
1996-1997	\$3,000	\$2,835	(\$165)
1997-1998	8,000	38,996	30,996
1998-1999	6,000	15,590	9,590
1999-2000	13,000	11,620	(1,380)
2000-2001	20,000	41,682	21,682
2001-2002	10,000	4,114	(5,886)
2002-2003	42,000	20,799	(21,201)
2003-2004	242,000	(103,784)	(345,784)
2004-2005	162,000	(13,158)	(175,158)
2005-2006	59,000	49,211	(9,789)
2006-2007	309,000	92,078	(216,922)
2007-2008	382,000	425,725	43,725
2008-2009	290,000	284,744	(5,256)
2009-2010	506,000	552,036	46,036
2010-2011	807,000	1,029,115	222,115
2011-2012	1,181,000	1,813,816	632,816
Total	\$4,040,000	\$4,265,419	\$225,419

As shown, total actual paid development was also greater than anticipated since the prior report.

**DRAFT**

At the time of the prior report our funding estimate for the 2012-13 year was \$6,429,000 at the discounted expected level. That amount included allocated loss adjustment expenses (ALAE) and a discount for anticipated investment income. Our current estimate for the 2013-14 year is \$6,169,000 at the discounted expected level, as shown in the table below:

**Comparison of Funding for Loss and ALAE**

	Prior Report 2012-13 SIR = \$500,000	Current Report 2013-14 SIR = \$500,000	Change
(A) Ultimate Loss and ALAE:	\$6,592,000	\$6,228,000	(\$364,000)
(B) Corridor Deductible:	500,000	500,000	0
(C) Total Claim Costs:	\$7,092,000	\$6,728,000	(\$364,000)
(D) Offset for Investment Income:	(663,000)	(559,000)	104,000
(E) Total Recommended Funding:	\$6,429,000	\$6,169,000	(\$260,000)
(F) Funding per \$100 of Payroll:	\$2.37	\$2.45	\$0.08

Our estimates of total claim costs have decreased by \$364,000. However, this is primarily due to the decrease in exposure due to the withdrawal of two members. Investment income is also expected to be less. The net change due to the above factors is an overall decrease of \$260,000 in our annual funding estimate for loss and ALAE. The funding rate per \$100 of payroll has increased from \$2.37 to \$2.45.

## **DRAFT**

### **E. DATA ISSUES**

We were provided with the following information for the report:

- We received loss data evaluated as of September 30, 2012. Overall, the data utilized in preparing this report appears to be accurate as of the date of the current evaluation.
- We have assumed that the 2012-13 and 2013-14 payroll will be \$257,947,693 and \$252,138,228, based on information provided to us by PACT.
- Based on PACT's experience, we expect that the entire \$500,000 corridor deductible for 2013-14 will eventually be incurred and paid by PACT. This amount has been included in the 2013-14 funding projected in this report.

## DRAFT

**Loss Rate** - Ultimate losses per \$100 payroll.

**Outstanding Losses** - Losses that have been incurred but not paid. This is the ultimate value of losses less any amount that has been paid.

**Paid Losses** - Losses actually paid on all reported claims.

**Program Losses** - Losses, including ALAE, limited to PACT's SIR for each occurrence.

**Reported Losses** - The total expected value of losses as estimated by the claims administrator. This is the sum of paid losses and case reserves.

**Self-Insured Retention (SIR)** - The level at which an excess insurance policy is triggered to begin payments on a claim. Financially, this is similar to an insurance deductible.

**Severity** - Average claim cost.

**Ultimate Losses** - The value of claim costs at the time when all claims have been settled. This amount must be estimated until all claims are actually settled.

**Unallocated Loss Adjustment Expenses (ULAE)** – Claim settlement expenses that cannot be directly attributed to individual claims (e.g., claims adjusters' salaries, taxes, etc.)

## PACT - Combined - Workers' Compensation

Funding Options for Program Year 2013-2014 (SIR = \$500,000)  
One-Year Funding Plan

	Dollar Amount	Payroll Rate			
(A) Estimated Ultimate Losses Incurred in Accident Year 2013-2014: (From Appendix F)	\$6,228,000	\$2.470			
(B) Corridor Deductible (Maximum Total of \$500,000)	500,000	0.198			
(C) Total Claims Costs Incurred in Accident Year 2013-2014: ((A) + (B))	\$6,728,000	\$2.668			
(D) Loss Discount Factor (Based on a Discount Rate of 3.0%. (Appendix G, Item (F)))	0.917				
(E) Discounted Total Claims Costs Incurred in Accident Year 2013-2014: ((C) x (D))	\$6,169,000	\$2.447			
	Marginally Acceptable		Recommended		Conservative
	70%	75%	80%	85%	90%
(F) Confidence Level Factor: (From Appendix H)	1.102	1.143	1.190	1.247	1.324
(G) Margin for Adverse Experience: ((E) x [(F) - 1])	629,000	882,000	1,172,000	1,524,000	1,999,000
(H) Recommended Funding in 2013-2014 for Claims Costs and Other Expenses ((E) + (G))	\$6,798,000	\$7,051,000	\$7,341,000	\$7,693,000	\$8,168,000
(I) Rate per \$100 of Payroll: ((H) / \$2,521,382)	\$2.696	\$2.796	\$2.911	\$3.051	\$3.239

Payroll rates are per hundred dollars of 2013-2014 payroll of \$252,138,200.

**3/4/2013 Executive Committee Recommended  
70% Confidence Level to Board  
Approved by Board 4--2013**

	<b>Budget Amount 2013/2014</b>	<b>% of Total Revenue (Budget Basis)</b>	<b>Comments</b>
<b>Revenues</b>			
Assessments	12,554,681	80.1%	Reduction due to loss of two hospitals offset by 5% exposure/rate increase
Assessments For Heart & Lung	1,951,761	12.5%	Increased by 10% per board policy
Other Revenues	1,168,000	7.5%	reduced 50% over 6/30/2012 results due to fixed income market
<b>Total Revenues</b>	<b>15,674,442</b>		
<b>Loss Fund Expenses:</b>			
Claims and Adjustment Expenses	9,022,217	57.6%	reduced by 3% due to loss of 2 hospitals vs. June 30 2012 audit
Heart and Lung Loss Expenses	1,951,761	12.5%	Increased by 10% per board policy
<b>Total Loss Fund Expenses:</b>	<b>10,973,979</b>	<b>70.0%</b>	
<b>Program Expenses:</b>			
Reinsurance Premium	1,330,209	8.5%	increased 5%
Underwriting And Claims Processing	689,654	4.4%	increased under 1%
MCO Fees	48,000	0.3%	
Insolvency Fund and Related Expenses	485,000	3.1%	flat
<b>Total Program Expenses</b>	<b>2,552,863</b>	<b>16.3%</b>	
<b>Administration Expenses</b>			
Management Fees	490,136	3.1%	increased 3% per contract
Professional Services	126,000	0.8%	new actuarial HLHC study due to regulations
Administrative And Overhead	110,000	0.7%	
Member Education And Services	148,600	0.9%	increased for new services
PRI Grant	535,500	3.4%	reduced per grant
Insurance Division Fees	320,000	2.0%	
Loss Control Expenses	406,000	2.6%	
<b>Total Administrative Expenses</b>	<b>2,136,236</b>	<b>13.6%</b>	
<b>Revenues Over (Under) Expenses</b>	<b>11,365</b>	<b>0.1%</b>	

**OTHER BUDGET ITEMS (paid from equity):**  
 Risk management grant program up to 1% of net assets:  
 \$100,000 minimum  
 Physicals review and consultation services - preliminary  
 estimate \$427,000 - up to 1000 officers @ \$150 physicals  
 review; \$115 modified BerkeleyHeart; \$250 for case mgmt  
 for 380 officers

**PUBLIC AGENCY COMPENSATION  
TRUST**

**INTERLOCAL COOPERATION  
AGREEMENT**

Adopted: November 1, 1995  
Revised: May 2, 1997  
Revised: May 1, 2000  
Revised: May 2, 2003  
Revised: May 1, 2004  
Revised: April 29, 2005  
Revised: April 28, 2006  
Revised: May 1, 2009

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## PUBLIC AGENCY COMPENSATION TRUST

### INTERLOCAL COOPERATION AGREEMENT

THIS AGREEMENT, is made by and between the political subdivisions existing under the Constitution and laws of the State of Nevada and which are signatory to this agreement.

WHEREAS, Nevada Revised Statutes 277.080 to 277.180 permits political subdivisions to make the most efficient use of their powers by enabling them to cooperate with other political subdivisions on a basis of mutual advantage and thereby provide services which will be meet the needs of their citizens; and

WHEREAS, Nevada Revised Statutes 277.055 permits two or more political subdivisions of the State of Nevada to enter into a cooperative agreement for the purchase of insurance or the establishment of a self-insurance reserve or fund for coverage under a plan of workers compensation as defined in NRS 616 and 617 and employer's liability; or insurance for any combination of these kinds of insurance; and

WHEREAS, the political subdivisions executing this agreement desire to join together for the purpose of providing workers compensation coverage and jointly funding programs of pooled self-insurance, insurance and excess insurance for workers compensation pursuant to NRS 616B.350 and related provisions;

NOW THEREFORE, in consideration of the mutual promises and agreements contained herein and subject to the provisions of Nevada Revised Statutes and all other applicable rules and regulations, the parties hereto agree as follows:

#### ARTICLE I

##### DEFINITIONS

Section 1. "Agreement" shall mean this agreement entitled "Public Agency Compensation Trust" and as amended in the future.

Section 2. "Board of Trustees" or "Board" shall mean the governing body of ~~the PACTPACT~~.

Section 3. "Claim" shall mean a claim made against a Member arising out of a Loss which is covered by insurance or pooling program of ~~the PACTPACT~~.

Section 4. "Excess or Reinsurance Program" shall mean a program of ~~the PACTPACT~~ under which Members or Participating Members are protected against designated Losses .

Section 5. "Executive Committee" shall mean the Executive Committee of the Board of Trustees as described in Article 12 of this Agreement.

Section 6. "Fiscal Year" shall mean that period of twelve months as established by the Board of Trustees as the fiscal year of ~~the PACTPACT~~.

Section 7. "Loss" shall mean a liability or potential liability of a Member including litigation expenses, attorneys' fees and costs covered by an insurance or pooling program of ~~the PACTPACT~~.

Section 8. "Maintenance Deductible" shall mean, as to any one Loss, that portion payable by the Member directly and not ~~the PACTPACT~~ or its excess insurers or reinsurers.

Section 9. "Member" shall mean any Public Agency which is a member of ~~the PACTPACT~~ and such districts to which the Board has granted voting status. Other district or agencies whether or not the governing body of the City or County is *ex officio* the governing body as described in and subject to Article 3 of this Agreement may be a party to this Agreement but shall not be considered a Member for the purpose of voting or participation as a voting member of the Board or of any Executive or other committee in which voting Member status is required except when granted voting status pursuant to the following criteria. Voting status as a Member ~~will exist~~ may be granted for any Public Agency which ~~meets~~ meets the following criteria:

1. Pays assessments of at least \$20,000 annually
3. Maintains a payroll of least \$500,000 annually

Such criteria may be changed from time to time by vote of the Board of ~~Director~~ Trustees which change shall take effect subsequent to the meeting at which the Board approved the changes.

Section 10. "PACT" shall mean the Public Agency Compensation Trust created by this agreement.

Section 11. "Participating Member", as used in reference to an insurance or pooling program of ~~the PACTPACT~~, shall mean a current Member of that program.

Section 12. "Policy Year" shall mean for each insurance or pooling program of ~~the PACTPACT~~ that period commencing upon the effective date of the program and each twelve month period thereafter.

Section 13. "Public Agency" shall mean any county, incorporated city and town, unincorporated town, school district, rural hospital as defined in NRS 449.0177 whether non-profit or public, and any special or other district or agency per NRS 277.100, organized and existing under the Constitution and laws of the State of Nevada.

Section 14. "Self-insured Retention" shall mean that portion of a Loss experienced by a Member which is retained as a liability or potential liability of ~~the PACTPACT~~.

## ARTICLE 2

### PURPOSES OF ~~THE PACTPACT~~

The Members in entering into this Agreement, desire to establish:

- A. A mechanism whereby each Member may join with other Members to pool their risks and insurance programs and jointly administer said programs in an effort to deliver to each of them a reasonable, cost effective workers compensation program;
- B. Procedures whereby additional qualifying political subdivisions of the State of Nevada may be added to this Agreement;
- C. A mechanism whereby additional and/or alternative insurance programs may be developed for the benefit of the Members; and
- D. Administrative services as necessary to implement this Agreement including, but not be limited to, risk management consulting, Loss prevention, Loss control, centralized Loss reporting, actuarial consulting, claims adjusting and legal services.

## ARTICLE 3

### PARTIES TO AGREEMENT

Section 1. Members. Each Member, as a party to this Agreement, certifies that:

- A. It intends to and does contract with all other Members as parties to this Agreement and with any other Public Agency as may later be added as parties to this Agreement;
- B. The removal of any party from this Agreement shall not affect this Agreement nor such Member's intent to contract as described in subsection A above with the other parties to the agreement then remaining.

Section 2. Other Districts or Agencies. A Member may contract on behalf of, and shall be deemed to include:

- A. Any district in which the city or county is *ex officio* the governing board, from the date that the Member provides ~~the PACTPACT~~ written notice of the name and inclusion of such district, upon approval of the Board;
- B. Any other local Public Agency at its request upon approval of the Board and from the date that such entity is accepted into ~~the PACTPACT~~; and
- C. ~~Such district or other local Public Agency shall be considered a separate party to this Agreement but shall not affect any Member's representation on the Board and shall be part of and represented by the Member for all purposes under this Agreement.~~

**Comment [wec1]:** If Pahrump becomes and advisory board, not a town board form of government, does this changes their voting status and create an Exec Comm vacancy? 2/13/2013  
Litigation is pending on appeal to NSC: ICA Art 3, Section 2.C. eliminates vote and gives to County, thus eliminating Executive Committee Membership

Section 3. Membership of Nevada Association of Counties and Nevada League of Cities. The Nevada Association of Counties and the Nevada League of Cities shall become a Member of ~~the PACTPACT~~ upon its execution of this Agreement, subject to all obligations and rights of all other Members, except that neither shall be counted for the purposes of determining a quorum or the number votes required for any purpose, and neither shall have an official representative nor be entitled to vote on any matter pursuant to this Agreement.

Section 4. Limitation on Right to Sue. In order to become and to maintain Fund member status, a member shall not sue or maintain any litigation or lawsuit for damages against the fund or its Board and specifically agrees to waive its right to maintain any litigation or lawsuit against the Fund or its Board. However, this Section does not prohibit any declaratory relief action seeking to interpret this Agreement or any Fund coverage agreement.

ARTICLE 4

NAME OF PACT

The name of ~~the PACTPACT~~ established by the Members hereunder shall be "PUBLIC AGENCY COMPENSATION TRUST."

## ARTICLE 5

### POWERS OF ~~THE PACTPACT~~

~~The PACTPACT~~ shall have all of the powers common to any Public Agency and all additional powers set forth in the interlocal cooperation laws of the State of Nevada, and ~~the PACTPACT~~ is authorized to do all acts necessary for the exercise of said powers, including but not limited to, the following:

- A. To make and enter into contracts;
- B. To incur debts, liabilities, and obligations;
- C. To acquire, hold, or dispose of property, contributions and donations of property, funds, services, and other forms of assistance from persons, firms, corporations and governmental entities;
- D. To sue and be sued in its own name, but not by its Members;
- E. To settle any claim against ~~the PACTPACT~~ or its Members as hereinafter provided;
- F. To receive and use contributions and advances from Members, including contributions or advances of personnel, equipment, or property;
- G. To invest any money in its treasury that is not required for its immediate necessities, pursuant to Nevada Laws applicable to investments by a Public Agency; and
- H. To carry out all provisions of this Agreement.

## ARTICLE 6

### MEMBERSHIP

Section 1. Eligibility. Membership in ~~the PACTPACT~~ shall be open to any political subdivision of the State of Nevada that is deemed by the Board to qualify for membership.

Section 2. Conditions. The Board may impose such conditions on membership to protect the interests of ~~the PACTPACT~~ and to provide for the benefits of Members as are required by this Agreement, the Bylaws of ~~the PACTPACT~~, and other applicable statutes or regulations.

## ARTICLE 7

### BOARD OF TRUSTEES

Section 1. Appointment and Term of Office. Commencing with the effective date of the Agreement and annually thereafter in January, each Member shall appoint from its governing board, a voting representative and an alternate voting representative to the Board to serve for a term of one year. Such representatives must be officers or employees of the Member and shall be eligible for reappointments for successive one year terms and shall serve until his or her successor is duly appointed.

Section 2. Voting. Each Member shall be entitled to one vote by its representative to the Board or by its alternate voting representative in the absence of the representative. There shall be no voting permitted by proxies or other substitutes . All motions and actions of the Board shall be adopted by a majority of the Board Members unless otherwise provided by the Bylaws of ~~the PACT~~PACT.

Section 3. Compensation of the Board. Members of the Board shall not receive any salary for the services to the Board, but the Board by resolution may allow actual and necessary expenses for attendance at Regular or Special meetings of the Board.

Section 4. Meetings. The Board shall provide for the holding of Regular and Special meetings.

Section 5. Quorum. A simple majority of the members of the Board shall constitute a quorum for the transaction of business at any meeting of the Board. If less than a quorum is present at any meeting, a majority of those Trustees as may be present may adjourn the meeting from time to time without further notice.

Section 6. Manner of Acting. The act of a majority of the Board of Trustees at a meeting at which a quorum is present shall constitute an act of the Board.

Section 7. Legal Counsel. The Board shall be advised in legal matters with respect to PACT operations by its legal counsel.

## ARTICLE 8

### MEETING OF THE BOARD OF TRUSTEES

Section 1. Regular Meetings. The Board shall hold at least one regular meeting each year, scheduling the time, date and place thereof by resolution.

Section 2. Special Meetings. Special meetings of the Board may be called by the Chair of the Board, or in his absence by the Vice Chair, or by any two members of the Board.

Section 3. Minutes. The Executive Director of ~~the PACTPACT~~, described in Article 13 hereof, shall provide for the keeping of minutes of Regular and Special Meetings of the Board, and shall forward a copy of the minutes to each member of the Board.

Section 4. Open Meeting Law. All meetings of the Board shall be called, noticed, held and conducted in accordance with the provisions of the "Open Meeting Law", Nevada Revised Statutes, Chapter 241, and any other laws of the State of Nevada.

## ARTICLE 9

### POWERS OF THE BOARD OF TRUSTEES

The Board shall be the governing body of ~~the PACTPACT~~ to oversee, administer and determine its overall policies and shall have the following powers and authority:

- A. To manage the affairs of ~~the PACTPACT~~ and to do all things necessary or convenient for the furtherance of the purposes of ~~the PACTPACT~~, including but not limited to: expending and receiving funds; entering into contract and other agreements; renting, leasing, purchasing and otherwise procuring or receiving property, real and personal; employing personnel either as employees or by contract; and employing professional consultants such as attorneys, auditors, accountants, risk managers and actuaries;
- B. To form an Executive committee, as provided in Article 12 hereof, and delegate to that committee such powers as it determines, provided that all such delegated powers to the Executive Committee shall be exercised under the direction of the Board;
- C. To form committees as appropriate to act in an advisory capacity and conduct the business of ~~the PACTPACT~~, and the membership of such committee may consist in whole or in part of non-Board Members;
- D. To elect the officers and appoint staff of ~~the PACTPACT~~ as may be necessary for the administration of ~~the PACTPACT~~ and as described in Articles 10 and 13 hereof;
- E. To prepare and adopt the annual operating budget of ~~the PACTPACT~~;

- F. To develop and adopt each program of ~~the PACTPACT~~, including all provisions for insurance and reinsurance, and administrative services as necessary to carry out such programs;
- G. To provide for necessary services to ~~the PACTPACT~~ and its Members to include, but not be limited to, risk management consulting, Loss prevention and control, centralized Loss reporting, actuarial consulting, claims adjusting, and legal services;
- H. To provide general supervision and policy direction to its Executive Director, either directly or through the Executive Committee, and adopt policies and procedures to carry out the purposes of ~~the PACTPACT~~;
- I. To receive, review and act upon periodic reports and audits of the funds of ~~the PACTPACT~~ as required;
- J. To elect the Executive committee by vote of its members present at the annual meeting;
- K. To amend the Bylaws of ~~the PACTPACT~~ by a two-thirds vote of the members present at a meeting, but no amendments shall take effect sooner than thirty days after adoption thereof; and
- L. To remove a member of the Board or of the Executive Committee by a two-thirds vote of the members present at a meeting.

## ARTICLE 10

### OFFICERS

Section 1. Chair and Vice Chair. The Board shall elect from its members a Chair and Vice Chair of the Board, each to hold office for two years effective from the beginning of the fiscal year following each election.

Section 2. Conducting Meetings. The Chair, or if absent, the Vice Chair, shall preside at and conduct all meetings of the Board and the Executive Committee.

Section 3. Powers and Duties of the Chair. The Chair, or together with such other officer or officers as the Board may designate by resolution, may execute any contracts or other instruments as authorized by the Board and shall generally perform all duties incident to the Office of Chair as may be prescribed by the Board.

Section 4. Powers and Duties of the Vice Chair. The Vice Chair shall act as Chair in the latter's absence or inability or refusal to act.

Section 5. Fiscal Officer. The Chair will appoint a Fiscal Officer with duties as described in Articles 15, 16 and 17 hereof to hold office for two years effective from the beginning of the fiscal year contemporaneously with the Chair and Vice Chair.

Section 6. The Fiscal Officer shall chair the Audit Committee.

## ARTICLE 11

### LIABILITY OF BOARD OF TRUSTEES OR OFFICERS

Section 1. Standard of Care. The members of the Board and officers of ~~the PACTPACT~~ should use ordinary care and reasonable diligence in the exercise of their powers and duties hereunder.

Section 2. Limitation of Liability. The members of the Board shall not be liable for any mistake of judgment or other action made, taken or omitted by any of their agents, employees or independent contractors selected by them with reasonable care nor for loss incurred through investment of, or failure to invest, PACT funds, and no trustee shall be liable for any action taken or omitted by any other trustee.

Section 3. No Bonds. No trustee shall be required to give a bond or other security to guarantee the faithful performance of duties hereunder.

Section 4. Insurance. ~~The PACTPACT~~ shall defend and hold harmless any trustee acting within the scope of his authority for ~~the PACTPACT~~. ~~The PACTPACT~~ may purchase insurance providing coverage for acts or omissions taken by the Board or performed by an officer or trustee within the scope of his or her authority for ~~the PACTPACT~~.

## ARTICLE 12

### EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES

Section 1. Members. ~~The PACTPACT~~ shall be administered by the Executive Committee of the Board of Trustees, composed of persons from among the Members of the Board of Trustees, two of which shall represent Member counties or cities with a population of 35,000 or more, if there exist two such Members, two of which shall represent Member counties or cities with a population of under 35,000, one representative of school districts, one representative of hospitals, one representative of special districts and the Chair and Vice Chair of the Board of Trustees. The Executive Director ~~and the respective executive directors of the Nevada Association of Counties and the Nevada League of Cities~~ shall be *ex officio*, non-voting members of the Executive Committee.

Comment [wec2]: With 5 hospital members left, does the board want to merge this into the special districts category or keep a separate position?

Section 2. Business of the Executive Committee. The Executive Committee shall conduct the business of ~~the PACTPACT~~ between meetings of the Board, exercising such powers as are delegated by and under the direction of the Board. If, at a duly noticed Board meeting, a quorum of the Board is not present, the Executive Committee hereby is delegated the power to conduct the business of PACT on behalf of the Board pursuant to the Board meeting agenda.

Section 3. Meetings. Meetings of the Executive Committee shall be called at the request of the Chair, or in his absence, the Vice Chair, but any two members may request a meeting, and all such meetings shall be conducted in compliance with the provisions of the Nevada Open Meeting Laws.

Section 4. Quorum. A majority of the Executive Committee constitutes a quorum for the transaction of business at any meeting, but if less than a majority is present at any meeting, a majority of the members present may adjourn the meeting from time to time without further notice. *Ex officio* members shall not be counted in determining a quorum.

Section 5. Manner of Acting. The act of a majority of the members present at the meeting at which a quorum is present shall be the act of the Executive Committee, unless a greater number is required by law or by the Bylaws of ~~the PACTPACTPACT~~. An alternate representative shall not be allowed to act for a member of the Executive Committee.

Section 6. Election and Term of Office

The Executive Committee shall be elected by the Members for two-year terms, which shall be staggered as follows:

- a. Two of the four representatives of cities and counties shall be elected for a two year term effective with the fiscal year beginning 2003
- b. Two of the four representatives of cities and counties shall be elected for a two-year term effective with the fiscal year beginning 2004
- c. The representative of school districts shall be elected for a two year term effective with the fiscal year beginning 2004
- d. The representative of special districts shall be elected for a two year term effective with the fiscal year beginning 2003
- e. The representative of hospitals shall be elected for a two year term effective with the fiscal year beginning 2003

Succeeding elections to those noted in a-e shall be for two year terms effective with the fiscal year following the election.

Comment [wec3]: Would be affected if hospitals no longer are included

ARTICLE 13

STAFF

Section 1. Executive Director. The Board must employ or contract for an Executive Director to administer the business and activities of ~~the PACTPACT~~, be responsible for all minutes and records of PACT meetings, notices and records of ~~the PACTPACT~~, and such other duties as are assigned by the Board and the Executive Committee, subject to the general supervision and policy direction of the Board of Directors and the Executive Committee.

Section 2. Other Staff. The Board shall provide for the appointment of such other staff as may be necessary for the administration of ~~the PACTPACT~~.

#### ARTICLE 14

##### DEVELOPMENT, FUNDING AND IMPLEMENTATION OF FUNDING PROGRAMS

Section 1. Program Coverage. Pooling or insurance programs of ~~the PACTPACT~~ may provide coverage for:

- A. Workers Compensation and Employer's Liability as defined in NRS 681A.020;

Section 2. Minimum Participation. The Board shall determine for each pooling program, described in Section 1 above, a minimum participation for program implementation, which shall be communicated to each Member and shall establish the amount of any Maintenance Deductible upon agreement with the excess insurers involved.

Section 3. Program and PACT Costs. General administrative expenses of ~~the PACTPACT~~ shall be allocated to the Members as a whole, whether or not every Member participates in all or part of any program of ~~the PACTPACT~~. The Board shall determine the method of allocation to each Member and the amount of each Member's share.

Section 4. Development Charge. Development costs of a program shall be funded by a development charge, as determined by the Board of Trustees, to be paid by each Member joining in the development of the program and thereby reserving the option to participate in the program following its adoption by the Board. Development charges are those costs incurred by the Public Agency Compensation Trust in developing a program for subsequent review and adoption by the Board, including, but not limited to research, feasibility studies, information and liaison work among Public Agencies, preparation and review of documents, and actuarial and risk management consulting services, and may also include a share of the Pool's general expense as allocated by the Board of Trustees.

Section 5. Billing. The development charge shall be billed to all Members upon authorization of program development by the Board and be payable within thirty (30) days of the billing date.

Section 6. Deficiencies. Upon the conclusion of program development, any deficiency in development funds shall be billed to all Members which have paid the development charge on a pro-rata or other equitable basis as determined by the Board, and any surplus in such funds shall be transferred into the loss reserve for the program, or, if the program is not implemented, ~~the PACTPACT~~'s general account.

Section 7. Annual Contributions. All costs of a program, excluding development charges, shall be funded by annual contributions charged to the Members participating in the program for each Policy Year and also by interest earned on the funds so accumulated. Such contributions shall be determined by the Board upon the basis of a cost allocation plan and rating formula developed by ~~the PACTPACT~~ with the assistance of a casualty actuary, risk management consultant or other qualified person. The contributions for each Participating Member shall include its share of expected program losses, program insurance and reinsurance costs, program administrative costs for the year, and its share of ~~the PACTPACT~~'s general expense allocated to the program by the Board.

Section 8. Billing. Annual contributions shall be billed by ~~the PACTPACT~~ at the beginning of each Policy Year and shall be payable within thirty (30) days of the billing date. At the end of each Policy Year, program costs shall be audited by ~~the PACTPACT~~. Any deficiency or surplus in the contributions paid by the Participating Member, as shown by such audit, may be adjusted by a corresponding increase or decrease in the contribution charge to that Member for succeeding years, unless the Member withdraws or is canceled from the program, in which case the provisions of Articles 21, 22, 23, 24 and 25 hereof shall be applicable and controlling.

Section 9. Program Implementation and Effective Date. Following development of a program and its adoption by the Board, ~~the PACTPACT~~ shall give each Member written notice of the program which shall include:

- A. The terms of coverage of the program;
- B. The requirements for program implementation; and
- C. The estimated first year contribution by the Member for program participation.

Section 10. Membership. Each Member or Participating Member may elect to enter the program by giving written notice of such election, in a form prescribed by ~~the PACTPACT~~, accompanied by payment of the initial assessment, to the Executive

Director within thirty (30) days of the date of ~~the PACTPACT~~'s notice of the establishment of the program.

Section 11. Late Entries. A Member not electing to enter a program upon its implementation or within 120 days thereafter pursuant to Section 10 above, or which becomes a party to the Agreement following implementation of the program, may petition the Executive Committee for late entry into the program.

## ARTICLE 15

### ACCOUNTS AND RECORDS

Section 1. Annual Budget. ~~The PACTPACT~~ shall annually adopt an operating budget to include a separate budget for each program under development or adopted and implemented by ~~the PACTPACT~~.

Section 2. Funds and Accounts. The Fiscal Officer shall oversee such funds and accounts as may be required by good accounting practices and by the Board for each program and the books and records of ~~the PACTPACT~~ shall be open to inspection at all reasonable times by authorized representatives of Members.

Section 3. Report of the Fiscal Officer. The Fiscal Officer shall file the annual audit of PACT with the regulatory authority as required by statute.

Section 4. Annual Audit. The Board of Trustees shall engage a certified public accountant to make an annual Fiscal Year audit of all accounts and records of ~~the PACTPACT~~, and a report of the audit shall be filed as a public record by PACT and each Member within one hundred eighty (180) days of the end of the Fiscal Year under examination.

## ARTICLE 16

### RESPONSIBILITIES FOR ~~THE PACTPACT~~'S FUNDS AND PROPERTY

Section 1. Custody and Disbursements. The Fiscal Officer shall oversee the custody of and disburse ~~the PACTPACT~~'s funds, but may delegate that disbursing authority as may be authorized by the Board, subject to the requirements of Section 2 below.

Section 2. Maintenance and Safekeeping. The Fiscal Officer shall assure the following activities are carried out appropriately by the Executive Director who shall:

- A. Receive and acknowledge receipt for all funds of ~~the PACTPACT~~ and deposit them in ~~the PACTPACT~~'s treasury for the credit of ~~the PACTPACT~~;
- B. Be responsible for the safekeeping and disbursement of all PACT funds;
- C. Pay any sums due from ~~the PACTPACT~~ as approved by the Board or by anybody or person to whom the Board has delegated approval authority;
- D. Verify and report in writing to the Executive Committee or the Board, as of the first day of each quarter of the Fiscal Year, the amount of money then held for ~~the PACTPACT~~, the amount of receipts since the last such report, and the amount paid out since that report; and
- E. Invest monies in accordance with applicable laws and regulations governing investments by Public Agencies.

Section 3. Responsibility for Funds and Property. The Executive Director, Fiscal Officer, and such other persons as the Board may designate, shall have charge of, administer, and have access to the funds and property of ~~the PACTPACT~~.

Section 4. Bonds. ~~The PACTPACT~~ may provide for fidelity bond or performance bonds in an amount and form specified by the Board or required by law for all of its officers and staff authorized by ~~the PACTPACT~~ to hold or disburse funds or have charge or access to property of ~~the PACTPACT~~.

## ARTICLE 17

### TRUST ACCOUNT, CHECKS, DEPOSITS AND REVENUES

Section 1. Establishment of a Trust Account. A Trust Account shall be established, referred to hereafter at the "Trust Account", in which all Member contributions, policy dividends or premiums received by ~~the PACTPACT~~, investments made by ~~the PACTPACT~~ and income thereon, and any other money or property which shall come into the possession or control of ~~the PACTPACT~~ shall be placed.

Section 2. Use of the Trust Account. The Board may use the Trust Account to pay all expenses of ~~the PACTPACT~~, including, but not limited to, payment of premiums for insurance policies, compensation to employees and staff, legal counsel, auditors, consultants, contracted services and other persons as authorized by the Board.

Section 3. Expenditure from Trust. Expenditures from the Trust Account may be made for payment of Losses, litigation costs, investigation, insurance premiums and deductible amounts, costs of Loss control activities, and any other costs determined by the Board.

Section 4. Excess Funds. Any excess funds in the Trust Account may be used, as determined by the Board, to enhance programs and services, to reduce

Member contributions, or to increase the cash surplus of ~~the PACTPACT~~ as determined by policies established by the Board.

Section 5. Expenses of Administration. Annually, the Executive Committee or the Board shall approve administrative expenses incurred for administration of the Trust Account and legal services related thereto and shall approve its budget.

Section 6. Checks. All checks, drafts or orders for payment of money, notes or any other evidence of indebtedness issued in the name of ~~the PACTPACT~~ shall be signed by the Executive Director, or by such other person and in the manner as the Board may designate, with two signatures required, and in such as shall be prescribed.

Section 7. Deposits. All funds of the Board shall be deposited to the credit of ~~the PACTPACT~~ in such banks, trust companies or other depositories as the Board may determine.

Section 8. Other Funds. PACT funds in possession or control of the Board shall be received, disbursed, controlled and accounted for under the supervision ~~of~~ ~~theof the~~ Fiscal Officer.

## ARTICLE 18

### RISK MANAGEMENT

Section 1. Risk Management Services The Executive Director or other individual or organization shall provide risk management and insurance consulting service to include Loss prevention, review of Loss data, promotion and evaluation of Loss prevention programs, and reports to Members. The responsibilities include:

- A. Liaison with the Member's staff assigned the risk management and safety responsibility;
- B. Assistance to Members in development and implementation or risk management policies;
- C. Identification and evaluation of risk and Loss potentials, aided by a claims service company and legal counsel;
- D. Recommendations as to affirmative steps in order to avoid or reduce risks and Losses;
- E. Development of a system of claims reporting and on the scene investigation by Member's personnel; and

- F. Development and production of risk prevention educational programs for Member's personnel.

Section 2. Treatment of Costs. Costs of the risk management services shall be a general administrative expense of ~~the PACTPACT~~.

## ARTICLE 19

### RESPONSIBILITIES OF MEMBERS

Members shall have the following responsibilities:

- A. To appoint an officer or employee to be responsible for the risk management function within the Member's organization to serve as a liaison between the Member and ~~the PACTPACT~~ for all matters relating to risk management and insurance;
- B. To maintain an active safety program and act upon recommendations of ~~the PACTPACT~~ to reduce or eliminate unsafe practices;
- C. To pay development charges, annual contributions, insurance premiums, and contributions surcharges to ~~the PACTPACT~~ within thirty (30) days of the billing date thereof;
- D. To pay to ~~the PACTPACT~~ any additional insurance premiums or contributions due as determined and assessed by the Board within thirty (30) days after the Member's act of withdrawal, cancellation, or termination from ~~the PACTPACT~~;
- E. To provide ~~the PACTPACT~~ at its request such other information or assistance as may be reasonably necessary for ~~the PACTPACT~~ to develop and implement programs under this Agreement;
- F. To cooperate with and assist ~~the PACTPACT~~, and any insurer of ~~the PACTPACT~~, in all matter relating to this Agreement;
- G. To comply with all Bylaws of ~~the PACTPACT~~ and other rules adopted by the Board; and
- H. To have such other responsibilities as provided in this Agreement or established by the Board under this Agreement.

## ARTICLE 20

### ADMINISTRATION OF CLAIMS AND LITIGATION

Section 1. PACT Responsibilities. PACT shall be responsible for the investigation, defense and settlement of claims made and suits or proceedings instituted against a Member arising out of a covered Loss.

Section 2. Information From Member. A Member shall furnish to PACT with respect to any claim for Loss or potential Loss:

- A. Prompt written notice of any claim made or suit brought against the Member;
- B. Any other information requested by PACT in order to settle or defend a claim or Loss;
- C. Cooperation in all matters in which PACT is acting on behalf of the Members or any other dispute against PACT or against a Member.

Section 3. Appointment of Claims Committee. The Chair of the Board shall appoint a five member committee as necessary, to be entitled the "Claims Committee", to oversee the claims services. The Executive Director, Risk Manager, Claims Administration Company, and PACT's Broker/Administrator shall be non-voting, ex-officio members of the Claims Committee.

Section 4. Litigation Cooperation. Members shall be kept advised of the progress of litigation. All claims or cases shall be referred immediately to PACT's Claims Administrator by the Member upon which notice is given by a claimant or a complaint served. The Claims Administrator shall review the claim or case, investigate the facts where appropriate, and assign defense counsel from PACT's approved panel of defense counsel. A Member may request assignment of specific panel counsel but such assignment shall be made solely in the discretion of PACT and its Claims Administrator. The assigned counsel shall cooperate with the Member's legal counsel in the defense or settlement of litigation.

Section 5. Litigation Management. Management of litigation shall include evaluation of claims, assignment of qualified attorneys to represent the Member, monitoring of the litigation, providing periodic status and evaluation reports to the Executive Director, aid in promoting and evaluating risk management, and recommending reserves for claims in litigation.

Section 6. Litigation Costs. Litigation Management and fees from general counsel shall be treated as a general expense of PACT and fees of defense counsel shall be treated as a claims expense.

Section 7. Litigation Participation. A Member, exercising its own discretion and at its expense, shall have the right to participate with PACT in the settlement, defense, or appeal of such claim, suit or proceeding where, in the judgment of PACT, may involve liability of PACT.

Section 8. Advice From Members. Members will be given the reasonable opportunity in litigated cases or claims to advise PACT of the Member's preference with regard to settlement of the case or claim.

Section 9. Settlement Consent. A Member shall not enter into any settlement involving liability of PACT without the prior consent of PACT.

Section 10. Claims Handling. PACT shall select a duly licensed claims administration company on the basis of its ability to handle claims in a professional, efficient and economical manner, to be responsible for processing and settling claims filed against PACT.

Section 11. Claim Administration Company Responsibilities. PACT shall engage a Claims Administration Company which shall carry out the duties set forth in NRS 616.301 and:

- A. Investigate all claims against PACT or its Members for which PACT provides indemnification as directed by the Claims Committee;
- B. Make settlements in accordance with the authority delegated in the Claim's Administrator's contract;
- C. In addition to actually paying covered claims, provide periodic claim reports detailing each Member's losses, recommend proper and adequate reserves for outstanding and anticipated claims, file required reports to the State of Nevada, and provide any other related services as approved by the Board; and
- D. Refer cases which may require review by the Claims Committee or the Litigation Strategy Committee and consult with PACT's general counsel with respect to legal issues as necessary.

## ARTICLE 21

### TERMS OF AGREEMENT

This Agreement shall be effective upon execution by the signatory parties and shall remain in effect until:

- A. Terminated upon election of three-fourths of the Members; or

- B. Suspended or superseded by a subsequent agreement between the Members.

## ARTICLE 22

### WITHDRAWAL

Section 1. Member Insolvency. A Member may not withdraw as a Member for a period of two (2) years after its initial entry, except in case of insolvency or change in its legal status as a Public Agency.

Section 2. Notice of Withdrawal. After two years following its initial entry, a Member may withdraw from ~~the PACT~~PACT upon giving one hundred and twenty (120) days in advance of the program renewal date written notice to the Board.

Section 3. Effect of Withdrawal. The withdrawal of a Member shall not affect the continuance of ~~the PACT~~PACT by the remaining Members.

Section 4. Payments Before Withdrawal. In order to withdraw, the Member shall pay any outstanding amounts due and owing to ~~the PACT~~PACT.

Section 5. Release Conditions. Withdrawal does not release the withdrawing Member from liability for further payments or assessments as provided elsewhere in this Agreement.

## ARTICLE 23

### CANCELLATION OR TERMINATION OF MEMBERSHIP

The Board of Trustees may:

- A. Cancel the membership of any Member in PACT on a vote of two-thirds of the Board Members present at a meeting called for that purpose, and such Board action shall result in the cancellation of that Member's participation in all programs of PACT as of the date of the Board cancellation;
- B. Cancel any Member's participation in a program of PACT without canceling its membership in PACT or participation in other programs on a vote of two-thirds of the Board Members present at a meeting called for that purpose;
- C. Cause PACT to give one hundred and twenty (120) days advance written notice to the Member of the effective date of any cancellation under the foregoing provisions, and upon such effective date, the Member shall be

considered as having voluntarily withdrawn from PACT, or from the program of PACT, as the case may be.

- D. Cancel the membership of any Member that has not paid any assessments when due upon thirty (30) days notice to the Member. Such notice for non-payment may be issued by the Executive Director without a vote of the Board of Trustees; however, the Executive Committee will be informed of the situation. The Executive Director may reinstate membership upon receipt of payment of the assessments prior to the effective date of the notice of cancellation. If payment is not received prior to the effective date of the notice of cancellation, the Member may apply for reinstatement through the Executive Director, which may be granted only by the Executive Committee.”

#### ARTICLE 24

##### EFFECT OF WITHDRAWAL OR CANCELLATION FROM ~~THE PACTPACT~~

Section 1. Unearned Contributions. If a Member's participation in a program of ~~the PACTPACT~~ is canceled under Article 23 hereof, with or without cancellation of membership in ~~the PACTPACT~~, and such cancellation is effective before the end of the Policy Year for that program, ~~the PACTPACT~~ shall promptly determine and return to the Member the amount of any unearned contributions payment for the Policy year.

Section 2. Entitlement to Return of Contributions. Except as provided in Section 1 above, a Member, which withdraws or has its membership canceled in ~~the PACTPACT~~, or from any program of ~~the PACTPACT~~, shall not be entitled to the return of any contributions or other payments to ~~the PACTPACT~~, or of any property contributed to ~~the PACTPACT~~.

Section 3. Termination of ~~the PACTPACT~~. In the event of termination of this Agreement and concomitantly ~~the PACTPACT~~, a Member having withdrawn or have had its membership canceled prior thereto may share in the distribution of assets of ~~the PACTPACT~~ as determined by the Board.

## ARTICLE 25

### TERMINATION AND DISTRIBUTION OF ASSETS

Section 1. PACT Activities After Termination. If this Agreement is terminated at any time, ~~the PACTPACT~~ shall continue to exist after such termination for the limited purpose of disposing of all outstanding claims, distributing its assets, and performing all other functions necessary to conclude its affairs and business.

Section 2. Asset Distribution. All assets of ~~the PACTPACT~~ utilized in each program shall be distributed among those Members which participated in that program in accordance with a distribution plan developed by the Board. The Board shall determine such distribution within six months after final distribution of all claims pending at the termination of this Agreement and ~~the PACTPACT~~.

Section 3. Final Contributions. Any Member, which was a participant in a program of ~~the PACTPACT~~ shall be responsible for any additional amount of contributions as determined by the Board in accordance with a Loss allocation formula as necessary for final disposition of all claims arising from losses under that program during the Member's period of participation.

## ARTICLE 26

### CONTRACTUAL OBLIGATION AND MEMBER'S LIABILITY

Section 1. Member's Additional Obligations. In addition to the obligations and responsibilities of ~~the Members~~ the Members expressly set forth in the Agreement, the Members agree to take no action or engage in any conduct inconsistent with this Agreement and the Bylaws of ~~the PACTPACT~~.

Section 2. Enforcement of this Agreement. Except as limited by the provisions in Article 3, Section 4, the terms of this Agreement may be enforced in a court of law by the Board.

Section 3. Consideration. The consideration for the duties herewith imposed upon the Members to take certain actions and to refrain from certain other actions shall be based upon the mutual promises and agreements of the Members set forth herein.

Section 4. Duplicate Originals. This Agreement and the Bylaws of ~~the PACTPACT~~ may be executed in duplicate originals, and their execution and approval by the Members shall be evidenced by a certified copy of a resolution by the Board of Trustees, provided, however, that except to the extent of the financial contributions to ~~the PACTPACT~~ agreed to herein, or such additional obligations as may come about through amendments to this Agreement, or the Bylaws of ~~the PACTPACT~~, no Member

shall be responsible for any claims in tort or contract asserted against any other Member.

Section 5. Limitation of Members' Relationships. In the creation of ~~the PACTPACT~~, the Members intend only to establish an organization for joint insurance and self-insurance programs in accordance with the terms and within the scope of this Agreement and have not intended to create as between Members any other relationships of surety, indemnification or responsibility for the debts or claims of any other Member.

Section 6. Members' Liability. The liability of each Member for the obligations of ~~the PACTPACT~~ shall be joint and several in accordance with the requirements as set forth in Chapters 616 and 617 of the Nevada Revised Statutes and regulations pertaining thereto.

Section 7. Responsibility for Assessments. Members who have withdrawn or have been terminated shall remain subject to the payments of any assessments for the year (s) during which such Member was a participant in the program of ~~the PACTPACT~~.

## ARTICLE 27

### ASSESSMENTS

Section 1. Additional Contribution and Surcharges for Excessive Losses. If ~~the PACTPACT~~ experiences such a number of Losses or costs under a program during a Policy Year, so that notwithstanding insurance and reinsurance coverage for individual Losses, the joint pooled funds for the program may be exhausted, the Executive Committee may, upon consultation with a casualty actuary, impose contributions and/or surcharges on all Participating Members, which, in total amount, will assure adequate resources to ~~the PACTPACT~~ for the payment of all such Losses, but not to exceed two times the most recent annual contribution without approval of two-thirds of the Board of Trustees.

Section 2. Assessments When Liabilities Exceed Assets. The amount of any liability in excess of assets shall be assessed to the Members that are or were members of ~~the PACTPACT~~ within thirty (30) days after a deficiency is identified and shall be payable thereafter by the Members within ninety (90) days.

Section 3. Assessments for Operational Costs Deficiencies. The Board at its discretion may assess the Members for costs incurred in the operation and maintenance of ~~the PACTPACT~~ and for its purposes in the form, manner and amount prescribed by the Board for the Policy Year out of which the deficiency arose.

Section 4. Enforcement of Assessments. ~~The PACTPACT~~ is empowered to enforce the assessments hereunder and as provided elsewhere in this Agreement by appropriate legal proceedings.

## ARTICLE 28

### BYLAWS AND PROCEDURES MANUAL

Section 1. Bylaws. The Board shall adopt Bylaws to provide for the operation and administration of ~~the PACTPACT~~.

Section 2. Procedures Manual. The Board shall cause the preparation of a Procedures Manual to govern the day-to-day operations of ~~the PACTPACT~~.

## ARTICLE 29

### NOTICES

Section 1. Notices to Members. ~~The PACTPACT~~ shall address all notices, billings and other communications to a Member under this Agreement as directed by the Member of ~~the PACTPACT~~.

Section 2. Notices to ~~the PACTPACT~~. Members shall address notices and other communications to ~~the PACTPACT~~ to the Executive Director, Public Agency Compensation Trust, 201 S. Roop Street, Suite 102 , Carson City, Nevada, 89701.

## ARTICLE 30

### AMENDMENT

This Agreement may be amended at any time by a vote of two-thirds of the Members, ~~acting through their governing bodies~~.

## ARTICLE 31

### PROHIBITION AGAINST ASSIGNMENT

No Member may assign any right, claim or interest it may have under this Agreement, and no creditor, assignee or third party beneficiary of any member shall have any right, claim or title to any part, share, interest, fund, contribution, premium or asset of ~~the PACTPACT~~.

### ARTICLE 32

#### AGREEMENT COMPLETE

The foregoing constitutes the full and complete Agreement of the Members. There ~~are no oral understandings~~ are no oral understandings or agreements not set forth in writing herein.

### ARTICLE 33

#### GOVERNING LAW AND SEVERABILITY

Section 1. Governing Law. The construction, validity, and affect of this Agreement shall be governed by the laws of the State of Nevada.

Section 2. Severability. Should any covenant, condition, term or provision in this Agreement be deemed by a court of competent jurisdiction to be invalid or unenforceable, all of the remaining covenants, conditions, terms and provisions herein shall remain in full force and effect.

### ARTICLE 34

#### FILING WITH ATTORNEY GENERAL

The Executive Director of ~~the PACTPACT~~ shall file a notice of this Agreement with the office of the Attorney General within thirty (30) days of its effective date as required by Nevada Revised Statutes.

## ARTICLE IV: TRUSTEES

### SECTION 4.01. POWERS.

Subject to any limitations contained in the PACT § Interlocal Cooperative Agreement ("Agreement"), these Bylaws or the Law relating to action required to be approved by the Members or by a majority of all the Members, the activities and affairs of the PACT shall be conducted and all powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the activities of the PACT to any person or persons, management company, or committee however composed, provided that the activities and affairs of PACT shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these Bylaws:

- (a) To select and remove all officers, agents, service providers and employees of PACT, prescribe powers and duties for them as may not be inconsistent with law, the Agreement or these Bylaws, fix their compensation and require from them such security, if any, for faithful service as the Board may deem appropriate;
- (b) To conduct, manage and control the affairs and activities of PACT, and to make such rules and regulations therefor not inconsistent with Law, the Agreement or these Bylaws, as they may deem appropriate;
- (c) To authorize memberships in the PACT from time to time, upon such terms and for such consideration as may be lawful; and
- (d) To borrow money and incur indebtedness for the purposes of the PACT, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidence of debt and securities therefore.

### SECTION 4.02. ALTERNATE VOTING REPRESENTATIVE.

The Alternate Voting Representative to the Board of Trustees shall have the full powers of the Representative when attending Board meetings in place of the Representative.

### SECTION 4.03. RIGHTS OF INSPECTION.

Every trustee shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the PACT.

### SECTION 4.04. VACANCIES.

- (a) Subject to the provisions of the Agreement, any trustee may resign effective upon giving written notice to the Chair of the Board, the Executive Director, or the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be selected before such time, to take office when the resignation becomes effective.
- (b) Vacancies on the Board, ~~except those existing as result of a removal of a Trustee, may be filled by a majority of the remaining Trustees, although less than a quorum, or by a sole remaining Trustee at any regular or special meeting of the Board. Each Trustee so selected shall hold office until the next meeting of the Member and until a successor has been selected and qualified. The the Member shall at its next regular meeting appoint a replacement Trustee.~~
- (c) A vacancy in the Board shall be deemed to exist in case of the withdrawal of the Member from PACT, death, resignation or removal of any Trustee, or if the authorized number of Trustees be increased, or if a Member fails, at any regular or special meeting of the Member at which any Trustee is elected, to elect its authorized Trustee.
- (d) The Board may declare vacant the office of a Trustee who has been declared of unsound mind by a final order of court, convicted of a felony, or been found by a final order or ~~judgement~~judgment of any court to have breached any duty arising under the laws of the State of Nevada or the Agreement. In addition, the Board may remove, and declare vacant, the office of a Trustee who fails to attend any Board meetings within any one fiscal year.
- (e) Vacancies on the Executive Committee that occur between meetings of the Board may be filled by the Chair to serve until the next Annual Meeting of the Board as described in Article III, Section 3.02 of these Bylaws.

#### SECTION 4.05. REMOVAL OF TRUSTEES.

Except as otherwise provided by the Law, any or all Trustees may be removed with or without cause, if approved by the Members.

#### SECTION 4.06. FEES AND COMPENSATION.

Trustees shall not receive any compensation for their services as Trustees or as Members of committees or commissions, but, by resolution of the Board, reimbursement or advancement may be made for any expenses incurred or paid by them for the benefit of the PACT.

The PACT shall not make any loan of money or property to, or guarantee the obligation of, any Trustee or officer, unless approved by the Nevada Insurance Commissioner.

#### SECTION 4.07. REPRESENTATIVES MUST BE AN OFFICER OR ANY EMPLOYEE OF MEMBER.

The representative or alternate representative of each Member must be an officer or employee of the Member. No other person or organization shall be permitted to serve on the Board of Trustees.



**PACT Executive Committee**

	Re-election Term	Entity	Chair and Vice Chair	Counties/Cities With Less Than 35,000 Population (Total 2)	Counties/Cities With 35,000 or More Population (Total 2)	School Districts (Total 1)	Special Districts (Total 1)	Hospitals (Total 1)
Alan Kalt	2011-2013	Churchill County	Chair					
Roger Mancebo	2011-2013	Pershing County		X				
Josh Foli	2011-2013	Lyon County			X			
Cash Minor	2011-2013	Elko County	Vice Chair		X			
Bill Kohbarger	2011-2013	Town of Pahrump					X	
<b>VACANT</b>	2012-2014	Hospitals						X
Steve West	2012-2014	City of Winnemucca		X				
Paul Johnson	2012-2014	White Pine Co. School District				X		

**Eligible Special Districts/Towns:**

James Eason	Town of Tonopah	x
Bill Kohbarger	Town of Pahrump	x

**Eligible for Hospitals:**

Kathy Ancho or Linda Lauritzen <input type="checkbox"/>	Battle Mountain General Hospital	X
Jason K. Bleak or Missie Rowe <input type="checkbox"/>	Grover C Dils Hospital	X
Sandi Lehman or Rose Marie Green <input type="checkbox"/>	Humboldt General Hospital	X
Jonalee Roberts or Greg Schumann <input type="checkbox"/>	Mt Grant General Hospital	X
Patty Bianchi or Pat Irwin <input type="checkbox"/>	Pershing General Hospital	X



## **PUBLIC COMPENSATION MUTUAL**

201 South Roop Street, Suite 102  
Carson City NV 89701  
Phone: (775) 885-7475  
Fax (775) 883-7398

**Notice of Annual Members Meeting and Agenda for  
Public Compensation Mutual  
Place: John Ascuaga's Nugget, Sparks, Nevada  
Time: Upon Adjournment of  
Public Agency Compensation Trust Board Meeting  
Date: April 26, 2013**

### **AGENDA**

1. Roll
2. **Action Item:** Approval of
  - a. Minutes of Annual Member Meeting April 27, 2012
  - b. Ratification of Board Action Taken Since the 2012 Annual Meeting
3. Report - Minutes of Meetings
  - Meeting of the Board of Directors of April 24, 2012
  - Meeting of the Board of Directors of October 23 2012
  - Meeting of the Board of Directors of December 18, 2012
  - Meeting of the Board of Directors of March 4, 2013
4. Investments Report (including Investment Policy changes and Money Management Controls)
5. Report - Audited Financial Reports for 2012 (Calendar Year)
6. **Action Item:** Status Report – Change of PCM to Single-Parent Status
7. Discussion of Reinsurance Program Provided to Public Agency Compensation Trust for its Fiscal Year 2013-2014
8. **Action Item:** Elections/Ratification of Board Members and Officers
9. **Action Item:** Adjournment



## **PUBLIC COMPENSATION MUTUAL**

201 South Roop Street, Suite 102  
Carson City NV 89701  
Phone: (775) 885-7475  
Fax (775) 883-7398

**Minutes of Annual Members Meeting of  
Public Compensation Mutual  
Place: John Ascuaga's Nugget, Sparks, Nevada  
Time: Upon Adjournment of  
Public Agency Compensation Trust Board Meeting  
Date: April 27, 2012**

### **1. Roll**

A sign in sheet was distributed and a quorum determined to be present. Chairman Paul Johnson called the meeting to order at 2:12 p.m.

- 2. Action Item: Approval of**
- a. Minutes of Annual Member Meeting April 29, 2011**
  - b. Ratification of Board Action Taken Since the 2011 Annual Meeting**

On motion and second to approve the minutes and to ratify board actions, the motion carried.

### **3. Report - Minutes of Meetings**

- **Meeting of the Board of Directors April 26, 2011**
- **Meeting of the Board of Directors July 8, 2011**
- **Meeting of the Board of Directors December 22, 2011**
- **Meeting of the Board of Directors February 24, 2012**

No action was taken.

### **4. Investments Report (including Investment Policy changes and Money Management Controls)**

Doug Smith commented that the investment advisor's and manager's report heard under the Joint POOL/PACT agenda covered this topic so nothing further was necessary.

**5. Report - Audited Financial Reports for 2011 (Calendar Year)**

Chair Johnson noted that the board had accepted the audit and that this was a report item only,

**6. Action Item: Report – Nevada Insurance Division Examination and Willis Captive Strategic Review**

Doug Smith explained that both PCM and Public Risk Mutual had funded a study by Willis regarding potentially re-domicile of the captives and whether the current association captive form should be changed to a pure captive form. The report showed some concerns about the regulatory environment in Nevada versus other domiciles as one reason to consider changing, although there are political, practical and cost implications that may be of concern.

On motion and second to direct staff to explore the domicile issues and the pure captive option further, the motion carried.

**7. Discussion of Reinsurance Program Provided to Public Agency Compensation Trust for its Fiscal Year 2012-2013**

Doug Smith noted that this had been discussed fully by the PCM board prior to offering terms to PACT, which were discussed under the PACT annual meeting agenda. No action was taken.

**8. Action Item: Elections/Ratification of Board Members and Officers**

Doug Smith noted that Paul Johnson's term was expiring. On motion and second to reelect Paul Johnson to the board and as chair and to reelect the officers, the motion carried.

**9. Action Item: Adjournment**

On motion and second to adjourn, the meeting was adjourned at 2:23 p.m.



## PUBLIC COMPENSATION MUTUAL

201 South Roop Street, Suite 102  
Carson City NV 89701  
Phone: (775) 885-7475  
Fax (775) 883-7398

### Minutes for the Board of Directors of Public Compensation Mutual (PCM)

Date: Tuesday, April 24, 2012

Time: 10:00 A.M. or when Exec Boards and/or PRM concludes

Place: POOL building or by conference call

Carson City, Nevada 89701

### AGENDA

#### 1. Roll

The meeting was called to order by Chairman Paul Johnson at 10:15 a.m. on April 24, 2012.

Board Members Present: Alan Kalt, Mike Rebaleati, Cash Minor, Josh Foli, Paul Johnson

Others Present: Wayne Carlson, Debbie Connally, Ann Wiswell, Bob Lombard, Doug Smith, and various POOL/PACT Executive Committee members

#### 2. Action Item: Approval of Minutes of February 24, 2012

On motion and second to approve the minutes, the motion carried.

#### 3. Staff Reports and Old Business (Action as Necessary):

a. Financial Statements

b. Claims Report

c. Investment Report

Doug reviewed the financial statements, claims status, and investment status briefly, pointing out that there were no changes of substance in any area since the February meeting. He noted that estimated expenses for the 2012 fiscal year are \$88,600, down slightly from the previous year.

#### 4. Action Item: Election of PCM Board Members and Officers

Doug noted that Paul Johnson was up for reelection for a new three year term (2012-2015), and that Paul was willing to continue to serve.



## PUBLIC COMPENSATION MUTUAL

201 South Roop Street, Suite 102  
Carson City NV 89701  
Phone: (775) 885-7475  
Fax (775) 883-7398

On motion and second to recommend to the membership to reelect Paul as a Board Member and to continue as Chairman of the Board for a three-year term at the annual meeting on April 27, the motion carried unanimously.

### 5. Action Item: **Renewal Offer for PACT**

Doug reported that the actuarial pricing projections for the coming year indicated an increase in pricing for the same coverage as in the past year. However, additionally, CRL increased their layer of participation by \$500,000, which added to the cost of their layer, and there was no corresponding reduction in price from their reinsurers. In essence, Safety National, the CRL reinsurer, was forcing increased retentions and costs at all levels below theirs. This in turn suggested strongly that PACT/PCM increase their participation as well.

Staff recommended PCM retain an additional layer of \$250,000 excess of \$500,000, with PACT maintaining their current \$500,000 per claim retention (the PACT exposure also including an aggregate or one-time 'corridor' deductible of \$500,000). This would result in a price of \$674,710, a substantial increase from \$244,000 the prior two years. This pricing includes (1) participation (25%) in the \$2,225,000 layer excess of \$750,000 per claim (total exposure to PCM possibly \$562,500, up from \$500,000 the previous year), (2) 100% of the layer \$250,000 excess of \$500,000 referenced above, and (3) 50% of a \$3,000,000 aggregate layer attaching above \$9,000,000 or more (depending on payroll and the Safety National attachment formulae, to be determined).

The \$250,000 layer was priced at \$212,000, and the quota-share layers (including PCM expenses of \$88,600 and aggregate pricing of \$39,110 per Safety National, matched by the captive) were priced at \$462,710, for a total of \$674,710. This used actuarial confidence levels of 70%, down from the 75% used in prior years. Staff had reviewed this change with the actuarial consultant, and they agreed that PCM stability and the substantial surplus held warranted the decrease. Staff pointed out that the level is still quite conservative compared with various other pools and with various reinsurers, including our own.

The Board also entertained an option for \$1,000,000 retention with no corridor deductible, with PCM retaining \$500,000 excess of \$500,000 each claim as well as participation in the compressed CRL layer.



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Estimated pricing to be provided PACT for this option was \$\$1,826,739 (PACT would benefit by avoiding the corridor costs).

On motion and second to approve renewal terms 'as is' as well as the two options described above, and to release the offer to PACT, the motion carried.

### 6. **Next Meeting: Tentatively Approved Future Dates**

- **Tuesday, July 3, 2012, 10:00 a.m.**
- **Tuesday, Oct. 23, 2012, 10:00 a.m.**
- **Tuesday, Dec. 18, 2012, 10:00 a.m.**

### 7. **Action Item: Other New Business and Announcements**

No other business was pending or announcements were made.

### 8. **Action Item: Adjournment**

On motion and second to adjourn, the meeting adjourned at 10:45 a.m.

### 9. **Action Item: Reconvening – Willis Captive Strategic Report**

The meeting was again called to order by Chairman Paul Johnson at 12:05 p.m. on April 24, 2012.

**Board Members Present:** Alan Kalt, Mike Rebaleati, Cash Minor, Josh Foli, Paul Johnson (in addition, staff and a number of POOL/PACT Executive committee members remained present in order to hear the Willis presentation following the Executive meetings)

Following a presentation by Anne Marie Towle of Willis of a draft report, the Board recommended that staff work with Willis to complete the report and present final recommendations at the next Board Meeting in July. Staff said they would continue to work with Mike Lynch at the Nevada Insurance Division to pursue changing the captives to single-parent status, if appropriate, including gaining legal opinions as needed.

Various points were made by Willis and/or discussed by the Board. First, Willis stated that although Nevada is still an acceptable and widely used



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domicile, the regulatory environment has eroded somewhat compared to other domiciles over the past few years. The examination issues in particular were noted. In fact, if the regulatory environment were the only or primary reason for choosing a domicile today, it would likely make sense to go elsewhere. Second, Willis recognized that there are various political and practical reasons for staying in Nevada, and said the Board would obviously have to consider these matters. Third, Willis provided rough cost comparisons of the four domiciles they considered in their study, but Board members suggested this should be more accurately detailed. Willis agreed that a move may be more expensive and less convenient in various ways. Finally, various other points of comparison were presented and discussed. Some Board members stated that they still felt strongly that a move should be considered, while others stated they felt that we should exhaust all possibilities of reconciling our differences with the Nevada regulators before we seriously consider a change of domicile. As noted above, staff said they planned to continue to work with the Department of Insurance in Nevada to improve the situation in any case. Board members expressed the willingness to help as needed, including meetings with the Department or Governor's office.

On motion and second to proceed as staff indicated, and to present that process and status thereof to the general membership on April 27 for their approval, the motion carried.

### **10. Action Item: Second Adjournment**

On motion and second to adjourn, the meeting adjourned at 12:15 p.m.



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Fax (775) 883-7398

**Minutes for the Board of Directors of  
Public Compensation Mutual (PCM)  
Date: Tuesday, October 23, 2012  
Scheduled Meeting Time: 1:30 P.M. or when PRM concludes  
Place: POOL building or by conference call  
Carson City, Nevada 89701**

### 1. Roll

The meeting was called to order by Chairman Paul Johnson at 2:00 p.m. (at the conclusion of the PRM Board meeting) on October 23, 2012.

Board Members Present: Alan Kalt, Mike Rebaleati, Cash Minor, Josh Foli, Paul Johnson

Others Present: Joe Woods II, Wayne Carlson, Debbie Connally, Bob Lombard, and Doug Smith.

### 2. Action Item: Approval of Minutes of April 24, 2012

On motion and second to approve the minutes, the motion carried.

### 3. Staff Reports and Old Business (Action as Necessary):

- a. Financial Statements
- b. Review of Renewal Retentions
- c. Claims Report
- d. Investment Report
- e. Investment Policy Statement
- f. Captive Strategy Review Status

Doug reviewed the financial statements, claims status, and investment status briefly, pointing out that there were no negative changes of substance in any area since the February meeting. Net Income for the nine months ending September 30, 2012 was \$416,810.02; Total Capital as of that date was \$30,526,545.46 compared with \$26,358,329.96 the prior year. Five claims were reported since inception of PCM, with no payments by PCM yet. Market value of investments was \$31,576,613, and 2012 YTD return was +6.85%.



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As for the PACT renewal, which was approved by the PACT Board in April, the primary option presented by PCM was accepted. This included some substantial changes for PCM from the prior year, but the underlying PACT retentions remained virtually unchanged. The PCM retentions now include (1) participation (25%) in the \$2,225,000 layer excess of \$750,000 per claim (total exposure to PCM possibly \$562,500 per loss, up from \$500,000 the previous year), (2) 100% of the layer \$250,000 excess of \$500,000 (a new layer), and (3) 50% of a \$3,000,000 aggregate layer attaching above \$10,000,000 or more (depending on payroll and the Safety National attachment formulae, to be determined at time of loss). Pricing tracked the recommendations from the April PCM Board meeting (recorded in those minutes) at a total cost of \$674,710 to PACT.

Joe R. Woods II, Branch Manager of Raymond James Financial Services, Inc. in Coronado, CA, our investment advisor, provided investment summaries for PCM as well as various supporting information including portfolio snapshots describing allocations, an Economic Research document published weekly by Raymond James and Associates, and a summary written report for the Board. Joe mentioned that the stock market results had been good lately, that the allocations appeared to be in line with Board policies, but that various economic 'headwinds' continue to cause volatility and uncertainty in the markets.

Joe reported that one of our mutual funds managed by Loomis was losing one of their key personnel, Ms. Kathleen Gaffney, but that the primary manager, Daniel Fuss, was still leading the portfolio and that Joe was not concerned at this time. In response to a question asking whether any other of our funds was a concern to Raymond James at this time, Joe replied that none of them had been flagged.

Joe also discussed a draft Investment Policy Statement which he prepared for all POOL/PACT related entities with the help of some of the Raymond James Compliance staff. Doug noted that we revised the Statements for the captives last spring with Joe's assistance, and said that he and Joe didn't feel we needed to adopt the new Statement at this time for PCM and PRM. In particular, each captive Board itself serves as the respective investment committee, and with the relatively small size of the two captive Boards, that seems appropriate. However, Joe noted the pools themselves hadn't been through a review since 2009, and that he felt that would be worthwhile. Doug said he will coordinate that item with Wayne during coming months.



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As a follow-up to the Willis Captive Strategic Report which was presented in April, Doug had circulated the final report which included a few changes regarding expense comparisons and stated that he didn't feel the changes were really of much substance. Bob Lombard confirmed that there did not appear to be much difference in expenses between the various domiciles, and that Nevada continued to appear somewhat less than the ideal site, though certainly not unacceptable. However, he also said that the captive Boards did not seem to want to make a change before exhausting all possibilities of working amicably with the Nevada Division of Insurance, which both Board Members and staff confirmed. Doug noted that he was nearing completion of the development of a presentation for the Division, and that our general counsel was also now involved. The main topic will be conversion of the captives to single-parent status, which was approved by the membership at the annual meetings in April, subject to general counsel and Division approval. Doug felt the materials would be sent to the Division in the next few days.

#### 4. **Next Meeting: Tentatively Approved Future Date**

- **Tuesday, Dec. 18, 2012, 10:00 a.m.**

#### 5. **Action Item: Other New Business and Announcements**

No other business was pending or announcements were made.

#### 6. **Action Item: Adjournment**

On motion and second to adjourn, the meeting adjourned at 2:10 p.m.



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**Minutes for the Meeting of the Board of Directors of  
Public Compensation Mutual (PCM)  
Date: Tuesday Dec. 18, 2012  
Scheduled Time: 10:00 A.M. or when PRM concludes  
Place: POOL building or by conference call  
Carson City, Nevada 89701**

### 1. Roll

The meeting was called to order by Chairman Paul Johnson at 10:30 a.m. on Dec. 18, 2012.

Board Members Present: Josh Foli, Cash Minor, Mike Rebaleati, Alan Kalt

Others Present: Joe Woods, Debbie Connally, Wayne Carlson, Doug Smith

### 2. Action Item: Action Item: Approval of Minutes of October 23, 2012

On motion and second to approve the minutes, the motion carried.

### 3. Staff Reports and Old Business (Action as Necessary):

#### a. Financial Statements

PCM financials through the end of October were reviewed. It was noted that net income was over \$488,000 YTD and that total capital had increased to over \$30,500,000. On motion and second to accept the financials, the motion carried.

#### b. Claims Report

Staff reported that there have been no new claims reported since the last Board meeting. There have been a total of 5 workers' compensation claims since inception of PCM. None have a date of loss after April, 2010 at this time.



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### **c. Nevada Insurance Division Status**

Doug reported that application had been made to the Nevada Insurance Division to change both captives from association/group status to single-parent status. General counsel Steve Balkenbush provided an opinion and letter supporting the changes which was sent directly to the Division as well. Doug indicated that the Division is swamped currently with pre-legislature work and work pertaining to implementation of the Federal Affordable Healthcare Act, and that he didn't foresee problems but also didn't foresee quick action.

### **d. Investment Topics**

Joe Woods provided investment results as of November 30, 2012. His report consisted of a memo to the Board, current asset allocations, and results both historic and year to date. PCM results YTD were +7.90%. Market value of invested assets as of 11/30/2012 was \$32,475,346.

(The following comments were recorded during the PRM meeting which preceded PCM, and were reiterated during the PCM meeting) Joe noted that allocations are near the maximum for equities, and that we will watch them as year-end approaches. He also noted that mutual funds often report fairly large cash sums, which are reflected in the allocation reports. He will recommend we move funds from equities to bonds unless the market falls as a result of 'fiscal cliff' negotiations. If status is unclear as of December 31, we will review year-end results and make changes shortly after year-end as necessary.

Alan asked about first quarter 2013 expectations and Joe replied that uncertainty is again very high, that interest rates are expected to remain low for the next couple of years which bodes well for equities but not for bonds, and that tax rate increases may cause dividend stocks to fall. Joe felt that quality equities should still have room to grow in the next year or so.

Paul asked that three additional items be reported and/or discussed regularly as part of all investment reports in the future: first, are our investments competitive with other fund investments, which might be answered by looking at indices regularly; second, it is useful to know if the inflation rate is trending one way or another; third, safety of principal is one of our goals, so volatility of our investments might be discussed regularly. Paul traced these three measures to our investment policy, and felt that



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we should attend to these items more closely. Joe said that he should be able to meet those requests in the future.

Doug announced that there is an annual SAA conference in San Diego in March, and although he has a conflict this year encourage interested Board members to attend. He also mentioned the GEM annual meeting will be held in July at Squaw Valley, and that GEM would like members from POOL and PRM to attend if they are able (GEM is not involved in PACT or PCM). Cash mentioned that he attended the general SAA conference in Washington DC earlier in the year and found it quite beneficial, as usual.

#### 4. **Action Item: Annual Review of Investment Policy**

In accordance with the PCM Investment Policy, staff provided members with the current policy and a draft of another policy Joe had provided. Staff suggested the current policy seems adequate since we modified it last spring, but that Joe's draft might be useful in reviewing the policies of POOL and PACT. Josh moved to approve the current policy for the coming year and upon motion and second the motion was approved.

#### 5. **Next Meeting: Approval of audit engagement - Casey, Neilon & Assoc.**

On motion and second to approve engagement with Casey, Neilon & Associates for the 2012 audit, the motion was approved. The range of fees is up slightly, but staff said that they felt the cost was in line, and that Niki Neilon had been very helpful with Insurance Division issues during the past couple of years. The audit is scheduled to begin January 22, with a report issued by February 28, 2013.

#### 6. **Action Item: 2013 Tentative Board Meetings**

Staff suggested the following dates for 2013 Board meetings, and there were no objections:

- **Tuesday, February 26, 2013, 10:00 a.m**
- **Tuesday, April 23, 2013, 10:00 a.m.**
- **Tuesday, July 23, 2013, 10:00 a.m. (note: GEM Annual Board Meeting at Squaw Valley July 23-26)**
- **Tuesday, Oct. 22, 2013, 10:00 a.m.**
- **Tuesday, Dec. 17, 2013, 10:00 a.m.**



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### 7. Action Item: Other New Business and Announcements

No other items were discussed.

### 8. Action Item: Adjournment

On motion and second to adjourn, the meeting adjourned at 10:45 a.m.



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**Minutes for the Meeting of the Board of Directors of  
Public Risk Mutual (PCM)  
Date: Monday March 4, 2013  
Scheduled Time: 10:00 A.M. or when PCM concludes  
Place: POOL building or by conference call  
Carson City, Nevada 89701**

**(Held Jointly with PRM)**

### **1. Roll**

A joint meeting of PRM and PCM was called to order by PRM Chairman Cash Minor and PCM Chairman Paul Johnson at 12:00 noon on March 4, 2013. The joint meetings of NPAIP/PACT were recessed for the convenience of the captive auditor to present her report.

Board Members Present: Cash Minor, Josh Foli, Paul Johnson, Mike Rebaleati, and Alan Kalt

Others Present: Debbie Connally, Wayne Carlson, Ann Wiswell, Doug Smith, Niki Neilon, and various members of the POOL/PACT executive committees.

### **2. Action Item: Action Item: Approval of Minutes of December 18, 2012**

On motion and second to approve the minutes, the motion carried.

### **3. Staff Reports and Old Business (Action as Necessary):**

#### **a. Claims Report**

Staff reported that there have been no new claims reported since the last Board meeting. However, it is possible that PRM will be affected by a series of winter freeze claims, although extent of damage has not been accurately assessed yet; a number of locations, particularly in Elko County, were affected. Also, PACT has two major reserves recently established, but again it is not yet clear whether the limits of the claims will touch the PCM program or not.



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### **b. Investment Report**

Doug provided attendees with copies of the year-end 2012 investment summaries for all entities which Joe Woods II had sent, but did not discuss the reports in any detail since Joe will provide a full report at the April annual meetings. He did state that rebalancing of investments had taken place since both captives were approaching the 35% maximum for equities as a result of strong stock market results in the prior quarter.

#### **4. Action Item: Approval of audit report - Casey, Neilon & Assoc.**

Niki Neilon presented audit reports for both captives, went over notes and details, answered questions, and stated that both entities were in fine condition and that she had no reservations or concerns. It was suggested that future reports match investment policy goals to footnotes (investment risk/credit risk etc.), and she said that would be no problem to implement. Upon motion and second to approve the audit report, the motion carried.

#### **5. 2013 Tentative Board Meetings**

Staff reaffirmed the following scheduled meeting dates:

- **Tuesday, April 23, 2013, 10:00 a.m.**
- **Tuesday, July 23, 2013, 10:00 a.m. (note: GEM Annual Board Meeting at Squaw Valley July 23-26)**
- **Tuesday, Oct. 22, 2013, 10:00 a.m.**
- **Tuesday, Dec. 17, 2013, 10:00 a.m.**

#### **6. Action Item: Other New Business and Announcements**

No other items were discussed.

#### **7. Action Item: Adjournment**

On motion and second to adjourn, the meeting adjourned at about 12:30.



503 N. Division St. • Carson City, NV 89703  
775.283.5555 • fax 775.283.0494  
www.wealthcarecpas.com

March 1, 2013

To the Board of Directors  
Public Compensation Mutual

We have audited the financial statements of Public Compensation Mutual for the year ended December 31, 2012, and have issued our report thereon dated March 1, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 4, 2012. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Public Compensation Mutual are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the reserve for loss and loss adjustment expenses are based on claims made during the policy period. This was supported by an actuarial opinion, and meets the standards required by generally accepted accounting standards. We evaluated the key factors and assumptions used to develop the reserve for unpaid loss and loss adjustment expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were):

The disclosure of reserve for loss and loss adjustment expenses in Note 4 to the financial statements.



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### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 1, 2013.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

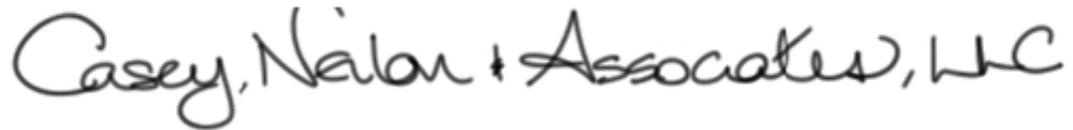
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of board of directors and management of Public Compensation Mutual and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Casey, Neilon + Associates, LLC". The signature is written in a cursive, slightly slanted style.

Casey, Neilon and Associates, LLC

**PUBLIC COMPENSATION MUTUAL**

**DECEMBER 31, 2012 AND 2011**

**PUBLIC COMPENSATION MUTUAL  
DECEMBER 31, 2012 AND 2011**

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*Casey, Neilon & Associates, LLC*  
**Accountants and Advisors**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Public Compensation Mutual

***Report on the Financial Statements***

We have audited the accompanying financial statements of Public Compensation Mutual (a Nevada non-profit captive association mutual insurer) which comprise the balance sheets as of December 31, 2012 and 2011 and the related statements of income and comprehensive income, changes in surplus and cash flows for the years ended December 31, 2012 and 2011, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Compensation Mutual as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011, in conformity with accounting principles generally accepted in the United States of America.

***Report on Other Legal and Regulatory Requirements***

In accordance with the Nevada Administrative Code, we have also issued our report dated March 1, 2013, on our consideration of the Company's internal control over financial reporting. That report is an integral part of an audit performed in accordance with this code and should be read in conjunction with this report in considering the results of our audits.

*Casey, Neilon & Associates, LLC*

Carson City, Nevada  
March 1, 2013

**PUBLIC COMPENSATION MUTUAL  
BALANCE SHEETS  
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 153,574	\$ 1,593,196
Investments	32,636,551	27,917,105
Investment income receivable	<u>3,057</u>	<u>1,396</u>
Total Assets	<u>\$ 32,793,182</u>	<u>\$ 29,511,697</u>
<b>LIABILITIES AND SURPLUS</b>		
Accounts payable	\$ 10,242	\$ 7,600
Reserve for loss and loss adjustment expenses	1,102,000	898,000
Unearned assessments	<u>337,355</u>	<u>122,000</u>
Total Liabilities	<u>1,449,597</u>	<u>1,027,600</u>
Surplus	29,372,657	28,288,172
Accumulated other comprehensive income	<u>1,970,928</u>	<u>195,925</u>
Total Surplus	<u>31,343,585</u>	<u>28,484,097</u>
Total Liabilities and Surplus	<u>\$ 32,793,182</u>	<u>\$ 29,511,697</u>

See accompanying notes

**PUBLIC COMPENSATION MUTUAL  
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>INCOME</b>		
Premiums	\$ 459,355	\$ 244,000
Investment income	<u>757,512</u>	<u>387,127</u>
Total Income	<u>1,216,867</u>	<u>631,127</u>
<b>EXPENSES</b>		
Administrative fees	63,981	73,101
Losses and loss adjustment expenses	<u>204,000</u>	<u>(233,339)</u>
Total Expenses	<u>267,981</u>	<u>(160,238)</u>
Net Income Before Income Taxes	948,886	791,365
Provision for Income Taxes	<u>-</u>	<u>-</u>
Net Income	<u>\$ 948,886</u>	<u>\$ 791,365</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized gains (losses) on available for sale securities arising during the period	\$ 1,660,497	\$ (476,780)
Less: Reclassification adjustment for (gains) losses recongnized in net income	<u>114,506</u>	<u>206,780</u>
Other Comprehensive Income	<u>1,775,003</u>	<u>(270,000)</u>
Comprehensive Income	<u>\$ 2,723,889</u>	<u>\$ 521,365</u>

See accompanying notes

**PUBLIC COMPENSATION MUTUAL  
STATEMENTS OF CHANGES IN SURPLUS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>Surplus</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Surplus</u>
Balance, December 31, 2010	\$ 24,090,343	465,925	\$ 24,556,268
Net loss	791,365	-	791,365
Surplus contributed	3,406,464	-	3,406,464
Unrealized holding losses arising during the period	-	(476,780)	(476,780)
Reclassification adjustment for losses realized in net income	-	206,780	206,780
Balance, December 31, 2011	<u>\$ 28,288,172</u>	<u>195,925</u>	<u>\$ 28,484,097</u>
Net income	948,886	-	948,886
Surplus contributed	135,599	-	135,599
Unrealized holding gains arising during the period	-	1,660,497	1,660,497
Reclassification adjustment for losses realized in net income	-	114,506	114,506
Balance, December 31, 2012	<u><u>\$ 29,372,657</u></u>	<u><u>\$ 1,970,928</u></u>	<u><u>\$ 31,343,585</u></u>

See accompanying notes

**PUBLIC COMPENSATION MUTUAL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 948,886	\$ 791,365
Adjustments to reconcile net income to net cash provided by operating activities:		
Losses on sale of securities	114,506	206,780
Changes in assets and liabilities:		
Increase (decrease) in:		
Investment income receivable	(1,661)	5,468
(Increase) decrease in:		
Reserve for loss and loss adjustment expenses	204,000	(233,338)
Accounts payable	2,642	2,600
Unearned assessments	215,355	-
Net Cash Provided by Operating Activities	1,483,728	772,875
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of securities	(5,887,807)	(20,668,018)
Sale of securities	2,828,858	5,221,118
Net Cash Provided (Used) by Investing Activities	(3,058,949)	(15,446,900)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contribution of surplus	135,599	3,406,464
Increase (Decrease) in Cash and Cash Equivalents	(1,439,622)	(11,267,561)
<b>CASH AND CASH EQUIVALENTS, Beginning of Period</b>	1,593,196	12,860,757
<b>CASH AND CASH EQUIVALENTS, End of Period</b>	\$ 153,574	\$ 1,593,196

See accompanying notes

**PUBLIC COMPENSATION MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations:**

Public Compensation Mutual (“the Company”), a Nevada nonprofit captive association mutual insurer formed pursuant to Nevada Revised Statute 694C, is engaged in the business of providing reinsurance for the Public Agency Compensation Trust (PACT). PACT is a quasi-governmental entity formed by local governments for the purpose of organizing an association for self-insured workers compensation. The Company’s formation was approved on June 26, 2007 by the State of Nevada Division of Insurance and began operations July 1, 2007.

The Company provides coverage for members of PACT for worker’s compensation losses under a quota-share reinsurance arrangement. From inception through June 30, 2012, the Company provided excess insurance in the layer \$2,000,000 excess of \$500,000, subject to a one time corridor deductible of \$500,000 and a quota share of 25%. Effective July 1, 2013, the Company provides excess insurance in the layer \$250,000 excess of \$500,000 and \$2,225,000 excess of \$750,000 subject to a 25% quota share. Both layers are subject to a one time corridor deductible of \$500,000. The Company also provides \$1,500,000 aggregate excess (50% quota share of the \$3,000,000 layer) above an attachment point of approximately \$10,000,000.

**Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Basis of Presentation:**

The accompanying financial statements have been prepared in conformity with reporting practices prescribed or permitted by the State of Nevada, Division of Insurance. These financial statements are also presented in conformity with accounting principles generally accepted in the United States of America because the accounting practices prescribed or permitted under statutory authority, when applied to the Company do not vary materially from generally accepted accounting principles.

**Cash Equivalents:**

For the purpose of presentation in the Company’s financial statements, cash equivalents are short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near to maturity that they present insignificant risk of changes in value due to changing interest rates.

**Method of Accounting:**

The Company prepares its financial statements on the accrual method of accounting, recognizing income when earned and expenses when incurred.

**PUBLIC COMPENSATION MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Securities Available for Sale:**

Investments not classified as either trading or held-to-maturity are reported at fair value, adjusted for other than temporary declines in fair value, with unrealized gains and losses excluded from net income and reported as a separate component of surplus. The fair value of substantially all securities is determined by quoted market prices.

**Valuation of Investments:**

The Company has adopted and implemented FASB ASC 820-10, Fair Value Measurements, which provides a framework for measuring fair value under GAAP. This statement defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. FASB ASC 820-10 establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3: Unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk) developed based on the best information available in the circumstances.

**Reserve for Loss and Loss Adjustment Expenses:**

Loss and loss adjustment expenses includes an amount determined from loss reports on individual cases and estimates of the cost of claims incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. It is reasonably possible that the estimate will change within one year of the date of the financial statements. The loss liabilities were developed from a combination of the insurance industry loss payment and reporting patterns. The data was developed and trended, using standard actuarial techniques, to meet the Company's premium rate structure and experience. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in earnings currently.

**Premiums:**

Premiums are generally recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums.

**PUBLIC COMPENSATION MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Reinsurance:**

In the normal course of business, the Company may seek to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by purchasing reinsurance at certain levels of risk in various areas of exposure with other insurance enterprises.

**Income Tax Status:**

Under Internal Revenue Code Section 115, and pursuant to regulations and rulings issued by the Internal Revenue Service, organizations formed, operated and funded by political subdivisions formed to pool casualty and other risks arising from their obligations concerning public liability, may exclude income derived from such activities from taxable income. Accordingly, no provision for income taxes has been provided in the accompanying financial statements, and no federal tax returns have been filed. As no tax returns have been filed, there is no statute of limitations to toll, and all years remain open to potential adjustment.

**Prior Year Reclassifications:**

The prior year's financial statements have been reclassified where applicable to conform to the current year's presentation.

**NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value in conformity with Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157) (FASB ASC 820-10):

*Cash and Cash Equivalents:* For these short term instruments, the carrying amount is a reasonable estimate of fair value. This fair value estimate represents a level 1 as described in Note 1.

*Investments in Marketable Securities:* For investments in marketable securities, fair values are based on quoted market prices or dealer quotes if available. If a quoted market price is not available, fair value is estimated using quoted market process for similar securities. This fair value estimate represents a level 2 input as described in Note 1.

**NOTE 3 - CONCENTRATIONS**

As detailed in Note 1, the Company provides reinsurance insurance coverage to PACT; additionally, PACT provided the surplus contribution to the Company, and is the sole insured.

The Company maintains its cash balances in various institutions. As of December 31, 2010 through December 31, 2012 all funds in a "noninterest-bearing transaction account" are insured in full by the Federal Deposit Insurance Corporation (FDIC). This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules. Starting January 1, 2013 the FDIC will no longer fully insure deposits in non-interest bearing transaction accounts. Funds in non-interest bearing transaction accounts will be insured to at least \$250,000 under the FDIC's general deposit insurance rules.

**PUBLIC COMPENSATION MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 3 – CONCENTRATIONS (continued)**

Additionally, as of December 31, 2012 and 2011, the company has certain cash equivalent and investment balances insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 (with a limit of \$250,000 for cash) per institution. In addition the Company's investment policy provides additional coverage above the SIPC limits for any missing securities and cash in client investment accounts up to a firm aggregate limit of \$1 billion (including up to \$1.9 million for cash per client). The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE 4 - INVESTMENTS**

Available-for-sale securities at December 31, 2012 and 2011 consist of various investments as indicated below:

	Cost	Estimated Fair Value	December 31, 2012 Gross Unrealized	
			Gains	Losses
Mutual funds	\$ 29,605,313	\$ 31,425,601	\$ 1,820,288	\$ -
Equities	1,060,310	1,210,950	150,640	-
<b>Total</b>	<b>\$ 30,665,623</b>	<b>\$ 32,636,551</b>	<b>\$ 1,970,928</b>	<b>\$ -</b>

	Cost	Estimated Fair Value	December 31, 2011 Gross Unrealized	
			Gains	Losses
Mutual funds	\$ 26,660,870	\$ 26,887,055	\$ 690,933	\$ (464,748)
Equities	1,060,310	1,030,050	46,045	(76,305)
<b>Total</b>	<b>\$ 27,721,180</b>	<b>\$ 27,917,105</b>	<b>\$ 736,978</b>	<b>\$ (541,053)</b>

For purposes of determining gross realized gains, the cost of securities sold is based on specific identification.

	2012	2011
Sales proceeds	\$ 2,828,858	\$ 5,221,118
Gross realized gains	\$ 96,794	\$ 83,320
Gross realized losses	\$ (211,300)	\$ (290,100)

**PUBLIC COMPENSATION MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 4 – INVESTMENTS (continued)**

The Company has no securities that have been in a continuous loss position.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Group to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold the securities for the foreseeable future, no declines are deemed to be other-than-temporary.

All investments have been valued based on quoted prices in active markets for identical assets and liabilities.

All of the Company's investments are in mutual funds and equities, accordingly, there are no contractual maturities presented.

**NOTE 5 – RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES**

For the year ended December 31, 2012, estimated unpaid losses have been determined to range from a recommended low of \$1,102,000 to a recommended high of \$1,375,000 based on actuarial estimates; further the actuary has projected expected losses at \$763,000. For the year ended December 31, 2011, estimated paid losses have been determined to range from a recommended low of \$898,000 to a recommended high of \$1,066,000 based on actuarial estimates; further the actuary has projected expected losses at \$689,000. Management has estimated reserves to be \$1,102,000 and \$898,000 at December 31, 2012 and 2011. This estimate is based on funding the Company at the 75% confidence level as recommended by the actuary. Management has elected not to discount the reserves for anticipated investment income.

Activity in the reserve for loss and loss adjustment expenses account is summarized as follows:

	<u>2012</u>	<u>2011</u>
Balance at January 1	\$ 898,000	\$ 1,131,338
Incurred related to:		
Current year	84,000	32,575
Prior years	<u>120,000</u>	<u>(265,913)</u>
Total incurred	<u>204,000</u>	<u>(233,338)</u>
Net paid	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 1,102,000</u>	<u>\$ 898,000</u>

As a result of changes in estimates of incurred events in the prior year, the provision for losses changed by \$120,000 and \$(265,913), respectively, due to (lower)/higher than anticipated losses on the development of claims.

**PUBLIC COMPENSATION MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 6 – SURPLUS CONTRIBUTION**

An additional \$135,599 and \$3,406,464 in surplus was contributed to the Company from PACT during the years ended December 31, 2012 and 2011 respectively, pursuant to authorization by the Executive Committee of PACT on March 16, 2012 and April 29, 2011 respectively.

NRS 694C.250 requires an association captive to maintain capital of not less than \$500,000. The Company is in compliance with this requirement as of December 31, 2012 and 2011.

**NOTE 7 – SUBSEQUENT EVENTS**

Management has evaluated the activities and transactions subsequent to December 31, 2012 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended December 31, 2012 and there were none. Management has evaluated subsequent events through March 1, 2013, which is the date the financial statements were available to be issued.

*Casey, Neilon & Associates, LLC*  
Accountants and Advisors

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
NEVADA ADMINISTRATIVE CODE 694C.210**

To the Board of Directors  
Public Compensation Mutual

In planning and performing our audit of the GAAP basis financial statements of Public Compensation Mutual (PCM) as of and for the year ended December 31, 2012 in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PCM's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, detected or corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of the Board of Directors, management, others within the organization and state insurance departments to whose jurisdiction PCM is subject and is not intended to be and should not be used by anyone other than these specified parties.

*Casey, Neilon & Associates, LLC*

Carson City, Nevada  
March 1, 2013

JOHN L. THORNDAL  
JAMES G. ARMSTRONG  
CRAIG R. DELK  
STEPHEN C. BALKENBUSH  
PAUL F. EISINGER  
CHARLES L. BURCHAM  
BRIAN K. TERRY  
BRENT T. KOLVET  
ROBERT F. BALKENBUSH  
JAMES J. JACKSON  
PHILIP GOODHART  
DEBORAH L. ELSASSER  
CHRISTOPHER J. CURTIS  
KATHERINE F. PARKS  
KEVIN R. DIAMOND  
BRIAN M. BROWN

THIERRY V. BARKLEY\*\*  
SUSAN E. FRASCA\*  
MICHAEL P. LOWRY  
KATHLEEN M. MAYNARD  
KENNETH R. LUND  
JOHN D. HOOKS  
BRANDON R. PRICE  
KEVIN A. PICK  
MEGHAN M. GOODWIN  
ERIKA A. TWESME  
GREGORY M. SCHULMAN\*\*

\* Special Counsel  
\*\* Of Counsel



LAW OFFICES  
**THORNDAL ARMSTRONG  
DELK BALKENBUSH & EISINGER**  
A PROFESSIONAL CORPORATION  
thorndal.com

FROM THE DESK OF:  
**STEPHEN C. BALKENBUSH**  
[sbalkenbush@thorndal.com](mailto:sbalkenbush@thorndal.com)

**REPLY TO RENO OFFICE**

November 13, 2012

LAS VEGAS

1100 E. BRIDGER AVENUE  
LAS VEGAS, NV 89101  
MAILING:  
P.O. BOX 2070  
LAS VEGAS, NV 89125-2070  
(702) 366-0622  
FAX: (702) 366-0327

RENO

6590 S. MCCARRAN BLVD. #B  
RENO, NV 89509  
(775) 786-2882  
FAX: (775) 786-8004

ELKO

919 IDAHO STREET  
ELKO, NV 89801  
(775) 777-3011  
FAX: (775) 786-8004

Michael Lynch  
Deputy Commissioner, Captive Program  
State of Nevada-Dept. Of Business and Industry  
181 College Pkwy, Suite 103  
Carson City, NV 89706

**Re: Public Risk Mutual (PRM), Public Compensation Mutual (PCM), Conversion to Single-Parent Status**

Dear Mr. Lynch:

This law firm represents the interest of Public Risk Mutual (PRM) and Public Compensation Mutual (PCM) concerning the above-entitled matter. The basic purpose of PRM is providing property and liability reinsurance to the Nevada Public Agency Insurance Pool (NPAIP). The basic purpose of PCM is providing worker's compensation reinsurance to Public Agency Compensation Trust (PACT). It is my understanding that during the examination process last year of two captives, including PRM and PCM, both you and Chief Examiner McCune encouraged PRM and PCM to convert the captives from association captive status to single-parent captive status. We have reviewed this change and agree with Doug Smith, Vice-President of PRM and PCM that such a change would be beneficial to both PRM and PCM.

As you are aware, the Nevada Public Agency Insurance Pool is an association which was formed in accordance with the provisions of Chapter 277 of the Nevada Revised Statutes whose members consist of various municipal corporations which include but are not limited to cities, counties, school districts and general improvement districts. Each of the aforementioned cities, counties, school districts and general improvement districts are members of NPAIP. PRM provides

Michael Lynch  
Deputy Commissioner, Captive Program  
November 13, 2012  
Page 2

property and liability reinsurance to NPAIP as a captive insurer. In changing its status from a group/association captive to a single-parent captive, PRM will issue a single certificate of participation to the members with a certificate of coverage providing individual coverage details to each member.

Also, as you are aware, the Public Agency Compensation Trust is an association which was formed in accordance with the provisions of Chapter 277 of the Nevada Revised Statutes whose members consist of various municipal corporations which include but are not limited to cities, counties, school districts and general improvement districts. Each of the aforementioned cities, counties, school districts and general improvement districts are members of PACT. PCM provides worker's compensation reinsurance to PACT as a captive insurer. In changing its status from a group/association captive to a single-parent captive, PCM will issue a single certificate of participation to the members with a certificate of coverage providing individual coverage details to each member.

Because both NPAIP and PACT are public entities, we avoided stock company formation because of the public entity status. The non-profit mutual insurance company formation was and remains appropriate even with ownership being in the sole hands of the underlying pool policyholder. (NPAIP owning PRM, and PACT owning PCM respectively).

We believe the transition from a group/association captive to a single-parent captive will prove beneficial both to PRM and PCM both from an administrative standpoint and cost saving standpoint. To the extent that the Division of Insurance believes that this transition must be expressly approved by the Commissioner of Insurance, we respectfully request approval of this change.

Thank you for your time and consideration of this issue. If you have any questions regarding this matter, please do not hesitate to contact me.

Very truly yours,



Stephen C. Balkenbush

SCB/smb

**Business Plan of Public Compensation Mutual (PCM) – Proposed Changes Effective fall 2012**

1. As indicated would be likely in the original plan, retentions of both PACT and PCM have varied over the life of PCM, but the basic purpose, providing workers' compensation reinsurance to PACT, has not changed and will not change now.
2. PCM will convert from a group/association captive to 'single-parent' status upon Nevada Division of Insurance approval. As currently, the captive will issue a single reinsurance policy to PACT each year and the underlying PACT program in turn will issue a single contract of participation to the members with a certificate of coverage providing individual coverage details to each member. Because public entities cannot own stock in Nevada, with only a few unrelated exceptions, PCM must continue to be a non-profit mutual insurance company. The sole policyholder, PACT, will therefore be the effective 'owner' of PCM. Nevada statutes appear to allow this, subject to the express approval of the Commissioner/Division of Insurance.
3. Capitalization has grown to approximately \$30,000,000 at the time of this writing, with additional capitalization and premium payments to be provided to PCM regularly as deemed necessary by the PACT Board of Directors.
4. For the past few years, PCM has not been involved in retrocessions. Instead, PACT efficiently purchases reinsurance for layers above PCM directly. However, it is possible retrocessions might be feasible at some point in the future, so are not to be precluded.
5. Certain Board Members have changed, and these changes were reported to and/or approved by the Nevada Division of Insurance. Retention amounts have varied and were reported as well. In addition to our notifying the Division as required, detailed status was reported during the 2011 examination by the Division. In reality, little or nothing of substance has changed since inception.
6. Minor correction to Introduction, last paragraph, "maintain at least" substituted for "not exceed" in two places.

**Business Plan of Public Compensation Mutual (PCM)**

**I. Introduction**

The captive will complement the operations of Public Agency Compensation Trust (PACT), a workers' compensation pool for an association self-insured group of public agencies, which was established in 1996 to provide coverage to various rural counties and cities in Nevada. PACT has closely common members in the Nevada Public Agency Insurance Pool (NPAIP), which was started in 1987, and which is in turn reinsured by Public Risk Mutual (PRM), a Nevada captive formed by the members of NPAIP in 2004. This captive will be formed in much the same manner as PRM, with start-up capitalization provided by PACT on behalf of PACT members. The Nevada Division of Insurance is responsible for regulation and oversight of PRM, so is intimately aware of that history. Additionally, PACT itself is subject to regulation by the Insurance Division, as an association self-insured group.

PACT has in the past year retained the first (primary) \$350,000 of each workers' compensation loss, except for losses involving police and firefighters where the first \$750,000 of each loss has been retained. Market forces have largely dictated the latter retention, and indications are that greater retentions will be necessary in the future. PACT also retains a 'corridor' deductible for the first \$750,000 of aggregate losses exceeding the primary retentions. In addition to purchasing excess of loss coverage above the retained limits, PACT also purchases an annual aggregate excess limit which attaches high above projected aggregate losses (at approximately double the projection). In fact, the insurance market's unwillingness to provide a reasonable attachment point for this aggregate coverage is one of the reasons for formation of a new captive; the captive will provide aggregate excess coverage to PACT. Total annual loss fund contributions, administrative expense and excess premiums incurred by PACT now exceed \$10,000,000, and PACT equity exceeds \$20,000,000. PACT currently has 124 members, including counties, cities and towns, school districts, hospitals and special districts. Members of PACT comprise the ownership of PACT according to its inter-local

cooperation agreement and by-laws, which by-laws are similar to those of Public Compensation Mutual, the captive being formed.

The primary reasons for the establishment of PCM are: to provide policyholders with aggregate excess coverage which currently cannot be obtained easily, which in turn will open up access to those excess/reinsurance markets who have avoided PACT due to their own prohibitions against offering aggregate coverage; to broaden investment possibilities and to modestly increase investment earnings (although a relatively conservative investment philosophy is contemplated); and to access reinsurance markets directly (which is not possible in the current PACT program).

The most important immediate reason to form PCM is to gain better access to excess and reinsurance markets. PACT has found that there are consistently fewer excess markets reasonably willing to support public entity insurance programs over the past several years. For this reason, we seek general approval to use PCM in conjunction with PACT in order to provide the best and most reasonably priced excess/reinsurance programs possible. This business plan outlines a simple implementation thesis which is likely to be supported by the reinsurance marketplace according to our broker. It may also make sense to use PCM for some degree of specific excess coverage. In any case, if PACT or PCM retentions change we will rely on revised actuarial and financial projections using the same techniques and assumptions as outlined in this business plan.

Therefore, we will use as general parameters the industry benchmark maximum net premium-to-surplus ratio of 3:1 and gross premium written-to-surplus ratio of 10:1 or better in all scenarios. Additionally, in accordance with our own philosophies, we will maintain an equity-to-retention ratio of at least 1:1 for the aggregate coverage, and will maintain at least 4:1 in the early years of the program for the 'per loss' excess coverage. Using \$3,000,000 capitalization as a starting point, for example, we would not initially retain more than \$3,000,000 in the aggregate or \$750,000 specific; as surplus grows, the retention may also increase subject to those ratios.

## **II. Captive Type, Form, and Domicile**

PCM will be a group captive, formed as a nonprofit mutual insurance company and domiciled in Nevada. It will be deemed an association mutual under Nevada law,

and the underlying association will be PACT, described above. As with a typical mutual, the captive will therefore be owned by the policyholders. In this case, however, the PCM policyholders will be identical with the current PACT member/policyholders.

PCM will become a conduit for excess coverage which is currently provided to PACT through other means. That is, PACT will provide primary coverage to its members identical to that which it has provided in the past. PCM will provide excess/reinsurance coverage to PACT, with terms and conditions identical to the underlying coverage. PCM, in turn, may purchase reinsurance from the worldwide marketplace as necessary to provide appropriate limits to policyholders.

### **III. Capitalization**

Initial capitalization will be \$5,000,000, which will be provided by PACT under the terms of a resolution which was considered at its April 27, 2007 annual meeting, and adopted by the Executive Committee of PACT, having full authority for all members, on May 2, 2007. The funds will be provided in the form of cash, and the only requirement of PACT is that an equivalent amount be returned to PACT, with no interest contemplated, prior to any distributions (such as in the form of dividends) to PCM policyholders. However, PACT provides the funds with no other restrictions, and does so without expectation that the funds will be returned. PCM will include these requirements in its bylaws.

### **IV. Coverage and Retention of PCM**

During the first year of operations, the coverage and retention of PCM will be rather conservative. Aggregate excess coverage of \$1,000,000 excess of \$13,000,000, which approximates a high attachment point as currently dictated by the insurance market, is contemplated.

The captive 'per loss' retention may vary from year to year, since the primary benefit of establishing the captive is to make efficient use of the excess and reinsurance markets. For example, during the first year, we plan to participate in a layer of coverage excess of a PACT specific retention of \$500,000, combined with a PACT corridor deductible. That is, PACT will retain the first \$500,000 of any loss, plus an additional

\$500,000 annually, in the aggregate, above that retention level. PCM will take a 25% quota-share portion of the next \$2,000,000 layer, for a maximum of \$500,000 per loss.

The pro-forma financial statements and actuarial projections included herein reflect these cases. However, due to our substantial capitalization and due to a significant primary retention by PACT, even if we were to increase specific retentions to as high as \$1,500,000 excess of PACT, with PACT primary limits ranging between \$350,000 and \$1,500,000, one may note that the net premium to surplus ratio will still be quite low.

Estimated first year loss costs for the quota-share specific retention by PCM is \$231,000 and for \$1,000,000 aggregate excess is \$18,000. Based upon a \$40,000 expense estimate for the first year, total first year net premium would be \$289,000. The industry benchmark maximum premium to surplus ratio of 3:1 is easily met. In fact, in this \$500,000 retention PCM case/example, the first year premium to surplus ratio would be better than 1:20 (\$231,000 premium to \$5,000,000 surplus). As we do not plan to provide coverage other than our net retention during the first years of the program, meaning we will not purchase reinsurance of the captive, the gross premium written to surplus ratio would be 1:1 or better in all scenarios, which is again significantly better than the general industry benchmark of 10:1. As we do not purchase reinsurance for the captive, excess or reinsurance coverage will be provided directly to PACT as in the past, and the captive will simply provide layers of coverage in lieu of the general market.

Continuing this example in order to illustrate our operating philosophy, where reinsurance will be purchased by PACT for the remaining statutory limits excess of \$2,500,000 for all losses, note the table below (PF refers to Police/Fire claims):

<u>Coverage</u>	<u>PACT Retention</u>	<u>PCM Retention</u>	<u>Other Excess/ Reinsurance</u>	<u>Total Limits</u>
Specific (non-PF)	\$ 500,000	25% to Max. of \$ 500,000	XS of \$ 2,500,000	Statutory Limits
Specific (PF)	\$ 500,000	25% to Max. of \$ 500,000	XS of \$ 2,500,000	Statutory Limits
Aggregate Excess	\$ 13,000,000	\$ 1,000,000	N/A	N/A

We are quite confident these goals will be met, since similar coverage has been provided directly to PACT in the past and because there have been quite positive initial indications from the excess/reinsurance marketplace. However, if marketplace conditions suggest that only an aggregate excess coverage placement in PCM is warranted, the captive is still a workable concept and formation and operations will proceed as otherwise outlined.

As stated earlier, should we determine that different retentions or attachment points make more sense for PACT and PCM, we will use these same techniques to establish other PCM retentions. As with the foundation case used throughout this business plan, we would simply apply alternate numbers for our projections.

## **V. Management and Related Services**

Management of PCM will be provided by Public Agency Risk Management Services, Inc. (PARMS), which is wholly owned by long-time Nevada resident Wayne Carlson. Mr. Carlson conceptualized, formed and has operated both PACT and PACT from inception. He is Executive Director for both programs. He is assisted by Doug Smith, who has over 30 years of broad insurance and risk management experience, including captive and pool feasibility studies, captive and pool management, and general financial risk consulting. Biographies of both are included with application materials. In addition, Debra Connally has supervised accounting, bookkeeping and financial services for PACT, PCM and PACT, including CPA audits and regulatory filings, during the past seven years, and will help oversee those services for PCM.

Other service providers will largely mirror those of PACT, at least initially:

- ASC has provided claims services as a third-party administrator since inception of PACT and PACT, and will provide the same services to PCM. ASC is based in Nashville, but maintains a large office in Reno and also has staff in Las Vegas.
- Thorndall, Armstrong, Delk, Balkenbush & Eisinger will provide and coordinate legal services. Principle Steve Balkenbush will serve as general counsel to PCM. Various law firms will assist ASC with litigation of claims.
- Casey, Neilon & Associates of Carson City will provide CPA services during formation (with Niki Neilon as lead) and it is expected the new entity will

contract with them to provide audit services as well. They presently provide such services to PCM. Michael Bertrand audits PACT/PACT and may assist PCM with bookkeeping/accounting matters.

- Pooling Resources, Inc. will provide human resource consulting services to PCM policyholders indirectly, via ongoing contracts with PACT and PACT.
- Willis Pooling (part of international broker Willis), led locally by Bob Lombard in Reno, provides brokerage and loss control services.
- Actuarial work will be done by Bickmore Risk Services, whose offices are located in Sacramento, California. Mark Priven, FCAS, MAAA and Derek Burkhalter, ACAS, MAAA are our primary contacts. This firm also provides actuarial services for PACT, PCM and PACT.

**PCM Board Members and Corporate Officers**

	<u>Entity</u>	<u>Officers</u>	<u>Terms</u>	<u>Proposed</u>	<u>Necess Action</u>
Paul Johnson	White Pine CSD	Chair	2012-2015		
Alan Kalt	Churchill Co.	Vice Chair/Corp Sec.	2010-2013	<b>2013-2016</b>	<b>reelection</b>
Josh Foli	Lyon Co.	Fiscal Officer/Corp Treas.	2011-2014		
Cash Minor	Elko Co.		2011-2014		
Mike Rebaleati	Eureka Co.		2010-2013	<b>2013-2016</b>	<b>reelection</b>

**Other Officers**

Wayne Carlson	President	<b>Ratification</b>
Doug Smith	Vice President	<b>Ratification</b>

**Note: President and Vice President are not elected positions but serve at the pleasure of the Boards**



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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**Notice of Meetings and Agendas for 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 26, 2013**

**AGENDA**

**April 26, 2013**

**Notices:**

- 1. Items on the agenda may be taken out of order;**
- 2. Two or more items on the agenda may be combined for consideration**
- 3. Any item on the agenda may be removed or discussion may be delayed at any time**
- 4. The general Public Comment periods are limited to those items not listed on the agenda. Public Comment periods are devoted to comments by the general public, if any, and may include discussion of those comments; however, no action may be taken upon a matter raised under Public Comments until the matter itself has been included specifically on an agenda as an item upon which action may be taken.**
- 5. At the discretion of the Chair of the meeting, public comments on specific agenda items may be allowed, but must be limited to the specific agenda item.**

**1. Introductions and Roll**

**2. Public Comment**

**3. For Possible Action: Consent Agenda: Approve as a Whole Unless Moved From Consent**

**Agenda**

- **Approval of Minutes of Board and Committee Meetings:**
  - **Board Meeting April 28, 2012**
  - **Claims Committee November 5, 2012**
  - **Executive Committee September 18, 2012**
- **Acceptance of Interim Financial Statements as of February 28, 2013**
- **Amend Records Retention Policy Statement to Remove Current NPAIP Policy Language and to Adopt the Local Government Records Retention Schedule as Published by the Nevada State Library and Archives as the NPAIP Records Retention Policy Statement**

**4. For Possible Action: Acceptance of Audit for June 30, 2012**

5. **For Possible Action: Acceptance of Reports**
  - a. Claims Review Report
  - b. Claims Audit Report
  - c. Large Loss Report
  - d. Actuarial Update
6. **For Possible Action: Approval of POOL Form Changes Effective July 1, 2013**
7. **For Possible Action: Acceptance of Renewal Reinsurance Proposals and Options**
8. **For Possible Action: Acceptance of Budget for 2012-2013**
9. **For Possible Action: Approval of Amendments to Interlocal Cooperation Agreement**
  - a.. Changing Member voting status upon change of form of government from independent to advisory board status
  - b. Changing method for approving towns and special districts for voting status
  - c. Changing composition of Executive Committee membership
  - d. Changing notice of withdrawal from 120 days advance notice to 120 days notice in advance of program renewal date
  - e. Changing method for approval of interlocal cooperation agreement changes
10. **For Possible Action: Approval of Amendments to Bylaws**
  - a. Changing method for filling vacancies of Member board positions
  - b. Changing provision as to when a vacancy is deemed to have occurred
11. **For Possible Action: Election of Executive Committee for Two Year Terms from 2013-2015**
  - a. One Representative from School Districts
  - b. One Representative from Counties and/or Cities with under 35,000 population
  - c. One Representative from Special Districts/Towns
12. **For Possible Action: Election of Chair and Vice Chair**
13. **Public Comment**
14. **For Possible Action: Adjournment**

**ANNUAL MEETING OF THE MEMBERS OF PUBLIC RISK MUTUAL**  
**Time: Upon Adjournment of the Meeting of Nevada Public Agency Insurance Pool**  
**Agenda: See separate agenda for Public Risk Mutual**

This Agenda was posted at the following locations:

<p>N.P.A.I.P. / P.A.C.T.            201 S. Roop Street, Suite 102            Carson City, NV 89701</p>	<p>Carson City Courthouse            885 E. Musser Street            Carson City, NV 89701</p>
<p>Eureka County Courthouse            Complex            10 S. Main Street            Eureka, NV 89316</p>	<p>Churchill County Administrative            155 North Taylor Street            Fallon, NV 89406</p>

**NOTICE TO PERSONS WITH DISABILITIES**

**Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to notify the Nevada Public Agency Insurance Pool or Public Agency Compensation Trust in writing at 201 S. Roop Street, Suite 102, Carson City, NV 89701, or by calling (775) 885-7475 at least three working days prior to the meeting.**



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 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 27, 2012**

**1. Introductions and Roll**

A sign in sheet was circulated and a quorum determined to be present. Chair Rebaleati called the meeting to order at 2:23 p.m.

**2. Public Comment**

Chair Rebaleati called for public comment and hearing none, closed the public comment period.

- 3. For Possible Action: Consent Agenda: Approve as a Whole Unless Moved From Consent Agenda**
- **Approval of Minutes of Board Meetings:  
Board Meeting April 29, 2011**
  - **Acceptance of Interim Financial Statements as of February 29, 2012**

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

**4. For Possible Action: Acceptance of Audit for June 30, 2011**

On motion and second to accept the audit, the motion carried.

**5. For Possible Action: Acceptance of Reports**

- a. **Claims Review Report**
- b. **Large Loss Report**
- c. **Actuarial Update**
- d. **Claims Services Audit Report**

- a. Wayne Carlson reviewed the claims review report showing results by type of member.
- b. Doug Smith reviewed the large loss report. Wayne Carlson noted that Donna Squires earlier presentation under the Join Board agenda had highlighted the largest losses in POOL history.
- c. Doug Smith explained several exhibits from the actuarial report.
- d. Wayne Carlson noted that the independent audit report of POOL was completed on August 23, 2011 and concluded that reserves overall were within 1% of the auditor's reserves, well within the plus or minus 10% margin. The Executive Summary was provided in the board packet.

On motion and second to accept the reports, the motion carried.

**6. For Possible Action: Acceptance of Budget for 2012-2013**

Chair Rebaleati indicated that the budget had been reviewed by the Executive Committee. On motion and second to accept the budget, the motion carried.

**7. For Possible Action: Approval of Service Provider Contracts  
a. Alternative Service Concepts – Claims Management Services**

Wayne Carlson indicated that the proposed claims management contract was recommended for a five year term and had been reviewed by the Executive Committee. Chair Rebaleati noted that the profit margin for this cost-plus contract was reduced from 15% to 13% by entering into a five year contract.

On motion and second to approve the five year contract, the motion carried.

**8. For Possible Action: Approval of POOL Form Changes Effective July 1, 2012**

Wayne Carlson explained that proposed changes to the POOL Form resulted from some cases, some inadvertent drafting errors and the need to further explain in greater detail the intent of the form.

On motion and second to approve the POOL Form changes, the motion carried.

**9. For Possible Action: Acceptance of Renewal Reinsurance Proposals and Options**

Bob Lombard explained that given the significant changes made in the reinsurers last year, that POOL was marketed for renewal terms with the same reinsurers to establish a long term relationship. He had explored some higher retention options for property, but they did not work out in POOL's favor. For liability Public Risk Mutual considered taking more quota share retention with County Reinsurance, Ltd. Bob said that the property rate went up 7.5%, but that liability rates went down. Wayne Carlson added that the overall effect would be a flat renewal program cost.

On motion and second to renew with the current structure, the motion carried.

**10. For Possible Action: Approval of Renewal Risk Retention Options**

This agenda item was combined into item 9 for discussion and action.

**11. For Possible Action: Adopt Policy on Lease Requirements for Future Leases**

Wayne Carlson commented that there were a couple of leases that came up during this coming fiscal year and that with the poor local rental market, he wanted board policy guidance on negotiating leases. He planned to use the State of Nevada lease results as one guide and wanted authority to use a leasing agent if necessary.

On motion and second to adopt the policy, the motion carried.

**12. For Possible Action: Election of Executive Committee for Two Year Terms from 2012-2014**

- a. One Representative from School Districts
- b. One Representative from Counties and/or Cities with under 35,000 population
- c. One Representative from Special Districts/Towns

Chair Rebaleati commented that all of the incumbents, except Jeff Zander, were available for reelection. He indicated that Kevin Curnes of Carson City School District had volunteered as a candidate. He called for other nominations, but hearing none, closed the nominations. On motion and second to reelect incumbents Dan Newell and Gerry Eick and to elect Kevin Curnes, the motion carried.

**13. For Possible Action: Election of Chair and Vice Chair**

Chair Rebaleati indicated that both he and Vice Chair Cash Minot were willing to continue to serve. On motion and second to reelect the chair and vice chair, the motion carried.

**14. Public Comment**

Chair Rebaleati recommended that staff send a letter of thanks to the Elko County School District board thanking them and Jeff for Jeff Zander's service.

Chair Rebaleati commented about the Governor's Proclamation in honor of the POOL's 25<sup>th</sup> anniversary and Wayne Carlson.

**15. For Possible Action: Adjournment**

On motion and second to adjourn, the meeting was adjourned at 3:08 p.m.

**The Agenda was posted at the following locations:**

**N.P.A.I.P. / P.A.C.T.  
201 S. Roop Street, Suite 102  
Carson City, NV 89701**

**Eureka County Courthouse**

**10 S. Main Street  
Eureka, NV 89316**

**Carson City Courthouse  
885 E. Musser Street  
Carson City, NV 89701**

**Churchill County Administrative  
Complex  
155 North Taylor Street  
Fallon, NV 89406**

**Minutes of Meeting of  
Claims Committee of  
Nevada Public Agency Insurance Pool  
Date: November 5, 2012  
Time: 1:30 P.M.  
Place: Nevada Public Agency Insurance Pool  
201 S. Roop Street, Conference Room, Floor  
Carson City, NV 89701**

**1. Roll**

Committee members present: Mike Rebalcati, Cash Minor, Alan Kalt, Roger Mancebo, Steve West  
Others present: Wayne Carlson, Donna Squires, Ann Wiswell, William Horn, Scott Brooke, Scott Glogovac,  
Jack Angaran, and Mary-Ann LeBrun

**2. Public Comment**

Chair Rebaleati called for public comment and hearing none, closed the public comment period.

**3. For Possible Action: Approval of Minutes of Meeting of POOL Claims Committee October 24, 2007**

On motion and second to approve the minutes, the motion carried.

**4. For Possible Action: Consideration of Appeal from Incline Village General Improvement District of Coverage Determination by Nevada Public Agency Insurance Pool in the matter of Katz. v. Incline Village General Improvement District**

Chair Rebaleati turned this item over to Wayne Carlson to describe the agenda item. Wayne explained that the purpose of the meeting was to review the appeal and determine whether or not coverage should be granted. He then invited Scott Glogovac, coverage attorney for Incline Village General Improvement District (IVGID) to present arguments for their appeal position.

Mr. Glogovac stated that there are two issues to be addressed: (1) the propriety of the coverage denial and (2) whether a duty to defend under the Coverage Form is required if there are covered allegations. As to the first issue, Mr. Glogovac stated that there were three exclusions upon which the POOL based its coverage denial:

#3. Coverage does not apply to any claim made against any **Assured** flowing from or originating out of the **Assured** gaining any profit or advantage to which they were not legally entitled.

#13. Coverage does not apply to any claim based upon or arising out of:

a. . . the collection of taxes, or the collection of or payment of fees to or for any other entity, including hospitals, schools, commissions, joint commissions, boards, agencies, districts and authorities.

#15. Coverage does not apply to any liability for damages other than money damages or to any costs, fees or expenses that the **Assured** may become obligated to pay as a result of an adverse judgment for injunctive or declaratory relief.

Mr. Glogovac conceded that claims #1—4, 9, 12, and 13 of the Katz complaint are not covered because declaratory relief is not covered under the Form. He also conceded that there is no coverage for claims involving the collection of taxes or excess fees, and claims #6, 8, 10 and 11 are not covered. He argued that there was a potential for coverage only under claim #5 and a portion of 7 of the Katz complaint. While these claims allege collection of taxes, they also contain allegations that IVGID improperly expended the monies collected.

Mr. Glogovac argued that the three exclusions did not preclude potential coverage for monetary relief sought for improper expenditure of the taxes and fees collected by IVGID. He also argued that Nevada has not adopted

a public policy of excluding insurance coverage for the improper collection of taxes or fees as in Pennsylvania's *Central Daupin* case, cited by the Pool.

As to the second issue, Mr. Glogovac argued that a duty to defend was required, not discretionary, under insurance laws and that it is an ongoing duty because of the potential for an appeal, despite the summary judgment that has been entered in the Katz action. He conceded that Section III of the Coverage Form states that the Pool may defend an Assured at its discretion. He also noted that the Interlocal Cooperation Agreement (ICA) has a similar provision, Article 20, stating that the Pool, at its sole discretion, may undertake defense of a member for claims arising out of a Loss. He then argued that these provisions were not clear and that the reasonable expectation of the Members, based on the entire ICA, is for defense and indemnity coverage. Thus he argued that the Pool was required to defend so long as covered claims existed.

Upon conclusion of Mr. Glogovac's arguments, Jack Angaran, coverage attorney for the POOL, noted that the Pool is not an insurance company; thus insurance case law involving interpretation and the duty to defend do not apply. Insurance policies are generally adhesion contracts where the insured has no say in the terms. The Pool Coverage Form is not an adhesion contract as the Members of the Pool vote on and agree to its contents. It is subject to simple contract interpretation, which is governed by the intent of the Members.

He outlined the reasons that coverage must be denied under Exclusions #3, 13, and 15 of the Pool Coverage Form. Mr. Angaran noted that despite an allegation that IVGID "improperly expended" the monies collected as taxes and/or fees, the relief requested was still the same: refund/transfer of the monies (collected by IVGID from its citizens) back to IVGID's Utility, Recreation and Beach Funds (entities under Nevada statute as Members are aware) from its General Fund. This is part of the declaratory and equitable relief sought, not "money damages", and the language of the cited exclusions showed the intent of the Pool's Members to exclude coverage for such refunds. Although the complaint did not specifically use the words of the exclusion, the essence of the facts alleged was that IVGID had illegally or improperly collected taxes and fees for certain utility/recreation funds and used them for another fund; thus gained profit or advantage to which it was not legally entitled. If the allegations were proven, there would be no coverage under the Pool Coverage Part.

He also noted that the public policy cited in the *Central Daupin* case, while not expressly adopted by Nevada law, is consistent with common sense, and the intent of the Members in drafting the exclusions. There can be no insurance coverage for the unlawful collection of taxes and fees by a political subdivision. A political subdivision (Pool Member) would have no incentive to ensure that it collected monies legally from its citizens, if it could look to its fellow Members to pay back the monies improperly collected and spent. Concluding, Mr. Angaran emphasized that there was no potential for coverage based upon the clear language of the exclusions, jointly drafted by the Members of the Pool, who understood their intent; thus the POOL's correctly exercised its discretion to no longer defend IVGID in the Katz lawsuit.

Mr. Glogovac then responded by asserting that the POOL was not conforming to the NRS277 provisions that it could do a plan of insurance if the coverage form did not provide insurance. He referred to provisions of the ICA and NRS provisions. He stated that if it is insurance then the POOL cannot withdraw defense. He further asserted that the insuring agreement of the Coverage Form says that the POOL will pay the sum of damages as the result of an Event as defined and that the case states that money is at issue, thus is damages and the duty to defend should apply.

Mr. Angaran responded that the refunds demanded in the complaint seek equitable relief and not "money damages" and that the coverage form specifically excluded equitable relief. He further stated that the POOL is a pooled self-insurance fund permissible under NRS 277. The POOL thus is not an insurance company, nor regulated as such. Members jointly agree by board action to the terms of the coverage form, thus contract law and the intent of the members applies.

Chair Rebaleati allowed for one further statement from each attorney. Mr. Glogovac again asserted that the NRS 277 provisions cited NRS 681 regarding insurance companies as an argument that insurance laws applied and that the POOL coverage form was an adhesion contract subject to a duty to defend like any insurance policy. He stated that a refund of money is a payment of money and that the policy did not clearly exclude this from damages. He said it was a risk transfer issue and that ambiguity should inure to the favor of IVGID.

Mr. Angaran clarified that the POOL is not an insurer under NRS 277, but a pooled self-insurance fund, thus the Members of POOL could and do decide contractually what their coverage form includes. This is consistent with the ICA provisions as well which provide each Member the right and opportunity to decide on the terms of the Coverage. The terms were agreed upon by the Members, who are all the drafters, and can't be changed or construed against their intent.

Chair Rebaleati called for a recess before going into closed session.

5. **For Possible Action: Closed Session pursuant to NRS 241.015 (2)(b)(2) to Receive Information from the Attorney Employed or Retained by the Public Body Regarding Potential or Existing Litigation Involving a Matter over which the Public Body has Supervision, Control, Jurisdiction or Advisory Power and to Deliberate toward a Decision on the Matter, or Both.**

Chair Rebaleati opened the closed session and read the closed session agenda description. Various members asked questions for clarification of issues under consideration and what decision options they were to consider once back in open session. Chair Rebaleati adjourned the closed session and asked for the other attendees to return.

6. **For Possible Action: Decision Regarding Appeal from Incline Village General Improvement District of Coverage Determination by Nevada Public Agency Insurance Pool in the matter of Katz. v. Incline Village General Improvement District**

Chair Rebaleati reopened the committee meeting on this action item 6. Cash Minor offered a motion to deny the appeal of Incline Village General Improvement District. Chair Rebaleati asked if there was a second. Roger Mancebo seconded the motion. Chair Rebaleati asked whether there was any discussion and hearing none, called for the vote. The motion carried unanimously.

7. **Public Comment**

Chair Rebaleati asked for public comment and hearing none, closed the public comment period.

8. **For Possible Action: Adjournment**

On motion and second to adjourn, the meeting adjourned at about 3:20 p.m.

**The Agenda was posted at the following locations:**

**N.P.A.I.P.  
201 S. Roop  
Carson City, NV 89701**

**Eureka County Courthouse  
10 S. Main Street  
Eureka, NV 89316**

**Carson City Courthouse  
885 E. Musser Street  
Carson City, NV 89701**

**Churchill County Courthouse  
155 North Taylor Street  
Fallon, NV 89406**

**Minutes of Meeting of  
Executive Committee of  
Nevada Public Agency Insurance Pool  
Date: Tuesday, September 18, 2012  
Time: 2:00 P.M.  
Place: Conference Call-In # 1-800-593-9034, Passcode: WayneC  
and at Nevada Public Agency Insurance Pool  
201 S. Roop Street, Carson City, NV 89701**

**1. Roll**

Members Present: Mike Rebaleati, Gerry Eick, Kevin Curnes, Josh Foli, Lisa Jones, Dan Newell  
Members Absent: Pat Whitten, Cash Minor  
Others Present: Wayne Carlson, Bob Lombard

**2. Public Comment**

None received.

**3. For Possible Action: Approval of Gerlach General Improvement District for Membership**

Wayne Carlson reviewed the application and responded to questions. On motion and second to approve membership, the motion carried.

**4. For Possible Action: Approval of Sponsorship of BenefitSolver Group Health Admin. Program**

Chair Rebaleati asked Bob Lombard to provide a review of the proposed sponsorship. Bob explained that this was a group health benefits administration software program to help members with administration of the enrollments process, not a group health insurance program. He explained that the program was available at a reduced cost if POOL sponsored it. He reviewed the sponsorship proposal and sample member costs should they agree to participate. The cost to POOL would be \$10,500 initially which would be recoverable from a monthly per employee charge of \$0.20 from the participating members. He then reviewed the potential participating members' setup and ongoing operating costs and advised that specific, detailed proposals would be prepared for each prospect. Certain costs could be split amongst several participating members and others would be specific to each participating member. Bob responded to several questions from the committee members. He advised that a demonstration Webinar was given to a few members to assess interest and based upon that, the issue was added to this agenda. He said another demonstration Webinar was planned for October 10<sup>th</sup> to which all human resources coordinators of all members would be invited and he encouraged committee members to attend as well. Following the Webinar, an interest survey would be made and the results would lead to specific proposals.

On motion and second to proceed with the proposed project, the motion carried.

**5. Public Comment**

None was received.

**6. For Possible Action: Adjournment**

On motion and second to adjourn, the meeting adjourned at about 2:45 p.m.

**The Agenda was posted at the following locations:**

**N.P.A.I.P.  
201 S. Roop  
Carson City, NV 89701**

**Carson City Courthouse  
885 E. Musser Street  
Carson City, NV 89701**

**Eureka County Courthouse  
10 S. Main Street  
Eureka, NV 89316**

**Churchill County Courthouse  
155 North Taylor Street  
Fallon, NV 89406**

**DRAFT**

## NEVADA PUBLIC AGENCY INSURANCE POOL

Balance Sheet  
February 28, 2013

## ASSETS

Current Assets	
Cash - Claims - Wells Fargo	(\$ 188,591.88)
Cash - Admin. - Wells Fargo	433,505.41
A/R-Environmental Premiums	<u>8,036.00</u>
Total Current Assets	252,949.53
Property and Equipment	
Land - 2nd & Roop Streets	466,653.05
Building - 2nd & Roop Streets	1,783,715.41
Building Depreciation	(456,855.84)
Equipment	60,528.00
Equip Accumulated Depreciation	(94,856.66)
Building Equipment	28,645.91
Building Fixtures	1,323.00
Building Furniture	<u>4,359.75</u>
Total Property and Equipment	1,793,512.62
Other Assets	
WF - Investment Cash Account	22,691.98
Eagle - Cash Equivalents	1,165,210.80
Investment - Eagle Asset Mgmt.	30,577,335.83
Public Risk Mutual- Investment	16,488,540.00
PRM Amortization	(5,534,266.54)
Eagle Investment Income Rec.	138,867.37
Wells Investment Interest Rec.	1.18
Assessments Receivable	75,854.71
Specific Recoverable	388,800.89
Maintenance Deductibles	350,405.34
Prepaid Reinsurance	1,599,703.77
Prepaid Commission - Current	324,312.00
Prepaid Willis Pooling	85,000.00
Prepaid ASC	52,813.50
Prepaid Loss Control Fees	83,336.00
Prepaid Schools Security Prog	8,585.34
Other Prepaid	361.60
Prepaid Casualty Insurance	<u>34,653.76</u>
Total Other Assets	<u>45,862,207.53</u>
Total Assets	<u>\$ 47,908,669.68</u>

## LIABILITIES AND CAPITAL

Current Liabilities	
Loss Fund	\$ 55,197,870.46
Loss Reserves - LAE	71,014.11
Loss Payments	(57,008,747.49)
Loss Payments - LAE	(27,922,323.42)
Specific Recoverable	22,524,658.15
Aggregate Recoverable	765,730.03
Deductible Reimbursement	11,883,553.77
Vouchers Within Deductible	8,232,223.62
Unearned Assessment Reserve	<u>4,849,242.10</u>
Total Current Liabilities	18,593,221.33
Long-Term Liabilities	
Total Long-Term Liabilities	<u>0.00</u>
Total Liabilities	18,593,221.33
Capital	
Retained Earnings	29,769,405.51
Net Income	<u>(453,957.16)</u>
Total Capital	<u>29,315,448.35</u>
Total Liabilities & Capital	<u>\$ 47,908,669.68</u>

NEVADA PUBLIC AGENCY INSURANCE POOL

Income Statement

For the Eight Months Ending February 28, 2013

	Current Month		Year to Date	
<b>Revenues</b>				
Rental Income	\$ 20,372.50	1.51	\$ 154,927.32	1.50
Phone Equipment Lease	336.00	0.02	2,688.00	0.03
Postage Reimbursement	176.17	0.01	901.48	0.01
Assessments Written	0.00	0.00	14,544,139.27	140.78
Taxes Written	0.00	0.00	7,346.34	0.07
Change in Unearned Assessments	1,212,309.00	89.77	(4,849,242.10)	(46.94)
Investment Interest Income	77,080.90	5.71	656,408.01	6.35
Realized Gain/(Loss) Invest.	(23,358.71)	(1.73)	(110,614.84)	(1.07)
Invest. Unrealized Gain/(Loss)	63,552.20	4.71	(119,397.13)	(1.16)
Other Income	0.00	0.00	44,309.49	0.43
<b>Total Revenues</b>	<b>1,350,468.06</b>	<b>100.00</b>	<b>10,331,465.84</b>	<b>100.00</b>
<b>Cost of Sales</b>				
Reinsurance Ceded	402,134.00	29.78	3,216,409.00	31.13
Loss Fund Expense	500,057.00	37.03	3,997,568.00	38.69
Commission Expense - Current	73,113.00	5.41	627,199.00	6.07
Willis Pooling Fees	21,250.00	1.57	170,000.00	1.65
ASC Claims Admin. Fees	52,892.10	3.92	424,702.88	4.11
Tax Expense	0.00	0.00	7,400.81	0.07
Loss Control Fees	20,833.00	1.54	166,664.00	1.61
<b>Total Cost of Sales</b>	<b>1,070,279.10</b>	<b>79.25</b>	<b>8,609,943.69</b>	<b>83.34</b>
<b>Gross Profit</b>	<b>280,188.96</b>	<b>20.75</b>	<b>1,721,522.15</b>	<b>16.66</b>
<b>Expenses</b>				
Management Services	39,655.00	2.94	277,585.00	2.69
Sponsorship Fees	0.00	0.00	1,617.50	0.02
Counsel Opinions	13,358.00	0.99	31,538.50	0.31
Travel	1,194.35	0.09	21,023.42	0.20
Casualty Insurance	3,115.00	0.23	24,921.14	0.24
Dues & Seminar Fees	522.50	0.04	5,580.00	0.05
Audit Expense	0.00	0.00	16,610.00	0.16
Printing/Copying/Subscriptions	425.00	0.03	2,749.21	0.03
Postage	0.00	0.00	61.80	0.00
Office Supplies	321.35	0.02	1,501.75	0.01
Telephone Expense	92.05	0.01	1,370.05	0.01
Legal Expense	76.00	0.01	2,687.65	0.03
Board & Committee Meetings	0.00	0.00	484.76	0.00
Actuary Expense	0.00	0.00	8,500.00	0.08
Member Education & Services	40,627.08	3.01	126,797.20	1.23
Consultants Appraisals	0.00	0.00	55,128.00	0.53
PRI Contract Services	43,750.00	3.24	306,250.00	2.96
Loss Control Grants	3,409.00	0.25	82,780.78	0.80
Environmental Consultants	5,684.86	0.42	15,368.18	0.15
PRM Amortization Expense	127,091.00	9.41	1,016,728.00	9.84
Investment Expense	21,172.59	1.57	86,429.03	0.84
Building Maintenance & Repairs	1,808.66	0.13	15,350.98	0.15

NEVADA PUBLIC AGENCY INSURANCE POOL

Income Statement

For the Eight Months Ending February 28, 2013

	Current Month		Year to Date	
Custodial Services	2,005.94	0.15	14,050.08	0.14
Building Depreciation Expense	3,744.72	0.28	29,957.76	0.29
Building Equipment Lease	678.87	0.05	3,230.90	0.03
Building Copier Paper	150.10	0.01	726.47	0.01
Building Insurance Expense	875.00	0.06	7,000.00	0.07
Building Tax Expense	0.00	0.00	3,908.35	0.04
Postage for Meter	350.00	0.03	1,744.62	0.02
Building Utilities	<u>1,818.06</u>	<u>0.13</u>	<u>13,798.18</u>	<u>0.13</u>
Total Expenses	<u>311,925.13</u>	<u>23.10</u>	<u>2,175,479.31</u>	<u>21.06</u>
Net Income	<u>(\$ 31,736.17)</u>	<u>(2.35)</u>	<u>(\$ 453,957.16)</u>	<u>(4.39)</u>

# **Nevada Public Agency Insurance Pool**

**&**

## **Public Agency Compensation Trust**

**201 S. Roop St., Suite 102**

**Carson City, NV 89701**

**Phone: (775) 885-7475**

**Fax: (775) 883-7398**

**[www.poolpact.com](http://www.poolpact.com)**

## **Records Retention Schedule**

**Adopted 5/1/2000**

## **NAC 239.151 Categories of Records**

The following categories of records are hereby established:

1. Category 1 includes records that are necessary for the daily business of an office or department or used as a source of reference.
2. Category 2 includes records of the creation, development or elimination of a local governmental entity, or unique evidence or information about conditions, people, activities or events that is essential for legal, historical, genealogical or other professional research or inquiry.
3. Category 3 includes records of the source, receipt and expenditure or transfer of public money which are required for the operation of a local governmental entity or until an audit is completed.
4. Category 4 includes records which are required by law to be retained and those which have a legal basis for their retention.
5. Category 5 includes irreplaceable records which are needed during or after an emergency or to protect the rights and obligations of a local governmental entity or members of the general public.

**Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust  
Records Retention Schedule**

Title of Series of Records	Categories of Records					Period of Minimum Retention
	1	2	3	4	5	
<b>ADMINISTRATION:</b>						
Agendas: Agendas of all Boards, Commissions and Committees	x	x			x	Permanent
Agreements	x			x	x	6 Years after Termination of the Agreement
Agreements concerning the maintenance of Equipment	x			x		6 Years after Termination of the Agreement
Contracts & Agreements	x			x		6 years after termination of contract
Correspondence: Administrative	x	x				Permanent
Complaints & Inquiries	x					1 year after response or resolution
General	x					1 year, unless needed to be retained for a longer period
Subject Files	x					1 year, unless needed to be retained for a longer period
Electronic Mail (E-mail)	x		x	x		Until hard copy of mail may be disposed of pursuant to retention schedule.
Files used to produce the hard copy that is retained	x					None
Lists of vendors from whom equipment and products are purchased	x					Until superseded
Master copies of forms	x					Until superseded
Minutes of all boards, commissions, committees, and councils	x	x		x	x	Permanent
Minutes of formal hearings	x	x				Permanent
Proclamations	x	x				Permanent
Requests for opinions	x			x		2 years
Schedules for retention of records	x			x		6 years after date schedule is superseded by revised schedule
Tape recordings, either audio or visual of all commission & board meetings	x			x		1 year if transcribed in minutes exist, permanent if minutes not transcribed
Word Processing files: Files maintained only as an electronic record	x	x	x	x		Until hard copy of information may be disposed of pursuant to retention schedule

**Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust  
Records Retention Schedule**

Title of Series of Records	Categories of Records					Period of Minimum Retention
	1	2	3	4	5	
<b>FINANCE &amp; ACCOUNTING:</b>						
Accounting Reports	x		x			6 Years
Accounts Payable	x		x	x		6 Years
Accounts Receivable	x		x	x		6 Years
Annual Internal Audit Reports	x		x	x		3 Years
Annual Budgets:						
Files	x		x			6 Years
Final Budget	x	x	x	x		Permanent
Auditor's Final Annual Reports	x	x	x	x		Permanent
Auditor's Workpapers	x		x			Until completion of audit.
Backup of all computer files made for security purposes	x				x	Until replaced by a more recent backup file
Backup of computer system made on disk on a daily or weekly cycle.	x				x	2 cycles
Bank Reconciliation	x		x	x		6 Years
Bank Statements & Deposit Slips	x		x	x		6 Years
Billings	x		x	x		6 Years
Check Registers	x		x	x		6 years
Checks, cancelled	x		x	x		3 years
Daily cash receipts, reports	x		x	x		6 Years
Financial Statements of Revenues and Expenditures	x	x	x	x		Permanent
General Ledger	x		x			Permanent
Invoices (office copies)	x		x			6 Years
Journal Entries	x		x			6 years
Property and Equipment updates	x	x	x	x	x	5 years after update
Quarterly report of resources and expenditures	x	x	x	x		6 Years
Reimbursements including claims	x		x	x		6 Years
Report of proposed expenditures	x	x	x	x		Permanent

**Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust  
Records Retention Schedule**

Title of Series of Records	Categories of Records					Period of Minimum Retention
	1	2	3	4	5	
<b>CLAIMS ADMINISTRATION:</b>						
Civil Cases	x			x		7 years
Civil Rights Administrative Complaints	x	x		x		7 years after final disposition of case
Claims	x		x	x	x	7 years after closure or final settlement or, if applicable, after last correspondence in closed file, whichever is later
Incident reports	x					7 years
Lawsuits against a local government	x	x		x		7 years if no action pending
Listing of Claims	x		x	x		10 years
Insurance Policies	x	x		x	x	Permanent

<b>LOSS CONTROL:</b>						
	1	2	3	4	5	
Plans for recovery from disasters	x	x				x Permanent
Records of emergency exercises	x	x				Permanent
Records of safety committees	x					2 years
Records of training exercises	x	x				Permanent
Reports of safety inspections	x					Until superseded

**Nevada Public Agency Insurance Pool Records Management Policy**  
**Adopted 4/26/2013**

**Mission Statement**

The mission of the records management program of the Nevada Public Agency Insurance Pool (NPAIP) is to maintain a cost effective program, as well as accurate and accessible retrieval and handling of all information generated in any recorded format by officers, employees and service providers of NPAIP for the official conduct of NPAIP's business, and to preserve such records of historical significance for the benefit of both present and future generations.

**Goals & Objectives**

- To lower the cost of operating NPAIP by reducing the amount of time, storage space, and materials necessary to conduct NPAIP's business.
- To assure compliance with all applicable legal, historical, administrative, and fiscal requirements for record-keeping as set forth in federal, state, and local statutes.
- To provide courteous and professional access and reference services for officers and employees of NPAIP as well as members of the general public to public record materials stored and maintained by NPAIP.

**Policy Statement**

**Section 1**

As used in this policy, unless the context otherwise requires, the words and terms defined in sections 2 to 16, inclusive, of this policy have the meanings ascribed to them in those sections.

**Section 2**

"Records manager" means the designated manager of records of NPAIP.

**Section 3**

"Duplicate" means any accurate and unabridged copy of a record or series of records, which is not an original.

**Section 4**

"Non-record material" means published books and pamphlets, books and pamphlets printed by a government printer, worksheets used to collect or compile data after that data has been included in a record, answer pads for a telephone or other informal notes, stenographers' notes after the information contained therein has been transcribed, unused forms except ballots, brochures, newsletters, magazines, newspapers or parts of newspapers retained as evidence of publication, scrapbooks and property left or deposited with an office which would otherwise be defined as a record except that the ownership of that property does not reside with NPAIP.

**Section 5**

"Office" means an office, department, board, commission, committee, entity, or any other sub-records manager of NPAIP.

**Section 6**

"Original" means an original as defined in NRS 52.205, a reproduction made pursuant to the provisions of NRS 239.051, or any record designated by the records committee to be an original. An original made pursuant to the provisions of NRS 239.051 consists of both the stored copy, and the copy maintained for the use of authorized persons.

**Nevada Public Agency Insurance Pool Records Management Policy**  
**Adopted 4/26/2013**

**Section 7**

"Record" means all documents, papers, letters, pamphlets, books, maps, charts, blueprints, drawings, photographs, films, software used to process electronic data, information stored on magnetic tape or computer, laser or optical disc, materials which are capable of being read by a machine, including microforms and audio and visual materials, computer printouts, newspapers received pursuant to NRS 247.070, artifacts entered as exhibits in any proceeding in any court, and any other evidence, including all copies thereof, made or received pursuant to a law, regulation or policy or in connection with the transaction of the official business of any office or department NPAIP.

**Section 8**

"Records Committee" means the records committee established in section 12 of this ordinance.

**Section 9**

1. Pursuant to the provisions of subsection 1 of section 125 of chapter 239 of the Nevada Revised Statutes, a records manager is hereby designated.
2. It is the intent of NPAIP that the records manager, in carrying out its functions, follows accepted:
  - a. Procedures for the management of records to increase the efficiency of the records keeping system and reduce the administrative costs associated with the creation, maintenance, use, retention, and disposition of records; and
  - b. Standards of archival practice to ensure the preservation of records with permanent value and maximum accessibility to records for the general public.

**Section 10**

The records manager shall:

1. Establish standards, procedures, and techniques for the effective management of records;
2. Make continuing surveys of current practices for the management of records and recommend improvements in those practices, including the use of space, equipment and supplies to create, maintain and store records;
3. Establish standards for the preparation of schedules providing for the retention of records of continuing value and for the prompt and orderly disposition of records, which no longer possess sufficient administrative, legal, fiscal or research value to warrant their further retention;
4. Establish, maintain and operate a center for storing and receiving records of the several offices pending their disposition in a manner prescribed by law;
5. Establish an arrangement for micrographic services to the offices of NPAIP;
6. Establish a program for the management of forms and files;
7. Establish a program for the protection of records essential for the continuation or reestablishment of governmental operations in the event of natural or other disaster; and
8. Establish a program for the preservation and conservation of records designated by the state or the records manager as having a permanent retention value.

**Section 11**

The records manager may employ separately or cooperatively with another local governmental entity a NPAIP records administrator to carry out the duties of the records manager.

**Nevada Public Agency Insurance Pool Records Management Policy**  
**Adopted 4/26/2013**

Section 12

1. A records committee is hereby established to be known as the NPAIP records committee.
2. The records committee shall be composed of representatives from the following areas:
  - a. Legal counsel
  - b. Executive Director
  - c. Fiscal Officer
  - d. Information technology
  - e. Records manager
  - f. Human resources manager

Section 13

The records committee shall:

1. Draft, review, and prepare records retention schedules for the State Library and Archives Administrator's approval;
2. Evaluate and authorize the purchase of filing equipment or the creation of a new form, or an application for conversion to micrographics or optical imaging, word processing or data processing;
3. Review any request for access to information which was denied by an official to determine whether the denial was in keeping with prevailing law; and
4. Review all proposals for the expansion or modification of the records management program and make recommendations to the board of NPAIP.

Section 14

1. The rights of custody and control of records transferred to the NPAIP records center remain with the transferring office.
2. The rights of custody and control of accession to the city/county archives transfer to the records manager at the time the records are accepted as an accession.

Section 15

Records may be disposed of only in accordance with the schedules for the retention and disposition of records prepared by the records manager and approved by the records committee. The most recent version and subsequent revisions to the State Library and Archives "Local Government Records Retention Program Manual" is adopted as the records management and retention schedule for NPAIP, except as amended by the records management committee and approved by the State Library and Archives Administrator.

Section 16

1. Records to be destroyed must be disposed of in accordance with procedures approved by the records committee and NAC 239.165.
2. The records manager or a representative of the office must supervise the destruction of all records in their care and attest that such destruction was carried out in the manner provided for by the records committee and NAC 239.165.

**NEVADA PUBLIC AGENCY INSURANCE POOL**

**FINANCIAL STATEMENTS**

**June 30, 2012 and 2011**

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**BERTRAND & ASSOCIATES LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
Member American Institute of Certified Public Accountants

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777 E. William St. Suite 206  
Carson City, NV 89701  
Tel 775.882.8892  
Fax 775.562.2667  
E-mail: michael@bertrandcpa.com

**Independent Auditor's Report**

To the Board of Directors  
Nevada Public Agency Insurance Pool

We have audited the accompanying statement of net assets of the Nevada Public Agency Insurance Pool ("NPAIP") for the years ended June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and the statement of cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts disclosed in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that my audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the Nevada Public Agency Insurance Pool for years ended June 30, 2012 and 2011 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 4 through 7 and the 10 Year Claims Development schedule on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

*Bertrand & Associates, LLC*

November 26, 2012  
Carson City, Nevada

## Management's Discussion and Analysis

### Purpose:

To further understanding of significant financial issues, this Nevada Public Agency Insurance Pool (NPAIP) management discussion and analysis a) provides an overview of the NPAIP's financial activities, b) identifies significant changes in the NPAIP's financial position and its ability to address subsequent year financial challenges, and c) provides insights into the long-term financial viability of NPAIP.

### Background:

NPAIP implemented the Governmental Accounting Standards Board (GASB) requirements set forth in GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*. NPAIP's financial information must be accompanied by enhanced analysis, both short and long term, and explanations of significant financial statement elements. Since the Nevada Public Agency Insurance Pool operates as an enterprise created pursuant to NRS 277, the Interlocal Cooperation Act, its financial statements will be presented in a manner that reflects its operations much like a private company.

### Using this Annual Report:

Since the financial statements report information about the NPAIP using accounting methods similar to those used by private sector organizations, these statements offer short and long term financial information about the NPAIP's activity. The Statement of Net Assets includes all of the NPAIP's assets and liabilities and information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluation of the capital structure and for assessing the liquidity and financial flexibility of the NPAIP.

Current year revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the success of the NPAIP's operations for the fiscal year compared to the previous year and can be used as a measure of the NPAIP's credit worthiness and whether NPAIP successfully recovers its costs through its sources of revenue.

The Statement of Cash Flows serves to provide information about the NPAIP's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investments and financing activity. It also discloses from where cash comes, for what it was used and the change in cash balance during the reporting period. Since NPAIP incurs financial obligations to pay for claims that occurred in the past from current year resources and at the same time receives revenue that it must retain for payment of future claims from future resources, cash flow may vary significantly from year to year.

### Financial Highlights:

By board policy, NPAIP is audited each year by an independent auditor. Since its inception on May 1, 1987 and continuing through this fiscal year, the independent auditor's report offers an unqualified opinion on the financial statements. Such an opinion reflects the highest opinion that can be obtained from an independent auditor.

#### Changes in net assets:

Fiscal year ended June 30, 2012: \$29,769,405

Fiscal year ended June 30, 2011: \$26,261,322

Net increase: \$3,508,083 or 13.4%.

Net asset changes reflect both operating and non-operating net investment income. Both were higher than fiscal year ended June 30, 2011. Operating expense changes largely were attributable to decreased losses, increased reinsurance costs and increased amortization expenses. Non-operating investment income reflects current economic conditions causing declining slightly improving investment performance. Net assets are retained to assure financial stability and strength of NPAIP based upon the board's long term strategy.

Both property and casualty coverages can experience significant volatility particularly when the retention levels per loss are high. Because NPAIP retains a substantial portion of the property and casualty risk, it is important to the long term viability of NPAIP to be able to meet its financial obligations to its Members by growing its net assets. Insurance market conditions periodically make it

important to be able to increase our retentions, which results in increased volatility that must be cushioned strongly. NPAIP board policy requires a 70% actuarial confidence level as a prudent level to develop a strong financial position in keeping with the NPAIP Board's goals of creating and sustaining a durable financial position.

During previous fiscal years 2001 and 2002, the board purchased land and built its office building located at 201 S. Roop Street, Carson City, Nevada. As a result, \$1,823,470 of the total assets for fiscal year end June 30, 2012 consists of capital assets (after depreciation).

Total revenues:

Fiscal year ended June 30, 2012: \$14,902,485

Fiscal year ended June 30, 2011: \$14,191,328

Net increase: \$711,157.

NPAIP's primary revenue source comes from Member contributions to the NPAIP's Loss Fund, administrative budget and reinsurance costs. Rental income constitutes the secondary revenue source and it was down due to the vacancy of a tenant and real estate market conditions not conducive to finding a replacement tenant.

Total expenses:

Fiscal year ended June 30, 2012: \$12,823,901

Fiscal year ended June 30, 2011: \$12,488,992

Net increase: \$334,909 or 2.7%.

The most significant factors in this change were attributable to decreased losses, increased reinsurance costs and increased amortization expenses. The development schedule included in the financial statement provides the history of the claims reserve changes each year over 10 years.

Included in the total assets is the NPAIP's capitalization to start its own non-profit captive mutual insurance company, Public Risk Mutual. Initially, in 2004, NPAIP invested \$1,000,000, an amount to be amortized over 10 years. At June 30, 2012, NPAIP had increased its contribution to surplus in Public Risk Mutual to \$15,250,959. Amortization expense as of June 30, 2012 rose to \$1,506,032 based upon NPAIP's policy to continue to amortize these contributions over a ten year period. Public Risk Mutual provided reinsurance to the NPAIP for certain property and liability coverage during this year.

Operating net assets:

Fiscal year ended June 30, 2012: \$2,078,584

Fiscal year ended June 30, 2011: \$1,702,336

Net increase: \$376,248 or 22.1%

Decreased losses and loss expenses comprised \$733,209 or 25.1% of the increase in operating net assets. Increases in amortization expenses in the amount of \$487,727 combined with an increase of \$377,296 in reinsurance costs offset some of the gains in operating net assets. Increased amortization expense reflects the board's decision to increase contributions to surplus to PRM consistent with its long-term strategy.

Net investment income:

Fiscal year ended June 30, 2012: \$1,429,499

Fiscal year ended June 30, 2011: \$772,826

Net increase: \$656,673

The net increase of \$656,673 or 85% reflects current investment market conditions. Investments are marked to market value at the time of the financial statements, which may result in a negative or positive overall result. Maintaining positive returns under the difficult economic conditions during this fiscal year speaks to the conservative investment strategies employed by NPAIP. The investment portfolio of \$27,128,610 is comprised of governmental type investments which, if held to maturity, will yield the respective coupon rates although interim performance may lag. Most of NPAIP's investments are anticipated to be held to maturity. NPAIP is restricted by Nevada statutes to invest in governmental securities in the same manner as other political subdivisions. Management adjusted the mix of investments as market conditions evidenced opportunities to enhance results.

**Financial Analysis:**

In order to enhance analysis, comparative information is provided for assets, liabilities, net equity, revenues and expenses in the chart following this narrative.

The benchmarks shown resulted from a pooling and captives' industry study conducted a few years ago by Tillinghast and provides a useful tool to facilitate management's analysis and understanding of the financial results. Other performance indicators may be used by insurance companies but are not necessarily useful comparative indicators for risk pools.

**Capital Assets and Debt Administration:**

With NPAIP's purchase of land and completion of construction of its headquarters building, the NPAIP's capital assets comprise 4.4% of its total assets. The building generates rental income and also diversifies NPAIP's investments. NPAIP remains debt free.

**Economic Factors:**

For fiscal year ending June 30, 2012, economic conditions showed signs of continued uncertainty with tepid growth beginning to appear for the nation and for Nevada. The economy stabilized somewhat during this fiscal year as a result of continuing federal support to the economy and some spotty growth in certain sectors of the economy. NPAIP's investments have performed fairly well during this upheaval in light of the statutory requirements to invest in governmental securities. As in the past, NPAIP's investments produced stable gains on a marked to market basis.

Medical inflation continues to be higher than the overall consumer price index nationally, which affects the underlying costs of liability claims payable by NPAIP. Based upon claims activity and the tendency of plaintiffs to appeal judgments more often, litigation costs continue to rise. The NPAIP's defense costs have risen as a result of the types of cases being filed and the increase in the hourly rate that assures retention of competent counsel to handle civil rights cases in particular.

Fiscal year ending June 30, 2012 evidenced changing insurance market conditions for property and liability reinsurance. Rates in property coverage increased. Liability rates decreased due to replacement of one reinsurer with another at a better price. NPAIP also continued its membership in County Reinsurance, Ltd., a captive mutual insurer in which NPAIP has a financial interest for all members other than schools for liability coverage, and with United Educators, a captive risk retention group in which NPAIP has a financial interest, for schools liability coverage reinsurance. NPAIP added Government Entities Mutual (GEM) as an additional liability reinsurer in which NPAIP contributed surplus, thus has a financial interest, at the end of FY 2011. In addition, NPAIP contributed additional capital to Public Risk Mutual, its member-owned captive that provides reinsurance for property and liability coverage.

**Subsequent Events:**

There were no subsequent events that would affect the financial statements for the current fiscal year.

Financial Ratios	POOL	POOL	POOL	POOL	POOL
	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Total Revenue	\$12,489,052	\$13,429,504	\$14,186,965	\$14,191,328	\$14,902,485
Total Income (excludes special reserve adjustments 96 & 98)	\$ 1,616,832	\$ 2,531,847	\$ 4,553,218	\$ 2,475,162	\$ 3,508,083
Net Operating Income	\$ (511,229)	\$ 777,289	\$ 3,018,451	\$ 1,702,336	\$ 2,078,584
Net Investment Income	\$ 2,128,061	\$ 1,754,558	\$ 1,534,767	\$ 772,826	\$ 1,429,499
Total Assets	\$29,738,524	\$32,066,624	\$36,644,309	\$38,796,007	\$41,349,269
Total Liabilities	\$13,037,429	\$12,833,682	\$12,858,140	\$12,424,000	\$11,579,864
Net Assets	\$16,701,095	\$19,232,942	\$23,786,160	\$26,261,322	\$29,769,405
Net Assets to SIR (Board target: 12:1)	33.4	38.5	47.6	52.5	59.5
SIR to Net Assets (Benchmark: captives <.10; group captives <.25)	0.03	0.03	0.02	0.02	0.02
% Assets attributable to Net Assets	56.2%	60.0%	64.9%	67.7%	72.0%
Total assets/total liabilities	2.28	2.50	2.85	3.12	3.57
Revenues to Net Assets (Benchmark: <2.5:1 and >0)	0.75	0.70	0.60	0.54	0.50
Loss Reserves to Net Assets (discounted): Benchmark <3:1 and >0	0.77	0.67	0.54	0.47	0.39
Total liabilities to liquid assets: Benchmark <100%	52%	45%	39%	46%	40%
Change in Net Assets: >-10%	10.7%	15.2%	23.7%	10.4%	13.4%
Return on Net Assets: Net Operating Income/Net Assets	-3.1%	4.0%	12.7%	6.5%	7.0%
Return on Net Assets: Total Income/Net Assets	9.7%	13.2%	19.1%	9.4%	11.8%

### Requests for Information:

While the purpose of this discussion and financial report is to provide a general overview of the NPAIP's financial position, requests for additional financial information should be addressed to Wayne Carlson, Executive Director, 201 S. Roop, Suite 102, Carson City, NV 89701-4790.

Wayne Carlson, Executive Director  
Nevada Public Agency Insurance Pool

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Statements of Net Assets**  
**June 30, 2012 and 2011**

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<b>ASSETS</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Current assets:		
Cash and cash equivalents - Note 3	\$ 814,553	\$ 254,890
Investments - Note 3	27,128,610	25,527,671
Deductibles receivable	501,241	439,717
Prepaid expenses	44,436	71,450
Specific and aggregate recoverables	300,032	152,499
Prepaid surplus contribution to GEM - Note 11	-	500,000
Other Receivables	3,507	18,539
Total current assets	<u>28,792,379</u>	<u>26,964,766</u>
Capital assets:		
Land, building & equipment, net - Note 4	1,823,470	1,868,407
Other assets:		
Contributed Surplus Public Risk Mutual, net - Note 9	10,733,420	9,962,834
<b>TOTAL ASSETS</b>	<b><u><u>41,349,269</u></u></b>	<b><u><u>38,796,007</u></u></b>
<b>LIABILITIES</b>		
Other current liabilities:		
Accounts payable	56,864	110,685
Payable to Public Risk Mutual	50,000	-
Current portion of reserve for claims and adjustment expense - Note 7	4,586,498	4,967,150
Total current liabilities	<u>4,693,362</u>	<u>5,077,835</u>
Noncurrent liabilities:		
Reserve for claims and claims adjustment expenses - Note 7	6,886,502	7,456,850
Total non-current liabilities:	<u>6,886,502</u>	<u>7,456,850</u>
<b>NET ASSETS</b>		
Net Assets, unrestricted	27,945,935	24,392,915
Net Assets, invested in capital assets	1,823,470	1,868,407
Total net assets	<u>29,769,405</u>	<u>26,261,322</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u><u>\$ 41,349,269</u></u></b>	<b><u><u>\$ 38,796,007</u></u></b>

See accompanying notes

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Operating revenues:</b>		
Premiums written	\$ 14,676,635	\$14,567,597
Assessments discounts	-	(617,757)
Rental income	218,145	236,854
Other Income	7,705	4,634
Total revenues	<u>14,902,485</u>	<u>14,191,328</u>
<b>Operating expenses:</b>		
Losses and loss adjustment expenses-Note 7	2,144,280	2,877,489
Excess insurance premiums	5,019,808	4,642,512
Pooling and loss control fees	505,000	445,777
Third party administrator fees	624,571	610,665
Agent commissions	959,167	907,075
Taxes written	6,862	6,674
Total program expenses:	<u>9,259,688</u>	<u>9,490,192</u>
<b>Administration expenses:</b>		
Management fees	462,000	471,955
Building maintenance and utilities	50,414	48,824
Depreciation	44,937	46,814
Amortization	1,506,033	1,018,305
Travel	33,347	35,618
casualty insurance	38,649	34,845
Operating expenses	262,494	237,827
Legal expenses	27,862	4,490
Loss control awards & grants	253,625	221,323
Consultant appraisals	83,560	95,560
Environmental consultation	21,851	18,305
Member education & training	779,441	764,934
Total pool administration expenses	<u>3,564,213</u>	<u>2,998,800</u>
Total program and administration expenses	<u>12,823,901</u>	<u>12,488,992</u>
<b>Increase in operating net assets</b>	<b>2,078,584</b>	<b>1,702,336</b>
Increase in non-operating net investment income	<u>1,429,499</u>	<u>772,826</u>
<b>Increase in net assets</b>	<b>3,508,083</b>	<b>2,475,162</b>
Net assets, beginning of year	26,261,322	23,786,160
<b>Net assets, end of year</b>	<u><b>\$ 29,769,405</b></u>	<u><b>\$ 26,261,322</b></u>

See accompanying notes

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Statements of Cash Flows**  
**For Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Premiums written	\$ 14,676,635	\$ 13,451,411
Rental income	218,145	236,854
Other revenues	7,706	4,634
Payment for claims	(3,423,691)	(3,238,489)
Payment to vendors	(8,521,072)	(8,275,804)
Net Cash Provided from Operating Activities:	<u>2,957,723</u>	<u>2,178,606</u>
<b>Cash flows from investing activities:</b>		
Interest, dividends and realized net gains on investments	825,708	1,207,917
Purchases of investments	(1,501,607)	(1,637,815)
Proceeds from sales of investments	554,458	2,600,000
Net cash Used in Investing Activities	<u>(121,441)</u>	<u>2,170,102</u>
<b>Cash flows from financing activities:</b>		
Increase in capitalization of PRM	(2,276,619)	(5,265,924)
Member landfill premium receivable	-	399,446
Prepaid surplus contribution to GEM	-	(500,000)
Net Cash Used for Capital Activities	<u>(2,276,619)</u>	<u>(5,366,478)</u>
Increase(decrease) in Cash and Cash Equivalents	559,663	(1,017,770)
Cash and Cash Equivalents, beginning of fiscal year	254,890	1,272,660
<b>Cash and Cash Equivalents, year ended June 30</b>	<b><u>814,553</u></b>	<b><u>254,890</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating net income (loss)	2,078,585	1,702,336
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	44,937	46,814
Deductibles receivable	(61,524)	(385,941)
Prepaid expense	527,013	(52,759)
Specific excess recoverable	(147,533)	190,966
Other receivables	15,034	(17,660)
Amortization	1,506,033	1,018,305
Accounts payable	(53,822)	45,975
Deferred revenue	-	(8,430)
Claims and loss adjustment expenses	(951,000)	(361,000)
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 2,957,723</u></b>	<b><u>\$ 2,178,606</u></b>

See accompanying notes

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**NOTE 1 - NATURE OF ORGANIZATION**

The Nevada Public Agency Insurance Pool (NPAIP) is a quasi-governmental entity formed by an intergovernmental agreement between political subdivisions of the state of Nevada and organized to operate as a group self-insurer. The purpose of the organization is to seek the prevention or lessening of casualty losses to its members and injuries to persons, which might result in claims being made against such members. In addition to self-funding and excess insurance protection, the program provides risk management services with emphasis on loss control, claims administration, and management support services.

The NPAIP is fully funded by member participants. Members file claims with Alternative Service Concepts, LLC (ASC), which has been contracted to perform claims adjustments for the NPAIP.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Presentation

The Nevada Public Agency Insurance Pool has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. NPAIP has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

The financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises, where applicable, which may differ from the basis of accounting followed in statutory reporting.

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Measurement Focus, Basis of Accounting

The financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Expenditures are recorded when the related fund liability is incurred.

Cash Equivalents:

For purposes of the statement of cash flows, the NPAIP considers investments with original maturity dates less than 90 days to be cash equivalents.

Investment and Interest Income:

Investments are recorded at fair market value. Interest income, realized and unrealized gains and losses are shown as net investment income.

The NPAIP is authorized, by state statutes, to make investments in bonds and debentures of the United States, bills and notes of the U.S. Treasury the maturities of which cannot be more than 10 years from date of purchase. The NPAIP is also authorized to purchase negotiable certificates of deposit issued by commercial banks or insured savings and loan associations, the U.S. Postal Service and Government National Mortgage Association securities.

Credit Risk:

Credit risk is the risk that the issuer of a security will default on principal and interest of the security. NPAIP's policy is to invest in corporate debt issues with a minimum of an "AA" rating from Moody's or Standard and Poor's rating services or U.S. Government and government backed securities. In addition, NPAIP's policy is to diversify the investment portfolio so that the impact of potential losses from any one type of security or from any one issuer will be minimized.

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Concentration of Credit Risk:

NPAIP limits investments in fixed income securities to 10% of the total fixed income portfolio to any one issuer. No more than 15% of the total investment pool will be invested in any one class of security, industry or company. NPAIP will not directly invest in securities maturing more than ten (10) years from the date of purchase, except as permitted by law. The policy does not place a limit on the purchase of U.S. Government and government backed securities.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. NPAIP will, to the extent possible, minimize this risk by matching investment maturities to liability due dates. This allows NPAIP to hold investments to maturity thus mitigating losses from the sale of investments prior to their maturity date. Additionally, exposure to fair value losses arising from decreasing interest rates is minimized by investing predominantly in investments with short to mid-term maturities that perform in line with the return of a managed fund comprised of 1 – 3 year Treasury Bonds.

Deductible and Specific Excess Recoverable Receivables:

Deductibles receivable represents the portion of a claim to be collected from members. Specific excess recoverables represents amounts to be collected from excess insurers on claims made by members against the NPAIP in excess of the NPAIP's retention.

Legal Fees:

Legal fees included in administration expenses are primarily for corporate legal work only; all legal expenses associated with a particular claim are charged directly to that claim's experience. Legal work on claims affects losses incurred and loss adjustment expenses.

Losses and Loss Adjustment Expenses:

Reserves for losses and allocated loss adjustment expenses are provided based on case basis estimates for losses reported and NPAIP's historical loss experience for claims incurred but not reported (IBNR). The liability for unpaid losses and loss adjustment expenses includes the estimated cost of investigating and settling all claims incurred as of the balance sheet date. Such amounts are determined on the basis of an evaluation of the NPAIP's independent consulting actuary. The liability for unpaid losses and loss adjustment expenses has not been discounted for the time value of money. Although such estimates are NPAIP's best estimates of the expected values, the actual results may vary from these values.

Member Loss Fund Contributions and Unearned Member Loss Fund Contributions:

Member contributions are collected in advance and recognized as revenue in the period for which insurance protection is provided. Contributions are allocated by PARMs with actuarial input.

Federal Income Taxes

In accordance with Internal Revenue Service code Section 115, organizations formed, operated and funded by political subdivisions may exclude income from those activities that qualify for exclusion. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

Supplementary development schedule - Unaudited

The statements and development schedule reports claims paid on a reported year basis. Loss reserves shown on the financial statements are discounted; however, the development schedule reflects undiscounted loss reserves.

Assessments Discounts

At its annual meeting, the board voted to utilize a portion of its net assets to subsidize cost increases for the liability reinsurance in order to avoid passing the additional costs onto the members for the current fiscal year.

Budget

A budget is prepared by management but there is no legal budgetary requirement.

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**NOTE 3 – CASH AND INVESTMENTS**

The carrying amount of NPAIP’s deposits with financial institutions at June 30, 2012 and 2011 was \$814,553 and \$254,890.

The financial institution balance at June 30, 2012 and 2011 was \$1,080,934 and \$993,584 respectively. The difference between the carrying amount and bank balance results from outstanding checks and/or deposits not yet reflected in the bank’s records.

	<u>2012</u>	<u>2011</u>
Amounts insured by FDIC	\$250,000	\$250,000
Amounts collateralized	191,222	658,330
Cash equivalents at brokerage firm	<u>639,712</u>	<u>85,254</u>
Total deposits at financial institutions	<u>\$1,080,934</u>	<u>\$993,584</u>

NPAIP maintains its cash, cash equivalents and investments in a commercial bank and a brokerage institution. All amounts in the commercial bank are insured by the FDIC or collateralized. Amounts at the brokerage firm are insured through SIPC and additional amounts above SIPC coverage limits are insured by the broker through an insurance policy.

A summary of investments as of June 30, 2012 is as follows:

	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>1 year of less</u>	<u>1-5</u>	<u>5-10</u>	<u>Over 10</u>
U.S. Treasuries	\$ 6,810,434	\$ 72,617	\$ 2,602,906	\$ 4,134,911	\$ -
U.S. Government & Agencies	4,529,320	32,372	3,042,795	1,398,423	55,730
U.S. Mortgage-backed securities	9,479,007	20,012	-	46,953	9,412,042
U.S. Government backed securities	6,309,849	681,316	3,102,174	1,867,040	659,319
Total cash and investments	<u>\$ 27,128,610</u>	<u>\$ 806,317</u>	<u>\$ 8,747,875</u>	<u>\$ 7,447,327</u>	<u>\$ 10,127,091</u>

A summary of investments as of June 30, 2011 is as follows:

	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>1 year of less</u>	<u>1-5</u>	<u>5-10</u>	<u>Over 10</u>
U.S. Treasuries	\$ 6,655,523	\$ 66,680	\$ 1,023,440	\$ 5,565,403	\$ -
U.S. Government & Agencies	3,391,913	31,997	1,952,840	1,343,384	63,692
U.S. Mortgage-backed securities	1,788,291	7,305	157,468	68,753	1,554,765
U.S. Government backed securities	13,691,944	5,376,759	6,218,090	1,755,850	341,245
Total cash and investments	<u>\$ 25,527,671</u>	<u>\$ 5,482,741</u>	<u>\$ 9,351,838</u>	<u>\$ 8,733,390</u>	<u>\$ 1,959,702</u>

Actual maturities may differ from contractual maturities as some borrowers have the right to call or prepay with or without call or prepayment penalties. Investments are reported at fair value by the investment broker as determined by an outside pricing firm.

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**NOTE 4 – LAND, BUILDING AND EQUIPMENT**

Building and land are reported at cost less accumulated depreciation. Depreciation is calculated on the straight line basis over the estimated useful lives of the assets. NPAIP capitalizes equipment and building related expenditures that are greater than \$5,000. When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in operations. Activity for the year ended June 30, 2012 and 2011 was as follows:

	<b>Estimated Useful Life</b>	<b>June 30, 2011</b>	<b>Additions</b>	<b>Dispositions</b>	<b>June 30, 2012</b>
Land	0	\$ 466,652	\$ -	\$ -	\$ 466,652
Building	40	1,783,716	-	-	1,783,716
Equipment, furniture, fixtures & vehicles	5-7	94,857	-	-	94,857
		<u>2,345,225</u>	<u>-</u>	<u>-</u>	<u>2,345,225</u>
Less accumulated depreciation		(476,818)	(44,937)	-	(521,755)
Capital assets net accumulated depreciation		<u>\$ 1,868,407</u>	<u>\$ (44,937)</u>	<u>\$ -</u>	<u>\$ 1,823,470</u>

Property and equipment activity for the year ended June 30, 2011 was as follows:

	<b>Estimated Useful Life</b>	<b>June 30, 2010</b>	<b>Additions</b>	<b>Dispositions</b>	<b>June 30, 2011</b>
Land	0	\$ 466,652	\$ -	\$ -	\$ 466,652
Building	40	1,783,716	-	-	1,783,716
Equipment, furniture, fixtures & vehicles	5-7	94,857	-	-	94,857
		<u>2,345,225</u>	<u>-</u>	<u>-</u>	<u>2,345,225</u>
Less accumulated depreciation		(430,004)	(46,814)	-	(476,818)
Capital assets net accumulated depreciation		<u>\$ 1,915,221</u>	<u>\$ (46,814)</u>	<u>\$ -</u>	<u>\$ 1,868,407</u>

**NOTE 5 – RETENTION**

Nevada Public Agency Insurance Pool retains a portion of claims prior to the application of coverage provided by its excess or reinsurance contracts. The coverage limits provided by the NPAIP within its retention amounts are as follows:

<b><u>NPAIP Limits:</u></b>	<b><u>2011-2012</u></b>	<b><u>2010-2011</u></b>
Property blanket limit (1)	\$200,000	\$200,000
Liability per event	\$500,000	\$500,000
Monies & securities per loss	\$500,000	\$500,000
Equipment breakdown	\$ 50,000	\$ 50,000

(1) Plus a \$250,000 corridor deductible for both years.

Should the cumulative losses paid within the NPAIP's retention in any one year exceed the NPAIP's loss fund contributions for that year, the balance would be payable from the NPAIP's equity.

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**NOTE 6 – EXCESS INSURANCE OR REINSURANCE**

Nevada Public Agency Insurance Pool offers limits as shown in the policy form. Highlights of some of the limits and sub-limits are shown on the table below. However, NPAIP obtains various excess or reinsurance policies from several excess or reinsurance companies to bear a portion of the risks not retained by the NPAIP under its retention.

<b>Property limits:</b>	<u>2011-2012</u>	<u>2010- 2011</u>
Blanket limit per loss:	\$300,000,000	\$300,000,000
Earthquake Aggregate Sub-limit:	100,000,000	100,000,000
Flood Aggregate Sub-limit:	100,000,000	100,000,000
Equipment Breakdown Sub-limit:	60,000,000	60,000,000
Money & Securities (including Employee Dishonesty) Sub-limit:	500,000	500,000
<b>Liability limits:</b>		
Each and Every Event Limit:	10,000,000	10,000,000
Emergency Response to Pollution Sub-limit	1,000,000	1,000,000
Sexual Abuse Sub-limit	2,500,000	2,500,000
Aggregate limits:		
General Aggregate (per member)	10,000,000	10,000,000
Products/Completed Operations Aggregate (per member)	Included	Included
Wrongful Acts Aggregate (per member)	Included	Included
Law Enforcement Aggregate (per member)	Included	Included
Emergency Response to Pollution Aggregate Sub-limit:	1,000,000	1,000,000

NPAIP reinsurance is as follows:

Property 2010-2011: The property limits shown above excess of NPAIP's retentions as follows:

Retention 1: \$200,000 per event

Retention 2: \$250,000 aggregate excess of \$250,000 all members

Retention 3: \$250,000 excess of \$250,000 per event monies and securities extension

Public Risk Mutual: \$50,000 limit per loss subject to \$200,000 NPAIP retention all coverages

Travelers Boiler Re: \$50,000 NPAIP retention for Equipment Breakdown

Lloyds of London various syndicates: NPAIP retentions \$250,000 per occurrence plus \$250,000 aggregate all coverages except no reinsurance for Equipment breakdown or money and securities

Property 2011-2012 The property limits shown above excess of NPAIP's retentions as follows:

Retention 1: \$200,000 per event

Retention 2: \$250,000 aggregate excess of \$250,000 all members

Retention 3: \$250,000 excess of \$250,000 per event monies and securities extension

Public Risk Mutual: \$50,000 limit per loss subject to \$200,000 NPAIP retention all coverages

Travelers Boiler Re: \$50,000 NPAIP retention for Equipment Breakdown

Lloyds of London various syndicates: NPAIP retentions \$250,000 per occurrence plus \$250,000 aggregate all coverages except no reinsurance for Equipment breakdown or money and securities

Liability 2010-2011: The liability limits shown above excess of NPAIP's retention with of \$500,000 with:

- a) Public Risk Mutual 20% of \$1,500,000, excluding school districts plus \$250,000 excess of \$2,000,000
- b) County Reinsurance, Ltd. 80% of \$1,500,000, excluding school districts
- c) United Educators \$1,500,000 for school districts only
- d) Munich Reinsurance America, Inc. \$8,000,000 excess of \$2,000,000

Liability 2011-2012: The liability limits shown above excess of NPAIP's retention with of \$500,000 with:

- a) Public Risk Mutual 20% of \$2,500,000, excluding school districts
- b) County Reinsurance, LTD. 80% of \$2,500,000, excluding school districts
- c) United Educators \$2,500,000 for school districts only
- d) Government Entities Mutual, Inc. \$2,000,000 excess of \$3,000,000
- e) Lloyds of London Brit Syndicates, Ltd. \$5,000,000 excess of \$5,000,000

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**NOTE 7 – UNPAID CLAIMS LIABILITIES**

NPAIP estimates losses and loss adjustment expense based on historical experience and payment and reporting patterns. These estimates are based on data available at the time of the estimate and are reviewed by NPAIP’s independent consulting actuary.

Inherent in the estimates of the ultimate liability for unpaid claims are expected trends in claim severity, claim frequency, and other factors that may vary as claims are settled. The amount and uncertainty in the estimates are affected by such factors as the knowledge of the actual facts and circumstances and amount of historical claims experienced relative to the development period that has been affected by the change in premium levels and increase in closing and settlement of claims.

As discussed in Note A, the NPAIP establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the NPAIP in the last two years:

	<u>2012</u>	<u>2011</u>
Incurring claims and claim adjustment expenses		
At the beginning of the fiscal year	\$12,424,000	\$12,785,000
	_____	_____
Incurring claims and claim adjustment expenses:		
Provisions for insured events of current year	5,471,000	5,938,000
(Decreases) increase in provision for insured events of prior years	(3,326,720)	(3,060,511)
Total Incurred claim adjustment expenses	2,144,280	2,877,489
Payments:		
Claims and Claim Adjustment Expenses attributable to Insured Events of Current year	(722,000)	(833,000)
Claims and Claim Adjustment Expenses attributable to insured events of prior years	(2,373,280)	(2,405,489)
Total payments	(3,095,280)	(3,238,489)
<b>Total unpaid claims and claims adjustment expenses at fiscal year end June 30</b>	<b>\$11,473,000</b>	<b>\$ 12,424,000</b>
	=====	=====

In 2012 the current portion of the reserve, cash expected to be paid within 12 months, is \$4,586,498 and the long-term portion is \$6,886,502. At the end of 2011 the current portion was \$4,967,150 and the long term portion was \$7,456,850.

At June 30, 2012 and 2011, NPAIP recorded the liability for losses and loss adjustment expenses based on an estimate of its independent consulting actuary. The reserve balances were developed by an independent actuary and is management’s best estimate of reserves at June 30, 2012 and 2011.

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**NOTE 8 - RELATED PARTY TRANSACTIONS**

Beginning January 1, 2003, the Nevada Association of Counties (NACO) entered into a lease agreement with NPAIP to lease office space at 201 S. Roop St in Carson City, Nevada that terminated January 1, 2011. Amounts received for rent totaled \$23,964 for the year ending 2011. NACO is a member of NPAIP. PARMS provides accounting services to NACO and Wayne Carlson is authorized to be the second signature on checks disbursed from NACO's accounts.

Public Agency Risk Management Services, Inc. (PARMS) is presently contracting with the NPAIP and PACT to provide management services. PARMS serves both the NPAIP and the PACT as the Executive Director/Administrator. PARMS is a service corporation wholly owned by Mr. Wayne Carlson. Contract fees paid for year ended June 30, 2012 and 2011 was \$462,000 and \$471,955. Beginning July 1, 2011, PARMS began leasing office space at 201 S. Roop St. in Carson City, Nevada and terminating on June 30, 2013. Amounts received for rent in 2012 and 2011 were \$63,864 and \$62,004 respectively.

Effective July 1, 2006, NPAIP jointly with PACT entered into a grant with Pooling Resources, Inc. (PRI), a nonprofit organization formed by the executive director of NPAIP, Wayne Carlson, and whose directors are Wayne Carlson, Alan Kalt and Michael Rebaleati. Cost for this grant was \$583,500 and \$566,000 for years 2012 and 2011 respectively. The grant was renewed for three years beginning July 1, 2012 with future costs being \$525,000, \$535,500 and \$546,500 for years ended June 30, 2013, 2014 and 2015 respectively. PRI provides human resources management services to NPAIP and Public Agency Compensation Trust members. PRI pays PARMS a management fee to provide operational and financial oversight of PRI.

**NOTE 9 – CONTRIBUTED SURPLUS TO PUBLIC RISK MUTUAL**

In May 2004, NPAIP's board of directors authorized the start up of a member-owned nonprofit captive mutual insurance company and contributed to the surplus of the company with an initial \$1,000,000 surplus contribution. The company, named Public Risk Mutual, is domiciled in Nevada and as of September 1, 2004, became the excess property insurer for NPAIP. Subsequent contributions to surplus were made by NPAIP. The cumulative contributions were \$15,250,959 as of June 30, 2012 and \$12,974,340 as of June 30, 2011. Some of the Public Risk Mutual's board members also serve as board members of NPAIP.

Public Risk Mutual was formed by members of NPAIP to reduce the costs of insurance, to obtain direct access to reinsurance, to provide broader coverage for policyholders, to broaden investment opportunities and to build equity to enable providing coverage not obtainable elsewhere.

As a condition of providing surplus contributions, but without any expectation that the funds will be returned, NPAIP will recoup the contributions to surplus. Therefore, management considers the surplus contributions a development cost asset that can provide lower operating costs in the future and estimates that the savings in excess insurance costs to NPAIP will recoup the contributions to surplus. Therefore, the NPAIP's interest in PRM is being amortized over 10 years. Amortization expense was \$1,506,033 and \$1,018,305 for fiscal years ended 2012 and 2011.

	<b>June 30, 2011</b>	<b>Additions</b>	<b>June 30, 2012</b>
Contributed surplus to Public Risk Mutual	\$ 12,974,340	\$ 2,276,619	\$ 15,250,959
Accumulated amortization	(3,011,506)	(1,506,033)	(4,517,539)
Contributed Surplus net of accumulated amortization	<u>\$ 9,962,834</u>	<u>\$ 770,586</u>	<u>\$ 10,733,420</u>
	<b>June 30, 2010</b>	<b>Additions</b>	<b>June 30, 2011</b>
Contributed surplus to Public Risk Mutual	\$ 7,708,416	\$ 5,265,924	\$ 12,974,340
Accumulated amortization	(1,993,201)	(1,018,305)	(3,011,506)
Contributed Surplus net of accumulated amortization	<u>\$ 5,715,215</u>	<u>\$ 4,247,619</u>	<u>\$ 9,962,834</u>

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**NOTE 10 - COPIER LEASE**

In April of 2011 NPAIP entered into a lease agreement with Xerox Corporation for a high-speed copy machine. The lease is classified as an operating lease with minimum monthly payments of \$364.56. Future minimum lease payments are as follows:

<u>Fiscal year ended:</u>	<u>Amount</u>
2013	\$ 4,375
2014	4,375
2015	4,010
	<u>\$ 12,760</u>
	=====

**NOTE 11 –PREPAID CONTRIBUTED SURPLUS TO GEM**

Effective July 1, 2012 NPAIP entered into a reinsurance agreement with GEM (Government Entities Mutual) Inc. to provide reinsurance of a portion of the liability program. In order to participate in the program, NPAIP had to provide a surplus contribution of \$500,000 in addition to the annual premium. The contribution establishes an account, which can fluctuate over time. If NPAIP terminates the agreement or if a dividend is declared by GEM, NPAIP could receive the entire amount. Amounts paid were fully expensed in the fiscal year ending June 30, 2012.

**NOTE 12 –SUBSEQUENT EVENTS**

Management has evaluated the activities and transactions subsequent to June 30, 2012 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended June 30, 2012. Management has evaluated subsequent events through November 26, 2012 which is the date the financial statements were available for issue.

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**COMPARATIVE SCHEDULE OF CLAIMS DEVELOPMENT (UNAUDITED)**  
**EARNED ASSESSMENTS AND ALLOCATED EXPENSES FOR TEN-YEAR PERIOD - YEAR ENDED JUNE 30,**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Required Contributions & Investment Income:										
Earned	\$10,688,528	\$11,131,225	\$11,568,331	\$11,786,124	\$13,785,893	\$14,643,824	\$15,184,061	\$15,721,731	\$14,964,155	\$16,331,984
Ceded	(3,677,614)	(4,057,661)	(3,718,455)	(3,358,462)	(3,758,623)	(3,681,857)	(3,919,235)	(4,388,536)	(4,642,512)	(5,019,808)
Net earned	7,010,914	7,073,564	7,849,876	8,427,662	10,027,270	10,961,967	11,264,826	11,333,195	10,321,643	11,312,176
Unallocated Expenses	2,429,581	2,762,681	2,846,143	3,031,993	3,255,602	3,715,519	4,103,075	4,521,913	4,968,874	5,659,813
Estimated Incurred Claims & Expense End of Policy Year:										
Incurred	3,324,422	3,753,413	3,626,034	4,355,000	5,498,000	7,232,000	6,118,000	6,036,000	5,938,000	5,471,000
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	3,324,422	3,753,413	3,626,034	4,355,000	5,498,000	7,232,000	6,118,000	6,036,000	5,938,000	5,471,000
Paid (cumulative) as of:										
End of policy year	637,074	287,229	862,908	434,000	845,000	1,020,000	397,000	417,000	833,000	722,000
One Year Later	1,140,140	637,081	1,421,000	936,000	1,764,000	3,301,000	1,078,000	1,546,000	1,736,000	
Two Years Later	1,724,894	861,000	1,717,000	1,380,000	3,209,000	4,041,000	1,767,000	2,386,000		
Three Years Later	2,134,000	942,000	1,935,000	1,973,000	3,832,000	4,403,000	2,443,000			
Four Years Later	2,505,000	1,151,000	2,045,000	2,169,000	3,836,000	4,505,000				
Five Years Later	2,705,000	1,196,000	2,150,000	2,212,000	3,797,000					
Six Years Later	2,789,000	1,198,000	2,269,000	2,236,000						
Seven Years Later	2,803,000	1,140,000	2,295,000							
Eight Years Later	2,808,000	1,140,000								
Nine Years Later	2,813,000									
Re-estimated ceded claims & Expenses	13,643	-	757,715	442,343	322,736	5,058,047	-	-	611,065	-
Re-estimated Claims & Expense										
End of policy year	3,324,422	3,753,413	3,626,034	4,355,000	5,498,000	7,232,000	6,118,000	6,036,000	5,938,000	5,471,000
One Year Later	3,774,000	3,019,000	3,482,000	3,676,000	3,676,000	6,844,000	4,793,000	4,953,000	4,973,000	
Two Years Later	2,877,000	2,010,000	3,431,000	3,054,000	5,344,000	5,972,000	3,921,000	4,185,000		
Three Years Later	2,815,000	1,547,000	2,755,000	2,838,000	4,714,000	5,353,000	3,272,000			
Four Years Later	2,903,000	1,453,000	2,599,000	2,599,000	4,260,000	4,874,000				
Five Years Later	2,894,000	1,256,000	2,315,000	2,493,000	4,056,000					
Six Years Later	2,863,000	1,218,000	2,352,000	2,411,000						
Seven Years Later	2,820,000	1,145,000	2,350,000							
Eight Years Later	2,818,000	1,140,000								
Nine Years Later	2,813,000									
Increase (Decrease) in Estimated Incurred Claims & Expenses from End of Policy Year	(\$511,422)	(\$2,613,413)	(\$1,276,034)	(\$1,944,000)	(\$1,442,000)	(\$2,358,000)	(\$2,846,000)	(\$1,851,000)	(\$965,000)	\$0

POOL Counties

Member Name	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	5 Year Ave	3 Year Ave	
	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency			Costs
	7/1/07- 6/30/08	7/1/07- 6/30/08	7/1/08- 6/30/09	7/1/08- 6/30/09	7/1/09- 6/30/10	7/1/09- 6/30/10	7/1/10- 6/30/11	7/1/10- 6/30/11	7/1/11- 6/30/12	7/1/11- 6/30/12	TOTAL	TOTAL	2007/2008- 2011/2012	2009/2010- 2011/2012
CARSON CITY	63	\$ 244,399	49	\$ 200,693	82	\$ 158,824	0	\$ -	0	\$ -	194	\$ 603,916	\$ 120,783	\$ 158,824
CHURCHILL COUNTY	7	\$ 473	13	\$ 76,077	13	\$ 174,165	1	\$ -	6	\$ 5,500	40	\$ 256,214	\$ 51,243	\$ 59,888
DOUGLAS COUNTY	25	\$ 93,660	26	\$ 188,597	28	\$ 190,283	36	\$ 161,300	25	\$ 135,250	140	\$ 769,091	\$ 153,818	\$ 162,278
ELKO COUNTY	12	\$ 59,400	34	\$ 96,347	21	\$ 235,863	22	\$ 52,767	16	\$ 268,088	105	\$ 712,465	\$ 142,493	\$ 185,573
ESMERALDA COUNTY	3	\$ 7,706	3	\$ 3,664	0	\$ -	6	\$ 15,923	0	\$ -	12	\$ 27,293	\$ 5,459	\$ 5,308
EUREKA COUNTY	5	\$ 155,390	7	\$ 42,159	9	\$ 42,675	2	\$ 41,501	5	\$ 37,048	28	\$ 318,773	\$ 63,755	\$ 40,408
HUMBOLDT COUNTY	10	\$ 21,285	7	\$ 218,200	18	\$ 675,757	6	\$ 36,724	10	\$ 17,709	51	\$ 969,675	\$ 193,935	\$ 243,397
LANDER COUNTY	2	\$ 2,743	5	\$ 68,264	6	\$ 27,901	8	\$ 80,664	5	\$ 54,333	26	\$ 233,905	\$ 46,781	\$ 54,299
LINCOLN COUNTY	8	\$ 414,867	9	\$ 37,108	6	\$ 19,564	2	\$ 10,150	5	\$ 23,827	30	\$ 505,516	\$ 101,103	\$ 17,847
LYON COUNTY	23	\$ 2,599,446	16	\$ 149,921	13	\$ 129,536	12	\$ 51,431	12	\$ 184,327	76	\$ 3,114,662	\$ 622,932	\$ 121,765
MINERAL COUNTY	3	\$ 38,220	6	\$ 41,874	5	\$ 12,558	4	\$ 59,000	10	\$ 35,851	28	\$ 187,503	\$ 37,501	\$ 35,803
NYE COUNTY	25	\$ 195,450	37	\$ 1,199,117	27	\$ 605,700	19	\$ 107,387	17	\$ 171,228	125	\$ 2,278,883	\$ 455,777	\$ 294,772
PERSHING COUNTY	8	\$ 76,953	11	\$ 208,903	9	\$ 49,953	7	\$ 30,102	3	\$ 1,316	38	\$ 367,226	\$ 73,445	\$ 27,123
STOREY COUNTY	21	\$ 127,302	14	\$ 88,684	20	\$ 39,594	7	\$ 42,755	4	\$ 25,429	66	\$ 323,764	\$ 64,753	\$ 35,926
WHITE PINE COUNTY	13	\$ 85,168	17	\$ 165,063	11	\$ 98,134	12	\$ 88,435	6	\$ 33,816	59	\$ 470,616	\$ 94,123	\$ 73,462
<b>TOTAL</b>	<b>228</b>	<b>\$ 4,122,461</b>	<b>254</b>	<b>\$ 2,784,670</b>	<b>268</b>	<b>\$ 2,460,507</b>	<b>144</b>	<b>\$ 778,139</b>	<b>124</b>	<b>\$ 993,723</b>	<b>1018</b>	<b>\$ 11,139,500</b>	<b>\$ 2,227,900</b>	<b>\$ 1,516,672</b>

POOL Cities

Member Name	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	5 Year Ave	3 Year Ave
	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Costs	Costs
	7/1/07- 6/30/08	7/1/07- 6/30/08	7/1/08- 6/30/09	7/1/08- 6/30/09	7/1/09- 6/30/10	7/1/09- 6/30/10	7/1/10- 6/30/11	7/1/10- 6/30/11	7/1/11- 6/30/12	7/1/11- 6/30/12	TOTAL	TOTAL	2007/2008- 2011/2012	2009/2010- 2011/2012
BOULDER CITY	29	\$ 79,351	19	\$ 286,028	24	\$ 320,754	23	\$ 15,041	23	\$ 64,186	118	\$ 765,360	\$ 153,072	\$ 133,327
CALIENTE	6	\$ 85,802	3	\$ -	4	\$ 2,190	2	\$ -	7	\$ 111,469	22	\$ 199,461	\$ 39,892	\$ 37,886
CARLIN CITY	2	\$ 11,122	2	\$ 8	2	\$ 31,711	1	\$ 1,837	0	\$ -	7	\$ 44,678	\$ 8,936	\$ 11,183
CITY OF ELKO	18	\$ 17,995	17	\$ 24,250	10	\$ 23,098	13	\$ 98,787	14	\$ 50,251	72	\$ 214,382	\$ 42,876	\$ 57,379
ELY CITY	10	\$ 59,985	11	\$ 13,762	8	\$ 16,691	7	\$ 10,520	7	\$ 48,789	43	\$ 149,747	\$ 29,949	\$ 25,333
CITY OF FERNLEY	14	\$ 5,940,126	12	\$ 37,831	13	\$ 92,510	13	\$ 51,454	6	\$ 21,268	58	\$ 6,143,190	\$ 1,228,638	\$ 55,077
CITY OF LOVELOCK	3	\$ 29,660	3	\$ 3,127	1	\$ -	3	\$ 1,905	1	\$ 4,112	11	\$ 38,804	\$ 7,761	\$ 2,006
MESQUITE CITY	22	\$ 159,229	14	\$ 321,260	4	\$ 137,425	8	\$ 151,566	17	\$ 63,592	65	\$ 833,073	\$ 166,615	\$ 117,528
WELLS CITY	5	\$ 2,256,052	1	\$ 839	4	\$ 23,209	1	\$ -	2	\$ 47,815	13	\$ 2,327,915	\$ 465,583	\$ 23,675
WEST WENDOVER	7	\$ 5,919	9	\$ 1,727	4	\$ 2,139	7	\$ 25,159	7	\$ 6,311	34	\$ 41,254	\$ 8,251	\$ 11,203
CITY OF WINNEMUCCA	9	\$ 255,293	5	\$ 20,619	3	\$ 36,634	8	\$ 22,140	4	\$ 43,489	29	\$ 378,175	\$ 75,635	\$ 34,088
CITY OF YERINGTON	1	\$ -	0	\$ -	1	\$ -	3	\$ 18,449	1	\$ -	6	\$ 18,449	\$ 3,690	\$ 6,150
<b>TOTAL</b>	<b>126</b>	<b>\$ 8,900,533</b>	<b>96</b>	<b>\$ 709,452</b>	<b>78</b>	<b>\$ 686,362</b>	<b>89</b>	<b>\$ 396,858</b>	<b>89</b>	<b>\$ 461,283</b>	<b>478</b>	<b>\$ 11,154,488</b>	<b>\$ 2,230,898</b>	<b>\$ 514,834</b>

POOL School Districts

Member Name	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	5 Year Ave	3 Year Ave
	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Costs	Costs
	7/1/07- 6/30/08	7/1/07- 6/30/08	7/1/08- 6/30/09	7/1/08- 6/30/09	7/1/09- 6/30/10	7/1/09- 6/30/10	7/1/10- 6/30/11	7/1/10- 6/30/11	7/1/11- 6/30/12	7/1/11- 6/30/12	TOTAL	TOTAL	2007/2008- 2011/2012	2009/2010- 2011/2012
CARSON CITY SCHOOL DISTRICT	2	\$ 5,000	15	\$ 35,747	9	\$ 23,096	9	\$ 5,103	6	\$ 46,931	41	\$ 115,876	\$ 23,175	\$ 25,043
CHURCHILL COUNTY SCHOOL DISTRICT	6	\$ 97,425	4	\$ 14,331	11	\$ 288,048	6	\$ 508,348	12	\$ 66,340	39	\$ 974,492	\$ 194,898	\$ 287,579
DOUGLAS COUNTY SCHOOL DISTRICT	20	\$ 165,412	11	\$ 21,022	16	\$ 59,005	22	\$ 45,076	22	\$ 26,999	91	\$ 317,514	\$ 63,503	\$ 43,693
ELKO COUNTY SCHOOL DISTRICT	17	\$ 2,613,500	11	\$ 2,933	9	\$ 1,631	11	\$ 322,575	18	\$ 32,216	66	\$ 2,972,856	\$ 594,571	\$ 118,808
ESMERALDA COUNTY SCHOOL DISTRICT	1	\$ -	6	\$ 26,340	0	\$ -	0	\$ -	2	\$ 3,907	9	\$ 30,247	\$ 6,049	\$ 1,302
EUREKA COUNTY SCHOOL DISTRICT	3	\$ 5,217	2	\$ 83,429	1	\$ 1,498	0	\$ -	1	\$ 20,000	7	\$ 110,145	\$ 22,029	\$ 7,166
HUMBOLDT COUNTY SCHOOL DISTRICT	5	\$ 113,301	5	\$ 26,115	5	\$ 2,225	6	\$ 16,975	6	\$ 52,518	27	\$ 211,135	\$ 42,227	\$ 23,906
LANDER COUNTY SCHOOL DISTRICT	2	\$ -	5	\$ 364	2	\$ 10,747	1	\$ 4,800	1	\$ -	11	\$ 15,911	\$ 3,182	\$ 5,182
LINCOLN COUNTY SCHOOL DISTRICT	1	\$ 2,580	1	\$ 29,454	0	\$ -	7	\$ 301,399	0	\$ -	9	\$ 333,433	\$ 66,687	\$ 100,466
LYON COUNTY SCHOOL DISTRICT	10	\$ 62,859	18	\$ 57,703	8	\$ 26,491	5	\$ 15,644	12	\$ 33,425	53	\$ 196,122	\$ 39,224	\$ 25,187
MINERAL COUNTY SCHOOL DISTRICT	5	\$ 42,701	2	\$ 30,685	10	\$ 107,286	2	\$ 1,295	3	\$ 124,421	22	\$ 306,388	\$ 61,278	\$ 77,667
NYE COUNTY SCHOOL DISTRICT	14	\$ 284,565	6	\$ 9,538	9	\$ 91,931	12	\$ 338,512	12	\$ 130,567	53	\$ 855,113	\$ 171,023	\$ 187,003
PERSHING COUNTY SCHOOL DISTRICT	3	\$ 81,639	2	\$ 3,862	2	\$ 2,100	0	\$ -	0	\$ -	7	\$ 87,601	\$ 17,520	\$ 700
STOREY COUNTY SCHOOL DISTRICT	4	\$ 127,348	2	\$ 1,508	3	\$ 8,169	1	\$ 10,971	0	\$ -	10	\$ 147,996	\$ 29,599	\$ 6,380
WHITE PINE COUNTY SCHOOL DISTRICT	4	\$ 30,069	9	\$ 6,672	5	\$ 15,197	10	\$ 6,149	8	\$ 154,065	36	\$ 212,152	\$ 42,430	\$ 58,470
<b>TOTAL</b>	<b>97</b>	<b>\$ 3,631,618</b>	<b>99</b>	<b>\$ 349,704</b>	<b>90</b>	<b>\$ 637,424</b>	<b>92</b>	<b>\$ 1,576,847</b>	<b>103</b>	<b>\$ 691,389</b>	<b>428</b>	<b>\$ 6,439,234</b>	<b>\$ 1,377,396</b>	<b>\$ 968,554</b>

POOL Special Districts, Towns Others

Member Name	Claims Frequency 7/1/07- 6/30/08	Claims Costs 7/1/07- 6/30/08	Claims Frequency 7/1/08- 6/30/09	Claims Costs 7/1/08- 6/30/09	Claims Frequency 7/1/09- 6/30/10	Claims Costs 7/1/09- 6/30/10	Claims Frequency 7/1/10- 6/30/11	Claims Costs 7/1/10- 6/30/11	Claims Frequency 7/1/11- 6/30/12	Claims Costs 7/1/11- 6/30/12	Claims Frequency TOTAL	Claims Costs TOTAL	5 Year Ave Costs 2007/2008- 2011/2012	3 Year Ave Costs 2009/2010- 2011/2012
<b>CARSON CITY:</b>														
CARSON WATER SUBCONSERVANCY DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
NEVADA ASSN OF COUNTIES	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
NEVADA COMMISSION FOR RECONSTRUCTION OF V&T	0	\$ -	0	\$ -	0	\$ -	1	\$ -	0	\$ -	1	\$ -	\$ -	\$ -
NEVADA LEAGUE OF CITIES	1	\$ 2,346	0	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ 2,346	\$ 469	\$ -
NEVADA RURAL HOUSING AUTHORITY	2	\$ 57,566	2	\$ 5,079	1	\$ -	1	\$ 52,500	0	\$ -	6	\$ 115,146	\$ 23,029	\$ 17,500
WESTERN NEVADA DEVELOPMENT DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>CLARK COUNTY:</b>														
MOAPA VALLEY WATER DISTRICT	0	\$ -	1	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ -	\$ -	\$ -
VIRGIN VALLEY WATER DISTRICT	1	\$ 15,166	0	\$ -	9	\$ 343,164	1	\$ 505,000	0	\$ -	11	\$ 863,330	\$ 172,666	\$ 282,721
<b>CHURCHILL COUNTY:</b>														
CHURCHILL CO. MOSQUITO & WEED ABATEMENT DIST.	2	\$ 24,260	0	\$ -	1	\$ 601	0	\$ -	0	\$ -	3	\$ 24,860	\$ 4,972	\$ 200
<b>DOUGLAS COUNTY:</b>														
DOUGLAS CO. MOSQUITO ABATEMENT DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
DOUGLAS CO. REDEVELOPMENT AGENCY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
EAST FORK SWIMMING POOL DISTRICT	0	\$ -	3	\$ -	4	\$ 150	2	\$ 7,741	3	\$ 1,630	12	\$ 9,521	\$ 1,904	\$ 3,174
TOWN OF GARDNERVILLE	1	\$ -	6	\$ 21,527	3	\$ -	3	\$ 1,568	2	\$ -	15	\$ 23,095	\$ 4,619	\$ 523
GARDNERVILLE RANCHOS GID	2	\$ 2,443	2	\$ 8,705	0	\$ -	22	\$ 48,502	0	\$ -	26	\$ 59,650	\$ 11,930	\$ 16,167
TOWN OF GENOA	0	\$ -	3	\$ 725	2	\$ -	1	\$ -	0	\$ -	6	\$ 725	\$ 145	\$ -
INDIAN HILLS GID	2	\$ 16,858	6	\$ 42,153	3	\$ 25,775	1	\$ 2,417	0	\$ -	12	\$ 87,203	\$ 17,441	\$ 9,397
KINGSBURY GID	2	\$ 14,813	1	\$ 8,003	5	\$ 5,357	2	\$ 253	4	\$ 1,029	14	\$ 29,455	\$ 5,891	\$ 2,213
LAKERIDGE GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
LOGAN CREEK ESTATES GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
MARLA BAY GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
TOWN OF MINDEN	2	\$ 626	4	\$ 614	0	\$ -	1	\$ -	0	\$ -	7	\$ 1,240	\$ 248	\$ -
MINDEN GARDNERVILLE SANITATION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
NEVADA TAHOE CONSERVATION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
ROUND HILL GID (No Longer a Member)	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
SIERRA ESTATES GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
SKYLAND GID	0	\$ -	0	\$ -	0	\$ -	1	\$ -	0	\$ -	1	\$ -	\$ -	\$ -
TAHOE DOUGLAS FIRE PROTECTION DIST	1	\$ 3,978	1	\$ 1,885	2	\$ 100	3	\$ 21,941	1	\$ -	8	\$ 27,904	\$ 5,581	\$ 7,347
<b>ELKO COUNTY:</b>														
ELKO CENTRAL DISPATCH ADMINISTRATION	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
ELKO CO. AGRICULTURAL ASSOCIATION	3	\$ 20,532	4	\$ 1,891	0	\$ -	0	\$ -	1	\$ -	8	\$ 22,423	\$ 4,485	\$ -
ELKO CONVENTION & VISITORS AUTHORITY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ -	1	\$ -	\$ -	\$ -
WENDOVER ADMINISTRATIVE AUTHORITY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
WEST WENDOVER RECREATION	3	\$ 44,246	1	\$ -	0	\$ -	0	\$ -	1	\$ 1,486	5	\$ 45,732	\$ 9,146	\$ 495
<b>ESMERALDA COUNTY:</b>														
<b>EUREKA COUNTY:</b>														
COUNTY FISCAL OFFICERS ASSOCIATION	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
CENTRAL NEVADA REGIONAL WATER AUTHORITY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>HUMBOLDT COUNTY:</b>														
HUMBOLDT RIVER BASIN WATER AUTHORITY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>LANDER COUNTY:</b>														
<b>LINCOLN COUNTY:</b>														
ALAMO SEWER AND WATER DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
COYOTE SPRINGS GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
LINCOLN COUNTY WATER DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
PAHRANAGAT VALLEY FIRE DISTRICT	0	\$ -	0	\$ -	1	\$ 20,957	0	\$ -	0	\$ -	1	\$ 20,957	\$ 4,191	\$ 6,986
<b>LYON COUNTY:</b>														
SILVER SPRINGS GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
STAGECOACH GID	1	\$ 13,917	0	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ 13,917	\$ 2,783	\$ -
US BOARD OF WATER COMMISSIONERS	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
WALKER RIVER IRRIGATION DISTRICT	0	\$ -	1	\$ -	0	\$ -	2	\$ -	0	\$ -	3	\$ -	\$ -	\$ -
WESTERN NEVADA REGIONAL YOUTH CENTER	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>NYE COUNTY:</b>														
BEATTY WATER & SANITATION	0	\$ -	0	\$ -	1	\$ 2,408	1	\$ 18,702	1	\$ 3,960	3	\$ 25,069	\$ 5,014	\$ 8,356
TOWN OF PAHRUMP	4	\$ 284,835	6	\$ 113,616	1	\$ 26,187	4	\$ 42,338	5	\$ 131,556	20	\$ 598,531	\$ 119,706	\$ 66,693

POOL Special Districts, Towns Others

PAHRUMP LIBRARY DISTRICT	0	\$ -	0	\$ -	0	\$ -	1	\$ 3,194	0	\$ -	1	\$ 3,194	\$ 639	\$ 1,065
ROUND MOUNTAIN TOWN	0	\$ -	1	\$ 77,400	0	\$ -	1	\$ -	1	\$ 10,000	3	\$ 87,400	\$ 17,480	\$ 3,333
TOWN OF TONOPAH	1	\$ 223,809	0	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ 223,809	\$ 44,762	\$ -
<b>PERSHING COUNTY:</b>														
LOVELOCK MEADOWS WATER DISTRICT	0	\$ -	0	\$ -	0	\$ -	3	\$ 15,982	0	\$ -	3	\$ 15,982	\$ 3,196	\$ 5,327
PERSHING CO. TOURISM AUTHORITY	0	\$ -	0	\$ -	2	\$ 40,001	0	\$ -	0	\$ -	2	\$ 40,001	\$ 8,000	\$ 13,334
PERSHING CO WATER CONSERVATION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>STOREY COUNTY:</b>														
CANYON GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
STOREY RTC (No Longer a Member)	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
TAHOE RENO INDUSTRIAL GID	0	\$ -	0	\$ -	2	\$ -	0	\$ -	0	\$ -	2	\$ -	\$ -	\$ -
VIRGINIA CITY CONVENTION & TOURISM	0	\$ -	2	\$ 2,637	0	\$ -	0	\$ -	1	\$ 886	3	\$ 3,523	\$ 705	\$ 295
<b>WASHOE COUNTY:</b>														
CARSON TRUCKEE WATER CONSERVANCY DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
INCLINE VILLAGE GID	7	\$ 268,294	4	\$ 7,606	7	\$ 3,622	13	\$ 134,348	12	\$ 42,223	43	\$ 456,092	\$ 91,218	\$ 60,064
NORTH LAKE TAHOE FIRE PROTECTION DISTRICT	3	\$ 8,472	2	\$ 18,602	1	\$ -	0	\$ -	3	\$ 1,055	9	\$ 28,130	\$ 5,626	\$ 352
SIERRA FIRE PROTECTION DISTRICT	1	\$ 347	0	\$ -	2	\$ 8,404	1	\$ -	1	\$ 2,646	5	\$ 11,397	\$ 2,279	\$ 3,683
SUN VALLEY GID	1	\$ 20,256	2	\$ -	4	\$ 33,668	9	\$ 2,206	7	\$ 13,000	23	\$ 69,130	\$ 13,826	\$ 16,291
TRUCKEE MEADOWS FIRE PROTECTION DISTRICT	6	\$ 1,346	1	\$ 5,238	3	\$ 501	0	\$ -	4	\$ 16	14	\$ 7,100	\$ 1,420	\$ 172
TRUCKEE MEADOWS REGIONAL PLANNING AGENCY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
WASHOE CO. WATER CONSERVATION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>WHITE PINE COUNTY</b>														
WHITE PINE CO. FIRE PROTECTION DISTRICT	0	\$ -	0	\$ -	2	\$ 3,196	0	\$ -	0	\$ -	2	\$ 3,196		\$ 1,065
WHITE PINE CO. TOURISM & RECREATION BOARD	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
WILLIAM BEE RIRIE HOSPITAL	0	\$ -	0	\$ -	0	\$ -	2	\$ 30,462	0	\$ -	2	\$ 30,462	\$ 6,092	\$ 10,154
<b>TOTAL</b>	<b>46</b>	<b>\$1,024,110</b>	<b>53</b>	<b>\$315,680</b>	<b>56</b>	<b>\$514,090</b>	<b>76</b>	<b>\$887,154</b>	<b>48</b>	<b>\$209,486</b>	<b>279</b>	<b>\$2,950,519</b>	<b>\$ 589,465</b>	<b>\$ 536,910</b>

POOL Summary of All Claims  
as of 6/30/12

Claims Frequency	Claims Costs	5 Year Ave Costs	3 Year Ave Costs										
7/1/07- 6/30/08	7/1/07-6/30/08	7/1/08- 6/30/09	7/1/08-6/30/09	7/1/09- 6/30/10	7/1/09-6/30/10	7/1/10- 6/30/11	7/1/10-6/30/11	7/1/11- 6/30/12	7/1/11-6/30/12	TOTAL	TOTAL	2006/2007- 2010/2011	2008/2009- 2010/2011
497	\$17,678,722	502	\$ 4,159,505	492	\$ 4,298,384	401	\$ 3,638,998	364	\$ 2,355,881	2,398	\$ 32,131,489	\$ 6,426,298	\$ 3,431,088

**POOL  
OPEN LOSSES OVER \$100,000**

<b>Date Of Loss</b>	<b>Coverage</b>	<b>Accident Description</b>	<b>TOTAL INCURRED</b>
3/21/2007	CM/EO	MULTIPLE CAUSES OF ACTION BOTH FEDERAL AND STATE, IN CONNECTION W/ ACTIONS OF PUBLIC ADMINISTRATOR. ALLEGED BREACH OF FIDUARY DUTY/FAITHFUL PERFORMANCE.	145,000.00
3/14/2008	EO	COMPLAINT FOR DEC/INJ RELIEF AND ALLEGED CIVIL RIGHTS VIOLATIONS W/RESPECT TO PRIVATE BEACHES	182,500.00
4/3/2008	PL	INMATE SUCIDE	125,000.00
7/27/2008	GL	TREE BRANCH FELL @ COUNTY PARK DURING FRONTIER DAYS FESTIVAL	112,500.00
8/19/2008	EO	FEDERAL COMPLAINT ALLEGING VIOLATION OF 5TH & 14TH AMENDMENTS W/ STATE LAW CLAIMS FOR CONSPIRACY, NEGLIGENT HIRING, TRAINING & SUPERVISION AND NEGLIGENCE W/ RESPECT TO COMMERCIAL DEVELOPMENT. SEEKS DEC/INJ RELIEF	150,000.00
9/1/2009	EO	NERC COMPLAINT ALLEGING GENDER DISCRIMINATION IN AQUASIZE CLASS	115,000.00
9/10/2009	EO	COMPLAINT BY TEACHER OF INAPPROPRIATE SEXUAL CONDUCT OF JANITOR	235,000.00
4/8/2010	RB	ANNEX BUILDING FLOODED	123,127.45
4/9/2010	EO	ALLEGED 14TH AMENDMENT, BREACH OF CONTRACT, AND OTHER CLAIMS IN CONNECTION WITH LEASE AGREEMENT AND CONSTRUCTIONS OF COMMUNICATION TOWER.	241,250.00
12/6/2010	EO	STUDENT WRESTLER WAS REPORTEDLY HAZED AND SEXUALLY ASSAULTED ON TRIP TO LAS VEGAS	128,000.00
8/17/2010	CM	VVWD EMPLOYED MICHAEL JOHNSON AS THEIR CHIEF HYDRALOGIST FROM 99 TO 8-17-10. JOHNSON CONCEALED DETAILS ABOUT WATER RIGHTS TRANSACTIONS AND IS BELIEVED TO HAVE COST VVWD A GREAT DEAL OF MONEY	505,000.00
6/2/2011	RB	PRANK DAY. GROUP OF STUDENTS SPRAYED SKUNK BAIT THROUGHOUT THE SCHOOL	234,169.02
12/25/2011	RB	SPRINKLER BREAK IN GIRLS RESTROOM	150,456.76
11/2/2011	RB	CITY POOL LEAKING APPROX 500,000 GALLONS OF WATER PER MONTH	250,000.00
8/1/2011	PL	ALLEGED ILLEGAL SEARCH IN VIOLATION OF 4TH & 14TH AMENDMENT AND STATE LAW CLAIMS	112,000.00
1/3/2013	RB	SPRINKLER SYSTEM FROZE AND BURST, EXTENSIVE WATER DAMAGE	100,000.00
1/6/2013	RB	COLD WATER LINE FROZE AND BURST	125,000.00
1/14/2013	RB	SPRINKLER IN HALLWAY FROZE	240,000.00
<b>TOTAL ALL CLAIMS</b>			<b>\$ 3,274,003.23</b>

Report Data As of 3/31/12

NEVADA PUBLIC AGENCY INSURANCE POOL  
PROPERTY LOSSES OVER \$100,000 - HISTORICAL

Entity	Coverage Type	Date of Loss	Policy Period	SIR	Total Incurred	Total Paid	Description
Storey County	RB	6/2/1989	88-89	50,000	400,063.72	400,063.72	FIRE DESTROYED PUBLIC WORKS BUILDING AND DAMAGED ATTACHED BUILDING.
City of Winnemucca	RB	7/23/1992	92-93	100,000	1,005,802.38	1,005,802.38	TOTAL FIRE LOSS - NIXON HALL
Storey County	RB	2/25/1994	93-94	100,000	218,125.16	218,125.16	PROPANE HEATER EXPLODED, ENTIRE BUILDING BURNED DOWN.
Humboldt County	RB	3/6/1995	94-95	100,000	454,401.64	454,401.64	FIRE LOSS AT HOSPITAL.
Boulder City	RB	8/25/1995	95-96	100,000	117,414.25	117,414.25	OLD PLUG IN PIPING BEHIND COFFEE ROOM WALL DISSOLVED AND CAUSED FLOODING IN CITY HALL BUILDING
Nye County School District	RB	5/17/2002	01-02	100,000	383,524.06	383,524.06	SPRINKLER SYSTEM FAILED AND FLOODED BUILDING
Eureka County School District	RB	5/1/2003	02-03	100,000	101,024.57	101,024.57	GYM FLOOR HAS SUNKEN DUE TO WATER DAMAGE
Carson City	RB	12/19/2003	03-04	200,000	141,114.93	141,114.93	STRUCTURE FIRE--BACK SERVICE PORCH OF KITCHEN AREA, MEMBERS COOKING TURKEYS IN OIL VATS, ONE BOILED OVER & CAUGHT FIRE TO WOOD DECKING & SURROUNDING AREA
Lyon County	RB	7/7/2004	04-05	200,000	924,857.39	924,857.39	COMMUNITY CENTER DESTROYED BY FIRE
Carson City	AP	7/14/2004	04-05	200,000	189,941.68	189,941.68	"WATERFALL FIRE" DAMAGE TO MOBILE HOME KNOWN AS "QUILL TANK, CARSON CITY", PER MEMORANDUM OF UNDERSTANDING OF REVOCABLE LICENSE. CARETAKER, RESIDENCE; RESPONSIBLE TO CITY THROUGH WATER UTILITY DIVISION OF UTILITY DEPARTMENT
City of Elko	RB	8/1/2004	04-05	200,000	232,858.00	232,858.00	HIGH WINDS BLEW OFF ROOF AND WALLS OF HANGAR. PART OF ROOF LANDED IN CIVIL AIR PATROL BUILDING, POWER OUTAGE DUE TO TRANSFORMER DOWN
Storey County	RC	12/31/2005	05-06	150,000	610,226.76	610,226.76	FLOOD WATERS DAMAGED BRIDGES AND ROADS
Carson City	AP	7/14/2006	06-07	150,000	185,195.77	185,195.77	FIRE--COMPACTOR
Truckee Meadows FPD	RB	7/18/2006	06-07	150,000	374,188.92	374,188.92	FIRE STARTED IN PUMPER TRUCK DAMAGING TRUCK, RESCUE VEHICLE & ENGINE BAY
Several Members	RB	1/13/2007	06-07	150,000	586,193.44	586,193.44	STATEWIDE FREEZING LOSS; 27 SITES
Churchill County	RB	3/26/2007	06-07	150,000	592,765.11	80,387.97	EXTENSIVE FIRE DAMAGE
Nye County School District	RB	9/21/2007	07-08	200,000	248,214.20	248,214.20	DAMAGE TO GYM FLOOR CAUSED BY RAINSTORMS
Town of Pahrump	RC	10/5/2007	07-08	200,000	273,713.50	273,713.50	HIGH WINDS BLEW TOWER DOWN
Several Members	RB	2/21/2008	07-08	200,000	4,944,610.05	4,908,350.75	6.0 EARTHQUAKE CENTERED 11 MILES SE OF WELLS, NV
Lincoln County	RB	4/13/2008	07-08	200,000	403,968.77	403,968.77	PIPE BROKE AND FLOODED COURTHOUSE
Town of Tonopah	RB	5/21/2008	07-08	200,000	223,808.87	223,808.87	WIND DAMAGE TO TIN FACADE ROOF, PARTS OF ROOF STRUCK AND DAMAGED PRIVATE PROPERTY
Virgin Valley Water District	BM	7/7/2009	09-10	50,000	170,244.00	170,244.00	WELL PUMP QUIT WORKING
Elko County	RB	4/8/2010	09-10	200,000	123,127.45	121,073.78	ANNEX BUILDING FLOODED
Churchill County	RB	4/27/2010	09-10	200,000	101,919.50	101,919.50	HIGH WINDS DAMAGED ROOF
Churchill County School District	RB	10/3/2010	10-11	200,000	161,916.99	161,916.99	PIPE BURST FLOODING LOCKER ROOMS, GYM FLOOR AND COACHES OFFICE AT THE HIGH SCHOOL.
Lincoln County School District	RB	11/14/2010	10-11	200,000	264,661.41	264,661.41	HEATER FAILURE CAUSING BLOWING SOOT THROUGHOUT THE SCHOOL
Churchill County School District	RB	11/30/2010	10-11	200,000	267,690.10	267,690.10	STEAM LINE BURST AT THE OLD HIGH SCHOOL
Virgin Valley Water District	CM	8/17/2010	10-11	200,000	505,000.00	-	VVWD EMPLOYED MICHAEL JOHNSON AS THEIR CHIEF HYDROLOGIST FROM 99 TO 8-17-10. JOHNSON CONCEALED DETAILS ABOUT WATER RIGHTS TRANSACTIONS AND IS BELIEVED TO HAVE COST VVWD A GREAT DEAL OF MONEY
Elko County School District	RB	5/9/2011	10-11	200,000	245,196.28	245,196.28	FIRE SPRINKLER HEAD BROKE CAUSING WATER DAMAGE TO GYM FLOOR, CEILING, WALLS AND BLEACHERS
Nye County School District	RB	6/2/2011	10-11	200,000	293,058.72	292,797.87	PRANK DAY. GROUP OF STUDENTS SPRAYED SKUNK BAIT THROUGHOUT THE SCHOOL
Elko County	RB	10/8/2011	11-12	200,000	144,326.18	144,326.18	PIPE IN ATTIC BURST CAUSING DAMAGE TO THREE FLOORS
Lyon County School District	RB	12/25/2011	11-12	200,000	150,456.76	115,456.76	SPRINKLER BREAK IN GIRLS RESTROOM
Calliente, City of	RB	11/29/2011	11-12	200,000	250,000.00	41,680.00	CITY POOL LEAKING APPROX 500,000 GALLONS OF WATER PER MONTH
Lander County School District	RB	1/3/2013	12-13	200,000	100,000.00	-	SPRINKLER SYSTEM FROZE AND BURST, EXTENSIVE DAMAGE
Elko County School District	RB	1/6/2013	12-13	200,000	125,000.00	8,149.27	COLD WATER LINE FROZE AND BURST
Lander County School District	RB	1/14/2013	12-13	200,000	240,000.00	40,636.30	SPRINKLER IN HALLWAY FROZE

NEVADA PUBLIC AGENCY INSURANCE POOL  
 LIABILITY LOSSES OVER \$250,000 - HISTORICAL

Entity	Coverage Type	Date of Loss	Policy Period	SIR	Total Incurred	Total Paid	Description
Lyon County	EO	1/5/1993	92-93	100,000	353,908.68	353,908.68	CLAIMANT ALLEGES CONSTRUCTIVE TERMINATION
Incline Village GID	EO	10/20/1993	93-94	100,000	426,120.83	426,120.83	RECEIVED DEMAND LETTER FROM EMPLOYEE REPRESENTATION.,CLAIMANT ALLEGES VIOLATION OF ADA AND WRONGFUL TERMINATION.,DOL:,10/21/93
City of Elko	EO	7/12/1994	94-95	100,000	471,358.99	471,358.99	CLAIMANT ALLEGES JOB HARRASSMENT WITHOUT DUE CAUSE. SEXUAL DISCRIMINATION,WRONGFUL TERMINATION, CLAIM MADE: 9-12-94
Nye County	EO	4/15/1996	95-96	100,000	1,481,380.78	1,481,380.78	CLMT ALLEGES SEXUAL ASSAULT BY COUNTY MANAGER WHILE EMPLOYED AS AN ADMINISTRATOR AT THE HOSPITAL
Nye County	EO	7/8/1996	96-97	100,000	490,634.82	490,634.82	DOL: 1/1/92 (LOSS DATE NOT WITHIN COVERAGE EFFECTIVE DATE); CLMT ALLEGES, SEXUAL HARASSMENT BY COUNTY MANAGER
Incline Village GID	EO	4/14/1997	97-98	150,000	258,084.57	258,084.57	ALLEGED WRONGFUL TERMINATION.
Storey County	EO	6/8/1998	97-98	150,000	257,822.85	257,822.85	PLTS BUSINESS LICENSE REVOKED BY COUNTY, PLTS ALLEGE CIVIL RIGHTS VIOLATED BY THE OUTRAGEOUS CONDUCT OF, SHERIFF-UNDER COLOR OF LAW
City of Mesquite	PL	5/25/2000	99-00	150,000	2,510,755.89	2,510,755.89	PLAINTIFFS ALLEGE GROSS NEGLIGENCE AND VIOLATION OF 42U.S.C.A. 1983 IN, CONNECTION W/LAW ENFORCEMENT PURSUING A NON-VIOLENT SUSPECT RESULTING IN SERIOUS INJURY AND ONE FATALITY
Churchill County	EO	7/27/2000	00-01	250,000	422,278.46	422,278.46	FALSE ARREST AND PROSECUTORIAL MISCONDUCT
Nye County	PL	10/30/2000	00-01	250,000	427,606.82	427,606.82	ALLEGED CIVIL RIGHTS VIOLATIONS AND TORT CLAIMS IN CONNECTION WITH FATAL, SHOOTING OF SCOTT ZIESKE AND DONNA HEWITT BY NYE COUNTY DEPUTIES
Churchill County	EO	10/16/2001	01-02	250,000	646,743.54	646,743.54	ALLEGED FEDERAL WIRETAPPING VIOLATIONS
Lyon County	EO	10/24/2001	01-02	250,000	5,571,591.30	5,571,591.30	ALLEGED VIOLATION OF DUE PROCESS & INTERFERENCE WITH PROSPECTIVE ECONOMIC, ADVANTAGE
City of West Wendover	EO	1/1/2003	02-03	250,000	459,576.83	459,576.83	ALLEGED INTERFERENCE WITH PROSPECTIVE ECONOMIC ADVANTAGE, ETC. IN CONNECTION WITH ATTEMPTS TO CHANGE WATER SERVICE OF STATE LINE HOTEL & CASINO FROM UTAH TO NEVADA
Nye County	PL	2/14/2006	05-06	500,000	410,753.52	410,753.52	EXCESSIVE FORCE--CLAIMANT TASED FOUR TIMES BY SHERIFF DEPUTY
Douglas County School District	AL	10/19/2006	06-07	500,000	467,917.09	467,917.09	IV(SCHOOL BUS) T-BONED OV
Douglas County	EO	10/19/2006	06-07	500,000	340,943.33	340,943.33	ALLEGED 5TH AND 14TH AMENDMENT VIOLATIONS IN CONNECTION WITH REQUIRED CONDITIONAL LETTER OF MAP REVISION (CLOMR) FOR ISSUANCE OF
Town of Pahrump	GL/PL	11/24/2006	06-07	500,000	253,093.77	253,093.77	ALLEGED CIVIL RIGHTS VIOLATIONS AND STATE LAW CLAIMS REGARDING EMT RESPONSE AND RESULTING INVESTIGATION, ARREST & CRIMINAL CHARGES
Nye County	PL	1/24/2007	06-07	500,000	254,777.83	254,777.83	INMATE SUICIDE
Lyon County	EO	1/5/2008	07-08	500,000	2,261,979.60	2,261,979.60	CLASS ACTION LAWSUIT REGARDING CANAL BREACH
Fernley, City of	EO	1/5/2008	07-08	500,000	5,812,328.73	5,812,328.73	CLASS ACTION LAWSUIT REGARDING CANAL BREACH
City of Mesquite	PL	9/11/2008	08-09	500,000	317,673.94	309,036.91	ALLEGED SEXUAL MISCONDUCT BY POLICE OFFICER
Nye County	EO	3/17/2009	08-09	500,000	454,833.72	454,833.72	THE CHICKEN RANCH CORP FILED SUIT AGAINST NYE CO. FOR REFUSING TO ALLOW A LICENSE FOR THE PROPOSED NEW OWNER OF A BROTHEL. THEY ARE SEEKING DECLARATORY & INJUNCTIVE RELIEF AS WELL AS DAMAGES FOR CIVIL RIGHTS VIOLATIONS.
Humboldt County	EO	4/28/2010	09-10	500,000	358,283.25	358,283.25	COMPLAINT FOR DECLARATORY & INJUNCTIVE RELIEF & DAMAGES AND PETITION FOR JUDICIAL REVIEW CONCERNING COUNTY REVERSAL OF 5 YEAR EXTENSION OF CONDITIONAL USE PERMIT GRANTED BY PLANNING COMMISSION.
Nye County	EO	6/7/2010	09-10	500,000	521,823.84	521,823.84	PLAINTIFFS ALLEGE CIVIL RIGHTS CLAIMS INCLUDING MALICIOUS PROSECUTION, ABUSE OF PROCESS AND CIVIL CONSPIRACY AGAINST NYE CO AND THE DA.

## **Actuarial Report – NPAIP (POOL) – April, 2013**

**Each year we receive three primary actuarial reports from Bickmore and Associates for POOL, one which estimates reserve liabilities for end-of-year financials, and two which forecast rates (one property, one casualty) for the coming year. The report which follows contains selected pages from all three reports.**

**The reserve report, dated September 25, 2012, was prepared in conjunction with last year's audit, and ties to the audit report.**

**The two rate studies (four pages for property, four for casualty, each beginning with a cover letter) indicate slight decreases in loss costs for both property and casualty, which is obviously a good thing since these are used to forecast prices for next year. POOL ratemaking is rather complex, since expenses and reinsurance costs are quite significant, so these loss cost indications alone are not the whole story. Still, the decreases are meaningful enough that we feel we may see a flat overall cost for the POOL program at renewal again, even with coverage enhancements being considered. Of course, each members individual costs will vary somewhat depending on loss experience and changes in exposure. The rate studies are still in draft form, but will likely not change. They will be formalized before the annual meeting date.**

**Prior to the annual meeting, staff will incorporate the POOL budget and all reinsurance pricing into the rating matrix. Then the Executive Committee will convene to review and approve final rates. Nearly all of this work will be done well after our printing deadline for board packets. However, the loss cost indications which follow should help in our reinsurance renewal negotiations, too, so we are hopeful there will be no pricing surprises at the annual meeting. We should of course have all final results by the time of the Board Meeting, and will discuss those results at that time.**



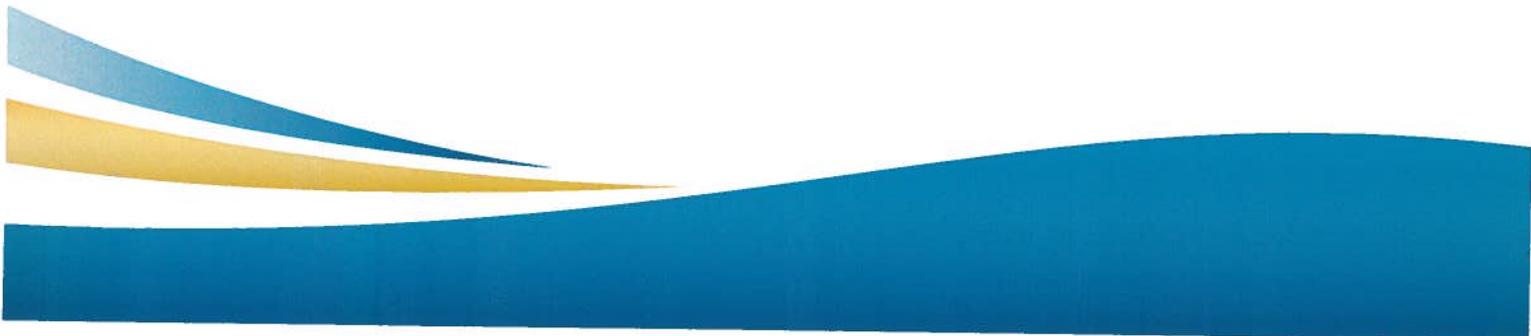
# Actuarial Review of the Self-Insured Liability/Property Program - POOL

*Outstanding Liabilities as of June 30, 2012*

***Presented to***

**Nevada Public Agency Insurance Pool**

September 25, 2012





Tuesday, September 25, 2012

Mr. Wayne Carlson  
Executive Director  
Nevada Public Agency Insurance Pool  
201 S. Roop St. Suite 102  
Carson City, NV 89701-4790

Re: Actuarial Review of the Self-Insured Liability/Property Program

Dear Mr. Carlson:

As you requested, we have completed our review of Nevada Public Agency Insurance Pool's self-insured liability & property program. We estimate the program's liability for outstanding claims net of deductibles and aggregate limits to be \$9,743,000 as of June 30, 2012. This amount includes allocated loss adjustment expenses (ALAE), but excludes unallocated loss adjustment expenses (ULAE). ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). The amount also does not include any discount for investment income.

The \$9,743,000 estimate is the minimum liability to be booked by NPAIP at June 30, 2012 for NPAIP's liability program, in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires NPAIP to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

The table below displays a breakdown of the program's outstanding loss and ALAE liabilities into case reserves and incurred but not reported (IBNR) reserves at June 30, 2012, before recognition of investment income.

NPAIP Self-Insured Liability Program Estimated Liability for Unpaid Loss and ALAE at June 30, 2012			
Year	Case Reserves	IBNR Reserves	Total Outstanding
Prior	\$0	\$0	\$0
2004-05	45,229	2,194	47,423
2005-06	107,538	41,163	148,701
2006-07	162,151	57,407	219,558
2007-08	163,943	148,907	312,850
2008-09	441,996	262,594	704,590
2009-10	786,521	740,830	1,527,351
2010-11	923,387	1,825,525	2,748,911
2011-12	1,224,944	2,808,109	4,033,053
Loss and ALAE	\$3,855,709	\$5,886,729	\$9,742,437

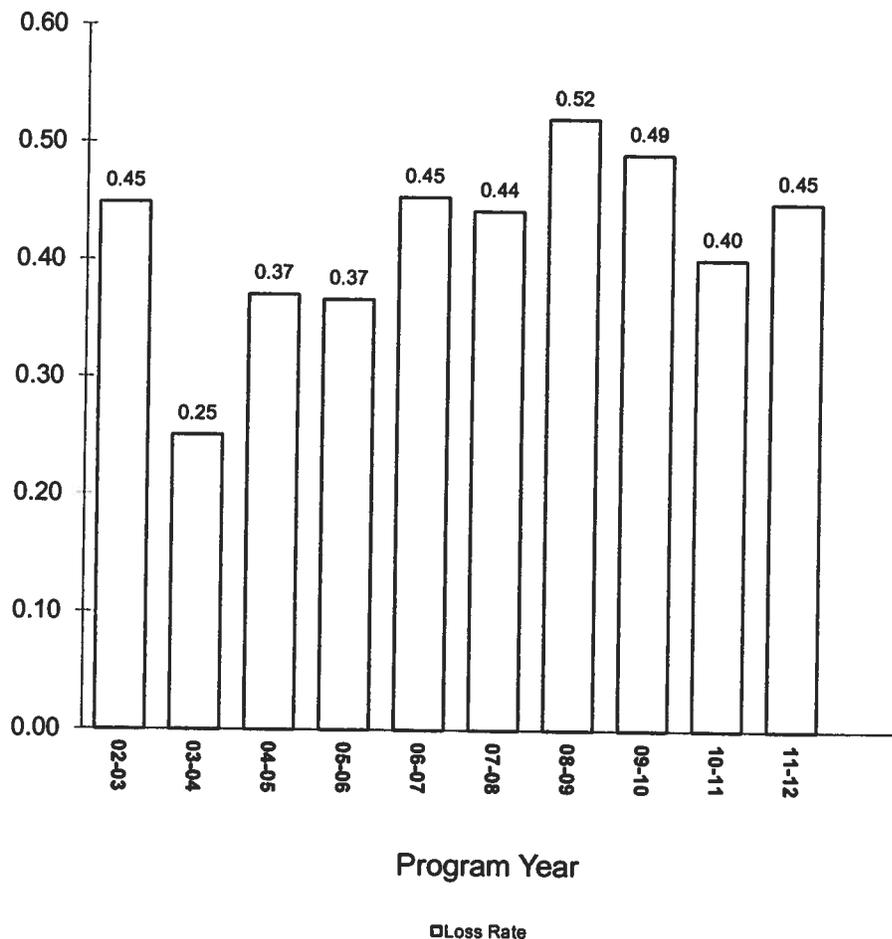
### C. HISTORICAL TRENDS IN THE SELF-INSURANCE PROGRAM

Please note that for the purposes of the following graphs, losses have been limited to \$100,000 per occurrence, and are gross of all deductibles and aggregate limits.

The dollar of loss per \$100 of payroll, or loss rate, for liability has been relatively stable since 2006-07. Our selection for 2011-12 of \$0.45 is similar to the average of the previous five years.

Graph 2

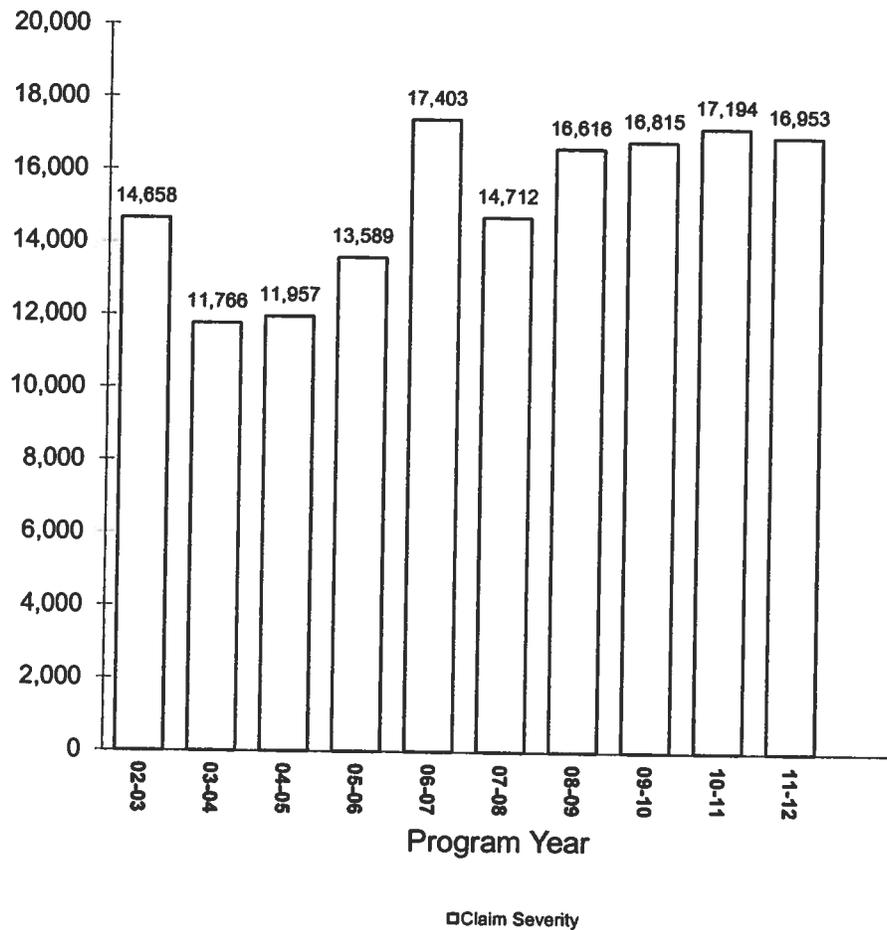
NPAIP- Liability  
Dollars of Loss per  
\$100 of Payroll



The average dollars of loss per claim, or severity, for liability has also for the most part been stable over the last few years. Our estimate of the average limited claim size is \$16,953 for 2011-12, and again similar to the average of the last five years.

Graph 3

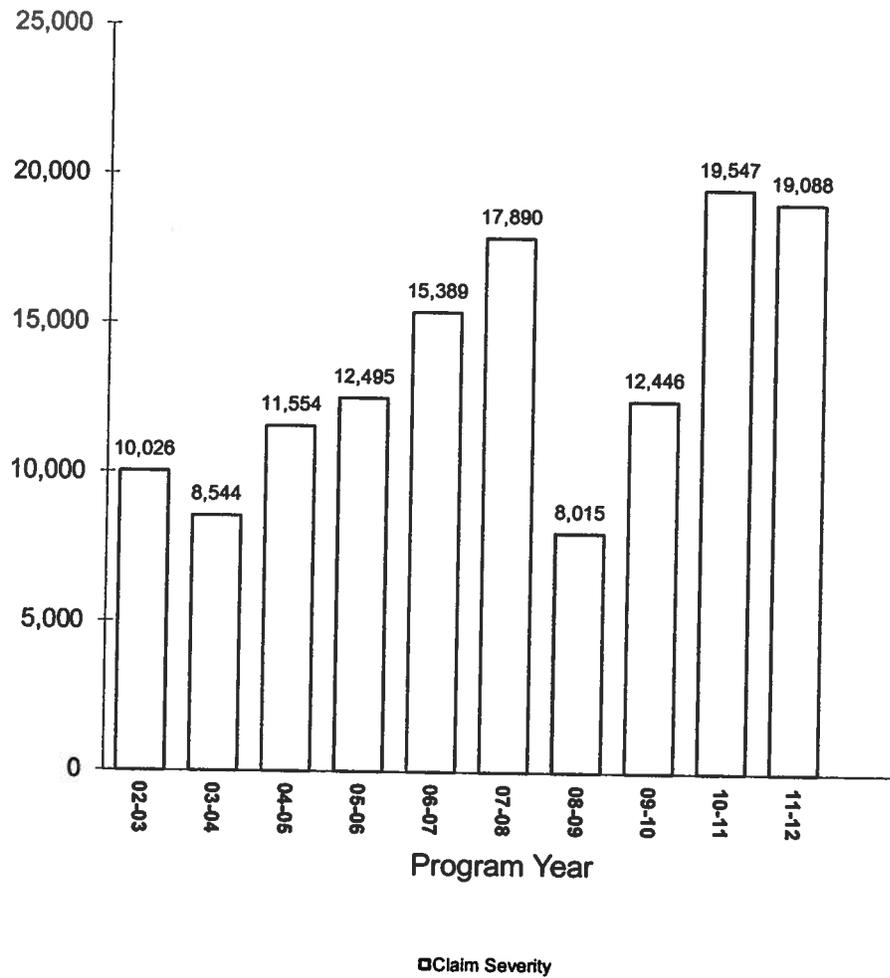
NPAIP- Liability  
Dollars of Loss per Claim



The average severity for property had generally been increasing since 2003-04, with the exception of decreases in 2008-09 and 2009-10. Our estimate for 2011-12 is \$19,088.

Graph 6

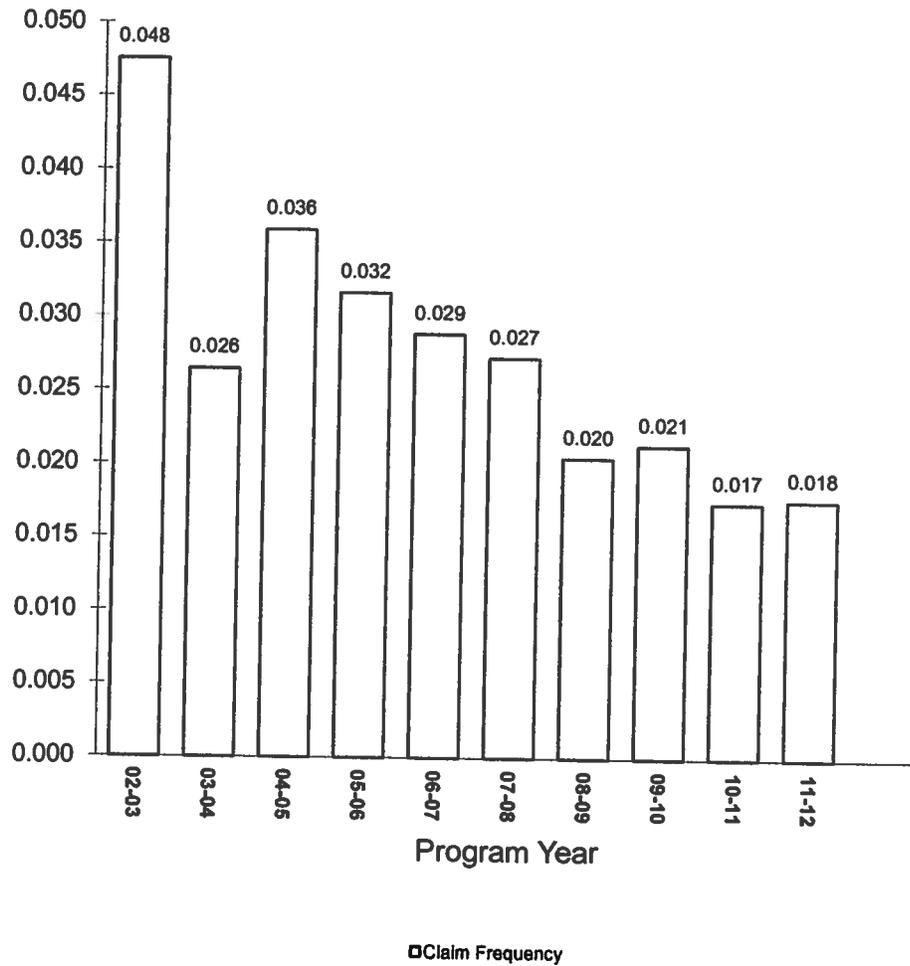
NPAIP - Property  
Dollars of Loss per Claim



The frequency for property has decreased significantly from its high of 0.048 per \$1 million TIV in the 2002-03 program year. The estimate for 2011-12 is 0.018 claims per \$1 million TIV, based on this decreasing trend.

Graph 7

NPAIP - Property  
Number of Claims per  
\$1 Million of Total Insured Value



#### D. COMPARISON WITH PREVIOUS RESULTS

The prior report for NPAIP was dated September 30, 2011. In the table below we display actual versus expected development of incurred losses and ALAE by accident year between the 6/30/11 evaluation date of the prior report and the 6/30/12 evaluation date of the current report. Please note that these amounts are gross of any deductibles or aggregate limits.

#### Actual Versus Expected Incurred Loss and ALAE Development

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
1999-00	\$0	\$0	\$0
2000-01	0	1,022	1,022
2001-02	0	(1,095)	(1,095)
2002-03	0	(7,874)	(7,874)
2003-04	4,000	0	(4,000)
2004-05	9,000	8,510	(490)
2005-06	74,000	6,662	(67,338)
2006-07	149,000	(6,068)	(155,068)
2007-08	276,000	(92,037)	(368,037)
2008-09	556,000	162,772	(393,228)
2009-10	1,136,000	678,369	(457,631)
2010-11	1,263,000	593,230	(669,770)
2011-12	2,753,000	2,298,649	(454,351)
Total	\$6,220,000	\$3,642,140	(\$2,577,860)

As shown, actual incurred development was less than anticipated since the prior report. Although \$6,220,000 was expected to be incurred in total, the actual amount was only \$3,642,140. In fact, with the exception of the 2000-01, each individual year came in less than expected as well.

At the time of the prior report, we estimated the liability for outstanding claims as of June 30, 2011 to be \$10,571,000 at the expected level. This amount was stated net of any applicable aggregate limits or maintenance deductibles, but included the corridor deductible for property claims. Our current estimate as of June 30, 2012, is \$9,743,000, a decrease in our assessment of NPAIP's outstanding liabilities, as shown below:

**Outstanding Claim Liabilities for Loss and ALAE**

	Prior Report at June 30, 2011	Current Report at June 30, 2012	Change
(A) Case Reserves:	\$4,569,000	\$3,856,000	(\$713,000)
(B) IBNR Reserves:	6,055,000	5,887,000	(168,000)
(C) Total Reserves:	\$10,571,000	\$9,743,000	(\$828,000)

As shown, our estimate of outstanding claims liabilities at the expected level has decreased between June 30, 2011 and June 30, 2012 as reflected in our prior and current reports, respectively.

Case reserves decreased by \$713,000 since the prior evaluation and our IBNR reserve estimate decreased by \$168,000. In total, the reserve estimate decreased by \$828,000 since the prior report.

Nevada Public Agency Insurance Pool - Liability and Property Combined  
Funding Guidelines for Outstanding Liabilities Net of Deductible and Aggregate Limits at  
June 30, 2012

(A) Estimated Ultimate Losses Incurred through 6/30/12: (From Exhibit 1 - Combined, Page 3)	\$39,916,000				
(B) Estimated Paid Losses through 6/30/12: (From Exhibit 1 - Combined, Page 4)	30,173,000				
(C) Estimated Liability for Claims Outstanding at 6/30/12: ((A) + (B))	<u>\$9,743,000</u>				
(D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/12: (Sum of Liability & Property Coverages)	0				
(E) Total Outstanding Liability for Claims at 6/30/12: ((C) + (D))	<u>\$9,743,000</u>				
(F) Reserve Discount Factor (Average of Liability & Property Coverages)	1.000				
(G) Discounted Outstanding Liability for Claims at 6/30/12: ((E) x (F))	<u>\$9,743,000</u>				
		Marginally Acceptable	Recommended	Conservative	
		70%	80%	85%	90%
(H) Confidence Level Factor: (Average of Liability & Property Coverages)	1.123	1.178	1.242	1.322	1.428
(I) Margin for Adverse Experience: ((G) x ((H) - 1))	1,197,000	1,730,000	2,359,000	3,138,000	4,173,000
(J) Total Required Available Funding at 6/30/12: ((G) + (I))	<u>\$10,940,000</u>	<u>\$11,473,000</u>	<u>\$12,102,000</u>	<u>\$12,881,000</u>	<u>\$13,916,000</u>

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Thursday, March 21, 2013

Mr. Wayne Carlson  
Executive Director  
Nevada Public Agency Insurance Pool  
201 S. Roop St. Suite 102  
Carson City, NV 89701-4790

Re: Actuarial Review of the Self-Insured Property Program:  
Forecast for Program Year 2013-14

Dear Mr. Carlson:

As you requested, we have completed our review of Nevada Public Agency Insurance Pool's self-insured property program. Assuming an SIR of \$200,000 per occurrence, we estimate the ultimate cost of claims and expenses for claims incurred during the 2013-14 program year to be \$1,872,000. This figure is net of the expected amount to be covered by individual members' deductibles, but includes losses which are expected to apply against the Pool's \$250,000 corridor deductible excess of \$250,000. It also includes allocated loss adjustment expenses (ALAE) which is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). Unallocated loss adjustment expenses (ULAE) are not included. This amount also does not include any discount for investment income.

The table on the following page shows our funding recommendations for Nevada Public Agency Insurance Pool for the 2013-14 fiscal year.

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**Nevada Public Agency Insurance Pool**  
**Self-Insured Property Program**  
**Loss and ALAE Funding Guidelines for 2013-14**  
**Self-Insured Retention (SIR) of \$200,000**  
**Including \$250,000 Corridor Deductible (Excess of \$250,000)**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE – Gross of Members’ Deductibles	\$1,910,000					
Expected Amount from Corridor Deductible	250,000					
Expected Amount from Members’ Deductibles	(288,000)					
Loss and ALAE – Net of Members’ Deductible	1,872,000	\$2,185,000	\$2,331,000	\$2,505,000	\$2,722,000	\$3,012,000
Rate per \$100 of 2013-14 Total Insured Value	\$0.044	\$0.051	\$0.055	\$0.059	\$0.064	\$0.071

The funding recommendations shown in the tables above do not include any recognition of the existing funding margin at June 30, 2013. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

**DRAFT**

At the time of the prior report, our funding estimate for the 2012-13 year was \$1,989,000 at the expected level. That amount included allocated loss adjustment expenses (ALAE) and the expected amount for losses within the corridor deductible, but was net of individual members' deductibles. Our current estimate for the 2013-14 year is \$1,872,000 at the expected level, a decrease in the program's expected loss costs, as shown in the table below:

**Comparison of Funding for Loss and LAE**

	Prior Report 2012-13 SIR = \$200,000	Current Report 2013-14 SIR = \$200,000	Change
(A) Ultimate Loss and ALAE – Net of Members' Deductibles:	\$1,739,000	\$1,622,000	(\$117,000)
(B) Corridor Deductible Losses:	250,000	250,000	0
(C) Total Claim Costs:	\$1,989,000	\$1,872,000	(\$117,000)
(D) Funding per \$100 of Total Insured Value:	\$0.049	\$0.044	(\$0.005)

As you can see, our funding recommendations at the expected level have decreased between 2012-13 and 2013-14, as shown in our prior and current reports respectively, primarily due to favorable loss development. Our projected rate per \$100 of TIV has decreased from \$0.049 to \$0.044.

## Nevada Public Agency Insurance Pool - Property Coverages

Funding Options for Program Year 2013-2014 (SIR = \$200,000) - Net of Deductible  
One-Year Funding Plan

	Dollar Amount	TIV Rate			
(A) Estimated Ultimate Losses Incurred in Accident Year 2013-2014: (From Appendix F)	\$1,910,000	\$0.045			
(B) Estimated Deductible Adjustment Factor: (From Exhibit 3, Page 1, Item (O))	0.849				
(C) Estimated Ultimate Losses Incurred in Accident Year (Net of Deductible): ((A) x (B))	\$1,622,000	\$0.038			
(D) Incurred Loss from Corridor Deductible \$250,000 Excess of \$250,000 (From Exhibit 3, Page 1, item (S))	250,000	0.006			
(E) Estimated Claims Administration Fees Incurred in Accident Year 2013-2014: (From Exhibit 3, Page 1, item (L))	0	0.000			
(F) Total Claims Costs Incurred in Accident Year 2013-2014: ((C) + (E))	\$1,872,000	\$0.044			
(G) Loss Discount Factor (Appendix G, (F))	1.000				
(H) Discounted Total Claims Costs Incurred in Accident Year 2013-2014: ((F) x (G))	\$1,872,000	\$0.044			
	<u>Marginally Acceptable</u>		<u>Recommended</u>		<u>Conservative</u>
(I) Confidence Level Factor: (From Appendix H)	70%	75%	80%	85%	90%
	1.167	1.245	1.338	1.454	1.609
(J) Margin for Adverse Experience: ((H) x [(I) - 1])	313,000	459,000	633,000	850,000	1,140,000
(K) Recommended Funding in 2013-2014 for Claims Costs and Other Expenses: ((H) + (J))	\$2,185,000	\$2,331,000	\$2,505,000	\$2,722,000	\$3,012,000
(L) Rate per \$100 of TIV: ((K) / \$42,434,328)	\$0.051	\$0.055	\$0.059	\$0.064	\$0.071

TIV rates are per hundred dollars of 2013-2014 TIV of \$4,243,432,800.

DRAFT



Thursday, March 21, 2013

Mr. Wayne Carlson  
Executive Director  
Nevada Public Agency Insurance Pool  
201 S. Roop St. Suite 102  
Carson City, NV 89701-4790

Re: Actuarial Review of the Self-Insured Liability Program:  
Forecast for Program Year 2013-14

Dear Mr. Carlson:

As you requested, we have completed our review of Nevada Public Agency Insurance Pool's self-insured liability program. Assuming an SIR of \$500,000 per occurrence, we estimate the ultimate cost of claims and expenses for claims incurred during the 2013-14 program year to be \$2,971,000. This figure includes allocated loss adjustment expenses (ALAE) but is net of the expected amount to be covered by individual members' deductibles. ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). Unallocated loss adjustment expenses (ULAE) are not included. This amount also does not include any discount for investment income.

The table on the following page shows our funding recommendations for Nevada Public Agency Insurance Pool for the 2013-14 fiscal year.

**DRAFT**

**Nevada Public Agency Insurance Pool**  
**Self-Insured Liability Program**  
**Loss and ALAE Funding Guidelines for 2013-14**  
**Self-Insured Retention (SIR) of \$500,000**

	Expected	Marginally Acceptable 70% CL	Recommended Range			Conservative 90% CL
			Low 75% CL	Target 80% CL	High 85% CL	
Loss and ALAE – Gross of Deductible	\$4,020,000					
Expected Amount from Member Deductibles	<u>(1,049,000)</u>					
Loss and ALAE – Net of Deductible	\$2,971,000	\$3,461,000	\$3,693,000	\$3,966,000	\$4,308,000	\$4,763,000
Rate per \$100 of 2013-14 Payroll	\$0.55	\$0.64	\$0.69	\$0.74	\$0.80	\$0.89

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2013. They are for losses and allocated loss adjustment expenses only, and do not include a provision for claims administration, loss control, overhead, excess insurance premiums, and other expenses associated with the program.

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At the time of the prior report, our funding estimate for the 2012-13 year was \$3,162,000 at the expected level. That amount included allocated loss adjustment expenses (ALAE) and was net of individual members' deductibles. Our current estimate for the 2013-14 year is \$2,971,000 at the expected level, a decrease in the program's expected loss costs, as shown in the table below:

**Comparison of Funding for Loss and LAE**

	Prior Report 2012-13 SIR = \$500,000	Current Report 2013-14 SIR = \$500,000	Change
(A) Total Recommended Funding:	\$3,162,000	\$2,971,000	(\$191,000)
(B) Funding per \$100 of Payroll:	\$0.597	\$0.553	(\$0.044)

As you can see, our funding recommendations at the expected level have decreased between 2012-13 and 2013-14, as shown in our prior and current reports respectively. These changes are the result of favorable loss development since the prior report.

## Nevada Public Agency Insurance Pool - Liability Coverages

Funding Options for Program Year 2013-2014 (SIR = \$500,000) - Net of Deductible  
One-Year Funding Plan

	Dollar Amount	Payroll Rate			
(A) Estimated Ultimate Losses Incurred in Accident Year 2013-2014: (From Appendix F)	\$4,020,000	\$0.748			
(B) Estimated Deductible Adjustment Factor: (From Exhibit 3, Page 1, item (O))	0.739				
(C) Estimated Ultimate Losses Incurred in Accident Year (Net of Deductible): ((A) x (B))	\$2,971,000	\$0.553			
(D) Estimated Claims Administration Fees Incurred in Accident Year 2013-2014: (From Exhibit 3, Page 1, item (L))	0	0.000			
(E) Total Claims Costs Incurred in Accident Year 2013-2014: ((C) + (D))	\$2,971,000	\$0.553			
(F) Loss Discount Factor (Based on a Discount Rate of .0%.) (Appendix G, (F))	1.000				
(G) Discounted Total Claims Costs Incurred in Accident Year 2013-2014: ((E) x (F))	\$2,971,000	\$0.553			
	<u>Marginally Acceptable</u>	<u>75%</u>	<u>Recommended</u>	<u>85%</u>	<u>Conservative</u>
	70%		80%		90%
(H) Confidence Level Factor: (From Appendix H)	1.165	1.243	1.335	1.450	1.603
(I) Margin for Adverse Experience: ((G) x [(H) - 1])	490,000	722,000	995,000	1,337,000	1,792,000
(J) Recommended Funding in 2013-2014 for Claims Costs and Other Expenses: ((G) + (I))	\$3,461,000	\$3,693,000	\$3,966,000	\$4,308,000	\$4,763,000
(L) Rate per \$100 of Payroll: ((J) / \$5,373,998)	\$0.644	\$0.687	\$0.738	\$0.802	\$0.886

Payroll rates are per hundred dollars of 2013-2014 payroll of \$537,399,800.

**NEVADA PUBLIC AGENCY INSURANCE POOL (POOL)**

**CYBER SECURITY EVENT DECLARATIONS**

<b>FORM NUMBER</b>	<b>COVERAGE PERIOD</b>	<b>NAMED ASSURED</b>	<b>MAINTENANCE DEDUCTIBLE</b>
NPAIP 201314	07/01/2013 – 07/01/2014 Standard Time	Per Attachment A	none

**SECTION VII.**

**CYBER SECURITY EVENT AND PRIVACY RESPONSE EXPENSE COVERAGE LIMITS:**

Coverage	Limit per <b>Named Assured</b>	Annual Aggregate Limit per <b>Named Assured</b>
Per <b>CYBER SECURITY EVENT</b>	\$2,000,000	\$2,000,000
<i>The Sublimit is a part of and not in addition to the Limits of Liability:</i>		
Privacy Response Expense Coverage	\$500,000	
<i>Retroactive Date</i>		<i>July 1, 2013</i>

*This Declarations Page, together with the Nevada Public Agency Insurance Pool (hereinafter referred to as POOL) Coverage Form, edition date July 1, 2013, outlines the coverage provided by POOL. In accepting coverage, the Named Assured agrees to pay an annual contribution, as determined by POOL.*

Countersigned:



Authorized Representative

Date: July 1, 2013

## NEVADA PUBLIC AGENCY INSURANCE POOL (POOL) COVERAGE FORM

All terms or phrases in bold print or quotation marks in the body of the Coverage Form are defined terms.

**Section I. Named Assured:** The **Named Assured** means each member listed on Attachment A of this coverage form and all Boards, Departments, Divisions, Commissions, and Authorities under the supervision or control of the **Named Assured** whether now or hereafter constituted.

It is agreed that the unqualified word **Assured** wherever used within this coverage includes not only the **Named Assured** but also:

1. (a) any official, trustee, director, officer, volunteer or employee of the **Named Assured** while acting within the course and scope of their duties as such, and  
  
(b) any person, organization, trustee or estate to whom the **Named Assured** is obligated by virtue of written contract or agreement to provide insurance or coverage such as is offered by this coverage, but only with respect to operations by or on behalf of the **Named Assured**; such coverage does not apply to any Event that takes place prior to the execution of such contract or agreement,
2. as respects Section VI. Liability Coverage and subject to the Definitions and Conditions therein, any person or organization specified in a written contract or agreement to be named an additional assured and who leases equipment to the **Named Assured** or whose land or premises is used by the **Named Assured**, but only with respect to liability for the use of the leased equipment, land or premises by the **Named Assured**, and not to exceed the limits of liability required in the written contract or agreement nor in any case to exceed \$2,000,000 per **Event**, such sublimit applying as part of and not in addition to the Section VI Limits of Liability available to the **Named Assured**; such coverage does not apply:
  - (a) to any **Event** which takes place after the equipment lease expires or use of the land or premises ceases;
  - (b) to any **Wrongful Act** or **Law Enforcement Activities**;
  - (c) to any **Event** arising out of the sole negligence of such person or organization;
  - (d) to structural alterations or new construction performed by or on behalf of such person or organization;
3. any person while using an owned automobile or a hired automobile, and any person or organization legally responsible for the use thereof, provided the actual use of the automobile is by the **Named Assured** or with its permission, and any **Assured** with respect to the use of non-owned automobiles in the business of the **Named Assured**. This Coverage with respect to any person or organization other than the **Named Assured** does not apply:
  - (a) to any person or organization, or to any agent or employee thereof, operating an automobile sales agency, repair shop, service station, storage garage or public parking place, with respect to any accident arising out of the operation thereof;
  - (b) to any employee with respect to injury to or sickness, disease or death of another employee of the same employer injured in the course of such employment in an accident arising out of the maintenance or use of the automobile in the business of such employer;
  - (c) with respect to any hired automobile, to the owner or a lessor thereof, other than the **Named Assured**, nor to any agent or employee of such owner or lessor;
4. the interest of the **Named Assured** in any joint venture or interlocal cooperation agreement to which the **Named Assured** is a party and any activities under the supervision or control of the **Named Assured** whether now or hereafter constituted, provided no separate independent legal entity is formed and subject to the Other Insurance or Coverage provisions contained herein.

## Section II. Property Limits, Liability Limits and Maintenance Deductible

### 1. PROPERTY LIMITS

- A. The Blanket Coverage Limit applies on a group basis to all Covered Property described in the Schedule of Locations.
- B. POOL's maximum Coverage Limit for direct physical loss or damage to Covered Property resulting from any one loss shall not exceed the Blanket Coverage Limit set forth in the Property Declarations, subject to any coverage extensions, sub-limits, exclusions, restrictions or limitations.
- C. All sub-limits apply as part of and not in addition to the Blanket Coverage Limit.

### 2. LIABILITY LIMITS

- A. The Limit of Liability applies separately to each **Named Assured** listed on Attachment A.
- B. POOL's maximum Limit of Liability for all loss resulting from any one Event shall not exceed the Limit of Liability set forth in the Liability Declarations, regardless of the number of persons, Boards, Departments, Divisions, Commissions, and Authorities under the supervision or control of the **Named Assured**.
- C. The inclusion hereunder of more than one **Assured** shall not operate to increase the Pool's Limit of Liability for the **Named Assured**.
- D. All sub-limits apply as part of and not in addition to the Limit of Liability
- E. All expenses including related medical and legal costs are included when calculating appropriate deductible amounts and limits of liability within this coverage section.

### 3. MAINTENANCE DEDUCTIBLE

Pool will not be liable for loss or damage in any one loss/**Event** until the amount of loss or damage exceeds the Maintenance Deductible amount shown on the declarations page of this coverage form. If two or more Maintenance Deductibles apply to a single loss/**Event**, then the largest Maintenance Deductible amount will apply. However, this coverage form allows for application of (a) separate and distinct Maintenance Deductibles; and (b) Maintenance Deductibles for specific loss categories; as shown in the Declarations.

## Section III. General Conditions – All Sections

- 1. SALVAGE AND RECOVERY CLAUSE: All salvages, recoveries and payments recovered or received subsequent to a loss settlement under this coverage shall be applied as if recovered or received prior to the settlement and all necessary adjustments shall be made by the parties hereto.
- 2. CANCELLATION/NONRENEWAL: If the **Assured** fails to pay the Contribution by the date specified by the POOL in its written invoice, 30 days written notice of cancellation will be given. This Coverage is otherwise cancelable only at the end of a coverage period. Either of the parties may cancel by giving written notice to the other party, provided notice is issued at least 120 days prior to the end of the current coverage period.

3. **BANKRUPTCY AND INSOLVENCY:** In **case of** bankruptcy or insolvency of the **Assured** or any entity comprising the **Assured**, POOL shall not be relieved of the payment of any claim to the **Assured** or its liquidator, receiver or statutory successor under this coverage form without diminution because of the insolvency of the **Assured**.
4. **OTHER INSURANCE OR COVERAGE :** If any other coverage, bond or insurance is available that covers a loss covered herein, except for coverage, bond or insurance purchased to apply specifically in excess of this coverage, then this coverage will apply in excess of the other valid and collectable coverage, bond or insurance. When this coverage is excess over other coverage, bond or insurance, POOL will pay only the amount of loss, if any, that exceeds the sum of all deductibles (and self-funded amounts) and the amount all such other coverage, bond or insurance would pay for the loss in the absence of this coverage.
5. **MORTGAGE CLAUSE:** The interest of any creditor, lien holder or mortgagor on property covered hereunder is included as if a separate endorsement were attached hereto to the extent of the amount of the debt, lien or mortgage as of the date of loss subject to the limits of liability set forth in this coverage.
6. **SUBROGATION AND RECOVERIES:** POOL shall be subrogated to all rights which the **Assured** has against any person or other entity in respect to any claim or payment made under this coverage, and the **Assured** shall cooperate with POOL to secure the rights of POOL. In case any reimbursement is obtained or recovery made, the net amount of such reimbursement or recovery, after deducting the actual cost incurred by the **Assured** and/or POOL in obtaining or making the same, shall be applied in the following order: (a) to reduce the amount of loss which exceeds the applicable limit of liability; (b) to reduce POOL loss until POOL is fully reimbursed; (c) to reduce the **Assured**'s loss because of the application of the deductible.
7. **WAIVER OF SUBROGATION:** This coverage shall not be invalidated if the **Assured** by written agreement has waived or shall waive its right of recovery from any party for loss or damage covered hereunder; provided that any such waiver is made prior to the occurrence of said loss or damage.
8. **ASSIGNMENT/TRANSFER OF RIGHTS AND DUTIES:** The **Assured**'s rights, interests, benefits and/or duties (both pre-loss and post loss) under this Coverage Form may not be transferred or assigned without POOL's prior written consent.
9. **CHANGES:** By acceptance of this coverage, the **Assured** agrees that it embodies all agreements existing between the **Assured** and POOL relating to this coverage. None of the provisions, conditions or other terms of this coverage shall be waived or altered except by written endorsement; nor shall notice to any agent or knowledge possessed by any agent or other person be held to effect a waiver or change in any part of this coverage.
10. **CONCEALMENT, MISREPRESENTATION OR FRAUD:** POOL will not pay for any loss or damage in any case of intentional concealment or misrepresentation or fraud committed by the **Assured** at any time and relating to a claim under this coverage.

## Section IV. General Exclusions – All Sections

1. WAR AND TERRORISM EXCLUSION: Coverage does not apply herein for loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any of the following regardless of any other cause or event contributing concurrently or in any other sequence to the loss;

(A) war, invasion, acts of foreign enemies, hostilities or warlike operations, (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power; or

(B) any act of terrorism.

For the purpose of this exclusion an act of terrorism mean an act, including but not limited to the use of force or violence and /or the threat thereof, of any person or groups(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

Coverage does not apply to loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to (A.) and/or (B.) above.

2. NUCLEAR INCIDENT EXCLUSION:

DEFINITIONS - As used in this exclusion, "hazardous properties" include radioactive, toxic or explosive properties; "nuclear material" means source material, special nuclear material or by-product material; "source material", "special nuclear material", and "by-product material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof; "spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor; "waste" means any waste material (1) containing by-product material and (2) resulting from the operation by any person or organization of any nuclear facility included within the definition of nuclear facility; "nuclear facility" means (a) any nuclear reactor, (b) any equipment or device designed or used for separating the isotopes of uranium or plutonium, processing or utilizing spent fuel, or handling, processing or packaging waste, (c) any equipment or device used for the processing, fabrication or alloying of special nuclear material if at any time the total amount of such material in the custody of the **Assured** at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235, or (d) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste, and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations; "nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material.

PROPERTY- This coverage does not apply to any loss or damage arising directly or indirectly from nuclear reaction, nuclear radiation or radioactive contamination however caused. But if Fire is covered and a Fire arises directly or indirectly from nuclear reaction, nuclear radiation or radioactive contamination any loss or damage arising directly from that Fire shall (subject to the provisions of this coverage form) be covered.

LIABILITY- This coverage does not apply under any Liability Coverage, to injury, sickness, disease, death or destruction:

- (A) with respect to which an **Assured** under the coverage is also an **Assured** under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an **Assured** under any such policy but for its termination upon exhaustion of its limit of liability; or
- (B) resulting from the hazardous properties of nuclear material and with respect to which (1) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (2) the **Assured** is, or had this coverage not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization; or
- (C) resulting from the hazardous properties of nuclear material if
  - (1) the nuclear material (a) is at any nuclear facility owned by, or operated by or on behalf of, an **Assured** or (b) has been discharged or dispersed therefrom;
  - (2) the nuclear material is contained in spent fuel or waste at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an **Assured**; or
  - (3) the injury, sickness, disease, death or destruction arises out of the furnishing by an **Assured** of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility, but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion- 2 (C) (3) - applies only to injury to or destruction of property at such nuclear facility.

With respect to injury to or destruction of property, the words "injury" or "destruction" include all forms of radioactive contamination of property.

3. POLLUTION HAZARD - It is agreed that this coverage does not apply to:

- A) any loss or damages which would not have occurred in whole or in part but for the actual, alleged or threatened existence, discharge, dispersal, seepage, migration, release or escape of pollutants, irritants or hazardous substances at any time; "Pollutant" means any solid, liquid, gaseous or thermal irritant, corrosive or contaminant, including but not limited to smoke, vapors, soot, fumes, acids or alkalis, chemicals, metals and waste. Waste also includes materials to be recycled, reconditioned or reclaimed.
- B) any loss, cost or expense arising out of any:
  - (1) request, demand or order that any **Assured** or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize or in any other way respond to, or assess the effects of pollutants; or
  - (2) claim or suit by or on behalf of a governmental authority or others for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to or assessing the effects of pollutants.

However, coverage does apply to any loss or damage arising out of:

- i) Heat, smoke or fumes from a hostile fire;
- ii) Backup or overflow of any sewer;
- iii) Use of teargas, mace, or similar substance by any public safety officer within the scope of employment for the **Named Assured**;
- iv) Collision, upset or overturn of any vehicle;
- v) Loss or damage caused by an employee or official of the **Named Assured** (but only while acting within the scope of duty and on behalf of the **Named Assured**) and where property or persons are in danger because of sudden and unexpected discharge, dispersal, release or escape of any pollutant.

The onset of the discharge, dispersal, release or escape of pollutants must have occurred no more than 72 hours prior to any **Assured's** arrival at the site or location of the **Event**. POOL's Limit of Liability for all such loss will not exceed \$1,000,000 for any one **Event** or in the aggregate annually. This limit is part of Section VI limits and not in addition to any other limit provided by this coverage.

- vi) Water intended for sale or use by an **Assured**, provided the damages arise out of pollution that was accidental, demonstrated as having commenced during the term of the coverage form, became known to the **Assured** within 120 hours, was reported by the **Named Assured** within 14 calendar days from the start of the **Event**, and efforts to terminate the **Event** were expended as soon as reasonably possible;
- vii) Use of chemicals approved by the U.S. Environmental Protection Agency to disinfect or purify a swimming pool owned or operated by the **Assured**;
- viii) Cost of cleanup at the premises of the **Assured** made necessary as a result of covered loss or damage to Covered Property.
- ix) Weed spraying operations by or on behalf of any **Assured**; coverage is extended only for **Property Damage** liability; damage must manifest itself and be reported to POOL within 180 days of the spraying; POOL's Limit of Liability for all such loss will not exceed \$250,000 for any one **Event** or in the aggregate annually. This limit is part of Section VI limits and not in addition to any other limit provided by this coverage.

- 4. **LEAD:** This coverage does not apply to: any loss or damages arising out of lead or the hazardous properties of lead; any loss or damages for remedial investigations or feasibility studies or the costs of testing, monitoring, abatement, mitigation, cleaning, removal or disposal of lead or any item(s) containing lead; any loss or damages arising out of any supervision, instructions, recommendations, warnings or advice given or which should have been given in connection with the above; or any obligation to share damages with or repay someone else who must pay damages in connection with the above.
- 5. **SILICA DUST OR ASBESTOS:** This coverage does not apply to any loss or damages arising out of Asbestosis, Silicosis, Mesothelioma, Emphysema, Pneumoconiosis, Pulmonary Fibrosis, Pleuritis, Endothelioma or any lung disease or any ailment caused by or aggravated by asbestos in any form or by silica dust; any loss or damages arising out of the existence of asbestos in any form or of silica dust, including the costs of investigations or feasibility studies, or to the costs of testing, monitoring, abatement, mitigation, cleaning, removal or disposal of any property or substance; any loss or damages arising out of any supervision, instructions, recommendations, warnings or advice given or which should have been given in connection with the above; or any obligation to share damages with or repay someone else who must pay damages in connection with the above.
- 6. **MOLD/FUNGUS:** This coverage does not apply to any loss, cost or expense directly or indirectly arising out of, resulting from or in any manner related to Fungal Pathogens whether or not there is another cause of loss which may have contributed concurrently or in any sequence to a loss. "Fungal Pathogens" as utilized herein shall mean any fungus or mycota or any byproduct or type of infestation produced by such fungus or mycota, including but not limited to mold, mildew, mycotoxins, spores or any biogenic aerosols.

## Section V. PROPERTY COVERAGE

### A. Property Coverage Agreement

POOL agrees subject to the limits, exclusions, conditions and other terms of this Coverage Form to pay on behalf of the **Assured** for direct physical loss or damage to Covered Property except as excluded or limited in this Coverage Form.

### B. Covered Property

This Property Coverage Section covers property, unless excluded, as described in the Schedule of Locations, where ever located, agreed to and kept on file by POOL or its designees that the **Assured**:

- (i) Owns;
- (ii) Operates;
- (iii) Controls; or
- (iv) Contractually agrees to cover for physical loss or damage, to the extent of such contractual obligation.

Covered Property shall also include:

1. New construction, including property while in the course of construction;
2. Additions under construction;
3. Alterations and repairs to any building or structure;
4. Improvements and Betterments in which the **Assured** has a legal interest;
5. Materials, equipment and supplies for new construction, additions, buildings or structures;
6. Temporary structures;
7. **Electronic Data Processing Equipment** as defined in this coverage form;
8. Machinery, equipment, and fixtures that are permanently attached to the building;
9. **Automobiles** and mobile equipment as per schedule agreed to and kept on file by POOL or its designees;
10. Covered Property in transit;
11. Personal property of officers and employees of the **Named Assured**, while at a described location;
12. The **Assured's** interest in and legal liability for property of others, while at a described location; and
13. **Valuable Papers and Records** as defined in this coverage form.

## C. Coverage Extensions

This Property Coverage Section includes the following Coverage Extensions for direct physical loss or damage. These Coverage Extensions:

- i. are subject to the applicable limit of liability;
- ii. will not increase the POOL limit of liability; and
- iii. are subject to POOL coverage provisions, including applicable exclusions, definitions and deductibles, all as shown in this section and elsewhere in the POOL Coverage Form.

### 1. Accounts Receivable

This coverage form is extended to cover all amounts due the **Named Assured** from customers, which the **Named Assured** is unable to collect, as a result of direct physical loss or damage to accounts receivable records.

Coverage includes:

- a. Interest charges on any loan to offset impaired collections pending repayment of sums that can not be collected.
- b. Collection expenses in excess of normal collection costs.
- c. Other reasonable expenses incurred by the **Named Assured** in recreating records of accounts receivable.

However, there shall be no coverage under this extension for bookkeeping, accounting, or billing error or omission; or alteration, falsification, manipulation, concealment, destruction or disposal of accounts or records of accounts receivable committed to conceal the wrongful giving, taking, obtaining or withholding of money, **securities** or other property.

### 2. Arson Reward

This coverage form is extended to cover payment of any reward offered on the **Named Assured's** behalf for information that leads to conviction of the perpetrator(s) of arson or vandalism to Covered Property that sustains direct physical loss or damage covered by this agreement.

POOL's total liability for any one award is ten percent (10%) of the physical loss or damage to Covered Property up to the sub-limit of liability shown in the declarations.

POOL's payment of this reward will not increase regardless of the number of informants providing information that leads to a conviction.

### 3. Debris Removal:

POOL shall pay for the reasonable and necessary expense incurred to remove debris from a described location that remains as a result of direct physical loss or damage for which there is coverage under this Property Coverage Section.

### 4. Earthquake and Flood:

**Earthquake** and **Flood** are covered perils, as defined in this coverage form.

## 5. Equipment Breakdown

- A. Under Section V. F. Perils Excluded, items 4, 5 and 6 are deleted in their entirety with respect to Covered Property. However, there shall be no coverage under this extension for any of the following:
1. Insulating or refractory material; footing, foundation, mounting pad or settings, or piling.
  2. Vessel or vessel part not under pressure of its contents or under vacuum.
  3. Sewer piping, fire protection piping, or water piping; except piping solely supplying boiler feed water or boiler condensate.
  4. **Automobiles**, dragline, excavation or construction equipment.
  5. Products manufactured by the **Named Assured** unless permanently installed.
  6. Pressure vessels and piping that are buried below ground and require the excavation of materials to inspect, remove, repair or replace.
  7. Malfunction including but not limited to adjustment, alignment, calibration, cleaning or modification.
  8. Leakage at any valve, fitting, shaft seal, gland packing, joint or connection.
  9. The functioning of any safety or protective device
  10. The cracking of any part on an internal combustion gas turbine exposed to the products of combustion.
  11. Any loss or damage to any boiler, fired vessel, electric steam generator, or electrical or electronic equipment while undergoing a test which subjects such equipment to greater than maximum allowable operating conditions as identified by the manufacturer of such equipment.
- B. Under Section V. F. Perils Excluded, items 5 and 14 are deleted in their entirety with respect to **Electronic Data Processing Equipment, Media and Electronic Data**.
- C. This Coverage Extension is subject to the following limitations of coverage:
1. **Loss of Income and Extra Expense**  
Coverage is extended to pay for actual **Loss of Income** and **Extra Expense** as defined in this coverage form sustained due to a loss covered by this coverage extension.
  2. **Hazardous Substance Coverage:**  
Coverage is extended to clean, repair, replace, or dispose of Covered Property that is damaged, contaminated or polluted by a substance declared to be hazardous by a governmental agency as a result of direct physical loss or damage covered by this extension of coverage. The coverage provided by this extension of coverage does not include loss to perishable goods due to contamination from the release of a refrigerant, including but not limited to ammonia.
  3. **Spoilage Coverage:**  
Coverage is provided for covered perishable goods due to spoilage resulting from direct physical loss or damage covered by this coverage extension, including damage to perishable goods due to contamination from the release of refrigerant, including but not limited to ammonia. Perishable goods are defined as Covered Property that is subject to deterioration or impairment as a result of a change of conditions, including but not limited to temperature, humidity or pressure.
  4. **Data Restoration**  
Coverage is extended to pay for the **Named Assured's** reasonable and necessary cost to research, replace or restore lost **Electronic Data** and any **Media** upon which it is stored. However, there shall be no coverage for a loss to media or data that results from any error in machine programming or machine instructions.

## 6. Expediting Expenses:

POOL shall pay for reasonable and necessary extra costs to expedite:

- a. Temporary repairs to; and
- b. Permanent repairs to or replacement of;

Covered Property sustaining direct physical loss or damage covered by this Coverage Section.

Expediting Expenses do not include:

- 1) Expenses payable elsewhere in the Property Coverage Section.
- 2) The cost of permanent repair or replacement.

## 7. Unintentional Errors and Omissions:

The property covered herein is based on the schedule of locations and values submitted by the **Named Assured** prior to the inception of this coverage. However, if any property and/or location is omitted or undervalued because of unintentional errors or omissions of the **Named Assured**, POOL will accept that property and/or location as being covered subject to a maximum of \$5,000,000 each loss, provided the property and/or location is the same in form and substance as other real and personal property which are scheduled.

The **Named Assured** agrees to report such errors or omissions as soon as reasonably possible after discovery of such, and to schedule the proper locations and values then and thereafter.

## 8. Money and Securities

**Money** and **securities** of the **Named Assured** only are Covered Property with respect to this coverage extension.

Under Section V. F., Perils Excluded, item 2 is deleted in its entirety but only for this coverage extension. This coverage extension shall apply to direct physical loss or damage resulting from:

- a. Dishonest or fraudulent acts including theft and forgery committed by an official, trustee, director, officer, volunteer or employee of the **Named Assured** acting alone or in collusion with others while in the **Named Assured's** service and who the **Named Assured** compensates directly with salary, wages or commissions; or who are furnished to the **Named Assured** by an employment agency or service and under the **Named Assured's** direct control while performing such services in substituting for a permanent employee on leave, or meeting seasonal or short-term workload conditions.

For purposes of this extension, direct physical loss or damage means loss or damage to tangible property, and does not include consequential, detrimental economic impact or a diminution of value to covered property. Tangible property means property that has physical form and characteristics.

- b. The actual destruction or disappearance of such property.
- c. A peril covered by this Property Coverage Section.

The following are added to Section V. F., Perils Excluded, but only for this coverage extension:

- 16. Misappropriation, conversion, infidelity, dishonest or fraudulent acts committed by any:
  - a. Agent, broker, consignee, independent contractor, subcontractor or similar representatives;

- b. Employee of the **Named Assured** who has previously committed dishonest or fraudulent acts resulting in direct physical loss or damage to **money** and **securities**; or
- c. Person (excluding employees) to whom the property may be entrusted; Whether committed alone or in collusion with others at any time, on the part of the **Named Assured** or any additional interest.

17. The **Named Assured's** inability to realize income that would have been earned had there been no loss of **money** or **securities**; Loss or damage when the only proof of such loss or damage is an inventory computation, or a profit and loss computation.

18. Loss or damage to **money** or **securities** while in transit or at an unnamed location except for:

- a) Robbery while such property is in the care and custody of an employee of the **Named Assured**, or
- b) Actual destruction or disappearance while at a banking institution or similar safe depository.

19. Accounting or arithmetical errors or omissions.

#### **9. Protection and Preservation of Property:**

POOL shall pay for the reasonable and necessary costs incurred to temporarily protect or preserve Covered Property at a described location in order to avoid or prevent immediately impending physical loss or damage from a peril covered by this Property Coverage Section.

#### **10. Ordinance or Law:**

If at the time of direct physical loss or damage covered by this coverage form, there is in force any law or ordinance regulating the demolition, construction, repair, replacement or use of buildings or structures, POOL shall pay for increased claim costs that are the result of enforcement of such law or ordinance as a direct result of such loss or damage, including:

- a.) the cost to demolish any physically undamaged portion of the buildings or structures
- b.) the cost incurred to actually rebuild the physically damaged and the demolished portions of such buildings or structures with materials and in a manner to comply with the law or ordinance.

## 11. Loss of Income and Extra Expense:

POOL shall pay for actual **Loss of Income** and **Extra Expense** sustained by the **Named Assured** due to the necessary suspension of the **Named Assured's** operations during the **Period of Restoration** as defined in this coverage form. The suspension must be caused by direct physical loss of or damage to Covered Property at premises that are described in the Schedule of Locations agreed to and kept on file by POOL or its designees, such loss being caused by a covered peril.

Coverage shall also be provided for actual **Loss of Income** sustained and **Extra Expense** caused when access to the described location is prohibited by order of civil authority. This order must be given as a direct result of physical loss or damage from a peril of the type covered by this Property Coverage Section. POOL will be liable for the actual amount of loss sustained at such location for a period of up to 30 consecutive days from the date of this action.

In order to determine any **Loss of Income** and/or **Extra Expense** loss payable, POOL shall give consideration to the experience of the **Named Assured** before and the probable experience after the **Period of Restoration** and continuation of only those normal charges and expenses that would have existed had no interruption of or suspension of business operations or services occurred.

POOL will not be liable for any loss payable under this coverage extension to the extent that it can be reduced by the **Named Assured** through use of any suitable property or service owned or controlled by the **Named Assured**, or obtainable from other sources.

Any salvage value of such property remaining at the end of the period of interruption for property obtained above will be taken into consideration in the adjustment of any loss.

For purposes of determining the loss payable under this Coverage Extension, **Loss of Income** and **Extra Expense** will not include:

- a. Any loss during any period in which goods would not have been produced.
- b. Any loss during any period in which business operations or services would not have been maintained.
- c. Any increase in loss due to the suspension, cancellation, or lapse of any lease, contract, license, or order.
- d. Any loss due to:
  - 1.) Fines or damages for breach of contract.
  - 2.) Late or non-compliance of orders or penalties of any nature whatsoever.
  - 3.) Any other consequential or remote loss.
- e. Any loss resulting from physical loss or damage to property in transit.

## 12. Transmission Facilities:

This coverage form is extended to cover direct physical loss or damage covered by this Property Coverage Section to electrical and telecommunication equipment; and electrical, telecommunication, fuel, water, steam, and, refrigeration transmission lines; all situated on or within 1000 feet of the described location.

Coverage is excluded for loss resulting from:

- a) The lack of incoming services described above; or
- b) Physical loss or damage to transmission facilities providing these services; that occurs beyond 1000 feet of the described location.

#### D. Property Definitions

**Actual Cash Value** is the replacement value of the property, at the time and place of the loss or damage, less proper deduction for depreciation.

**Automobile** means any land motor vehicle or trailer/semi-trailer) or mobile equipment owned by the **Named Assured** or for which the **Assured** has an obligation to provide coverage.

**Earthquake** shall mean earthquake, volcanic eruption, subterranean fire, landslide, subsidence, earth sinking, rising, shifting or any such convulsion of nature. If more than one earthquake shock shall occur within one hundred sixty eight (168) hours during the term of this coverage, such shocks shall be deemed to be a single earthquake.

**Electronic Data Processing Data** is defined as all information stored on media devices, including facts, concepts, or computer programs converted to a form usable in a data processing operation.

**Electronic Data Processing Equipment** is defined as data processing systems, component parts and related peripheral equipment including air conditioning and fire protection equipment used solely for data processing operations. Electronic data processing equipment does not include electronic systems that control production machinery or the production machinery itself or any memory bank attached to the production machinery. Electronic data processing equipment does not mean property in the course of manufacture or property you hold for sale or demonstration.

**Electronic Data Processing Media** is defined as all materials on which data is recorded including magnetic tapes, disc packs, paper tapes, and cards used in data processing equipment. **Electronic Data Processing Media** does not include any memory bank attached to production machinery or any property you hold for sale or demonstration.

**Extra Expense** means necessary expenses incurred by the **Named Assured** during the Period of Restoration that would not have incurred been if there had been no direct physical loss or damage to property caused by or resulting from a covered loss.

**Flood** shall mean surface waters, tide and tidal water, the rising, overflowing or breaking of boundaries of natural or man-made bodies of water or spray, whether wind driven or not, from any of the foregoing or by water which backs up through sewers or drains; or mudslide.

**Loss of Income** means the Net Income (net profit or loss before income taxes) that would have been earned or incurred and continuing normal operating expenses incurred, including payroll.

**Money** means currency, coin, bank notes and bullion.

**Period of Restoration** is defined as the period from the time of direct physical damage covered by this Property Coverage Section to the time when, with due diligence and dispatch, physically damaged property could be repaired or replaced and made ready for operations under the same or equivalent physical and operating conditions that existed prior to such damage.

**Securities** mean negotiable and non negotiable instruments or contracts representing money.

**Valuable Papers and Records** are inscribed, printed or written: documents; manuscripts or records including abstracts; and, books, deeds, drawings, films, maps, or mortgages. Valuable Papers are not: money, securities and stamps; converted data programs or instructions used in the **Named Assured's** data processing operations; or, materials on which data is recorded.

## E. Property Excluded

There shall be no coverage for loss or damage to the following property unless coverage is specifically included in Section V. C. Coverage Extensions, or elsewhere in this Property Coverage Section:

1. Land, water, or any substance in or on land, pavement and roadways, trees, shrubs, plants and lawns, growing crops or standing timber, and animals.
2. Underground mines and mining property located below the surface of the ground.
3. Bridges and tunnels used for vehicular traffic, reservoirs, canals and dams.
4. Docks, piers, and wharves which are not a structural part of the building.
5. Furs and fur garments, jewels, jewelry, watches, pearls, precious and semi-precious stones, gold, silver, platinum and other precious metals and alloys for loss caused by theft.
6. Currency, **money**, notes, **securities**, accounts, bills, tickets, tokens, evidences of debt, **Electronic Data Processing Media** and **Data**.
7. Satellites, property undergoing insulation tests, aircraft, and watercraft over fifty (50) feet in length.
8. Personal property in the custody of the **Assured** acting as a warehouseman, bailee for hire, or carrier for hire.

## F. Perils Excluded

There shall be no coverage for loss or damage caused by any of the following perils, unless coverage is specifically included in Section V. C. Coverage Extensions, or elsewhere in this Property Coverage Section; however, if loss or damage not excluded results, then that resulting loss or damage is covered.

1. Loss of market; loss of use; damage or deterioration arising from any delay, whether such delay is caused by a covered peril or otherwise; loss caused by any legal proceeding.
2. Misappropriation, conversion, infidelity or any dishonest act; whether committed alone or in collusion with others at any time, on the part of the **Assured** or any additional interest, employees, directors, officers, or agents of the **Assured**, or any person to whom the property may be entrusted (bailees for hire excepted). A willful act of destruction committed by employees of the **Assured**, without the knowledge of the **Assured**, resulting in physical damage, is covered.
3. Unexplained loss, mysterious disappearance, or loss or shortage disclosed on taking inventory; except that this exclusion will not apply to property while in the custody of any bailee. There will be no coverage for the voluntary parting with title or possession of property if induced by any fraudulent act or by false pretence.
4. Explosion, rupture, bursting, cracking, burning or bulging of steam boilers, steam turbines, gas turbines and steam engines; rupture, bursting, cracking, burning or, bulging of: pressure vessels, or piping or apparatus; attached to any steam boilers, steam turbines, gas turbines and steam engines; while all such property is owned, operated or controlled by the **Assured** or under the **Assured's** obligation to cover. This coverage form will cover physical loss or damage resulting from: the explosion of accumulated combustible gases or unconsumed fuel within the furnace of a boiler or pressure vessel, other than combustion gas turbines; or within the flues or passages which conduct the gases of combustion therefrom. Loss by fire ensuing from any of the above is covered by this Property Coverage Section.
5. Centrifugal force on rotating or moving parts of machinery; electrical, mechanical, or structural breakdown of machinery or equipment, including moving or stationary parts within or forming an integral part of such machinery or equipment.
6. The lack of power or other incoming service supplied from off the described location, however caused. If physical loss or damage covered herein results to Covered Property at a location described in the Schedule of Locations, the resulting damage is covered.

7. **Earthquake** as defined in this Property Coverage Section.
8. **Flood** as defined in this Property Coverage Section.
9. Wear and tear, gradual deterioration, inherent vice, latent defect, vermin or insects.
10. Defects in materials, faulty workmanship, faulty construction or faulty design.
11. Dampness or dryness of atmosphere; changes of temperature; freezing, except damage to fire protective equipment caused by freezing; heating; shrinkage; evaporation; depletion; erosion; loss of weight; change in color, flavor, texture or finish; rust; corrosion.
12. Settling, cracking, shrinkage, bulging, or expansion of foundations, walls, floors, roofs, or ceilings. This exclusion will not apply to loss or damage resulting from collapse of a building or structure or of a material part of a building or structure.
13. Exposure to rain, sleet, snow, sand or dust to personal property in the open.
14. Electronic or magnetic injury or disturbance of any kind.
15. Loss arising from errors in machine or systems programming or instructions to machines or systems, unless physical damage not excluded by this coverage results, and then only for direct loss or damage caused by such covered peril.
16. Direct physical loss or damage to tangible Covered Property resulting from seizure or destruction of property by order of governmental authority

#### **G. Property Conditions**

1. Notice to POOL:  
The **Assured** will:
  - a) give immediate notice to the POOL of any loss involving Covered Property via the POOL's designated claims service organization.
  - b) protect the property from further loss or damage
  - c) promptly separate the damaged and undamaged property; put it in the best possible order; and furnish a complete inventory of the lost, destroyed, damaged and undamaged property showing in detail the quantities, costs, Actual Cash Value, replacement value and amount of loss claimed.
  - d) as often as may be reasonably required, permit the POOL to inspect the property proving the loss or damage and examine the books and records of the **Assured**.
  - e) cooperate as requested by POOL in the POOL's investigation, adjustment, and valuation of any claim for loss or damage to Covered Property.
2. No Benefit to Bailee:  
No person or organization, other than the **Assured**, having custody of **Assured** property will benefit from this coverage.
3. Vacant and Unoccupied Locations:  
Permission is given to cease operations and for locations to be vacant or unoccupied for:
  - a. Sixty (60) consecutive days; or
  - b. More than sixty (60) consecutive days with the written consent of POOL;Provided that the **Assured** maintains the same degree of:

- 1) Fire protection; and
- 2) Watch and alarm service;

As existed prior to the discontinuance of normal operations. POOL shall reduce the loss payable by 15% on any vacant or unoccupied building. Buildings under construction or renovation are not considered vacant.

3. Loss Payment:

POOL has the sole right to adjust, value, evaluate and pay claims for loss or damage to covered property on behalf of the **Assured**.

a. In the event of loss or damage to Covered Property, POOL, at its option, will either:

- 1) Pay the value of lost or damaged property;
- 2) Pay the cost of repairing or replacing the lost or damaged property;
- 3) Take all or any part of the property at an agreed or appraised value; or
- 4) Repair, rebuild or replace the property with other property of like kind and quality.

POOL will determine the value of lost or damaged property, or the cost of repair or replacement, in accordance with the applicable terms of paragraph 4, entitled "Basis of Valuation" or any applicable provision of this Coverage Form which amends or supersedes these valuation conditions.

b. POOL will give notice under paragraph 3.a within a reasonable time after receiving written notice of loss from the **Assured**.

4. Basis of Valuation:

Adjustment of loss amount(s) under this Property Coverage Section will be determined based on the cost of repairing or replacing (whichever is the lesser), at the time of loss, with materials or equipment of like kind and quality without deduction for depreciation, except as provided in this valuation section.

The following property, unless endorsed, will be valued at the time of loss as follows:

- a. On property of others: the amount for which the **Assured** is legally liable, but not exceeding the replacement cost.
- b. Fine Arts are valued at the lesser of:
  - 1.) The cost to repair or restore the article to the condition that existed immediately prior to the loss;
  - 2.) The cost to replace the article; or
  - 3.) The value designated for the article on the schedule of fine arts on file with POOL.In case of physical loss or damage to an article that is part of a pair or a set, POOL will pay the full amount of the value of such pair or set only if the damaged article cannot be repaired or restored to its condition before the loss and the **Assured** surrenders the remaining article or articles of the pair or set to POOL.
- c. Accounts receivable is valued at the sum due which the **Assured** is unable to collect from customers, and includes:
  - 1.) Interest charges on any loan to offset impaired collections pending repayment of such sums that cannot be collected;
  - 2.) Collection expenses in excess of normal collection cost; and
  - 3.) Other reasonable expenses incurred by the **Assured** in recreating records of accounts receivable.

If the **Assured** is unable to accurately determine the amount of outstanding accounts receivable at the time of loss, the following method will be used:

- i. Determine the total average monthly amounts of accounts receivable for the 12 months immediately preceding the month in which loss occurs; and
- ii. Adjust that total for any fluctuations in the month in which loss occurs, or for any demonstrated variance for that month.

Unearned interest charges and service charges on deferred payment accounts and normal credit losses on bad debts will be deducted. After payment of loss by POOL, all amounts recovered by the **Assured** on accounts receivable for which the **Assured** has been indemnified will belong to and be paid to the POOL by the **Assured** up to the total amount of loss paid by the POOL. All recoveries in excess of such amounts will belong to the **Assured**.

- d. **Automobiles** and mobile equipment are valued at actual cash value at the time of loss or the cost to repair, whichever is less; autos hired under a short-term rental car agreement will be covered for replacement cost.
- e. **Valuable Papers and Records** is valued at: the cost to replace or restore the property with other of like kind and quality including the cost of researching, gathering and/or assembling information. If the information is not replaced or restored with other of like kind or quality, POOL will pay the blank value of such **Valuable Papers and Records**.
- f. **Electronic Data Processing Media and Data** is valued at: the cost to replace or restore the property with other of like kind and quality including the cost of researching, gathering and/or assembling information. If the information is not replaced or restored with other of like kind or quality, POOL will pay the blank value of such **electronic data processing media**.
- g. Property while in transit is valued as follows:
  - 1) For property shipped to or for account of the **Assured**: the actual invoice to the **Assured**, together with such costs and charges (including the commission of the **Assured** as selling agent) as may have accrued and become legally due on such property.
  - 2) For property that has been sold by the **Assured** and shipped to or for account of the purchaser (if covered by this Property Coverage Section): the amount of the **Assured's** selling invoice, including prepaid or advanced freight.
  - 3) For property not under invoice: the actual cash market value at point of destination on the date of disaster, less any charges saved which would have become due and payable upon delivery at destination.
- h. **Money** and **Securities** is valued as follows:

**Money** is valued in Canadian currency for locations situated in Canada and in United States of America currency for all other locations, unless specified otherwise. **Money** issued in currencies other than Canadian and United States of America currency will be valued in United States dollar equivalent determined by the last rate of exchange quoted in the Wall Street Journal on the date of loss.

**Securities** are valued at:

  - 1) The cost to replace or restore the security with other of like kind or quality including the cost of issuing duplicate **securities**, if replaced; or
  - 2) The value of each security as of the close of business on the date of loss, if the **securities** cannot be replaced or restored with other of like kind or quality;  
Provided the **Assured** must assign all rights, titles, and interest in such **securities** to POOL
- i. Property in Transit is valued as follows:
  - 1) Property in transit; Actual invoice value, plus costs and charges (including commission as selling agent) which have accrued and are legally due.
  - 2) Property shipped to or for the account of the **Assured**; selling invoice value, including prepaid or advanced freight, for property which has been sold by the **Assured**.
  - 3) Property shipped to or for the account of the purchaser; **Actual Cash Value** at the point of destination on the date of loss or damage, less any charges saved which would have become due and payable upon delivery at destination for property not under invoice.
- j. The **Assured** may:
  - 1) In the event POOL opts to rebuild, have the property rebuilt at another site, provided that such rebuilding does not increase the amount of loss or damage which would otherwise be payable to rebuild at the current site.
  - 2) Give notice of claim to be calculated on **Actual Cash Value** of the property lost or damaged until repair or replacement has been completed. The **Assured** may still claim for the additional coverage which replacement cost provides if notification of intention to do so is received by POOL within 180 days after the loss or damage.
- k. Replacement cost is subject to all the terms, conditions and limitations of the POOL Coverage Form (including any endorsements) and the following additional provisions:

- 1) In no event will payment exceed the actual repairs, replacement, or the limit of liability stated in this Coverage Form, whichever is the lesser.
  - 2) If during the term of this Coverage Form, any **Assured** real property is offered for sale, the value of loss or damage will not exceed the lesser of:
    - a. The price of the offer for sale while the property is offered for sale (with proper deduction for the value of any land); or,
    - 3) The cost to repair or replace. If the **Assured** fails to comply with any of the valuation provisions or does not elect replacement cost within two (2) years from the date of loss, the basis of valuation will be limited to the **Actual Cash Value** as defined in this Coverage Form.
5. Appraisal:  
If the **Assured** and POOL are unable to agree as to the amount necessary to rebuild, repair or replace the damaged or destroyed property or the actual value of loss, each party shall name a competent and disinterested appraiser and the two so chosen shall, before proceeding further, appoint a competent and disinterested umpire. The appraisers together shall obtain repair or replacement estimates, calculate the value of loss, and failing to agree shall submit their differences to the umpire. The award, in writing, duly verified by any two shall determine the points in question. Both parties shall pay the cost of their own appraisers and equally pro rate the cost of the umpire.
6. Suspension:  
Upon discovery of a dangerous condition, POOL may immediately suspend the coverage with respect to any Covered Property by giving written notice to the **Assured**. The coverage that is suspended may be reinstated by POOL. If coverage is suspended, it will also be immediately suspended for any mortgagee, lender or additional named interest by written notice of suspension.
7. Conditions Applicable to Property Extension 8. Monies and Securities:
- a. Cancellation as to Any Employee
    - 1). This coverage is cancelled as to act of any employee immediately upon notice to or discovery by the **Named Assured** or any official or employee of the **Named Assured** authorized to manage, govern or control employees (who is not in collusion with the employee) of theft or any other dishonest act committed by that employee whether before or after becoming employed by the **Named Assured**.
  - b. Discovery
    - 1) Coverage applies for **loss** sustained through acts committed or events occurring at any time and discovered by the **Named Assured**
      - a) during the coverage period; or
      - b) one year after the date of cancellation, termination or expiration of this coverage period.
    - 2) Discovery of loss occurs when the **Named Assured** or any official or employee of the **Named Assured** authorized to manage, govern or control employees (who is not in collusion with the employee) first becomes aware of facts from which a reasonable person would know or should know that a loss covered by this coverage has been or will be incurred even though the exact amount or details of loss may not then be known. Discovery also occurs when the **Named Assured** or any official or employee of the **Named Assured** authorized to manage, govern or control employees (who is not in collusion with the employee) receives notice of an actual or potential claim against the **Named Assured** alleging facts that if true would constitute a covered loss under this coverage form.

## Section VI. LIABILITY COVERAGE

### A. Liability Coverage Agreement (Note: Claims-Made for Wrongful Acts)

In consideration of the payment of the Contribution and subject to the Limits of Liability, exclusions, conditions and other terms of coverage, POOL agrees with the **Assured** to pay on behalf of the **Assured** the total sum of damages which the **Assured** becomes legally obligated to pay as damages resulting from an **Event**, such sum (including related medical and legal costs) being reached either through adjudication or compromise after proper deductions for all recoveries and salvages.

### B. Liability Definitions

1. **Automobile** means any land motor vehicle, mobile equipment, trailer/semi-trailer, and attached equipment.
2. **Bodily Injury** means physical injury to any person, including death, sickness, disease or any mental anguish, shock or disability associated with or arising from such physical injury.
3. **Employment-based Benefit Plan Administration** means giving counsel or coverage interpretation to active or prospective benefit plan participants, handling of related records, or effecting enrollment, notification, revision, termination or cancellation of coverage under any employment-based benefit plan. Employment-based benefit plan includes life insurance, accident or health insurance, profit sharing plans, pension plans, stock subscription plans, workers' compensation, unemployment insurance, social security, disability benefits, vacation plans and any other similar employment-based benefit plans.
4. **Event** means one or more of the following:
  - a. an accident that causes **Bodily Injury** or **Property Damage** during this coverage period;
  - b. **Personal Injury** caused by an offense committed during this coverage period;
  - c. **Law Enforcement Activities** during this coverage period which cause **Bodily Injury, Property Damage, Personal Injury** or the violation of civil rights; however, any damages arising out of employment practices of the **Named Assured** (including discrimination related to recruitment, hiring, evaluation, training, promotion, demotion, discipline or termination of an employee) will be considered a **Wrongful Act** herein;
  - d. any injury caused by errors or omissions arising out of **Employment-based Benefit Plan Administration** committed during this coverage period;
  - e. a **Wrongful Act** taking place and reported to POOL during this coverage period or during any extended reporting period added to this coverage by endorsement, but a **Wrongful Act** does not include damages arising out of an **Event** as defined in a., b., c. or d. above.
5. **Law Enforcement Activities** means performance while acting within the scope of duty, including policy making, supervisory and executive functions relating to law enforcement, (a) as a law enforcement officer or reserve officer, (b) as an officer of a jail, (c) as any **Assured** representing a law enforcement agency, and (d) including activities performed for other than the **Named Assured** which are approved in advance by an authorized representative of the **Named Assured**.
6. **Personal Injury** means injury other than **Bodily Injury** arising out of one or more of the following offenses: **False arrest, detention, or imprisonment; malicious prosecution; false or improper service of process; publication or utterance of libel or slander or disparaging**

material or a publication or utterance in violation of an individual's right to privacy; violation of right of public occupancy; wrongful eviction, wrongful entry, or invasion of premises; assault and/or battery; discrimination; piracy and infringement of copyright of property.

7. **Property Damage** means physical injury to or loss of use of tangible property of others including damage to structures or portions thereof rented to or leased to the **Assured**, including fixtures permanently attached thereto.
8. **Wrongful Act** means any actual or alleged error or misstatement, omission, act of neglect or breach of duty including misfeasance, malfeasance, and nonfeasance by the **Assured**. **Wrongful Act** includes actual or alleged violations of the United States Constitution or any State constitution, or any law affording protection for civil rights, provided coverage is otherwise afforded hereunder for such **Wrongful Act**.
9. The term **Sexual Abuse** as used hereunder shall mean any actual, attempted or alleged sexual conduct towards or to another person or persons, whether intentional, expected or unintentional, which causes physical and/or mental injuries. **Sexual Abuse** includes, but is not limited to: sexual molestation, sexual assault, sexual contact or touching and/or sexual exploitation or sexual injury.

**Sexual Abuse** does NOT include **Sexual Harassment** as defined in this Coverage Form.

The term **Sexual Harassment** as used hereunder shall mean any actual, attempted or alleged unwelcome sexual advances, requests for sexual favors or other conduct of a sexual nature towards or to another person or persons, which causes physical and/or mental injuries. **Sexual Harassment** includes:

- a. The above conduct when submission to or rejection of such conduct is made either explicitly or implicitly a condition of a person's employment, or a basis for employment decisions affecting a person; or
- b. The above conduct when such conduct has the purpose or effect of unreasonably interfering with a person's work performance or creating an intimidating, hostile or offensive work environment.

**Sexual Harassment** does NOT include **Sexual Abuse** as defined in this Coverage Form.

### C. Liability Exclusions

1. Coverage does not apply to any claim for damages, whether direct or consequential, which is covered under any other Section herein. Coverage does not apply to property owned by the **Assured**, or to loss of use of tangible property owned by the **Assured**.
3. Coverage does not apply to any claim brought about or contributed to by acts intended or expected by the **Assured** to cause **Bodily Injury** or **Property Damage**. Any act pertaining to any one **Assured** will not be imputed to any other **Assured** for the purpose of determining the application of this exclusion. Coverage does not apply to any claim made against any **Assured** flowing from or originating out of the **Assured** gaining any profit or advantage to which they were not legally entitled including, but not limited to, any wrongful or erroneous collection of taxes, fees or other charges, by whatever name called.
4. Coverage does not apply to any claim arising out of any criminal, dishonest, fraudulent or malicious act, error or omission of any **Assured**, committed with actual, criminal, dishonest, fraudulent or malicious purpose or intent. However, notwithstanding the foregoing, the **Assured** will be reimbursed up to \$50,000 in the aggregate for reasonable attorney fees and costs when incurred in the defense of any criminal proceeding arising out of what would otherwise be within the scope of the **Assured**'s employment, provided the **Assured** is exonerated from all charges or all charges are subsequently withdrawn or dismissed. When an **Assured** is a defendant represented by the same attorney or law firm representing other defendants in the same criminal proceeding who are not an **Assured** under this coverage form, payment hereunder shall be limited to the **Assured**'s proportionate share of the total of the reasonable attorney fees.

If the **Named Assured** is required by law to provide for an employee's legal defense in a criminal proceeding, this coverage will reimburse the **Assured** in accordance with such law.

Whenever coverage under this coverage form would be excluded, suspended or lost because of any exclusion relating to criminal, dishonest, fraudulent or malicious conduct by any person covered hereunder, it is agreed that coverage as would otherwise be afforded herein shall be applicable with respect to an **Assured** who did not personally participate or personally acquiesce in or remain passive (including failure to give timely notice) after having knowledge of such conduct.

5. Coverage does not apply to liability arising out of the ownership, maintenance, loading or unloading, use, operation or entrustment to others of any aircraft, airfields, runways, hangers, buildings, or other properties in connection with aviation activities.

However, this exclusion does not apply to liability arising out of the use of **automobiles** of the **Assured** used in connection with the operation of an airport and on the premises of an airport owned, maintained, or operated by the **Assured**.

Also, this exclusion does not apply to **Wrongful Acts** arising out of airport ownership.

6. Coverage does not apply to any obligation for which the **Assured** may be held liable: (a) to any employee under the Fair Labor Standards Act (FLSA) or under any similar laws, however, coverage is extended for costs of defense of actions alleging violation of such laws; (b) under any workers' compensation, unemployment compensation, disability benefits, uninsured or underinsured motorists law, or under any similar laws; or (c) for bodily injuries to any employee of an **Assured** arising out of and in the course of employment by the **Assured** or arising out of performing duties related to the conduct of the **Assured**'s business or **Bodily Injury** to any family member of an employee arising out of such activities. The exclusion under (c) applies whether the **Assured** may be liable as an employer or in any other capacity and to any liability for indemnity or contribution brought by any party for **Bodily Injury**.

7. Coverage does not apply to any liability arising out of or in any way connected with the operation of the principles of eminent domain, condemnation, inverse condemnation, or taking of any real property interest, by whatever name(s) called, whether such liability accrues directly against the **Assured** or by virtue of any agreement entered into by or on behalf of the **Assured**.

This exclusion also applies to any liability arising out of or connected with allegations that the **Assured's** actions constitute a taking of any real property interest in violation of substantive due process, including but not limited to any allegations that the **Assured's** actions lack any substantial relation to the public health, safety or general welfare and/or that the **Assured's** actions are arbitrary, capricious, irrational or unreasonable and/or not related to any legitimate governmental purpose.

8. Coverage does not apply to any liability arising out of the rendering of or failure to render the following professional services (including furnishing of food or beverages in connection therewith):
- a. medical, surgical, dental x-ray or nursing service or treatment except by forensic medical examiners or coroners;
  - b. furnishing or dispensing of drugs or medical, dental or surgical supplies;
  - c. services by any person as a member of a formal accreditation or similar professional board or committee of the **Assured**, or as a person charged with the duty of executing directives of any such board or committee, except the administrative, certification, and training duties of an ambulance services medical director (including law enforcement and firefighting agencies as required by law).

Further, coverage does not apply in any way to liability arising out of the ownership, operation, management or oversight of any hospital.

This exclusion does not apply to incidental malpractice liability arising out of the rendering of, or failure to render, professional health care services by nurses, ambulance crews, emergency medical technicians, paramedics, firefighters or police officers. The scene of such medical services may be outside the scope of employment or outside the **Assured's** jurisdiction. However, this coverage will not apply if the individuals rendering medical services are doing so on behalf of and while working or volunteering for another medical services organization not an **Assured** under this coverage.

9. Coverage does not apply to any liability arising out of any breach of or failure to perform a contractual obligation including warranties of any kind and including labor agreements. However, this exclusion does not apply to employment related contracts other than labor agreements.
10. Coverage does not apply to any claim based upon or attributable to the rendering or failure to render any opinion, treatment, consultation or service if such opinion, treatment, consultation or service was rendered or failed to have been rendered while the **Assured** was engaged in any activity for which they received compensation from any source other than as **Named Assured**.
11. Coverage does not apply to any claim arising out of estimates of probable costs or cost estimates being exceeded or for faulty preparation of bid specifications or plans.
12. Coverage does not apply to any claim for a **Wrongful Act** arising out of failure to supply a specific amount of electrical power or fuel due to interruption of the electrical power or fuel supply or transmission thereof.

However, an **Event** (other than a **Wrongful Act**) arising from interruption of the electrical power or fuel supply or transmission thereof is covered.

13. Coverage does not apply to any claim based upon or arising out of:
  - a. the issuance, modification or cancellation of debt instruments, including, but not limited to, loans or transfers, and interest payable, whether legal or illegal; the collection or payment of taxes, fees or other charges or the collection of or payment of taxes, fees or other charges, to or for any other entity, including, but not limited to, hospitals, schools, commissions, joint commissions, boards, agencies, internal or external funds, districts and authorities;
  - b. the failure or alleged failure to comply with any regulatory act or statute such as those governing Medicare or similar Federal programs, the Nevada State Indigent Accident Funds or similar State programs; or
  - c. any fiduciary obligation or duty imposed by the Employee Retirement Income Security Act of 1974 (ERISA), the Pension Benefit Act, the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), or Section 89 of the Internal Revenue Code, or any amendments thereto or similar provisions of any federal, state, local, statutory, or common law.
14. Coverage does not apply to any liability arising out of the performance or non-performance of an investment.
15. Coverage does not apply to any damages, awards of interest, costs, civil fines, penalties, fees, including attorney's fees or expenses that the **Assured** may become obligated to pay as a result of an adverse judgment for equitable, injunctive or declaratory relief. Coverage does not apply for any restitution, refund or reimbursement whether called damages or otherwise or to any cost or expense in processing such restitution, refund or reimbursement.
16. Coverage does not apply to any damages, costs, civil fines, penalties or expenses incurred by any **Assured** arising out of any complaint or enforcement of action from any federal, state, or local government regulatory agency. However, defense costs related to such actions will be reimbursed for an amount not to exceed \$50,000 per **Event**.
17. Coverage does not apply to any liability arising out of:
  - a. Failure of performance of contract by any insurer;
  - b. Failure to procure insurance or the failure of such insurance to adequately cover risks.
18. Coverage does not apply to any liability with respect to **Employment Based Benefit Plan Administration** arising out of:
  - a. Insufficiency of funds to meet any obligations under any plan included in the employment-based benefit plan;
  - b. Errors in providing information on past performance of investment vehicles;
  - c. Advice given to any person with respect to that person's decision to participate or not participate in any plan included in the employment-based benefit plan;
  - d. Failure of any investment to perform as represented;
  - e. Investment or non-investment of funds or the performance or nonperformance of any investment;
  - f. Legal advice or investment advice given to an employee or beneficiary;
  - g. Any loss resulting from the termination of any plan included in the employment-based benefit plan or termination of the employment-based benefit plan;
  - h. Taxes, fines or penalties, including those imposed under the Internal Revenue Code or any similar state or local law; or
  - i. Any act or omission of a third party administrator, or any person other than an employee, who administers an employment-based benefit plan.

19. Coverage does not apply to any damages for **Bodily Injury, Property Damage, Personal Injury**, or other injury that is continuous or progressively deteriorating, and that is first manifest prior to the effective date or after the expiration of this Coverage Form. This exclusion applies even if such injury or damage continues or deteriorates during the term of this Coverage Form.

If this Coverage Form extends for –more than one annual period, the following applies:

a. The most POOL will pay for **Bodily Injury, Property Damage, Personal Injury** and any other injury that is continuous or progressively deteriorating, and that is first manifest during one of the periods of this Coverage Form, is the applicable limit of coverage shown in the Declarations for that one coverage period.

b. The limit specified in paragraph a. above is the only limit that applies to all related **Bodily Injury, Property Damage, Personal Injury** or other injury, regardless of whether such injury or damage existed before, or continues or progressively deteriorates after, the period in which it is first manifest.

Within the meaning of this exclusion, injury or damage is manifest when appreciable harm occurs that is or should be known to the **Assured** or the person or organization harmed.

20. Coverage does not apply to any claim arising out of **Sexual Abuse** by the **Assured**. Any act pertaining to any one **Assured** will not be imputed to any other **Assured** for the purpose of determining the application of this exclusion.

It is agreed that coverage as would otherwise be afforded herein shall be applicable with respect to an **Assured** who did not personally participate or personally acquiesce in or remain passive (including failure to give timely notice) after having knowledge of such **Sexual Abuse**. However, coverage shall not exceed \$2,500,000 per **Event**.

21. Coverage does not apply to liability of any **Assured** who, directly or indirectly, causes damages to their **Assured** employer or principal.
22. Coverage does not apply to any **Cyber Security Event and Privacy Response Expense** as defined in Section VII **Cyber Security Event and Privacy Response Expense**.

#### D. Liability Conditions

1. Duties of the **Assured** – If there is an **Event**, loss, incident, occurrence, demand, notice, summons or claim that might involve this coverage, the **Assured** shall submit written notice to POOL as soon as reasonably practicable via POOL's designated claims service organization including particulars sufficient to identify parties involved, time, place, circumstances, nature of any injury or damage, witnesses and any other pertinent information.
2. Cooperation – The POOL may at its discretion defend an Assured against any claim for damages. Where the POOL has exercised its discretion to defend an Assured, the POOL has the sole right to investigate, defend or settle any claim against an Assured for damages. The **Assured** shall cooperate with POOL, its claims representatives and investigators, and attorneys assigned by POOL to represent the **Assured**, and if requested, attend hearings and trials, assist in securing and obtaining evidence, and obtaining the attendance of witnesses. The **Assured** shall not admit to any liability, assume any obligation, voluntarily make any payment or incur any expense other than first aid to others at the time of an accident. The **Assured** agrees to comply with all terms and conditions in all sections of this Coverage Form.
3. Records - The records as kept by the **Assured** shall be made available to POOL or its representatives as necessary to determine the amount of loss or damage covered hereunder.
4. Appeal – If the **Assured** and POOL are unable to agree to appeal a judgment, a disinterested attorney, mutually agreeable to POOL and the **Assured**, shall be retained to render a written opinion concerning such appeal. Such written recommendation shall be binding on both the **Assured** and POOL. Fees of such retained attorney shall be borne equally by both parties.
5. Opportunity to Associate - It is understood that, when so requested, POOL may afford the **Assured** an opportunity to associate, at the **Assured's** own expense, with the POOL in the defense or control of any claim, suit or proceeding.
6. Severability of Certain Interests: If liability is incurred by reason of injury suffered by an employee of one **Assured**, which does not arise out of the injured employee's employment, for which another **Assured** is liable, then this coverage shall pay on behalf of the **Assured** for such liability in the same manner as if separate coverage documents had been issued to each **Assured**. If liability is incurred by reason of **Property Damage** to property belonging to any **Assured** for which another **Assured** is liable, then this coverage shall pay on behalf of such **Assured** in the same manner as if separate coverage documents had been issued to each **Assured**. Nothing contained in this Condition shall operate to increase POOL limits of liability or to provide coverage for any **Assured** who, directly or indirectly, causes damages to their **Assured** employer or principal .
7. For the purpose of determining the limit of POOL's liability and the Maintenance Deductible of the **Named Assured**, all damages arising out of one or more related **Events** or arising out of a series of continuous, repeated or interrelated **Events** will be considered as arising out of one **Event**; furthermore, all such damages, whether attributable directly or indirectly to one **Event**, will be added together and the total amount of such damages shall be deemed one **Event**, regardless of the period of time or area over which the **Event** occurs.
8. If an **Event** includes allegations of and is associated with a covered **Wrongful Act** then all damages arising out of that **Event** and associated with the covered **Wrongful Act** shall be deemed an **Event** at the time the claim is first made, and the only applicable coverage is that which is in effect at the time the claim is first made.

9. An **Event** with no associated **Wrongful Act** which takes place during more than one coverage period shall be deemed an **Event** during only one coverage period and only the most recent coverage period during which the **Event** took place shall apply.
10. If a **Wrongful Act** did not take place during this coverage period, but commenced on or after the retroactive date shown on the declarations page of this coverage form and prior to the beginning of this coverage period, and a claim on account of such **Wrongful Act** is made against the **Assured** and reported to POOL during this coverage period, this coverage is extended to damages resulting from such a **Wrongful Act**. Coverage does not apply to damages resulting from a **Wrongful Act** that commenced prior to the retroactive date.
11. Coverage applies to damages due to an **Event** taking place anywhere in the world, but only if a suit arising out of such **Event** is brought in the United States of America.
12. Extended Reporting Periods:
  - a. POOL will provide one or more reporting periods, as described below, if this coverage is cancelled or not renewed for any reason other than nonpayment of loss fund contributions or any other amount owed to POOL.
  - b. The reporting periods do not extend the coverage period or change the scope of coverage provided. The reporting periods apply only to claims first made against an **Assured** during the applicable reporting period for damages because of a **Wrongful Act** that occurred before the end of the coverage period.
  - c. The reporting periods do not reinstate or increase the limits of liability.
  - d. A Basic Reporting Period of 30 days from the effective date of cancellation or non-renewal of this form is automatically provided without an additional charge. Subject to the terms and conditions of this coverage, the Basic Reporting Period applies to claims for damages that are first made against the **Assured** and reported in accordance with all coverage provisions no later than the end of the Basic Reporting Period.
  - e. An Optional Extended Reporting Period will take effect on the effective date of cancellation or non-renewal of this coverage and will remain in effect for a period of one to five years, depending on which Optional Extended Reporting Period is purchased. Subject to the terms and conditions of this coverage, the Optional Extended Reporting Period applies to claims for damages that are first made against the **Assured** and reported in accordance with all coverage provisions no later than the end of the Optional Extended Reporting Period. The additional Contribution for this Optional Extended Reporting Period will depend upon which option is chosen. POOL must receive a written request from the **Assured**, together with payment of Contribution due, within 60 days after the effective date of cancellation or non-renewal of this coverage if purchase of one of the Optional Extended Reporting Periods is desired. Once POOL acknowledges receipt of the additional Contribution, the Optional Extended Reporting Period may not be cancelled and the Contribution for the Optional Extended Reporting Period is fully earned.
  - f. The Basic Reporting Period or the Optional Extended Reporting Period does not apply to claims covered under any other coverage purchased subsequent to or to replace this coverage.

## Section VII. CYBER SECURITY EVENT AND PRIVACY RESPONSE EXPENSE COVERAGE

THIS IS CLAIMS MADE AND REPORTED COVERAGE

### A. Cyber Security Event and Privacy Response Expense Coverage Agreement

#### 1. Cyber Security Event

- a. POOL will pay those sums an **Assured** becomes legally obligated to pay as damages because of a **Cyber Security Event**.

The amount POOL will pay for damages and **Claim Expenses** is limited as described in Section C., Limits of Liability.

- b. This coverage applies to damages only if:
  - i. The **Cyber Security Event** commenced on or after July 1, 2013 and before the end of the Coverage Period;
  - ii. A **Claim** for damages because of the **Cyber Security Event** is first made against an **Assured** during the Coverage Period.
  - iii. The **Named Assured** gives written notice of the **Claim** to POOL in accordance with Section D., Notice to POOL.
- c. A **Claim** seeking damages will be deemed to have been made when notice of the **Claim** is received by the **Named Assured** or by POOL, whichever occurs first.

### B. Privacy Response Expense

1. POOL will pay for **Privacy Response Expense** incurred by the **Named Assured** in connection with a **Cyber Security Event** that results in the actual or reasonably suspected theft, loss or unauthorized disclosure of or access to **Personal Information**.

The amount POOL will pay for **Privacy Response Expense** is limited as described in Section C., Limits of Liability.

2. This coverage applies only if:
  - a. The **Cyber Security Event** commenced on or after July 1, 2013 and before the end of the Coverage Period; and
  - b. The **Named Assured** gives written notice of the **Cyber Security Event** to POOL in accordance with Section D., Notice to POOL

### C. Limits of Liability

1. The limits of liability stated in the Declarations establish the most POOL will pay regardless of the number of **Cyber Security Events**, **Assureds**, **Claims** made, **Suits** brought or individuals or entities making **Claims** or bringing **Suits**.
2. For each **Named Assured**, any **Cyber Security Event** that is continuous or part of a series of repeated or related **Cyber Security Events** will be considered to be a single **Cyber Security**

**Event** and will be considered to have commenced when the first such **Cyber Security Event** commenced regardless of:

- a. The number of Assureds, individuals or entities engaged in such **Cyber Security Events**;
  - b. The number of Assureds, individuals or entities affected by such **Cyber Security Events**;
  - c. The number of locations where such **Cyber Security Events** occurred; or
  - d. The number of such **Cyber Security Events** occurring or period of time over which they occur, even if subsequent **Cyber Security Events** take place after the Coverage Period.
3. The sublimit of liability for **Privacy Response Expense** stated in the Declarations is part of and not in addition to the **Cyber Liability Event** limit and annual aggregate limit.

#### **D. CONDITIONS**

1. POOL may at its discretion defend an **Assured** against any **Suit** seeking such damages. POOL may at its discretion investigate any **Cyber Security Event** and settle any **Claim** or **Suit** that may result.
2. As a condition precedent to the obligations of POOL under this coverage, a **Named Assured** must give written notice to POOL of any **Claim** made against an **Assured** as soon as practicable, but in no event later than the end of the Coverage Period.
3. If during the Coverage Period, any **Assured** becomes aware of a **Cyber Security Event** that may reasonably be expected to give rise to a **Claim** against any **Assured** for damages or **Privacy Response Expenses**, the **Named Assured** must give written notice to POOL of such **Cyber Security Event** as soon as practicable, but in no event later than the end of the Coverage Period. Notice must include:
  - a. A specific description of the **Cyber Security Event**, including all relevant dates;
  - b. The names of persons involved in the **Cyber Security Event**, including names of potential claimants and a specific description of any **Personal Information** actually or reasonably suspected to have been subject to theft, loss or unauthorized access or disclosure;
  - c. The specific reasons for anticipating that a **Claim** may result from such **Cyber Security Event**;
  - d. The specific nature of the alleged or potential damages arising from such **Cyber Security Event**; and
  - e. The specific circumstances by which an **Assured** first became aware of the **Cyber Security Event**.

Any **Claim** subsequently made against any **Assured** arising out of such **Cyber Security Event** shall be deemed to be a **Claim** made during the Coverage Period in which the **Cyber Security Event** was first reported to POOL.

## E. Cyber Security Event and Privacy Response Expense Coverage Exclusions

This coverage does not apply to any **Claim, Suit**, damages, **Claim Expense** or **Privacy Response Expense**:

1. For, arising out of, or resulting from **Bodily Injury** or **Property Damage**;
2. For, arising out of, or resulting from any **Claim, Suit**, investigation, hearing, proceeding or legal *action brought by or on behalf of any governmental entity including but not limited to any civil or criminal penalty for which an Assured is responsible or injunctive relief obtained or imposed by any governmental entity*;
3. For, arising out of, or resulting from any employer-employee relations, policies, practices, acts or omissions, or any actual or alleged refusal to employ any person, or an **Assured's** conduct with respect to employees (including but not limited to wrongful dismissal, discharge or termination, discrimination, harassment, retaliation or other employment-related **Claim**), whether such **Claim** or **Suit** is brought by an employee, former employee, applicant for employment, or relative or domestic partner of such person;
4. For, arising out of, or resulting from any contractual liability or obligation, or arising out of or resulting from breach of contract or agreement either oral or written; provided, however, that this exclusion shall not apply to the extent an **Assured** would have been liable in the absence of such contract or agreement;
5. For, arising out of, or resulting from any actual or alleged antitrust violation, restraint of trade, unfair competition, or false or deceptive or misleading advertising or violation of the Sherman Anti-Trust Act, the Clayton Act, or the Robinson-Patman Act, as amended;
6. For, arising out of or resulting from any actual or alleged false, deceptive or unfair trade practices; however, this exclusion does not apply to any **Claim** or loss covered under this endorsement that results from a theft, loss or unauthorized disclosure of or access to Personal Information;
7. For, arising out of or resulting from:
  - a. the actual or alleged unlawful collection or acquisition of **Personal Information** by or **on behalf of an Assured**; or the **failure to comply with a legal requirement to provide** individuals with the ability to assent to or withhold assent (i.e., opt-in or opt-out) from the collection, disclosure or use of **Personal Information**; or
  - b. the distribution of unsolicited email, direct mail, or facsimiles, wiretapping, audio or video recording, or telemarketing, if such distribution, wiretapping, recording or telemarketing is done by or on behalf of an **Assured**;
8. For, arising out of or resulting from any of the following conduct by an **Assured**:
  - a. any actual or alleged violation of the Organized Crime Control Act of 1970 (commonly known as the Racketeer Influenced and Corrupt Organizations Act or RICO), as amended, or any regulation promulgated thereunder or any similar federal law or law of any state, locality or foreign government, whether such law is statutory, regulatory or common law;
  - b. any actual or alleged violation of any securities law, regulation or legislation, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Act of 1940, any state blue sky or securities law, any other federal securities law or legislation, or any other similar law or legislation of any state, locality or foreign government, or any amendment to such laws, or any violation of any order, ruling or regulation issued pursuant to such laws;

- c. any actual or alleged violation of the Fair Labor Standards Act of 1938, the National Labor Relations Act, the Worker Adjustment and Retraining Act of 1988, the Certified Omnibus Budget Reconciliation Act of 1985, the Occupational Safety and Health Act of 1970, the Employee Retirement Security Act of 1974 or any similar law or legislation of any state, locality or foreign government, or any amendment to such laws, or any violation of any order, ruling or regulation issued pursuant to such laws; or
  - d. any actual or alleged discrimination of any kind including but not limited to age, color, race, sex, creed, national origin, marital status, sexual preference, disability or pregnancy;
9. For, arising out of, or resulting from any criminal, dishonest, fraudulent, or malicious act, error or omission, any intentional security breach, or any intentional or knowing violation of the law committed by any **Assured**.
10. For, arising out of or resulting from any actual or alleged:
- a. infringement of patent or patent rights or misuse or abuse of patent; or
  - b. infringement of copyright arising from or related to software code or software products; or
  - c. use or misappropriation of any ideas or trade secrets by an **Assured** or on behalf of, or in collusion with an **Assured**;
11. Arising out of or resulting from any of the following:
- a. trading losses, trading liabilities or change in value of accounts;
  - b. any loss of monies, securities or tangible property of others in the care, custody or control of an **Assured**;
  - c. the monetary value of any electronic fund transfers or transactions by or on behalf of an **Assured** that is lost, diminished, or damaged during transfer from, to or between accounts; or
  - d. the value of coupons, price discounts, prizes awards, or any other valuable consideration given in excess of the total contracted or expected amount that is lost, diminished or damaged;
12. For damage to, destruction of, corruption of, or any loss of use by any **Assured** of any **Computer System** or data, including without limitation any costs or expenses to an **Assured** to repair or replace any **Computer System** or data;
13. For, arising out of or resulting from any threat, extortion or blackmail including but not limited to ransom payments.

#### F. Cyber Security Event and Privacy Response Expense Coverage Definitions:

The following definitions apply to this coverage:

- 1. **Bodily Injury** means physical injury, sickness or disease sustained by any person, including death resulting from these at any time. **Bodily Injury** also means mental illness, mental anguish or emotional distress, pain or suffering or shock sustained by any person, whether or not resulting from physical injury, sickness, disease or death of any person.
- 2. **Claim** means any demand or **Suit** for damages as the result of a **Cyber Security Event**. All **Claims** for damages because of a single **Cyber Security Event** will be deemed to be a single **Claim** and to have been made at the time the first such **Claim** is made against any **Assured**,

regardless of the number of individuals or entities making such **Claims** or the time period over which such **Claims** are made, even if subsequent **Claims** are made after the Coverage Period.

3. **Claim Expenses** means:

- a. Reasonable and necessary fees charged by attorneys designated by POOL to assist with the investigation, adjustment, negotiation, arbitration, defense or appeal of a **Claim** or **Suit**;
- b. All other reasonable and necessary fees, costs and expenses resulting from the investigation, adjustment, negotiation, arbitration, defense or appeal of a **Claim** or **Suit** and incurred by POOL; and
- c. Premiums on appeal bonds, attachment bonds or similar bonds; however, POOL is not obligated to apply for or furnish any such bond;

Provided, however, **Claims Expenses** do not include:

- a. any internal salary, administrative, overhead or other related expenses of any **Assured** or any charges by an **Assured** for time spent cooperating with the investigation and defense of any **Claim** or **Suit**; or
- b. **Privacy Response Expense**.

4. **Computer System** means computers and associated input and output devices, data storage devices, networking equipment and backup facilities:

- a. operated by and either owned by or leased to an **Assured**; or
- b. operated by a third party service provider and used to provide hosted computer application services to the **Named Assured** or for processing, maintaining, hosting or storing the **Named Assured's** electronic data pursuant to a written contract with the **Named Assured** for such services.

5. **Cyber Security Event** means:

- a. the actual or reasonably suspected theft, loss or unauthorized disclosure of or access to electronic **Personal Information** in the care, custody or control of an **Assured** or for which the **Assured** is legally responsible; or
- b. a violation or failure of the security of a **Computer System**, including but not limited to unauthorized access, unauthorized use, a denial of service attack, or receipt or transmission of malicious code.

6. **Personal Information** means an individual's name in combination with one or more of the following:

- a. information concerning the individual that constitutes "nonpublic personal information" as defined in the Gramm-Leach Bliley Act of 1999, as amended, and implementing regulations;
- b. medical or health care information concerning the individual, including without limitation "protected health information" as defined in the Health Insurance Portability and Accountability Act of 1996, as amended, and implementing regulations;
- c. the individual's Social Security number, driver's license or state identification number, credit, debit, or other financial account numbers and associated security codes, access codes, passwords or personal identification numbers that allow access to the individual's financial account information; or

- d. other nonpublic personally identifiable information, as protected under any local, state, federal or foreign law;

Provided, however, **Personal Information** does not include information that is lawfully available to the public, including without limitation information lawfully available from any **Assured** or any local, state, federal or foreign governmental entity.

- 7. **Privacy Response Expense** means the following reasonable and necessary costs incurred by the **Named Assured** within one year of the discovery of a **Cyber Security Event** that results in the actual or reasonably suspected theft, loss or unauthorized disclosure of or access to electronic **Personal Information** in the care, custody or control of the **Named Assured** or for which the **Named Assured** is legally responsible:
  - a. For the services of a computer security expert designated by POOL to determine the scope and cause of a Cyber Security Event and the extent to which Personal Information was disclosed to or accessed by unauthorized persons;
  - b. For the services of consultants or attorneys designated by POOL to determine the **Named Assured's** obligations, if any, under applicable law to give notice to affected individuals;
  - c. To notify affected individuals if required by applicable law or if the **Named Assured** voluntarily elects to give such notice, and for the services of a contractor designated by POOL to assist with providing such notice and responding to questions and concerns raised by individuals who are notified;
  - d. For the services of a contractor designated by POOL to provide identity theft protection services to affected individuals if the **Named Assured** elects to provide such services; and
  - e. For the services of a public relations consultant designated by POOL to avert or mitigate damage to the **Named Assured's** reputation as a result of the **Cyber Security Event**;

Provided, however, **Privacy Response Expense** does not include:

- a. any internal salary, administrative, overhead or other related expenses of any **Assured** or any charges by an **Assured** for time spent cooperating with the investigation and response to any **Cyber Security Event**; or
  - b. Claims Expenses.
- 8. **Property Damage** means physical injury to tangible property, including all resulting loss of use or loss of use of tangible property that is not physically injured. For purposes of this definition tangible property does not include information or programs stored as or on, created or used on, or transmitted to or from computer software, including systems and applications software, hard or floppy disks, compact disks, tapes, drives, cells, data processing devices or any other media that are used with electronically controlled equipment.
  - 9. **Suit** means a civil proceeding in which damages are claimed arising out of a **Cyber Security Event** and includes an arbitration proceeding or other alternative dispute resolution proceeding in which such damages are claimed and to which an **Assured** must submit or does submit with the consent of POOL.

## **Summary of Proposed Changes to NPAIP Coverage Form**

The following will serve to explain changes in the coverage provided under the NPAIP Coverage Form, July, 2013- July 2014.

### **Section III. General Conditions – All Sections**

#### **2. LIABILITY CLAIMS**

The Liability Conditions have been moved to the Liability Coverage Section. No changes were made to the Conditions.

#### **3. PROPERTY CLAIMS**

The Property Conditions have been moved to the Property Section. No changes were made to the Property Conditions.

### **Section VI – Liability Exclusions**

In light of the new Section VII. **Cyber Security Event and Privacy Response Expense** coverage, a new exclusion has been added to Section VI:

**22.** Coverage does not apply to any **Cyber Security Event and Privacy Response Expense** as defined in Section VII. **Cyber Security Event and Privacy Response Expense**.

This exclusion is intended to make clear that there is no coverage for **Cyber Security Event and Privacy Response Expense** under Section VI Liability Coverage.

### **Section VII – Cyber Security Event Coverage**

The POOL added a coverage section for **Cyber Security Event and Privacy Response Expense**. The coverage section clearly defines **Cyber Security Event and Privacy Response Expense**, coverages which were not addressed in the POOL Form in the past.

The limit of liability per **Cyber Security Event** is \$2,000,000 with a sublimit for **Privacy Response Expense** of \$500,000 subject to a combined aggregate limit of \$2,000,000.

Approved by Exec comm at 70%  
confidence level 3/4/2013 Approved  
by Board

Comments

Revenues

Assessments Written	\$ 15,764,285	increased 3% for exposure/rates
Other Income	\$ 614,000	decreased due to fixed income market
<b>Total Revenues</b>	<b>\$ 16,378,285</b>	overall 1.7% increase

Loss Fund Expenses

Claims & Adjustment Expenses	\$ 6,113,880	increase 2%
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Program Expenses

Reinsurance Premiums Ceded	\$ 5,083,463	increased 5% for exposure/rates
Agent Compensation	\$ 979,035	slight increase as % of assessments
Willis Pooling & Loss Control Fees	\$ 505,000	no change
ASC Claims Management Fees	\$ 686,938	slight increase per multiyear contract
<b>Total Program Expenses:</b>	<b>\$ 7,254,437</b>	

POOL Administration Expenses

Management Services	\$ 490,136	3% increase per contract
Casualty Insurance	\$ 40,000	
Operating Expenses	\$ 115,500	
Legal Services Fees	\$ 65,000	
Professional Services	\$ 37,700	
Consultants Appraisals	\$ 92,500	
Member Education & Training	\$ 227,600	
HR Services Fees	\$ 535,500	per 3 year grant
<b>Total Administration Expenses</b>	<b>\$ 1,603,936</b>	overall less than 0.5% increase

Total Loss Fund, Program and  
Administration Expenses \$ 14,972,252

Net Revenues Over Expenses \$ 1,406,033

**OTHER BUDGET ITEMS (paid from  
equity):**  
Risk management grant program  
up to 1% of net assets: \$100,000  
minimum

Revenues Building

Rental Income	\$ 259,347	increased due to new tenant
Other Income	\$ 6,000	
	<b>\$ 265,347</b>	

Building Expenses \$ 131,836

**NET BUILDING INCOME** \$ 133,511

OTHER EXPENSES:

PRM Amortization Expense	2,131,205	increased due to higher capitalization to PRM
<b>TOTAL OTHER EXPENSES</b>	<b>2,131,205</b>	

RESOLUTION NO. \_\_\_\_\_  
A RESOLUTION AUTHORIZING MEMBERSHIP IN  
THE NEVADA PUBLIC AGENCY INSURANCE POOL

WHEREAS, Nevada Revised Statutes 277.080 to 277.180 permits local governments to make the most efficient use of their powers by enabling them to cooperate with other local governments on a basis of mutual advantage and thereby provide services which will best accord needs of their communities; and

WHEREAS, Nevada Revised Statutes 277.110, entitled the "Interlocal Cooperation Act", authorizes public agencies to exercise any power or powers, privileges or authority which may be exercised by the public agency individually to be exercised jointly with any other public agency in the State; and

WHEREAS, Nevada Revised Statutes 277.055 permits two or more political subdivisions of the State of Nevada to enter into a cooperative agreement for the purchase of insurance or the establishment of a self-insurance reserve or fund for coverage under a plan of: casualty insurance, as that term is defined in NRS 681A.020; marine and transportation insurance, as that term is defined in NRS 681A.050; property insurance, as that term is defined in NRS 681A.060; surety insurance, as that term is defined in NRS 681A.070; or insurance for any combination of these kinds; and

WHEREAS, public agencies within Nevada have found it increasingly difficult to purchase insurance from commercial sources and where such insurance is available, the cost of such coverage often exceeds the ability of the public agencies to pay for such insurance; and

WHEREAS, the Nevada Association of Counties and the Nevada League of cities have undertaken a series of studies to determine the feasibility of entering into a Interlocal Cooperation Agreement to form the Nevada Public Agency Insurance Pool have concluded that the creation of such a pool is financially and administratively feasible; and

WHEREAS, a number of public agencies desire to join together for the purpose of providing insurance coverage and jointly funding programs of pooled self-insurance; insurance and excess insurance for property, casualty and surety insurance; and

WHEREAS, the governing boards of a number of public agencies have determined that they wish to create a Nevada Public Agency Insurance Pool and an Interlocal Cooperation Agreement for such pool has been drafted; and

WHEREAS, the stated purposes, organization structure and procedural structure contained within that Agreement represent positions shared by this public agency; and

WHEREAS, the governing board of this public body finds that it is in the best interest of its citizens that it become a member of the Nevada Public Agency Insurance Pool,

NOW, THEREFORE, BE IT RESOLVED BY THE \_\_\_\_\_  
OF THE \_\_\_\_\_ OF \_\_\_\_\_,  
\_\_\_\_\_ COUNTY, NEVADA, as follows:

Section 1: That the \_\_\_\_\_  
is hereby authorized to execute on behalf of this public agency the Nevada Public Agency Insurance Pool Interlocal Cooperation Agreement, a copy which is appended to and made a part of this Resolution as Appendix 1.

Section 2: The powers of NPAIP, unless Agreement is amended, shall be limited to those contained within Appendix 1.

Section 3: The commencement of the operations of NPAIP and the obligation of this public agency to fully participate in such operations shall be effectuated in accordance with the Agreement.

Section 4: Except to the extent of the financial contributions to NPAIP this public agency by its entry as a member of NPAIP shall not be held responsible in any way for claims due to the property losses of or claims in tort or contract made against any other member of NPAIP.

PASSED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Governing Board Members

ATTEST:

\_\_\_\_\_, Clerk

**NEVADA PUBLIC AGENCY  
INSURANCE POOL**

**INTERLOCAL COOPERATION  
AGREEMENT**

Adopted: May 1, 1987  
Revised: May 2, 1997  
Revised: May 1, 2000  
Revised: May 2, 2003  
Revised: May 1, 2004  
Revised: April 29, 2005  
Revised: April 28, 2006  
Revised: May 1, 2009

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NEVADA PUBLIC AGENCY INSURANCE POOL  
INTERLOCAL COOPERATION AGREEMENT

THIS AGREEMENT, is made by and between the political subdivisions existing under the Constitution and laws of the State of Nevada and which are signatory to this agreement.

WHEREAS, Nevada Revised Statutes 277.080 to 277.180 permits political subdivisions to make the most efficient use of their powers by enabling them to cooperate with other political subdivisions on a basis of mutual advantage and thereby provide services which will best accord needs of their citizens; and

WHEREAS, Nevada Revised Statutes 277.055 permits two or more political subdivisions of the State of Nevada to enter into a cooperative agreement for the purchase of insurance of the establishment of a self-insurance reserve or fund for coverage under a plan of: casualty insurance, as defined in NRS 681A.020 marine and transportation insurance as defined in NRS 681A.050; property insurance as defined in NRS 681A.060; surety insurance as defined in NRS 681A.070; or insurance for any combination of these kinds of insurance; and

WHEREAS, the political subdivision executing this agreement desire to join together for the purpose of providing insurance coverage and jointly funding programs of pooled self-insurance, insurance and excess insurance for property, casualty and surety insurance; and

NOW THEREFORE, in consideration of the mutual promises and agreements contained herein and subject to the provisions of Nevada Revised Statutes and all other applicable rules and regulations, the parties hereto agree as follows:

**ARTICLE 1**  
**DEFINITIONS**

1. “Agreement” shall mean this agreement entitled “Nevada Public Agency Insurance Pool Interlocal Cooperation Agreement” and as amended in the future.
2. “NPAIP” shall mean the Nevada Public Agency Insurance Pool created by this Agreement.
3. “Board of Directors” or “Board” shall mean the governing body of NPAIP.
4. “Executive Committee” shall mean the Executive Committee of the Board of Directors as described in Article 12 of this Agreement.
5. “Fiscal Year” shall mean that period of twelve months as established by the Board of Directors as the fiscal year of NPAIP.

6. “Policy Year” shall mean for each insurance or pooling program of NPAIP that period commencing upon the effective date of the program and each twelve-month period thereafter.
7. “Public Agency” shall mean any county, incorporated city and town, unincorporated town, school district, rural hospital as defined in NRS 449.0177 whether non-profit or public, and any special or other district or agency per NRS 277.100, organized and existing under the Constitution and laws of the State of Nevada.
8. “Member” shall mean any Public Agency which is a member of NPAIP and such districts to which the Board has granted voting status. Other districts or agencies whether or not the governing body of the City or County is *ex officio* the governing body as described in and subject to Article 3 of this Agreement may be a party to this Agreement but shall not be considered a Member for the purpose of voting or participation as a voting member of the Board or any Executive or other committee in which voting Member status is required except when granted voting status pursuant to the following criteria. Voting status as a Member ~~will exist for~~ may be granted to any Public Agency which meets the following criteria:
  1. Pays annual contributions of at least \$20,000 annually
  2. Maintains a payroll of at least \$500,000 annually
  3. Has property values of at least \$1,000,000 annually.

Such criteria may be changed from time to time by vote of the Board of Directors, which change shall take effect subsequent to the meeting at which the Board approved the changes.

9. “Participating Member”, as used in reference to an insurance or pooling program of NPAIP, shall mean a current Member of that program.
10. “Loss” shall mean a liability or potential liability of a Member including litigation expenses, attorneys’ fees and costs covered by an insurance or pooling program of NPAIP. Loss shall also mean loss or damage to property covered by an insurance or pooling program of NPAIP
11. “Claim” shall mean a claim for liability made against a Member, or a claim for damage to a Member’s property, arising out of a Loss that is covered by an insurance or pooling program of NPAIP.
12. “Self-insured Retention” shall mean that portion of a Loss experienced by a Member which is retained as a liability or potential liability of NPAIP.
13. “Excess or Reinsurance Program” shall mean a program of NPAIP under which Members or Participating Members are protected against designated Losses .
14. “Maintenance Deductible” shall mean, as to any one Loss, that portion payable by the Member directly and not NPAIP or its excess insurers or reinsurers.

**ARTICLE 2**  
**PURPOSES OF NPAIP**

The Members in entering into this Agreement, desire to establish:

- A. A mechanism whereby each Member may join with other Members to pool their risks and insurance programs and jointly administer said programs in an effort to deliver to each of them a reasonable, cost effective casualty, property and surety program;
- B. Procedures whereby additional qualifying political subdivisions of the State of Nevada may be added to this Agreement;
- C. A mechanism whereby additional and/or alternative insurance programs may be developed for the benefit of the Members; and
- D. Administrative services as necessary to implement this Agreement including, but not limited to, risk management consulting, human resources consulting, Loss prevention, Loss control, centralized Loss reporting, actuarial consulting, claims adjusting and legal services.

**ARTICLE 3**  
**PARTIES TO AGREEMENT**

Section 1. Members. Each Member, as a party to this agreement, certifies that:

- A. It intends to and does contract with all other Members as parties to this Agreement and with any other Public Agency as may later be added as parties to this Agreement;
- B. The removal of any party from this Agreement shall not affect this Agreement nor such Member's intent to contract as described in subsection A above with the other parties to the agreement then remaining.

Section 2. Other Districts or Agencies. A Member may contract on behalf of, and shall be deemed to include:

- A. Any district in which the city or county is *ex officio* the governing board, from the date that the Member provides NPAIP written notice of the name and inclusion of such district, upon approval of the Board of Directors;
- B. Any other local Public Agency at its request upon approval of the Board of Directors and from the date that such entity is accepted into NPAIP; and
- C. Such district or other local Public Agency shall be considered a separate party to this Agreement but shall not affect any Member's representation on the Board of Directors and shall be part of and represented by the Member for all purposes under this Agreement.

**Comment [wec1]:** If Pahrump becomes and advisory board, not a town board form of government, does this changes their voting status and create an Exec Comm vacancy? 2/13/2013  
Litigation is pending on appeal to NSC; ICA Art 3, Section 2.C. eliminates vote and gives to County, thus eliminating Executive Committee Membership

Section 3. Membership of Nevada Association of Counties and Nevada League of Cities. The Nevada Association of Counties and the Nevada League of Cities shall become a Member of NPAIP upon its execution of this Agreement, subject to all obligations and rights of all other Members, except that neither shall be counted for the purposes of determining a quorum or the number of votes required for any purpose, and neither shall have an official representative nor be entitled to vote on any matter pursuant to this Agreement.

Section 4. Limitation on Right to Sue. In order to become and to maintain NPAIP Member status, a Member shall not sue or maintain any litigation or lawsuit for damages against NPAIP or its Board and specifically agrees to waive its right to sue or maintain any litigation or lawsuit for damages against NPAIP or its Board. However, this Section does not prohibit any declaratory relief action seeking to interpret this Agreement or any NPAIP coverage agreement.

**ARTICLE 4**  
**NAME OF POOL**

The name of the fund established by the Members hereunder shall be “NEVADA PUBLIC AGENCY INSURANCE POOL.”

**ARTICLE 5**  
**POWERS OF NPAIP**

NPAIP shall have all of the powers common to any Public Agency and all additional powers set forth in the interlocal cooperation laws of the State of Nevada, and NPAIP is authorized to do all acts necessary for the exercise of said powers, including but not limited to, the following:

- A. To make and enter into contracts;
- B. To incur debts, liabilities, and obligations;
- C. To acquire, hold, or dispose of property, contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporations, and governmental entities;
- D. To sue and be sued in its own name;
- E. To settle any claim against NPAIP or its Members as hereinafter provided;
- F. To receive and use contributions and advances from Members, including contributions or advances of personnel, equipment, or property;
- G. To invest any money in its treasury that is not required for its immediate necessities, pursuant to Nevada laws applicable to investments by a Public Agency; and
- H. To carry out all provisions of this Agreement.

**ARTICLE 6**  
**MEMBERSHIP**

Section 1. Eligibility. Membership in NPAIP shall be open to any political subdivision of the State of Nevada that is deemed by the Board of Directors to qualify for membership.

Section 2. Conditions. The Board of Directors may impose such conditions on membership to protect the interests of NPAIP and to provide for the benefits of Members as are required by this Agreement, the Bylaws of NPAIP, and applicable statutes or regulations.

**ARTICLE 7**  
**BOARD OF DIRECTORS**

Section 1. Appointment and Term of Office. Commencing with the effective date of the Agreement and annually thereafter in January, each Member shall appoint a voting representative and an alternate voting representative to the Board of Directors to serve for a term of one year. Such representatives shall be eligible for reappointments for successive one year terms and shall serve until his or her successor is duly appointed.

Section 2. Voting. Each Member shall be entitled to one vote by its representative to the Board or by its alternate voting representative in the absence of the representative. There shall be no voting permitted by proxies or other substitutes. All motions and actions of the Board shall be adopted by a majority of the Board members unless otherwise provided by the Bylaws of NPAIP.

Section 3. Compensation of the Board. Members of the Board shall not receive any salary for their services to the Board, but the Board by resolution may allow actual and necessary expenses for attendance at Regular or Special meeting of the Board.

Section 4. Meetings. The Board shall provide for the holding of Regular and Special meetings.

Section 5. Quorum. A simple majority of the members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board. If less than a quorum is present at any meeting, a majority of those members as may be present may adjourn the meeting from time to time without further notice.

Section 6. Manner of Acting. The act of a majority of the members present at a meeting at which a quorum is present shall constitute an act of the Board.

Section 7. Legal Counsel. The Board shall be advised in legal matters with respect to NPAIP operations by its legal counsel.

**ARTICLE 8**

**MEETING OF THE BOARD OF DIRECTORS**

Section 1. Regular Meetings. The Board shall hold at least one regular meeting each year, scheduling the time, date and place thereof by resolution.

Section 2. Special Meetings. Special meetings of the Board may be called by the Chair of the Board, or in his absence by the Vice Chair, or by any two members of the Board.

Section 3. Minutes. The Executive Director of NPAIP, described in Article 13 hereof, shall provide for the keeping of minutes of Regular and Special meetings of the Board, and shall forward a copy of the minutes to each member of the Board.

Section 4. Open Meeting Law. All meetings of the Board shall be called, notice,

held and conducted in accordance with the provisions of the Open Meeting Laws, Nevada Revised Statutes, Chapter 241, and any other laws of the State of Nevada.

## ARTICLE 9

### POWERS OF THE BOARD OF DIRECTORS

The Board of Directors shall be the governing body of NPAIP to oversee, administer, and determine its overall policies and shall have the following powers and authority:

- A. To manage the affairs of NPAIP and to do all things necessary or convenient for the furtherance of the purposes of NPAIP, including but not limited to: expending and receiving funds; entering into contracts and other agreements; renting, leasing, purchasing and otherwise procuring or receiving property, real and personal; employing personnel either as employees or by contract; and employing professional consultants such as attorneys, auditors, accountants, risk managers and actuaries;
- B. To form an Executive Committee, as provided in Article 12 hereof, and delegate to that committee such powers as it determines, provided that all such delegated powers to Executive Committee shall be exercised under the direction of the Board;
- C. To form committees as appropriate to act in an advisory capacity and to conduct the business of NPAIP, and the membership of such committee may consist in whole or in part of non-Board members;
- D. To elect the officers and appoint staff of NPAIP as may be necessary for the administration of NPAIP and as described in Articles 10 and 13 hereof;
- E. To prepare and adopt the annual operating budget of NPAIP;
- F. To develop and adopt each program of NPAIP, including all provisions for insurance and reinsurance, and administrative services as necessary to carry out such programs;
- G. To provide for necessary services to NPAIP and its Members to include, but not be limited to, risk management consulting, human resources consulting, Loss prevention and control, centralized Loss reporting, actuarial consulting, claims adjusting, and legal services;
- H. To provide general supervision and policy direction to its Executive Director, either directly or through the Executive Committee, and adopt policies and procedures to carry out the purposes of NPAIP;
- I. To receive, review and act upon periodic reports and audits of the funds of NPAIP as required;
- J. To elect the Executive Committee by vote of its members present at

the annual meeting;

- K. To amend the Bylaws of NPAIP by a two-thirds vote of the members present at a meeting, but no amendment shall take effect sooner than thirty days after adoption thereof; and
- L. To remove a member of the Board of Directors or of the Executive Committee by a two-thirds vote of the members present at a meeting.

## **ARTICLE 10**

### OFFICERS

Section 1. Chair and Vice Chair. The Board of Directors shall elect from its members a Chair and Vice Chair of the Board, each to hold office for two years effective from the beginning of the fiscal year following such election.

Section 2. Conducting Meetings. The Chair, or if absent, the Vice Chair, shall preside at and conduct all meetings of the Board and the Executive Committee.

Section 3. Powers and Duties of the Chair. The Chair, or together with such other officer or officers as the Board may designate by resolution, may execute any contracts or other instruments as authorized by the Board and shall generally perform all duties incident to the office of Chair as may be prescribed by the Board.

Section 4. Powers and Duties of the Vice Chair. The Vice Chair shall act as Chair in the latter's absence or inability or refusal to act.

Section 5. Fiscal Officer. The Chair will appoint a Fiscal Officer with duties as described in Articles 15, 16 and 17 hereof to hold office for two years effective from the beginning of the fiscal year contemporaneously with the Chair and Vice Chair.

Section 6. The Fiscal Officer shall chair the Audit Committee.

## **ARTICLE 11**

### LIABILITY OF BOARD OF DIRECTORS OR OFFICERS

Section 1. Standard of Care. The members of the Board of Directors and officers of NPAIP should use ordinary care and reasonable diligence in the exercise of their powers and duties hereunder.

Section 2. Limitation of Liability. The members of the Board of Directors shall not be liable for any mistake of judgment or other action made, taken or omitted by any of their agents, employees or independent contractors selected by them with reasonable care nor for loss incurred through investment of, or failure to invest, NPAIP funds, and no director shall be liable for any action taken or omitted by any other director.

Section 3. No Bonds. No director shall be required to give a bond or other

security to guarantee the faithful performance of duties hereunder.

Section 4. Insurance. NPAIP shall defend and hold harmless any director acting within the scope of his authority for NPAIP. NPAIP may purchase insurance providing coverage for acts or omissions taken by the Board or performed by an officer or director within the scope of his or her authority for NPAIP.

## ARTICLE 12

### EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS

Section 1. Members. NPAIP shall be administered by the Executive Committee of the Board of Directors, composed of ~~no more than seven~~ persons from among the Members of the Board of Directors, two of which shall represent Member counties or cities with a population of 35,000 or more (if there exist two such Members), at least two of which shall represent Member counties or cities with a population under 35,000, two representatives of school districts, one representative of special districts and the Chair and Vice Chair of the Board of Directors. The Executive Director, ~~and the respective executive directors of the Nevada Association of Counties and the Nevada League of Cities~~ shall be *ex-officio*, a non-voting members of the Executive Committee.

**Comment [wec2]:** The list actually is 8 positions. However, presently the vice chair is from one of the 35,000 or more entities. How should this be changed? Added "no more than eight"

Section 2. Business of the Executive Committee. The Executive Committee shall conduct the business of NPAIP between meetings of the Board, exercising such powers as are delegated by and under the direction of the Board. If at a duly noticed Board meeting a quorum of the Board is not present, the Executive Committee hereby is delegated the power to conduct the business of NPAIP on behalf of the Board pursuant to the Board meeting agenda.

Section 3. Meetings. Meetings of the Executive Committee shall be called at the request of the Chair, or in his absence, the Vice Chair, but any two members may request a meeting, and all such meetings shall be conducted in compliance with the provisions of the Nevada Open Meeting Laws.

Section 4. Quorum. A majority of the Executive Committee constitutes a quorum for the transaction of business at any meeting, but if less than a majority is present at any meeting, a majority of the members present may adjourn the meeting from time to time without further notice. Ex-officio members shall not be counted in determining a quorum.

Section 5. Manner of Acting. The act of a majority of the members present at the meeting at which a quorum is present shall be the act of the Executive Committee, unless a greater number is required by law or by the Bylaws of NPAIP. An alternate representative shall not be allowed to act for a member of the Executive Committee.

Section 6. Election and Term of Office. The Executive Committee shall be elected by the Members for two-year terms, which shall be staggered as follows:

- a. Two of the four representatives of cities and counties shall be elected for a two year term effective with the fiscal year beginning 2003
- b. Two of the four representatives of cities and counties shall be elected for a two-year term effective with the fiscal year beginning 2004

- c. One of the two representatives of school districts shall be elected for a two year term effective with the fiscal year beginning 2003
- d. One of the two representatives of school districts shall be elected for a two year term effective with the fiscal year beginning 2004
- e. The representative of special districts shall be elected for a two year term effective with the fiscal year beginning 2003

Succeeding elections to those noted in a-e shall be for two year terms effective with the fiscal year following the election.

**ARTICLE 13**  
**STAFF**

Section 1. Executive Director. The Board may employ or contract for an Executive Director to administer the business and activities of NPAIP, be responsible for all minutes and records of NPAIP meetings, notices and records of NPAIP, and such other duties as are assigned by the Board and the Executive Committee, subject to the general supervision and policy direction of the Board of Directors and the Executive Committee.

Section 2. Other Staff. The Board shall provide for the appointment of such other staff as may be necessary for the administration of NPAIP.

**ARTICLE 14**

**DEVELOPMENT, FUNDING AND IMPLEMENTATION**  
**OF POOLING PROGRAMS**

Section 1. Program Coverage. Pooling or insurance programs of NPAIP may provide coverage for:

- A. Casualty insurance as defined in NRS 681A.020;
- B. Marine and transportation insurance as defined in NRS 681A.050;
- C. Property insurance as defined in NRS 681A.060;
- D. Surety insurance as defined in NRS 681A.070; and
- E. Insurance for any combination of these kinds of insurance.

Section 2. Minimum Participation. The Board shall determine for each pooling program, described in Section 1 above, a minimum participation for program implementation, which shall be communicated to each Member, and shall establish the amount of any Maintenance Deductible.

Section 3. Program and NPAIP Costs. General administrative expenses of NPAIP shall be allocated to the Members as a whole, whether every Member participates in all or part of any program of NPAIP. The Board shall determine the method of allocation to each Member and the amount of each Member's share.

Section 4. Development Charge. Development costs of a program shall be funded by a development charge, as determined by the Board of Directors, to be paid by each Member joining in the development of the program and thereby reserving the option to participate in the program following its adoption by the Board. Development charges are those costs incurred by NPAIP, or by the Nevada Association of Counties acting as sponsor of an Interlocal Cooperation Agreement entered into prior to the creation and

organization of NPAIP, or NPAIP's consultant, in developing a program for subsequent review and adoption by the Board, including but not limited to research, feasibility studies, information and liaison work among Public Agencies, preparation and review of documents, and actuarial and risk management consulting services, and may also include a share of NPAIP's general expense as allocated by the Board of Directors.

Section 5. Billing. The development charge shall be billed to all Members upon authorization of program development by the Board and be payable within thirty (30) days of the billing date, and contributions to the Nevada Association of Counties by interested Public Agencies for development of programs prior to the creation and organization of NPAIP shall be credited against the development charges for those programs assessed by NPAIP.

Section 6. Deficiencies. Upon the conclusion of program development, any deficiency in development funds shall be billed to all Members which have paid the development charge on a pro-rata or other equitable basis as determined by the Board, and any surplus in such funds shall be transferred into the loss reserve for the program, or, if the program is not implemented, NPAIP's general account.

Section 7. Annual Contributions. All costs of program, excluding development charges, shall be funded by annual contributions charged to the Members participating in the program for each Policy Year and also by interest earned on the funds so accumulated. Such contributions shall be determined by the Board upon the basis of a cost allocation plan and rating formula developed by NPAIP with the assistance of a casualty actuary, risk management consultant or other qualified person. The contributions for each Participating Member shall include its share of expected program losses, program insurance and reinsurance costs, program administrative costs for the year, and its share of NPAIP's general expense allocated to the program by the Board.

Section 8. Billing. Annual contributions shall be billed by NPAIP at the beginning of each Policy Year and shall be payable within thirty (30) days of the billing date. At the end of each Policy Year, program costs shall be audited by NPAIP. Any deficiency or surplus in the contributions paid by the Participating Member, as shown by such audit, may be adjusted by a corresponding increase or decrease in the contribution charge to that Member for succeeding years, unless the Member withdraws or is canceled from the program, in which case the provisions of Articles 21, 22, 23, 24 and 25 hereof shall be applicable and controlling.

Section 9. Program Implementation and Effective Date. Following development of a program and its adoption by the Board, NPAIP shall give each Member a written notice of the program which shall include:

- A. The terms of coverage of the program;
- B. The requirements for program implementation; and
- C. The estimated first year contribution by the Member for program participation.

Section 10. Membership. Each Member or Participating Member may elect to enter the program by giving written notice of such election, in a form prescribed by NPAIP, to the Executive Director within thirty (30) days of the date of NPAIP's notice of the establishment of the program.

Section 11. Late Entries. A Member not electing to enter a program upon its implementation or within 120 days thereafter pursuant to Section 10 above, or which becomes a party to the Agreement following implementation of the program, may petition the Executive Committee for late entry into the program.

## ARTICLE 15

### ACCOUNTS AND RECORDS

Section 1. Annual Budget. NPAIP annually shall adopt an operating budget to include a separate budget for each program under development or adopted and implemented by NPAIP.

Section 2. Funds and Accounts. The Fiscal Officer shall oversee such funds and accounts as may be required by good accounting practices and by the Board for each program and the books and records of NPAIP shall be open to inspection at all reasonable times by authorized representatives of Members.

Section 3. Report of the Fiscal Officer. The Fiscal Officer, within one hundred and eighty(180) days after the close of each Fiscal Year, shall give a complete written report of the Annual Audit for such Fiscal Year to the Board and to each Member.

Section 3. Annual Audit. The Board of Directors shall engage a certified public accountant to make an annual Fiscal Year audit of all accounts and records of NPAIP, and a report of the audit shall be filed as a public record by each Member within one hundred and eighty (180) days of the end of the Fiscal Year under examination.

## ARTICLE 16

### RESPONSIBILITIES FOR NPAIP'S FUNDS AND PROPERTY

Section 1. Custody and Disbursements. The Fiscal Officer shall oversee the custody of and disbursement NPAIP's funds, but may delegate that disbursing authority as may be authorized by the Board, subject to the requirements of Section 2 below.

Section 2. Maintenance and Safekeeping. The Fiscal Officer shall assure the following activities are carried out appropriately by the Executive Director who shall:

- A. Receive and acknowledge receipt for all funds of NPAIP and deposit them in NPAIP's Treasury for the credit of NPAIP;
- B. Be responsible for the safekeeping and disbursement of all NPAIP funds;
- C. Pay any sums due from NPAIP as approved by the Board or by any body or person to whom the Board has delegated approval authority;
- D. Verify and report in writing to the Executive Committee or the Board, as of the first day of each quarter of the Fiscal Year, the amount of money held for NPAIP, the amount of receipts since the last such report, and the amount paid out since that report; and
- E. Invest monies in accordance with applicable laws and regulations governing investments by Public Agencies.

Section 3. Responsibility for Funds and Property. The Executive Director, Fiscal Officer, and such other persons as the Board may designate, shall have charge of, administer, and have access to the funds and property of NPAIP.

Section 4. Bonds. NPAIP shall provide for fidelity bond or performance bonds in an amount and form specified by the Board for all of its officers and staff authorized by NPAIP to hold or disburse funds or have charge or access to property of NPAIP.

## ARTICLE 17

### TRUST ACCOUNT, CHECKS, DEPOSITS & REVENUES

Section 1. Establishment of a Trust Account. A trust account shall be established, referred to hereafter as the "Trust Account", in which all Member contributions, policy dividends or premiums received by NPAIP, investments made by NPAIP and income thereon, and any other money or property which shall come into the possession or control of NPAIP shall be placed.

Section 2. Use of the Trust Account. The Board may use the Trust Account to pay all expenses of NPAIP, including, but not limited to, payment of premiums for insurance policies, compensation to employees and staff, legal counsel, auditors, consultants, contracted services and other persons as authorized by the Board.

Section 3. Expenditures from Trust. Expenditures from the Trust Account may be made for payment of Losses, litigation costs, investigation, insurance premiums and deductible amounts, cost of Loss control activities, and any other costs determined by the Board.

Section 4. Excess Funds. Any excess funds in the Trust Account may be used, as determined by the Board, to reduce Member contributions, to increase the cash surplus of NPAIP as determined by policies established by the Board.

Section 5. Expenses of Administration. At its annual organizational meeting, the Board shall approve rates of compensation for administrative expenses incurred for administration of the Trust Account and legal services related thereto and shall approve its budget.

Section 6. Checks. All checks, drafts or orders for payment of money, notes or any other evidence of indebtedness issued in the name of NPAIP shall be signed by the Executive Director, or by such other person and in the manner as the Board may designate, with two signatures required, and in such manner as shall be prescribed.

Section 7. Deposits. All funds of the Board shall be deposited to the credit of NPAIP in such banks, trust companies or other depositories as the Board may determine.

Section 8. Other Funds. NPAIP funds in possession or control of the Board shall be received, disbursed, controlled and accounted for under the supervision of the

Fiscal Officer.

## **ARTICLE 18**

### **RISK MANAGEMENT**

Section 1. **Risk Management Services.** The Executive Director or other individual or organization shall be selected by the Executive Committee to provide risk management and insurance consulting services to include Loss prevention, review of Loss data, promotion and evaluation of Loss prevention programs, and reports to Members. The responsibilities include:

- A. Liaison with the Members' staff assigned the risk management and safety responsibility;
- B. Assistance to members in the development and implementation of risk management policies;
- C. Identification and evaluation of risk and Loss potentials, aided by a claims service company and legal counsel;
- D. Recommendations as to affirmative steps in order to avoid or reduce risks and Losses;
- E. Development of a system of claims reporting and on the scene investigation by Member's personnel; and
- F. Development and production of risk prevention educational programs for Member's personnel.

Section 2. **Treatment of Costs.** Costs of the risk management services shall be a general administrative expense of NPAIP.

## **ARTICLE 19**

### **RESPONSIBILITIES OF MEMBERS**

Members shall have the following responsibilities:

- A. To appoint an officer or employee to be responsible for the risk management function with that Member's organization to serve as a liaison between the Member and the NPAIP for all matters relating to risk management and insurance;
- B. To maintain an active safety program and act upon recommendations of the NPAIP to reduce or eliminate unsafe practices;
- C. To pay development charges, annual contributions, insurance premiums, and contributions surcharges to NPAIP within thirty (30) days of the billing date thereof;
- D. To pay to NPAIP any additional insurance premiums or contributions due as determined and assessed by the Board within thirty (30) days after the Member's act of withdrawal, cancellation, or termination from NPAIP;
- E. To provide NPAIP at its request such other information or assistance as may be reasonably necessary for NPAIP to develop and implement programs under this Agreement;
- F. To cooperate with and assist NPAIP, and any insurer of NPAIP, in all matters relating to this Agreement;
- G. To comply with all Bylaws of NPAIP and other rules adopted by the Board; and

- H. To have such other responsibilities as provided in this Agreement or established by the Board under this Agreement.

## ARTICLE 20

### ADMINISTRATION OF CLAIMS AND LITIGATION

Section 1. NPAIP Responsibilities. NPAIP, at its sole discretion, may undertake and be responsible for the investigation, defense and settlement, of claims made and suits or proceedings instituted against a Member arising out of a covered Loss. NPAIP solely is responsible for investigating, adjusting, evaluating, valuing and settling Property Coverage claims made by Members.

Section 2. Information From Member. A Member shall furnish to NPAIP with respect to any Claim for Loss or potential Loss:

- A. Prompt written notice of any claim made or suit brought against the Member or any claim made for damage to a Member's property;
- B. Any other information requested by NPAIP in order to adjust, investigate, evaluate, value or settle or defend a Claim or Loss;
- C. Cooperation in all matters in which NPAIP is acting on behalf of the Member or any other dispute against NPAIP or against a Member.

Section 3. Appointment of Claims Committee. The Chair of the Board shall appoint a five member committee as necessary, to be entitled the "Claims Committee", to oversee claims services and to settle appeals of coverage determinations made by the Claims Administrator. The Executive Director, Risk Manager, Claims Administration Company, and NPAIP's Administrator shall be non-voting, ex-officio members of the Claims Committee.

Section 4. Litigation Cooperation. Members shall be kept advised of the progress of litigation. All claims or cases shall be referred immediately to NPAIP's Claims Administrator by the Member upon which notice is given by a claimant or a complaint served. The Claims Administrator shall review the claim or case, investigate the facts where appropriate, and assign defense counsel from NPAIP's panel of approved defense counsel. A Member may request assignment of a specific panel counsel, but such assignment shall be made solely in the discretion of NPAIP and its Claims Administrator. The assigned defense counsel shall cooperate with the Member's legal counsel in the defense or settlement of litigation.

Section 5. Litigation Management. Management of litigation shall include evaluation of claims, assignment of qualified attorneys to represent the Member, monitoring of the litigation, providing periodic status and evaluation reports to the Executive Director, aid in promoting and evaluation risk management, and recommending reserves for claims in litigation.

Section 6. Litigation Costs. Litigation Management and fees from general counsel shall be treated as a general expense of NPAIP and fees of defense counsel shall be treated as a claims expense.

Section 7. Litigation Participation. A Member at its expense, shall have the right to participate with NPAIP in the settlement, defense, or appeal of such claim, suit or proceeding which, in the judgment of NPAIP, may involve liability of NPAIP.

Section 8. Advice From Members. Members will be given a reasonable opportunity in litigated cases or claims to advise NPAIP of the Members' preference with regard to settlement of the case or claim.

Section 9. Settlement Consent. A Member shall not enter into any settlement involving liability of NPAIP without the prior consent of NPAIP.

Section 10. Claims Handling. NPAIP shall select a duly licensed claims administration company on the basis of its ability to handle claims in a professional, efficient and economical manner, and to be responsible for investigating, adjusting, evaluating, valuing and settling all Claims made against the Member or against NPAIP.

Section 11. Claim Administration Company Responsibilities. NPAIP Claims Administration Company selected by NPAIP shall:

- A. Investigate, adjust, evaluate, value and settle all claims against NPAIP or its Members for which coverage may be afforded under the terms of NPAIP Coverage Form and as directed by the Claims Committee;
- B. Make settlements in accordance with the authority delegated by the Board in the Claims Administrator's contract;
- C. In addition to actually paying covered claims, provide periodic claim reports detailing each Member's losses, recommend proper and adequate reserves for outstanding and anticipated claims, file required reports to the State of Nevada, and provide any other related services as approved by the Board; and
- D. Refer cases which may require review by the Claims Committee or the Litigation Strategy Committee and consult with NPAIP's general counsel with respect to legal issues as necessary.

## **ARTICLE 21**

### **TERM OF AGREEMENT**

This Agreement shall be effective upon execution by the signatory parties and shall remain in effect until:

- A. Terminated upon election of three-fourths of the Members; or
- B. Suspended or superseded by a subsequent agreement between the

Members.

**ARTICLE 22**  
**WITHDRAWAL**

Section 1. Member Insolvency. A Member may not withdraw as a Member for a period of two (2) years after its initial entry, except in case of insolvency or change in its legal status as a Public Agency.

Section 2. Notice of Withdrawal. After two years following its initial entry, a Member may withdraw from NPAIP upon giving one-hundred twenty (120) days written notice to the Board [in advance of the program renewal date](#).

Section 3. Effect of Withdrawal. The withdrawal of a Member shall not affect the continuance of NPAIP by the remaining Members.

Section 4. Payments Before Withdrawal. In order to withdraw, the Member shall pay any outstanding amounts due and owing to NPAIP.

Section 5. Release Conditions. Withdrawal does not release the withdrawing Member from liability for further payments or assessments as provided elsewhere in this Agreement.

**ARTICLE 23**  
**CANCELLATION OR TERMINATION OF MEMBERSHIP**

The Board of Directors:

- A. May cancel the membership of any Member in NPAIP on a vote of two-thirds of the Board members present at a meeting called for that purpose, and such Board action shall result in the cancellation of that Member's participation in all programs of NPAIP as of the date of the Board cancellation;
- B. May cancel any Member's participation in a program of NPAIP without canceling its membership in NPAIP or participation in other programs on a vote of two-thirds of the Board members present at a meeting called for that purpose;
- C. Cause NPAIP to give one hundred twenty (120) days advance written notice to the Member of the effective date of any cancellation under the foregoing provisions, and upon such effective date, the Member shall be considered as having voluntarily withdraw from NPAIP, or from the program of NPAIP, as the case may be.
- D. Cancel the membership of any Member that has not paid any assessments when due upon thirty (30) days notice to the Member. Such notice for non-payment may be issued by the Executive Director without a vote of the Board of Trustees; however, the Executive Committee will be

informed of the situation. The Executive Director may reinstate membership upon receipt of payment of the assessments prior to the effective date of the notice of cancellation. If payment is not received prior to the effective date of the notice of cancellation, the Member may apply for reinstatement through the Executive Director, which may be granted only by the Executive Committee.

## **ARTICLE 24**

### **EFFECT OF WITHDRAWAL OR CANCELLATION FROM NPAIP**

Section 1. Unearned Contributions. If a Member's participation in a program of NPAIP is canceled under Article 23 hereof, with or without cancellation of membership in NPAIP, and such cancellation is effective before the end of the Policy Year for that program, NPAIP shall promptly determine and return to the Member the amount of any unearned contributions payments for the Policy Year.

Section 2. Entitlement to Return of Contributions. Except as provided in Section 1 above, a Member, which withdraws or has its membership canceled in NPAIP or from any program of NPAIP, shall not be entitled to the return of any contributions or other payments to NPAIP, or of any property contributed to NPAIP.

Section 3. Termination of NPAIP. In the event of termination of this Agreement and concomitantly NPAIP, a Member having withdrawn or its membership canceled prior thereto may share in the distribution of assets of NPAIP as determined by the Board.

## **ARTICLE 25**

### **TERMINATION AND DISTRIBUTION OF ASSETS**

Section 1. NPAIP Activities After Termination. If this Agreement is terminated at any time, NPAIP shall continue to exist after such termination for the limited purpose of disposing of all outstanding claims, distributing its assets, and performing all other functions necessary to conclude its affairs and business.

Section 2. Asset Distribution. All assets of NPAIP utilized in each program shall be distributed among those Members which participated in that program in accordance with a distribution plan developed by the Board. . The Board shall determine such distribution within six months after final distribution of all claims pending at the termination of this Agreement and NPAIP.

Section 3. Final Contributions. Any Member, which was a participant in a program of NPAIP, shall be responsible for any additional amount of contributions as determined by the Board in accordance with a Loss allocation formula as necessary for final disposition of all claims arising from losses under that program during the Member's period of participation.

**ARTICLE 26**  
**CONTRACTUAL OBLIGATION AND MEMBER'S LIABILITY**

Section 1. Member's Additional Obligations. In addition to the obligations and responsibilities of the Members expressly set forth in this Agreement, the Members agree to take no action or engage in any conduct inconsistent with this Agreement and the Bylaws of NPAIP.

Section 2. Enforcement of This Agreement. Except as limited by the provisions in Article 3, Section 4, the terms of this Agreement may be enforced in a court of law either by NPAIP or by any of its Members.

Section 3. Consideration. The consideration for the duties herewith imposed upon the Members to take certain actions and to refrain from certain other actions shall be based upon the mutual promises and agreements of the Members set forth herein.

Section 4. Duplicate Originals. This Agreement and the Bylaws of NPAIP may be executed in duplicate originals, and their execution and approval by the Members shall be evidenced by a certified copy of a resolution by the Board of Directors, provided, however, that except to the extent of the financial contributions to NPAIP agreed to herein, or such additional obligations as may come about through amendments to the Agreement, or the Bylaws of NPAIP, no Member shall be responsible for any claims in tort or contract asserted against any other Member.

Section 5. Limitation of Members' Relationships. In the creation of NPAIP, the Members intend only to establish an organization for joint insurance and self-insurance programs in accordance with the terms and within the scope of this Agreement and have not intended to create as between Members any other relationships of surety, indemnification or responsibility for the debts or claims of any other Member.

Section 6. Members' Liability. The liability of each Member for the obligations of NPAIP shall be individual, several and proportionate liability, and not joint.

Section 7. Responsibility For Assessments. Members who have withdrawn or have been terminated shall remain subject to the payments of any assessments for the year(s) during which such Member was a participant in the program of NPAIP.

**ARTICLE 27**  
**ASSESSMENTS**

Section 1. Additional Contributions and Surcharges For Excessive Losses. If NPAIP experiences such a number of Losses or costs under a program during a Policy Year, so that notwithstanding insurance and reinsurance coverage for individual Losses, the joint pooled funds for the program may be exhausted, the Executive Committee may, upon consultation with a casualty actuary, impose contributions and/or surcharges on all Participating Members, which, in total amount, will assure adequate resources to NPAIP for the payment of all such Losses, but not to exceed two times the most recent annual

contribution without approval of two-thirds of the Board of Directors.

Section 2. Assessments When Liabilities Exceed Assets. The amount of any liability in excess of assets shall be assessed to the Members that are or were members of NPAIP within thirty (30) days after a deficiency is identified and shall be payable thereafter by the Members within ninety (90) days.

Section 3. Assessments For Operational Costs Deficiencies. The Board at its discretion may assess the Members for cost incurred in the operation and maintenance of NPAIP and for its purposes in the form, manner and amount prescribed by the Board for the Policy Year out of which the deficiency arose.

Section 4. Enforcement of Assessments. NPAIP is empowered to enforce the assessments hereunder and as provided elsewhere in this Agreement by appropriate legal proceedings.

**ARTICLE 28**  
**BYLAWS AND PROCEDURES MANUAL**

Section 1. Bylaws. The Board shall adopt Bylaws to provide for the operation and administration of NPAIP.

Section 2. Procedures Manual. The Board shall cause the preparation of a Procedures Manual to govern the day-to-day operations of NPAIP.

**ARTICLE 29**

**NOTICES**

Section 1. Notices To Members. NPAIP shall address all notices, billings and other communications to a Member under this Agreement as directed by the Member to NPAIP.

Section 2. Notices To NPAIP. Members shall address notices and communications to NPAIP to the Executive Director, Nevada Public Agency Insurance Pool, 201 S. Roop Street, Suite 102, Carson City, Nevada, 89701.

**ARTICLE 30**  
**AMENDMENT**

This Agreement may be amended at any time by a vote of two-thirds of the Members; ~~acting through their governing bodies.~~

**ARTICLE 31**

**PROHIBITION AGAINST ASSIGNMENT**

No Member may assign any right, claim or interest it may have under this Agreement, and no creditor, assignee or third party beneficiary of any Member shall have any right, claim or title to any part, share, interest, fund, contribution, premium or asset of NPAIP.

**ARTICLE 32**

**AGREEMENT COMPLETE**

The foregoing constitutes the full and complete Agreement of the Members. There are no oral understanding or agreements not set forth in writing herein.

**ARTICLE 33**

**GOVERNING LAW AND SEVERABILITY**

Section 1. Governing Law. The construction, validity, and affect of this Agreement shall be governed by the laws of the State of Nevada.

Section 2. Severability. Should any covenant, condition, term or provision in this Agreement be deemed by a court of competent jurisdiction to be invalid or unenforceable, all of the remaining covenants, conditions, terms and provisions herein shall remain in full force and effect.

**ARTICLE 34**

**FILING WITH ATTORNEY GENERAL**

The Executive Director of NPAIP shall file a notice of this Agreement with the office of the Attorney General within thirty (30) days of its effective date as required by Nevada Revised Statutes.

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**BYLAWS**

Revised: May 1, 2000  
Revised: May 2, 2003  
Revised: May 1, 2009

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**BYLAWS OF THE  
NEVADA PUBLIC AGENCY INSURANCE POOL**

**ARTICLE I: POOL PHILOSOPHY AND STRUCTURE**

SECTION 1.01. PHILOSOPHY.

The philosophy of the Pool is to maintain long term stability in the costs and coverages provided by the Pool to its Members through risk management.

SECTION 1.02. GENERAL STRUCTURE.

The Pool is governed by its Board of Directors consisting of representatives of Members as defined in the Interlocal Cooperation Agreement.

SECTION 1.03. DUTIES AND RESPONSIBILITIES.

The responsibilities of the Pool to Members shall be:

- (a) To provide a source of coverage for property, casualty and surety claims or losses ;
- (b) To provide such risk management services and materials for education purposes as the Members determine are necessary and affordable;
- (c) To provide guidance in organization and operation of a risk management program by each Member;
- (d) To provide risk management advice when needed or necessary;
- (e) To conduct the business of the Pool so as to continue to operate as a Pool; and
- (f) To collect and disburse funds for the sound financial organization and operation of the Pool.

SECTION 1.04. DUTIES AND RESPONSIBILITIES OF A MEMBER.

The duties and responsibilities of a Member shall be:

- (a) To comply with the Interlocal Cooperation Agreement, Bylaws, rules, regulations and objectives of the Pool;
- (b) To maintain good community relations with the primary objective being reduction of risks;
- (c) To make timely submissions to the Pool and its insurers of contributions to the Pool's Loss Fund, administrative fees, and insurance premiums;
- (d) To publish for the Member and the files of the Pool, guidelines for the operation of the Member's Risk Management Program;
- (e) To appoint a Pool Liaison and to support the purposes of that function in accordance with Article 19 of the Interlocal Cooperation Agreement;
- (f) To comply with the requirements of the Pool and to submit claims to the claims servicing organization promptly;
- (g) Maintenance Deductibles - Each Member's maintenance deductible is chargeable to the Member at the time of payment made on a claim by the Pool. The maintenance deductible applies once to each loss, whether it involves property, liability, crime or any combination of coverages. Each member shall reimburse the Pool's Loss Fund promptly and not later than 30 days after billing. Should the Member dispute the applicability of the maintenance deductible, the Member shall pay the amount due with an accompanying request for review by the Executive Committee, whose decision shall be final; and
- (h) Each Member shall establish a fund or account for the purposes stated in the following description entitled "Self-Insurance Fund" which shall be administered by the Pool Liaison or such other person as designated by the Member.

#### SELF-INSURANCE FUND

1. This fund has been established to: pay for losses not covered by the Nevada Public Agency Insurance Pool or which are within the Pool member's maintenance deductible including:
  - a. damage to or destruction of vehicles involved in accidents,
  - b. liability claims and expenses,

- c. property claims,
  - d. other claims or uses deemed appropriate by the governing board.
2. This fund will maintain reserves for catastrophic or uninsured claims.
  3. The administrator of the fund is the Pool Liaison.
  4. Claims that are deemed appropriate according to the risk management policies of the governing board will be paid from the Self-Insurance Fund.
  5. Any questions regarding the Self-Insurance Fund (claims to be paid, etc.) should be directed to the Pool Liaison.

#### SECTION 1.05. NEW MEMBERS.

The Board shall have sole power to accept new Members when a prospective Member demonstrates:

- (a) A desire to join the Pool;
- (b) Willingness to abide by the Interlocal Cooperation Agreement, Bylaws, rules, regulations and objectives of the Pool;
- (c) That its risks and loss history are acceptable to the Board; and
- (d) That it agrees to maintain a strong risk management program.

### **ARTICLE II: OFFICES**

#### SECTION 2.01. PRINCIPAL OFFICE.

The Organization's principal office shall be fixed and located in such place as the Board shall determine. The Board is granted full power and authority to change said principal office from one location to another.

SECTION 2.02. OTHER OFFICES.

Branch or subordinate offices may be establish at any time by the Board at any place or places.

**ARTICLE III: MEMBERS MEETINGS**

SECTION 3.01. PLACE OF MEETINGS.

Meetings of the entire Membership shall be held at any place designated by the Board.

SECTION 3.02. ANNUAL MEETINGS.

The annual meeting of all Members of the Pool shall be held prior to the end of each fiscal year. The Executive Committee shall be elected at the annual meeting and any other proper business may be transacted at the annual meeting.

SECTION 3.02. SPECIAL MEETINGS.

Special meetings of the Membership shall be held as may be determined necessary by the Executive Committee or the Board.

SECTION 3.04. NOTICE OF ANNUAL OR SPECIAL MEETINGS.

Written notice of each annual or special meeting of Members shall be given in accordance with the Nevada Open Meeting Law NRS Chapter 241 Such notice shall state the place, date and hour of the meeting, and

- (a) in the case of a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or
- (b) in the case of the annual meeting, those matters which the Board, at the time of the mailing of the notice, intends to present for action.

### SECTION 3.05. CONDUCT OF MEMBER MEETINGS.

The Chair of the Board may preside as Chair at all meetings of the Members. The Chair shall conduct each such meeting in a business like and fair manner, but shall not be obligated to follow any technical, formal or parliamentary rules or principles of procedure. The Chair shall have all of the powers usually vested in the Chair of a meeting of Members.

## **ARTICLE IV: DIRECTORS**

### SECTION 4.01. POWERS.

Subject to any limitations contained in the Nevada Public Agency Insurance Pool Interlocal Cooperative Agreement ("Agreement"), these Bylaws or the Law relating to action required to be approved by the Members or by a majority of all the Members, the activities and affairs of the Pool shall be conducted and all powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the activities of the Pool to any person or persons, management company, or committee however composed, provided that the activities and affairs of the Pool shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these Bylaws:

- (a) To select and remove all officers, agents, service providers and employees of the Pool, prescribe powers and duties for them as may not be inconsistent with law, the Agreement or these Bylaws, fix their compensation and require from them such security, if any, for faithful service as the Board may deem appropriate;
- (b) To conduct, manage and control the affairs and activities of the Pool, and to make such rules and regulations therefor not inconsistent with Law, the Agreement or these Bylaws, as they may deem appropriate;
- (c) To authorize memberships in the Pool from time to time, upon such terms and for such consideration as may be lawful; and
- (d) To borrow money and incur indebtedness for the purposes of the Pool, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages,

pledges, hypothecations or other evidence of debt and securities therefor.

#### SECTION 4.02. ALTERNATE VOTING REPRESENTATIVE.

The Alternate Voting Representative to the Board of Directors shall have the full powers of the Representative when attending Board meetings in place of the Representative.

#### SECTION 4.03. RIGHTS OF INSPECTION.

Every director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the Pool.

#### SECTION 4.04. VACANCIES.

- (a) Subject to the provisions of the Agreement, any director may resign effective upon giving written notice to the Chair of the Board, the Executive Director, or the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be selected before such time, to take office when the resignation becomes effective.
- (b) Vacancies on the Board, ~~except those existing as result of a removal of a director, may be filled by a majority of the remaining directors, although less than a quorum, or by a sole remaining director at any regular or special meeting of the Board. Each director so selected shall hold office until the next meeting of the Member and until a successor has been selected and qualified. May be filled by~~The Member shall at its next regular meeting ~~appoint a replacement director.~~
- (c) A vacancy in the Board shall be deemed to exist in case of the withdrawal of the Member from NPAIP, death, resignation or removal of any director, or if the authorized number of directors be increased, or if a Member fails, at any regular or special meeting of the Member at which any director is elected, to elect its authorized director.
- (d) The Board may declare vacant the office of a director who has been declared of unsound mind by a final order of court, convicted of a felony, or been found by a final order or judgment of any court to have breached any duty arising under the laws of the State of Nevada or the Agreement. In addition, the Board may remove, and declare vacant, the office of a director who fails to attend any Board meetings within any one fiscal year.

#### SECTION 4.05. REMOVAL OF DIRECTORS.

Except as otherwise provided by the Law, any or all directors may be removed with or without cause, if approved by the Members.

#### SECTION 4.06. FEES AND COMPENSATION.

Directors shall not receive any compensation for their services as directors or as Members of committees or commissions, but, by resolution of the Board, reimbursement or advancement may be made for any expenses incurred or paid by them for the benefit of the Pool.

The Pool shall not make any loan of money or property to, or guarantee the obligation of, any director or officer, unless approved by the Nevada Attorney General.

### **ARTICLE V: COMMITTEES**

#### SECTION 5.01. EXECUTIVE COMMITTEE:

- (a) Appointments to the Executive Committee shall be by a majority vote of the directors then in office. A majority of all the Members of the Executive Committee may determine its rules of procedure unless the Board shall otherwise provide. The Board shall have the power to change the Members of the Executive Committee at any time, either with or without cause, and to fill vacancies; provided, however, that all appointments to the Executive Committee shall be by a majority vote of the directors then in office.
- (b) The Board may, at any regular or special meeting, overrule any action or actions of the Executive Committee by a majority vote of all Members of the Board, provided that any such action will not affect the contractual rights of parties outside the Organization.

#### SECTION 5.02. STANDING OR SPECIAL COMMITTEES.

- (a) In the event that the Board determines that the management of the NPAIP would be benefited by the establishment

of one or more standing or special committees, in addition to the Executive Committee, the Board may from time to time establish one or more such committees.

- (b) The term "standing committee" or "special committee" shall mean any committee appointed by the Board which is authorized by specific delegation, without further Board action, to make and implement decisions on behalf of the Board, or to implement, with some degree of discretion, decisions of the Board pursuant to guidelines established by the Board.
- (c) The establishment of a standing or special committee shall be effected by a resolution of the Board approved by the vote of the majority of the directors then in office, which specifically sets forth the powers and duties delegated to such committee and specifically identifies the committee as a "standing" or "special committee." Each such committee shall consist of two or more directors and shall be presided over by a director selected by the Board.
- (d) Notice of, and procedures for, meetings of standing or special committees shall be as prescribed by the Chair of each such standing or special committee, and meetings of standing or special committees may be called by the Board or the Chair of the standing or special committee.

#### SECTION 5.03. LIMITATIONS UPON COMMITTEES OF THE BOARD.

No committee of the Board shall have any of the authority of the Board with respect to:

- (a) The approval of any action for which the Law or Agreement also requires approval of the Members or approval of a majority of all Members;
- (b) The filling of vacancies on the Board or on any committee which has the authority of the Board;
- (c) The amendment or repeal of Bylaws or the adoption of new Bylaws;
- (d) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; and
- (e) The appointment of other committees of the Board or the Members thereof if such committee will have the authority of the Board.

SECTION 5.04. TASK FORCES.

The Chair of the Board, the Board, the Executive Committee or the Executive Director may from time to time appoint such task forces as deemed appropriate, consisting of directors or persons who are not directors, but such task forces shall not be deemed committees of the Board and shall not exercise any powers of the Board. Notice of, and procedures for, meetings of task forces shall be as prescribed by the Chair of each such task force, and meetings of task forces may be called by the Chair of the Board, the Board, the Executive Committee, the Executive Director, or the Chair of the task force.

**ARTICLE VI: OFFICERS**

SECTION 6.01. OFFICERS.

The officers of the Pool shall be the Chair and the Vice Chair of the Board.

SECTION 6.02. ELECTION.

Members shall elect one Director, by a majority of the votes cast, to serve a two year term as Chair and one Director to serve a two year term as Vice Chair.

SECTION 6.03. SUBORDINATE OFFICERS.

The board may elect, and may empower the Chair to appoint, such other officers as the business of the NPAIP may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

SECTION 6.04. REMOVAL AND RESIGNATION.

The Chair or any other officer may be removed at any time, either with or without cause, by the vote of two-thirds of the entire Board or, in the case of an officer who is chosen under Section 6.03, by any officer upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving written notice to the Pool, but without prejudice to the rights, if any, of the

NPAIP under any contract to which the officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified herein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

#### SECTION 6.05. VACANCIES.

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular election or appointment to such office, provided that such vacancies shall be filled as they occur and not on an annual basis.

#### SECTION 6.06. CHAIR OF THE BOARD.

The Chair of the Board shall assume the duties and responsibilities normally associated with the position or those duties assigned by the Board.

#### SECTION 6.07. POOL EXECUTIVE DIRECTOR.

The Pool Executive Director shall be the chief administrative officer of the Pool and, subject to the control of the Board, shall:

- (a) Supervise, direct, and control the business and affairs of the Pool;
- (b) Provide adequate staff to administer the Pool;
- (c) Supervise, direct, and control the collection, deposit, investment, and disbursement of all funds of the Pool in accordance with the specific or general instructions of the Executive Committee or the Board;
- (d) Be a nonvoting ex-officio member of the Board, Executive Committee, and all standing committees and, whenever practical, serve as the staff adviser and recording secretary thereof;
- (e) Have the general powers and duties of management usually vested in the office of a Pool Executive Director or general manager of a quasi-governmental organization; and

- (f) Have such other powers and duties as may be prescribed by the Board or these Bylaws.

#### SECTION 6.08. FISCAL OFFICER.

The Board shall designate a member of the Board to serve as the Fiscal Officer of NPAIP.

### **ARTICLE VII: MISCELLANEOUS**

#### SECTION 7.01. INSPECTION OF AGREEMENT AND BYLAWS.

The Pool shall keep in its principal office in the State of Nevada the original or a copy of its Agreement and of these Bylaws as amended to date, which shall be open to inspection by the Members at all reasonable times during office hours. The Pool shall upon the written request of any Member furnish a copy of the Agreement or Bylaws as amended to date.

#### SECTION 7.02. ENDORSEMENT OF DOCUMENTS: CONTRACTS.

Subject to the provisions of applicable law, no note, mortgage, evidence of indebtedness, contract, conveyance or other instrument in writing and any assignment or endorsement thereof executed or entered into between the Pool and any other person shall be valid and binding on the Pool unless the signing officers had the authority to execute the same. Unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Pool by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

#### SECTION 7.03. CONSTRUCTION AND DEFINITIONS.

Unless the context otherwise requires, the general provision, rules of construction and definitions contained in the provisions of Nevada Law shall govern the construction of these Bylaws.

#### SECTION 7.04. MAINTENANCE OF CORPORATE RECORDS.

The accounting books, records, minutes of proceedings of the Board and the Executive Committee shall be kept at such place or places designated by the Board or, in the absence of such designation, at the principal business office of the Pool. The

minutes shall be kept in written or typed form, and the accounting books and records shall be kept either in written or typed form, or in any other form capable of being converted into written, typed or printed form.

#### SECTION 7.05. ANNUAL REPORT.

The Board shall cause an annual report to be furnished to the directors and Members not later than one hundred eighty days after the close of the Pool fiscal year. The annual report shall be accompanied by any report thereon of independent accountants, or, if there is no such accountant's report, the certificate of an authorized officer of the Pool that such statements were prepared without audit from the books and records of the Pool. The annual report shall contain in appropriate detail the following:

- (a) The assets and liabilities, including the trust funds, of the Pool as of the end of the fiscal year;
- (b) The principal changes in assets and liabilities, including trust funds, during the fiscal year;
- (c) The revenue or receipts of the Pool, both unrestricted and restricted to particular purposes, for the fiscal year; and
- (d) The expenses or disbursements of the Pool, for both general and restricted purposes, during the fiscal year.
- (e) The annual financial report shall be prepared in accordance with Generally Accepted Accounting Principles

#### SECTION 7.06. FISCAL YEAR.

The fiscal year of the Pool shall commence on July 1 of each year and end on June 30 of the following year.

### **ARTICLE VIII: AMENDMENTS**

#### SECTION 8.01. BYLAWS.

- (a) New Bylaws may be adopted or current Bylaws may be amended or repealed by the vote of two-thirds of the Members.
- (b) In addition to the right of the members as provided in subparagraph (a) to adopt, amend or repeal Bylaws, and except as otherwise provided in the Law, Bylaws may be adopted, amended or repealed by the Board by a two-thirds vote of the directors present and voting (but not less than

a majority of the entire Board) at a Board meeting unless the action would materially and adversely affect the rights of the Members as to voting.

#### SECTION 8.02. INTERLOCAL COOPERATION AGREEMENT

The Interlocal Cooperation Agreement may be amended if approved by a two-thirds vote of the directors present and voting (but not less than a majority of the entire Board) at a Board meeting.

#### SECTION 8.03. ADOPTION.

These Bylaws were adopted by the vote of two-thirds of the Members, present in person, at the annual meeting of the Members. These Bylaws shall become effective immediately upon adoption and repeal and supersede all previous Bylaws of this Pool.

**POOL Executive Committee**

	Re-election Term	Entity	Chair and Vice Chair	Counties/Cities With Less Than 35,000 Population (Total 2)	Counties/Cities With 35,000 or More Population (Total 2)	School Districts (Total 2)	Special Districts (Total 1)
Mike Rebaleati	2011-2013	Eureka County	Chair				
Cash Minor	2011-2013	Elko County	Vice Chair		X		
Pat Whitten	2011-2013	Storey County		X			
Josh Foli	2011-2013	Lyon County			X		
Lisa Jones	2011-2013	Eureka Co. School District				X	
Dan Newell	2012-2014	City of Yerington		X			
Kevin Curnes	2012-2014	Carson City School District				X	
Gerry Eick	2012-2014	Incline Village GID					X

**Eligible Special Districts/Towns:**

Bob Spellberg	Gardnerville Ranchos GID	x
tbd	Sun Valley GID	x
Bill Kohbarger	Town of Pahrump	x
James Eason	Town of Tonopah	x
Gerry Eick	Incline Village GID	x

# *Public Risk Mutual*



**Notice of Annual Members Meeting and Agenda for  
Public Risk Mutual  
Place: John Ascuaga's Nugget, Sparks, Nevada  
Time: Upon Adjournment of  
Nevada Public Agency Insurance Pool Board Meeting  
Date: April 26, 2013**

## **AGENDA**

- 1. Roll**
- 2. Action Item: Approval of**
  - a. Minutes of Annual Member Meeting April 27, 2012**
  - b. Ratification of Board Action Taken Since the 2012 Annual Meeting**
- 3. Report - Minutes of Meetings**
  - Meeting of the Board of Directors of April 24, 2012**
  - Meeting of the Board of Directors of October 23 2012**
  - Meeting of the Board of Directors of December 18, 2012**
  - Meeting of the Board of Directors of March 4, 2013**
- 4. Investments Report (including Investment Policy changes and Money Management Controls)**
- 5. Report - Audited Financial Reports for 2012 (Calendar Year)**
- 6. Action Item: Status Report – Change of PRM to Single-Parent Status**
- 7. Discussion of Reinsurance Program Provided to Nevada Public Agency Insurance Pool for its Fiscal Year 2013-2014**
- 8. Action Item: Elections/Ratification of Board Members and Officers**
- 9. Action Item: Adjournment**

# Public Risk Mutual



**Minutes of Annual Members Meeting of  
Public Risk Mutual  
Place: John Ascuaga's Nugget, Sparks, Nevada  
Time: Upon Adjournment of  
Nevada Public Agency Insurance Pool Board Meeting  
Date: April 27, 2012**

## **1. Roll**

A sign in sheet was distributed and a quorum determined to be present. Chairman Cash Minor called the meeting to order at 3:08 p.m.

- ## **2. Action Item: Approval of**
- a. Minutes of Annual Member Meeting April 29, 2011**
  - b. Ratification of Board Action Taken Since the 2011 Annual Meeting**

On motion and second to approve the minutes and to ratify board actions, the motion carried.

## **3. Report - Minutes of Meetings**

- **Meeting of the Board of Directors of April 26, 2011**
- **Meeting of the Board of Directors of July 8 2011**
- **Meeting of the Board of Directors of December 22, 2011**
- **Meeting of the Board of Directors of February 24, 2012**

No action was taken.

## **4. Investments Report (including Investment Policy changes and Money Management Controls)**

Doug Smith commented that the investment advisor's and manager's report heard under the Joint POOL/PACT agenda covered this topic so nothing further was necessary.

## **5. Report - Audited Financial Reports for 2011 (Calendar Year)**

Chair Minor noted that the board had accepted the audit and that this was a report item only,

## **6. Action Item: Report – Nevada Insurance Division Examination and Willis Captive Strategic Review**

Doug Smith explained that both PCM and Public Risk Mutual had funded a study by Willis regarding potentially re-domiciling the captives and/or whether the current association captive form should be changed to a pure captive form. The report showed some concerns about the regulatory environment in Nevada versus other domiciles as one reason to consider changing, although there are political, practical and cost implications that may be of concern.

On motion and second to direct staff to explore the domicile issues and the pure captive option further, the motion carried.

**7. Discussion of Reinsurance Program Provided to Nevada Public Agency Insurance Pool for its Fiscal Year 2012-2013**

Doug Smith noted that this had been discussed fully by the PRM board prior to offering terms to POOL, which were discussed under the POOL annual meeting agenda. No action was taken.

**8. Action Item: Elections/Ratification of Board Members and Officers**

Doug Smith noted that Jeff Zander no longer was able to serve and that Paul Johnson had agreed to serve on the PRM board, including assuming Jeff's responsibilities as Fiscal Officer/Corporate Treasurer. This would make both the PCM and PRM boards the same, which carries some logistical efficiencies. Also it keeps a school member involved. On motion and second to elect Paul Johnson to the board (term – 2012 -2015) and to reelect/ratify the officers, the motion carried.

**9. Action Item: Adjournment**

On motion and second to adjourn, the meeting was adjourned at 3:11 p.m.

# Public Risk Mutual



201 S. Roop St., Suite 102  
Carson City, NV 89701-4790  
775-885-7475

## Minutes of the Board of Directors of Public Risk Mutual (PRM)

Date: Tuesday, April 24, 2012

Time: 10:00 A.M. or when Exec. Boards and/or PCM concludes

Place: POOL building or by conference call  
Carson City, Nevada 89701

### 1. Roll

The meeting was called to order by Chairman Cash Minor at 10:05 a.m. on April 24, 2012.

Present: Alan Kalt, Mike Rebaleati, Cash Minor, Jeff Zander, Josh Foli  
Others Present: Paul Johnson, Wayne Carlson, Debbie Connally, Ann Wiswell, Bob Lombard, Doug Smith and various POOL/PACT Executive Committee Members.

### 2. Action Item: Approval of Minutes of February 24, 2012

On motion and second to approve the minutes, the motion carried.

### 3. Staff Reports and Old Business (Action as Necessary):

- a. Financial Statements
- b. Claims Report
- c. Investment Report

Doug reviewed claims status and investment status briefly, pointing out that there were no changes of substance in any area since the February meeting.

He referred to expense estimates which were sent to members prior to the meeting, and reported that \$104,000 budgeted expenses were used in the PRM renewal numbers being provided to POOL. This expense number is unchanged from last year (although components changed to some extent).

Staff also reported that a concern raised by Joe Woods at the February meeting regarding allocations to certain funds/investments had been dismissed. Joe felt some investments might be exceeding the statutory 10% maximum, but Doug researched the matter and the maximum applies against total invested assets, not merely assets within a certain category or within control of one manager.

### 4. Action Item: Recommended PRM Board Members and Officers

Doug noted that Jeff Zander does not plan to run for re-election this year, and Jeff confirmed that his responsibilities as Superintendent had reduced his ability to help on outside boards/committees, regretfully. Jeff suggested that Paul Johnson would be an appropriate replacement, Paul expressed willingness to take on the responsibility, and members supported the change.

# Public Risk Mutual



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On motion and second to recommend that the membership elect Paul Johnson to the PRM Board, including the roles of Fiscal Officer and Corporate Treasurer, for the term 2012 – 2015, at the annual meeting on April 27, the motion carried unanimously.

## 5. **Action Item: Renewal Offer for POOL (NPAIP)**

Doug reported that actuarial projections for the existing degree of participation by PRM in the POOL program decreased substantially, with pricing contemplated to remain at the 75% confidence level. The property layer (\$50,000 excess of \$200,000) was priced at \$190,000 last year, \$143,000 this year. Expenses were projected by staff at \$104,000, same as last year.

Casualty participation (20% of the layer \$2,500,000 excess of \$500,000) was priced actuarially at \$276,000 last year, \$215,000 this year. The total offer to POOL by PRM, assuming no retention changes, would be \$462,000 renewal premium (compared to \$570,000 last year).

Staff pointed out that there is still a property option POOL is considering, and it is possible that staff will recommend additional participation by PRM if that option is attractive, but staff said such participation would be considered only subject to adequate pricing on PRM's behalf and without additional costs to POOL. Doug indicated the estimated loss cost to PRM of an additional \$750,000 property layer excess of \$250,000 would be priced at \$600,000, and that unless Lloyds allowed credits equal to or greater than that, the option likely would not make sense. Bob Lombard expressed serious doubt that credits would be anywhere near that level.

On motion and second to approve offering renewal terms as recommended by staff and subject to additional possible involvement by PRM as discussed, the motion carried.

## 6. **Next Meeting: Tentatively Approved Future Dates**

- **Tuesday, July 3, 2012, 10:00 a.m.**
- **Tuesday, Oct. 23, 2012, 10:00 a.m.**
- **Tuesday, Dec. 18, 2012, 10:00 a.m.**

## 7. **Action Item: Other New Business and Announcements**

No other business was pending or announcements were made.

However, it was noted that Willis staff would present a captive strategy report at 11:00 a.m. after the meeting, and that one of the captives would convene to act on that report if necessary (note: PCM did reconvene, and details of the report and discussion are in those minutes; PRM did not reconvene, and there was no action taken by PRM, although PRM is participating and helping fund the study).

## 8. **Action Item: Adjournment**

On motion and second to adjourn, the meeting adjourned.

# Public Risk Mutual



201 S. Roop St., Suite 102  
Carson City, NV 89701-4790  
775-885-7475

**Minutes for the Meeting of the Board of Directors of  
Public Risk Mutual (PRM)  
Date: Tuesday, October 23, 2012  
Scheduled Meeting Time: 1:30 P.M. or when PCM concludes  
Place: POOL building or by conference call  
Carson City, Nevada 89701**

## **1. Roll**

The meeting was called to order by Chairman Cash Minor at 1:30 p.m. on October 23, 2012.

Board Members Present: Alan Kalt, Mike Rebaleati, Cash Minor, Josh Foli, Paul Johnson

Others Present: Joe Woods II, Wayne Carlson, Debbie Connally, Bob Lombard, and Doug Smith.

## **2. Action Item: Approval of Minutes of April 24, 2012**

On motion and second to approve the minutes, the motion carried.

## **3. Staff Reports and Old Business (Action as Necessary):**

- a. Financial Statements**
- b. Review of Renewal Retentions**
- c. Claims Report**
- d. Investment Report**
- e. Investment Policy Statement**
- f. Captive Strategy Review Status**

Doug reviewed the financial statements, claims status, and investment status briefly, pointing out that there were no negative changes of substance in any area since the February meeting. Net Income for the nine months ending September 30, 2012 was \$634,611.90; Total Capital as of that date was \$23,127,155.23 compared with \$19,594,424.11 the prior year. Fifteen property claims and two liability claims were reported since the inception of PRM, with no new claims yet reported for fiscal years 2011-2013. Market value of investments was \$20,853,432, and the 2012 YTD return was +8.00% for non-Eagle assets and 2.43% for the Eagle assets (the latter about 40.4% of total investments).

# *Public Risk Mutual*



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As for the POOL (NPAIP) renewal, which was approved by the POOL Board in April, the primary option presented by PRM was accepted. This included virtually no changes for POOL or PRM from the prior year. The PRM retentions include (1) 20% participation in the casualty \$2,500,000 layer excess of \$500,000 (2) 100% of the property layer \$50,000 excess of \$200,000 Pricing tracked the recommendations from the April PRM Board meeting (recorded in those minutes) at a total cost of \$462,000 to POOL.

Joe R. Woods II, Branch Manager of Raymond James Financial Services, Inc. in Coronado, CA, our investment advisor, provided investment summaries for PRM as well as various supporting information including portfolio snapshots describing allocations, an Economic Research document published weekly by Raymond James and Associates, and a summary written report for the Board. Joe mentioned that the stock market results had been good lately, that the allocations appeared to be in line with Board policies, but that various economic 'headwinds' continue to cause volatility and uncertainty in the markets.

Joe reported that one of our mutual funds managed by Loomis was losing one of their key personnel, Ms. Kathleen Gaffney, but that the primary manager, Daniel Fuss, was still leading the portfolio and that Joe was not concerned at this time. In response to a question asking whether any other of our funds was a concern to Raymond James at this time, Joe replied that none of them had been flagged.

Joe also discussed a draft Investment Policy Statement which he prepared for all POOL/PACT related entities with the help of some of the Raymond James Compliance staff. Doug noted that we revised the Statements for the captives last spring with Joe's assistance, and said that he and Joe didn't feel we needed to adopt the new Statement at this time for PCM and PRM. In particular, each captive Board itself serves as the respective investment committee, and with the relatively small size of the two captive Boards, that seems appropriate. However, Joe noted the pools themselves hadn't been through a review since 2009, and that he felt that would be worthwhile. Doug said he will coordinate that item with Wayne during coming months.

As a follow-up to the Willis Captive Strategic Report which was presented in April, Doug had circulated the final report which included a few changes regarding expense comparisons and stated that he didn't feel the changes were really of much substance. Bob Lombard confirmed that there did not appear to be much difference in expenses between the various domiciles, and that Nevada continued to appear somewhat less than the ideal site, though certainly not unacceptable. However, he also said that the captive Boards did not seem to

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775-885-7475

want to make a change before exhausting all possibilities of working amicably with the Nevada Division of Insurance, which both Board Members and staff confirmed. Doug noted that he was nearing completion of the development of a presentation for the Division, and that our general counsel was also now involved. The main topic will be conversion of the captives to single-parent status, which was approved by the membership at the annual meetings in April, subject to general counsel and Division approval. Doug felt the materials would be sent to the Division in the next few days.

**4. Next Meeting: Tentatively Approved Future Date**

- **Tuesday, Dec. 18, 2012, 10:00 a.m.**

**5. Action Item: Other New Business and Announcements**

No other business was pending or announcements were made.

**6. Action Item: Adjournment**

On motion and second to adjourn, the meeting adjourned at 2:00 p.m.

# Public Risk Mutual



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Carson City, NV 89701-4790  
775-885-7475

**Minutes for the Meeting of the Board of Directors of  
Public Risk Mutual (PRM)  
Date: Tuesday Dec. 18, 2012  
Scheduled Time: 10:00 A.M. or when PCM concludes  
Place: POOL building or by conference call  
Carson City, Nevada 89701**

## 1. Roll

The meeting was called to order by Chairman Cash Minor at 10:00 a.m. on Dec. 18, 2012.

Board Members Present: Josh Foli, Paul Johnson, Mike Rebaleati, Alan Kalt  
Others Present: Joe Woods, Debbie Connally, Wayne Carlson, Doug Smith

## 2. Action Item: Action Item: Approval of Minutes of October 23, 2012

On motion and second to approve the minutes, the motion carried.

## 3. Staff Reports and Old Business (Action as Necessary):

### a. Financial Statements

PRM financials through the end of October were reviewed. It was noted that net income was over \$745,000 YTD and that total capital had increased to over \$23,200,000. On motion and second to accept the financials, the motion carried.

### b. Claims Report

Staff reported that there have been no new claims reported since the last Board meeting. There have been a total of 15 property claims since inception of PRM, and two liability claims, both arising out of the 2008 flood.

### c. Nevada Insurance Division Status

Doug reported that application had been made to the Nevada Insurance Division to change both captives from association/group status to single-parent status. General counsel Steve Balkenbush provided an opinion and letter supporting the changes which was sent directly to the Division as well.

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He indicated that the Division is swamped currently with pre-legislature work and work pertaining to implementation of the Federal Affordable Healthcare Act, and that he didn't foresee problems but also didn't foresee quick action.

## **d. Investment Topics**

Joe Woods provided investment results as of November 30, 2012. His report consisted of a memo to the Board, current asset allocations, and results both historic and year to date. PRM annualized results since inception in 2007 are 4.60% since inception for the Eagle managed portion, and +8.18% through March 31, 2011 for all other. Results for the most current YTD for the non-Eagle investments are +9.47%. Market value of invested assets as of 11/30/2012 was \$8,427,524 in the Eagle account, and \$12,605,369 in the all other category.

Joe noted that allocations are near the maximum for equities, and that we will watch them as year-end approaches. He also noted that mutual funds often report fairly large cash sums, which are reflected in the allocation reports. He will recommend we move funds from equities to bonds unless the market falls as a result of 'fiscal cliff' negotiations. If status is unclear as of December 31, we will review year-end results and make changes shortly after year-end as necessary.

Alan asked about first quarter 2013 expectations and Joe replied that uncertainty is again very high, that interest rates are expected to remain low for the next couple of years which bodes well for equities but not for bonds, and that tax rate increases may cause dividend stocks to fall. Joe felt that quality equities should still have room to grow in the next year or so.

Paul asked that three additional items be reported and/or discussed regularly as part of all investment reports in the future: first, are our investments competitive with other fund investments, which might be answered by looking at indices regularly; second, it is useful to know if the inflation rate is trending one way or another; third, safety of principal is one of our goals, so volatility of our investments might be discussed regularly. Paul traced these three measures to our investment policy, and felt that we should attend to these items more closely. Joe said that he should be able to meet those requests in the future.

Doug announced that there is an annual SAA conference in San Diego in March, and although he has a conflict this year encourage interested Board members to attend. He also mentioned the GEM annual meeting will be held in July at Squaw Valley, and that GEM would like members from POOL and PRM to attend

# Public Risk Mutual



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if they are able. Cash mentioned that he attended the general SAA conference in Washington DC earlier in the year and found it quite beneficial, as usual.

#### 4. **Action Item: Annual Review of Investment Policy**

In accordance with the PRM Investment Policy, staff provided members with the current policy and a draft of another policy Joe had provided. Staff suggested the current policy seems adequate since we modified it last spring, but that Joe's draft might be useful in reviewing the policies of POOL and PACT. Josh moved to approve the current policy for the coming year and upon motion and second the motion was approved.

#### 5. **Next Meeting: Approval of audit engagement - Casey, Neilon & Assoc.**

On motion and second to approve engagement with Casey, Neilon & Associates for the 2012 audit, the motion was approved. The range of fees is up slightly, but staff said that they felt the cost was in line, and that Niki Neilon had been very helpful with Insurance Division issues during the past couple of years. The audit is scheduled to begin January 22, with a report issued by February 28, 2013.

#### 6. **Action Item: 2013 Tentative Board Meetings**

Staff suggested the following dates for 2013 Board meetings, and there were no objections:

- Tuesday, February 26, 2013, 10:00 a.m
- Tuesday, April 23, 2013, 10:00 a.m.
- Tuesday, July 23, 2013, 10:00 a.m. (note: GEM Annual Board Meeting at Squaw Valley July 23-26)
- Tuesday, Oct. 22, 2013, 10:00 a.m.
- Tuesday, Dec. 17, 2013, 10:00 a.m.

#### 7. **Action Item: Other New Business and Announcements**

No other items were discussed.

#### 8. **Action Item: Adjournment**

On motion and second to adjourn, the meeting adjourned at 10:30 a.m.

# Public Risk Mutual



201 S. Roop St., Suite 102  
Carson City, NV 89701-4790  
775-885-7475

**Minutes for the Meeting of the Board of Directors of  
Public Risk Mutual (PRM)  
Date: Monday March 4, 2013  
Scheduled Time: 10:00 A.M. or when PCM concludes  
Place: POOL building or by conference call  
Carson City, Nevada 89701**

**(Held Jointly with PCM)**

**1. Roll**

A joint meeting of PRM and PCM was called to order by PRM Chairman Cash Minor and PCM Chairman Paul Johnson at 12:00 noon on March 4, 2013. The joint meetings of NPAIP/PACT were recessed for the convenience of the captive auditor to present her report.

Board Members Present: Cash Minor, Josh Foli, Paul Johnson, Mike Rebaleati, and Alan Kalt

Others Present: Debbie Connally, Wayne Carlson, Ann Wiswell, Doug Smith, Niki Neilon, and various members of the POOL/PACT executive committees.

**2. Action Item: Action Item: Approval of Minutes of December 18, 2012**

On motion and second to approve the minutes, the motion carried.

**3. Staff Reports and Old Business (Action as Necessary):**

**a. Claims Report**

Staff reported that there have been no new claims reported since the last Board meeting. However, it is possible that PRM will be affected by a series of winter freeze claims, although extent of damage has not been accurately assessed yet; a number of locations, particularly in Elko County, were affected. Also, PACT has two major reserves recently established, but again it is not yet clear whether the limits of the claims will touch the PCM program or not.

**b. Investment Report**

# *Public Risk Mutual*



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Doug provided attendees with copies of the year-end 2012 investment summaries for all entities which Joe Woods II had sent, but did not discuss the reports in any detail since Joe will provide a full report at the April annual meetings. He did state that rebalancing of investments had taken place since both captives were approaching the 35% maximum for equities as a result of strong stock market results in the prior quarter.

#### **4. Action Item: Approval of audit report - Casey, Neilon & Assoc.**

Niki Neilon presented audit reports for both captives, went over notes and details, answered questions, and stated that both entities were in fine condition and that she had no reservations or concerns. It was suggested that future reports match investment policy goals to footnotes (investment risk/credit risk etc.), and she said that would be no problem to implement. Upon motion and second to approve the audit report, the motion carried.

#### **5. 2013 Tentative Board Meetings**

Staff reaffirmed the following scheduled meeting dates:

- **Tuesday, April 23, 2013, 10:00 a.m.**
- **Tuesday, July 23, 2013, 10:00 a.m. (note: GEM Annual Board Meeting at Squaw Valley July 23-26)**
- **Tuesday, Oct. 22, 2013, 10:00 a.m.**
- **Tuesday, Dec. 17, 2013, 10:00 a.m.**

#### **6. Action Item: Other New Business and Announcements**

No other items were discussed.

#### **7. Action Item: Adjournment**

On motion and second to adjourn, the meeting adjourned at about 12:30.



503 N. Division St. • Carson City, NV 89703  
775.283.5555 • fax 775.283.0494  
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March 1, 2013

To the Board of Directors  
Public Risk Mutual

We have audited the financial statements of Public Risk Mutual for the year ended December 31, 2012, and have issued our report thereon dated March 1, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 4, 2012. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Public Risk Mutual are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the reserve for loss and loss adjustment expenses are based on claims made during the policy period. This was supported by an actuarial opinion, and meets the standards required by generally accepted accounting standards. We evaluated the key factors and assumptions used to develop the reserve for unpaid loss and loss adjustment expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of reserve for loss and loss adjustment expenses in Note 4 to the financial statements.



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### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following misstatements were corrected by management.

<b>Adjusting Journal Entries JE # 1</b>			
To record beginning balance adjustment for reserve entry and URGL entry			
not recorded			
2700	Actuary Loss Reserves	807,000.00	
3500	Retained Earnings	3,326,119.00	
4500	Capital Gains Income	3,685.00	
2750	Loss Payments		4,133,119.00
3500	Retained Earnings		3,685.00
<b>Total</b>		<b><u>4,136,804.00</u></b>	<b><u>4,136,804.00</u></b>

<b>Adjusting Journal Entries JE # 2</b>			
To reclassify stale-dated check to correctly state cash at year end			
1000	Cash	2,801.24	
2000	Accounts Payable		2,801.24
<b>Total</b>		<b><u>2,801.24</u></b>	<b><u>2,801.24</u></b>

<b>Adjusting Journal Entries JE # 3</b>			
To adjust realized and unrealized gains and losses			
4445	Premium or Disc of Investment	178,301.00	
3025	Unrealized Gain (Loss) Invest.		150,826.00
4715	Realized Gains/(Losses)		27,475.00
<b>Total</b>		<b><u>178,301.00</u></b>	<b><u>178,301.00</u></b>

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 1, 2013.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

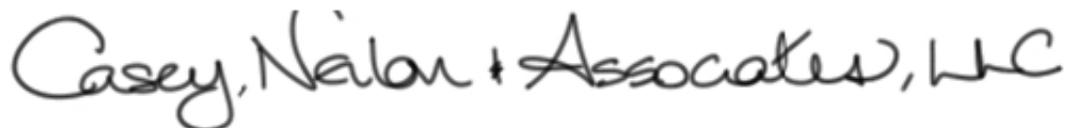
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of board of directors and management of Public Risk Mutual and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Casey, Neilon & Associates, LLC". The signature is written in a cursive, flowing style.

Casey, Neilon and Associates, LLC

**PUBLIC RISK MUTUAL**

**DECEMBER 31, 2012 AND 2011**

**PUBLIC RISK MUTUAL  
DECEMBER 31, 2012 AND 2011**

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*Casey, Neilon & Associates, LLC*  
**Accountants and Advisors**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Public Risk Mutual

***Report on the Financial Statements***

We have audited the accompanying financial statements of Public Risk Mutual (a Nevada non-profit captive association mutual insurer) which comprise the balance sheets as of December 31, 2012 and 2011 and the related statements of income and comprehensive income, changes in surplus and cash flows for the years ended December 31, 2012 and 2011, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Risk Mutual as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011, in conformity with accounting principles generally accepted in the United States of America.

***Report on Other Legal and Regulatory Requirements***

In accordance with the Nevada Administrative Code, we have also issued our report dated March 1, 2013, on our consideration of the Company's internal control over financial reporting. That report is an integral part of an audit performed in accordance with this code and should be read in conjunction with this report in considering the results of our audits.

*Casey, Neilon & Associates, LLC*

Carson City, Nevada  
March 1, 2013

**PUBLIC RISK MUTUAL  
BALANCE SHEETS  
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 454,954	\$ 1,761,807
Investments	20,734,006	16,437,359
Investment income receivable	65,626	53,094
Prepaid reinsurance premium	-	-
Reinsurance recoverable receivable	<u>286,434</u>	<u>632,931</u>
 Total Assets	 <u>\$ 21,541,020</u>	 <u>\$ 18,885,191</u>
 <b>LIABILITIES AND SURPLUS</b>		
Accrued expenses	\$ 11,183	\$ 10,483
Unearned premium	230,071	285,000
Reserve for loss and loss adjustment expenses	<u>1,096,276</u>	<u>1,422,096</u>
 Total Liabilities	 <u>1,337,530</u>	 <u>1,717,579</u>
 Surplus	 18,712,650	 16,622,197
Accumulated other comprehensive income	<u>1,490,840</u>	<u>545,415</u>
 Total Surplus	 <u>20,203,490</u>	 <u>17,167,612</u>
 Total Liabilities and Surplus	 <u>\$ 21,541,020</u>	 <u>\$ 18,885,191</u>

See accompanying notes.

**PUBLIC RISK MUTUAL  
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>		
Premiums earned	\$ 516,315	\$ 487,469
Premiums ceded	-	-
Net premiums earned	516,315	487,469
Net investment income	<u>427,160</u>	<u>452,323</u>
Total Revenues	<u>943,475</u>	<u>939,792</u>
<b>EXPENSES</b>		
Loss and loss adjustment expenses	20,678	(652,000)
Administrative expenses	37,320	34,219
Actuary service fees	12,150	12,150
Audit and accounting services	14,400	14,507
Premium taxes	5,000	5,000
Regulatory fees	550	550
Board and committee meetings	505	340
Insurance division exam	-	11,442
Total Expenses	<u>90,603</u>	<u>(573,792)</u>
Net Income (Loss)	<u>\$ 852,872</u>	<u>\$ 1,513,584</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized gains (losses) on available for sale securities arising during the period	\$ 1,103,864	\$ (105,650)
Less: Reclassification adjustment for (gains) losses recognized in net income	<u>(85,263)</u>	<u>21,275</u>
Other Comprehensive Income (Loss)	<u>1,018,601</u>	<u>(84,375)</u>
Comprehensive Income	<u>\$ 1,871,473</u>	<u>\$ 1,429,209</u>

See accompanying notes.

**PUBLIC RISK MUTUAL  
STATEMENTS OF CHANGES IN SURPLUS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>Surplus</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Surplus</u>
Balance, December 31, 2010	\$ 11,831,994	\$ 629,790	\$ 12,461,784
Net income (loss)	1,513,584	-	1,513,584
Surplus contributions	3,276,619	-	3,276,619
Unrealized holding gains (losses) arising during the period	-	(105,650)	(105,650)
Less: Reclassification adjustment for (gains) losses included in net income	<u>-</u>	<u>21,275</u>	<u>21,275</u>
Balance, December 31, 2011	<u>16,622,197</u>	<u>545,415</u>	<u>17,167,612</u>
Net income (loss)	852,872	-	852,872
Surplus contributions	1,237,581	-	1,237,581
Unrealized holding gains (losses) arising during the period	-	1,030,688	1,030,688
Less: Reclassification adjustment for (gains) losses included in net income	<u>-</u>	<u>(85,263)</u>	<u>(85,263)</u>
Balance, December 31, 2012	<u>\$ 18,712,650</u>	<u>\$ 1,490,840</u>	<u>\$ 20,203,490</u>

See accompanying notes.

**PUBLIC RISK MUTUAL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 852,872	\$ 1,513,584
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Realized (gains) losses on sales of securities	(85,263)	21,275
Amortization of premium or discount	(30,856)	(82,543)
Changes in assets and liabilities:		
(Increase) decrease in:		
Investment income receivable	(12,532)	(19,600)
Reinsurance recoverable receivable	346,497	486,484
Prepaid reinsurance premium	-	-
Increase (decrease) in:		
Accrued expenses	700	5,483
Unearned premium	(54,929)	83,552
Reserve for loss and loss adjustment expenses	(325,820)	(2,207,213)
Net Cash Provided (Used) by Operating Activities	<u>690,669</u>	<u>(198,978)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of securities	3,260,161	5,539,111
Purchase of investments	<u>(6,495,264)</u>	<u>(12,442,044)</u>
Net Cash Provided (Used) by Investing Activities	<u>(3,235,103)</u>	<u>(6,902,933)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contribution of surplus	<u>1,237,581</u>	<u>3,276,619</u>
Increase (Decrease) in Cash and Cash Equivalents	(1,306,853)	(3,825,292)
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>1,761,807</u>	<u>5,587,099</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 454,954</u>	<u>\$ 1,761,807</u>

See accompanying notes.

**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Nature of Operations:**

Public Risk Mutual (the "Company"), a Nevada nonprofit captive association mutual insurer formed pursuant to Nevada Revised Statute 694C, is engaged in the business of providing reinsurance for the Nevada Public Agency Insurance Pool (POOL). POOL is a quasi-governmental entity formed by an intergovernmental agreement between political subdivisions of the State of Nevada, and organized to operate as a group self insurer. The Company's formation was approved on July 26, 2004 by the State of Nevada Division of Insurance and began operations September 1, 2004.

The Company provides property reinsurance to POOL on an excess of loss basis. Since July 1 2007, the limit of liability for all covered perils is \$50,000 per loss excess of the underlying POOL retention of \$200,000 per loss. Prior to that time, coverage was for \$50,000 excess of \$150,000. Also, from inception of the captive until June 30, 2010, Lloyds of London reinsured the Company for property losses exceeding \$50,000 net loss per incident, but that reinsurance is now directly contracted by POOL, not the Company.

The Company's coverage inceptioned on July 1, 2005. For program years 2005/06 through 2010/11, the Company provided excess insurance in the layer \$250,000 excess of \$2,000,000 to Nevada Public Agency Insurance Pool's liability program. In addition, for program years 2007/08 through 2010/11, the Company provided excess insurance in the layer \$1,500,000 excess of \$500,000, subject to a 20% quota share with County Reinsurance Limited, for all non-school entities. Schools were fully insured in this layer by United Educators. Effective July 1, 2011, the Company provides excess insurance in the layer \$2,500,000 excess of \$500,000, again subject to a 20% quota share for all non-school entities.

**Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Basis of Presentation:**

The accompanying financial statements have been prepared in conformity with reporting practices prescribed or permitted by the Division of Insurance of the State of Nevada for Property and Casualty Insurance Companies. These financial statements are also presented in conformity with accounting principles generally accepted in the United States of America because the accounting practices prescribed or permitted under statutory authority, when applied to the Company, do not vary materially from generally accepted accounting principles.

**Cash Equivalents:**

For the purpose of presentation in the Company's financial statements, cash equivalents are short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near to maturity that they present insignificant risk of changes in value due to changing interest rates.

**Method of Accounting:**

The Company prepares its financial statements on the accrual method of accounting, recognizing income when earned and expenses when incurred.

**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Securities Available for Sale:**

Investments not classified as either trading or held-to-maturity are reported at fair value, adjusted for other than temporary declines in fair value, with unrealized gains and losses excluded from net income and reported as a separate component of surplus. Realized gains and losses are calculated using the specific identification method. The fair value of substantially all securities is determined by quoted market prices.

**Valuation of Investments:**

The Company has adopted and implemented FASB ASC 820-10, Fair Value Measurements, which provides a framework for measuring fair value under GAAP. This statement defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. FASB ASC 820-10 establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3: Unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk) developed based on the best information available in the circumstances.

**Reserve for Loss and Loss Adjustment Expenses:**

Loss and loss adjustment expenses includes an amount determined from loss reports on individual cases and estimates of the cost of claims incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. It is reasonably possible that the estimate will change within one year of the date of the financial statements. The loss liabilities were developed from a combination of the insurance industry loss payment and reporting patterns. The data was developed and trended, using standard actuarial techniques, to meet the Company's premium rate structure and experience. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in earnings currently.

**Premiums:**

Premiums are generally recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums.

**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Reinsurance:**

In the normal course of business, the Company may seek to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by purchasing reinsurance at certain levels of risk in various areas of exposure with other insurance enterprises.

**Income Tax Status:**

Under Internal Revenue Code Section 115, and pursuant to regulations and rulings issued by the Internal Revenue Service, organizations formed, operated and funded by political subdivisions formed to pool casualty and other risks arising from their obligations concerning public liability, may exclude income derived from such activities from taxable income. Accordingly, no provision for income taxes has been provided in the accompanying financial statements, and no federal tax returns have been filed. As no tax returns have been filed, there is no statute of limitations to toll, and all years remain open to potential adjustment.

**Prior Year Reclassifications:**

The prior year's financial statements have been reclassified where applicable to conform to the current year's presentation.

**NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS:**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value in conformity with FASB ASC 820-10:

*Cash and Cash Equivalents:* For these short term instruments, the carrying amount is a reasonable estimate of fair value. This fair value estimate represents a level 1 as described in Note 1.

*Investments in Marketable Securities:* For investments in marketable securities, fair values are based on quoted market prices or dealer quotes if available. If a quoted market price is not available, fair value is estimated using quoted market process for similar securities. This fair value estimate represents a level 2 input as described in Note 1.

**NOTE 3 - CONCENTRATIONS:**

As detailed in Note 1, the Company provides excess insurance coverage to POOL; additionally, POOL provided the surplus contribution to the Company, and is the sole insured.

The Company maintains its cash balances with various financial institutions. As of December 31, 2010, through December 31, 2012 all funds in a "noninterest-bearing transaction account" are insured in full by the Federal Deposit Insurance Corporation (FDIC). This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules. Starting January 1, 2013 the FDIC will no longer fully insure deposits in non-interest bearing transaction accounts. Funds in non-interest bearing transaction accounts will be insured to at least \$250,000 under the FDICs general deposit insurance rules.

**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 3 – CONCENTRATIONS (continued)**

Additionally, as of December 31, 2012 and 2011, the company has certain cash equivalent and investment balances insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 (with a limit of \$250,000 for cash) per institution. In addition the Company's investment policy provides additional coverage above the SIPC limits for any missing securities and cash in client investment accounts up to a firm aggregate limit of \$1 billion (including up to \$1.9 million for cash per client). The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE 4 - INVESTMENTS:**

Available-for-sale securities at December 31, 2012 and 2011 consist of various investments as indicated below:

	December 31, 2012			
	Cost	FMV	Gross Unrealized	
			Gains	Losses
U.S. government obligations	\$ 3,482,748	\$ 3,623,509	\$ 140,761	\$ -
Mortgage backed securities	7,438	8,003	565	
U.S. corporate bonds	4,286,987	4,406,555	122,105	(2,537)
<b>Total debt securities</b>	<b>7,777,173</b>	<b>8,038,067</b>	<b>263,431</b>	<b>(2,537)</b>
Common stocks	6,614,121	7,605,617	991,496	-
Exchange traded funds	4,851,872	5,090,322	238,450	-
<b>Total equity securities</b>	<b>11,465,993</b>	<b>12,695,939</b>	<b>1,229,946</b>	<b>-</b>
<b>Total available-for-sale securities</b>	<b>\$ 19,243,166</b>	<b>\$ 20,734,006</b>	<b>\$ 1,493,377</b>	<b>\$ (2,537)</b>

	December 31, 2011			
	Cost	FMV	Gross Unrealized	
			Gains	Losses
U.S. government obligations	\$ 2,829,388	\$ 2,883,469	\$ 68,506	\$ (14,425)
Mortgage backed securities	2,267	2,834	567	
U.S. corporate bonds	3,446,831	3,501,472	74,105	(19,464)
<b>Total debt securities</b>	<b>6,278,486</b>	<b>6,387,775</b>	<b>143,178</b>	<b>(33,889)</b>
Common stocks	5,390,215	5,651,763	316,926	(55,378)
Exchange traded funds	4,223,243	4,397,821	182,617	(8,039)
<b>Total equity securities</b>	<b>9,613,458</b>	<b>10,049,584</b>	<b>499,543</b>	<b>(63,417)</b>
<b>Total available-for-sale securities</b>	<b>\$ 15,891,944</b>	<b>\$ 16,437,359</b>	<b>\$ 642,721</b>	<b>\$ (97,306)</b>

**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 4 - INVESTMENTS (continued):**

For purposes of determining gross realized gains, the cost of securities sold is based on specific identification. Net unrealized holding gains (losses) on available-for-sale debt and equity securities in the amount of \$1,060,688 and \$(105,650) for the years ended December 31, 2012 and 2011 have been included in accumulated other comprehensive income.

During 2012 and 2011, sales proceeds and gross realized gains and losses on securities classified as available-for-sale were:

	<u>2012</u>	<u>2011</u>
Sale proceeds	<u>\$ 3,260,161</u>	<u>\$ 5,539,111</u>
Gross realized gains	<u>\$ 86,244</u>	<u>\$ 352,294</u>
Gross realized losses	<u>\$ (981)</u>	<u>\$ (373,569)</u>

Contractual maturities of available-for-sale debt securities at December 31, 2012 and 2011 are as follows:

	<u>Estimated Fair Values</u>	
	<u>2012</u>	<u>2011</u>
1 year or less	\$ 493,295	\$ 923,848
Due in 1 - 5 years	4,483,145	3,937,413
Due in 5 - 10 years	2,858,930	1,486,848
Due in 10 years or more	<u>202,697</u>	<u>39,666</u>
Total investment in debt securities	<u>\$ 8,038,067</u>	<u>\$ 6,387,775</u>

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Information pertaining to securities with gross unrealized losses at December 31, 2012, aggregated by length of time individual securities have been in a continuous loss position, is as follows:

	<u>Less Than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
U.S. corporate bonds	\$ 566,233	\$ 2,537	\$ -	\$ -	\$ 566,233	\$ 2,537
Total available-for-sale securities	<u>\$ 566,233</u>	<u>\$ 2,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 566,233</u>	<u>\$ 2,537</u>

**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 4 - INVESTMENTS (continued):**

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Group to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold the securities for the foreseeable future, no declines are deemed to be other-than-temporary.

**NOTE 5 - RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES:**

For the year ended December 31, 2012, estimated unpaid losses have been determined to range from a recommended low of \$666,000 to a recommended high of \$935,000 with a conservative estimate of \$1,206,000 based on actuarial estimates; further the actuary has projected expected losses at \$456,000. For the year ended December 31, 2011, estimated unpaid losses have been determined to range from a recommended low of \$666,000 to a recommended high of \$934,000 with a conservative estimate of \$1,204,000 based on actuarial estimates; further the actuary has projected expected losses at \$454,000. Management has estimated reserves to be \$1,096,276 and \$1,422,096 at December 31, 2012 and 2011. This estimate is based on funding the Company at the 75% confidence level as recommended by the actuary. Management has elected not to discount the reserves for anticipated investment income.

Activity in the reserve for loss and loss adjustment expenses account is summarized as follows:

	<u>2012</u>	<u>2011</u>
Balance at January 1	\$ 1,422,096	\$ 3,629,309
Less reinsurance recoverables	<u>(632,931)</u>	<u>(1,119,415)</u>
Net Balance at January 1	<u>789,165</u>	<u>2,509,894</u>
Incurred related to:		
Current year	167,250	337,000
Prior years	<u>(146,573)</u>	<u>(994,775)</u>
Total incurred	<u>20,677</u>	<u>(657,775)</u>
Net paid	<u>-</u>	<u>1,062,954</u>
Plus reinsurance recoverables	<u>286,434</u>	<u>632,931</u>
Balance at December 31	<u>\$ 1,096,276</u>	<u>\$ 1,422,096</u>

As a result of changes in estimates of incurred events in prior years, the provision for losses changed by \$(146,573) and \$(994,775) for the years ended December 31, 2012 and 2011 respectively, due to higher (lower) than anticipated losses on the development of claims.

**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 6 - REINSURANCE ACTIVITY:**

Until June 30, 2011, the Company ceded insurance to another company and this reinsurance contract did not relieve the Company from its obligations to policyholders. Failure of the reinsurers to honor its obligations could result in losses to the Company; the Company does not believe that there is a substantial risk of the reinsurer not honoring its obligations, consequently no allowance has been established. At December 31, 2012 and 2011, reinsurance receivables with a carrying value of \$286,434 and \$632,931. Effective July 1, 2010, POOL no longer passes the property premiums through the Company, and is directly reinsured by an outside reinsurer.

The amounts of recoveries pertaining to reinsurance contracts that were deducted from losses incurred during 2012 and 2011 were approximately \$286,434 and \$632,931, respectively.

**NOTE 7 - SURPLUS CONTRIBUTION:**

An additional \$1,237,581 and \$3,276,619 in capital was contributed to the Company from POOL during the years ended December 31, 2012 and 2011 respectively, pursuant to authorization by the Executive Committee of POOL on March 16, 2012 and April 29, 2011 respectively..

NRS 694C.250 requires an association captive to maintain capital of not less than \$500,000, the Company is in compliance with this requirement as of December 31, 2012 and 2011.

**NOTE 8 - SUBSEQUENT EVENTS:**

Management has evaluated the activities and transactions subsequent to December 31, 2012 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended December 31, 2012, and there were none. Management has evaluated subsequent events through March 1, 2013, which is the date the financial statements were available to be issued.

*Casey, Neilon & Associates, LLC*  
**Accountants and Advisors**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
NEVADA ADMINISTRATIVE CODE 694C.210**

To the Board of Directors  
Public Risk Mutual

In planning and performing our audit of the GAAP basis financial statements of Public Risk Mutual (PRM) as of and for the years ended December 31, 2012 and 2011 in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PRM's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, detected or corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of the Board of Directors, management, others within the organization and state insurance departments to whose jurisdiction PRM is subject and is not intended to be and should not be used by anyone other than these specified parties.

*Casey, Neilon & Associates, LLC*

Carson City, Nevada  
March 1, 2013

JOHN L. THORNDAL  
JAMES G. ARMSTRONG  
CRAIG R. DELK  
STEPHEN C. BALKENBUSH  
PAUL F. EISINGER  
CHARLES L. BURCHAM  
BRIAN K. TERRY  
BRENT T. KOLVET  
ROBERT F. BALKENBUSH  
JAMES J. JACKSON  
PHILIP GOODHART  
DEBORAH L. ELSASSER  
CHRISTOPHER J. CURTIS  
KATHERINE F. PARKS  
KEVIN R. DIAMOND  
BRIAN M. BROWN

THIERRY V. BARKLEY\*\*  
SUSAN E. FRASCA\*  
MICHAEL P. LOWRY  
KATHLEEN M. MAYNARD  
KENNETH R. LUND  
JOHN D. HOOKS  
BRANDON R. PRICE  
KEVIN A. PICK  
MEGHAN M. GOODWIN  
ERIKA A. TWESME  
GREGORY M. SCHULMAN\*\*

\* Special Counsel  
\*\* Of Counsel



LAW OFFICES  
**THORNDAL ARMSTRONG  
DELK BALKENBUSH & EISINGER**  
A PROFESSIONAL CORPORATION  
thorndal.com

FROM THE DESK OF:  
**STEPHEN C. BALKENBUSH**  
[sbalkenbush@thorndal.com](mailto:sbalkenbush@thorndal.com)

**REPLY TO RENO OFFICE**

November 13, 2012

LAS VEGAS

1100 E. BRIDGER AVENUE  
LAS VEGAS, NV 89101  
MAILING:  
P.O. BOX 2070  
LAS VEGAS, NV 89125-2070  
(702) 366-0622  
FAX: (702) 366-0327

RENO

6590 S. MCCARRAN BLVD. #B  
RENO, NV 89509  
(775) 786-2882  
FAX: (775) 786-8004

ELKO

919 IDAHO STREET  
ELKO, NV 89801  
(775) 777-3011  
FAX: (775) 786-8004

Michael Lynch  
Deputy Commissioner, Captive Program  
State of Nevada-Dept. Of Business and Industry  
181 College Pkwy, Suite 103  
Carson City, NV 89706

**Re: Public Risk Mutual (PRM), Public Compensation Mutual (PCM), Conversion to Single-Parent Status**

Dear Mr. Lynch:

This law firm represents the interest of Public Risk Mutual (PRM) and Public Compensation Mutual (PCM) concerning the above-entitled matter. The basic purpose of PRM is providing property and liability reinsurance to the Nevada Public Agency Insurance Pool (NPAIP). The basic purpose of PCM is providing worker's compensation reinsurance to Public Agency Compensation Trust (PACT). It is my understanding that during the examination process last year of two captives, including PRM and PCM, both you and Chief Examiner McCune encouraged PRM and PCM to convert the captives from association captive status to single-parent captive status. We have reviewed this change and agree with Doug Smith, Vice-President of PRM and PCM that such a change would be beneficial to both PRM and PCM.

As you are aware, the Nevada Public Agency Insurance Pool is an association which was formed in accordance with the provisions of Chapter 277 of the Nevada Revised Statutes whose members consist of various municipal corporations which include but are not limited to cities, counties, school districts and general improvement districts. Each of the aforementioned cities, counties, school districts and general improvement districts are members of NPAIP. PRM provides

Michael Lynch  
Deputy Commissioner, Captive Program  
November 13, 2012  
Page 2

property and liability reinsurance to NPAIP as a captive insurer. In changing its status from a group/association captive to a single-parent captive, PRM will issue a single certificate of participation to the members with a certificate of coverage providing individual coverage details to each member.

Also, as you are aware, the Public Agency Compensation Trust is an association which was formed in accordance with the provisions of Chapter 277 of the Nevada Revised Statutes whose members consist of various municipal corporations which include but are not limited to cities, counties, school districts and general improvement districts. Each of the aforementioned cities, counties, school districts and general improvement districts are members of PACT. PCM provides worker's compensation reinsurance to PACT as a captive insurer. In changing its status from a group/association captive to a single-parent captive, PCM will issue a single certificate of participation to the members with a certificate of coverage providing individual coverage details to each member.

Because both NPAIP and PACT are public entities, we avoided stock company formation because of the public entity status. The non-profit mutual insurance company formation was and remains appropriate even with ownership being in the sole hands of the underlying pool policyholder. (NPAIP owning PRM, and PACT owning PCM respectively).

We believe the transition from a group/association captive to a single-parent captive will prove beneficial both to PRM and PCM both from an administrative standpoint and cost saving standpoint. To the extent that the Division of Insurance believes that this transition must be expressly approved by the Commissioner of Insurance, we respectfully request approval of this change.

Thank you for your time and consideration of this issue. If you have any questions regarding this matter, please do not hesitate to contact me.

Very truly yours,



Stephen C. Balkenbush

SCB/smb

## **Business Plan of Public Risk Mutual (PRM) – Proposed Changes Effective fall 2012**

1. As indicated would be likely in the original plan, retentions of both NPAIP and PRM have varied over the life of PRM, but the basic purpose, providing property and liability reinsurance to NPAIP, has not changed and will not change now.
2. PRM will convert from a group/association captive to 'single-parent' status upon Nevada Division of Insurance approval. As currently, the captive will issue a single reinsurance policy to NPAIP each year and the underlying NPAIP program in turn will issue a single contract of participation to the members with a certificate of coverage providing individual coverage details to each member. Because public entities cannot own stock in Nevada, with only a few unrelated exceptions, PRM must continue to be a non-profit mutual insurance company. The sole policyholder, NPAIP, will therefore be the effective 'owner' of PRM. Nevada statutes appear to allow this, subject to the express approval of the Commissioner/Division of Insurance.
3. Capitalization has grown to over \$18,000,000 at the time of this writing, with additional capitalization and premium payments to be provided to PRM shortly (in conjunction with the July 1, 2012 policy year inception).
4. For the past few years, PRM has not been involved in retrocessions. Instead, NPAIP efficiently purchases reinsurance for layers above PRM directly. However, for a time the majority of limits for property coverage were reinsured for PRM by Lloyds, and it is possible retrocessions might be feasible again at some point in the future, so are not to be precluded.
5. Certain Board Members have changed, our CPA/outside auditor has changed (now Casey, Neilon and Associates), and our actuary has changed (now Bickmore Risk Services). All of these changes were reported to and/or approved by the Nevada Division of Insurance. Human resource consulting is now provided to NPAIP by Pooling Resources, Inc. (PRI), but is virtually the same service as when Beller was involved. In addition to our notifying the Division as required, these changes were noted and reported during the 2011 examination by the Division. In reality, little or nothing of substance has changed since inception.

6. Minor correction to Introduction, last paragraph, “maintain at least” substituted for “not exceed.”

#### Original Business Plan Effective May 2004

##### **I. Introduction**

The captive will complement the operations of Nevada Public Agency Insurance Pool (NPAIP), a property-liability pool which was established in 1987 under an Interlocal Cooperation Agreement to provide coverage relief to various rural counties and cities in Nevada. Early sponsorship of NPAIP was provided by Nevada Association of Counties and the Nevada League of Cities. NPAIP has in the past year retained the first \$350,000 of each casualty (general liability, automobile liability, public officials’ liability, police professional liability, and related coverage) loss and the first \$200,000 of each property loss. Total annual loss fund contributions, administration and excess premiums to NPAIP approach \$10,000,000, and equity exceeds \$8,000,000. Over the past 15 years, NPAIP has grown to include other Nevada entities. NPAIP currently has 100 members, including counties, cities and towns, school districts and special districts. Members of NPAIP comprise the ownership of NPAIP according to its by-laws, which are similar to those of Public Risk Mutual, the captive being formed.

A similar pool known as PACT (Public Agency Compensation Trust) provides many of the NPAIP members with workers’ compensation coverage under an association self-insured group arrangement which is well-known to the Nevada Division of Insurance, since formation was approved by the Division and ongoing regulatory oversight is provided. Although there is no excess workers compensation coverage contemplated at this time, NPAIP members have indicated interest in consideration of inclusion of excess workers compensation with PRM in the future. Division approval will be sought prior to such involvement.

The primary reasons for the establishment of PRM are eventually to provide policyholders with broader coverage than they currently can obtain, to begin to build equity for additional coverage which may not be available elsewhere, to broaden investment possibilities and to modestly increase investment earnings (although a

relatively conservative investment philosophy is contemplated), and to access reinsurance markets directly (which is not possible in the current NPAIP).

The most important immediate reason to form PRM is to gain better access to reinsurance markets. NPAIP has found that there are consistently fewer excess markets willing to reasonably support public entity insurance programs over the past several years. For this reason, we seek general approval to use PRM in conjunction with NPAIP in order to provide the best and most reasonably priced excess/reinsurance programs possible. This business plan outlines a simple implementation thesis which has already been supported by the property reinsurance marketplace; however, as of this writing, NPAIP's liability coverage is still being brokered. Indeed it may make sense to place PRM at a higher layer of exposure, and to increase the retention amount; it may also be prudent to provide property coverage through the captive, but not liability. In any case, if our retentions change we will rely on revised actuarial and financial projections using the same techniques and assumptions as outlined in this business plan.

Therefore, we will use as general parameters the industry benchmark maximum net premium-to-surplus ratio of 3:1 and gross premium written-to-surplus ratio of 10:1 or better in all scenarios. Additionally, in accordance with our own philosophies, we will maintain at least an equity-to-retention ratio of 4:1. Using our \$1,000,000 capitalization as a starting point, for example, we will not initially retain more than \$250,000 per occurrence.

## **II. Captive Type, Form, and Domicile**

PRM will be a group captive, formed as a mutual insurance company and domiciled in Nevada. It will be deemed an association mutual under Nevada law, and the underlying association will be NPAIP, described above. As with a typical mutual, the captive will therefore be owned by the policyholders. In this case, however, the PRM policyholders will be identical with the current NPAIP member/policyholders.

PRM will become the conduit for excess coverage which is currently provided to NPAIP through other means. That is, NPAIP will provide primary coverage to its members identical to that which it has provided in the past. PRM will provide excess coverage to NPAIP, with terms and conditions identical to the underlying coverage.

PRM, in turn, will purchase reinsurance from the worldwide marketplace for the bulk of exposures.

### **III. Capitalization**

Initial capitalization will be \$1,000,000, which will be provided by NPAIP under the terms of a resolution passed at its April 30, 2004 annual meeting. The funds will be provided in the form of cash, and the only requirement of NPAIP is that an equivalent \$1,000,000 in funds be returned to NPAIP, with no interest contemplated, prior to any distributions (such as in the form of dividends) to PRM policyholders. However, NPAIP provides the funds with no other restrictions, and does so without expectation that the funds will be returned. PRM has included the above-stated requirement in its bylaws (Section 7).

### **IV. Coverage and Retention of PRM**

During the first year of operations, the coverage and retention of PRM will be rather conservative. This will allow members of NPAIP (policyholders of PRM) to become familiar with captive operations and to educate themselves as to the future possibilities of broader use of the captive. It is recognized that such broader use may be subject to prior Nevada Insurance Division approval.

As stated above, PRM will provide coverage in excess of NPAIP retentions with a following form coverage approach. Full coverage provided by PRM to NPAIP will be (subject to pending reinsurance arrangements) \$10,000,000 per occurrence for casualty losses, \$500,000 for crime and \$300,000,000 for property.

The captive retention will likely vary from year to year, since the primary benefit of establishing the captive is to make efficient use of the excess and reinsurance markets. During the first year, we foresee the approach possibly involving as little as a \$50,000 retention of property, casualty, or both. The pro-forma financial statements and actuarial projections included herein reflect this case. However, due to our substantial capitalization and due to a significant primary retention by NPAIP, even if we increase casualty retentions to as high as \$250,000 excess of layers ranging from \$300,000 to \$2,000,000, the net premium to surplus ratio will still be quite low.

One likely scenario is that the captive will retain \$50,000 of exposure for each occurrence as follows: \$50,000 excess of \$300,000 NPAIP retention for casualty losses and \$50,000 excess of \$150,000 NPAIP retention for property losses.

Estimated first year loss costs for this casualty retention is \$158,000, and for property \$102,000. Based upon a 30% expense estimate for the first year, total first year net premium will be \$372,000. The industry benchmark maximum premium to surplus ratio of 3:1 is easily met. In fact, in this \$50,000 retention PRM case, the first year premium to surplus ratio will be only about 1:3 (\$372,000 premium to \$1,000,000 surplus). The gross premium written to surplus ration will be close to 5:1 or better in all scenarios, which is again significantly better than the industry benchmark of 10:1. See attached pro-forma financial statements for details.

It is contemplated that reinsurance will be purchased by PRM for the remaining exposures: \$9,650,000 excess of \$350,000 for casualty losses and \$299,800,000 excess of \$200,000 for property.

<u>Coverage</u>	<u>NPAIP</u>		<u>Reinsurance</u>	<u>Total Limits</u>
	<u>Retention</u>	<u>PRM Retention</u>		
Casualty	\$ 300,000	\$ 50,000	\$ 9,650,000	\$ 10,000,000
Property	\$ 150,000	\$ 50,000	\$ 299,800,000	\$ 300,000,000

We are quite confident these goals will be met, since nearly identical coverage has been provided directly to NPAIP in the past and because there have been quite positive initial indications from the reinsurance marketplace. However, if the marketplace supports only the casualty coverage, or only the property coverage, and not both, PRM is still a workable concept and formation and operations will proceed as otherwise outlined.

As stated earlier, should we determine different retentions or attachment points make more sense for NPAIP and PRM, we will use these same techniques to establish other PRM retentions, as indicated. For example, our actuary has suggested recommended funding for the liability layer \$150,000 excess of \$350,000 at \$302,000 (the difference between funding for the primary NPAIP layer of \$350,000 and projected funding at the higher \$500,000 retention). Similar to the foundation case used throughout this business plan as an illustration, we would use these alternative numbers for our

projected loss costs and add expenses as shown in the attached pro-forma statements. Note that all ratios are comfortably met.

#### **V. Management and Related Services**

Management of PRM will be provided by Public Agency Risk Management Services, Inc. (PARMS), which is wholly owned by long-time Nevada resident Wayne Carlson. Mr. Carlson conceptualized, formed and has operated both NPAIP and PACT from inception. He is Executive Director for both programs. He is assisted by Doug Smith, who has over 30 years of broad insurance and risk management experience, including captive and pool feasibility studies, captive and pool management, and general financial risk consulting. Biographies of both are included with application materials. In addition, Debra Connally has supervised accounting, bookkeeping and financial services for NPAIP and PACT, including CPA audits and regulatory filings, during the past seven years, and will help oversee those services for PRM.

Other service providers will largely mirror those of NPAIP, at least initially:

- ASC has provided claims services as a third-party administrator since inception of NPAIP and PACT, and will provide the same services to PRM. ASC is based in Nashville, but maintains a large office in Reno and also has staff in Las Vegas.
- Thorndal, Armstrong, Delk, Balkenbush & Eisinger will provide and coordinate legal services. Principle Steve Balkenbush will serve as general counsel to PRM. Various law firms will assist ASC with litigation of claims.
- Kuckenmeister, Bayliss, Casey & Allen (KCBA) of Carson City will provide CPA services during formation and will likely provide audit services as well. Michael Bertrand audits NPAIP/PACT and may assist PRM with bookkeeping/accounting matters.
- Larry Beller & Associates will continue to provide human resource consulting services to PRM policyholders indirectly, via contracts with NPAIP and PACT.
- Willis Pooling (part of international broker Willis) provides brokerage and loss control services.
- Actuarial work will continue to be done by Alan Hall, FCAS, MAAA, of Capital Actuarial Consultants in Sacramento. He is the actuary for NPAIP and PACT.

**PRM Board Members and Corporate Officers**

	<u>Entity</u>	<u>Officers</u>	<u>Terms</u>	<u>Proposed</u>	<u>Necess Action</u>
Cash Minor	Elko Co.	Chair	2011 - 2014		
Mike Rebaleati	Eureka Co.	Vice Chair/Corp Sec.	2010 - 2013	<b>2013-2016</b>	<b>reelection</b>
Paul Johnson	White Pine CSD	Fiscal Officer/Corp Treas.	2012-2015		
Josh Foli	Lyon Co.		2011 - 2014		
Alan Kalt	Churchill Co.		2010 - 2013	<b>2013-2016</b>	<b>reelection</b>

Other Officers

Wayne Carlson		President			<b>Ratification</b>
Doug Smith		Vice President			<b>Ratification</b>

**Note: President and Vice President are not elected positions but serve at the pleasure of the Boards**