



**Nevada Public Agency Insurance Pool
Public Agency Compensation Trust**
201 S. Roop Street, Suite 102
Carson City, NV 89701-4779
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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 30, 2015 Time: 1:30 p.m.

Date: May 1, 2015 Time: 8:00 a.m.

JOINT BOARDS and EXECUTIVE COMMITTEES' AGENDA

April 30, 2015

Board Workshops

Developing Trends in Public Sector and How POOL/PACT Can Help:

1:30 p.m. – 2:30 p.m. Cyber Security: Antonio Rucci, Root Technology

**2:30 p.m. – 3:00 p.m. The Aging Workforce: Reengineering the Workplace with H.I.L.L.T
Brandon Honea, H.I.L.L.T.**

3:00 p.m. – 3:15 p.m. Break

**3:15 p.m. – 4:00 p.m. Heart/Lung Exposures and the Cardiac Wellness Program: Shanti Wolfe and
Ethan Opdahl, Specialty Health**

4:00 p.m. – 5:00 p.m. Body Worn Cameras: Nick Crosby, Marquis Aurbach Coffing Law Firm

5:30 p.m. – 6:30 p.m. Board Attitude Assessment

6:30 p.m. – 9:00 p.m. Dinner and Entertainment

JOINT BOARDS and EXECUTIVE COMMITTEES' AGENDA

May 1, 2015

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. Board Orientation**
- 4. For Possible Action: Acceptance of Investment Reports and Action on Recommendations:**
 - a. Investments and Retention Strategy Overview**
 - b. Eagle Asset Management Investment Manager Report**
 - c. Strategic Asset Alliance Investment Advisor Report**
- 5. For Possible Action: Review of Investment Policies and Procedures**
 - a. PACT Investment Guidelines**
 - b. POOL Investment Guidelines**
- 6. For Possible Action: Consent Agenda: Approve as a Whole Unless Moved From Consent Agenda**
 - a. Approval of Minutes of Board:**
 - Joint Board Meeting April 24 & 25, 2014**
 - b. Acceptance of Minutes of Committee Meetings**
 - Joint Executive Committee Meeting of May 22, 2014**
 - Joint Executive Committee Meeting of September 22, 2014**
 - Joint Executive Committee Meeting of December 10, 2014**
 - Joint Executive Committee Meeting of March 2, 2015**
 - Audit Committee Meeting of October 20, 2014**
 - Audit Committee Meeting of December 1, 2014**
 - Human Resources Oversight Committee Meeting of June 20, 2014**
 - Human Resources Oversight Committee Meeting of September 19, 2014**
 - Human Resources Oversight Committee Meeting of December 5, 2014**
 - Human Resources Oversight Committee Meeting of March 20, 2015**
 - Loss Control Committee Meeting of October 9, 2014**
 - Loss Control Committee Meeting of February 10, 2015**
 - Loss Control Committee Meeting of April 2, 2015**

- c. Acceptance of Reports
 - o Strategic Plan Progress Report
 - o Executive Director's Report
- 7. **For Possible Action: Loss Control Committee**
 - a. Loss Control Committee Report
 - b. Risk Management Grant Report
 - c. Recognition of Members for Loss Control Excellence Program Awards
- 8. **For Possible Action: Stewardship Reports**
 - a. Alternative Service Concepts
 - b. Willis Pooling
- 9. **For Possible Action: POOL/PACT Human Resources**
 - a. HR Oversight Committee Report
 - b. Grant Progress Report
 - c. Grant Financial Audit Report
- 10. **For Possible Action: Ratify Joint Executive Committee's Approval of Pooling Resources, Inc. Grant Renewal for Five Year Term**
- 11. **For Possible Action: Acceptance of Employee Assistance Program Report and Approval of Employee Assistance Program Agreement with Resources for Living, an Aetna Company**
- 12. **For Possible Action: Review of Legislation and Recommendations for Action**
- 13. **Public Comment**
- 14. **For Possible Action: Adjournment**

This Agenda was posted at the following locations and on the State's Website:

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.

Nevada Public Agency Insurance Pool


Public Agency Compensation Trust

Board Member Orientation



CORE BOARD PRODUCTS

ITS UNDELEGABLE CONTRIBUTIONS

- 
- **Linkage to the Ownership**
 - **Fiduciary Responsibility**
 - **Guard Against Undue Risk**
 - **Determine Program Priorities**
 - **Direct Organizational Activity**
 - **Explicit Governing Policies**
 - **Provide resources to meet the needs of the members**

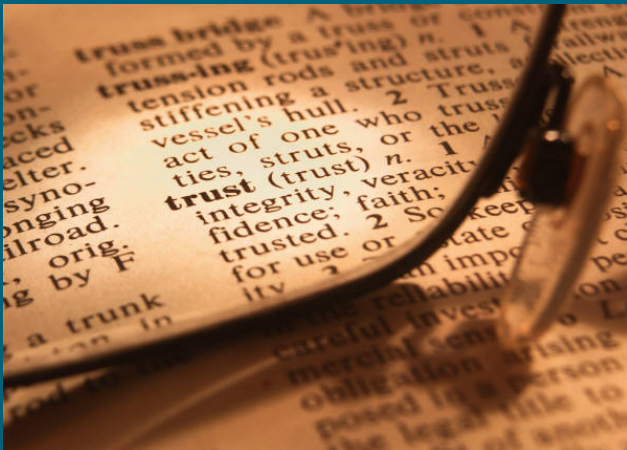
Board's Responsibilities

- Adopt a mission and vision that reflects the fundamental principles and values of POOL and PACT Members



POOL/PACT Core Values

- Trust, honesty and courageous candor
- Accountability
- Competence, knowledge and service
- Foresight



Mission

- **The POOL/PACT member services consortium provides responsive risk and management resources for public agencies.**
- **We Excel In:**
 - Innovative solutions that help Members serve the Public
 - Financial strength, security and durability
 - Cost effective risk sharing and financing
 - Interactive claims service
 - Member networking and resource sharing
- **We Are:**
 - Member-governed
 - Stewards of public assets
 - Committed to quality member services
 - Focused on the future

Vision

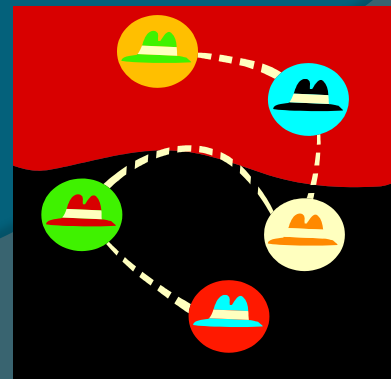
Every Member actively manages the risks encountered as a public agency. Membership is a privilege earned by effective agencies committed to sharing resources to benefit their employees and the public they serve.



Board's Responsibilities

(continued)

- Maintain adequate funding for the administration, services and risk transfer functions
- Monitor finances and investments
- Create and update a long-range plan



Board's Responsibilities

(continued)

- Select and support the Executive Committee and officers and periodically review their performances
- Adopt key operating policies and procedures, approve contracts
- Comply with the Open Meeting Law
- Comply with the Ethics Law

BOARD CHAIR'S DUTIES



Responsible for the integrity of Board process through fairly and firmly leading the Board relationships and conduct so that it governs with wisdom and one voice.

Individual Board Member Duties

- ⦿ Attend board meetings, including special events, training, and retreats.
- ⦿ Become knowledgeable about POOL and PACT and how successful pools operate
- ⦿ Come to board meetings well-prepared and well-informed about issues on the agenda
- ⦿ Contribute to meetings by expressing your point of view and your ideas

Individual Board Member Duties

Continued

- Consider other points of view, make constructive suggestions and help the board make decisions that benefit those served
- Serve on a committee
- Represent POOL/PACT to:
 - Individuals
 - The Public
 - Other Organizations.
- Contribute your ideas toward enhancing programs and services

Individual Board Member Duties

Continued

- Offer to assume board leadership roles when opportunities arise
- Keep the Executive Director informed about any concerns your community has
- Reach decisions in the highest and best interest of all POOL and PACT members and POOL/PACT while contributing your agency's point of view
- Demonstrate courtesy and respect for others



How to demonstrate duty of care?

- Be informed about the pool
- Review board materials
- Request additional information
- Ask questions
- Attend meetings
- Understand enabling laws



How to demonstrate duty of loyalty?

Refrain from activities that might injure or take advantage of the pool.



Exhibit undivided loyalty and unselfish allegiance to the pools.

- Avoid Conflicts of interest

How to demonstrate duty of obedience?

- Perform duties in accordance with all local, state, and federal laws
- Comply with interlocal agreements, bylaws, policies
- Seek competent professional advice
- Monitor activities to ensure compliance with laws and pools' purpose



Key Services

- Human Resources Management Consultation and Training
- Human Resources Grants and Awards
- Employee Assistance Program



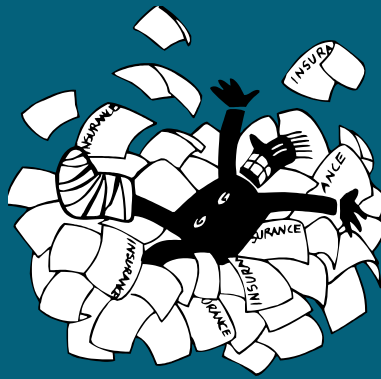
Risk Management & Loss Control



- ❖ Law Enforcement Training and Consultation
- ❖ School Districts Risk Management Services
- ❖ E-Learning Portal
- ❖ Safety Inspections and Training
- ❖ MSDS Online
- ❖ IT Security Resources
- ❖ Wellness Programs
- ❖ Property Appraisals
- ❖ Risk Management Grants

Key Services

● Claims Management Services



MOTTO



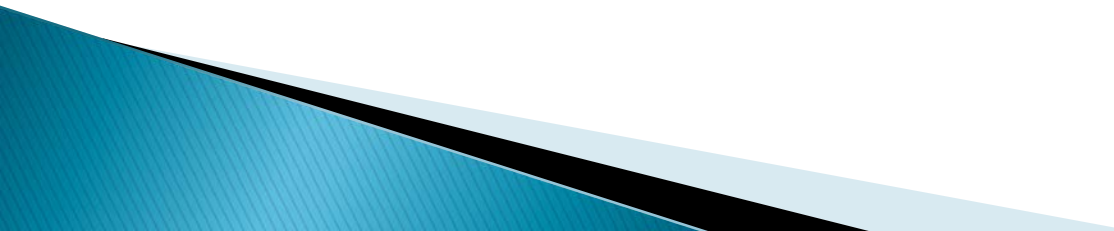
**We deliver public agency
risk/management
solutions**



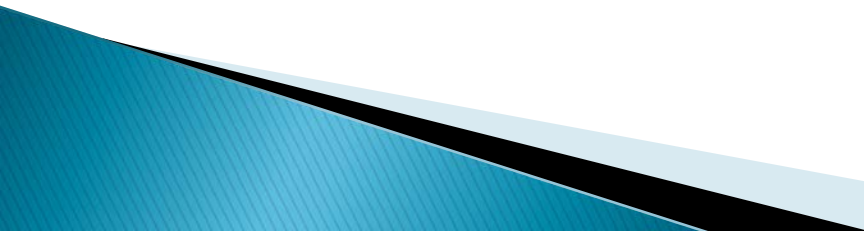
Retentions and Investments

Evolution and Projections
2004/5 to 2014/15

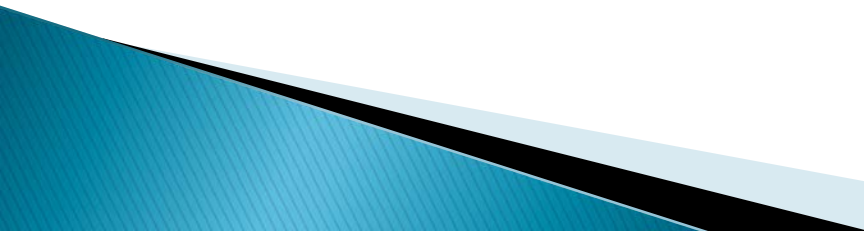
Retention

- ▶ Historic and Current Retentions, PACT & POOL
 - ▶ Role of PRM and PCM
 - ▶ Role of CRL, UE, and GEM
 - ▶ Role of Other Reinsurers
 - ▶ Retention related to Finances
- 

Finances

- ▶ Historic and Current 'Surplus' (Net Worth) Available to Cover Retention (pools and captives)
 - ▶ Uncertainty of Future Payouts (Heart-lung)
 - ▶ Investments – Historic and Current
 - ▶ Investments – Evolution of Structure and Partners
 - ▶ Growth of Retention linked to Growth of 'Surplus'
- 

Mission and Policies

- ▶ Grow the Retention (pools/captives)
 - ▶ Fund the Retention
 - ▶ Services & Growth vs Return of Funds
 - ▶ Investment Policies and Partners
 - ▶ Role of Captives (Group now Single Parent)
 - ▶ Reinsurance Partners (GEM, UE, CRL)
 - ▶ Reinsurance 'Partners' (Lloyds, BRIT, Safety National)
- 

PACT Structure

2004-5

| |
|---|
| <p>MIDWEST TO STATUTORY</p> <p>MIDWEST 3MM AGG X/S</p> |
| <p>350,000 PACT RETENTION (750,000 POLICE/FIRE)</p> |

2014-15

| |
|--|
| <p>CRL/SNCC TO STATUTORY</p> <p>PRM/SNCC SHARE 3MM AGG X/S 50-50</p> |
| <p>2,000,000 XS 1MM</p> <p>CRL 75%</p> <p>PCM 25%</p> |
| <p>PCM 500,000</p> |
| <p>PACT 500,000 RETENTION</p> |

POOL Property Structure

2004-5

| |
|------------------------|
| LLOYDS TO 300,000,000 |
| 50,000 PRM |
| 150,000 RETENTION POOL |

2014-15

| |
|------------------------|
| LLOYDS TO 300,000,000 |
| 300,000 RETENTION PRM |
| 200,000 RETENTION POOL |

POOL Casualty Structure

2004-5 CASUALTY

| | |
|--|------------------------|
| MARP 7.75 MM XS 2.25MM | |
| 250,000 XS 2MM PRM | |
| 1.5 MM XS 500K CRL 80% PRM 20% | UE 100% SCHOOLS |
| 500,000 POOL RETENTION | |

2014-15 CASUALTY

| | |
|--|------------------------|
| 7MM XS 3MM | |
| PRM 10% (700K) | |
| GEM 40% (2.8MM) | |
| BRIT 50% | |
| 2.5 MM XS 500K CRL 80% PRM 20% | UE 100% SCHOOLS |
| 500,000 POOL RETENTION | |

Growth of Net Assets

- ▶ POOL 6.88 MM
- ▶ PRM 1.03 MM
- ▶ Total 7.91 MM
- ▶ Retn/SIR 19.7 (target 8:1)

- ▶ PACT 7.04 MM
- ▶ Retn/SIR 17:1

- ▶ All Ratios Very Comfortable

- ▶ POOL 29.01 MM
- ▶ PRM 23.09 MM
- ▶ PRM 1.34 MM
- ▶ Total 53.44 MM

- ▶ PACT 43.10 MM
- ▶ PCM 34.96 MM
- ▶ Total 78.06 MM

All Ratios Very Comfortable (12:1 now)

2004 (June 30)

2014 (June 30)

Investment Evolution

- ▶ POOL and PACT constrained very tightly
 - ▶ Established Captives partly to Diversify
 - ▶ PRM 2004, PCM 2007
 - ▶ Captives 35% Equity Targets
 - ▶ 2008 Financial Train-wreck
 - ▶ Interest Rates Down, Equity Markets Up
 - ▶ \$158 MM invested June 30, 2014
 - ▶ Long-term Strategy (was Liquidity, Capital Preservation, Now Also Growth/Diversification)
- 

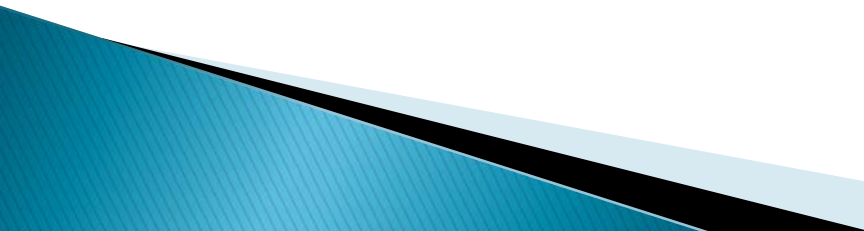
Investment Structure/Partners

- ▶ Raymond James Advisors
- ▶ Raymond James (Custody)
- ▶ Eagle Asset Mgrs. (Owned by Raymond James)
- ▶ 2008, 'Conflicts' of Interest, Separation of Functions Indicated, Though No Issues
- ▶ Transitioned to Wells for Custody in 2011
- ▶ Added PFM (Manager) shortly afterwards
- ▶ Wells Fargo (Custody)
- ▶ Eagle and PFM (Managers)
- ▶ Transitioned to SAA July 1, 2014, as Advisor
- ▶ SAA Will Review Entire Program 2014–2015
- ▶ Good History and Position – Anticipating Rather than Reacting

2004

2014

Mission and Policies

- ▶ Grow the Retention (pools/captives)
 - ▶ Fund the Retention
 - ▶ Investment Policies and Partners
 - ▶ Role of Captives (Group to Single Parent)
 - ▶ Reinsurance Partners (GEM, UE, CRL)
 - ▶ Reinsurance 'Partners' (Lloyds, BRIT, Safety National)
- 

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
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

**DRAFT Minutes of Meeting 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 24, 2014 Time: 1:30 p.m.

Date: April 25, 2014 Time: 8:00 a.m.

Board Workshop 4-24-2014

Vulnerability 2030 Scenario Workshop

Wayne Carlson facilitated this afternoon workshop which focused on four scenarios that could challenge communities between now and 2030. The participants were asked to consider the implications of each scenario as it may apply to local communities and how current strategies would address these scenarios. They also discussed possible new strategies for each scenario and which strategies they could adopt to work in multiple scenarios. The collective feedback will be useful input for a future NPAIP/PACT retreat that addresses how the pools could be of assistance to members in such scenarios.

JOINT BOARDS and EXECUTIVE COMMITTEES'

April 25, 2014

1. Introductions and Roll

A sign-in sheet was circulated and a quorum determined to be present. Chair Kalt called for oral introductions as well.

2. Public Comment

Chair Kalt opened public comment. No public comment was forthcoming so the comment period was closed.

3. Board Orientation

Wayne Carlson presented an overview of the pools, governance structure, board members roles and responsibilities, the mission and vision and the scope of services. He noted that such an orientation also fills a required element of the pools' sustaining their status as recognized pools by AGRiP.

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

Representatives Steve Chylinski and Jordan Lillian from Eagle Asset Managers, the principal fixed income money managers for the pools and their captives, presented a review of the investment performance and suggestions for future strategies. Joe Woods, investment advisor from Raymond James & Associates, reviewed the overall portfolio for the pools and captives and the market outlook. They responded to questions from board members.

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

5. For Possible Action: Review of Investment Policies and Procedures

- a. PACT Investment Guidelines**
- b. POOL Investment Guidelines**

Paul Johnson commented about the importance of reviewing these policies to assure effective and prudent investments. Doug Smith said there was no indicated need to make any changes to the policies at this time. He noted the portfolio allocation guidelines enabled effective monitoring of performance. Wayne Carlson also noted that this review is an annually required element of the AGRiP recognition program.

On motion and second to maintain the investment guidelines for both pools, the motion carried.

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

- 1. Approval of Minutes of Board:**
 - Joint Board Meeting April 25 & 26, 2013**
- 2. Acceptance of Minutes of Committee Meetings**
 - Joint Executive Committee Meeting of April 23, 2013**
 - Joint Executive Committee Meeting of May 29, 2013**
 - Joint Executive Committee Meeting of March 3, 2014**
 - Audit Committee Meeting of October 29, 2013**
 - Audit Committee Meeting of November 20, 2013**
 - Human Resources Oversight Committee Meeting of June 7, 2013**
 - Human Resources Oversight Committee Meeting of September 20, 2013**
 - Human Resources Oversight Committee Meeting of December 13, 2013**
 - Human Resources Oversight Committee Meeting of March 28, 2014**
 - Loss Control Committee Meeting of January 16, 2014**
 - **Strategic Plan Progress Report**
 - **Executive Director's Report**
 - **Employee Assistance Program Report**

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

7. For Possible Action: Loss Control Committee

- a. Loss Control Committee Report**
- b. Risk Management Grant Report**
- c. Recognition of Members for Loss Control Excellence Program Awards**

Ann Wiswell provided an overview of the key loss control services and programs based upon the strategic plan of the Loss Control Committee, chaired by Cash Minor. She showed a list of committee

members, all recipients of the Loss Control Excellence Program recognition. Included in the presentation were a demonstration video of the new MSDS Online service and the new Torch Learning Management System which will support the pools' e-learning initiatives. She also showed a spreadsheet listing of the risk management grants approved during this fiscal year. Cash Minor presented award plaques for those Members achieving recognition under the Loss Control Excellence Program:

Gardnerville Ranchos GID
City of Winnemucca
Incline Village GID
Churchill County
City of Mesquite
Carson City School District
Pershing County
Pershing County School District
Douglas County

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

8. **For Possible Action: POOL/PACT Human Resources**
 a. HR Oversight Committee Report
 b. Grant Progress Report
 c. Grant Financial Report

Jeanne Greene presented an overview of the human resources programs, services and training including the number of courses and participating agencies and employees. She noted the members of the HR Oversight Committee and mentioned two vacancies that she will be recruiting to replace. Curtis Calder, Chair of the committee, presented awards for completion of the Human Resources Assessment Phase I to:

Lander County School District
Elko Central Dispatch
Gerlach GID
Gardnerville Ranchos GID

He then presented the Human Resources Assessment Phase II award to City of West Wendover.

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

9. **For Possible Action: Stewardship Reports**
 a. Alternative Service Concepts
 b. Willis Pooling

a. Donna Squires She noted the organizational changes at ASC corporate. She then reviewed the claims activity and payments summary for NPAIP. She discussed the types of not covered claims included ones in which they assisted members in recovering damage caused by third parties to property not insured by Members or from lawsuits that do not fall within the scope of liability coverage.

Mike Livermore reviewed PACT claims activity and payments summary, noting improvements in results. He noted that returning employees to work earlier had helped reduce indemnity costs and that economic conditions could have contributed some to the improvement.

- b. Bob Lombard provided an overview of Willis Pooling brokerage, loss control and wellness services. He introduced his team including Mel Iida, Rick Hudson and Josh Wilson. Mel highlighted some of the training programs delivered to members around the state. He noted the extensive array of services available to members. Bob commented on the general insurance market conditions and how they had positioned the pools favorably in the market and the renewal quotes reflect a positive result.

10. For Possible Action: Ratify Joint Executive Committee’s Approval of Public Agency Risk Management Services, Inc. Contract

Chair Rebaleati said that the Executive Committees had reviewed a approved this contract for recommendation to the board to ratify. He asked Wayne Carlson for comment and Wayne stated that the contract was for a reduced amount.

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

11. Public Comment

Chair Rebaleati called for public comment. Alan Kalt said he had some comments. Alan reviewed an application that he and others put together to apply for an award from AGRiP: its Excellence in Leadership award. He provided background about the application process, letters of recommendation and comments by others about the recipient. He expressed his delight in receiving a call from AGRiP advising him that Wayne Carlson was to be given this award by unanimous choice of the AGRiP Board of Directors. Wayne was presented the award at the March 2014 annual AGRiP conference. Alan asked Wayne to highlight his remarks when he received the award. Wayne then talked about how the pooling community operated in a collaborative manner with each pool sharing its experiences, both good and bad, so that all pools could benefit from the efforts of other pools. He highlighted that our own pools in Nevada experienced similar collaboration with members helping members in managing risks. He explained the analogy between his experience as a songwriter and the collaboration within the songwriting community to help write better songs and support each other in the process. Songwriters get song ideas by listening to the stories of others. Pools get better ideas by listening to fellow pools and members in order to improve risk management. He suggested pools and members should sing the song of pooling.

12. For Possible Action: Adjournment

Chair Rebaleati adjourned the meeting at 10:53 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
Complex
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**Minutes of Joint Meeting of the Executive Committees of
Nevada Public Agency Insurance Pool and for Public Agency Compensation Trust**

Date: May 22, 2014

Time: 1:30 P.M.

Place: 201 S. Roop St., Suite 102

Carson City, Nevada 89701

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

1. Roll

Members Present: Lisa Jones, Pat Irwin, Dan Newell, Josh Foli, Paul Johnson, Roger Mancebo, Alan Kalt, Mike Rebaleati, Gerry Eick

Members Absent: Cash Minor, Steve West, Pat Whitten, James Eason

Others Present: Alton Cogert, Dan Smerek, Joe Woods, Julie Doyle, Wayne Carlson, Doug Smith, Ann Wiswell

2. Public Comment

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

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 April 21, 2014

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

4. For Possible Action: Selection of Investment Advisor for NPAIP and PACT

Chair Rebaleati opened this item for presentation by Alton Cogert and Dan Smerek of Strategic Asset Alliance of their review of investments and proposal for investment advisor services.

(Note: the boards of Public Risk Mutual and Public Compensation Mutual opened their meeting simultaneously in order to listen to this presentation). Doug Smith provided an overview regarding why this agenda item was brought forth. Alton then provided an overview of SAA and its approach to advising clients, noting their experience as independent, former chief investment officers of insurance companies, and with governmental risk pool clients. Dan Smerek explained the details of their investment policy analysis, strategies and performance measurements that relate specifically to the risk pools and insurance entities and their financial conditions. Both responded to questions from committee members.

Joe Woods commented that he felt he had done a good, objective job of assisting the pools and captives with his investment advisory services. He expressed that he had various investment training services that could have been utilized as well. He felt that his work over the last ten years had been effective and how he was disappointed to learn that the organizations were

considering terminating his contract. Some committee members expressed appreciation to Joe for his work.

Gerry Eick requested an explanation regarding what initiated the search process and how it was conducted. Doug explained that he had been researching the issues surrounding investment strategies and management for several years and had had conversations with various institutional money managers, investment managers and investment advisors seeking to determine what approach would be best for the pools. He had observed SAA at both CRL and GEM meetings, participated in an SAA conducted process to select investment managers, and had discussed investment advisors and strategies with other organizations such as UE. He contacted some 40-50 potential advisors, banks or money managers and discussed their approaches, independence and potential conflicts between advisory and manager roles. He said that while the pools have benefitted positively from the money management services from Joe Woods, he had changed that relationship to investment advisor about three years ago. By comparison, SAA's insurance and risk pools expertise and strategic approach appeared to better fit the pools' and captives' needs for the future than the resources Joe Woods offers.

Both Alan Kalt and Josh Foli expressed their positive experience with SAA at the SAA insurers' investment conferences. They found that the knowledge they gained from those conferences and the approaches taken by SAA demonstrated the value of using SAA going forward. Alan expressed that he appreciated Joe Woods services, but that SAA would bring more depth than the pools needed now and in the future.

Wayne Carlson commented about the problems CRL had with an investment advisor who did not have the background on insurance company investments, thus resulting in CRL facing a significant financial crisis and having to dispose of risk assets at the worst time in the market. SAA was brought in to rebuild CRL and help to select new money managers. CRL has returned to a much stronger financial position as a result.

In further discussion, the chairs agreed that the POOL/PACT Executive Committees would make their decisions, then recess to allow the captives boards to make theirs. Chair Kalt then asked if there were any further questions or discussion or a motion.

On motion and second to select Strategic Asset Alliance as the investment advisor, the motion carried.

Chair Kalt recessed the meeting to allow the captives to make their decisions. Upon adjournment of the captives meeting, Chair Kalt called the Joint Executive Committees meeting to order.

5. For Possible Action: Approval of Prospective Members:

- a. NPAIP: 1) Douglas County Sewer Improvement District #1**
 - 2) Prime Healthcare, Inc. (nonprofit hospital)**
- b. PACT: 1) Douglas County Sewer Improvement District #1**
 - 2) Churchill County School District**
 - 3) Prime Healthcare, Inc. (nonprofit hospital)**

a. 1): Wayne Carlson provided background information on Douglas County Sewer Improvement District #1 noting that a submission had been reviewed and approved by the executive committee in 2005 with another agent. Unfortunately, that agent undermined the process with negative comments about the POOL, which had done on several occasions at

current members' meetings. He had submitted this to the POOL this year at the request of the district, but on behalf of the POOL, Wayne told the district that due to the agent's continuing negative comments the POOL could not work with that agent. The district selected another agent who has several POOL members. The district's loss record is good except for one wrongful termination case as a result of layoffs. Gerry Eick commented that he felt they were financially sound and acceptable.

On motion and second to accept Douglas County Sewer Improvement District #1 as a member, the motion carried.

a. 2): Wayne Carlson explained that this nonprofit medical facility would only be eligible for property and auto coverage since we do not offer medical malpractice. He said that James Eason had requested consideration since he recently was appointed to the board to help get it out of bankruptcy. Apparently, the former administrator mismanaged the facility and had allegations of self-dealing that resulted in the hospital having to file bankruptcy when it could not make payroll. The bankruptcy court terminated his relationship with the hospital and the board he had appointed and replaced the board with James Eason as one of the members. Wayne indicated that subsequent to putting this on the agenda he learned that the property was owned by the family of the former administrator and the court would have to determine what happens with it. No application information yet was available, but James Eason wanted the POOL to be able to assist with HR services as they transition.

On motion and second to authorize staff to gather the needed information and to conduct necessary underwriting risk assessment for membership and approve the hospital if acceptable, the motion carried.

b. 1) Wayne noted that claims experience Douglas County Sewer Improvement District #1 was provided and acceptable.

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

b).2) Wayne explained that Churchill County School District had been quoted several times in the past unsuccessfully. Their experience over the long run has been acceptable, but there were some years of adverse losses that made the experience modifier very high. The last five years have shown improvement so their factor is .87. Our pricing is higher than their current carrier, but we offer much more service. Ann Wiswell commented about their recent security assessment and the new leadership having been in a risk pool previously as positive signs. Alan Kalt commented that he felt new members should make a long-term commitment and not just a pricing decision so if they will do that and the new leadership is effective, they could become a member.

On motion and second to approve Churchill County School District for membership in PACT, the motion carried.

b.3) Without repeating the background already discussed, the new board requests workers compensation coverage for its employees as an accommodation under the circumstances.

On motion and second to offer membership, subject to appropriate underwriting by staff, the motion carried.

6. For Possible Action: Consider Conducting Board Retreat

Wayne Carlson said it had been about three years since the last retreat and Chair Rebaleati thought it was time to consider another one. Discussion ensued as to the purpose. Wayne indicated that the scenario workshop he conducted at the annual board meeting provided an opportunity to leverage the scenario outcomes for the purpose of determining where POOL.PACT would position itself. Gerry Eick suggested the investment and financial strategies also would be very important. Other commented that it may be possible to combine these ideas. The question was whether to conduct a retreat, when and where.

On motion and second to hold a retreat in Eureka and to direct staff to determine a date and possible content, the motion carried.

7. Public Comment

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

8. For Possible Action: Adjournment

On motion and second to adjourn, the meeting was adjourned at about 3:45 p.m.

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

Date: September 22, 2014

Time: 1:30 P.M.

Place: 201 S. Roop St., Suite 102

Carson City, Nevada 89701

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

1. Roll

Members Present: Josh Foli, Cash Minor, James Eason, Pat Irwin, Steve West, Lisa Jones, Dan Newell

Members Absent: Alan Kalt, Roger Mancebo, Paul Johnson, Pat Whitten, Gerry Eick

Others Present: Wayne Carlson

2. Public Comment

The public comment period was opened, but no comments were 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 May 22, 2014

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

4. For Possible Action: Approval of Prospective Members:

a. NPAIP:

1) Topaz Ranch Estates GID

2) Southern Nevada Communications Council

Mike Rebaleati opened discussion of these items. Wayne Carlson responded to questions about both of the applicants.

b. PACT: Topaz Ranch Estates GID

Wayne Carlson explained the experience modification factor utilized.

On motion and second to approve both Topaz Ranch Estates GID and Southern Nevada Communications Council, the NPAIP applicants, and Topaz Ranch Estates GID, the PACT applicant, the motion carried.

6. Public Comment

The public comment period was opened, but no comments were received.

7. For Possible Action: Adjournment

On motion and second to adjourn, the meeting adjourned at 1:42 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
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**DRAFT Minutes of Joint Meeting of the Executive Committees of
Nevada Public Agency Insurance Pool and for Public Agency Compensation Trust**

Date: December 10, 2014

Time: 1:30 P.M.

Place: 201 S. Roop St., Suite 102

Carson City, Nevada 89701

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

1. Roll

Members Present: Mike Rebaleati, Alan Kalt Pat Whitten, Josh Foli, Lisa Jones, Gerry Eick, Pat Irwin, Steve West

Members Absent: Cash Minor, James Eason, Paul Johnson, Dan Newell

Others Present: Wayne Carlson, Ann Wiswell, Debbie Connally

A quorum being present, Chair Kalt called the meeting to order.

2. Public Comment

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

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 September 22, 2014

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

4. For Possible Action: Acceptance of Annual Financial Audits for NPAIP and PACT for Fiscal Year 2013-2014

Wayne Carlson commented that the Audit Committee had reviewed the financial audits and approved them. Josh Foli, Chair of the Audit Committee, commented about the audits and the management letter in response to questions.

On motion and second the accept both audits, the motion carried.

5. For Possible Action: Capitalization Policies and Review of Captives' Performance

a. Authorize Additional Capitalization of Public Risk Mutual based on NPAIP Capitalization Policy Statement

b. Authorize Additional Capitalization of Public Compensation Mutual based on PACT Capitalization Policy Statement

Wayne Carlson reviewed the net asset gains for NPAIP and PACT. Discussion ensued regarding the respective pool's board policy authorizing transfer of up to 50% of the gains to

the respective captives. Gerry Eick reflected that transferring the maximum allowable amount would be prudent in light of the investment flexibility of the captives and the captive abilities to take on more risk.

On motion and second to transfer 50% of the net asset gains for NPAIP and 50% for PACT, the motion carried.

6. For Possible Action: Approval of Prospective Members for NPAIP and PACT: Consider Membership for Charter Schools

Wayne Carlson noted that he had attended the Nevada Association of School Boards annual conference in Henderson, Nevada. While there he visited with a charter school official who asked about possible membership in NPAIP and PACT. Wayne advised that he would bring this up to the Executive Committees for consideration, noting that this was a conceptual discussion. Various members of the committee suggested that research should be undertaken about the charter schools including contacting United Educators for their underwriting approach, the impact on key services such as loss control and human resources, consideration of the differing types of charters such as online versus site-based, the heavy reliance on volunteerism by parents and the impact of their relatively small size on their ability to have appropriate administrative controls. Staff was directed to further research these issues and survey current member school districts regarding charter schools and bring this issue back to the Joint Executive Committees meeting in March, 2015.

7. For Possible Action: Review of Notes of the Board Retreat of November 17-18, 2014 and Consideration of a Membership Survey of Key Issues

Chair Rebaleati opened this item up for discussion. Wayne Carlson referred to the last page of the Notes from the Retreat and the list of possible topics for future consideration. He suggested that members could be surveyed about them. Committee members suggested a priorities ranking would be helpful in order to identify the top five key issues. Josh Foli suggested obtaining a legal opinion about any possible loan arrangements. Pat Whitten asked about the human resources discussion concerning non-compliant members who refused or neglected to implement human resources policies and practices, questioning whether there should be penalties or incentives to gain compliance.

On motion and second to survey on all of the topics and modify the bullet point on Human Resources to include both penalties and incentives, the motion carried.

8. For Possible Action: Lobbying and Consideration of Legislation for the 2015 Session of the Legislature

Chair Kalt opened discussion of this item. Wayne Carlson noted that he was working with the Nevada Taxpayers Association and Sen. Settlemeyer to carry a bill draft to modify the heart-lung workers compensation law. He worked with Attorney Robert Balkenbush to draft language for the bill.

Wayne then explained that he has been discussing utilizing Mike Rebaleti in lieu of Randy Waterman to assist him with lobbying. He noted that Mike would be an independent subcontractor under the Public Agency Risk Management Services, Inc. (PARMS) contract with NPAIP and PACT and be paid solely by PARMS for this assistance. He said the he and Mike had met with legal counsel, Stephen Balkenbush, to address potential conflicts given

Mike's current position as the voting representative for Eureka County and as Chair of NPAIP. Mike Rebaleati commented that he was willing to resign from his voting representative position in order to avoid the conflict, but that legal counsel indicated that as long as the conflict was fully disclosed and Mike did not vote on issues regarding the PARMS contract with NPAIP and PACT, he could continue to serve. He said he wanted to be fully transparent with the Executive Committees about this and looked forward to helping with lobbying whether or not he remained in the voting representative position. Under discussion, several committee members expressed support for Mike doing this work and about his integrity with regard to any potential conflicts. They thought his position as a voting representative and Chair would be important influences in the Legislature. His experience as a firefighter also was a positive for dealing with the heart-lung bill.

On motion and second to acknowledge and accept the relationship between Mike Rebaleati and PARMS, the motion carried with Mike Rebaleati abstaining after disclosure.

9. Public Comment

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

10. For Possible Action: 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.
201 S. Roop Street, Suite 102
Carson City, NV 89701**

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Facsimile (775) 8834398

**Minutes of Meeting of Executive Committees of
Nevada Public Agency Insurance Pool and
Public Agency Compensation Trust
Date: Monday, March 2, 2015
Time: 9:00 A.M.**

**Place: at 201 S. Roop Street, Carson City, NV 89701
Conference Call•In Phone No: 1-800-593-9034; Passcode: WayneC.**

1. Roll

Members Present:

Mike Rebaleati, Cash Minor, Alan Kalt, Roger Mancebo, Lisa Jones, Steve West, Pat Irwin, Gerry Eick, Paul Johnson, James Eason

Members Absent: Pat Whitten, Josh Foli, Dan Newell

Others Present: Holly Luna, Doug Smith, Ann Wiswell, Debra Connally, Bob Lombard, Donna Squires, Mike Livermore, Wayne Carlson

2. Public Comment

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

3. For Possible Action: Consent Agenda

- a. **Approval of Minutes of Meeting of December 10, 2014**
- b. **Executive Director's Report**
- c. **Financial Reports of NPAIP and PACT**

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

4. For Possible Action: Investment Strategies

- a. **Review/Revise Investment Guidelines for NPAIP and PACT**
- b. **Investment Program Review and Action**

Chair Kalt recessed the Joint Executive Committee meeting. Chairs Minor and Johnson of the captives, opened their board meetings for a joint presentation with the Joint Executive Committees on the investment program. Doug Smith introduced Dan Smerek from Strategic Asset Alliance, the investment advisor for the pools and captives. Dan reviewed economic and market conditions overall, then reviewed the portfolio characteristics and performance of each of the pools and captives investment accounts. He commented that the portfolio could be simplified by consolidation of several of the mutual funds into a single fund at a lower expense ratio. Dan responded to questions. It was suggested that he provide two additional slides: 1) a consolidated slide showing all of the funds combined; and 2) a comparison slide showing the asset allocation of SAA's pooling clients. Dan agreed to do so. Dan also recommended that a investment manager search be conducted as a matter of due diligence, not criticizing the performance of the

current manager. Following the presentation, the captives continued completing the remainder of their agendas and adjourned. Chair Kalt then reconvened the Joint Executive Committees.

On motion and second to confirm the review of the investment guidelines, the motion carried.

On motion and second to accept the investment program review and to direct staff to proceed with the recommendations from SAA, the motion carried.

5. For Possible Action: Review of Financial Performance of

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

Chair Kalt noted that since the committee was able to listen to the presentation of the captive audits during the captives' meetings, he considered that to be a review of the financial performance.

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

6. For Possible Action: Review of Legislative Actions and Possible Positions on Bills

Chair Mike Rebaleati reviewed the status of SB153, the heart-lung bill jointly submitted by PACT with the Nevada Taxpayers Association. Several bill drafting errors resulted in confusion, so PACT proposed correcting amendments. Mike described the hearing before the Senate Commerce, Labor and Energy Committee noting that a mock-up of the corrected bill was used during testimony. The hearing room and overflow rooms were filled with opponents of the bill comprised of police and firefighter employees and lobbyists along with supporters of the bill. Mike, Wayne Carlson and legal counsel Robert Balkenbush testified on the bill and responded to questions. Subsequently, they met with Senator Settelmeyer and the firefighter's union lobbyist to discuss amendments the Senator wanted us to consider. Mike described the proposals as extending the post-employment eligibility period, after the initial employment period of five years, to one year for each year of qualifying service. The Senator also wanted to take care of those already retired by adding ten years to age 67 so they could reach Medicare age. In addition, he rejected our initial proposal to remove the election of permanent total disability so that public safety employees were treated in the same manner as all other employees. Mike Livermore commented that removing this provision was key to saving money and avoiding the double dipping currently done. Mike Rebaleati said he would be contacting the Senator to find a way to eliminate the double dipping. He said that the Senator was "driving the bus" on this bill and that he would continue to engage in negotiations, but it seemed likely that at least the year for year provision would get done. In response to a question about the fiscal impact, Wayne Carlson noted that it would bend the long term cost curve somewhat for the career employees and reduce costs even more for those that serve between five and twenty years due to the year for year provision.

Mike then commented on some other bills of interest including AB 110, AB 182 and SB 193. Jeanne Greene commented on her analysis of SB 193 and Mike and Wayne agreed to share that information with both NACO and NLC&M in case those organizations wanted to amend the bill.

No action was taken.

Chair Kalt recessed the meeting briefly, then reconvened it 20 minutes later.

7. For Possible Action: Acceptance of Reports

- a. **Claims Administrator Report**
- b. **Loss Control Committee Report**
- c. **Human Resources Oversight Committee Report**

a. Donna Squires reviewed the NPAIP losses over \$300,000, noting which ones remained opened and which were closed. She commented on the larger settlements. Gerry Eick raised the issue of whether there were problems with cooperation by the Members such that NPAIP should consider a “hammer” clause in the POOL Form. Donna responded that there is a cooperation clause in the form now and that the resistant Members do come around when reminded of it, although there have been some that refused to follow legal advice. Wayne Carlson noted that agenda item 9 included a review of possible POOL Form changes so we could discuss the “hammer” clause under that item further. Mike Livermore then reviewed the PACT large losses, commenting that most of the largest ones were heart claims, although there was a shooting death and a cancer death claim that each exceeded \$1,000,000.

b. Ann Wiswell provided a review of the Loss Control Strategic Plan and initiatives planned for 2015-16. She noted that the workshop preceding the annual board meeting would focus on various risk management and loss control topics. She indicated that another back safety initiative would be proposed regarding HILT lift devices that replace back boards and reduce injuries.

c. Jeanne Greene highlighted the Human Resources Oversight Committee activities and strategies that are proposed for review by that committee prior to the annual board meeting. She noted the progress under the current grant.

On motion and second to appt the reports as a whole, the motion carried.

8. For Possible Action: Approval of Pooling Resources, Inc. Grant Renewal Proposal

Wayne Carlson commented that the grant proposal was for a five year term instead of the current three years, but otherwise the terms were the same with some modifications to the scope of services. He indicated that the budget amounts reflected a modest increase each year of the grant and the five year total was \$5,964,000 payable in annual installments as shown in the grant. Gerry Eick suggested that Exhibit B, paragraph 9.c.(3) required that the audit be completed in 90 days after the end of the fiscal year and suggested that it be increased to 120 days.

On motion and second to approve the five year grant and to have this action ratified at the annual board meeting, with the amendment to a 120 days period for completion of the annual audit, the motion carried.

9. For Possible Action: Review of NPAIP and PACT Program Renewal Status and Options

- a. **Willis Pooling Report**
- b. **Review of NPAIP Coverage Form Changes for 2015-2016**
 1. **Unmanned Aerial Vehicles (Drones) coverage option**
 2. **Pollution legal liability coverage sublimit**
- c. **Review of Reinsurance Coverage and Retention for NPAIP and PACT**

a. Bob Lombard reviewed current insurance market conditions noting that there exists substantial capacity and thus stable pricing in the market generally. He commented that Alan Kalt and Wayne Carlson would be going to the Lloyds meetings this year for the property renewal program. He plans to propose some options for higher all other perils limits and other sublimits.

Regarding the liability program, indications are for stable pricing from all of our current markets so likely will not propose any changes except possibly in the quota share arrangements once the quotes come in.

b. Regarding Unmanned Aerial Vehicles (drones), Wayne explained that CRL was offering a sublimit for drones coverage and was developing a draft coverage form. He suggested that our Members may need to be surveyed to determine whether or not there are any plans to acquire or use drones. He noted that UNR has a public private partnership to develop the drone industry (NIAS) and they have been contacting rural airports to enter into agreements for use of the airports for drone launching. Cash Minor commented that Elko City and County were approached to jointly develop an off-airport drone launch site. Wayne said the Boulder City was one of the first to let us know they were contacted. He suggest that NPAIP may want to extend its coverage along with the captive for a sublimit that utilizes CRL's capacity for a total liability limit of \$3,000,000 but require that each drone be scheduled. Property coverage could extend as well, but likely will be within the current property retention of \$500,000.

As for Pollution Legal Liability, the concept would be to extend a coverage sublimit for all members, not just the scheduled ones under the current separate policy. It would be site specific and perhaps only for certain operations.

The "hammer" clause was discussed as another option that primarily would affect the Wrongful Acts coverage. In discussion, it was suggested that perhaps the deductible would increase for noncooperation without excluding coverage completely for noncooperation.

c. No changes in retention were recommended for either NPAIP or PACT although the captives may alter the quota share depending upon the quotes.

10. For Possible Action: Review of Services and Approval of

- a. **PACT Budget for 2015-2016**
- b. **NPAIP Budget for 2015-2016**

a. Wayne Carlson advised the Members that the City of Fallon had given notice to withdraw from PACT effective July 1, 2015, which would reduce revenues by about \$358,000. He reviewed the major changes in the proposed budget which generally was a modest increase overall due to payroll increases.

b. Wayne Carlson reviewed the major changes in the proposed budget which generally was a modest increase overall due to exposure changes.

On motion and second to approve the budgets for recommendation to the board at the annual meeting, the motion carried.

11. 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 commented that with Mike Rebaleati's term ending and his being appointed to a sub-entity of Eureka County and also serving as a lobbyist for the pools, he would be stepping down as Chair. The committee discussed potential candidates for the various upcoming positions. Wayne introduced Holly Luna from Douglas County School District as one declared candidate for a large school district in NPAIP. Various names were suggested as possible candidates to be contacted to see if interested in serving.

b. The Joint Boards, NPAIP and PACT proposed agendas were reviewed. Various topics were suggested to the workshop that primarily will focus on risk management and loss control topics. Ann Wiswell will coordinate development of topics.

c. PRM and PCM annual meeting agenda were reviewed.

No action was deemed needed on these items.

12. Public Comment

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

13. For Possible Action: Adjournment

Chair Kalt adjourned the meeting at 2:46 p.m.

The Agenda was posted at the following locations and linked to the Official State Website <https://notice.gov>:

**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
0 S. Main Street
Eureka, NV 89316**

**Churchill County Courthouse
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 Meeting of the
Audit Committee of
Nevada Public Agency Insurance Pool and
Public Agency Compensation Trust
Date: October 20, 2014
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**

AGENDA

1. Roll

Members Present: Cash Minor, Josh Foli, Gerry Eick

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

A quorum being present, Chair Cash Minor called the meeting to order.

2. Public comment

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

3. Action Item: Approval of Minutes of Meeting of November 20, 2013

Josh Foli noted some typographical errors. On motion and second to approve the minutes with the typographical errors corrected, the motion carried.

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

Michael Bertrand presented the financial statement highlights and reviewed the management letter recommendations. Gerry Eick asked which month under item 4 had a variance that was corrected in the following month. Mr. Bertrand responded that he would let Mr. Eick know later.

Mr. Eick also asked whether a policy had been adopted in response to item 5 about remote processing. Wayne Carlson commented that immediately after Mr. Bertrand inquired he and Debra Connally worked out that she would upload all downloaded files daily to the server to be sure that the server file was the only official file. Melissa Mack would be trained further on the location of those files normally worked on by Debra Connally.

Mr. Eick then asked about item 6 stale dated checks reconciliation. Ms. Connally explained that now that she was doing daily reconciliations remotely, this problem should be resolved. Wayne



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Carlson noted that with regard to the unclaimed property laws, insurance organizations have an annual calendar year filing requirement and that governmental agencies have a fiscal year requirement. He has established procedures to assure that the proper evaluation of potential items and notifications are calendared by him and by Melissa Mack to file the required reports accurately and timely.

On motion and second to accept the auditor's report and recommendations, the motion carried.

5. Action Item: Acceptance of Audit: Public Agency Compensation Trust

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

6. Public comment

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

7. Action Item: Adjournment

On motion and second to adjourn, the meeting adjourned at 11:30 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 Courthouse
155 North Taylor Street
Fallon, NV 89406



Nevada Public Agency Insurance Pool
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Carson City, NV 89701-4779
Toll Free Phone (877) 883-7665
Telephone (775) 885-7475
Facsimile (775) 883-7398

**DRAFT Minutes of Meeting of the
Audit Committee of
Nevada Public Agency Insurance Pool and
Public Agency Compensation Trust
Date: December 1, 2014
Time: 10:00 A.M.
Place: 201 S. Roop St., Suite 102
Carson City, NV 89701 and
Conference Call: 1-800-593-9034; Passcode: 15042**

AGENDA

1. Roll

Members Present: Josh Foli, Cash Minor, Gerry Eick
Others Present: Michael Bertrand, CPA; Wayne Carlson, Doug Smith, Debbie Connally, Ann Wiswell

2. Public comment

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

3. Action Item: Approval of Minutes of Meeting of October 20, 2014

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

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

Chair Foli asked Michael Bertrand to review the audit and recommendations. Mr. Bertrand, highlighted key aspects of the financial statements and responded to questions. He then reviewed his audit committee letter and recommendations noting particularly that in light of the complexity of the spreadsheets utilized, he recommended protecting key linked cells to avoid file link corruption or errors. He also requested column headings have added descriptions to clarify sources for the linked formulas. He also requested a separate document describing how the complex schedules work together so that he can have a ready explanation of the procedures. He noted that this was particularly important with the remote worker situation. Overall, he complimented staff on the audit process and improvements. He responded to questions.

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



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5. Action Item: Acceptance of Audit: Nevada Public Agency Insurance Pool

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

6. Public comment

Chair Foli noted that the agenda had list duplicate item number 5. Wayne Carlson noted that the minutes would reflect the 5. Public Comment would become 6 and 6. Adjournment would become 7 in the minutes.

7. Action Item: Adjournment

On motion and second to adjourn, the meeting was adjourned.

The Agenda was posted at the following locations:

**N.P.A.I.P.; P.A.C.T.
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Carson City, NV 89701**

**Carson City Courthouse
885 E. Musser Street
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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 20, 2014 Time: 10:30 a.m.
Place: POOL/PACT Offices
201 S. Roop Street
Carson City, NV 89701**

1. Oversight Committee Roll Call

Members participating in person: Chairman Curtis Calder; Pat Whitten; Alan Reeder. Members participating by phone: Bill Deist; Ben Sharit; Robert Quick; Cindy Hixenbaugh; Danelle Shamrell. Not participating: Geof Stark; Jose Delfin; Emily Carter. PRI staff: Jeanne Greene; Christine Vido; Sharon Gesick.

2. Item: Public comment

None

3. For Possible Action: Approval of Minutes of Meeting March 28, 2014

Pat Whitten made a motion to approve the minutes of March 28, 2014. Robert Quick seconded the motion. Motion was carried.

4. For Possible Action: Report on Current Activities

a. 13/14 Strategic Plan to date

Jeanne Greene stated there will be few updates in the final Strategic Plan for the next meeting.

New Trainings – *Advanced HR Representative* is a two-day program; first presentation is scheduled for July. *Employee From Hell*, which is a half-day program has been given four times this year and has been scheduled a number of times next year.

Updated Trainings – Revised 21 trainings this year; only one not complete, but in process and should be done by the end of this fiscal year.

Regional Trainings – Three that were scheduled were cancelled. *Workplace Violence* was canceled in Eureka due to their HR person leaving and no one was available to coordinate; *The Good, The Bad, and The Ugly* and *AEMS* in Carson were advertised, but didn't receive sufficient number of



attendance. *EMS* was given three times (twice in Carson City, once in Incline Village); *Workplace Violence*: once in Battle Mountain in coordination with Willis Pooling; *Employee From Hell*: four times this year; *Advanced EMS* in Carson City, as well *HR Rep* in Carson City (five-day program). *Advanced HR Rep* scheduled for June was moved to July 22 and 23, 2014. Charlie Cockerill presented the *Negotiations 101* and *Advanced Negotiations*; *Media Relations* was given for Nye County School District; *Investigation Techniques for Bullying Complaints*: Ann Alexander will be providing to Nye County School District in July this year; *Student Interaction* for Douglas County School District is not going forth as they have had a change in their HR Director.

Research New Methods of Delivering HR Trainings/Briefings – Jeanne stated the possibility of trainings or briefings via skype or some other electronic means has moved to upcoming fiscal year because the POOL/PACT building is switching to a new high-speed internet provider. Once that is in place, research can move forward.

Post Members Pay Plan/Scale on Website – Jeanne stated the members’ pay plans are posted on the POOL/PACT website and will be updated on an annual basis.

Review and Update Sample Forms – Jeanne stated these have been moved to next year due to other priorities.

Sample Personnel Policy Annual Update – Jeanne stated the sample policies were sent out July 1, 2013; will go out again before July 1, 2014.

Create a Database of Collective Bargaining Concessions – Jeanne stated this is a database that will be updated on an annual basis as agreements are revised or changed. Robert Quick asked where updated agreements should be sent; Jeanne stated they should be forwarded to Christine Vido.

Bill Deist asked about getting information regarding policy revisions. Jeanne stated the new policies are online and are available in tracking format. Bill also requested information regarding electronic cigarettes due to their no smoking policy. Jeanne stated this is covered in the sample policies; electronic cigarettes are prohibited. POOL/PACT has received legal opinion on this matter. Jeanne will send to all Oversight Committee members.

Danelle Shamrell asked Jeanne if POOL/PACT is addressing medical marijuana prescriptions as a prescription drug, and would it have to be disclosed. Jeanne stated it appears it would be treated as any other type of prescribed drug. If an employee has a prescription for medical marijuana and is drug tested and it is within the testing parameters, the employer will not receive a positive test result. If the employee doesn’t have a prescription, it will come back as a positive test. Pat Whitten asked if CDL licensed employees will have a totally different policy as they are subject to random testing. Jeanne stated that CDLs fall under federal highway regulations and as medical



marijuana is not recognized as a legal drug by the federal government, CDL holders would receive a positive test if they have any level of marijuana in their system.

Alerts – Jeanne stated the last one sent out was *Deferral of the FMLA Leave*. The Ninth Circuit decision says that employees have the option to defer their FMLA leave. In the past, POOL/PACT HR recommended putting employees on FMLA and running their paid leave concurrently. The Ninth Circuit says you cannot require employees to be put on FMLA if they want to defer it. Jeanne stated our contract attorney put together a waiver form for employees if they choose to defer their FMLA leave, which was sent out to all members. Danelle Shamrell questioned the process of notifying employees. Robert Quick stated they have educated their employees regarding this matter. Jeanne stated she has asked Becky Bruch and Ann Alexander and they both suggested to just do business as usual and not tell the employees that they have the choice, unless they come back and are adamant they don't want to use FMLA leave; and at that time, have them sign the deferral form. Curtis asked if POOL/PACT was going to propose a new policy revision. Jeanne stated the policy is appropriate as written and no change is needed.

Trainings – 136 trainings are completed; average evaluation course content was 4.6; average instructor evaluation was 4.8. John Bates completed 15 FRISK trainings; **Elearning** – Almost 12,000 employees have signed up for different HR-related courses; 5,000 completed before the eLearning system went down. All members should have received notification from Ann Wiswell that a new platform should be up and running middle of July; **HR Briefings** – 26 have been completed; Jeanne stated that the HR Briefings are taking a little different form than what they were originally established for. Originally, one-on-one or two basis and just meeting with the HR staff; it is now for larger groups of individuals. For example, the EAP Briefing at Lyon County School District was presented for all of the bus drivers. About 100 employees there and did the same in Churchill County.

Policy Development – Eight members completed this year.

New Briefings – Four Briefings completed. *Bring your Own Device* has moved to next year due to a higher priority. Jeanne reminded the committee that updating the HR Briefings will be divided in half; updating half every other year (this year 30 were updated).

Webinars – Last webinar was *Resolving Conflict*. Jeanne stated there had been 50 seats available. A waiting list had been created so additional seats were requested for participants. Recording was available two weeks afterwards.



HR Compliance Assessment Phase I – Four organizations completed their assessments this quarter: Churchill County School District; Beatty Water and Sanitation District, Churchill County, and Kingsbury GID.

As a side comment, Pat Whitten questioned the fact that he knows of at least one organization that doesn't participate in POOL/PACT's services, but still has the benefit of POOL's insurance. He also suggested that whether it's the HR Compliance Assessment or some other type of service that an organization doesn't participate, an upcharge of 10% on their premium could be assessed to that member. Jeanne advised the committee this may be an issue they can bring up at the retreat in November. She also stated that at the full Board meeting, there was discussion about initiating a "Hammer Clause" for members. Specifically, if a POOL defense attorney advises a member to take some type of action in order to resolve a claim and members are ignoring that legal advice, a "Hammer Clause" would be used. Curtis stated he understands this issue has been brought up for years at Board meetings and is now being considered because of larger claims that have been paid out. The HR Oversight Committee strongly suggests this is discussed at the retreat. Jeanne will bring this issue to next meeting with statistics of members who have participated in POOL/PACT HR services and which services they have done.

Jeanne stated that the notice of retreat is going out today and registration is available on the POOL/PACT website. This year will be in Eureka again. Jeanne encourages anyone to attend, as it is really good to have input from the Oversight Committee.

Jeanne continued with HR Compliance Assessment Phase I. There are three moving to next year because members have had some type of issues internally and asked they be moved: Town of Round Mountain, White Pine School District, and Boulder City have all committed to next year.

HR Compliance Assessment Phase II – Jeanne reminded the committee this phase covers compensation-related assessments such as overtime; independent contractor vs. employee; and exempt vs. nonexempt are reviewed. Nevada Rural Housing Authority completed their assessment this quarter and their grant will be discussed later in the meeting.

Jeanne stated three Phase II assessments were completed this year, and three are moving to next year. Bill Deist asked Jeanne on what basis POOL/PACT HR uses when looking at independent contractor vs. employees. Jeanne stated the guidelines set by both FLSA and IRS are used. Bill Deist shared an experience Humboldt County had with a recent IRS audit. Jeanne stated POOL/PACT HR has found a lot of independent contractors vs. employees cases in the assessments, where persons should be employees rather than independent contractors.



b. Employment Opportunity Listing Website. Jeanne stated the numbers of hits for this website have gone up. In comparison, March was up 33%; May, 10%. It appears more individuals are becoming familiar with that website.

5. For Possible Action: Report on Other Activities

a. Report on Employment Related Claims – Jeanne stated the report is as of June 4; there may be some additional claims since then. 40 employment-related claims filed; counties are highest at 22; school districts are down from last year of 14, down to 6 this year. Jeanne stated POOL/PACT attorneys are successful in closing cases without eating costs, keeping them at a low limit especially when trying to negotiate a settlement with employee.

6. For Possible Action: HR Scholarship Application Approval.

Mike Ariztia from Sun Valley GID submitted a scholarship application to attend the *Mediation and Conflict Resolution* training. Jeanne supports this request. She stated Neal Freitas and Shani Dues of POOL/PACT, and Sheema Barnes of Nye County School District will be going to the training. If the Oversight Committee approves, that would be four individuals from POOL/PACT attending this training. Once they attend, they will provide mediation training to other member employees, and both Mike and Sheema have agreed to assist Shani and Neal doing that. Cost is \$1,895 for a five-day training program in Las Vegas, with an estimated \$600 per diem. Jeanne pointed out that three scholarships were previously approved and all three employees were successful: Jonalee Roberts from Mt. Grant General Hospital and Doug Gailey of City of Elko received their SPHR; and Hope Blinco of Mineral County School District received her PHR. Mike Smith from Elko County School District was also provided a scholarship, but because of workload issues, he did not take the exam; he will take it at end of this calendar year. Both Jeanne and Curtis explained the four-month program process and difficulty of the test exams. Jeanne added it's about a 50% pass rate. These employees will be recognized at the HR seminar. Pat Whitten made a motion to approve the scholarship for Mike Ariztia; Curtis Calder seconded the motion. Motion was carried.

7. For Possible Action: HR Assessment Grant Application: Nevada Rural Housing Authority completed

Phase II. They requested \$750 to be used for awards for an employee recognition program. Kingsbury GID is requesting \$500 for furnishing a small training room set aside for e-learning. Jeanne stated both requests seem to be appropriate use for the funds. Pat Whitten stated he would like to see the structure of the Nevada Rural Housing Authority program. Once the program is in place, Jeanne will share with the Oversight Committee. Curtis Calder made a motion to approve the two grants; Robert Quick seconded the motion. Motion was carried.



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8. For Possible Action: Schedule Next Regular Meeting for POOL/PACT Human Resources Oversight Committee: September 19, 2014, 10:30 a.m., in Winnemucca.

9. Item: Public Comment: Jeanne stated items to be on the next meeting's agenda: Final 13/14 Strategic Plan; 14/15 Strategic Plan; update on Eureka County Contract; statistics for members as far as trainings, assessments, etc. Curtis suggested adding discussion concerning the Hammer Clause. Curtis stated he will make recommendation to the Executive Board in advance of the retreat. Jeanne to make this subject an action item for next meeting.

10. For Possible Action: Adjournment

Curtis Calder called the meeting adjourned at 11:10 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 19, 2014 Time: 10:30 a.m.
Place: Humboldt County Courthouse
50 W. 5th Street
Winnemucca, NV 89445

1. Oversight Committee Roll Call

Members participating in person: Chairman Curtis Calder; Bill Deist; Cindy Hixenbaugh. Members participating by phone: Pat Whitten; Jose Delfin; Emily Carter; Robert Quick; Ben Sharit. Not participating: Geof Stark; Danelle Shamrell, Alan Reeder. PRI staff: Jeanne Greene; Sharon Gesick (by phone).

2. Public comment: None

3. For Possible Action: Approval of Minutes of Meeting June 20, 2014

Bill Deist made a motion to approve the minutes of June 20, 2014. Cindy Hixenbaugh seconded the motion. Motion was carried.

4. For Possible Action: Report on Current Activities

a. 13/14 Final Strategic Plan

Jeanne reviewed the final 13/14 Strategic Plan.

New Trainings – Developed two instructor-led trainings: *Advanced Human Resources Representative* and *Employee from Hell*.

Updated Trainings – Updated and revised 22 trainings incorporating new legal decisions and laws at the federal and state level.

Regional Trainings – Offered more than six regional trainings; *Essential Management Skills Certificate Program* (three times); *Workplace Violence* (one time); *Employee from Hell* (four times); *So You Think You Want to be a Supervisor* (one time); *Advanced Essential Management Skills* (one time); and the *Human Resources Representative* (one time). *The Good, The Bad, and The Ugly: Lessons Learned* and the *Advanced EMS Certificate Program* were cancelled due to lack of registration. *Advanced HRR* scheduled for Carson City and *Advanced EMS* scheduled for Elko were



moved to the current fiscal year. Ann Alexander of Erickson, Thorpe & Swainston provided *Investigation Techniques for Bullying Complaints* to Nye County School District in July. *Student Interaction* scheduled for Douglas County School District was withdrawn.

Researching New Methods of Delivering HR Trainings/Briefings – Jeanne stated new internet service is to be installed before providing trainings/briefings through Skype or other web-based services.

Post Members Pay Plan/Scale on Website – Jeanne stated member pay scales are posted on the POOL/PACT website and are available to members doing salary surveys.

Review and Update Sample Forms – Jeanne stated forms are being updated.

Sample Personnel Policy Annual Update – Jeanne stated the sample personnel policies will be reviewed and updated again at end of the year.

Create a Database of Collective Bargaining Concessions – Jeanne stated we are continually updating as new agreements are ratified. Curtis Calder asked how POOL/PACT HR knows when a new agreement is updated. Jeanne stated POOL/PACT HR has a tracking system for when contracts expire. We contact organizations at that time to get updated contracts.

Alerts – Jeanne stated several Alerts were completed. Alerts are sent out to members as soon as possible, typically when law changes or court decisions change interpretation of the law.

Trainings – 133 trainings were completed; average evaluation course content was 4.6; average instructor evaluation was 4.8. FRISK was presented 17 times, with 237 participants. Elearning – approximately 12,000 enrolled, with 4,752 completed. HR Briefings – 26 completed. Jeanne stated that HR Briefings are being presented to larger groups. As an example, she presented EAP HR Briefing for 100 participants.

Policy Development – Ten members have updated or completed policies this year.

New Briefings – Jeanne stated we developed four new briefings last year. *Bring Your Own Device* was moved to current fiscal year.

Webinars – Four webinars were presented by Horizon Health, and publicized on the POOL/PACT HR website.

HR Compliance Assessment Phase I – Seven members have completed Phase I. Jeanne stated that POOL/PACT HR has discussed the members that are not proceeding with the program. She would like to make a recommendation that if the member(s) have not completed their assessment within



three years, they need to start over again. After three years, information gathered from onsite study may no longer be accurate.

HR Compliance Assessment Phase II – Two members have completed Phase II: Nevada Rural Housing Authority and West Wendover. Three members were reviewed last year and are all moving forward. Curtis Calder needed a clarification regarding City of West Wendover referenced earlier. Jeanne stated they completed their assessment very quickly—two months after recommendation was made.

b. 14/15 Strategic Plan to Date

New Trainings – Seven new instructor-led trainings are scheduled for development. *Taking Control of Conflict* will be piloted at Lyon County School District. Four trainings are close to completion; the other two have not been started.

Updated Trainings – Jeanne stated that in addition to *Bullying in the Workplace* and *Workplace Violence Awareness*, more will need updates after Legislation—depending on laws that may change.

Regional Trainings – Thirteen are scheduled; two completed. *Bullying in the Workplace* was cancelled due to only three sign-ups. *EMS Sessions 1 and 2* were completed in Elko; the last two sessions 3 and 4 are scheduled in October. *Advanced HRR* was piloted in Carson City. Jeanne stated that quite a few Oversight Committee members attended the two-day workshop.

Regional Trainings Utilizing Outside Resources – *Conducting Internal Investigations* provided by Erickson, Thorpe & Swainston attorneys was presented in Elko, Hawthorne, and Carson City; three more are scheduled in Winnemucca, Eureka, and Pahrump.

New HR Briefings – Jeanne stated that three are scheduled, but have not started yet.

Review/Update HR Briefings – Eighteen are scheduled; three are complete.

Member Survey – Jeanne stated this item will be discussed later in the agenda as Item 5b.

Research New Methods of Delivering HR Trainings/Briefings – Jeanne stated this is a continuation from last year.

Update Member Pay Plan/Scale on Website – Continuation of updating Pay Plan on website is ongoing.

Review and Update Sample Forms – Continuation of updating sample forms is ongoing.

Update Collective Bargaining Database – Continuation of review of organizations agreements to make sure the most recent agreement is uploaded is ongoing.



Review and Update Sample Job Descriptions – Continuation of review and updating sample job descriptions is ongoing.

Webinars – Four are scheduled with Horizon Health; one was completed.

Sample Personnel Policy Annual Update – Sample policies will be updated and released by July 1, 2015.

Alerts – Jeanne stated there were no significant laws issued; therefore, no alerts have been sent so far this year.

Trainings – 47 completed, average course content evaluation was 4.8, average instructor evaluation was 4.8; one FRISK was completed in Eureka. **Elearning** – Jeanne stated Elearning numbers are not available as we are unable to pull numbers from the new system at this time. **HR Briefings** – 10 completed.

HR Compliance Assessment Phase I – Jeanne pointed out several assessments are outstanding and if the Oversight Committee is in agreement, the assessments over three years will be required to start again. Jeanne stated there are 10 organizations that have indicated an interest in the HR Compliance Assessment program this year. An assessment was conducted with Incline Village GID so far.

HR Compliance Assessment Phase II – Jeanne stated that Humboldt County participated in Phase II. The on-site assessment was completed this month; however, the report has not been completed. There are four other assessments scheduled.

FRISK – Per Pat Whitten’s request, Jeanne stated we have broken out the FRISK program separately. This year, one training has been completed for Eureka County School District.

c. Employment Opportunity Listing Website

Jeanne stated the number of visits for this website is going up. 418 is the highest since this website was established, with the Cowboy district being viewed the most times.

5. For Possible Action: Report on Other Activities

a. Report on Employment Related Claims

Jeanne stated this report was prepared at the beginning of September. Six HR claims were filed.

b. Draft Member Survey

Jeanne reviewed the draft member survey stating POOL/PACT HR likes to send out a survey every two years to ensure we are on the right track in providing services our members need, if our quality



is acceptable, and also find out what services provided did not benefit members. Jeanne stated the survey will go out next week, if no changes, before the POOL/PACT retreat. She also stated the results of this survey will be used for next year's strategic plan. Overall, the Oversight Committee agreed the survey looks good and to go forward.

c. Member Usage Report

Jeanne stated this report is a result from an issue Pat Whitten brought up at the last Oversight Committee meeting concerning members that aren't using POOL/PACT HR's services, but still have the benefit of POOL's insurance. Jeanne stated this is a summary of services provided to members and is a first attempt to gather the most important services that are most beneficial to our members in reducing employment liability claims. Pat Whitten stated the coalition of the data is very helpful, and is a concept that needs to be taken to the POOL/PACT Executive Committee. He also suggested taking a look at the losses we have historically incurred with those organizations. Curtis Calder stated this report will be a topic of discussion at the upcoming retreat and will be a starting point for this issue. He stated this report may make other members aware moving forward with a "hammer clause" discussed at the previous board meeting. Curtis asked Jeanne to share this report with Wayne Carlson (if not already) in advance of the retreat so he can do an analysis with regard to the losses versus members that haven't participated in the services provided.

d. Eureka County Service Status Report

Jeanne stated this is a very brief report. She stated it has not taken a lot of POOL/PACT HR's resources. Eureka County is paying \$2,500 a month for 40 hours of services; both she and Neal Freitas have not gone over the 40 hours in the first couple of months and have taken turns for no more than a day and ½ once a month to visit with Eureka County. Curtis asked if there were any other requests from other organizations for this type of service. Jeanne stated that only Eureka County at this time. They have also received FRISK training as an extension of their contract. Jeanne stated this is a one-year contract, which expires 6/30/15, unless renewed. However, the Oversight Committee will have some input in the spring on renewing the contract. Jose Delfin asked if Eureka County has a transition plan between POOL/PACT HR and someone else handling on their end at this time, or are they looking at POOL/PACT HR only. Jeanne stated they have had two different HR managers in the past that haven't worked out and the County doesn't feel they need a full-time manager at this time. However, it's difficult to recruit someone who has the skill set for only a part-time basis. Jeanne stated this service may last for more than a year, but the Oversight Committee will have say on whether it is continued or not. Curtis Calder stated this report is sufficient and asked that Jeanne give updated status at the next meeting.

e. Nevada Rural Housing Authority Recognition Program

Jeanne stated this was requested by Pat Whitten. Nevada Rural Housing Authority received a \$750 grant to implement a program after they completed Phase II of the HR Assessment program. Pat Whitten stated his appreciation for this information and that it is a very good model.



6. For Possible Action: HR Scholarship Application Approval

Wendy Lang of Douglas County is requesting \$475 to pursue her SPHR. Jeanne stated this program has been successful; three other members have passed and received their certificates. She stated there was one scholarship application approved for Mike Smith of Elko County School District. However, Mike stated he doesn't have the time to pursue at this time and will reimburse the total amount given him. Curtis Calder stated that given the success to this program in general, this is a reasonable request. Cindy Hixenbaugh made a motion to approve this application; Bill Deist seconded; motion carries.

7. For Possible Action: HR Assessment Grant Application Approval

Rob Shirley with Beatty Water and Sanitation District is requesting this grant application for travel expenses of \$500 to attend the POOL/PACT HR Seminar in October. Jeanne stated he will submit receipts and stated the mileage is 662 miles at IRS rate for a total of \$370, two nights at the hotel at \$80 for an approximate total of \$530 in total, and is only requesting \$500. Cindy Hixenbaugh made a motion to approve this application, Ben Sharit seconded; motion carries.

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

Next meeting scheduled for December 5, 2014, in Carson City.

9. Item: Public Comment

None

10. For Possible Action: Adjournment

Curtis Calder called the meeting adjourned at 11:10.



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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 5, 2014 Time: 10:30 a.m.
Place: POOL/PACT Offices
201 S. Roop Street
Carson City, NV 89701

1. Oversight Committee Roll Call

Members participating in person: Chairman Curtis Calder; José Delfin. Members participating by phone: Bill Deist; Ben Sharit; Robert Quick; Cindy Hixenbaugh; Danelle Shamrell. Not participating: Emily Carter, Geof Stark; Alan Reeder; Pat Whitten. PRI Staff: Jeanne Greene; Sharon Gesick.

2. Item: Public comment

None

3. For Possible Action: Approval of Minutes of Meeting September 19, 2014

Bill Deist made a motion to approve the Minutes of September 19, 2014. Cindy Hixenbaugh seconded the motion. Motion was carried.

4. For Possible Action: Report on Current Activities

a. 14/15 Strategic Plan to date

Jeanne Greene reviewed the 14/15 Strategic Plan.

New Trainings – Three trainings are completed: *You Can't do THAT at Work! Anti-harassment Training (Part I and Part II)*; and *Taking Control of Conflict*. Three are in process: *Dealing with theirate Customer*; *Mediation*, and *Ethics in the Workplace*. Jeanne stated that *Diversity Awareness* was moved to next fiscal year.

Updated Trainings – *Bullying in the Workplace* is complete; *Workplace Violence Awareness* and *Advanced EMS* will be revised shortly.

Regional Trainings – 13 trainings were scheduled. Six are completed: *Advanced HR Representative*, *EMS* (presented two times), *So You Think You Want to be a Supervisor*, *Employee from Hell*, and *Advanced EMS*; *Bullying in the Workplace* was cancelled due to low attendance. *EMS*, *Advanced EMS*, and *HR Rep* are scheduled in the second half of this year. Erickson, Thorpe, & Swainston presented six sessions of *Conducting Internal Investigations*; one more session is scheduled in Pahrump for January.



HR Briefings – Three new briefings are being developed: *Strategic Planning* is completed; *Unemployment Process* and *Bring Your Own Device* will be completed the second half of this year. There are 18 HR Briefings to be reviewed or updated. Four are complete. There are two additional briefings completed since the report was sent out to the Oversight Committee.

Member Survey – Jeanne stated this survey has been completed, but will be discussed later as a separate agenda item.

Research New Methods of Delivering HR Trainings/Briefings – Jeanne stated the new communication service is updated; therefore, POOL/PACT HR is moving forward and researching new methods of delivering trainings/briefings via skype or some other type of web-based service.

Post Members Pay Plan/Scale on Website. Jeanne stated this is Christine Vido's project. Christine has been contacting members to see if they are updating their pay scales. POOL/PACT HR will either put up a link on the website or scan the pay scales to be available to members online.

Review and Update Sample Forms – Jeanne and Sharon Gesick will be reviewing the forms within the next month.

Update Collective Bargaining Database – The database has been updated with everything that POOL/PACT HR has so far. Jeanne stated there are some unions in negotiations which will be followed up on a monthly basis to see if they have reached an agreement, then uploaded to the POOL/PACT HR online database.

Review and Update Sample Job Descriptions – Updating job descriptions is an ongoing project.

Statewide Webinars –The most recent webinar *Leadership (for Supervisors and Managers)* was completed December 3, with 52 participants. Recording of this webinar will be available in the next week for individuals who could not listen in.

Sample Personnel Policy Annual Update – Policies will be updated at end of this fiscal year. Any changes made during the legislative session will be incorporated.

Issue Alerts as Needed – There was only one Alert: *FMLA Update – Same Sex Marriages*.

Trainings – 94 trainings are completed; average evaluation course content was 4.6; average instructor evaluation was 4.8. John Bates completed three FRISK trainings, primarily for the school districts. Jeanne stated that John recently presented two more FRISK trainings since this report.

HR Briefings – 22 have been completed with 572 participants. Jeanne stated usually the briefings are on a one-on-one or two basis, but sometimes large groups of employees; e.g. the EAP HR Briefing represents a high number of participants.

Policy Development – Four members completed this year.



Phase I HR Compliance Assessment Program – Jeanne reiterated in the last Oversight Committee meeting, she suggested organizations that have not completed Phase I within three years have to start the program over. Therefore, in reviewing the FY 10/11 on-site assessments, Elko County School District, Town of Pahrump, Mineral County School District, and Esmeralda County School District will be removed and will have to go through the program again. The assessments scheduled this year include East Fork Swimming Pool District and CC Communications. Incline Village GID has just completed their on-site assessment. Eight more Phase I assessments have been identified, but still need to be scheduled.

Phase II HR Compliance Assessment Program – City of Carlin has gone through a change in their city manager; therefore, is on back burner. Lyon County, Mt. Grant General Hospital, and City of Fernley continue to work on their assessments. There are nine Phase II assessments scheduled for this year. Humboldt County is complete and has been provided a report. POOL/PACT HR has not yet met with Humboldt County to review the report, but Bill Deist wants to wait until a new administrator is appointed. On-site assessments for Gerlach GID, Storey County, and Town of Tonopah are complete, but reports have not been completed.

Additional Comment: After reviewing the 14/15 Strategic Plan, Jeanne stated she feels very good about the progress that all action items for this year should be completed by the end of June. She also mentioned that POOL/PACT HR will be tracking legislation and will provide status pertinent to Human Resources. Curtis Calder agreed that the 14/15 Strategic Plan looks good.

b. Employment Opportunity Listing Website

This report indicates there have been 6,017 hits so far this year on the recruitment site and appears to be consistent year-to-year. Jeanne pointed out that the Cowboy territory is the most popular page on the website.

5. For Possible Action: Report on Other Activities

a. Report on Employment Related Claims – Jeanne stated this report is as of the end of October. 13 employment-related claims were filed. She also stated that considering this report covers only 5 months, this is very good and if this trend continues, it will be significantly lower than the last 2 years.

b. HR Seminar Evaluation – The HR Seminar was held October 2 – 3, 2014. The average evaluation for all speakers was 3+ out of 5. Jeanne stated that on Day 2, Gerry Preciado was rated very high. He has agreed to be keynote speaker next year—free of charge. Jeanne also stated POOL/PACT HR already has the agenda in place for next year and that all speakers are confirmed. Next year’s seminar is scheduled for September 24 – 25, 2015, at the Atlantis in Reno.

c. Member Survey – Jeanne reviewed the member survey that was sent out as approved at the last meeting. The survey was sent to the HR person or chief operating officer of each organization. Jeanne pointed out the section “Value of current services” had 17 services listed with a rating scale of 1 – 4; majority were at 3 or higher, with one rated at high 2.



Based upon results, Jeanne feels POOL/PACT HR should continue with current services provided to members.

Jeanne stated that one of the questions on the survey was to list additional services not currently provided. The responses included: 1) POOL/PACT HR's assistance in unemployment claims, 2) create a database of pre-approved vendors for various HR services, and 3) conduct investigations when a third party is needed. Jeanne stated POOL/PACT HR has a database for investigative services at a reduced cost for POOL/PACT; this can be expanded to include organizations that have done class & comp studies for our members. She also stated that due to a conflict of interest, it is not appropriate for POOL/PACT HR to handle unemployment claims or investigations, especially where POOL/PACT attorneys are involved.

Quality of current services provided was rated with high 3s. Additional comments to this question included some members stating they are not aware of some of the services POOL/PACT HR provides. Jeanne stated this will be addressed during service plans next spring.

Accessibility of web-based services was rated high, with the exception of e-learning. Jeanne stated this service has gone through a conversion and the survey was taken while the changes were still taking place. José Delfin commented the new program is good so far.

Members were asked to rate the POOL/PACT HR staff. Jeanne stated she was pleased to see the average was 3.9 out of 4.

Jeanne stated it appears that POOL/PACT HR is providing training topics needed by members. She commented that the analysis of the survey shows POOL/PACT HR is on target.

Curtis Calder asked if surveys in the past are similar. Jeanne stated they are different year-to-year and cannot be compared, but are generally same topics. Curtis stated the results have been consistent and that POOL/PACT HR is heading in the right direction.

- d. Eureka County Service Status Report** – Jeanne stated that she and Neal Freitas split time in providing services for Eureka County. They rotate every other month for two days. She stated the types of issues they deal with are not taking a great deal of time, and both she and Neal are able to keep up with their current load with other members' needs. Jeanne asked Danelle Shamrell if she has seen a change and Danelle replied she has never had a problem getting a response from POOL/PACT HR. Curtis asked Jeanne if she has heard anything from Eureka on what they plan on doing. She stated they are waiting until after newly elected officials take office to see if they want to continue the contract.

6. For Possible Action: 15/16 Strategic Plan

Jeanne reviewed the following items in the 15/16 Strategic Plan which needs to be approved by the Oversight Committee before it is presented at the next Executive Board meeting.

Develop Two New Instructor-led Courses Annually – Jeanne stated the *HR Rep Certificate Program* was initially developed in 2004. It has been updated, but because of changes in law and the upcoming legislation, this course will be rewritten. The drug and alcohol program,



which has not been updated in four years, will also be rewritten and include the medical marijuana issue.

Update and Revise Three Instructor-led Training Courses Annually – The courses to be revised have not been determined yet, pending legislation.

Offer Six Regional Trainings – *EMS Certificate Program, Advanced EMS, and HR Rep Certificate Program* all have scheduled dates; other regional trainings will be added throughout the year.

Provide Regional Training Workshops Utilizing Outside Resources - Jerry Lindsay from the State Archives and Records office has agreed to provide records retention training covering the new retention schedules. Charlie Cockerill will provide Advanced Negotiations. Both trainings will be in six or seven locations around the state.

Develop Three New Briefings – Regular Rate of Pay, FMLA: Military Exigency Leave, and FMLA: Military Caregiver Leave are scheduled to be developed.

Review/Update Ten Briefings Annually – 29 briefings are scheduled to be updated.

Statewide Webinars –Topics for upcoming webinars have been identified: *Respectful Communication in the Workplace, Diversity, Emotional Intelligence, Motivating Your Staff and Improving Morale.*

Jeanne stated the following items are ongoing:

- Post Member Pay Plan/Scale on Website
- Review and Update Collective Bargaining Database
- Sample Personnel Policy Annual Update
- Coaching and Problem Solving
- Alerts
- Statistics for trainings, briefings & policy development

Phase I HR Compliance Assessment Program 15/16 – Members who have not participated in Phase I of the assessment program have been identified for possible interest.

Phase II HR Compliance Assessment Program – Members who have completed Phase I and are in consideration for Phase II have been identified.

Curtis Calder asked for motion to approve the 15/16 Strategic Plan. Bill Deist made a motion, seconded by José Delfin. Motion carried.

7. For Possible Action: HR Scholarship Application Approval.

Two applications were reviewed: Daphne Hooper, Assistant City Manager, City of Fernley, is requesting \$525 for the application and test fee for her SPHR; Jeanne stated she will be studying on her own. Shannon McKnight, Administrative Specialist III, City of Fernley, works with Daphne is requesting \$1,485 for her PHR: \$350 for the application/test fee, \$185 for SHRM Membership, and \$950 to attend course to prepare for exam. Curtis asked Jeanne if the Oversight Committee has approved payment for courses in the past; Jeanne said yes. Curtis commented that these



scholarships have been beneficial and really improve the quality of knowledge-base, and stated it is the Oversight Committee's mission to reduce the employment-related claims.

Robert Quick made the motion to approve both HR Scholarship applications. Ben Sharit seconded. Motion carried.

8. For Possible Action: HR Assessment Grant Application Approval

Jeanne stated that Churchill County School District completed their Phase I HR Assessment. Lori Norcutt & Janel Buchan are requesting \$500 to attend a seminar on employment law.

Ben Sharit made the motion to approve the grant application. Robert Quick seconded the motion. Motion carried.

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

Next meeting scheduled for March 20, 2015, 10:30 a.m., in Carson City.

10. Item: Public Comment

Bill Deist commented that this is his last Oversight Committee meeting and thanked everyone for the opportunity to serve on the committee. He also told Jeanne that it was great to work with a great bunch of people. Committee members thanked Bill for his service on the committee and wished him the best.

José Delfin asked the committee if anyone had information on the new PERS call-back regulations, as they are having difficulty with this issue. Curtis Calder stated the City of Elko may have a matrix and will send over to José if available.

11. For Possible Action: Adjournment

Curtis Calder called the meeting adjourned at 11:20 a.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 20, 2015 Time: 10:30 a.m.
Place: POOL/PACT Offices
201 S. Roop Street
Carson City, NV 89701**

1. Oversight Committee Roll Call

Members participating in person: Chairman Curtis Calder; Ben Sharit; Geof Stark. Members participating by phone: Emily Carter; Cindy Hixenbaugh; Robert Quick; Alan Reeder. Not participating: Jose Delfin; Tina Hubbard; Danelle Shamrell; Pat Whitten. PRI Staff: Jeanne Greene; Sharon Gesick.

2. Item: Public comment:

None

3. For Possible Action: Approval of Minutes of Meeting December 5, 2014

Robert Quick made a motion to approve the Minutes of December 5, 2014. Cindy Hixenbaugh seconded the motion. Motion was carried.

4. For Possible Action: Report on Current Activities

a. 14/15 Strategic Plan to date

Jeanne reviewed the 14/15 Strategic Plan.

New Trainings – Seven new trainings are fully implemented which are being taught this fiscal year: *You Can't do THAT at Work! Anti-Harassment (Part I and Part II); Dealing with the Irate Customer; Workplace Conflict Resolution Series (Part I-Taking Control of Conflict; Part II-SAM, Part III-MAM);* and *Ethics in the Workplace*. Three new HR Briefings are being developed: *Strategic Planning* is completed; *Unemployment Process* and *Bring Your Own Device* are in process, and will be completed by July 1.

Regional Trainings – Nine have been completed: The *Human Resources Representative Certificate Program* has completed two sessions; three more scheduled this fiscal year. Three regional trainings are coming up: *Advanced EMS, Advanced HRR,* and *Employee from Hell;* these have all been scheduled and are currently being advertised. Erickson, Thorpe, and Swainston presented seven sessions of *Conducting Internal Investigations* this year; trainings were held in

Elko, Hawthorne, Carson City, Winnemucca, Eureka, and Pahrump. Next fiscal year, Charlie Cockerill will be presenting Negotiations training around the state. Attorney Thoran Towler will be assisting him. Mr. Towler was the Labor Commissioner for the state of Nevada, worked in the District Attorney's office in Carson City, and has been involved with labor negotiations.

As an additional comment, Jeanne stated that during the Executive Committee meeting held a couple of weeks ago, Cash Minor asked if POOL/PACT HR could have someone go around the state to discuss the impact of marijuana on the workforce; both medical and the initiative for recreational. Jeanne stated that Becky Bruch of Erickson, Thorpe, and Swainston will be providing information on this topic in the fall.

Review and Update of HR Briefings – Four are completed; 15 more to be done before end of the year.

Member Survey – Survey was completed at the beginning of this fiscal year. Results were presented to the Oversight Committee in the fall.

Research New Methods of Delivering HR Trainings/Briefings – Jeanne stated POOL/PACT HR has researched new methods of providing trainings and briefings to our members from the POOL/PACT HR office through skype or some other type of web-based service. At this point, it is primarily briefings.

Post members Pay Plan/Scale on Website – Jeanne stated POOL/PACT HR has updated all pay plans on the website.

Review and Update Sample Forms – Jeanne stated this project is continuing.

Update Collective Bargaining Database – This database is updated on a monthly basis. POOL/PACT HR contacts members whose agreements indicate they have expired, will be expiring, or have entered updates on their website.

Review and Update Sample Job Descriptions – This is continually being worked on.

Statewide Webinars - Three are completed. *Mentoring through Coaching* is being scheduled.

Sample Personnel Policy Annual Update – Sample policies will be updated by July 1. Jeanne stated that depending on the State Legislature, there may be some significant changes or a few updates. POOL/PACT HR will have a better idea at the end of the session.

Alerts – Three Alerts have been issued: FMLA Update: Same Sex Marriages; IRS Mileage Rate Increase; EAP Rebranding (name change).

Trainings – 149 trainings have been completed with 2,873 participants; average evaluation for course content was 4.6; average instructor evaluation was 4.8. In addition, John Bates completed seven FRISK trainings. Jeanne stated POOL/PACT HR has already exceeded what was completed by the end of last year. POOL/PACT HR is being asked to do more training; i.e., organizations are requesting harassment/drug alcohol mandatory trainings, which is why the numbers are so high.

HR Briefings – 27 HR briefings are completed, with 614 participants. Jeanne stated the high participant numbers for the HR briefings is due to the fact that POOL/PACT HR is providing the briefings for larger groups; e.g., the EAP HR Briefing is for the full workforce.

Phase I HR Compliance Assessment Program – Jeanne stated the member organizations are making progress. City of Elko and City of Winnemucca have completed Phase I since the meeting packet was sent out. Jeanne stated Caliente is scheduled for May 13, Boulder City for May 18, and Virgin Valley Water for May 19. There are three members not scheduled and she isn't sure if they will commit to be scheduled this year: White Pine School District, Round Mountain, and Moapa Water.

Phase II HR Compliance Assessment Program – Nine Phase II Assessments were planned; all but one have been done or are scheduled. Douglas County has been unable to make a commitment; they may push the assessment out until next fiscal year.

FRISK – John Bates presents the FRISK trainings. He is scheduled to present FRISK to the newly elected officials in Churchill County (Storey County may join them); City of Fernley and Tahoe Douglas Fire Protection District have indicated an interest, but have not scheduled.

As an additional comment, Jeanne stated POOL/PACT HR is on track in completing everything on the 14/15 Strategic Plan.

b. Employment Opportunity Listing Website

Jeanne reiterated that this website is where members can post vacant job notices. POOL/PACT HR maintains statistics on the numbers of visits/hits. She stated that the numbers are consistent year after year, and hasn't seen a significant increase or decrease. She also pointed out that the Cowboy County continues to be the most visited site.

5. For Possible Action: Report on Other Activities

a. Report on Employment Related Claims

Jeanne stated this report is as of the end of January 2015. She stated 18 claims were opened in comparison with last year of 41 at end of the year. If it continues, it should be a little bit lower. POOL/PACT HR is taking a proactive approach and advising ASC of potential claims. Jeanne pointed out that there were four cases that closed with no payment.

b. Eureka County Service Status Report

Jeanne reiterated that when POOL/PACT HR entered into the contract last year with Eureka County, it was agreed statistics would be provided on what type of issues are being dealt with and how much time it is taking. Jeanne stated this item is a summary of what POOL/PACT HR has done. She pointed out the last paragraph of this summary outlines POOL/PACT HR's regular role and the trainings provided in addition to the expanded services. The contract is for 40 hours per month for those services mentioned. Jeanne stated POOL/PACT HR has not exceeded the 40 hours for any month so far.

6. For Possible Action: Extension of Eureka County Service Contract

Jeanne stated that Eureka County indicated an interest in renewing the contract with POOL/PACT HR for another year; the terms would remain the same. Jeanne stated she addressed this at the Executive Committee meeting. The Executive Committee did not have any objections, but again, Jeanne wants the Oversight Committee to weigh in. She also stated there was a concern when the contract was initially brought up as to whether it would affect services provided by POOL/PACT HR to regular members. She pointed out that Neal Freitas and she are contacts for Eureka County and has not seen any affect with their other members. Both Geof Stark and Alan Reeder stated they have not seen any diminishment in services. Jeanne stated that both she and Neal travel with their communication devices, so are available for response to their other members, when in or out of the office.

Curtis asked Jeanne how many physical trips to Eureka County are taken. Jeanne stated that normally, once a month; however, she went out twice this month to oversee an issue of an investigation of a department head, as they don't have a county manager and the department head reports to the County Commission. She stated that the County Commission met and terminated the employee; Jeanne stated she attended this meeting. Jeanne stated they did not go to Eureka in December.

Curtis asked Jeanne if the level of compensation on the contract is covering the costs of POOL/PACT HR. Jeanne stated they calculated an average of salaries, plus reimbursement of fuel, hotel, and meals, and that POOL/PACT HR is not making a profit-they are breaking even. She also stated there is a concern that there may be other organizations who would ask for this service, but she has not been approached by other members. If another organization indicates an interest, it will be brought to the Oversight Committee. Curtis asked Jeanne if POOL/PACT HR would have resources if this happened. Jeanne stated POOL/PACT HR would have to hire someone as the POOL/PACT HR staff is working at full capacity. She stated that POOL/PACT has considered creating a separate division within Pooling Resources, Inc. for this type of service if the need increases and the Oversight Committee supports those contracts. That way, the current POOL/PACT HR staff would focus on their activities. Curtis asked Jeanne if Eureka County envisions a one-year deal, then hire again, or will it go beyond the year. Jeanne stated they are looking at it on a more permanent basis. She stated the County Commission meeting she attended was also a budget meeting, and they discussed possible layoffs asking all departments to make cuts. Their intent is not to hire anyone, unless their particular economy changes.

Curtis stated he is okay with a year renewal; however, wants to review at least annually. Being that POOL/PACT HR is already at capacity, as others may or may not need help, it would stretch POOL/PACT HR too thin. If other organizations want the same level of service, it could get into a situation where it couldn't be equitable to everyone else. Curtis continued stating he understands that Eureka County may have budgetary constraints; therefore, a one-year extension would be reasonable, but needs to be reviewed again next year at this time. Geof Stark stated he agrees to a year-to-year renewal, with a concern that as Eureka County becomes more familiar to use POOL/PACT HR, including employee complaints, issues could mushroom a little.

Jeanne added a comment that POOL/PACT HR's primary contact with Eureka County is the District Attorney who is looking at everything from a legal aspect and determining if he can handle the situation or whether POOL/PACT HR needs to get involved.

Curtis asked for comments on this item. Emily Carter and Robert Quick both stated they agree with a year-to-year review. Ben Sharit made a motion to approve the extension for a one-year renewal of the Eureka County Service Contract. Robert Quick seconded the motion. Motion carried.

Jeanne clarified that POOL/PACT HR will continue providing the Eureka County Service Status Report and asked the committee members if there was anything in addition to the report that needs to be reported. Curtis responded that if there was an anomaly that came up where POOL/PACT HR had to spend time beyond the 40 hours, to advise the Oversight Committee. Jeanne stated the month of March may go beyond the 40 hours; however, the contract provides that POOL/PACT HR would bill them accordingly. Curtis stated that other than the above concern going over 40 hours, a normal status report should suffice.

7. For Possible Action: HR Scholarship Application Approval

Two applications were reviewed: Austin Osborne, HR Director/Administrative Officer, Storey County, is requesting reimbursement of \$1,250 for his study preparation for the PHR exam, which he passed and completed in January 2015. As an additional comment, Jeanne stated she pulled information on what the Oversight Committee approved for other individuals; e.g., Doug Gailey was approved for his SPHR at \$2,355 and Wendy Lang was approved for \$2,170. Austin is asking for less.

Lourdes Martin, Personnel Analyst, City of Boulder City, is requesting reimbursement of \$400 for her IPMA Certification. Jeanne stated Lourdes is the first individual that has applied for the IPMA Certification. Curtis stated the scholarships are exactly what they are intended for, so he sees no problem in requesting a motion to approve both applications. Geof Stark made the motion to approve scholarships for both Austin Osborne and Lourdes Martin for the amount requested. Ben Sharit seconded the motion. Motion carried.

Jeanne added a comment that the Oversight Committee has approved 12 scholarship applications which have all been successful, with the exception of Mike Smith, Elko County School District. He could not complete the program because of time constraints and has reimbursed POOL/PACT HR all costs. Geof Stark asked Jeanne if the new SHRM certification will be included in the application. Jeanne stated POOL/PACT HR has changed the application to include the new SHRM certification.

8. For Possible Action: HR Assessment Grant Application Approval

None

Additional comments:

- a) Curtis stated that Doug Gailey, the HR Manager for Elko County, is leaving the first of the fiscal year. If anyone is looking for a job in Elko, let Curtis know. They opened up recruitment two weeks ago and hope to hire someone by June 1 to work with Doug for about a month before he leaves.

- b) Jeanne advised the Oversight Committee that POOL/PACT HR is tracking legislation on the POOL/PACT HR website. She stated there are close to 300 bills and that at least 1/3 of them are education-related; there are a number of collective bargaining bills (one would not allow an employer to deduct dues; there would be no paid time to represent an employee during a hearing); SB193 deals with daily overtime. Jeanne stated she will have a much better idea of enacted legislation at the next Oversight Committee meeting.
- c) Jeanne stated the annual Board meeting is scheduled for April 30 and May 1, and she will not be able to attend this year. John Bates will represent POOL/PACT HR. Jeanne stated she will have an 8-10 minute PowerPoint presentation for John. There will be plaques to present and would like Curtis to assist in presenting these with John. Jeanne stated that the Executive Committee is requesting each provider (e.g., Willis Pooling, ASC, and Pooling Resources, Inc.) to give a 30-minute presentation on services they provide.
- d) Jeanne stated the Executive Committee approved a five-year grant for Pooling Resources, Inc. In the past, it has been a three-year grant, but Jeanne stated it will go to the full Board to be ratified. Curtis asked if there will be any CPI adjustments over the five-year term; Jeanne stated about 2%.

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

Next scheduled meeting is June 19, 2015, at 10:30 a.m., in Carson City.

10. Item: Public comment

None

11. For Possible Action: Adjournment

Curtis Calder called the meeting adjourned at 11:10 a.m.



**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 Meeting of
Loss Control Committee of
Nevada Public Agency Insurance Pool and
Public Agency Compensation Trust
Date: October 9, 2014**

1. Roll

The meeting was called to order by Chairman Cash Minor at 1:00 p.m. Ann Wiswell confirmed that a quorum was present.

Members present: Cash Minor, John Hanka (Pershing County), Steve West (Winnemucca), Geoff Stark (Churchill County), Bryce Boldt (City of Boulder City), Darren Wagner (City of Yerington)

Others present: Ann Wiswell

2. Public Comment

None

3. For Possible Action: Approval of Minutes of Committee Meeting of June 17, 2014

Upon motion and second, the minute were approved.

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

Pershing County submitted a grant application for funding of security cameras. There was discussion of the number of grant applications submitted by this member and a concern that if all members applied for grants funding every year the program would but be sustainable. The grant application classified the security system as a liability initiative however, the majority of the risk prevented by the system would fall under the property classification, thus a different matching amount would be necessary. No motion was made; funding was not approved for lack of a motion.

**5. For Possible Action: Consideration and Approval of Two (2) Management Grant
Applications Submitted by White Pine County**

Two separate grant applications were submitted for the White Pine County Sheriff's Office; one for body worn cameras, a liability initiative and the other for bullet proof vests, a worker's compensation initiative. It was noted that this was the third grant application submitted by this member this year. Darren Wagner commented that there were other more affordable body worn cameras available and it was suggested that the Sheriff's department research more

options in this regard. Upon motion and second, the grant for the cameras was declined and the grant for the vests was approved.

6. For Possible Action: Report on Torch Learning Management System

Ann reported that staff had the initial implementation meeting with Torch on June 5th. A schedule for training and implementation is forthcoming and once those dates and have been established staff will communicate same to the membership.

7. For Possible Action: Staff report on Torch Learning Management System implementation

Ann reported that all members who were previously using Moodle LMS are now using Torch. There were several trouble tickets submitted during the implementation and those outstanding issues have all been resolved. A survey will be done prior to the annual board meeting to measure member satisfaction.

8. For Possible Action: Staff report on Risk Management Retreat

Ann advised that it was time to plan a retreat. In recent prior years POOL/PACT had partnered with the state chapter of PRIMA, however, the PRIMA chapter has gone dormant so any retreat planned for this year or next will be hosted by POOL/PACT only. Ann asked the committee members to give this some consideration before the next meeting in terms of what time of year they would like to hold a retreat/seminar, what location and whether to host a two day or one day event.

9. Public Comment

None

10. For Possible Action: Adjournment

Upon motion and second the meeting was adjourned.



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DRAFT
**Minutes of Meeting of
Loss Control Committee of
Nevada Public Agency Insurance Pool and
Public Agency Compensation Trust
Date: February 10, 2015**

1. Roll

The meeting was called to order by Chairman Cash Minor at 1:00 p.m. Ann Wiswell confirmed that a quorum was present.

Members present: Cash Minor (Elko County), John Dollar (Incline Village GID), Bryce Boldt (City of Boulder City), Bob Spellberg (Gardnerville Ranchos GID), Norma Santoyo (Douglas County), Darren Wagner (City of Yerington), Gina Mendez (City of Mesquite), Dan Murphy (Pershing County School District)

Others present: Ann Wiswell, Donna Squires, Mike Livermore, Rick Hudson, Josh Wilson, Wayne Carlson, Mel Iida

2. Public Comment

None

3. For Possible Action: Approval of Minutes of Committee Meeting of October 9, 2014

Upon motion and second, the minute were approved.

4. For Possible Action: Review of Mission Statement, Committee Membership

Upon motion and second, the existing mission statement was reviewed and approved for the Strategic Plan Years 2015-2018. Voting committee members were reviewed; new voting committee member John Dollar of Incline Village General Improvement District was welcomed to the committee.

5. For Possible Action: Review of POOL/PACT Loss Trends

Donna Squires reviewed POOL loss trends with the committee with a special focus on the impact of our aging infrastructure. As the building stock within the risk pool continues to age property claims are becoming more complex, sometimes involving asbestos and/or mold abatement. Local ordinances and ADA requirements also impact the total cost of these claims. The Automobile BI/PD line is being impacted somewhat by a frequency of backing accidents;

whether the member is backing into their own vehicle, a third party's vehicle or a stationary object, backing incidents are on the rise. Further claims data analysis will be done to determine if this is isolated to a few members or a particular type of operation.

Mike Livermore reviewed PACT loss trends with the committee and emphasized the impact of the aging workforce. Shoulder, back and knee injuries continue to dominate the landscape. The heart /lung experience was also reviewed.

6. For Possible Action: Review and Revise Existing Loss Control Strategies:

The three year strategic plan places emphasis on these areas of focus:

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

The committee will continue to explore new products and services that can be delivered to the membership to assist in each of these areas. Nineteen new e-learning courses are coming online in 2015. Efforts are being coordinated with the Department of Education to assist in Emergency Planning for School Districts. A new email newsletter has been developed titled "Spark" to assist member administrators in the utilization of the Torch learning management system. LMS, Torch. Special emphasis will be placed on the healthcare sector with regard to development of Wellness and Body Mechanics programs and services over the next three years. The committee viewed a video taken of the Elko County SkidCar and discussed the ongoing efforts to continue support of the three SkidCar frames located in Elko County, Boulder City and Nye County. Resources targeted at Cyber Security exposures will continue to be expanded.

Members continue to take advantage of the Loss Control Excellence Program and the feedback regarding the electronic survey has been positive. There was discussion of adding a section on network security and this will be further evaluated for incorporation into the program survey for 2016.

Upon motion and second, the committee directed staff to revise the Risk Management Grant Program guidelines to limit grant submissions to two annual submission dates and separate the training grants to allow for ongoing submissions throughout the year.

7. For Possible Action: Discussion and Consideration of Potential New Programs & Services:

- OSHA Record Keeping & Reporting Compliance Guide
- Internal Fraud Prevention Program

- HILT Injury Prevention Device
- Canine Injury Prevention Program

- Cyber Security Services

The committee reviewed OSHA compliance materials created for general industry and agreed that reference materials created specifically for Nevada public entities would be preamble. Staff will research the scope of the project and report back at a later meeting.

Staff reported that a new blended learning course would be developed with the assistance of CPA Michael Bertrand and Churchill County Comptroller, Alan Kalt. Vector Instructional Design will create the course materials.

Josh Wilson and Risk Hudson provided a demonstration of an injury prevention tool called the HILT (Human Injury Limiting Tool). This device would nicely compliment the Stryker products that were deployed three years ago by further reducing injuries involved with cot lifting. Staff will present a formal pricing proposal at a future meeting.

The committee discussed resources available to lower the frequency of dog bite attacks. These attacks affect not only animal control but law enforcement and utility workers as well. Staff will present more options at a future meeting.

For Possible Action: Discussion Regarding POOL/PACT Risk Management Seminar and School Safety Seminar Day

Upon motion and second, the committee directed staff to begin planning a Risk Management Symposium to be held in May 2016.

8. For Possible Action: Discussion Regarding Loss Control Excellence Program. Members to requalify in 2013-14:

- City of Carlin; expired 2012-13,
- City of Elko
- Elko County
- Eureka County
- Humboldt County; expired 2012-13
- Nevada Rural Housing Authority
- Storey County; expired 2012-13

9. Public Comment

none

10. For Possible Action: Adjournment

Upon motion and second the meeting was adjourned.



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**DRAFT Minutes of Meeting of Loss Control Committee of
Nevada Public Agency Insurance Pool and Public Agency Compensation Trust**

Date: Thursday, April 2, 2015

Time: 10:00 AM

Place: POOL/PACT Offices

201 S. Roop St. Carson City, NV 89701

CONFERENCE CALL-IN # 1-800-351-4899, Passcode: AnnW.

1. Roll

Members Present: Steve West, Bryce Boldt, Cash Minor, Bob Spellberg, Dan Murphy, Gina Mendez
Members Absent: Norma Santoya, Darren Wagner, John Dollar
Others Present: Ann Wiswell

2. Public Comment

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

3. For Possible Action: Approval of Minutes of Committee Meeting of February 10, 2015

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

4. For Possible Action: Review and Approval of HILT purchase proposal

Ann Wiswell indicated quote were requested for 300 units with logo on bags. An email campaign was launched to solicit interest. It would take 6-8 weeks to be manufactured and shipped to PACT for delivery by staff to members. Cost per unit \$366, a \$33 discount per unit..

On motion and section to approve purchase of 300 units, motion carried.

5. For Possible Action: Review and Approval of Loss Control Excellence Award Applications

Ann Wiswell indicated that Elko County and Nevada Rural Housing Authority award applications substantially were completed sufficient for granting the awards.

On motion and second to approve the awards to Elko County and Nevada Rural Housing Authority, the motion carried.

6. For Possible Action: Review and Approval of Risk Management Grant Application Submitted by White Pine County Fire Protection District

Ann Wiswell commented that there was no fund match, but in-kind match. Also, there are two local commercial services that could provide the same. Cash Minor expressed concerns about competing with private sector companies. The proposed in-kind match did not seem appropriate for this request.

On motion and second to deny the grant application, the motion carried.

7. For Possible Action: Review and Approval of Revised Risk Management Grant Program Guidelines and Supporting Documents

Ann Wiswell reviewed a change to the training grants to limit them to 4 per entity per year. She then reviewed the new format of the risk management grant application as an electronic application and require all applications be submitted online. The risk management grant applications were discussed with proposed submission deadlines of June 1 for July 1 funding; for November 1 funding, the deadline is October 1. Ann reviewed the criteria for the grants and reviewed a list of the ineligible items from past submissions that the committee had denied. Discussion ensued regarding several items as examples for specific exclusion. It was suggested that the deadline for the second period be December 1 for January 1 funding. Ann reviewed the revisions to the application form to document the rationale for the purpose of the grant request to assist the committee with ranking requests.

On motion and second to approve the grant program application and supporting documents, the motion carried.

8. Public Comment

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

9. For Possible Action: Adjournment

On motion and second to adjourn, the meeting was adjourned.

This Agenda was posted at the following locations:

**NPAIP/PACT
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 Admin 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 89701-4779, or by calling (775) 885-7475 at least three working days prior to the meeting

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 |
|--|---|-----------------------------------|--|
| Goal: Enhance Communications with Members and Access to Information | | | |
| Communications Plan | | | |
| Written plan to address: periodic print publications; | Risk Management Bulletins | FY 2015-18 | 4 bulletins a years + as needed 4 Newsletters a year+ new letter for LMS admins only; "Sparks" newsletter for Torch |
| online communications; | Website enhancements; Pooling Perspectives newsletter | FY 2015-18 | adminsitrators |
| meeting and conference materials; | Board packets, RM Conference materials, banners, giveaways | FY 2015-18 | as needed by BLG |
| media relations and public relations materials; | Industry association communications, member orientation tools | FY 2015-18 | as needed by BLG |
| marketing and sales tools; | targeted communication pieces; LCEP, Property Risk Control, ELearning brochures | FY 2015-18 | as needed by BLG |
| committee and board communiques; annual reports; | Web Meetings, enhanced meeting tools (Connect) Access online and in print | FY 2015-18 FY 2015-18 | Adobe Connect licensed for unlimited online meetings w/ up to 100 persons in meeting ongoing; periodicals |
| Enhance & Market POOL/PACT E-Learning Program | | | |
| | Course development | FY 2015-18 | As defined by LC Committee |
| | LMS Development | FY 2015-18 | Torch implented 2014. |
| | Member Utilization | FY 2015-18 | Site visits, webinars, reference materials |
| Goal: Plan, promote and implement risk management initiatives to reduce liability and protect public assets. | | | |
| Evaluate loss trends | Quarterly review of large losses; monthly review of loss development | | ongoing |
| Monitor Swimming Pool exposures and continually train operators | Inspect each swimming pool every three years; host annual Swimming Pool Operators certification course. | FY 2015-18 | annual pool inspections rotating every three years |
| Monitor electrical hazards in aging buildings | Conduct thermal imaging surveys of select buildings based on COPE data | FY 2015-18 | annual electrical inspections rotating every three years & as needed |
| Plan, promote and implement risk management initiatives to address exposures unique to school districts | Host workshops on relevant topics | FY 2015-18 | Bullying legislation, EOP's, Security issues |
| | Webinar series on student affairs policies | FY 2015-18 | completed 2013; updates planned FY 2016-18 |
| | Circulate UE publications | FY 2015-18 | ongoing;periodicals |
| Plan, promote and implement risk management initiatives to address exposures unique to law enforcement agencies | Constitutional Law Update, Supervising the Toxic Officer Implement standardized policies; available on website Deliver Emergency Management Dispatch Training | annually annually quarterly | Elko & IVGID FY 2015 Full update FY 2015 ongoing quarterly program |
| Deliver Elected Officials Liability Training Workshops | Public Officials Liability | FY 2015-18 | completed 6 regions for FY2012-2013 |
| | Open Meeting Law | FY 2015-18 | completed 6 regions for FY2012-2013; developing online for 2014 |
| | School Board Legal Liability | FY 2015-18 | completed 6 regions for FY2012-2013 |

PARMS_Risk Mgmt.

| | | | |
|--|---|------------|---|
| | Positive Governance | FY 2015-18 | completed 6 regions for FY2012-2013 |
| | Ethics | FY 2015-18 | completed 6 regions for FY2012-2013; developing onmine for 2014 |
| Risk Management Contract Review | Review member contracts for risk transfer, assumption of liability and insurance requirements | FY 2015-18 | ongoing |
| Risk Research Projects | Conduct ad hoc research and publish relevant findings to membership in newsletters and rm bulletins | FY 2015-18 | ongoing |
| Wellness programs | Promote Cardiac Wellness to Law Enforcement and Fire agencies | annually | done 2012-2013 |

Loss Control

Assigned to: Loss Control Control Committee/Willis

Goal: Deliver risk control services by planning, promoting, and implementing safety, health, and environmental

| Objectives: | Strategies | Target Date | Progress/Status Report | 2015-18 |
|--|---|-------------|---|---|
| OSHA and ADA Compliance | Accessibility Surveys as requested | FY2015-18 | as requested of Willis | as requested of Willis |
| | Playground Surveys as requested | FY2015-18 | as requested of Willis | as requested of Willis |
| | Premises Site Surveys | FY2015-18 | as requested of Willis | as requested of Willis |
| | MSDS Online Web Service expansion of scope | FY2015-18 | services expanded FY2012; contract renewing 7/1/15; | renewing 7/1/15;evaluating options |
| | HAZCOM Globalization Harminization Systems (GHS) | FY2015-18 | evaluating options | |
| | Promote and deliver Fire Extinguisher Training Program | FY2015-18 | course license renewed FY 2015 | |
| | Respirator Fit Testing Program | FY2015-18 | as requested of Willis | as requested of Willis |
| | ADA training on 2010 Accessibility Design Standards | FY2015-18 | completed; evaluating on going need FY2015-18 | as requested of Willis |
| | OSHA 10 hr and 30hr update training | FY2015-18 | courses offered semi annually by Willis | as requested of Willis |
| | Respiratory fit testing services | FY2015-18 | as requested of Willis | as requested of Willis |
| E-Learning Curriculum Development | Torch Online training development | FY2015-18 | 19 new courses FY2015; 5 more FY 2016-18 | |
| | | | DoE received grant funding FY 2015; program being developed | |
| Emergency Planning | Further coordination with DoE on School EOP's | | Belfor training being coordinated FY 2015-16 | |
| | Non Structural Earthquake Mitigation | | | |
| Claims Analysis/Benchmarking | Committee evaluates major POOL/PACT trends | FY2015-18 | semi annual review of PACT; reviewed 2/2015 | ongoing |
| | Aging workforce trends | FY2015-18 | | ongoing |
| | EMC/First Responder back injury rates and the impact c | FY2015-18 | reviewed 2/2015 | ongoing |
| | Property losses/aging infrastructure impact | | reviewed 2/2015 | |
| | Cyber liability trends | | presented on @ board workshops 3/2015 | |
| Auto/Driver Safety training | Online Defensive Driving course | FY2015-18 | | discontued FY2015-18;replaced with elearning |
| | Prevention of Backing accidents | FY2015-18 | resources being developed FY 2015-18 | discontued FY2015-18;replaced with elearning |
| Wellness/Body Mechanics | Skidcar instructor training and courses for members | FY2015-18 | Ongoing program. Assets located in Boulder City, Elko & Nye County. No additions planned FY 2015-18 | as requested by Willis |
| | Ergonomics, Back Injury Prevention; Wellness education | FY2015-18 | as requested by Willis | as requested by Willis |
| | Bloodborne Pathogens, CPR training | FY2015-18 | as requested by Willis | as requested by Willis |
| Cyber Risk | Cyber Security Training | FY2015-18 | online course launched FY 2014; webinars and seminars FY 2015-18 including board workshop 3/2015, | |
| | | | E-Risk hub | |
| | Cyber risk solutions | FY2015-18 | cloud based storage solution for records retention | |
| Annual Risk Management Summit | | | compliance being evaluated FY2016-18 | |
| | | | network security vulnerability assessments FY2016-18 | |
| Annual Risk Management Summit | annual conference for POOL/PACT members | FY2015-18 | Incline Village FY 2016 | POOL/PACT Risk Mgmt seminars coming back 2015-18 |
| | | | | refer to communications plan |
| Loss Control Excellence Program | Promote excellence in risk management through promotion of LCEP | FY2015-18 | program promoted through Pooling Perspectives, website & Willis Pooling | ongoing |
| | Promote risk management through funding of training, compliance and acquisition of safety equipment | FY2015-18 | program promoted through Pooling Perspectives, website, ASC , HR & Willis | |
| Risk Management Grant Program | Promote risk management through funding of Stryker emergency services equipment grants | FY2012-15 | fully funded 8/1/12; new round of funding being offered FY 2015 | addressed in LC Plan/RM Grants |
| | | | | evaluating another round of funding for Stryker |
| | Monitor and revise grant program as necessary | FY2012-15 | revised 7/2012, 7/2015 | evaluating annual grant deadlines FY 2015-18, rolling training grants |

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.

| Objectives: | Action Plans | Target Date | Progress/Status Report |
|--|--|-------------|---|
| Develop and Revise Training Courses | Develop two new instructor-led training courses. | Annually | FY2014, Completed 7 new courses |
| | Update and revise three instructor-led training courses. | Annually | FY2014, Completed 3 courses |
| | Provide regional workshops utilizing outside resources. | Annually | FY2014, Completed 7 workshops |
| | Offer six regional training courses throughout the State. | Annually | FY2014, Completed 9 regionals; 3 more scheduled |
| | Offer four mandatory on-line training courses for new employees. | Annually | FY2014, Completed |
| Enhance and Market Online Training Communications and Access to Information | Research and implement new methods of delivering training. | FY2013 | FY2014, Completed |
| | Market and promote e-learning and webinars. | Annually | FY2014, Completed |
| | Develop three new briefings. | Annually | FY2014, 1 Completed; 2 in process |
| | Update ten briefings. | Annually | FY2014, 6 Completed; 12 in process |
| | Maintain a library of 200 job descriptions | Annually | FY2014, Completed |
| Continue to Improve Use of Technology | Issue alerts as needed. | Annually | FY2014, Completed, 2 alerts issued |
| | Conduct three to six webinars on timely issues as necessary. | Annually | FY2014, Completed 3; 1 in process |
| Conduct HR Practices Assessments | Update and maintain HR documents on website | Annually | FY2014, Completed |
| | Offer HR compliance assessment program to a minimum of ten members. | Annually | FY2014, Completed 4; 6 in process |
| Develop and Deliver Member Service Plans | Develop member service plans to include trainings, briefings, and policy development. | Annually | FY2014, Completed |
| Maintain Sample HR Policies | Annually review, update, and create new sample policies for small organizations, large organizations, schools and CDL holders. | Annually | FY2014, Completed |
| Coaching and Problem Solving | Assist members with HR-related issues by providing advice and consultation. | Annually | FY2014, Completed |
| New Services | FRISK documentation training | Annually | FY2014, Completed 9 trainings; 2 in process |
| | Develop and offer HR assessment, phase II | Annually | FY2014, Completed 6; 2 in process |
| | Create database of collective bargaining concessions | FY2012 | FY2014, Completed with updates |
| | Contract with labor expert for training | Annually | FY2013, Completed |
| | Contract with labor expert for reduced rate | FY2012 | 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 |
|--|--|-------------|--|
| POOL | | | |
| Excellence in claims management | POOL claims audit every two years | 2013 | Audit completed week of March 18, 2013. Results reported at 2013 POOL/PACT Board meeting |
| | POOL claims audit every two years | 2015 | Audit completed week of March 2, 2015. Results to be reported at 2015 POOL/PACT Board meeting |
| Reduce claims severity | Use effective litigation management; # cases resolved < authority, < \$50,000 and < SIR | annually | # of litigated claims closed in 2015 calendar year=82. Total paid in legal expense \$1,190,394.53. Average legal paid is \$14,517.01 per claim. Total indemnity paid \$1,166,960.71. Average indemnity paid \$14,231.23 per claim. All but one claim resolved for less than the SIR. 57 cases closed with no indemnity payment. 22 cases closed with indemnity payment < \$25,000 authority. 1 case closed with indemnity payment between \$25,001 and \$50,000. 1 case closed with indemnity payment of \$75,000. |
| | Large loss report (cases with total incurred xs \$100k) | annually | Will be presented at the 2015 Board meeting |
| Develop claims adjuster capabilities | Attend two HR and one Law Enforcement training course; attend litigation workshop | annually | ASC staff attends free claims related webinars through LWG regularly throughout the year. ASC is also a member of the Northern Nevada Claims Association and attends monthly lunch and learn trainings when possible. In August 2014, Donna attended PATC law enforcement liability update seminar. All ASC staff attended Medicare Secondary Payer training through NuQuest. Donna and Diane attended Litigation Strategy Workshop in February 2015. |
| Enhance members understanding of loss trends and risks | Conduct lessons learned workshop and publications from case histories ; Trends Reports | annually | The Large Loss Report and Stewardship reports are presented annually at the POOL PACT Board Meetings and incorporate trends analysis. |
| Enhance defense and members' counsel capacity to prevent and contain litigation | Assist Members with internal claims management and prevention; Conduct litigation strategy educational workshop | annually | Litigation Strategy Workshop held February 26, 2015 |
| Train members on claims management practices | Train members on internal claims reporting, adjusters role, members role | ongoing | Meeting with Lyon County August 2014. Donna and Mike attended the Board Retreat in November 2014. |
| PACT | | | |
| Excellence in claims management | PACT claims audit every two years | 2012 | completed 4/2012; results reported at annual board meeting |
| | PACT claims audit every two years | 2014 | completed 4/2014; results reported at annual board meeting |
| Reduce claims severity | Police/fire members cardiac wellness program expand to more members | ongoing | Work with ARC to bring standardized, improved annual physicals to members. CWP member participation expansion is handled by Specialty Health. |
| Assist members' understanding of loss causes and trends | Produce annual claims trend analysis reports and review with members during quarterly visits | ongoing | Met with PACT members this past year: Douglas County, Lyon County, Lander County, City of Boulder City, Douglas County Sewer Improvement District. |
| Utilize Subsequent Injury Fund | Identify potential SIF cases and file timely | ongoing | ASC screens all new claims for potential SIF recovery. Nine claims have been granted SIF recovery. 24 claims are currently under workup for potential SIF recovery or pending a written decision from the SIF Board for potential appeal. 1 claim is in litigation on the SIF Board's denial of recovery. |
| | 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 meetings are held with SH for review of complex claims selected for case management. All request for surgery, physical therapy and diagnostic testing (other than x-rays) are submitted to SH for preauthorization utilization review. |
| Utilize SpecialtyHealth MCO | | | All new claims are submitted to SH for Medical Director review of diagnosis correlation to injury mechanism. All claims meeting prespecified injury criteria (major joint or spine involvement, etc.) are assigned for MCO case management. |
| Train members on claims management practices | Utilize SH to identify potential medical complexities in all new claims | ongoing | |
| | 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 PACT members this past year: Douglas County, Lyon County, Lander County, City of Boulder City, Douglas County Sewer Improvement District. |
| | Conduct quarterly visits with members for training purposes on rotating basis. | annually | Met with PACT members this past year: Douglas County, Lyon County, Lander County, City of Boulder City, Douglas County Sewer Improvement District. |

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 |
|--|---|-------------|--|
| Goal: Grow Members net assets; Increase Financial Strength of Pools | | | |
| Grow net assets of each pool and captive | POOL & PACT: Target at least 15% average net assets growth per year over rolling 4 year cycles; | annually | 5.5% for period 2011-2014 25.3% growth over 4 years even with amorization of contributions to captive |
| Maintain net assets to highest SIR ratio of at least 12:1 for each pool | POOL: continue to grow above target to enable increased retention - SIR \$500,000 = \$6,000,000 | annually | 5.3% decline over 4 years; reduction due to amortization of captive contributions |
| | PACT: continue to grow above target to cushion for increased retention - SIR \$500,000 = \$6,000,000 | annually | |
| Enhance boards' understanding of financial results | Produce M D & A reports showing critical benchmarks and financial performance ratios; review with Boards | annually | done 2012,02013, 2014 |
| | Provide actuarial summary each board meeting | annually | done 2012,02013, 2014, 2015 |
| | Prepare annual report with financial audit | annually | 4/2012; 4/2013; 4/2014; 4/2015 |
| | Include fiscal impact notes in budget documents showing overall effect of changes | annually | 4/2012; 4/2013; 4/2014; 4/2015 |
| | Review budgets with Executive Committees; include discussion of actuarial confidence level selection and allocation methodology | annually | 3/2012; 3/2013; 3/2014; 3/2015 |
| Goal: Grow Leadership Capacity of Pools | | | |
| Enhance board leadership Board & Member Development | Executive Committees attend AGRIP trustees training | annually | 10/2012; 10/2013; 3/2014; 3/2015 |
| | Conduct new board member orientation | annually | 4/25/2013; 4/25/2014; 5/1/2015 |
| | Conduct board development training at annual meeting | annually | done 2012;2013;2014;2015 |
| | Conduct member orientations about POOL/PACT programs and services | annually | 4/25/2013; 4/25/2014; 4/30/2015 |
| Strenghten Services Delivery | 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 |
| Monitor Legislation and Regulation | Utilize lobbyist effectively during legislative sessions | bi-annually | 2013 session; 2014 interim;2015 session |
| | Participate in regulatory process for Division of Insurance and Division of Industrial Insurance Regulation | annually | 2013; 2014; 2015 |

| Audit Year Ended June 30 | POOL Net Assets | PACT Net Assets | Combined Net Assets | % Change vs. Prior Year | Surplus to Retention Ratio - POOL | Surplus to Retention Ratio - PACT |
|---|-----------------|-----------------|---------------------|-------------------------|-----------------------------------|--------------------------------------|
| 2014 | \$ 32,917,916 | \$ 45,603,678 | \$ 78,521,594 | 3.5% | 65.84 | 91.21 |
| 2013 | \$ 31,185,669 | \$ 44,707,193 | \$ 75,892,862 | -0.6% | 62.37 | 89.41 |
| 2012 | \$ 29,769,405 | \$ 46,546,686 | \$ 76,316,091 | 2.5% | 59.54 | 93.09 |
| 2011 | \$ 26,261,322 | \$ 48,159,833 | \$ 74,421,155 | 3.8% | 52.52 | 96.32 |
| 2010 | \$ 23,786,160 | \$ 47,888,678 | \$ 71,674,838 | 10.4% | 47.57 | 95.78 |
| 2009 | \$ 19,232,942 | \$ 45,671,608 | \$ 64,904,550 | 12.1% | 38.47 | 91.34 |
| 2008 | \$ 16,701,095 | \$ 41,198,184 | \$ 57,899,279 | 22.4% | 33.40 | 82.40 |
| 2007 | \$ 15,084,263 | \$ 32,236,857 | \$ 47,321,120 | 40.2% | 30.17 | 64.47 |
| 2006 | \$ 12,178,425 | \$ 21,583,118 | \$ 33,761,543 | 68.1% | 24.36 | 43.17 |
| 2005 | \$ 8,256,650 | \$ 11,831,519 | \$ 20,088,169 | 44.3% | 16.51 | 23.66 |
| 2004 | \$ 6,878,950 | \$ 7,042,968 | \$ 13,921,918 | 12.9% | 13.76 | 14.09 |
| 2003 | \$ 7,332,480 | \$ 4,999,128 | \$ 12,331,608 | 35.3% | 14.66 | 10.00 |
| 2002 | \$ 6,075,569 | \$ 3,040,280 | \$ 9,115,849 | 20.1% | 12.15 | 6.08 |
| 2001 | \$ 5,097,350 | \$ 2,495,869 | \$ 7,593,219 | | 10.19 | 4.99 |
| Net Asset Change between 2011-2014 | \$ 6,656,594 | \$ (3,181,485) | \$ 3,475,109 | 934.1% | % Change since 2001 | Excess of Target 15% Annually |
| Net Asset Change between 2001-2014 | \$ 27,820,566 | \$ 43,175,739 | \$ 70,996,305 | 66.7% | Average Annual | 51.7% |
| | 25.3% | -5.3% | 5.5% | | | |

| Audit Year Ended June 30 | POOL Net Assets | % Change vs. Prior Year | Audit Year Ended June 30 | PACT Net Assets | % Change vs. Prior Year |
|---|-----------------|---|---|-----------------|--|
| 2014 | \$ 32,917,916 | 6% | 2014 | \$ 45,603,678 | 2% |
| 2013 | \$ 31,185,669 | 5% | 2013 | \$ 44,707,193 | -4% |
| 2012 | \$ 29,769,405 | 13% | 2012 | \$ 46,546,686 | -3% |
| 2011 | \$ 26,261,322 | 10% | 2011 | \$ 48,159,833 | 1% |
| 2010 | \$ 23,786,160 | 24% | 2010 | \$ 47,888,678 | 5% |
| 2009 | \$ 19,232,942 | 15% | 2009 | \$ 45,671,608 | 11% |
| 2008 | \$ 16,701,095 | 11% | 2008 | \$ 41,198,184 | 28% |
| 2007 | \$ 15,084,263 | 24% | 2007 | \$ 32,236,857 | 49% |
| 2006 | \$ 12,178,425 | 47% | 2006 | \$ 21,583,118 | 82% |
| 2005 | \$ 8,256,650 | 20% | 2005 | \$ 11,831,519 | 68% |
| 2004 | \$ 6,878,950 | -6% | 2004 | \$ 7,042,968 | 41% |
| 2003 | \$ 7,332,480 | 21% | 2003 | \$ 4,999,128 | 64% |
| 2002 | \$ 6,075,569 | 19% | 2002 | \$ 3,040,280 | 22% |
| 2001 | \$ 5,097,350 | | 2001 | \$ 2,495,869 | |
| Net Asset Change between 2011-2014 | \$ 6,656,594 | % Change since 25.3% 2011 | Net Asset Change between 2011-2014 | \$ (2,556,155) | -5.3% % Change since 2011 |
| Net Asset Change between 2001-2014 | \$ 27,820,566 | 36.7% Average Annual Excess of Target 15% Annually | Net Asset Change between 2001-2010 | \$ 45,392,809 | 181.9% Average Annual Excess of Target 15% Annually |
| | | 21.7% | | | 166.9% |

Executive Director's Report to Board April 2015

POOL and PACT Budgets:

PACT expenses increased by about 5% for exposure and rate changes. PACT general rates appear to be moderating based upon the most recent actuarial report. The PACT presumptive benefits post-employment rate is scheduled to increase by 10% per board policy. Pending legislation may or may not help reduce this long term risk. Of course, substantial presumptive benefits losses can surprise at any time.

For POOL, we expect an increase in the schools' liability costs due to a couple of very substantial settlements again this year. Property rates should be stable after exposure changes which increased about 5% overall. Other liability rates also should be stable based upon recent actuarial reports. Overall, the budget adds 3% to the gross assessments from exposure changes.

Amortization of contributions to the captives continues to reduce results from operating income, although that is a planned conservative strategy to grow the captives. Other POOL and PACT have accumulated substantial reserves from positive years, so overall financial standing remains sufficient.

Both program budgets rely on a 70% actuarial confidence level to generate sufficient margin. Preliminary indications are that the loss fund rate changes will be fairly flat. If the ratable exposures differ, gross POOL/PACT revenues will be affected as will potential reinsurance costs. The draft budget will need further revision following receipt of quotes prior to and at the annual board meeting after renewal decisions are reached.

NPAIP Service Provider Agreements Renewing in FY 2015-16:

- **PRI:** The human resources services grant to Pooling Resources, Inc. expires June 30, 2015. A renewal grant is proposed for a five year term from July 1, 2015 to July 1, 2020 in light of the high quality performance consistently since the first grant in 2006 and the continuing need for these services by POOL/PACT Members. The grant amounts increase by about 2% per year and the total five year grant amount is \$5,964,000. The scope of services (Exhibit A) has been revised to reflect the 2015 changes proposed. PRI's grant budget reflects a 3% increase in the current grant amount. The grant budget for a five year period assumes a 2-3% increase each year in the future. PRI has built a reserve of a full year's grant and continues to operate at a modest margin.
- **Aetna EAP Program:** A revised contract for a 5 year term from 6/1/2015 is required due to Nevada regulation changes. Refer to EAP report for details.

NPAIP Building Leases Renewing in FY 2014-15:

CCMSI lease agreement effective 1/7/2015 was extended for another two year term

Nevada Sagebrush Ecosystem Project lease agreement effective 2/1/2015 was approved by the Board of Examiners for a two year term (has 2 yr option)

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 on April 1-2, 2015. Wayne Carlson, Alan Kalt and Bob Lombard of Willis Pooling met with various syndicates and Willis Re London. Property market conditions have shown some rate decreases due to increased market capacity. Our broker indicates that we should be able to negotiate favorable rates based upon our experience and long term relationships. We will negotiate to retain our current \$500,000 retention and the \$125 million of earthquake and flood aggregates.

Public Risk Mutual will offer renewal at current terms in which it takes a 15% quota share of \$7,000,000 excess of \$3,000,000 POOL retention as well as 20% of the \$2,500,000 liability limit above POOL's retention of \$500,000, 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 \$2,500,000 above the POOL retention of \$500,000 on an 80% quota share basis with PRM bearing 20%. CRL preliminary indications are for a nominal overall rate increase.

United Educators writes a liability limit of \$2,500,000 excess of the POOL's \$500,000 retention. Unfortunately, there have been substantial losses settled in 2013 in that layer that likely will put upward pressure on rates. UE has been a very stable, cost effective partner. 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 as necessary, perhaps utilizing our PRM capacity. Rates are expected to rise in light of the losses.

Government Entities Mutual (GEM), a member owned captive insurance company in which NPAIP placed a substantial capital contribution, reinsures 35% quota share of the layer of \$7,000,000 above the POOL retention of \$3,000,000. Rates are expected to remain stable.

Brit provides 50% quota share of liability limits of \$7,000,000 excess of POOL's \$3,000,000 retention. 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. We will receive a refund of accumulated risk management services credits.

FACT:

Public Compensation Mutual (PCM) bears \$500,000 excess of PACT's \$500,000 retention plus a quota share of 25% of the next \$2,000,000 excess of \$1,000,000. CRL bears 75%.

Safety National now attaches at \$3,000,000 and covers to statutory limits. Both PCM and Safety National provide 50% quota-share of the \$3,000,000 aggregate limit that attaches above a high aggregate retention along with PCM.

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 met with our marketing contact to obtain proposals for revisions to the marketing effort. In addition, SpecialtyHealth staff continues to make site visits with members to recruit participation. SpecialtyHealth will present an update of the cardiac wellness program at the annual board meeting.

POOL Cyber Liability Program:

No cyber liability events have occurred thus far since we launched the program. Use of eRisk Hub will continue to be promoted along with other cyber training.

POOL/PACT Loss Control

Strategic Plan 2015-2018





Mission and Vision

The mission of the Loss Control Committee is to deliver risk control services by planning, promoting, and implementing safety, health, and environmental initiatives to protect public assets and reduce losses.



Voting Committee Members

- Cash Minor, Elko County - Chairman
- Bob Spellberg, Gardnerville Ranchos GID
(alternate chair)
- Steve West, Winnemucca
- John Dollar, Incline Village G.I.D.
- Bryce Boldt, Boulder City
- Norma Santoyo, Douglas County
- Geoff Stark, Churchill County



Voting Alternates:

- Darren Wagner, Yerington
- Dan Murphy, Pershing County Schools
- Gina Mendez, City of Mesquite



Strategies 2015-18

- OSHA and ADA Compliance
- E-Learning curriculum development
- Emergency Planning
- Claims Analysis
- Wellness/Body Mechanics
- Auto/Driver Safety training
- Cyber Risk Awareness
- LCEP Administration
- Grant Program Administration
- Annual Risk Management Summit: MAY 2016



OSHA & ADA Compliance

- Fire Extinguisher Training
- Respiratory Protection Fit Testing
- Global Harmonization Training
 - Hazard Communications (2013)
- OSHA 10 & 30 Hour Construction Safety Training (2010 and on going)
- MSDS Online
- New Online Safety Courses



Elearning courses currently in pipeline for 2015-16

Nineteen new courses

- Effective Safety Programs
- Electrical Safety
- OML, Ethics & Open Records Act
- Fire Extinguisher Safety
- Forklift Operation
- Hearing Loss Prevention
- Infectious Disease



New E Learning Courses:

- Ladder Safety
- Personal Protective Equipment
- Respiratory Protection Programs
- Contracting Fundamentals
- Civil Rights Training for School Lunch Programs
- Children In Transition
- Teaching Science Safely
- Student Threat Assessment Teams



Emergency Planning

- Coordinate with local emergency management contacts
- Monitor preparedness of members
- Serve as a resource
- Non-structural earthquake mitigation
- **School Site Safety Assessments**



Claims Analysis/Bench Marking

Special Emphasis on:

- Aging Workforce Trends
- Cyber liability development
- Property losses; impact of aging infrastructure



Auto/Driver Safety Training

- Elearning
- EVOC
- Skidcar:
- <https://www.youtube.com/watch?v=3U-jlfZXBdY&app=desktop>



Cyber Risk Solutions

- Cyber Security Awareness training for users
- E-Risk Hub access for management/IT
- **Cyber Security Vulnerability Assessments**



Wellness/Body Mechanics

- Stryker grant impact
- Fit Responder
- Focus on: Healthcare sector



Risk Management Summit

- MAY 2016



Risk Management Grant

Purpose:

As an incentive for Members to invest in risk management and safety efforts, a POOL and PACT risk management grants program would be established as an ongoing program supported by each pool.

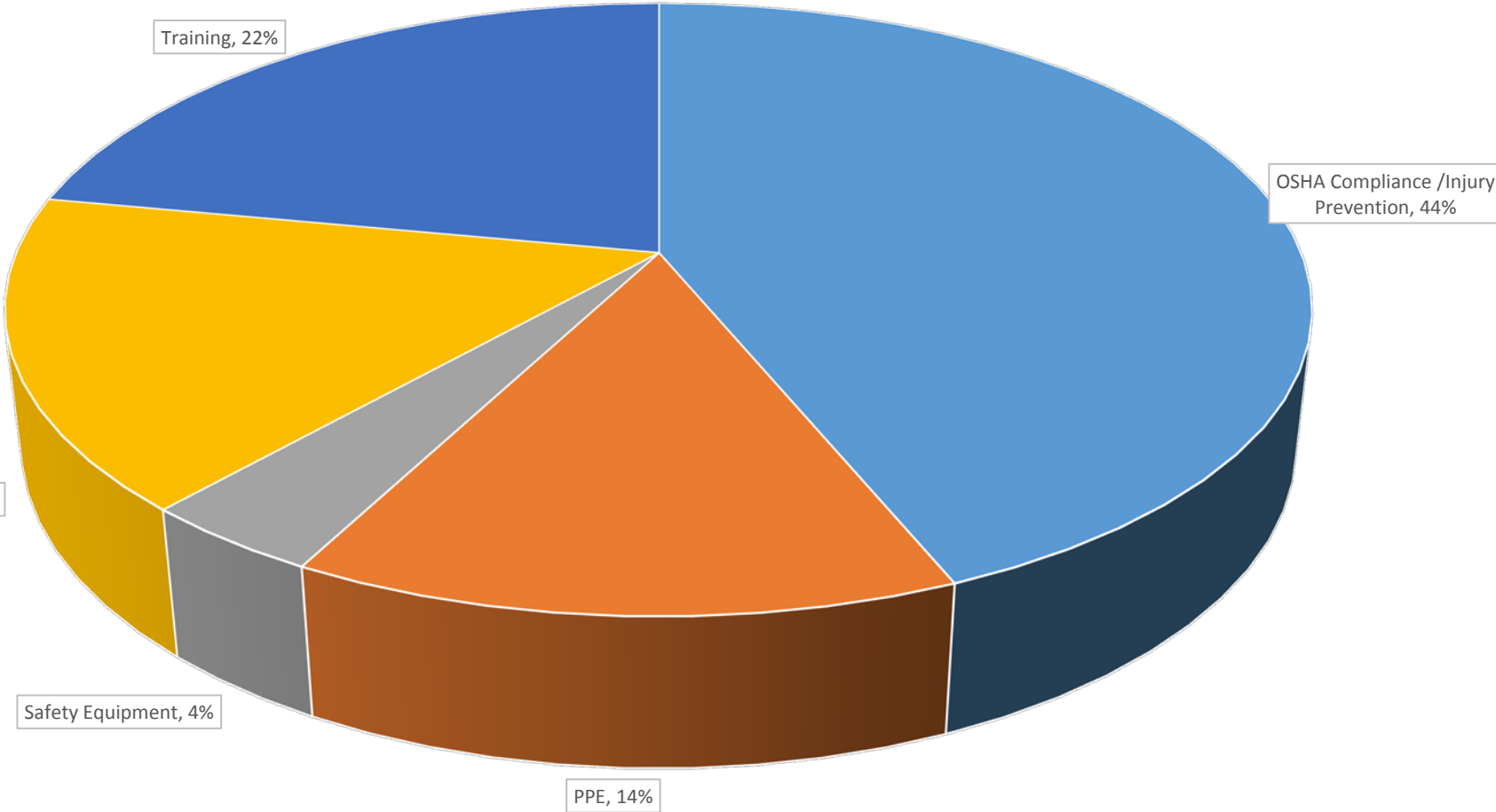
Funding Amounts:

Each pool would provide up to 1% of its net assets, initially \$100,000 each, for the grants program.

2014 Grants

| | 2013 Net Assets | 1% |
|------------------|-----------------|-------------|
| POOL | 42,911,169 | 429,111 |
| PACT | 79,370,901 | 793,709 |
| TOTAL GRANT FUND | | \$1,222,820 |
| GRANTS FUNDED | | \$124,572 |

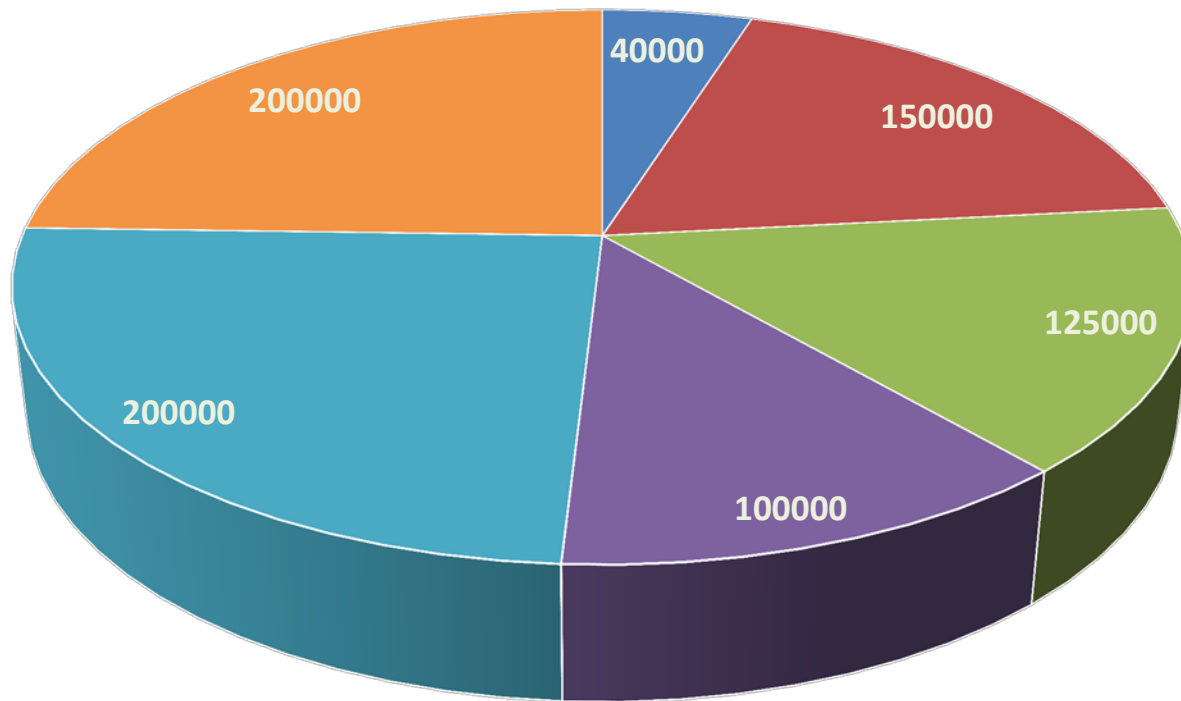
2014 Grants



2015 Grant Administration

| | 2014 Net Assets | 1% |
|------------------|-----------------|-----------|
| POOL | 43,758,612 | 437,586 |
| PACT | 83,611,339 | 836,113 |
| TOTAL GRANT FUND | | 1,273,699 |
| | | |

2015 Grant Funding



■ Training Grant ■ Stryker Grant ■ HILT Grant ■ Cyber Security ■ July Funding ■ June Funding



2015 Grant Program Administration

- *New Grant Guidelines effective 7/1/15*

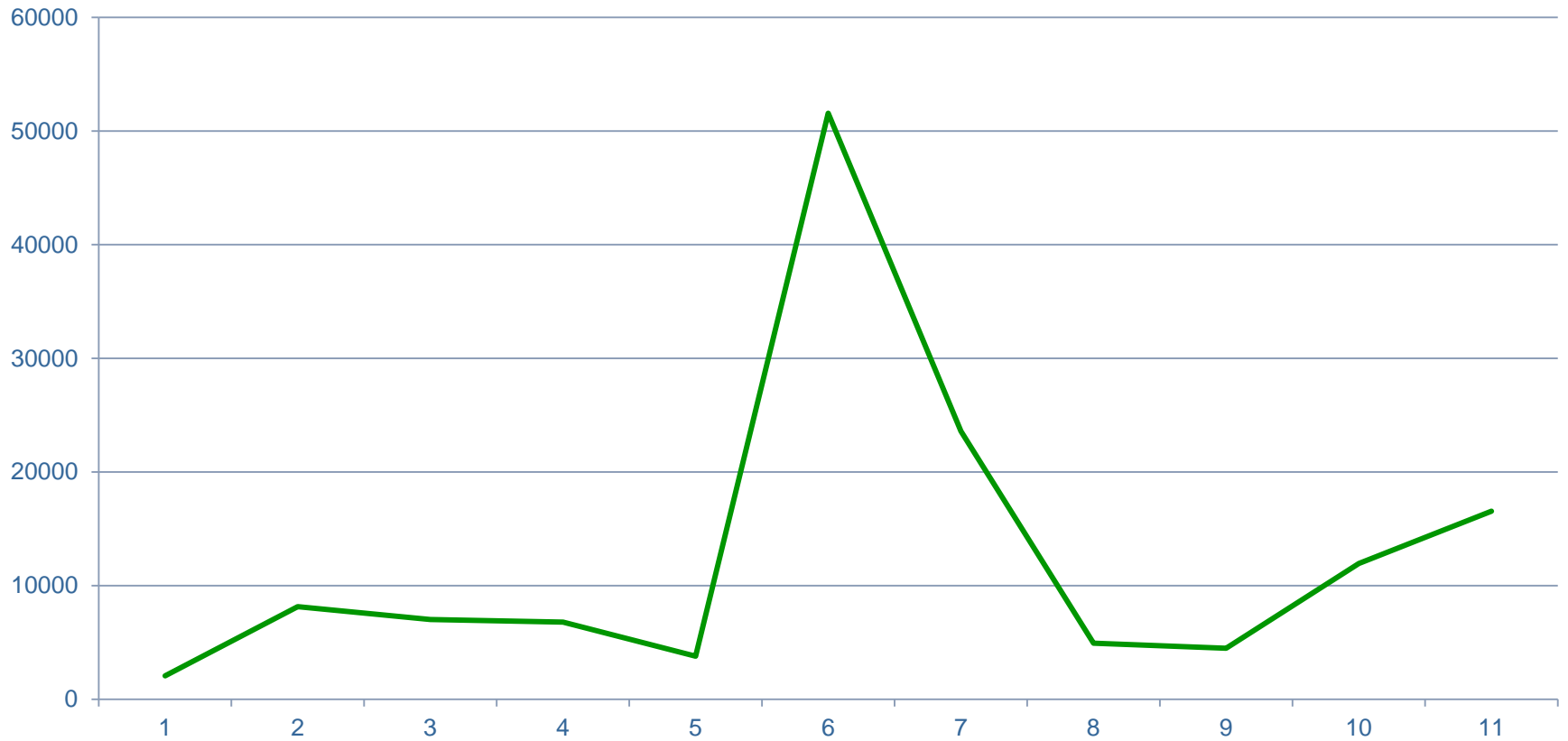
| Training Grants | RM Grants |
|-------------------------------------|----------------------|
| rolling | July and January |
| \$2,000 per person/ 4 per member | Ranked & prioritized |
| Online submission | Online submission |



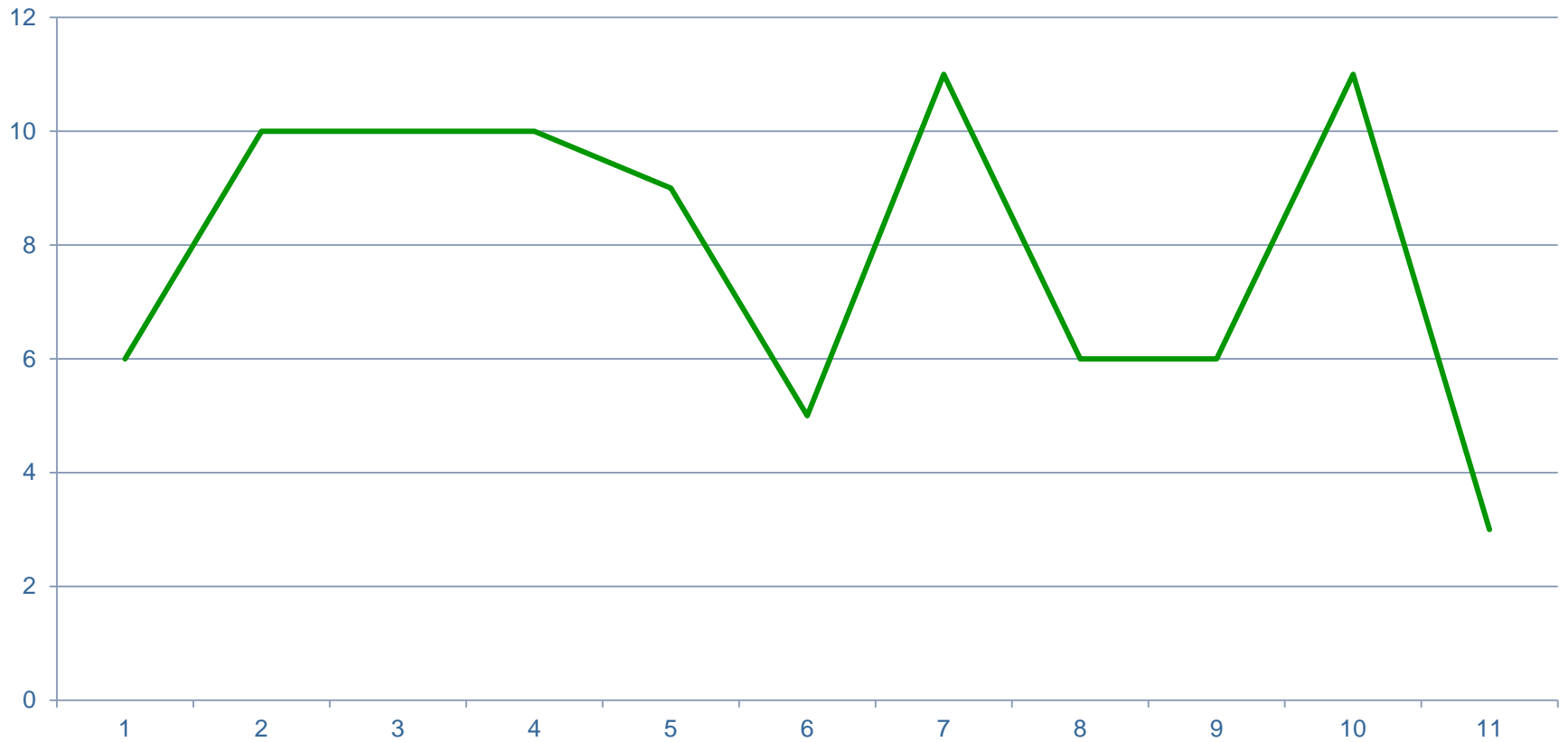
Stryker Grant Program

- 2009: \$500,000 grant funding, 50% match
- Every agency in PACT now has at least one hydraulic cot.
- 2015: \$150,000 in additional funding for another round of cots for large EMS agencies

Stryker Severity Trend



Stryker Frequency Trend





HILT

- 2015 - 300 Human Injury Limiting Tools
- \$125,000, 100% funding for each unit
- Supports the hydraulic cot program by further reducing injuries in patient transport.
- www.getahilt.com
-



Loss Control Excellence Awards 2014-15

- City of Elko
- Elko County
- City of Carlin
- Humboldt County
- Nevada Rural Housing Authority
- Storey County

| <u>Date</u> | <u>Grant #</u> | <u>Entity</u> | <u>Purpose</u> | <u>Grant Amount</u> | <u>Received</u> | <u>Money Returned</u> | <u>Net Grant</u> |
|---------------|----------------|----------------------------|--|---------------------|-----------------|-----------------------|------------------|
| 7/9/14 | 158 | Boulder City | training conference for Officers/Dispatchers | 7,500.00 | 9/30/2014 | 1,540.95 | 5,959.05 |
| 7/9/14 | 159 | Douglas CSD | OSHA Maint Bldg/ & Transportation | 8,473.00 | | | 8,473.00 |
| 7/9/14 | 160 | City of West Wendover | training conference/ law enforcement | 1,857.00 | 3/18/2015 | | 1,857.00 |
| 7/22/14 | 161 | White Pine CSD | security for doors/windows/locks | 9,763.50 | | | 9,763.50 |
| 7/22/14 | 162 | Elko County | ambulance conversion unit | 4,825.00 | | | 4,825.00 |
| 9/19/14 | 163 | Douglas County | NEOGOV conference attendees | 2,896.00 | 10/28/2014 | 169.28 | 2,726.72 |
| 9/19/14 | 164 | Humboldt CSD | 2W 4 Channel Portable Radios | 10,718.28 | 9/26/2014 | | 10,718.28 |
| 9/30/14 | 165 | Churchill County | OSHA training / certification | 99.00 | // VOIDED | 99.00 | - |
| 9/30/14 | 166 | No Lyon Co FPD | Firefighters protective face masks | 1,375.00 | 2/13/2015 | | 1,375.00 |
| 10/22/14 | 167 | Pershing General Hospital | attendance P/P HR seminar | 183.06 | NA | | 183.06 |
| 10/22/14 | 168 | White Pine County | Bullet Proof Vests/ all officers/patrol & jail | 13,308.20 | | | 13,308.20 |
| 10/23/14 | 169 | Indian Hills GID | 5 Fall Protection systems | 6,929.43 | | | 6,929.43 |
| 11/5/14 | 170 | Julie Thuemler c/o Elko Co | Training seminar | 504.60 | NA | | 504.60 |
| 12/26/14 | 171 | City of Caliente | OSHA required equipmt/ NFPA | 10,233.75 | 3/5/2015 | | 10,233.75 |
| 12/29/14 | 172 | Churchill County | SHRM conference attendance | 2,000.00 | | | 2,000.00 |
| 1/6/15 | 173 | NV Rural Housing Auth'y | EMS training | 596.46 | NA | | 596.46 |
| 2/5/15 | 174 | Lincoln CSD | Caliente Elementary / new plygrd padding | 5,530.50 | | | 5,530.50 |
| | | | Panaca Elementary / new plygrd padding | 1,928.94 | | | 1,928.94 |
| 2/13/15 | 175 | Mineral County | Emergency Medical bags | 7,100.26 | | | 7,100.26 |
| 2/13/15 | 176 | Douglas County | PRIMA 2015 Annual conference | 6,000.00 | | | 6,000.00 |
| 2/20/15 | 177 | Incline Village GID | Generator, storage unit/cabinetry | 5,262.85 | | | 5,262.85 |
| 2/20/15 | 178 | West Wendover Police Dept | EMD Dispatch Training | 1,984.44 | 3/17/2015 | | 1,984.44 |
| 3/20/15 | 179 | Mineral County | 5 bullet proof vests | 2,625.00 | | | 2,625.00 |
| 4/3/15 | 180 | Indian Hills GID | 2015 PRIMA conference | 2,000.00 | | | 2,000.00 |
| 4/3/15 | 181 | Churchill CSD | NCST Congress | 2,600.00 | | | 2,600.00 |
| 4/3/15 | 182 | Tonopah, town of | Resurfacing Pool/ etc. | 9,088.69 | NA | | 9,088.69 |
| 4/3/15 | 183 | Boulder City | Wellness program | 1,000.00 | | | 1,000.00 |
| | | | | | | Total | 124,573.73 |

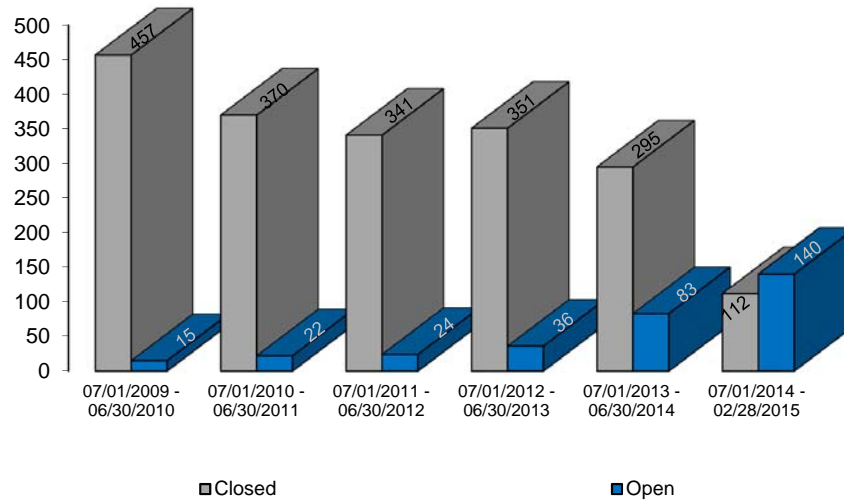


Liability Report



Total Claims by Policy Year excluding Incidents 07/01/2009 - 02/28/2015

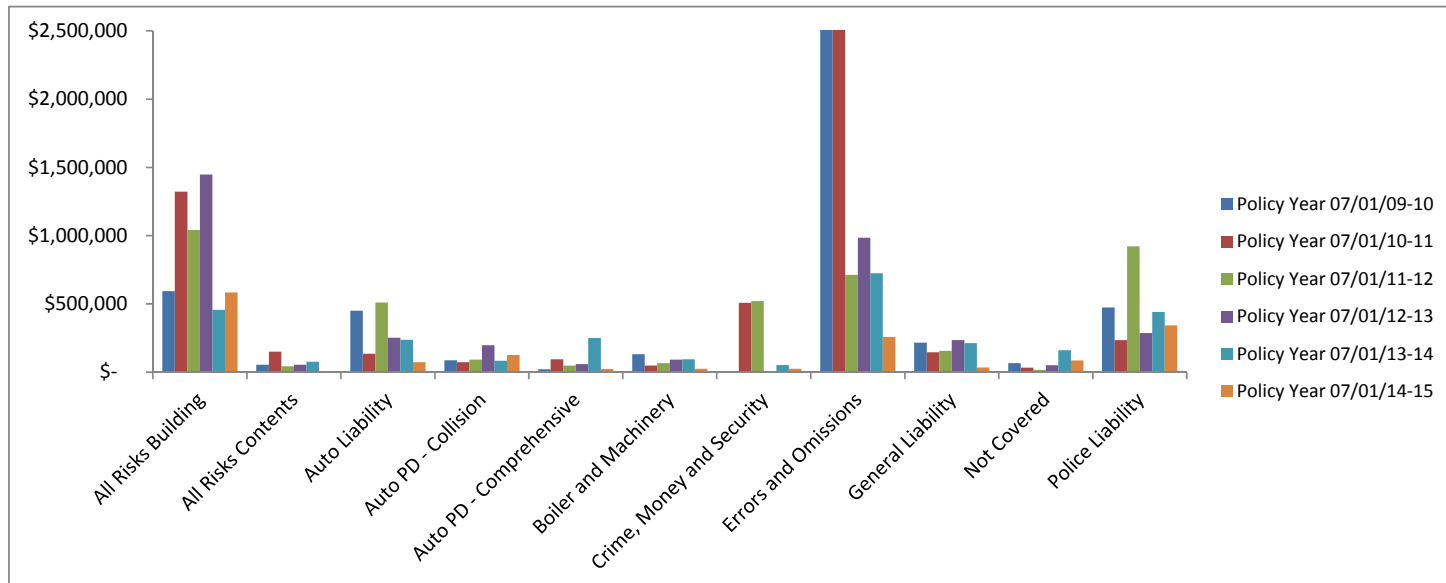
| Policy Year | Total Claims | |
|-------------------------|--------------|------|
| | Closed | Open |
| 07/01/2009 - 06/30/2010 | 457 | 15 |
| 07/01/2010 - 06/30/2011 | 370 | 22 |
| 07/01/2011 - 06/30/2012 | 341 | 24 |
| 07/01/2012 - 06/30/2013 | 351 | 36 |
| 07/01/2013 - 06/30/2014 | 295 | 83 |
| 07/01/2014 - 02/28/2015 | 112 | 140 |





Total Incurred by Coverage by Policy Year

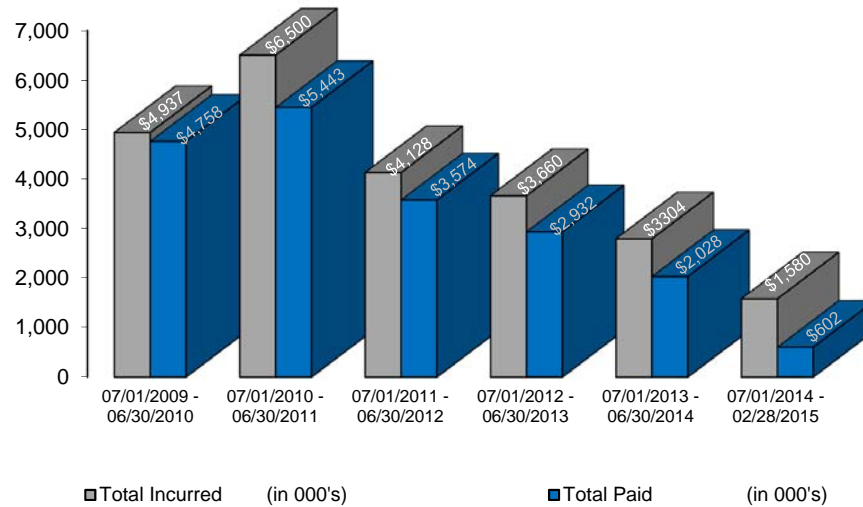
| Coverage | Policy Year 07/01/09-10 | Policy Year 07/01/10-11 | Policy Year 07/01/11-12 | Policy Year 07/01/12-13 | Policy Year 07/01/13-14 | Policy Year 07/01/14-15 |
|---------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| All Risks Building | \$ 594,390 | \$ 1,322,871 | \$ 1,041,394 | \$ 1,447,941 | \$ 456,806 | \$ 584,551 |
| All Risks Contents | \$ 53,725 | \$ 149,578 | \$ 42,083 | \$ 54,353 | \$ 75,727 | \$ 3,653 |
| Auto Liability | \$ 451,495 | \$ 135,041 | \$ 510,445 | \$ 252,559 | \$ 237,750 | \$ 72,565 |
| Auto PD - Collision | \$ 86,451 | \$ 72,929 | \$ 90,988 | \$ 196,707 | \$ 83,502 | \$ 125,857 |
| Auto PD - Comprehensive | \$ 21,611 | \$ 93,986 | \$ 48,351 | \$ 58,531 | \$ 250,270 | \$ 23,076 |
| Boiler and Machinery | \$ 131,609 | \$ 48,115 | \$ 66,020 | \$ 91,458 | \$ 93,955 | \$ 24,196 |
| Crime, Money and Security | \$ 5,387 | \$ 508,194 | \$ 520,874 | | \$ 52,000 | \$ 25,000 |
| Errors and Omissions | \$ 2,835,196 | \$ 3,756,031 | \$ 713,784 | \$ 985,422 | \$ 725,047 | \$ 259,365 |
| General Liability | \$ 216,597 | \$ 145,128 | \$ 155,983 | \$ 235,824 | \$ 213,471 | \$ 33,537 |
| Not Covered | \$ 66,110 | \$ 32,347 | \$ 16,406 | \$ 49,947 | \$ 160,314 | \$ 85,136 |
| Police Liability | \$ 474,905 | \$ 235,793 | \$ 922,150 | \$ 286,965 | \$ 441,884 | \$ 342,990 |





Incurred vs Paid by Policy Year 07/01/2009 - 02/28/2015

| Policy Year | All Claims | |
|-------------------------|------------------------------|--------------------------|
| | Total Incurred (in 000's) | Total Paid (in 000's) |
| 07/01/2009 - 06/30/2010 | \$4,937 | \$4,758 |
| 07/01/2010 - 06/30/2011 | \$6,500 | \$5,443 |
| 07/01/2011 - 06/30/2012 | \$4,128 | \$3,574 |
| 07/01/2012 - 06/30/2013 | \$3,660 | \$2,932 |
| 07/01/2013 - 06/30/2014 | \$2,791 | \$2,028 |
| 07/01/2014 - 02/28/2015 | \$1,580 | \$602 |

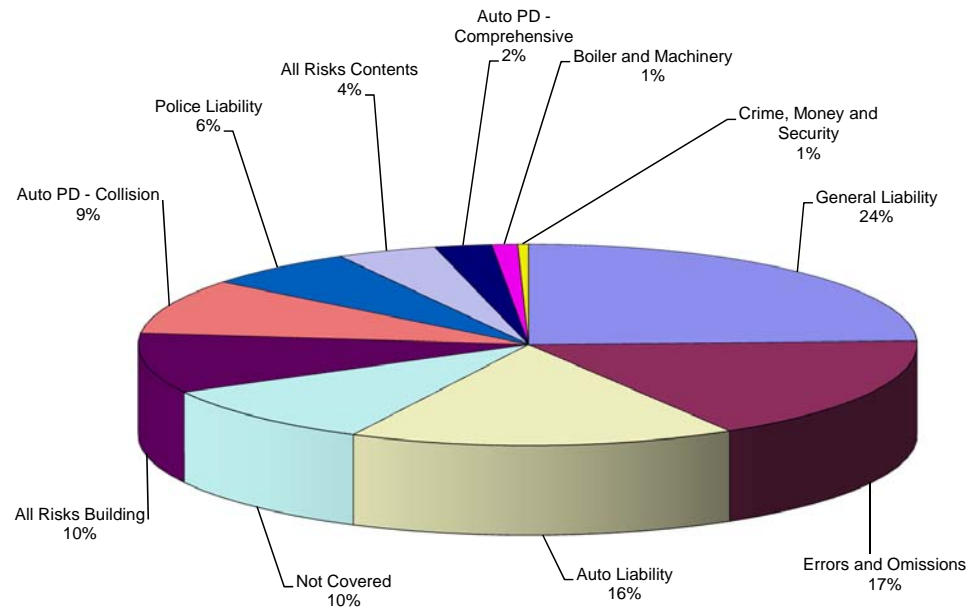




Frequency of Claims by Coverage

07/01/2009 - 02/28/2015

| Coverage | # of Claims |
|---------------------------|-------------|
| General Liability | 549 |
| Errors and Omissions | 381 |
| Auto Liability | 359 |
| Not Covered | 219 |
| All Risks Building | 216 |
| Auto PD - Collision | 200 |
| Police Liability | 142 |
| All Risks Contents | 93 |
| Auto PD - Comprehensive | 53 |
| Boiler and Machinery | 24 |
| Crime, Money and Security | 10 |

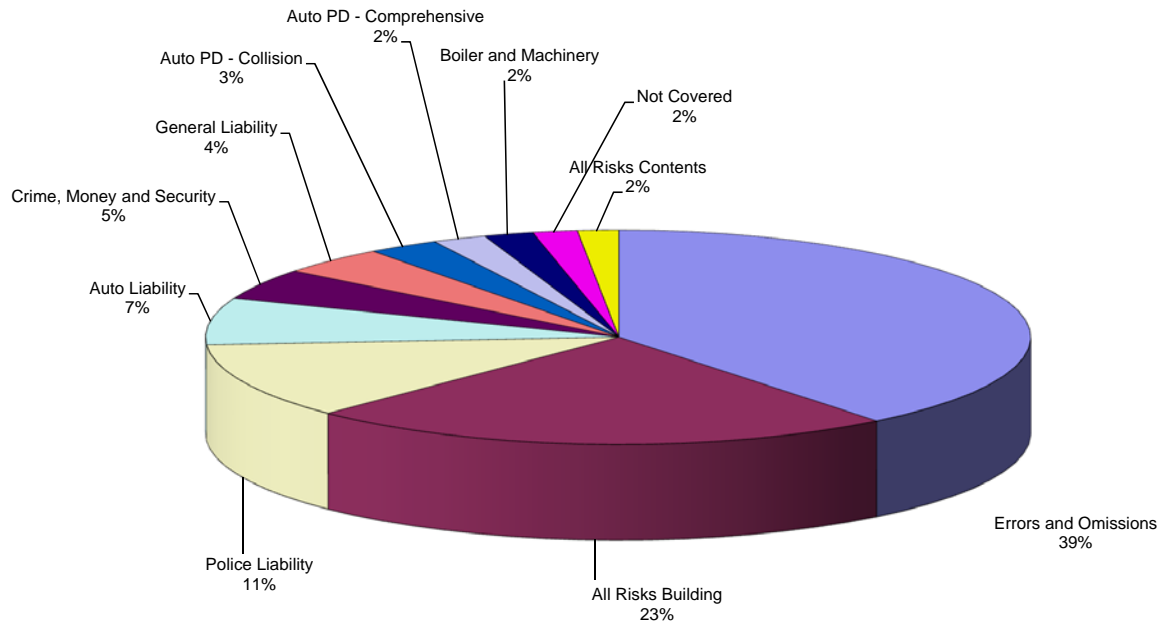




Severity of Claims by Coverage

07/01/2009 - 02/28/2015

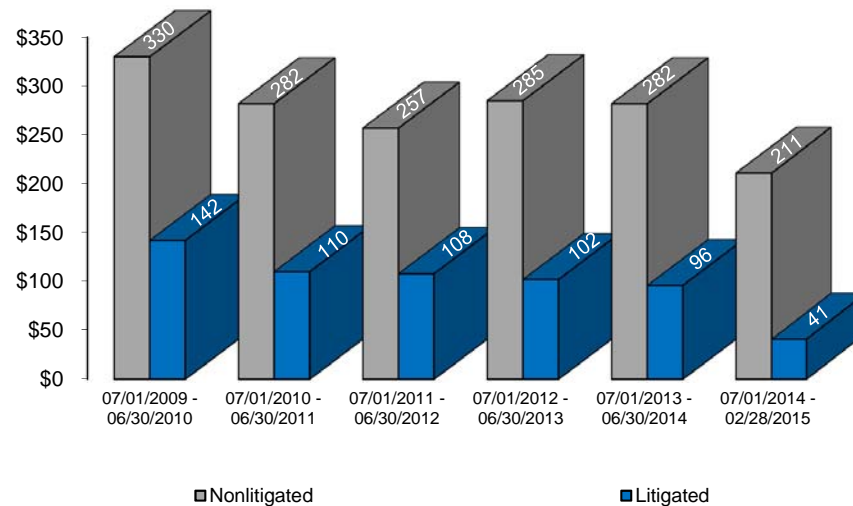
| Coverage | Total Incurred |
|---------------------------|----------------|
| Errors and Omissions | \$ 9,274,845 |
| All Risks Building | \$ 5,447,953 |
| Police Liability | \$ 2,704,688 |
| Auto Liability | \$ 1,659,856 |
| Crime, Money and Security | \$ 1,111,455 |
| General Liability | \$ 1,000,539 |
| Auto PD - Collision | \$ 656,434 |
| Auto PD - Comprehensive | \$ 495,824 |
| Boiler and Machinery | \$ 455,353 |
| Not Covered | \$ 410,260 |
| All Risks Contents | \$ 379,118 |





Litigated Claims by Policy Year for claims reported 07/01/2009 - 02/28/2015

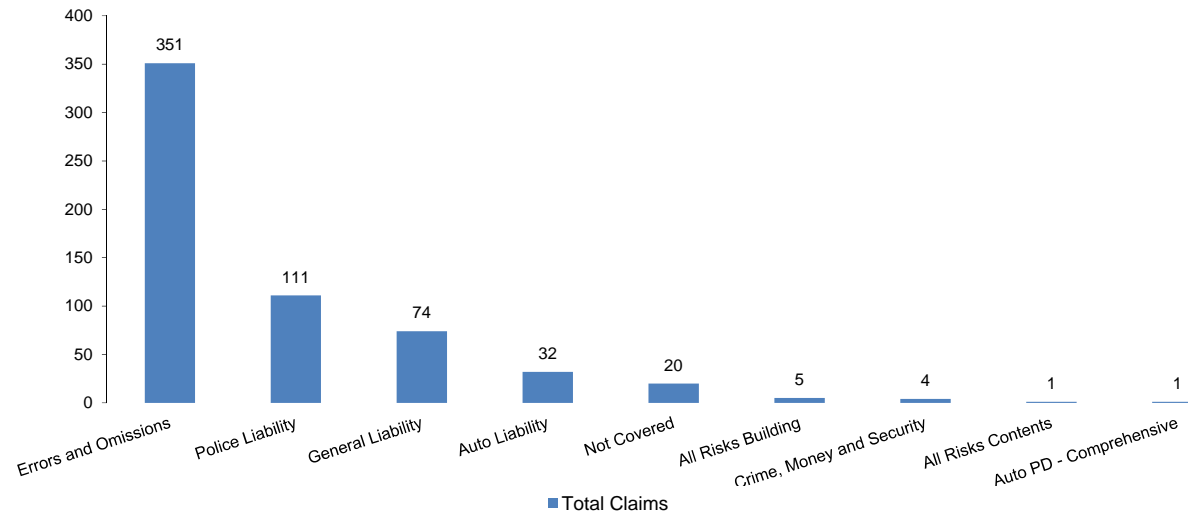
| Policy Year | Litigated Claims | |
|-------------------------|------------------|-----------|
| | Nonlitigated | Litigated |
| 07/01/2009 - 06/30/2010 | 330 | 142 |
| 07/01/2010 - 06/30/2011 | 282 | 110 |
| 07/01/2011 - 06/30/2012 | 257 | 108 |
| 07/01/2012 - 06/30/2013 | 285 | 102 |
| 07/01/2013 - 06/30/2014 | 282 | 96 |
| 07/01/2014 - 02/28/2015 | 211 | 41 |





Litigated Claims by Coverage for Policy Years 07/01/2009 - 02/28/2015

| Litigated Claims by Coverage | |
|-------------------------------------|---------------------|
| Coverage | Total Claims |
| Errors and Omissions | 351 |
| Police Liability | 111 |
| General Liability | 74 |
| Auto Liability | 32 |
| Not Covered | 20 |
| All Risks Building | 5 |
| Crime, Money and Security | 4 |
| All Risks Contents | 1 |
| Auto PD - Comprehensive | 1 |





Legal Expenses Paid to Date by Policy Year for All Claims 07/01/2009 - 02/28/2015

| Policy Year | Legal Expenses Paid to Date |
|-------------------------|-----------------------------|
| 07/01/2009 - 06/30/2010 | \$2,483,231 |
| 07/01/2010 - 06/30/2011 | \$2,613,559 |
| 07/01/2011 - 06/30/2012 | \$1,933,191 |
| 07/01/2012 - 06/30/2013 | \$1,804,531 |
| 07/01/2013 - 06/30/2014 | \$2,111,007 |
| 07/01/2014 - 02/28/2015 | \$1,613,942 |
| Grand Total | \$12,559,461 |





Legal Expenses Paid by Type for 07/01/2009 - 02/28/2015

| Legal Expenses paid by Type | |
|-----------------------------|----------------------|
| Legal Expense Type | Amount |
| Attorney | \$ 11,610,054 |
| Expert Witness | \$ 429,651 |
| Other Legal | \$ 326,356 |
| Court Costs | \$ 193,401 |
| Grand Total | \$ 12,559,462 |



■ Legal Expenses paid by Type

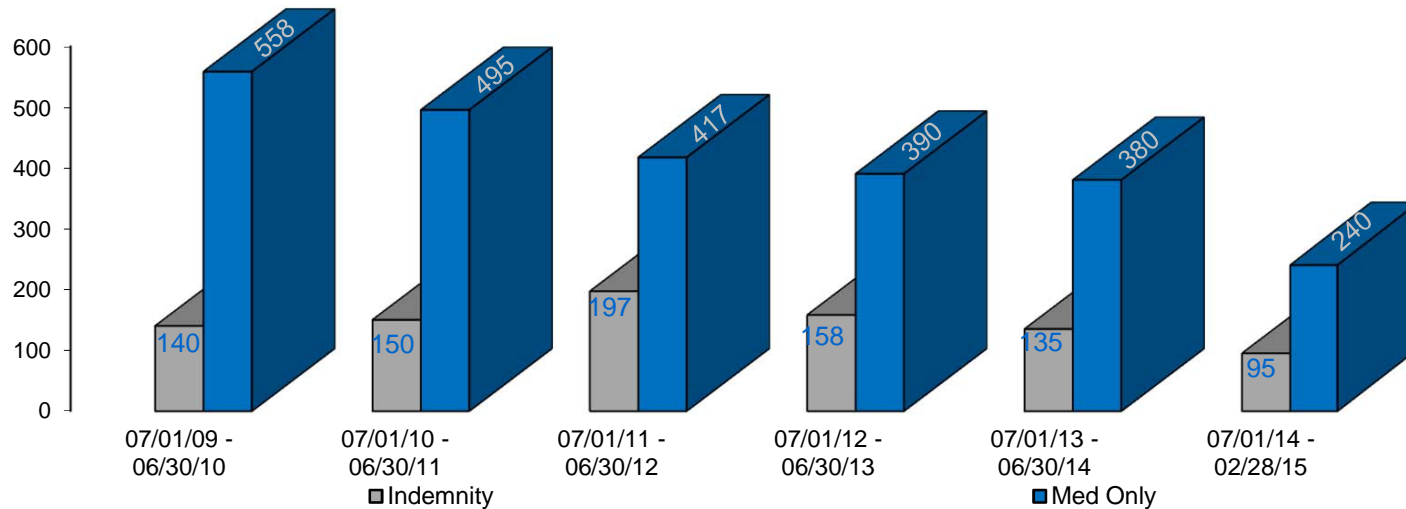


Worker's Compensation Report



Claim Frequency excluding Incidents 07/01/2009 - 02/28/2015

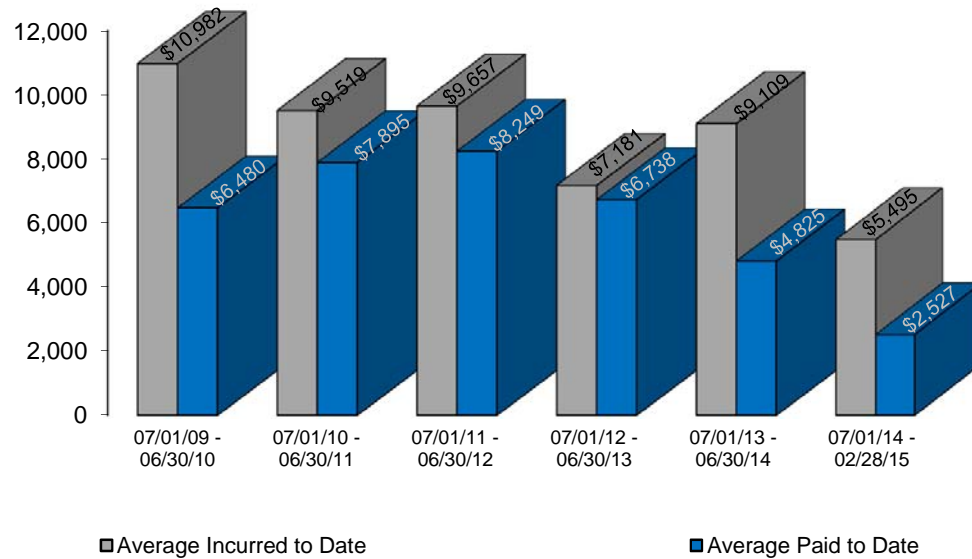
| Policy Year | Indemnity | | Medical Only | | Total Claims |
|---------------------|-----------|--------|--------------|--------|--------------|
| | Open | Closed | Open | Closed | |
| 07/01/09 - 06/30/10 | 6 | 134 | 0 | 558 | 698 |
| 07/01/10 - 06/30/11 | 14 | 136 | 0 | 495 | 645 |
| 07/01/11 - 06/30/12 | 22 | 175 | 0 | 417 | 614 |
| 07/01/12 - 06/30/13 | 13 | 145 | 1 | 389 | 548 |
| 07/01/13 - 06/30/14 | 43 | 92 | 11 | 369 | 515 |
| 07/01/14 - 02/28/15 | 74 | 21 | 124 | 116 | 335 |
| | | | | | 3,355 |





Average Incurred & Paid by Policy Year 07/01/2009 - 02/28/2015

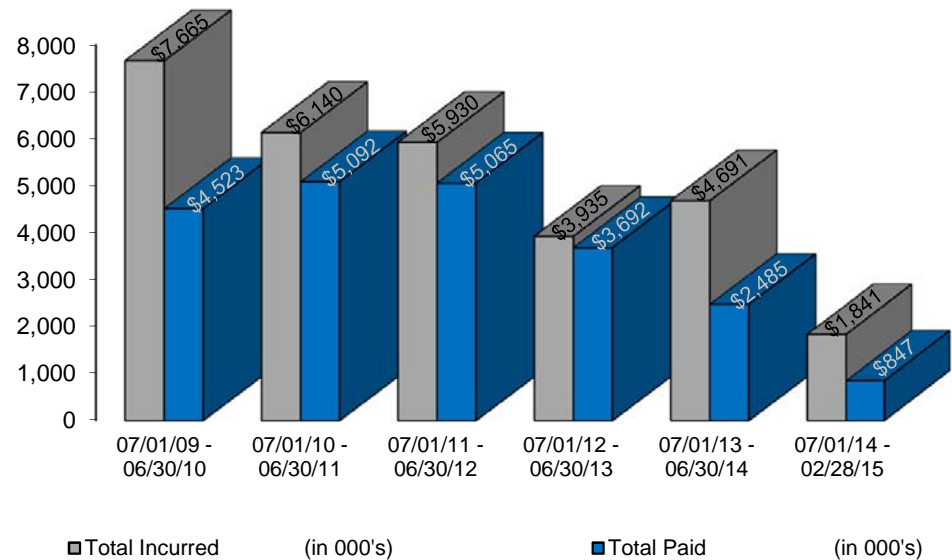
| Policy Year | Average Incurred to Date | Average Paid to Date |
|---------------------|--------------------------|----------------------|
| 07/01/09 - 06/30/10 | \$10,982 | \$6,480 |
| 07/01/10 - 06/30/11 | \$9,519 | \$7,895 |
| 07/01/11 - 06/30/12 | \$9,657 | \$8,249 |
| 07/01/12 - 06/30/13 | \$7,181 | \$6,738 |
| 07/01/13 - 06/30/14 | \$9,109 | \$4,825 |
| 07/01/14 - 02/28/15 | \$5,495 | \$2,527 |





Incurred vs Paid by Policy Year 07/01/2009 - 02/28/2015

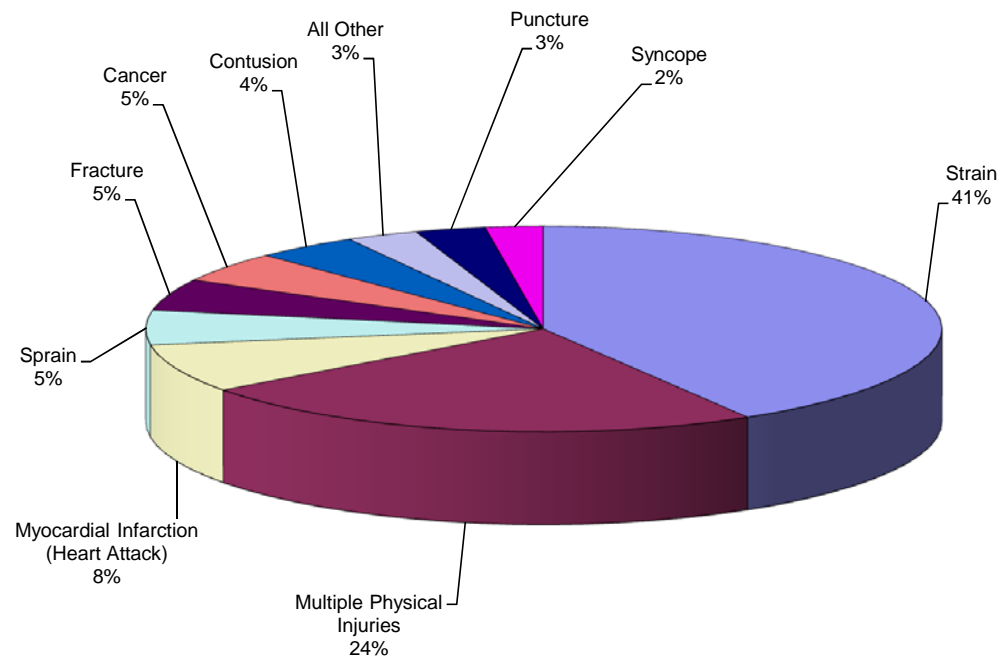
| Policy Year | All Claims | |
|---------------------|------------------------------|--------------------------|
| | Total Incurred (in 000's) | Total Paid (in 000's) |
| 07/01/09 - 06/30/10 | \$7,665 | \$4,523 |
| 07/01/10 - 06/30/11 | \$6,140 | \$5,092 |
| 07/01/11 - 06/30/12 | \$5,930 | \$5,065 |
| 07/01/12 - 06/30/13 | \$3,935 | \$3,692 |
| 07/01/13 - 06/30/14 | \$4,691 | \$2,485 |
| 07/01/14 - 02/28/15 | \$1,841 | \$847 |





Top Ten Nature of Injury 07/01/2009 - 02/28/2015

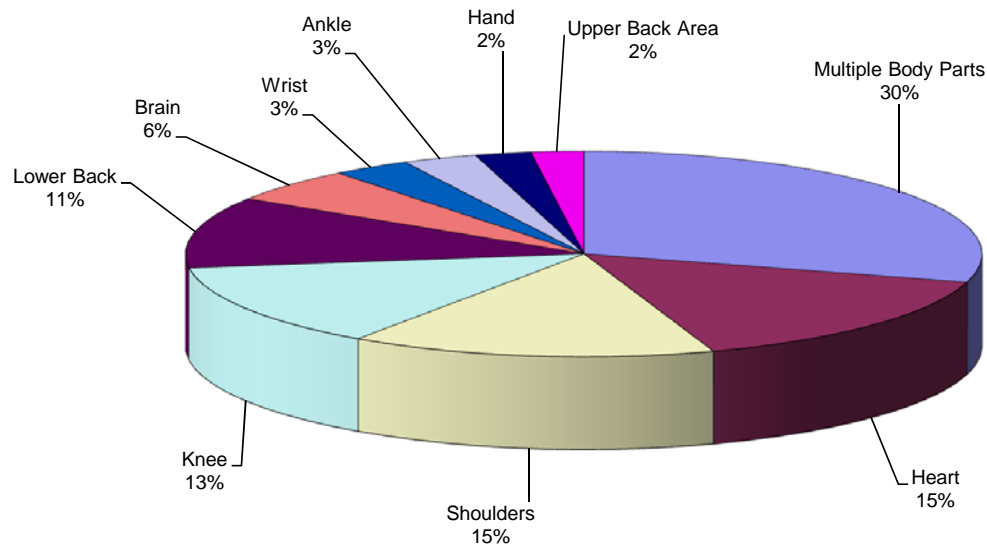
| Nature of Injury | # of Claims | Total Incurred |
|--------------------------------------|-------------|----------------|
| Strain | 961 | \$ 11,268,446 |
| Multiple Physical Injuries | 329 | \$ 6,374,933 |
| Myocardial Infarction (Heart Attack) | 8 | \$ 2,069,981 |
| Sprain | 300 | \$ 1,478,174 |
| Fracture | 118 | \$ 1,352,258 |
| Cancer | 5 | \$ 1,304,668 |
| Contusion | 346 | \$ 1,142,685 |
| All Other | 230 | \$ 795,631 |
| Puncture | 253 | \$ 777,559 |
| Syncopal | 18 | \$ 637,252 |





Top Ten Part of Body 07/01/2009 - 02/28/2015

| Part of Body | # of Claims | Total Incurred |
|---------------------|-------------|----------------|
| Multiple Body Parts | 338 | \$ 7,191,551 |
| Heart | 52 | \$ 3,737,571 |
| Shoulders | 191 | \$ 3,619,514 |
| Knee | 324 | \$ 3,229,110 |
| Lower Back | 312 | \$ 2,743,406 |
| Brain | 11 | \$ 1,316,266 |
| Wrist | 109 | \$ 773,908 |
| Ankle | 120 | \$ 736,787 |
| Hand | 193 | \$ 553,833 |
| Upper Back Area | 53 | \$ 522,682 |

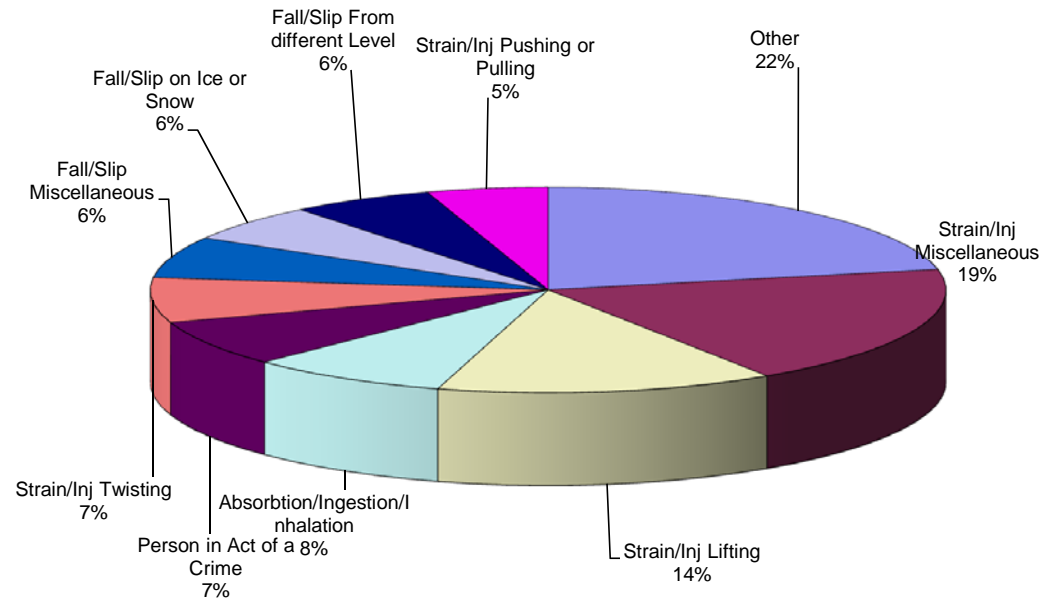




Top Ten Cause of Injury

07/01/2009 - 02/28/2015

| Cause of Injury | # of Claims | Total Incurred |
|---------------------------------|-------------|----------------|
| Other | 224 | \$ 4,663,948 |
| Strain/Inj Miscellaneous | 431 | \$ 4,048,272 |
| Strain/Inj Lifting | 289 | \$ 2,930,353 |
| Absorbtion/Ingestion/Inhalation | 301 | \$ 1,739,106 |
| Person in Act of a Crime | 8 | \$ 1,550,397 |
| Strain/Inj Twisting | 162 | \$ 1,503,978 |
| Fall/Slip Miscellaneous | 54 | \$ 1,395,216 |
| Fall/Slip on Ice or Snow | 98 | \$ 1,254,614 |
| Fall/Slip From different Level | 72 | \$ 1,238,971 |
| Strain/Inj Pushing or Pulling | 68 | \$ 1,053,377 |





Summary by Location

07/01/2009 - 02/28/2015

| Location | # of Claims | # Open Claims | Total Incurred |
|--|-------------|---------------|----------------|
| Nye County | 257 | 37 | \$ 3,752,606 |
| Douglas County | 378 | 42 | \$ 3,537,071 |
| Carson City | 77 | 1 | \$ 1,842,707 |
| Lyon County | 163 | 21 | \$ 1,816,175 |
| Central Lyon County Fpd | 36 | 4 | \$ 1,654,852 |
| Boulder City (City Of) | 87 | 10 | \$ 1,291,959 |
| North Lake Tahoe Fpd | 150 | 14 | \$ 1,230,613 |
| Elko County | 133 | 12 | \$ 1,226,381 |
| Mineral County | 114 | 6 | \$ 890,489 |
| Truckee Meadows Fpd | 61 | 12 | \$ 820,743 |
| Lander County | 69 | 6 | \$ 707,270 |
| Storey County | 76 | 8 | \$ 677,924 |
| Mineral County School District | 41 | | \$ 638,109 |
| Elko (City Of) | 133 | 7 | \$ 621,699 |
| White Pine County | 74 | 8 | \$ 590,803 |
| Tahoe-Douglas Fpd | 73 | 10 | \$ 520,685 |
| Fallon (City Of) | 75 | 3 | \$ 518,985 |
| Pahrump (Town Of) | 51 | 4 | \$ 512,165 |
| South Lyon Medical Center | 110 | 1 | \$ 497,525 |
| Mesquite (City Of),Personnel Director | 81 | 4 | \$ 485,160 |
| Eureka County | 42 | 3 | \$ 459,497 |
| Lincoln County School District | 28 | 3 | \$ 449,393 |
| Humboldt General Hospital | 83 | 8 | \$ 444,990 |
| Winnemucca (City Of) | 36 | 3 | \$ 353,497 |
| Ely (City Of) | 25 | 3 | \$ 347,513 |
| Churchill County | 70 | 3 | \$ 338,126 |
| Pershing County School District | 26 | 2 | \$ 330,327 |
| Yerington (City Of) | 21 | 2 | \$ 307,243 |
| Sierra Fpd | 47 | 1 | \$ 297,130 |
| Incline Village General Improvement Dist | 31 | 8 | \$ 229,875 |
| Fernley (City Of) | 21 | | \$ 224,167 |



Summary by Location

07/01/2009 - 02/28/2015

| Location | # of Claims | # Open Claims | Total Incurred |
|--|-------------|---------------|----------------|
| Humboldt County School District | 44 | | \$ 223,099 |
| Humboldt County | 57 | 5 | \$ 207,112 |
| Lincoln County | 37 | 3 | \$ 202,928 |
| Pershing General Hospital | 44 | 3 | \$ 177,436 |
| Mount Grant General Hospital | 65 | 8 | \$ 173,690 |
| White Pine County School District | 42 | 4 | \$ 161,260 |
| Pershing County | 34 | 6 | \$ 161,094 |
| Boulder City Hospital | 56 | 1 | \$ 155,654 |
| North Lyon County Fire Protection District | 18 | | \$ 149,893 |
| Lander County School District | 20 | 2 | \$ 124,287 |
| West Wendover (City Of) | 23 | 5 | \$ 107,911 |
| Churchill County Mosquito & Weed Abatement Distric | 4 | | \$ 87,101 |
| Carlin (City Of) | 25 | 2 | \$ 80,439 |
| Pershing County Water Conservation Distr | 10 | | \$ 78,745 |
| Esmeralda County School District | 10 | 3 | \$ 74,334 |
| Lovelock (City Of) | 15 | 1 | \$ 74,108 |
| Esmeralda County | 20 | 2 | \$ 46,711 |
| Caliente (City Of) | 16 | 1 | \$ 43,145 |
| Mason Valley Fpd | 9 | 2 | \$ 38,684 |
| Churchill County Communications | 11 | 1 | \$ 31,665 |
| Tonopah (Town Of) | 6 | | \$ 29,903 |
| Wells (City Of) | 7 | | \$ 28,381 |
| Grover C. Dils Medical Center | 19 | | \$ 22,508 |
| East Fork Swimming Pool District | 14 | 3 | \$ 21,164 |
| White Pine Historical Railroad Foundatio | 10 | | \$ 19,692 |
| Battle Mountain General Hospital | 37 | 3 | \$ 16,308 |
| Alamo Sewer & Water Gid | 1 | | \$ 16,050 |
| Virgin Valley Water District | 5 | 1 | \$ 7,709 |
| Eureka County School District | 7 | 1 | \$ 5,088 |
| White Pine County Fp District | 5 | 3 | \$ 4,940 |
| Nevada Rural Housing Authority | 3 | | \$ 4,351 |



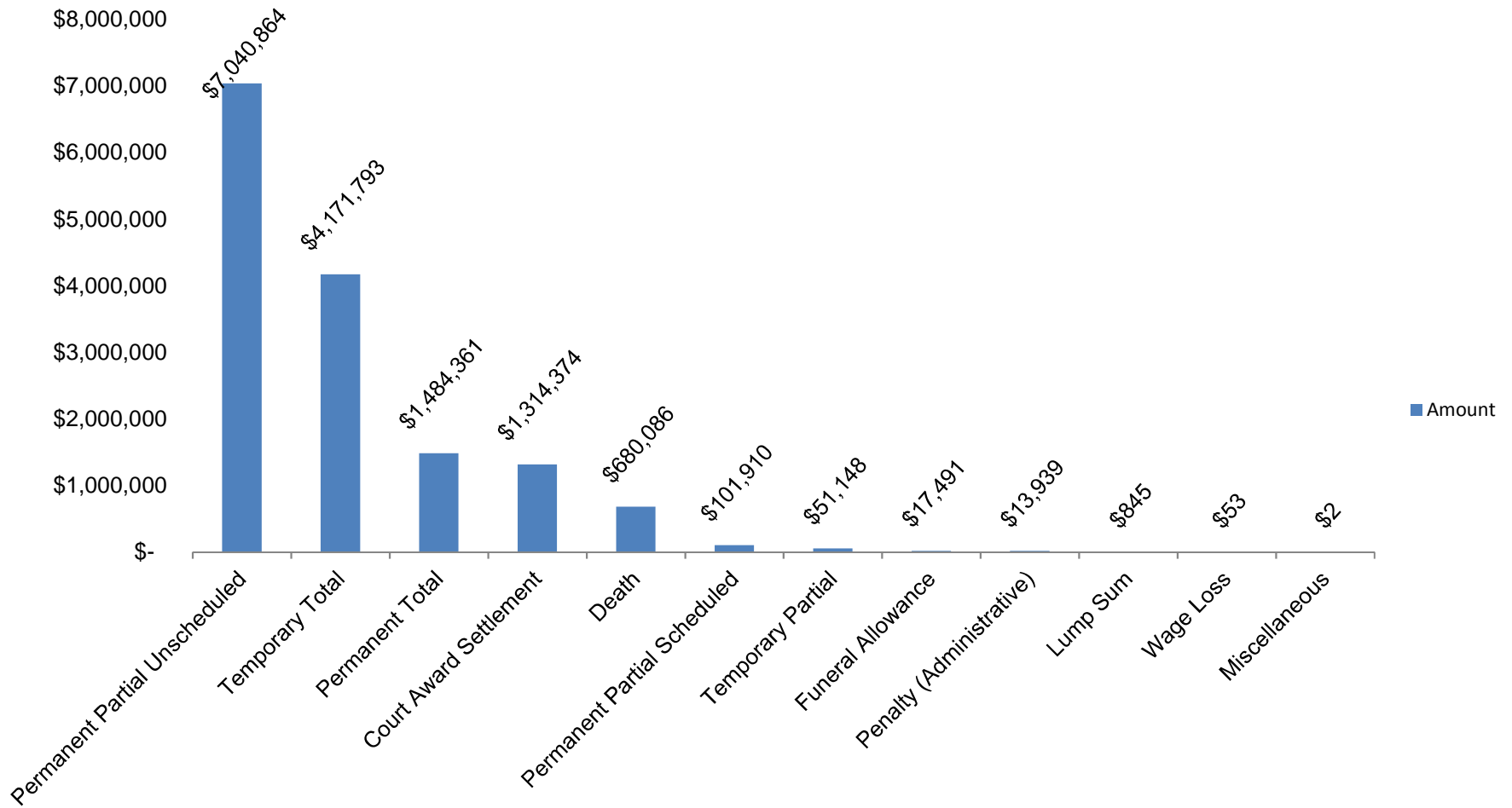
Summary by Location

07/01/2009 - 02/28/2015

| Location | # of Claims | # Open Claims | Total Incurred |
|--|-------------|---------------|---------------------|
| Sun Valley Gid | 3 | | \$ 2,498 |
| Fernley Swimming Pool District | 1 | 1 | \$ 2,055 |
| Red Rock Vfd | 1 | | \$ 1,798 |
| Smith Valley Fpd | 1 | | \$ 1,501 |
| Elko Central Dispatch | 1 | | \$ 1,145 |
| Beatty Water & Sanitation District | 1 | 1 | \$ 760 |
| Canyon Gid | 2 | | \$ 282 |
| Douglas Co Sever Improvement District #1 | 1 | | \$ 241 |
| Elko Convention & Vistors Authority | 1 | | \$ - |
| Total | 3355 | 308 | \$30,201,348 |



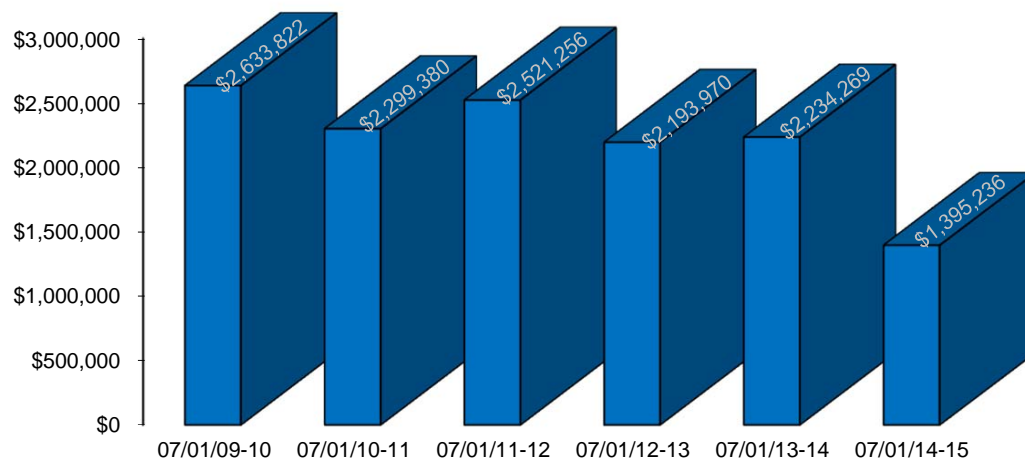
Indemnity Payments by Type 07/01/2009 - 02/28/2015





Medical Payment Trends 07/01/2009 - 02/28/2015

| Policy Year | Medical Payments |
|--------------|---------------------|
| 07/01/09-10 | \$2,633,822 |
| 07/01/10-11 | \$2,299,380 |
| 07/01/11-12 | \$2,521,256 |
| 07/01/12-13 | \$2,193,970 |
| 07/01/13-14 | \$2,234,269 |
| 07/01/14-15 | \$1,395,236 |
| Total | \$13,277,933 |

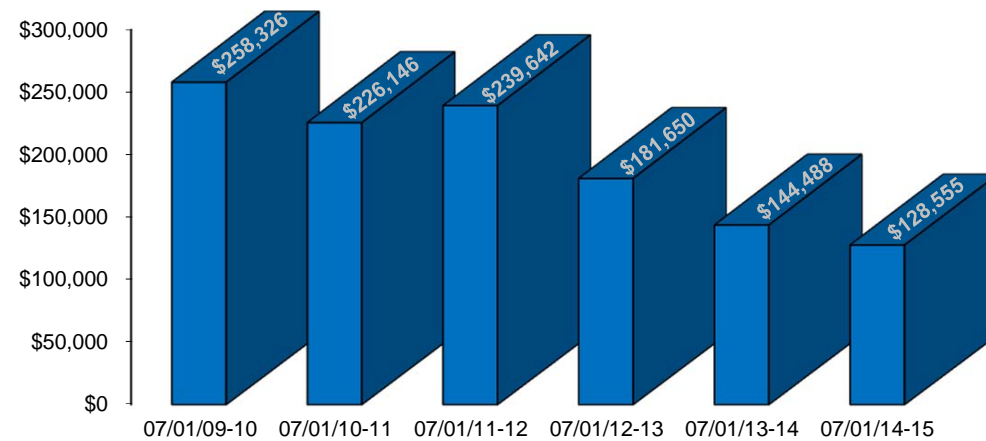


■ Medical Payments



Expense Payment Trends 07/01/2009 - 02/28/2015

| Policy Year | Expense Payments |
|--------------|--------------------|
| 07/01/09-10 | \$258,326 |
| 07/01/10-11 | \$226,146 |
| 07/01/11-12 | \$239,642 |
| 07/01/12-13 | \$181,650 |
| 07/01/13-14 | \$144,488 |
| 07/01/14-15 | \$128,555 |
| Total | \$1,178,806 |

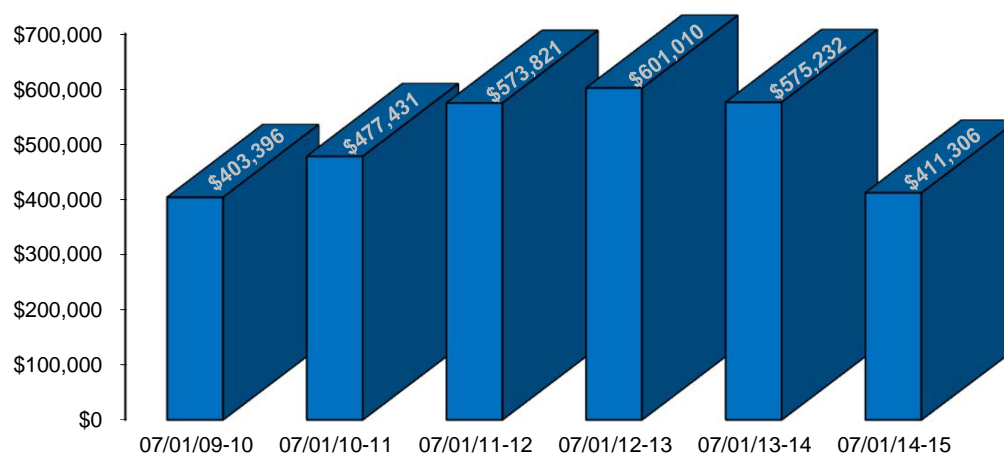


■ Expense Payments



Legal Payment Trends 07/01/2009 - 02/28/2015

| Policy Year | Legal Payments |
|--------------|--------------------|
| 07/01/09-10 | \$403,396 |
| 07/01/10-11 | \$477,431 |
| 07/01/11-12 | \$573,821 |
| 07/01/12-13 | \$601,010 |
| 07/01/13-14 | \$575,232 |
| 07/01/14-15 | \$411,306 |
| Total | \$3,042,195 |

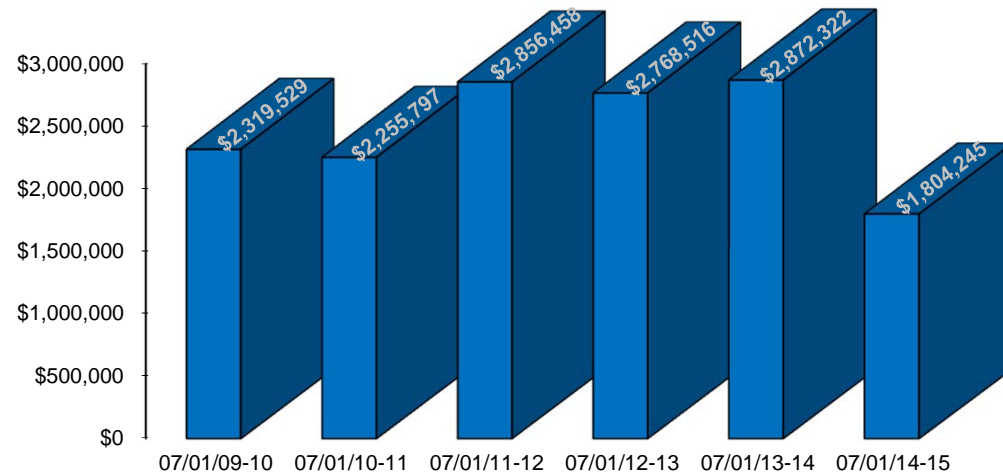


■ Legal Payments



Indemnity Payment Trends 07/01/2009 - 02/28/2015

| Policy Year | Indemnity Payments |
|--------------|---------------------|
| 07/01/09-10 | \$2,319,529 |
| 07/01/10-11 | \$2,255,797 |
| 07/01/11-12 | \$2,856,458 |
| 07/01/12-13 | \$2,768,516 |
| 07/01/13-14 | \$2,872,322 |
| 07/01/14-15 | \$1,804,245 |
| Total | \$14,876,866 |

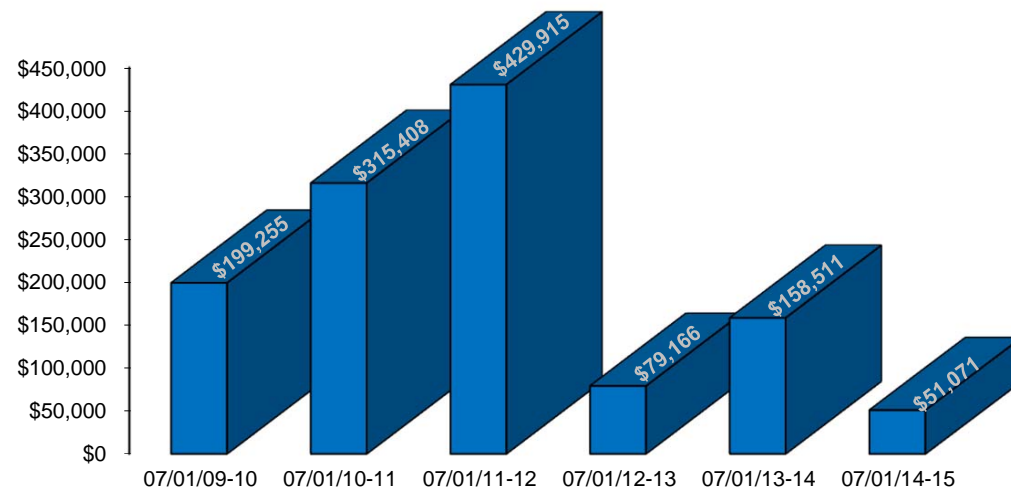


■ Indemnity Payments



Voc Rehab Payment Trends 07/01/2009 - 02/28/2015

| Policy Year | Voc Rehab Payments |
|--------------|--------------------|
| 07/01/09-10 | \$199,255 |
| 07/01/10-11 | \$315,408 |
| 07/01/11-12 | \$429,915 |
| 07/01/12-13 | \$79,166 |
| 07/01/13-14 | \$158,511 |
| 07/01/14-15 | \$51,071 |
| Total | \$1,233,325 |



■ Voc Rehab Payments

POOLING RESOURCES INC (a non-profit corporation)

FINANCIAL STATEMENTS

June 30, 2014 and 2013

CONTENTS

Independent Auditor’s Report 3

Financial Statements

 Statement of Financial Position 4

 Statement of Activities and Changes in Fund Balance 5

 Statement of Functional Expenditures 6

 Statement of Cash Flows 7

Notes to Financial Statements 8

BERTRAND & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS
Members American Institute of Certified Public Accountants

777 E. William St. Suite 206
Carson City, NV 89701
Tel 775.882.8892
Fax 775.562.2667

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pooling Resources Inc.

We have audited the accompanying financial statements of Pooling Resources Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, 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

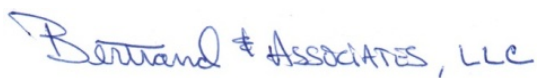
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Pooling Resources Inc as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Carson City, Nevada
November 25, 2014

POOLING RESOURCES INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2014 and 2013

| ASSETS | 2014 | 2013 |
|---|----------------------------|----------------------------|
| Current assets: | | |
| Cash | \$ 102,540 | \$ 71,366 |
| Investments | 1,163,723 | 1,158,673 |
| Accrued interest income | 1,633 | 10,039 |
| Non trade receivables | 89,250 | 87,500 |
| Total current assets | <u>1,357,146</u> | <u>1,327,578</u> |
| Other assets: | | |
| Prepaid expenses | 10,875 | 10,950 |
| Other assets | 988 | 1,052 |
| Total other assets | <u>11,863</u> | <u>12,002</u> |
| Total assets | <u>1,369,009</u> | <u>1,339,580</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | 15,857 | 23,089 |
| Compensated absences | 36,676 | 49,660 |
| Total current liabilities | <u>52,533</u> | <u>72,749</u> |
| Net assets: temporarily restricted | <u>1,316,476</u> | <u>1,266,831</u> |
| Total net assets | 1,316,476 | 1,266,831 |
| Total liabilities & net assets | <u>\$ 1,369,009</u> | <u>\$ 1,339,580</u> |

See notes to financial statements

POOLING RESOURCES INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ended June 30, 2014 and 2013

| REVENUES | 2014 | 2013 |
|--|----------------------------|----------------------------|
| Grant income | <u>\$ 1,071,000</u> | <u>\$ 1,050,000</u> |
| Total revenues | 1,071,000 | 1,050,000 |
| EXPENDITURES | | |
| Program activities: | | |
| Salaries and payroll taxes | 613,897 | 580,919 |
| Retirement | 77,305 | 67,579 |
| Health insurance costs | 50,875 | 44,604 |
| Member education services | 47,686 | 42,121 |
| Professional development | 17,406 | 11,332 |
| Travel | <u>30,673</u> | <u>32,333</u> |
| Total program activities | 837,842 | 778,888 |
| General activities: | | |
| Casualty insurance | 9,127 | 9,101 |
| Dues and subscriptions | 3,505 | 4,492 |
| Legal and professional | 15,950 | 8,560 |
| Management Services | 45,000 | 45,000 |
| Office supplies | 8,043 | 6,966 |
| Rent | 85,848 | 85,848 |
| Telephone | 11,508 | 9,049 |
| Other operating expenses | <u>10,592</u> | <u>26,997</u> |
| Total supporting activities | 189,573 | 196,013 |
| Total expenses | 1,027,415 | 974,901 |
| Increase in operating net assets - temporarily restricted | 43,585 | 75,099 |
| Increase in non-operating net investment income | 6,060 | 658 |
| Change in net assets - temporarily restricted | <u>49,645</u> | <u>75,757</u> |
| Net assets at beginning of year | <u>1,266,831</u> | <u>1,191,074</u> |
| Net assets at end of year - temporarily restricted | <u>\$ 1,316,476</u> | <u>\$ 1,266,831</u> |

See notes to financial statements

POOLING RESOURCES INC.
STATEMENT OF FUNCTIONAL EXPENDITURES
For the years ended June 30, 2014 and 2013

| | 2014 | | | 2013 | | |
|-----------------------------|-------------------|-------------------|---------------------|-------------------|-------------------|-------------------|
| | Program | General | Total | Program | General | Total |
| Salaries & related expenses | \$ 613,897 | \$ - | \$ 613,897 | \$ 580,919 | \$ - | \$ 580,919 |
| Pension plan contributions | 77,305 | - | 77,305 | 67,579 | - | 67,579 |
| Health insurance | 50,875 | - | 50,875 | 44,604 | - | 44,604 |
| Member education services | 47,686 | - | 47,686 | 42,121 | - | 42,121 |
| Professional development | 17,406 | - | 17,406 | 11,332 | - | 11,332 |
| Travel | 30,673 | - | 30,673 | 32,333 | - | 32,333 |
| Casualty insurance | - | 9,127 | 9,127 | - | 9,101 | 9,101 |
| Dues & subscriptions | - | 3,505 | 3,505 | - | 4,492 | 4,492 |
| Legal & professional | - | 15,950 | 15,950 | - | 8,560 | 8,560 |
| Management services | - | 45,000 | 45,000 | - | 45,000 | 45,000 |
| Office supplies | - | 8,043 | 8,043 | - | 6,966 | 6,966 |
| Rent | - | 85,848 | 85,848 | - | 85,848 | 85,848 |
| Telephone | - | 11,508 | 11,508 | - | 9,049 | 9,049 |
| Other operating expense | - | 10,592 | 10,592 | - | 26,997 | 26,997 |
| Total expenses | \$ 837,842 | \$ 189,573 | \$ 1,027,415 | \$ 778,888 | \$ 196,013 | \$ 974,901 |

See notes to financial statements

POOLING RESOURCES INC.
STATEMENT OF CASH FLOWS
For the years ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|---------------------------------|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 49,645 | \$ 75,757 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Decrease (increase) in accrued investment income | 8,406 | (8,041) |
| (Increase) decrease in grants receivable | (1,750) | 9,750 |
| Decrease (increase) in other assets | 64 | (171) |
| Decrease (increase) in prepaid expenses | 75 | (7,494) |
| (Decrease) increase in accounts payable | (7,232) | 7,795 |
| (Decrease) increase in compensated absences | (12,984) | 11,658 |
| Net cash flows from operating activities | <u>36,224</u> | <u>89,254</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| (Increase) in investments | <u>(5,050)</u> | <u>(215,330)</u> |
| Net cash Used in Investing | <u>(5,050)</u> | <u>(215,330)</u> |
| | | |
| Increase (decrease) in Cash and Cash Equivalents | 31,174 | (126,076) |
| Beginning cash at June 30 | 71,366 | 197,442 |
| Cash and cash flow equivalents at year end, June 30 | <u><u>\$ 102,540</u></u> | <u><u>\$ 71,366</u></u> |

See notes to financial statement

POOLING RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Pooling Resources Inc. ("PRI") was formed and began operations July 1, 2006 solely for the purpose of providing human resource consulting services to the members of the Nevada Public Agency Insurance Pool (POOL) and the Public Agency Compensation Trust (PACT). PRI's funding comes from a grant that commenced on July 1, 2012 and continues through to June 30, 2015.

Financial Statement Presentation

Financial statement preparation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958-210-45-1, *Financial Statements of Not-For-Profit Organizations*. Under FASB ASC 958-210-45-1, PRI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Accounting Method

PRI uses the accrual method of accounting. Income is recognized when earned and costs and expense are recognized when the obligations are incurred. Accordingly all significant receivables, payables, and other liabilities are reflected.

Cash and Equivalents

For purposes of the cash flow statements, PRI considers securities with original maturities of 90 days or less to be cash equivalents.

Investments

The company has adopted and implemented FASB ASC 820-10 Fair Value Measurements which provides a framework for measuring fair value under GAAP. FASB ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs and establishes a fair value hierarchy which prioritizes the valuations into three levels 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 observable market data.

Level 3: Unobservable inputs for the asset or liability, that is, inputs that effect 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 in the circumstances.

Compensated absences

Compensated absences represents unused vacation pay that is payable to the employee upon termination. PRI limits payment for unused vacation pay to the lesser of accrued vacation pay or \$2,000.

Use of Estimates

PRI uses estimates and assumptions in preparing the financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

POOLING RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

PRI is exempt from the payment of income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code.

Concentrations

The organization receives its funding from a grant jointly funded by Nevada Public Agency Insurance Pool (POOL) and Public Agency Compensation Trust (PACT). Public Agency Risk Management Services, Inc. (PARMS) provides management services to PRI, as well as to the Nevada Public Agency Insurance Pool and Public Agency Compensation Trust.

NOTE 2 – CASH

The carrying amount of deposits at financial institutions at June 30, 2014 and 2013 was \$102,540 and \$71,366 and is a reasonable estimate of fair value and represents a Level 1 input. The difference between the carrying amount and the bank balance results from outstanding checks and deposits not yet reflected in the bank's records.

The account is insured by the Federal Deposit Insurance Corporation for amounts up to \$250,000. At times, the account balances may exceed the institution's federally insured limits. The financial institution's balance at June 30, 2014 and 2013 was \$122,099 and \$83,523 respectively.

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|------------------|
| Amounts insured through FDIC | \$ 122,099 | \$ 83,523 |
| Cash equivalents insured through SIPC | 17,288 | 5,366 |
| Total deposits at financial institutions | <u>\$ 139,387</u> | <u>\$ 88,889</u> |

NOTE 3 – INVESTMENTS

Fair values are based on quoted market prices or dealer quotes. If a market price is not available, fair value is estimated using quoted market process of similar securities. This fair value represents level 2 inputs as described in Note 1. The fair values of long-term investments totaled \$1,163,723 and \$1,158,673 respectively. Net investment income represents investment income less investment expenses. Investment expenses were \$2,517 for 2014 and \$2,527 for 2013.

The following schedule summarizes investment returns and their classifications in the statement of activities for the years ended June 30,

| | <u>2014</u> | <u>2013</u> |
|---------------------------|---------------------------|---------------------------|
| | Temporarily Restricted | Temporarily Restricted |
| Interest income | \$ 26,665 | \$ 21,692 |
| Realized gains (losses) | (15,138) | (4,791) |
| Unrealized gains (losses) | (2,962) | (16,243) |
| Total investment return | <u>\$ 8,565</u> | <u>\$ 658</u> |

POOLING RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 4 – COMPENSATED ABSENCES

Employees of PRI are entitled to paid personal time off dependent upon length of service. Vested or accumulated paid time off that is expected to be liquidated is reported as an expenditure and fund liability. Amounts accrued for employees but not used totaled \$36,676 and \$49,660 for years ended June 30, 2014 and 2013.

NOTE 5 - INCOME TAXES

PRI is exempt from federal income tax under Section 501(C) (3) of the Internal Revenue Service Code. As a result, PRI files federal form 990, *Return of Organization Exempt from Income Tax*, and is not liable for payment of corporate income tax as long as PRI's activities do not involve unrelated business taxable income.

NOTE 6 – EMPLOYEE RETIREMENT PLAN

All employees who are expected to receive at least \$5,000 annual compensation are eligible to participate in the SEP one year after their hire date. PRI made a contribution of 15% of the employee's annual compensation in 2014 and 13% in 2013. PRI's contribution to the SEP plans totaled \$77,305 and \$67,579 for years ended June 30, 2014 and 2013.

NOTE 7 – RELATED PARTY TRANSACTIONS

Nevada Public Agency Insurance Pool and Public Agency Compensation Trust are co-grantors providing funds for the operations of PRI. The chair of the PACT board serves as one of the three directors and Treasurer of PRI. The grant term covers the period July 1, 2012 through June 30, 2015. The grant amounts for years ended 2014 and 2013 were \$ 1,071,000 and \$1,050,000 respectively. Receivables on the contract at June 30 2014 and 2013 were \$89,250 and \$97,250 respectively.

Public Agency Insurance Pool is the owner of the building in which PRI occupies a portion and to whom it paid rent in the amounts of \$85,848 in 2014 and 2013. The Chair of the Public Agency Insurance Pool board serves as one of the three directors and Secretary of PRI.

Public Agency Risk Management Services, Inc. (PARMS) received a management fee for fiscal years ended June 30, 2014 and 2013 of \$45,000 for both years as approved in the grant to provide management oversight, grant administration and financial services to PRI. Wayne Carlson, sole owner of PARMS, serves as one of the three directors and President of PRI. PARMS also provides Executive Director Services including financial services under a separate contract with both POOL and PACT. PARMS owns the equipment and software that PRI utilizes in its operations.

NOTE 8 – NET ASSET RESTRICTIONS

Net assets are temporarily restricted in accordance with Section 9 of the Grant which states that any funds not expended for the purposes set forth in this Grant shall be subject to refund to Grantor, unless otherwise directed by Grantor. The Grantor may allow retention of unexpended funds for the purpose of carryover to future grants, expansion or redirection of services or service delivery methods or for any other purpose deemed appropriate by Grantor.

POOLING RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 9 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure within the financial statements for the year ended June 30, 2014 and have noted the following.

Eureka County on July 1, 2014 contracted with Pooling Resources Inc. to have additional services for human resources performed for the county. The contract term is for one year at a fee of \$30,000 which includes the reimbursement of agreed upon expenses. PRI is to provide a maximum of 40 hours of consulting per month.

Management has evaluated subsequent events through November 25, 2014 which is the date the financial statements were available to be issued.

**Grant for Provision of
Human Resources Management Services**

Grant No.: P/P 2012

Effective Date: July 1, 2015

Grantee: Pooling Resources, Inc.
201 S. Roop St., Suite 102
Carson City, NV 89701

Grantor: Nevada Public Agency Insurance Pool and
Public Agency Compensation Trust
201 S. Roop St., Suite 102
Carson City, NV 89701

Total Grant Amount: \$5,964,000

GRANT SCHEDULE

1. Purpose: The purpose of this Grant is to provide human resources management and consulting services to the Members of Nevada Public Agency Insurance Pool (“POOL”) and of Public Agency Compensation Trust (“PACT”) in order to reduce liability. This effort shall be carried out generally as set forth in the Grantee’s proposed services stated in Exhibit A “Services to be Provided Effective July 1, 2015” attached to this grant.

2. Term: The term of this Grant commences on July 1, 2015 and continues through Sixty (60) months thereafter unless extended by mutual agreement.

3. Terms and Conditions: This Grant is subject to the terms and conditions set forth in the Exhibit B, entitled “POOL/PACT Grant General Terms and Conditions” attached hereto and any special terms and conditions in this Grant Schedule.

4. Grants Officer’s Representative: The Grants Officer’s Representatives (GOR) representing POOL/PACT under this Grant are the respective chairs of POOL and PACT.

5. Administrative Grants Office (AGO): The Administrative Grants Office for this Grant is the POOL/PACT administrative office, 201 S. Roop St., Suite 102, Carson City, NV 89701-4790, Phone: (775) 885-7475.

6. Grant Funding: This Grant is funded equal monthly installments payable at the end of each month following completion of services. Grantor's obligation to make payments to the Grantee is limited to only those funds obligated by this Grant or by modification to this Grant. Subject to availability of funds and continued satisfactory progress on the Grant as determined by Grantor, Grantor agrees to provide funding according to the following schedule:

Year 1: \$1,130,000
Year 2: \$1,164,000
Year 3: \$1,199,000
Year 4: \$1,223,000
Year 5: \$1,248,000

The Grantee shall notify the GOR in writing promptly whenever the total Grant amount is expected to exceed the needs of the Grantee for the project period by more than \$50,000 or 5%, whichever is greater.

7. Grant Oversight: The POOL/PACT Executive Committee will oversee compliance with the terms of the grant with the advice of the POOL/PACT Human Resources Oversight Committee who will monitor services delivery, scope and quality and recommend any changes to POOL/PACT.

8. Audit Requirements: As a condition of this grant, all funds shall be audited annually by a qualified independent certified public accountant who shall report financial results and management recommendations to Grantor.

9. Unexpended Grant Funds: Any funds not expended for the purposes set forth in this Grant shall be subject to refund to Grantor, unless otherwise directed by Grantor. Grantor may allow retention of unexpended funds for the purpose of carryover to future grants, expansion or redirection of services or service delivery methods or for any other purpose deemed appropriate by Grantor.

10. Relationship of Grantor and Grantee: Nothing in this grant shall be construed to create an employee-employer relationship between Grantor and Grantee. Grantee shall at all times be considered an independent contractor. Grantee agrees to keep Grantor informed about the services it provides on a regular basis in the form of reports to Grantor and its Human Resources Oversight Committee. In light of Grantee's status as an independent contractor, Grantee acknowledges and agrees that Grantor is not responsible for obtaining and maintaining in effect workers compensation insurance covering Grantee. In accordance with the provisions of Chapter 616A through 616D and 617 of the Nevada Revised Statutes and Chapters 616 and 617 of the Nevada Administrative Code, Grantee agrees to provide Grantor a proper certificate certifying that it has obtained workers compensation insurance covering Grantee during the term of this grant. Grantee agrees to pay any and all premiums necessary to keep said workers' compensation insurance effective through the term of this grant.

Grantor shall not be responsible for any of Grantee's payroll, employee benefits, taxes, licenses, attorney's fees or expense for Grantee's activities not related to the services performed pursuant to this grant.

11. Insurance Requirements: Grantee shall maintain general liability, auto liability and errors or omissions insurance in an amount of at least \$1,000,000 each claim or occurrence and workers compensation insurance as required by law. Certificates evidencing such coverage shall be provided to the AGO for each grant year.

12. Mutual Indemnification and Hold Harmless: Grantee agrees to indemnify, defend and hold harmless Grantor with respect to any claims asserted as a result of any errors, omissions, torts, intentional torts or other negligence unless the complained of actions were taken at the specific direction of Grantor. Grantor agrees to indemnify, defend and hold harmless Grantee with respect to any claims asserted as a result of any errors, omissions, torts, intentional torts or other negligence unless the complained of actions were taken at the specific direction of Grantee.

13. Cooperation with Legal Counsel: Grantee agrees to cooperate with Grantor's legal counsel for Grantor's members in matters affecting such members.

14. Cooperation with Grantor's Human Resources Oversight Committee: Grantee agrees to cooperate with the Human Resources Oversight Committee regarding provision of the services required in the grant or any modifications made to the grant regarding such services. Grantor's Human Resources Oversight Committee agrees to cooperate with Grantee.

15. Records: Grantee agrees that all records resulting from services under this grant and held by Grantee on behalf of Grantor shall be maintained and preserved in accordance with the provisions of NRS 239.005 et seq. and shall remain the property of Grantor at all times and will be surrendered to Grantor upon termination or expiration of this grant. Grantee shall be permitted to copy, at its own expense, such portions of the records as may be necessary.

16. Conflicts of Interest: Grantee shall conform to Nevada laws regarding ethics and conflicts of interest and shall disclose any conflicts of interest. Grantor acknowledges that its Executive Director has formed the Grantee organization and serves as an officer and director in Grantee and thus may collect a fee for administration of this grant and therefore shall not consider this as conflict of interest in violation of this provision of the grant.

17. Restrictions on Grantee: Without prior concurrence by Grantor's Human Resources Oversight Committee and its Grants Officers, Grantee may not perform services to individual members of Grantor on a fee for service or grant basis.

Grantor Acceptance of Grant

Michael Rebaleati
Chair
Nevada Public Agency Insurance Pool

Alan Kalt
Chair
Public Agency Compensation Trust

Grantee Acceptance of Grant

Wayne Carlson
President
Pooling Resources, Inc.

SCOPE OF SERVICES 201~~52~~/201~~63~~ - 20~~2014~~/20~~2115~~

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

| SERVICE | DESCRIPTION OF SERVICE |
|---|--|
| Develop and Revise Training Courses | <p>Review and update the most frequently presented courses each year with particular focus on training that is given annually to the same audience.</p> <p>Prepare new trainings on HR related subjects.</p> <p>Develop two new instructor-led training courses annually.</p> <p>Update and revise three instructor-led training courses annually.</p> <p>Remove outdated courses.</p> <p>Offer six regional trainings to be selected and prescheduled; topics to be identified prior to member Service Plan meetings beginning in May of each year.</p> <p>Provide regional workshops utilizing outside resources as appropriate. Large training offerings may be offered in modules when appropriate.</p> <p>Offer four mandatory on-line training courses for new employees including a reporting process to monitor compliance. Mandatory courses include: Bullying in the Workplace; The Impact of Drugs & Alcohol in the Workplace; Unlawful Harassment; and Workplace Violence Awareness.</p> <p>Research and implement new methods to deliver HR trainings, including video conferencing and other technological methods.</p> |
| Enhance and Market Online Training | <p>Market and continue to promote direct services such as e-learning, HR Briefings, and webinars.</p> |
| Continue to Improve/Enhance Communications and Access to Information | <p>Conduct HR Briefings, which are 30-40 minute mini-training sessions covering the various aspects of a legal compliance or supervisory practice topic. Briefings are informal discussions designed for small groups. The number and frequency of HR Briefings will be based on the needs of the member organizations. When the mini-trainings are conducted at the member's facility, the business partner will also meet with HR and/or management staff to discuss issues of interest and concern to the member</p> |

| SERVICE | DESCRIPTION OF SERVICE |
|--|--|
| | <p>organizations regarding HR practices.</p> <p>HR Briefings on 20-30 40-50 topics for presentation by POOL/PACT HR Business Partners will be available on a continual basis. Beginning in FY2012 of the new grant year, a minimum of three new briefing topics will be developed and all existing topics will be updated, as necessary, to be consistent with changes in law and regulations. HR Briefings are included in the training catalog.</p> <p>Publish HR Alerts on current issues, legislative updates, case law updates on an as-needed basis.</p> <p>Publications will be distributed by e-mail link to the POOL/PACT website and will be available in paper form upon request. Alerts regarding major changes in laws related to human resources will be provided as soon as practical.</p> <p>Assist members in adopting and implementing HR policies. Upon request, POOL/PACT HR Business Partners will review proposed policies with key managers, assist in making adjustments to policies based upon input from managers and employee representatives, respond to questions, assist in presentation of policies for adoption by the governing board, and participate in sessions with managers to discuss implementation and administration of the policies.</p> <p>Facilitate training and round table discussion groups, as needed, for member staff assigned significant responsibilities for HR. Each session will include a HR topic of current interest followed by discussion on the topic. Also, other topics of interest to the group will be addressed by participants to share their practices and ideas.</p> <p>Maintain the library of 200 sample job descriptions, which will be reviewed periodically.</p> |
| Continue to Improve Use of Technology | <p>Maintain the human resources items on the POOL/PACT website with current versions of HR policies and related documents, job descriptions, quick references on a broad range of HR topics, and on-line training.</p> <p>Add HR trainings to POOL/PACT website calendar.</p> <p>Conduct three to six webinars per year in partnership with the EAP provider, as needed on a variety of subjects ranging from changes in regulations to new approaches to HR issues.</p> |
| Conduct HR Practices Assessments | <p>Offer HR Compliance Assessment Program, <u>Phase I</u> to a minimum of ten members annually to- Assess core HR practices, requirements and enhanced requirements. Offer HR Compliance Assessment Program, <u>Phase II</u> to a minimum of three organizations annually. <u>To be eligible for the Phase II, which is an assessment of compensation practices, the member must have successfully completed Phase I.</u></p> |
| Develop and Deliver Client | <p>Review member HR management policies and practices through an on-site visit. The review will consist</p> |

| SERVICE | DESCRIPTION OF SERVICE |
|--|---|
| Service Plans | of an interview with the member's management representative responsible for HR management and key administrators. An annual service plan will be developed for each organization based upon the organization's needs. The focus of services will be based on the level of development of the member's HR management program. |
| Maintain Sample HR Policies | Maintain sample personnel policies for school districts, large organizations, small organization, and drug/alcohol policies for CDL holders. All policies will be reviewed and updated annually, with immediate changes made if law or court decision necessitates. Sample policies include all related forms, sample documents, and guidelines. |
| Coaching and Problem Solving | <p>Provide telephone help-line assistance and related services to help resolve members' human resources problems. Provide assistance in identifying and locating resources, and assistance to members when a complaint is anticipated or filed, including providing coaching on appropriate approaches to initiating an administrative inquiry and related mitigation efforts.</p> <p>In the event that a complaint would likely result in legal action against a member, <u>ASC will be notified. the member will be advised to consult with legal counsel.</u></p> |
| New Services | <p>FRISK documentation training.</p> <p>Develop and offer HR Assessment, Phase II.</p> <p>Create a database of collective bargaining concessions.</p> <p>Contract with labor expert to provide member training.</p> <p>Contract with labor expert for a reduced rate for members.</p> <p>Develop return to work briefing and sample program.</p> <p><u>Conduct a biennial survey with members on services provided, quality of services, and potential needs.</u></p> <p><u>Host an annual HR Seminar for members which includes speakers on a variety of relevant HR topics.</u></p> |
| Special Services for the Larger Members | <p>Work with representatives from larger employers to identify services that will meet the needs of large members. Following POOL/PACT HR Oversight Committee concurrence, deliver or facilitate the delivery of the services to the extent that such services can reasonably and practically be provided within the scope and funding of the POOL/PACT HR services grant.</p> <p>Also conduct human resource customized workshops as needed that are member type specific.</p> |
| Special Services for Districts/Smaller | Continue to monitor "like member" meetings for similar members (e.g., water districts, schools) to discuss common HR related issues. |

EXHIBIT B

POOL/PACT GRANT GENERAL TERMS AND CONDITIONS

1. Requirements: This Grant is subject to the laws and regulations of the State of Nevada. If any statute expressly prescribes policies or specific requirements that differ from the requirements, standards, provisions, or terms and conditions of this Grant, the provisions of the statute shall govern.

2. Order of Precedence: Any inconsistency or conflict in the terms and conditions specified in this Grant shall be resolved according to the following order of precedence:

The Grant Schedule

These Terms and Conditions

3. Grantee Responsibility:

The Grantee has full responsibility for the services and activity supported by this Grant, in accordance with the Grantee's proposal (Exhibit A), and the terms and conditions specified in this Grant. Grantees are encouraged to suggest or propose to discontinue or modify unpromising services or to explore alternatives which may appear during the course of the grant. However, they must consult the Grants Officer's Representative (GOR) through the Administrative Grants Office (AGO) before significantly deviating from the objectives or overall program originally proposed. The Grantee shall immediately notify the Grants Officer of developments that have a significant impact on the award-supported activities. Also, notification shall be given in the case of problems, delays, or adverse conditions which materially impair the ability to meet the objectives of the award. This notification shall include a statement of the action taken or contemplated, and any assistance needed to resolve the situation.

4. Amendment of Grant: The only method by which this Grant can be amended is by a formal, written amendment signed by either the Grants Officer or the AGO. No other communications, whether oral or in writing, are valid.

5. Standards for Financial Management Systems: The Grantee's financial management system shall comply with Generally Accepted Accounting Principles for non-profit organizations.

6. Payments

Advance Payment Method. Upon acceptance of the terms and conditions of this Grant by the Grantee to the AGO, the Grantee shall be entitled to an initial advance payment covering work to be performed during the first month of the Grant (and any pre-award costs as applicable). Subsequent monthly payments will be made automatically at the end of each month after services are performed.

7. Administration and Cost Principles: Applicable to this Grant are the following requirements:

Prior Approvals:

All prior approvals are waived hereby except for the following:

- a. Extension of the expiration period of this Grant.
- b. The need for additional funding.

Pre-award Costs:

- a. Grantees may incur pre-award costs of up to thirty (30) days prior to the effective date of the Grant award.
- b. Pre-award costs as incurred by the Grantee must be necessary for the effective and economical conduct of the project and the costs must be otherwise allowable in accordance with the appropriate cost principles.
- c. Any pre-award costs are made at the Grantee's risk. The incurring of pre-award costs by the Grantee does not impose any obligation on the Grantor, in the absence of appropriations, if an award is not subsequently made or if an award is made for a lesser amount than the Grantee expected.

Audit and Access to Records: The Grantee and its sub recipients shall be subject to audit requirements for nonprofit organizations per Generally Accepted Accounting Principles. The GOR shall have direct access to sufficient records and information of the Grantee to ensure full accountability for grant funds.

8. Property:

Title to all nonexpendable and expendable tangible personal property purchased by the Grantee with grant funds shall be deemed to have vested in the Grantee upon purchase and shall be used for the conduct of services as described in Exhibit A of the Grant, unless stated otherwise in this Grant schedule. Upon conclusion of the Grant and any extensions, all such property purchased with grant funds shall become the property of Grantor.

Any disposal of property that results in net proceeds to Grantee will be retained by Grantee to further the purposes of the grant.

9. Reports and Reports Distribution:

Reports shall be furnished as specified below:

- a. Report Types.
 - (1) Quarterly Status Report - This report, due 30 days after the reporting period, shall keep the Grantor informed of Grantee activity and progress toward accomplishment of Grant objectives.
 - (2) Quarterly Financial Report – This report, due 30 days after the reporting period, shall including exhibits showing the financial standing of the Grantee, budget to actual income statements and other income and expense reports as necessary.

(3) Annual Audit – this report due 120 days after completion of each fiscal year of the Grant, shall be submitted by the independent auditor who shall be a certified public accountant.

(4) Final Financial Status Report - This report, due 120 days after completion of the Grant, shall be submitted by the independent auditor who shall be a certified public accountant.

10. Termination and Enforcement:

a. Termination. This Grant may be terminated, in whole or in part, by the Grantor upon 90 days notice if the Grantee materially fails to comply with these terms and conditions or with the consent of the Grantee. The Grantee may terminate the Grant upon sending 180 days written notification to the Grants Officer.

b. Enforcement. If the Grantee fails to materially comply with these terms and conditions, the Grants Officer may impose special or take the appropriate action to initiate termination proceedings by Grantor.

11. Disputes, Claims, and Appeals:

a. Disputes and Claims. The Grantee may submit a claim arising out of or relating to the Grant by submitting the claim in writing to the Grants Officer for decision. The written submission must specify the nature and basis for the relief requested and include all data that supports the claim. Within 60 calendar days, the Grants Officer shall either prepare a written decision or notify the Grantee of a specific date when a decision will be rendered. The decision of the Grants Officer shall be final unless the Grantee decides to appeal.

b. Appeals. The Grantee may appeal the Grants Officer decision by filing a written notice of appeal to the Grantor and the Grants Officer within 30 days of receiving the decision. The Grantor shall decide the appeal based solely on the written record unless the Grantor decides to conduct a fact-finding procedure or an oral hearing on the appeal.

12. Acknowledgment of Sponsorship:

The Grantee agrees that in the release of information relating to this Grant, such release shall include a statement to the effect that the project or effort depicted was or is sponsored by the Grantor. For the purpose of this article, information includes news releases, articles, manuscripts, brochures, advertisements, still and motion pictures, symposia, etc.

EAP Program Change Highlights

Sessions:

The current EAP Program provides for 3 counseling sessions per issue per year. Nevada regulation now requires 3-sessions per 6 months, not per issue. The EAP provider had discussions with the Nevada regulatory agency because this affects several Plan Sponsors for them in the state. Below are the key outcomes:

- Nevada regulations require Employee Assistance Programs (EAP) to meet the requirements of a Prepaid Limited Health Service Organization (PLHSO) unless the EAP meets the exemption under the PLHSO regulations.
- In order to meet the exemption, an EAP cannot include more than 3 consults/sessions within any 6 month period.
- In order to meet this exemption, Aetna Resources for Living is adjusting their assess and refer EAP model for all employers based in NV to no more than 3 consults/sessions within 6 months.
- The PLHSO regulations and corresponding exemption requirements can be found at PLHSOs <http://www.leg.state.nv.us/Nac/NAC-695F.html>

Additionally Included Persons:

Board members are added. COBRA deleted.

Session Criteria:

- Counseling sessions with EAP Network providers now adds telephonic and televideo services where appropriate.
- Marital and/or family sessions are considered one problem and sessions are not authorized individually for each attendee. These count toward the number of counseling sessions per member.

Services Fees:

Utilization band rates have been increased by three (3) cents per percentage band.

Critical Incident Support/Critical Incident Stress Debriefing:

Unlimited CISD services (response time greater than 2 hours) are reduced from 20 hours to 10 hours, then additional hours are payable at a rate of \$250 per hour (formerly \$325) plus travel and expenses of \$150 per location. If location of CISD on-site services is more than 50 miles from a town with population over 25,000, the charges is the hourly rate door to door in lieu of the flat travel fee.

Immediate (within 2 hours) response time \$350 per hour plus travel expense at flat \$150. If location of CISD on-site services is more than 50 miles from a town with population over 25,000, the charges is the hourly rate door to door in lieu of the flat travel fee.

Training and Education:

Training hours were increased from 8 to 10 hours. Training services may be on-site or web-based up to 100 participants. If more than 100 participants in webinars, an additional charges of \$50 for each additional 25 participants up to 200 participants. Additional training will be at \$250 per hour (previously \$225).

Drug Free Workplace Services:

Substance Abuse Case Management by a substance Abuse Professional and/or DOT regulation compliance will be \$750 per case. Provider may be able to direct bill employee for a year.

DOT Supervisor training: 2 hours at \$800. DOT Employee Awareness Training: 1 hour at \$400.

Resources
for Living



NEVADA PUBLIC AGENCY INSURANCE POOL AND PUBLIC AGE *

Employee Head Count 12,415

Reporting Period 01/01/2014 - 12/31/2014

Real solutions for real life

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 | 254 | 59.6% | 254 |
| Telephone Counseling | 0 | 0.0% | 0 |
| Clinical Assessment | 60 | 14.1% | 60 |
| WorkLife | 11 | 2.6% | 11 |
| Financial | 7 | 1.6% | 7 |
| Legal | 51 | 12.0% | 51 |
| General Information & Referral | 41 | 9.6% | 41 |
| Benefit Integration | 2 | 0.5% | 2 |
| Totals | 426 | 100.0% | 426 |
| Annualized Member Usage | 3.4% | | 3.4% |

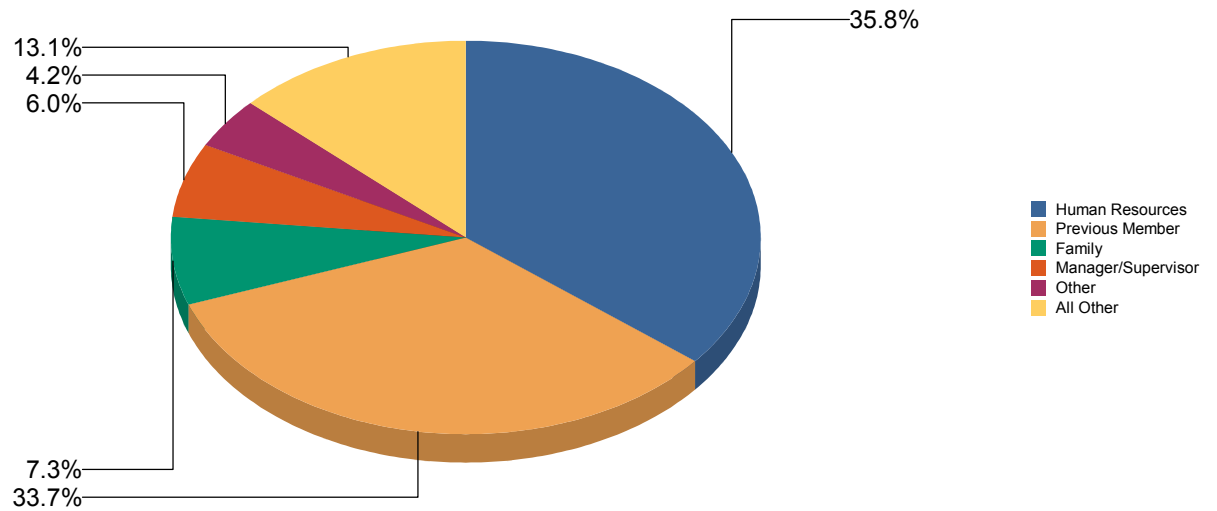
| Organizational Usage | Event Counts | Participants | Length | YTD Participant Totals |
|---|--------------|--------------|--------|------------------------|
| Critical Incident Consultation | 3 | | | 3 |
| Critical Incident On-Site Consultation | 1 | 10 | 2.00 | 10 |
| Management Consultations | 27 | | | 27 |
| Training/Seminars | 8 | 202 | 8.00 | 202 |
| Professional Development / Coaching | 0 | | | 0 |
| Health Fairs / Open Enrollment | 7 | 1300 | 47.00 | 1300 |
| Company Group Meetings | 0 | 0 | 0.00 | 0 |
| Program Orientation / Supervisor Training | 0 | 0 | 0.00 | 0 |
| Web Hits | 536 | | | 536 |
| Totals | 582 | 1512 | 57.00 | 2078 |
| Annualized Organizational Usage | 16.7% | | | 16.7% |

| | | |
|------------------------------------|-------|-------|
| Annualized Utilization Rate | 20.1% | 20.1% |
|------------------------------------|-------|-------|

Referral Source

| Referral Sources | # | % |
|----------------------|-----|-------|
| Co-worker | 11 | 2.9% |
| Family | 28 | 7.3% |
| Human Resources | 137 | 35.8% |
| Manager/Supervisor | 23 | 6.0% |
| Newsletter | 1 | 0.3% |
| Orientation | 2 | 0.5% |
| Other | 16 | 4.2% |
| Previous Member | 129 | 33.7% |
| Promotional Material | 16 | 4.2% |
| Self-Referred | 12 | 3.1% |
| Website | 8 | 2.1% |

Top Referral Sources



Member Services Demographics

| Employee Work Status | # |
|----------------------|------------|
| Non-Management | 232 |
| Management | 47 |
| Terminated | 0 |
| Retired | 0 |
| Student | 0 |
| Declined | 70 |
| Total | 349 |

| Age | # |
|--------------|------------|
| 20 and Under | 28 |
| 21-30 | 25 |
| 31-40 | 84 |
| 41-50 | 101 |
| 51-60 | 117 |
| Over 60 | 28 |
| Declined | 0 |
| Total | 383 |

| Gender | # |
|--------------|------------|
| Female | 229 |
| Male | 140 |
| Unspecified | 14 |
| Total | 383 |

| Employee / Dependent Status | # |
|-----------------------------|------------|
| Dependent | 34 |
| Employee | 349 |
| Total | 383 |

| Union Status | # |
|--------------|----------|
| Non Union | 4 |
| Union | 0 |
| Total | 4 |

Geographic Breakdown

| State | Percent |
|-------|---------|
| NV | 99.22% |

Primary Presenting Issues

| Unhealthy Habits | # |
|-----------------------|----|
| Alcohol | 11 |
| Drug | 0 |
| Eating | 0 |
| Gambling | 1 |
| Internet | 0 |
| Sex | 0 |
| Tobacco | 0 |
| Other | 0 |
| Childhood | # |
| ADD/ADHD | 0 |
| Behavior Problems | 1 |
| Learning Disabilities | 0 |
| Other | 4 |
| Member Inquiry | # |
| EAP Benefit Inquiry | 0 |
| HRA/Stress Assessment | 0 |
| Other | 0 |
| Declined | # |
| Declined to Share | 0 |

| Personal | # |
|-------------------------------|----|
| Anger Management | 10 |
| Anxiety | 15 |
| Depression | 44 |
| Grief/Loss | 21 |
| LGBT | 0 |
| Self-Esteem | 2 |
| Spiritual/Religious Concerns | 0 |
| Stress | 22 |
| Victimization/Trauma | 9 |
| Other | 6 |
| Relationship | # |
| Divorce/Separation | 18 |
| Family | 37 |
| Parent-Child | 12 |
| Spouse/Significant Other | 46 |
| Other | 3 |
| Risk of Violence | # |
| Abuse of Child/Elder/Disabled | 1 |
| Domestic Violence | 1 |
| Homicidal Thoughts | 0 |
| Self-Harming Behavior | 0 |
| Suicidal Thoughts | 1 |
| Threat of Workplace Violence | 0 |
| Other | 1 |

| Life Management | # |
|-------------------------|----|
| Academics | 0 |
| Adoption | 0 |
| Adult Care | 0 |
| Child Care | 0 |
| Concierge Services | 0 |
| Financial | 7 |
| Health Issues | 10 |
| Housing | 0 |
| Legal | 54 |
| Pregnancy/Prenatal | 0 |
| Transportation | 0 |
| Other | 3 |
| Workplace Issues | # |
| Absenteeism | 0 |
| Conflict - Co-worker(s) | 9 |
| Conflict - Management | 7 |
| Critical Incident | 1 |
| Harassment in Workplace | 2 |
| Loss/Reduction | 1 |
| Performance | 1 |
| Stress | 16 |
| Other | 6 |

Face to Face Closed Cases & Referrals

| Statistics | |
|-----------------------------|-----|
| Total Closed Authorizations | 184 |
| Total Closed Sessions | 379 |

| Resolution Statistics | # | % |
|-----------------------|-----|-------|
| No Referral Needed | 148 | 80.4% |
| Member Referred | 36 | 19.6% |

| Referral | |
|---------------------|-----------|
| Community Resources | 19 |
| Insurance Plan | 21 |
| Total | 40 |

Telephonic Services & Referrals

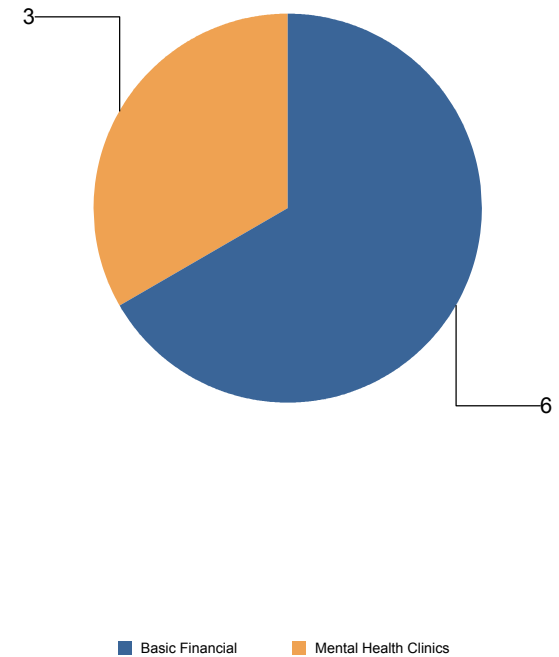
| Services | # |
|-----------------------|---|
| Telephonic Counseling | 0 |
| Telephonic Sessions | 0 |

| Contacts | # |
|-----------------|-----|
| Follow-up Calls | 186 |

| General Information and Referral | # |
|-----------------------------------|-----------|
| Calls Explaining Services | 36 |
| Plan Sponsor Information Requests | 5 |
| Total | 41 |

| Resource Referrals | # |
|----------------------------|----------|
| Basic Financial | 6 |
| 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 | 0 |
| Medical Clinics | 0 |
| Mental Health Clinics | 3 |
| Natural Disaster Resources | 0 |
| Prescription Assistance | 0 |
| Student Loans | 0 |
| Substance Abuse | 0 |
| Support Groups | 0 |
| Tax Assistance | 0 |
| Other | 0 |
| Total | 9 |

Top Resource Referrals

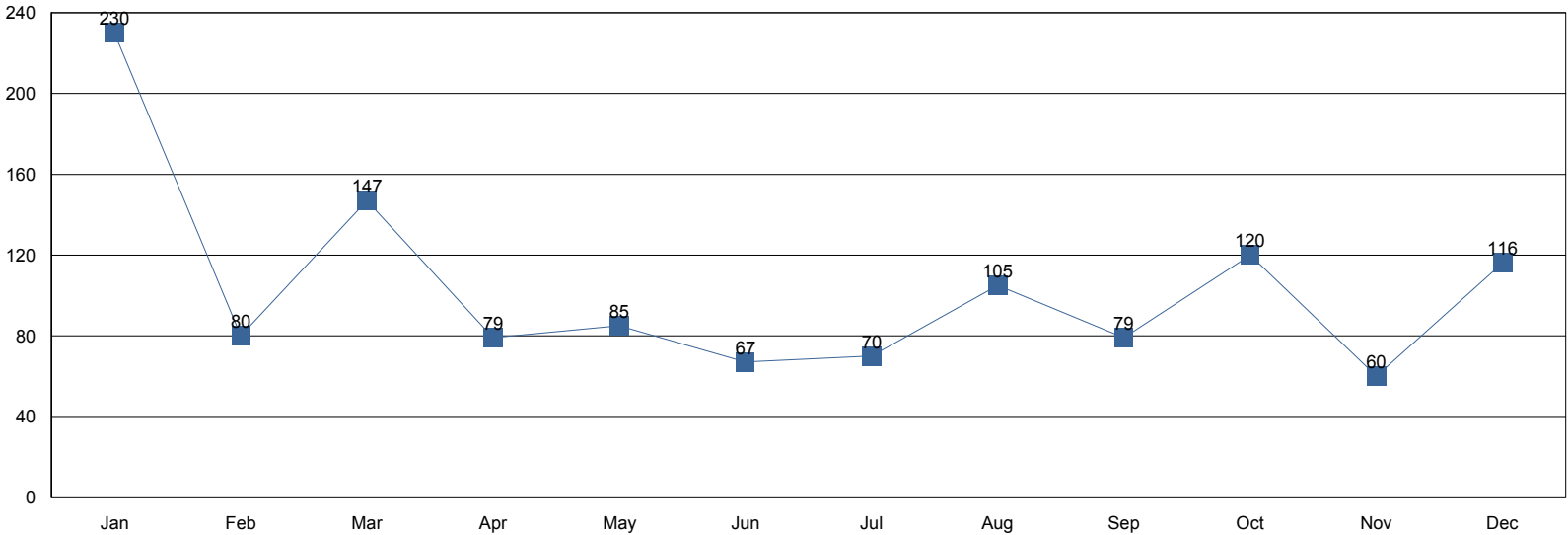


Web Content Access

| Topic Analysis | # |
|------------------|--------------|
| My Family | 142 |
| My Health | 265 |
| My Time | 53 |
| My Money | 161 |
| My Benefits | 508 |
| Manager Services | 109 |
| Total | 1,238 |

| | |
|-------------------|-----|
| Web Log In | 536 |
|-------------------|-----|

Total Website Pages Visited



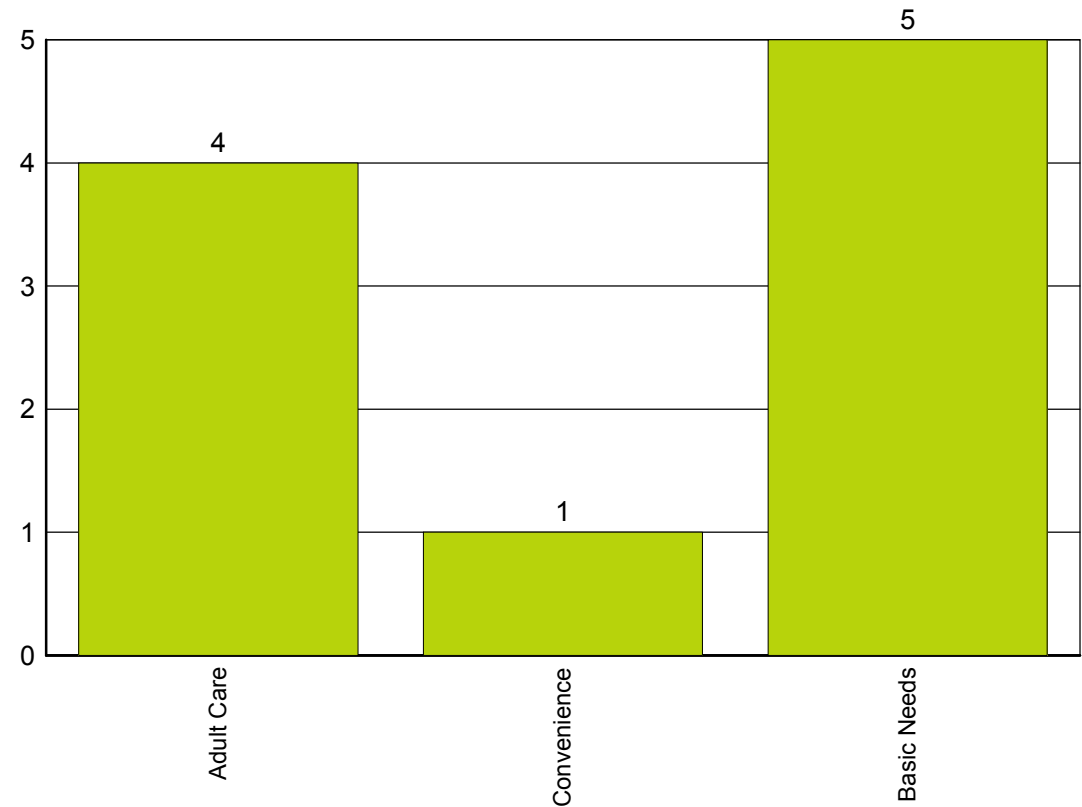
Management Consultations & Referrals

| Informal Referrals | Count | % |
|--|-----------|---------------|
| Alcohol / Drug | 0 | 0.0% |
| Anger Management | 2 | 50.0% |
| Code of Conduct | 0 | 0.0% |
| Emotional / Psychological Stability | 0 | 0.0% |
| Fitness for Duty | 0 | 0.0% |
| Grief / Trauma | 2 | 50.0% |
| 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% |
| Total | 4 | 100.0% |
| Mandatory Referrals | Count | % |
| Alcohol / Drug | 5 | 35.7% |
| Anger Management | 6 | 42.9% |
| Code of Conduct | 1 | 7.1% |
| Emotional / Psychological Stability | 0 | 0.0% |
| Fitness for Duty | 0 | 0.0% |
| Grief / Trauma | 0 | 0.0% |
| Harassment in the Workplace | 1 | 7.1% |
| Performance Issues | 1 | 7.1% |
| 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% |
| Total | 14 | 100.0% |

| Formal 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% |
| Total | 0 | 100.0% |
| Consult Type | Count | % |
| Alcohol / Drug | 6 | 22.2% |
| Anger Management | 7 | 25.9% |
| Code of Conduct | 4 | 14.8% |
| Emotional / Psychological Stability | 2 | 7.4% |
| Fitness for Duty | 1 | 3.7% |
| Grief / Trauma | 3 | 11.1% |
| Harassment in the Workplace | 1 | 3.7% |
| Performance Issues | 1 | 3.7% |
| 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 | 2 | 7.4% |
| Total | 27 | 100.0% |

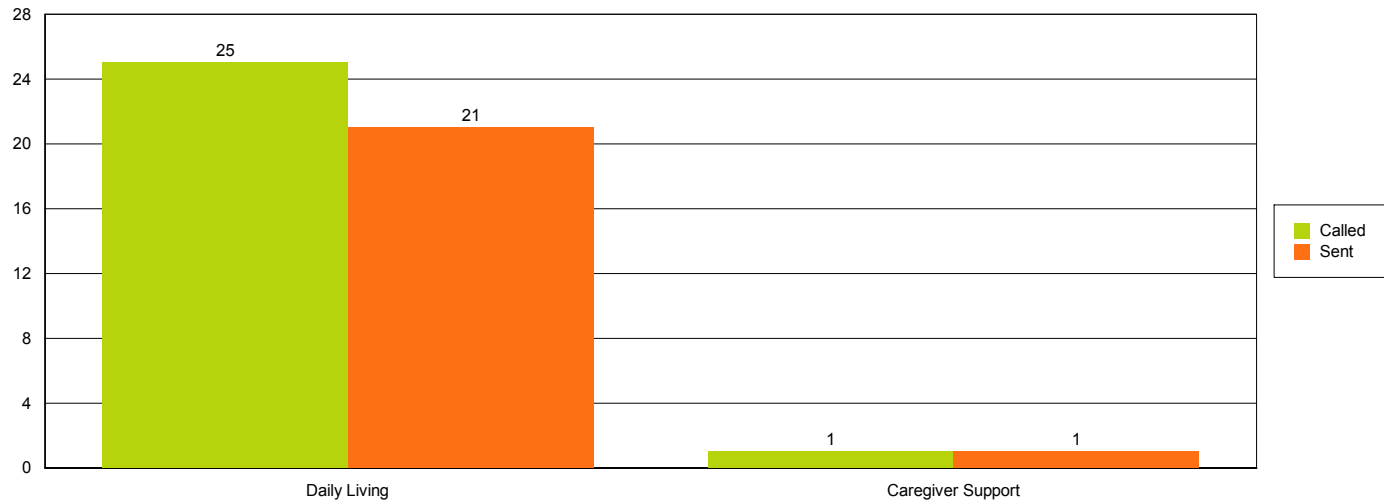
WorkLife Cases

| Case Type | Number |
|----------------------|-----------|
| Adult Care | 4 |
| Care Kits | 0 |
| Child Care | 0 |
| Concierge | 0 |
| Convenience | 1 |
| Elder Care | 0 |
| Financial Counseling | 0 |
| Identity Theft | 0 |
| Legal Services | 0 |
| Will Kits | 0 |
| Basic Needs | 5 |
| Research Request | 0 |
| Total | 10 |



WorkLife Provider Consultations

| Provider | Called | Sent |
|------------------------|-----------|-----------|
| Daily Living | 25 | 21 |
| Child Care | 0 | 0 |
| Residential Adult Care | 0 | 0 |
| In-Home Adult Care | 0 | 0 |
| Support Services | 0 | 0 |
| Caregiver Support | 1 | 1 |
| Total | 26 | 22 |



Critical Incident On-Site Services Overview

| Date | Reason | Account / Division | Location | Participants | Hours |
|--------------|----------------|--------------------|--------------|--------------|-------------|
| 01/13/2014 | Death (onsite) | Municipalities | Mesquite, NV | 10 | 2.00 |
| Total | | | | 10 | 2.00 |

Critical Incident Consultation Overview

| Date | Reason | Location | Priority |
|------------|----------------|--------------------|----------|
| 01/03/2014 | Death (onsite) | Municipality, NV , | Level 3 |
| 01/11/2014 | Death (onsite) | Mesquite, NV | Level 2 |
| 11/20/2014 | RIF | Pahrump, NV | Level 3 |

EMPLOYEE ASSISTANCE PROGRAM AGREEMENT AMENDMENT

Amendment

Attached to and made a part of the Employee Assistance Program Services Agreement between Aetna Behavioral Health, LLC on behalf of itself and its affiliates (hereinafter “Aetna”) and Nevada Public Agency Insurance Pool and Public Agency Compensation Trust (hereinafter “Customer”).

Nothing contained in this amendment shall be held to alter or affect any of the terms of the Services Agreement other than as herein specifically stated.

It is understood and agreed that the Services Agreement is term is changed as follows for the renewal:

The term shall be from **June 1, 2015 through May 31, 2018**, with the option to renew for two (2) successive one-year terms at the same rate and terms.

It is understood and agreed that the Services Agreement is changed as follows:

The HIPAA Addendum is hereby replaced with the enclosed Business Associate Agreement, which requires a separate signature.

It is understood and agreed that the Services Agreement is changed as follows for purposes of the services provided:

The Employee Assistance Program Services Agreement has been amended (effective June 1, 2015) to modify the number of counseling sessions a member may receive during **a rolling 6 months**. The counseling sessions now allowed under the contract are 3 sessions per 6 months. This benefit modification is required in order to comply with Nevada law (Nev. Admin. Code ch. 695F, section 500).

1) General Conditions Addendum,

(A) “Employee” means any person eligible to receive Services under this Services Agreement by virtue of being a board member or current employee of Customer, and not designated a temporary employee, and eligible family members, including domestic partners, household members, dependents (includes adult children up to the age of 26), and eligible employees of subsidiaries and affiliates of Customer who are reported by Customer, in writing, to Company for inclusion in this Services Agreement.

2) Description of EAP Services Addendum,

2. Counseling Sessions, of the Services Agreement will be replaced with:

COUNSELING SESSIONS: A clinical session with an EAP Network Provider or EAP Staff Clinician. Sessions are intended to assist with emotional, family, personal, or work related behavioral health issues.

- **COUNSELING SESSIONS WITH EAP NETWORK PROVIDERS AND CONTRACTED TELEVIDEO PROVIDERS:** Counseling sessions can be provided face-to-face, telephonically, or via televideo (when appropriate). Face-to-face or telephonic sessions are provided by an EAP Network Provider. Televideo sessions are provided by one of our specialty telepsychiatry vendors. Each member is entitled, in a rolling 6 month period, up to the number of counseling sessions as set forth herein in the Service and Fee Schedule (e.g., up to three counseling sessions per member per rolling 6 months under the 3-Session EAP Model), unless a State regulation requires otherwise. All counseling sessions require prior authorization. The member must contact Company to receive referrals and authorizations for all counseling sessions whether face-to-face, telephonic, or televideo. Marital and/or family sessions are considered one problem for the couple or family and sessions are not authorized individually for each attendee. Face-to-face, telephonic, and televideo counseling sessions count toward the number of counseling sessions per member.

3) EAP Services and Fee Schedule,

| Services | Service Fees |
|-----------------------------|--|
| EAP Session Model | |
| Unlimited Telephonic Access | 0.0% - 1% Utilization: \$0.98 PEPM 1.1% - 2% Utilization: \$1.01 PEPM |

EMPLOYEE ASSISTANCE PROGRAM AGREEMENT AMENDMENT

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| <p>with</p> <p>Up to 3 counseling sessions with an EAP Network Provider or televideo provider, delivered via face-to-face, telephonically, or televideo per 6 months</p> | <p>2.1% - 3% Utilization: \$1.06 PEPM 3.1% - 4% Utilization: \$1.10 PEPM 4.1% - 5% Utilization: \$1.14 PEPM 5.1% - 6% Utilization: \$1.20 PEPM 6.1% - 7% Utilization: \$1.24 PEPM</p> <p>Utilization calculation is based on direct Member Usage.</p> |
| <p>Worklife Services, including Caregiving Services, Personal Services</p> <p>Legal and Financial Services</p> <p>Identity Theft Services</p> <p>Core Member Website</p> | <p>Included in the EAP Session Model PE/PM.</p> |
| <p>Intake Model</p> <p>Standard Model</p> | <p>Included in the EAP Session Model PE/PM.</p> |
| <p>Critical Incident Support/Critical Incident Stress De-Briefing (CISD) Services—Standard Services (On-site attendance response time in greater than 2 hours)</p> | <p>Unlimited Standard CISD Services: Unlimited Standard CISD sessions are included in the EAP Session Model PE/PM Rate. CISD Services are limited to 10 hours per incident. Immediate CISD’s are subject to the fees described below. Issues concerning downsizing, mergers, acquisition activities (i.e. Reductions in Force or RIF’s), catastrophic natural disasters, and terrorism, or services beyond the 10 hour cap, are subject to the hourly rate of \$250.00 per hour plus travel and preparation expenses reimbursed at a flat rate of \$150.00 per location.</p> <p>CISD hours used, whether fee for service and/or within the bank of standard hours, are calculated based upon the combined total number of hours all clinicians are on-site.</p> <p>If Customer requests a specific crisis counselor, or a counselor with specific qualities, including but not limited to specialized certifications, experience, or language, Customer will be billed the applicable hourly rate “door-to-door” which will include the specialist’s travel time. This is in lieu of the flat travel fee.</p> <p>If Customer requests on-site crisis response services in a location which is further than 50 miles from a town with a population of at least 25,000 people, Customer will be billed the applicable hourly rate “door-to-door” which will include the specialist’s travel time. This is in lieu of the flat travel fee.</p> <p>If Customer requests on-site support services in response to a large scale disaster area affecting the transportation infrastructure of that area, and/or the availability of local providers, necessitating the assistance of providers from outside the affected areas, Customer will be billed the current hourly rate plus \$50 per hour for each on-site hour. In</p> |

EMPLOYEE ASSISTANCE PROGRAM AGREEMENT AMENDMENT

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|---|--|
| | <p>addition, Customer will be billed \$200 per travel hour from the command center to the intervention site. This is in lieu of the flat travel fee.</p> <p>Any other Customer requested services wherein the crisis counselor incurs non-standard travel (e.g. having to fly to accompany employees affected by a crisis) will be billed at the exact travel costs in addition to the hourly fees.</p> |
| <p>Critical Incident Support/Critical Incident Stress De-Briefing (CISD) Services—Immediate Services (On-site attendance response time in 2 hours or less)</p> | <p>Fee for Service Immediate CISD Pricing: \$350.00 per hour plus travel and preparation expenses reimbursed at a flat rate of \$150.00 per location.</p> <p>CISD hours used, whether fee for service and/or within the bank of standard hours, are calculated based upon the combined total number of hours all clinicians are on-site.</p> <p>If Customer requests a specific crisis counselor, or a counselor with specific qualities, including but not limited to specialized certifications, experience, or language, Customer will be billed the applicable hourly rate “door-to-door” which will include the specialist’s travel time. This is in lieu of the flat travel fee.</p> <p>If Customer requests on-site crisis response services in a location which is further than 50 miles from a town with a population of at least 25,000 people, Customer will be billed the applicable hourly rate “door-to-door” which will include the specialist’s travel time. This is in lieu of the flat travel fee.</p> <p>If Customer requests on-site support services in response to a large scale disaster area affecting the transportation infrastructure of that area, and/or the availability of local providers, necessitating the assistance of providers from outside the affected areas, Customer will be billed the current hourly rate plus \$50 per hour for each on-site hour. In addition, Customer will be billed \$200 per travel hour from the command center to the intervention site. This is in lieu of the flat travel fee.</p> <p>Any other Customer requested services wherein the crisis counselor incurs non-standard travel (e.g. having to fly to accompany employees affected by a crisis) will be billed at the exact travel costs in addition to the hourly fees.</p> |
| <p>Critical Incident Support/Critical Incident Stress De-Briefing (CISD) Cancellation Fee</p> | <p>Whenever possible, Customer agrees to provide Company with 24 hours advance notice of cancellation of any requested Workplace Crisis Response Services. Failure to provide Company with 24 hours’ notice of cancellation of any services:</p> <ul style="list-style-type: none"> • Unlimited Standard CISD Services Cancellation Fee: Services which are excluded from the unlimited provision listed above, i.e. above the 10 hours per incident cap, immediate CISD services, downsizings, mergers, acquisition activities (i.e. Reductions in Force or RIF’s), catastrophic natural disasters, and terrorism which are subject to the |

EMPLOYEE ASSISTANCE PROGRAM AGREEMENT AMENDMENT

| | |
|--|--|
| | hourly rate will result in a charge of \$375.00 per incident. |
| Reduction in Force | Fee for Service Reduction in Force Pricing: \$250.00 per hour plus travel and preparation expenses reimbursed at a flat rate of \$150.00 per location. |
| Reduction in Force Cancellation Fee | Reduction in Force Cancellation Fee: \$375.00 per incident charge for failure to provide Company with 24 hour notice of cancellation of Reduction in Force service. |
| Training and Education | <p>Bank of Training Hours: <u>10</u> hours of Training and Education are included in the EAP Session Model PE/PM Rate. Training and Education services may be on-site, or for web-based seminars up to 100 participants. For webinars with more than 100 participants, an additional charge of \$50.00 applies for each additional 25 participants up to a maximum of 200 participants. Additional Training and Education sessions are \$250.00 per hour for the total amount of time that the educator is on site, plus a \$150.00 per location charge for travel and preparation time. If training is not scheduled consecutively or multiple topics are scheduled, additional travel and preparation costs may apply or additional hours may be deducted from the bank. These capitated hours will be used for the total amount of time that the educator is on site.</p> <p>Sessions less than one (1) hour in duration will count as one (1) hour of Training and Education.</p> <p>If Customer requests a specific educator, or an educator with specific qualities, including but not limited to specialized certifications, experiences or language, Customer will be billed any additional incurred fees beyond the hourly fee above or have hours deducted from bank.</p> <p>In addition, if Customer cannot accommodate the schedule/availability of a local Company contracted educator, requiring that the services of an educator 50 miles away or greater from the Customer location is necessary, then Customer will be billed any additional incurred fees beyond the hourly fee above or have hours deducted from bank.</p> |
| Training and Education Cancellation Fee | <p>Failure to provide Company three (3) business days' notice of cancellation of a previously scheduled training program may result in a charge of:</p> <ul style="list-style-type: none"> • Bank of Training Hours Training Cancellation Fee: Services which are included in the bank of capitated hours described above, will result in the deduction of a number of hours from the bank, equal to the number of cancelled hours. When the bank of hours has been exhausted, fee for service training cancellation fee of \$375.00 per hour applies. |
| Drug Free Workplace Services | |

EMPLOYEE ASSISTANCE PROGRAM AGREEMENT AMENDMENT

| | |
|---|---|
| Substance Abuse Case Management by a Substance Abuse Professional (SAP) and/or for Department of Transportation regulation compliance | \$750.00 per case |
| and | and |
| DOT training to meet Drug-Free Workplace regulations regarding drug and alcohol awareness | DOT Alcohol and Drug-Free Workplace for Supervisors Training to meet Drug-Free Workplace regulations regarding drug and alcohol use. Additional fees may be added on to the base rate for DOT training. These fees will be assessed on a case-by-case basis and are dependent upon travel expenses and for classes that exceed 50 participants. |
| | <ul style="list-style-type: none"> • DOT Supervisor Training - 2 hours at \$800 |
| | DOT Alcohol and Drug-Free Workplace for Employees Awareness Training (Note: this training does not meet Drug-Free Workplace regulations regarding drug and alcohol use.) Additional fees may be added on to the base rate for DOT training. These fees will be assessed on a case-by-case basis and are dependent upon travel expenses and for classes that exceed 50 participants. |
| | <ul style="list-style-type: none"> • DOT Employee Training - 1 hour at \$400 |

Company also may adjust Service Fees effective as of the date on which any of the following occurs.

- (1) If, for any Service, there is a 20% change in the number of Employees from the number of Employees assumed in Company’s quotation as of the Effective Date of this Services Agreement.
- (2) Change in Services—A material change in Services is requested or initiated by the Customer or by legislative action.
- (3) Premium Taxes or Assessments—If legislative or regulatory action results in the assessment of premium taxes or other like charges as it concerns those Services provided under the terms of this Agreement.

In Witness Whereof, Hyong Un, MD has signed this Amendment at **Hartford, Connecticut**, to become effective June 1, 2015 through May 31, 2018.

**NEVADA PUBLIC AGENCY INSURANCE
POOL AN DPUBLIC AGENCY
COMPENSATION TRUST**

AETNA BEHAVIORAL HEALTH, LLC

Signed By:

Signed By:

Printed Name:

Title:

Date:

Printed Name: Hyong Un, M.D.

Title: Head of EAP and Chief Psychiatric Officer

Date:

**NEVADA PUBLIC AGENCY INSURANCE
POOL AN DPUBLIC AGENCY
COMPENSATION TRUST**

Signed By:

Printed Name:

Title:

Date:

EMPLOYEE ASSISTANCE PROGRAM AGREEMENT AMENDMENT

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA)
BUSINESS ASSOCIATE AGREEMENT

THIS Business Associate Agreement (“BA Agreement”), effective as of June 1, 2015 (“Effective Date”), is entered into between Aetna Behavioral Health, LLC, on behalf of itself and those of its affiliates, providing services in connection with this BA Agreement (“Business Associate”) and Nevada Public Agency Insurance Pool and Public Agency Compensation Trust, on behalf of Nevada Public Agency Insurance Pool and Public Agency Compensation Trust Employee Assistance Program (“Covered Entity”). Nevada Public Agency Insurance Pool and Public Agency Compensation Trust represents that it has the authority to agree to the terms and conditions of this BA Agreement for and on behalf of Covered Entity for which Business Associate provides plan administration services under current or future agreements between the parties (“Services Agreement”). For purposes of this BA Agreement, “Business Associate” includes only those subsidiaries and affiliates of Aetna Behavioral Health, LLC, that create, receive, transmit or otherwise maintain Protected Health Information, as defined below, in connection with the Services Agreement.

In conformity with the Administrative Simplification provisions of Title II, Subtitle F of the Health Insurance Portability and Accountability Act of 1996, as amended, including but not limited to the requirements under the Health Information Technology for Economic and Clinical Health Act (“HITECH”), the implementing regulations at 45 CFR Parts 160-64 (the “Privacy and Security Rules”), and related public guidance issued by the Department of Health and Human Services (all of the foregoing, collectively, “HIPAA”), Business Associate will under the following terms and conditions have access to, maintain, transmit, create and/or receive certain Protected Health Information:

1. Definitions. Capitalized terms used and not otherwise defined in this BA Agreement shall have the meanings assigned to such terms by HIPAA.
 - (a) Individual. “Individual” shall have the same meaning as the term “individual” in 45 CFR 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 CFR 164.502(g), but shall be limited to persons who are participants enrolled in, are seeking to become enrolled in, or were previously enrolled in the plan administered under the Services Agreement.
 - (b) Protected Health Information. “Protected Health Information” shall have the same meaning as the term “Protected Health Information”, as defined by 45 CFR 160.103, limited to the information created, maintained, transmitted, or received by Business Associate from or on behalf of Covered Entity.
 - (c) Standard Transactions. “Standard Transactions” means the electronic health care transactions for which HIPAA standards have been established, as set forth in 45 CFR, Parts 160-162.
2. Obligations and Activities of Business Associate
 - (a) Business Associate agrees to not use or disclose Protected Health Information other than (i) for purposes of performing its obligations under the Services Agreement, (ii) as otherwise permitted or required by this BA Agreement, or (iii) as Required By Law.
 - (b) Business Associate agrees to use appropriate safeguards to prevent use or disclosure of the Protected Health Information other than as provided for by this BA Agreement.
 - (c) Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of Protected Health Information by Business Associate in violation of the requirements of this BA Agreement.

- (d) Business Associate agrees to report to Covered Entity any use or disclosure of Protected Health Information not provided for by this BA Agreement of which it becomes aware, as required by 45 CFR 164.410.
- (e) Business Associate agrees to report to Covered Entity without unreasonable delay any Security Incident of which it becomes aware, except that, for purposes of the Security Incident reporting requirement, the term “Security Incident” shall not include inconsequential incidents that occur on a daily basis, such as scans, “pings” or other unsuccessful attempts to penetrate computer networks or servers containing electronic PHI maintained by Business Associate.
- (f) Business Associate agrees to report to Covered Entity any Breach of Unsecured Protected Health Information without unreasonable delay and in no case later than thirty (30) calendar days after becoming aware that such Breach affects Covered Entity’s Protected Health Information. Such notice shall include the identification of each Individual whose Unsecured Protected Health Information has been, or is reasonably believed by Business Associate, to have been, accessed, acquired, or disclosed in connection with such Breach. In addition, Business Associate shall provide any information reasonably requested by Covered Entity for purposes of making the notifications required by 45 CFR 164.404(c) as soon as such information is available to Business Associate. Business Associate’s notification of a Breach under this section shall comply in all respects with each applicable provision of 45 CFR Part 164, Subpart D and related guidance issued by the Secretary from time to time. In addition, if delegated in writing by Covered Entity, Business Associate shall provide such notices to the media and to Individuals affected by the Breach as required by 45 CFR 164.404 and 45 CFR 164.406. Business Associate shall provide Covered Entity with advance copies of such notices prior to distribution. In all cases, Covered Entity shall be responsible for submitting reports of Breaches directly to the Secretary.
- (g) Business Associate shall require any Subcontractors that create, receive, maintain, or transmit Protected Health Information on behalf of Business Associate to agree in writing to restrictions and conditions that are no less protective than those that apply through this BA Agreement to Business Associate with respect to such information, in accordance with 45 CFR 164.502(e)(1)(ii) and 164.308(b)(2), if applicable.
- (h) Business Associate shall provide access directly to an Individual, at the request of Covered Entity or an Individual and in a prompt and reasonable manner, including in the electronic form or format requested by the Individual, to Protected Health Information in a Designated Record Set, subject to and consistent with the timing and other provisions of 45 CFR 164.524.
- (i) Business Associate agrees to make any amendment(s) to Protected Health Information in a Designated Record Set at the request of Covered Entity or an Individual, subject to and consistent with the timing and other provisions of 45 CFR 164.526.
- (j) Business Associate agrees to make (i) internal practices, books, and records, including policies and procedures, relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of, Covered Entity, and (ii) policies, procedures, and documentation relating to the safeguarding of Electronic Protected Health Information available to the Secretary, in a time and manner designated by the Secretary, for purposes of the Secretary determining Covered Entity’s or Business Associate’s compliance with the Privacy and Security Rules.
- (k) Business Associate agrees to document disclosures of Protected Health Information and information related to such disclosures as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information, subject to and consistent with 45 CFR 164.528.
- (l) Business Associate agrees to provide to an Individual, at the request of Covered Entity or an Individual, an accounting of disclosures of Protected Health Information subject to and consistent with the timing and other provisions of 45 CFR 164.528.
- (m) With respect to Electronic Protected Health Information, Business Associate shall implement and comply with the administrative safeguards set forth at 45 CFR 164.308, the physical safeguards set forth at 45 CFR 310, the technical safeguards set forth at 45 CFR 164.312, and the policies and procedures set forth at 45 CFR 164.316 to reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic

Protected Health Information that it creates, receives, maintains, or transmits on behalf of Covered Entity. Business Associate acknowledges that (i) the foregoing safeguards, policies and procedures requirements shall apply to Business Associate in the same manner that such requirements apply to Covered Entity, and (ii) Business Associate shall be subject to HIPAA enforcement provisions, as amended from time to time, for failure to comply with the Security Rule safeguards, policies and procedures requirements and any guidance issued by the Secretary from time to time with respect to such requirements.

- (n) If Business Associate conducts any Standard Transactions on behalf of Covered Entity, Business Associate shall comply with, and require any Subcontractor to comply with, the applicable requirements of 45 CFR Parts 160-162.
- (o) Business Associate acknowledges that it shall be subject to the HIPAA enforcement provisions, as amended from time to time, for (i) impermissible uses and disclosures, (ii) failure to provide breach notification to Covered Entity, (iii) failure to provide access to a copy of Electronic Protected Health Information to either Covered Entity or the Individual, or the Individual's designee, (iv) failure to disclose Protected Health Information where required by the Secretary to investigate or determine Covered Entity's compliance with HIPAA, and (v) failure to provide the accounting of disclosures required in this BA Agreement.
- (p) To the extent under the Services Agreement or this BA Agreement Business Associate is to carry out one or more of Covered Entity's obligation(s) under Subpart E of 45 CFR Part 164, Business Associate shall comply with the requirements of Subpart E that apply to Covered Entity in the performance of such obligation(s).

3. Permitted Uses and Disclosures by Business Associate

3.1 General Use and Disclosure

Except as otherwise provided in this BA Agreement, Business Associate may use or disclose Protected Health Information to perform its obligations under the Services Agreement, provided that such use or disclosure would not violate the Privacy and Security Rules if done by Covered Entity.

3.2 Specific Use and Disclosure Provisions

- (a) Except as otherwise provided in this BA Agreement, Business Associate may use Protected Health Information for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate.
- (b) Except as otherwise provided in this BA Agreement, Business Associate may disclose Protected Health Information for the proper management and administration of Business Associate, provided that disclosures are Required By Law, or Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and used or further disclosed only as Required By Law or for the purpose for which it was disclosed to the person, and the person notifies Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached in accordance with the Breach and Security Incident notifications requirements of this BA Agreement.
- (c) Business Associate shall not directly or indirectly receive remuneration in exchange for any Protected Health Information of an Individual without Covered Entity's prior written approval and notice from Covered Entity that it has obtained from the Individual, in accordance with 45 CFR 164.508, a valid authorization that includes a specification of whether the Protected Health Information can be further exchanged for remuneration by Business Associate.

- (d) Business Associate may use or disclose Protected Health Information to communicate about a product or service, provided that such communication is made in a manner that does not constitute marketing as defined in 45 CFR 164.501 or otherwise constitute a use or disclosure that Covered Entity is prohibited from performing itself.
- (e) Business Associate may use Protected Health Information to perform Data Aggregation services.
- (f) Business Associate may use Protected Health Information to report violations of law to appropriate Federal and State authorities, consistent with 45 CFR 164.502(j).
- (g) The provisions of this BA Agreement notwithstanding, Business Associate is permitted to de-identify Protected Health Information, provided that it does so in accordance with HIPAA de-identification rules. De-identified information does not constitute Protected Health Information, and may be used and disclosed by Business Associate for its own purposes, including, without limitation, for purposes of developing comparative databases, performing statistical analysis and research, and improving the quality of Business Associate's products and services.

4. Obligations of Covered Entity

4.1 Provisions for Covered Entity to Inform Business Associate of Privacy Practices and Restrictions

- (a) Covered Entity shall notify Business Associate of any limitation(s) in Covered Entity's notice of privacy practices agreed to in accordance with 45 CFR § 164.520(b)(2), to the extent that such limitation(s) may affect Business Associate's use or disclosure of Protected Health Information.
- (b) Covered Entity shall provide Business Associate with any changes in, or revocation of, permission by an Individual to use or disclose Protected Health Information, to the extent that such changes affect Business Associate's uses or disclosures of Protected Health Information.
- (c) Covered Entity agrees that it will not impose special limits or restrictions on the uses and disclosures of its Protected Health Information that may impact in any manner the use and disclosure of Protected Health Information by Business Associate under the Services Agreement and this BA Agreement, including, but not limited to, restrictions on the use and/or disclosure of Protected Health Information as provided for in 45 C.F.R. 164.522(a), unless such restrictions are required by 45 CFR 164.522(a). The foregoing notwithstanding, Business Associate agrees to accommodate reasonable requests for alternative means of communications pursuant to 45 C.F.R. 164.522(b).

4.2 Permissible Requests by Covered Entity

Covered Entity shall not request Business Associate to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy and Security Rules if done by Covered Entity except that Business Associate may use Protected Health Information in its possession (i) for Business Associate's proper management and administrative services, or (ii) to provide Data Aggregation services to the Covered Entity as permitted by 45 CFR 164.504(e)(2)(i)(B).

5. Term and Termination

- (a) Term. The provisions of this BA Agreement shall take effect on the Effective Date, and shall terminate upon expiration or termination of the Services Agreement, except as otherwise provided herein.
- (b) Termination for Cause. Without limiting the termination rights of the parties pursuant to the Services Agreement and upon either party's knowledge of a material breach by the other party, the non-breaching party shall either:
 - i. Provide an opportunity for the breaching party to cure the breach or end the violation, or terminate the Services Agreement, if the breaching party does not cure the breach or end the violation within the time specified by the non-breaching party, or

ii. Immediately terminate the Services Agreement, if cure of such breach is not possible.

(c) Effect of Termination.

The parties mutually agree that it is essential for Protected Health Information to be maintained after the expiration of the Services Agreement for regulatory and other business reasons. Notwithstanding the expiration of the Services Agreement, Business Associate shall extend the protections of this BA Agreement to such Protected Health Information, and limit further use or disclosure of the Protected Health Information to those purposes that make the return or destruction of the Protected Health Information infeasible.

6. Miscellaneous

- (a) Regulatory References. A reference in this BA Agreement to a section in the Privacy and Security Rules means the section as in effect or as amended, and for which compliance is required.
- (b) Amendment. The Parties agree to take such action to amend this BA Agreement from time to time **as is necessary** for Covered Entity and Business Associate to comply with the requirements of HIPAA.
- (c) Survival. The respective rights and obligations of Business Associate under Section 5(c) of this BA Agreement shall survive the termination of this BA Agreement.
- (d) Interpretation. Any ambiguity in this BA Agreement shall be resolved in favor of a meaning that permits Covered Entity to comply with the Privacy and Security Rules. In the event of any inconsistency between this BA Agreement and the Services Agreement, including any other appendices, schedules, exhibits and attachments, the terms and conditions of this BA Agreement shall control.
- (e) No third party beneficiary. Nothing express or implied in this BA Agreement or in the Services Agreement is intended to confer, nor shall anything herein confer, upon any person other than the parties and the respective successors or assigns of the parties, any rights, remedies, obligations, or liabilities whatsoever.
- (f) Governing Law. This BA Agreement shall be governed by and construed in accordance with the governing law provisions of the Services Agreement, subject to applicable federal law.
- (g) Countersignature: This BA Agreement may be executed in several counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. In addition, this BA Agreement may contain more than one counterpart of the signature page and this BA Agreement may be executed by the affixing of the signatures of Business Associate and Covered Entity, or Nevada Public Agency Insurance Pool and Public Agency Compensation Trust, on behalf of Covered Entity, to one of such counterpart signature pages. All of those counterpart signature pages shall be read as though one and they shall have the same force and effect as though all of the signers had signed a single signature page.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

[THIS IS THE SIGNATURE PAGE]

AETNA BEHAVIORAL HEALTH, LLC

Authorized Signature

Print Name

Title

Date

COVERED ENTITY

Authorized Signature

Print Name

Title

Date

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

AETNA BEHAVIORAL HEALTH, LLC

This Employee Assistance Program Services Agreement (hereinafter, the "Services Agreement") is made and entered into by and between Aetna Behavioral Health, LLC, on behalf of itself and its affiliates (hereinafter "Company"), and Nevada Public Agency Insurance Pool and Public Agency Compensation Trust (hereinafter "Customer").

WHEREAS, Customer has established an employee assistance program ("EAP") for certain eligible individuals; and

WHEREAS, Customer also desires to engage the services of Company to provide EAP services and WorkLife and other additional EAP services which are defined in this Agreement (the "Services"),

THEREFORE, in consideration of the mutual covenants and promises stated herein and other good and valuable consideration, the parties hereby enter into this Services Agreement. This Services Agreement includes and incorporates by reference the attached **General Conditions Addendum, Description of EAP Services Addendum, Description of Work/Life Services Addendum, and Service and Fee Schedule and Health Insurance Portability and Accountability Act (HIPAA) Addendum.**

Customer hereby elects to receive the Services set forth in the **Service and Fee Schedule** attached hereto and made a part hereof. The corresponding Service Fees are specified in the **Service and Fee Schedule**, which shall be amended for future periods, in accordance with Section 3 of the **General Conditions Addendum**, to reflect the Services elected and corresponding Service Fees for such periods.

This Services Agreement constitutes the complete and exclusive contract between the parties and supersedes any and all prior or contemporaneous oral or written communications or proposals not expressly included herein. Notwithstanding Section 3 of the **General Conditions Addendum**, no modification or amendment of this Services Agreement shall be valid unless contained in a writing signed by a duly authorized representative of Company and a duly authorized representative of Customer. By executing this Services Agreement, Customer acknowledges and agrees that it has reviewed all terms and conditions incorporated into this Services Agreement and intends to be legally bound by the same.

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT


The Effective Date of this Services Agreement shall be: **July 1, 2012.**

IN WITNESS WHEREOF, the parties hereto have caused this Services Agreement to be executed by their duly authorized representatives.


NEVADA PUBLIC AGENCY INSURANCE
POOL AND PUBLIC AGENCY
COMPENSATION TRUST

AETNA BEHAVIORAL HEALTH, LLC

Signed By:


Printed Name Michael Rebalcati
Title NPAJP Chairman
Date 5/18/12

Signed By:


Printed Name: Hyong Un, MD
Title: Head of EAP and Chief Psychiatric Officer
Date: 06.23.12

NEVADA PUBLIC AGENCY INSURANCE
POOL AND PUBLIC AGENCY
COMPENSATION TRUST

Signed By:

Printed Name

Title

Date

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

GENERAL CONDITIONS ADDENDUM

Definitions: In this General Conditions Addendum and in all attachments to this Services Agreement:

- (A) "Employee" means any person eligible to receive Services under this Agreement by virtue of being a current employee of Customer, and not designated a temporary employee, and eligible family members, including domestic partners, household members, dependents (includes adult children up to the age of 26), employees of subsidiaries and affiliates of Customer who are reported by Customer, in writing, to Company for inclusion in this Services Agreement. The term "Employee" also refers to ex-employees of Customer determined by Customer (and reported, in writing, to Company) to be eligible to receive Services pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (COBRA).
- (B) "Dependent" means any person eligible to receive Services under this Agreement as a dependent of an Employee. This includes adult children up to age 26.
- (C) "Members" means Employees and Dependents covered for Services.
- (D) The term "Service Fees" shall have the meaning set forth in Section 3 of this General Conditions Addendum.
- (E) The term "Services Agreement Period" shall have the meaning set forth in Section 2 of this General Conditions Addendum.
- (F) The term "Services" shall have the meaning set forth in Section 1 of this General Conditions Addendum.

The following are the terms and conditions under which Company agrees to perform Services for Customer:

1. **Purpose.** Customer will purchase and Company will provide to Customer the Services designated in this Services Agreement and such other services Customer requests of Company and Company agrees in writing to perform, as described in the Service and Fee Schedule and the Description of Services Addenda (the "Services").
2. **Term.** The initial term of this Services Agreement shall commence on the Effective Date and shall continue to the first anniversary of the Effective Date, unless terminated by either party in accordance with Section 4 of this General Conditions Addendum. Following the initial term, this Services Agreement shall be automatically renewed from year to year, unless terminated by either party in accordance with Section 4 of this General Conditions Addendum. The initial term and subsequent year to year renewals shall hereafter be referred to as "Services Agreement Periods."
3. **Service Fees; Renewals.** The Service Fees payable by Customer to Company for the Services shall be determined in accordance with the Service and Fee Schedule identified in this Services Agreement. No Services other than those identified in the Service and Fee Schedule are included in the Service Fees. The Services to be provided by Company and the Service Fees may be amended by Company in accordance with the terms and conditions of the Service and Fee Schedule.
4. **Termination.** The Services Agreement may be terminated by Company or the Customer as follows:
 - (A) **Legal Prohibition** - If any state or other jurisdiction enacts a law which prohibits the continuance of this Services Agreement, or an existing law is interpreted to prohibit the continuance of this Services Agreement, this Services Agreement shall terminate automatically as to such state or jurisdiction on the effective date of such law or interpretation; provided, however, that if only a portion of this Services Agreement is prohibited by such law, only that portion of this Services Agreement shall be affected, and this Services Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.
 - (B) **Customer Termination** - Customer may terminate this Services Agreement with respect to all Employees (including their Dependents) or any group of Employees included under this Services Agreement or any subsidiary or affiliate of Customer that is covered under this Services Agreement by giving Company at least ninety (90) days written notice stating when, after the date of such notice, such termination shall become effective.
 - (C) **Company Termination** -

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

- (1) Company may terminate this Services Agreement by giving to Customer at least ninety (90) days written notice stating when, after the date of such notice, such termination shall become effective.
 - (2) If Customer fails to pay Service Fees by the Payment Due Date, Company shall have the right to suspend Services until the Service Fees have been paid. Company may terminate this Services Agreement immediately upon transmission of notice to Customer by mail, facsimile transmission or other means of communication (including electronic mail) if (a) Customer fails to pay such Service Fees within five (5) business days of such notice of unpaid Service Fees by Company, (b) Company determines that Customer will not meet its obligation to pay such Service Fees within such five (5) business days, and/or (c) Company determines that Customer is in material default, or substantial breach, of one or more of its obligations under this Services Agreement.
 - (3) Any acceptance by Company of funds or Service Fees described in paragraph 3 above, after the grace periods specified therein have elapsed and prior to any action by Company to suspend Services or terminate this Services Agreement, shall not constitute a waiver of Company's right to suspend Services or terminate this Services Agreement in accordance with this section with respect to any other failure of Customer to meet its obligations hereunder.
5. **Customer's Responsibilities.** Where applicable, and on or before the Effective Date, Customer shall furnish to Company a listing of Employees (by zip code of each Employee's place of residence). Thereafter, Customer shall supply to Company, on a monthly basis, Employee counts in a form and manner as reasonably determined by Company. Company shall not be responsible in any manner for any delay or error in the provision of Services caused by the Customer's failure to furnish accurate Employee counts in a timely fashion.
6. **Services.** Company shall perform the Services set forth in the **Service and Fee Schedule** and the **Description of Services Addenda** identified in this Services Agreement. Customer acknowledges that Company may utilize the services of external contractors in performing these Services.
7. **Records.** Company or one of its affiliates or authorized agents, may, at its own discretion, use Documentation (defined herein) for legitimate EAP related purposes such as: provider payment and fraud prevention; quality improvement/management assessment; fulfilling certain state and federal requirements; and statistical research. The term "Documentation" refers to all documents, records, reports, and data, including data recorded in Company's data processing systems, related to the receipt, processing, and payment of EAP provider claims for Services provided, including all claim histories.
8. **Indemnification.**
- (A) Company shall indemnify and hold harmless Customer, its directors, officers, employees (acting in the course of their employment, but not as Members) for that portion of any third party loss, liability, damage, expense, settlement, cost or obligation (including reasonable attorneys' fees) caused solely and directly by Company's willful misconduct, criminal conduct, breach of this Services Agreement, fraud, breach of fiduciary responsibility (as applicable), or failure to comply with Section 6 above, related to or arising out of the Services provided under this Services Agreement.
 - (B) Except as provided in (A) above, Customer shall indemnify and hold harmless Company, its affiliates and their respective directors, officers, and employees for that portion of any third party loss, liability, damage, expense, settlement, cost or obligation (including reasonable attorney's fees): (i) which was caused solely and directly by Customer's willful misconduct, criminal conduct, breach of this Services Agreement, fraud, breach of fiduciary responsibility (as applicable), or failure to comply with Section 6 above, related to or arising out of this Services Agreement or Customer's role as employer; (ii) in connection with the release or transfer of Member-identifiable information to Customer or a third party designated by Customer, or the use or further disclosure of such information by Customer or such third party; or (iii) resulting from or arising out of claims, demands or lawsuits brought against Company in connection with Services provided under this Services Agreement.
 - (C) The party seeking indemnification under (A) or (B) above must notify the indemnifying party within 20 days in writing of any actual or threatened action, suit or proceeding to which it claims such indemnification applies. Failure to so notify the indemnifying party shall not be deemed a waiver of the right to seek indemnification, unless the actions of the

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

indemnifying party have been prejudiced by the failure of the other party to provide notice within the required time period.

The indemnifying party may then take steps to be joined as a party to such proceeding, and the party seeking indemnification shall not oppose any such joinder. Whether or not such joinder takes place, the indemnifying party shall provide the defense with respect to claims to which this Section applies and in doing so shall have the right to control the defense and settlement with respect to such claims.

The party seeking indemnification may assume responsibility for the direction of its own defense at any time, including the right to settle or compromise any claim against it without the consent of the indemnifying party, provided that in doing so it shall be deemed to have waived its right to indemnification except in cases where the indemnifying party has declined to defend against the claim.

- (D) Customer and Company agree that, except for counseling services provided by an EAP clinician employed by Company:
 - (i) Company does not render medical services or treatments to Members; (ii) neither Customer nor Company is responsible for the health care that is delivered by contracting health care providers; (iii) contracted health care providers are solely responsible for the health care they deliver to Members; (iv) contracted health care providers are not the agents or employees of Customer or Company; and (v) the indemnification obligations of (A) or (B) above do not apply to any portion of any loss, liability, damage, expense, settlement, cost or obligation caused by the acts or omissions of contracted health care providers with respect to Members.
- (E) The indemnification obligations under (A) above shall not apply to that portion of any loss, liability, damage, expense, settlement, cost or obligation caused by Company's act or omission undertaken at the direction of Customer (other than Services described in this Services Agreement). The indemnification obligations under (B) above shall not apply to that portion of any loss, liability, damage, expense, settlement, cost or obligation undertaken by Customer at the direction of Company, or by any failure, refusal, or omission to act, directed by Company.
- (F) The indemnification obligations under this Section 8 shall terminate upon the expiration of this Agreement, except as to any matter concerning which a claim has been asserted by notice to the other party at the time of such expiration or within two (2) years thereafter.

9. Remedies. Neither party shall be liable to the other for any consequential, incidental or punitive damages whatsoever.

10. Binding Arbitration of Certain Disputes. Any controversy or claim arising out of or relating to this Agreement or the breach, termination, or validity thereof, except for temporary, preliminary, or permanent injunctive relief or any other form of equitable relief, shall be settled by binding arbitration in Hartford, CT administered by the American Arbitration Association ("AAA") and conducted by a sole arbitrator in accordance with the AAA's Commercial Arbitration Rules ("Rules"). The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1-16, to the exclusion of state laws inconsistent therewith or that would produce a different result, and judgment on the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. Except as may be required by law or to the extent necessary in connection with a judicial challenge, or enforcement of an award, neither a party nor the arbitrator may disclose the existence, content, record or results of an arbitration. Fourteen (14) calendar days before the hearing, the parties will exchange and provide to the arbitrator (a) a list of witnesses they intend to call (including any experts) with a short description of the anticipated direct testimony of each witness and an estimate of the length thereof, and (b) premarked copies of all exhibits they intend to use at the hearing. Depositions for discovery purposes shall not be permitted. The arbitrator may award only monetary relief and is not empowered to award damages other than compensatory damages.

11. Confidentiality.

- (A) Each party acknowledges that performance of this Services Agreement may involve access to and disclosure of data, rates, procedures, materials, lists, systems and information (collectively "Confidential Information") belonging to the other. The parties further acknowledge and agree that Company operates in a highly regulated and competitive environment and that the unauthorized disclosure or use of Confidential Information will cause irreparable harm and significant injury to Company which will be difficult to measure with certainty or to compensate through monetary damage. Accordingly, the parties agree that injunctive or other equitable relief shall be appropriate in the event of any breach by the Customer or their agents related to Confidential Information, in addition to such other remedies as may be

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

available to Company at law. No Confidential Information shall be disclosed to any third party other than representatives of such party who have a need to know such Information, provided that such representatives are informed of the confidentiality provisions hereof and agree to abide by them. All such Information must be maintained in strict confidence. In addition, each party will maintain the confidentiality of EAP records and confidential client information as required by law. Upon termination of this Services Agreement, each party, upon the request of the other, will return or destroy all copies of all of the other's Confidential Information in its possession or control except to the extent such Information must be retained pursuant to applicable law, provided, however, that Company may retain copies of any such Information it deems necessary for the defense of litigation concerning the Services it provided under this Services Agreement. Customer agrees that Company may make lawful references to Customer in its marketing activities and in informing EAP providers as to the organizations and plans for which Services are to be provided. Each party will execute and cause its employees and agents to execute any documents the other reasonably requires in connection with this confidentiality provision.

- (B) Customer acknowledges that compliance with the provisions of the foregoing paragraph (A) are necessary to protect the business and good will of Company and its affiliates and that any actual or prospective breach will irreparably cause damage to Company or its affiliates for which money damages may not be adequate. Customer therefore agrees that if Customer breaches or attempts to breach paragraph (A) hereof, Company or an affiliate shall be entitled to obtain temporary, preliminary and permanent equitable relief, without bond, to restrain such breaches, together with any and all other legal and equitable remedies available under applicable law or under this Services Agreement. Company shall be entitled to recover from Customer the attorneys' fees and costs Company expends in any action related to such breach or attempted breach.
12. **Relationship of the Parties.** It is understood and agreed that Company is an independent contractor with respect to all Services being performed pursuant to this Services Agreement. Company makes no guarantee and disclaims any obligation to make any specific EAP providers or any particular number of EAP providers available for use by Members.
13. **Subcontractors.** The work to be performed by Company under this Services Agreement may, at Company's sole discretion, be performed in part through a subsidiary or affiliate or under a contract with an organization as determined by Company.
14. **Communications.** Company and Customer shall be entitled to rely upon any communication believed by them to be genuine and to have been signed or presented by the proper party or parties.

Neither party shall be bound by any notice, direction, requisition or request unless and until it shall have been received in writing at (i) in the case of Aetna, 4300 Centreway Place, Mail Code: 756, Arlington, TX 76018, Attention: Product Head—Employee Assistance Program, (ii) in the case of the Customer, at the address shown below, or (iii) at such other address as either party specifies for the purposes of this Services Agreement by notice in writing addressed to the other party. Notices or communications shall be sent by certified mail, return receipt requested.

Nevada Public Agency Insurance Pool and Public Agency Compensation Trust
201 South Roop Street, Suite 102
Carson City, NV 89703
Attn: Wayne Carlson

15. **Force Majeure.** Company shall not be liable for any failure to meet any of the obligations or provide any of the Services or benefits specified or required under this Services Agreement where such failure to perform is due to any contingency beyond the reasonable control of Company, its employees, officers or directors. Such contingencies include, but are not limited to: acts or omissions of any person or entity not employed or reasonably controlled by Company, its employees, officers or directors; acts of God; fires; wars; accidents; labor disputes or shortages; governmental laws, ordinances, rules, regulations, or the opinions rendered by any Court, whether valid or invalid.
16. **Compliance.** Customer and Company shall remain, throughout the term of this Services Agreement, in compliance with all applicable federal and state and federal laws and regulations, including HIPAA, related to this Services Agreement and the Services to be provided hereunder. Accordingly the parties agree to the terms of the HIPAA Business Associate Agreement, which is attached hereto as Appendix A and made a part of this agreement hereof.

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

17. **Miscellaneous.** The Services Agreement shall be governed by and interpreted in accordance with applicable federal law. To the extent such federal law does not govern, this Services Agreement shall be governed by Connecticut law and the courts in such state shall have sole and exclusive jurisdiction of any dispute related hereto or arising hereunder. No delay or failure of either party in exercising any right hereunder shall be deemed to constitute a waiver of that right. There are no intended third party beneficiaries of this Services Agreement. The headings in this Services Agreement are for reference only and shall not affect the interpretation or construction of this Services Agreement.

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

DESCRIPTION OF EAP SERVICES ADDENDUM

Subject to the terms and conditions of this Services Agreement, the EAP Services available from Company are described below. Unless otherwise agreed to in writing, only the EAP Services selected by Customer in the **Service and Fee Schedule** (as modified by Company from time to time pursuant to Section 3 of the **General Conditions Addendum**) will be provided by Company. Additional EAP Services may be provided at Customer's written request under the terms of this Services Agreement.

1. **UNLIMITED TELEPHONIC ACCESS:** Unlimited telephonic access to the Company EAP call center staff, available 24 hours per day, 7 days per week, 365 days per year.
2. **COUNSELING SESSIONS:** A face-to-face clinical session of at least 45 minutes in duration with a contracted EAP provider. Each member is entitled, annually, to the number of counseling sessions per problem as set forth herein in the Service and Fee Schedule (e.g., three counseling sessions per member per problem under the 3-Session EAP Model).
3. **PROVIDER NETWORK:** Appropriately credentialed and contracted mental health professionals (hereinafter "EAP providers") qualified to provide Services to Company Members. EAP Providers include, but are not limited to: social workers, licensed professional counselors, marriage and family therapists, master's level psychiatric nurses and psychologists.
4. **TRAINING AND EDUCATION:** The term "Training and Education" refers to training, provided by Company, or a Company Contracted educator to the Customer, concerning general behavioral health and work/life issues. This training may be provided in different ways, i.e. in-person, telephonically, or web-based.
 - **EMPLOYEE ORIENTATION MEETINGS:** On-site meetings to acquaint Eligible Employees with the operation of the Employee Assistance Program and to encourage them to use the Employee Assistance Program.
 - **SUPERVISOR ORIENTATION TRAINING:** Training programs for Eligible Employees who are providing supervision to others as part of their day-to-day duties. The purpose of this training program will be to acquaint supervisors with the operation of the Employee Assistance Program and to motivate them to encourage Covered persons to use the Employee Assistance Program.
 - **STANDARD TRAININGS:** On-site hours of EAP trainings on such topics as stress management, smoking cessation and effective communication at work. Company will also provide web-based seminars, in which participants view the presentation through their web browser and listen to the audio through their telephone.
 - **AWARENESS TRAININGS:** Awareness Trainings on topics such as Department of Transportation (DOT) Drug/Alcohol Awareness, Diversity in the Workplace, Drug Free Workplace, Sexual Harassment for Employees, and Violence in the Workplace.
5. **MANAGEMENT SERVICES:**
 - **MANAGEMENT CONSULTATION:** A telephonic resource for managers, supervisors, and human resources professionals to assist in identifying and resolving workplace issues and promoting a productive workforce. Issues may include but are not limited to employee personal and family issues, behavioral health concerns, workplace conflict, workplace crisis and other disruptions, substance abuse, threats of violence and employee performance concerns. This includes the provisions of guidance to the Customer in making voluntary referrals for employees to the EAP.
 - **MANDATORY REFERRALS:** Case management to assist Customer and employees in addressing significant workplace performance issues. Mandatory referrals are used to monitor compliance with the EAP provider's recommendations, wherein the EAP, with appropriate executed release of information forms, confirms the employee's participation in and compliance with the Program.

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

- **DRUG FREE WORKPLACE SERVICES:** Suite of services to assist Customer in managing workplace related employee substance mis-use and/or disclosure of substance abuse in the workplace. Services for general employer industries include Company EAP case management of mandatory referrals related to workplace impacted substance abuse, as well as management consultation services as described above. Services for transportation related industries, such as employers who are regulated by DOT, FMCSA, FAA, FRA, FTA, PHMSA, etc., include substance abuse case management by a Substance Abuse Professional (SAP) for Department of Transportation regulation compliance. Additional service for transportation regulated employees includes DOT training to meet Drug-Free Workplace regulations regarding drug and alcohol awareness available through American Substance Abuse Professionals (ASAP) or comparable SAP provider. A variety of training formats are available, including on-site, on-line or video.
 - **FITNESS FOR DUTY (FFD) CONSULTATION AND COORDINATION:** A Fitness for Duty Evaluation is a forensic evaluation completed by a specially trained psychologist, psychiatrist, outside the EAP, for the purpose of evaluating an employee's ability to safely perform the functions of their job, assess organizational and behavioral risk, and provide a report recommending steps needed to be taken to minimize employer risk in returning the employee to work. Typically, the evaluation includes some or all of the following: clinical interview, psychological testing, and collateral interviews, and it is not seen as therapy. While the EAP does not directly conduct independent Fitness for Duty Evaluations, the EAP can assist Employers with decisions regarding the need for an independent Fitness for Duty Evaluation, and can recommend qualified FFD facilitator choices. In addition, the EAP may facilitate the coordination with the FFD providers, and/or may upon request, review FFD paperwork before it is sent to the Employer. However, it remains solely the Employer's responsibility to decide whether to refer an employee for a Fitness for Duty Evaluation. All decisions, regarding returning to work, retaining or dismissing employees remain with the Employer. In addition, the Employer is responsible for working directly with the EAP identified FFD provider as well as directly making payment arrangements for the Fitness for Duty Evaluation.
 - **SUBSTANCE ABUSE PROFESSIONAL (SAP) CONSULTATION AND CONTACT INFORMATION:** Upon request of Employer, for drug and alcohol cases that fall under the Department of Transportation (DOT) guidelines, Company shall provide initial and ongoing management consultation on DOT issues. Company will further provide contact information of local providers in our specialized network of qualified Substance Abuse Professionals. The Employer is responsible for choosing and working directly with the SAP, as well as performing Follow-up, Compliance and Aftercare attendance monitoring. The Employer is responsible for payment of the SAP and determines whether the employee or employer pays SAP fees as well as recommended treatment costs.
 - **COMPREHENSIVE SUBSTANCE ABUSE PROFESSIONAL (SAP) SERVICES:** Upon request of Employer, for drug and alcohol cases that fall under the Department of Transportation (DOT) guidelines, Company shall provide initial and ongoing management consultation, initial and follow up SAP evaluation, as well as case management throughout the Substance Abuse Professional (SAP) aftercare recommendations. Company shall refer to a qualified SAP to conduct initial assessment and provide treatment recommendations, follow-up testing schedule, referral to treatment resource and compliance meeting, as defined by Department of Transportation (DOT) SAP guidelines. After an Eligible Employee's return to the workplace, and upon request of Employer, Company shall provide ongoing case management through completion of aftercare recommendations. Per DOT Regulation, Employer has final decision-making authority regarding the return of an Eligible Employee to the workplace. If a referral to a treatment resource occurs, Eligible Employee will be responsible for the cost of services provided by the treatment source.
6. **CRITICAL INCIDENT STRESS MANAGEMENT (CISM)/CRITICAL INCIDENT:** Company will make available to Employer, upon its request, at Employer's premises, an EAP Provider to provide crisis counseling to Employer's employees in the event of a catastrophic incident affecting a group of employees (e.g. robbery, assault in the workplace, employee death in the workplace, natural catastrophe affecting the workplace, employee injury in the workplace). Company will schedule a CISM at the worksite with a group of employees directly impacted by a critical incident as soon as clinically necessary following the traumatic event.
- **REDUCTION IN FORCE:** The process by which a work organization reduces its work force by eliminating jobs, such as closing subsidiaries or departments. On-site services could be either group process or onsite counseling or a combination of both.

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

7. **INTERACTIVE WEB SITE:** An online display/publication of materials and information that may otherwise be reviewed in hard copy, accessed through the Internet.
8. **COMMUNICATION AND PROMOTIONAL MATERIALS:** Information provided to Employees and management about EAP Services, including, in part, how EAP Services can be accessed for consultation and assistance. The communications and promotional resources may include template e-mails, letters, flyers, wallet cards, and posters for Employees and management. Certain of these materials can be customized by the Customer. Company will provide reasonable quantities of printed materials in support of implementation and/or on an annual basis at Customer's request at no cost. Reasonable quantities are defined as up to 120% of the number of eligible Employees for items such as flyers or brochures; a quantity up to 5% of the number of eligible Employees for items such as posters; and a quantity of up to 20% of anticipated attendees at health fairs for other promotional items. Requests exceeding these quantities may incur an additional fee.
9. **MANAGEMENT REPORTS:** A specific collection of data and narrative information designed to inform the Customer about the overall utilization of the program. Customer will receive such reports on a quarterly electronic basis. If for any 2 consecutive reporting periods there is less than 1% utilization, reporting frequency will default to annual reporting.
10. **INTAKE MODEL:**
 - **STANDARD MODEL:** Initial intake calls answered by a care management associate /customer service representative.
11. **LEGAL, FINANCIAL, and IDENTITY THEFT SERVICES:** Services provided through the EAP that include:
 - **Legal Service includes:**
 - a. ½ hour Initial Consultation with selected Plan Attorney on an unlimited number of new Legal Topics (each plan year) in any of the following areas:
 - General law (certain topic areas are excluded, including employment law, etc.)
 - Mediation Services
 - Special Needs, including emergency matters
 - Document preparation.
 - b. If members choose to continue with the Plan attorney and hire that attorney on their own, they will receive 25% off of the fees for services beyond the initial consultation (excluding flat legal fees, contingency fees, and plan mediator services).
 - c. Services available during regular business hours (9 am to 8 pm EST Mon-Fri, federally recognized holidays excepted, 24/7 back-up service with on-call staff available), unless otherwise agreed to by the individual Plan Attorney; and
 - d. All Initial Consultations (and discounted consultations) must be for legal matters related to the Employee and eligible household members.
 - **Financial Service includes:**
 - a. ½ hour Initial Consultation with the selected Plan Financial Counselor on an unlimited number of new Financial Counseling Topics each plan year.
 - b. Financial counseling topics include Budgeting, Credit, Debt, Retirement, College Planning, Buying vs. Leasing, Mortgages/Refinancing, Financial Planning, Tax Questions, Tax Preparation, IRS Matters, Tax Levies and Garnishments, Consumer Credit Counseling, and Community Services.
 - c. A discount of 25% off the tax preparation services.
 - d. Individual Employees have the option to purchase My Secure Advantage for a monthly nominal fee.
 - **Identity Services include:**
 - a. 1-hour telephonic fraud resolution consultation for Identity Theft.
 - b. Coaching and direction on prevention and restoring credit for victims of Identity Theft.
 - c. Free Identity Theft Emergency Response Kit for victims of Identity Theft.

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

- d. Individual Employees have the option to purchase My Secure Advantage ID Protect for a monthly nominal fee.

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DESCRIPTION OF WORK/LIFE SERVICES ADDENDUM

Subject to the terms and conditions of this Services Agreement, the WorkLife Services available from Company are described below. Unless otherwise agreed to in writing, only the WorkLife Services selected by Customer in the **Service and Fee Schedule** (as modified by Company from time to time pursuant to Section 3 of the **General Conditions Addendum**) will be provided by Company. Additional WorkLife Services may be provided at Customer's written request under the terms and conditions and at a fee mutually agreed to by the parties.

1. UNLIMITED TELEPHONIC ACCESS: Unlimited telephonic access to the call center staff, available 24 hours per day, 7 days per week, 365 days per year

2. CAREGIVING SERVICES: Services that include consultation, information, education and referral services in connection with, in part, adoption, child care, parenting, temporary back-up care, summer care, special needs, high-risk adolescents, academic services, education loans, grandparents as parent, adult care, elder care, and disaster resources. Resource packets (kits) may be included with this service.

3. PERSONAL SERVICES: Free educational materials, personalized referrals, and interactive web tools to assist with:

- A. Health & Wellness--Children's health; women's health; men's health; seniors' health; weight loss and nutrition; fitness and exercise programs; general health; safety; stress management; information on diseases and conditions; and more.
- B. Daily Life--Home improvement; pet care; consumer information; automotive services; relocation; travel; time management; cleaning services; and more.

4. MEMBER WEBSITE:

CORE MEMBER WEBSITE: Access to customizable member website for free webinars, online worklife searches, concierge database, discount program, thousands of articles, videos, and tools on worklife and behavioral health topics.

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

SERVICE AND FEE SCHEDULE

Customer hereby elects to receive the Services designated below. The below Service Fees shall be in effect for the first two (2) years of this Services Agreement, beginning upon the Effective Date of this Agreement, and, thereafter, if this Services Agreement is extended by the parties for any additional successive one year term(s), such Service Fees shall be reasonably negotiated by the parties for such successive one year term(s). Notwithstanding the immediately preceding sentence, the below Service Fees shall be amended by Company, from time to time during the first two (2) years of this Agreement and for any future period(s) thereafter, in accordance with the terms of this Service and Fee Schedule.

| Services | Service Fees |
|---|---|
| <p>EAP Session Model</p> <p>Unlimited Telephonic Access</p> <p>with</p> <p>Up to THREE (3) Face-to-Face Counseling Sessions per problem contract year</p> <p>with</p> <p>Legal and Financial Services</p> <p>Identity Theft Services</p> | <p>\$ 0% - 1% Utilization \$0.95 pepm; 1.1% - 2% Utilization \$0.98 pepm; 2.1% - 3% Utilization \$1.03 pepm; 3.1% - 4% Utilization \$1.07 pepm; 4.1% - 5% Utilization \$1.11 pepm; 5.1% - 6% Utilization \$1.17 pepm; 6.1% - 7% Utilization \$1.21 pepm.</p> <p>Utilization calculation is based on Member Usage; plus, Management Consultations.</p> |
| <p>Worklife Services, including Caregiving Services, Personal Services</p> <p>Core Member Website</p> | <p>Included in the PEPM rates above</p> |
| <p>Standard Training, Employee Orientation Meetings, Supervisor Orientation and Training</p> | <p>Bank of eight (8) hours to be used for Employee Orientations, Supervisor Orientations and Trainings, and Standard on-site Training Services.</p> <p>Additional hours are \$275.00 per hour, per clinician, plus a charge of \$50.00 per hour of travel to and from the Customer's location.</p> <p>Unlimited Web-based seminars.</p> |

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

| Services | Service Fees |
|--|--|
| Training and Education Cancellation Fee | Failure to provide Company three (3) business days' notice of cancellation of a previously scheduled training program may result in a charge of \$275.00 per incident. |
| Critical Incident Stress Management (CISM)/Critical Incident | CISM Services are limited to 20 hours per incident. There is no limit to the number of CISM incidents. Additional hours are \$325.00 per hour, per clinician. |
| Critical Incident Stress Management (CISM)/Critical Incident Cancellation Fee | Failure to provide Company with 24 hour notice of cancellation of Workplace Crisis Response Services will result in a charge of \$325.00 per incident. |
| Reduction in Force | \$325.00 per hour, per clinician, plus a charge of \$50.00 per hour of travel to and from the Customer's location. |
| Reduction in Force Cancellation Fee | Failure to provide Company with 24 hour notice of cancellation of Reduction in Force will result in a charge of \$325.00 per incident. |
| Drug Free Workplace Services Substance Abuse Case Management by a Substance Abuse Professional (SAP) and/or Department of Transportation regulation compliance | \$750.00 per case |
| Awareness Training | \$ 350.00 per hour, per clinician, plus a charge of \$50.00 per hour of travel to and from the Customer's location. |
| Awareness Training Cancellation Fee | Failure to provide Company with 24 hours notice of cancellation of a previously scheduled awareness training program may result in a charge of \$350.00 per incident. |

Company also may adjust Service Fees effective as of the date on which any of the following occurs.

- (1) If, for any Service, there is a 20% change in the number of Employees from the number of Employees assumed in Company's quotation as of the Effective Date of this Services Agreement.
- (2) Change in Services—A material change in Services is requested or initiated by the Customer or by legislative action.
- (3) Premium Taxes or Assessments—If legislative or regulatory action results in the assessment of premium taxes or other like charges as it concerns those Services provided under the terms of this Agreement.

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA) ADDENDUM

This Addendum between Nevada Public Agency Insurance Pool and Public Agency Compensation Trust (“Customer”) and Aetna Behavioral Health, LLC or any of its corporate affiliates (hereinafter “Company”) is an attachment to the Employee Assistance Program Services Agreement between Company and Customer (the “Agreement”) and is incorporated by reference therein.

In conformity with the regulations at 45 C.F.R. Parts 160-164 (the “Privacy and Security Rules”), Company will, under the following conditions and provisions have access to, maintain, transmit, create and/or receive certain Protected Health Information:

1. Definitions. The following terms shall have the meaning set forth below:
 - (a) C.F.R. “C.F.R.” means the Code of Federal Regulations.
 - (b) Designated Record Set. “Designated Record Set” has the meaning assigned to such term in 45 C.F.R. 164.501.
 - (c) Electronic Protected Health Information. “Electronic Protected Health Information” means information that comes within paragraphs 1(i) or 1(ii) of the definition of “Protected Health Information”, as defined in 45 C.F.R. 160.103.
 - (d) Individual. “Individual” shall have the same meaning as the term “individual” in 45 C.F.R. 164.501 and shall include a person who qualifies as personal representative in accordance with 45 C.F.R. 164.502 (g).
 - (e) Protected Health Information “Protected Health Information” shall have the same meaning as the term “Protected Health Information”, as defined by 45 C.F.R. 160.103, limited to the information created or received by Company from or on behalf of Customer.
 - (f) Required By Law. “Required By Law” shall have the same meaning as the term “required by law” in 45 C.F.R. 164.501.
 - (g) Secretary. “Secretary” shall mean the Secretary of the Department of Health and Human Services or his designee.
 - (h) Security Incident. “Security Incident” has the meaning assigned to such term in 45 C.F.R. 164.304.
 - (i) Standard Transactions. “Standard Transactions” means the electronic health care transactions for which HIPAA standards have been established, as set forth in 45 C.F.R., Parts 160-162.

2. Obligations and Activities of Company
 - (a) Company agrees to not use or disclose Protected Health Information other than as permitted or required by this Addendum or as Required By Law.
 - (b) Company agrees to use appropriate safeguards to prevent use or disclosure of the Protected Health Information other than as provided for by this Addendum.
 - (c) Company agrees to mitigate, to the extent practicable, any harmful effect that is known to Company of a use or disclosure of Protected Health Information by Company in violation of the requirements of this Addendum.
 - (d) Company agrees to report to Customer any Security Incident or any use or disclosure of the Protected Health Information not allowed by this Addendum of which it becomes aware, except that, for purposes of the Security Incident reporting requirement, the term “Security Incident” shall not include inconsequential incidents that occur on a daily basis, such as scans, “pings” or other unsuccessful attempts to penetrate computer networks or servers containing electronic PHI maintained by Company.
 - (e) Company agrees to ensure that any agent, including a subcontractor, to whom it provides Protected Health Information received from, or created or received by Company on behalf of Customer, agrees to the same restrictions and conditions that apply through this Addendum to Company with respect to such information.
 - (f) Company agrees to provide access, at the request of Customer, and in the time and manner designated by Customer, to Protected Health Information in a Designated Record Set, to Customer or, as directed by Customer, to an Individual in order to meet the requirements under 45 C.F.R. 164.524.
 - (g) Company agrees to make any amendment(s) to Protected Health Information in a Designated Record Set that the Customer directs or agrees to pursuant to 45 C.F.R. 164.526 at the request of Customer or an Individual, and in the time and manner designated by Customer.
 - (h) Company agrees to make (i) internal practices, books, and records, including policies and procedures, relating to the use and disclosure of Protected Health Information received from, or created or received by Company on behalf of, Customer, and (ii) policies, procedures, and documentation relating to the safeguarding of Electronic Protected Health Information available to the Secretary, in a time and manner designated by the Secretary, for purposes of the Secretary determining Customer’s compliance with the Privacy and Security Rules.
 - (i) Company agrees to document such disclosures of Protected Health Information as would be required for Customer to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 C.F.R. 164.528.

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

- (j) Company agrees to provide to Customer the information collected in accordance with this Section to permit Customer to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 C.F.R. 164.528.
- (k) With respect to Electronic Protected Health Information, Company shall implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic Protected Health Information that it creates, receives, maintains, or transmits on behalf of Customer, as required by 45 C.F.R. Part 164, Subpart C.
- (l) With respect to Electronic Protected Health Information, Company shall ensure that any agent, including a subcontractor, to whom it provides Electronic Protected Health Information, agrees to implement reasonable and appropriate safeguards to protect it.
- (m) If Company conducts any Standard Transactions on behalf of Customer, Company shall comply with the applicable requirements of 45 C.F.R. Parts 160-162.

3. Permitted Uses and Disclosures by Company

3.1 General Use and Disclosure

Except as otherwise provided in this Appendix, Company may use or disclose Protected Health Information to perform its obligations under the Agreement, provided that such use or disclosure would not violate the Privacy and Security Rules if done by Customer or the minimum necessary policies and procedures of Customer.

3.2 Specific Use and Disclosure Provisions

- (a) Except as otherwise provided in this Addendum, Company may use Protected Health Information for the proper management and administration of Company or to carry out the legal responsibilities of Company.
- (b) Except as otherwise provided in this Addendum, Company may disclose Protected Health Information for the proper management and administration of Company, provided that disclosures are Required By Law, or Company obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and used or further disclosed only as Required By Law or for the purpose for which it was disclosed to the person, and the person notifies Company of any instances of which it is aware in which the confidentiality of the information has been breached.
- (c) Except as otherwise provided in this Appendix, Company may use Protected Health Information to provide data aggregation services to Customer as permitted by 45 C.F.R. 164.504(e)(2)(i)(B).
- (e) Company may use Protected Health Information to report violations of law to appropriate Federal and State authorities, consistent with 45 C.F.R. 164.502(j)(1).

4. Obligations of Customer.

4.1 Provisions for Customer to Inform Company of Privacy Practices and Restrictions

- (a) Customer shall notify Company of any limitation(s) in its notice of privacy practices of Customer in accordance with 45 C.F.R. § 164.520, to the extent that such limitation(s) may affect Company's use or disclosure of Protected Health Information.
- (b) Customer shall provide Company with any changes in, or revocation of, permission by Individual to use or disclose Protected Health Information, to the extent that such changes affect Company's uses or disclosures of Protected Health Information.
- (c) Customer agrees that it will not furnish or impose by arrangements with third parties or other Covered Entities or Business Associates special limits or restrictions to the uses and disclosures of its PHI that may impact in any manner the use and disclosure of PHI by Company under the Services Agreement and this Addendum, including, but not limited to, restrictions on the use and/or disclosure of PHI as provided for in 45 C.F.R. 164.522.

4.2 Permissible Requests by Customer

Customer shall not request Company to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy and Security Rules if done by Customer.

5. Term and Termination

- (a) Term. The provisions of this Addendum shall take effect on the effective date of the Agreement and shall terminate when protections are extended to Protected Health Information in accordance with Section 5(c) of this Addendum.
- (b) Termination for Cause. Without limiting the termination rights of the parties pursuant to the Agreement and upon Customer's knowledge of a material breach by Company, Customer shall either:

EMPLOYEE ASSISTANCE PROGRAM SERVICES AGREEMENT

- i. Provide an opportunity for Company to cure the breach or end the violation, or terminate the Agreement, if Company does not cure the breach or end the violation within the time specified by Customer,
 - ii. Immediately terminate the Agreement, if cure of such breach is not possible;
 - iii. If neither termination nor cure is feasible, Customer shall report the violation to the Secretary.
- (c) Effect of Termination.

The parties mutually agree that it is essential for Protected Health Information to be maintained after the expiration of the Agreement for regulatory and other business reasons. The parties further agree that it would be infeasible for Customer to maintain such records because Customer lacks the necessary system and expertise. Accordingly, Customer hereby appoints Company as its custodian for the safe keeping of any record containing Protected Health Information that Company may determine it is appropriate to retain. Notwithstanding the expiration of the Agreement, Company shall extend the protections of this Addendum to such Protected Health Information, and limit further use or disclosure of the Protected Health Information to those purposes that make the return or destruction of the Protected Health Information infeasible

6. Miscellaneous

- (a) Regulatory References. A reference in this Addendum to a section in the Privacy and Security Rules means the section as in effect or as amended, and for which compliance is required.
- (b) Amendment. Upon the enactment of any law or regulation affecting the use or disclosure of Protected Health Information, the safeguarding of Electronic Protected Health Information, or the publication of any decision of a court of the United States or any state relating to any such law or the publication of any interpretive policy or opinion of any governmental agency charged with the enforcement of any such law or regulation, either party may, by written notice to the other party, amend the Agreement and this Addendum in such manner as such party determines necessary to comply with such law or regulation. If the other party disagrees with such amendment, it shall so notify the first party in writing within thirty (30) days of the notice. If the parties are unable to agree on an amendment within thirty (30) days thereafter, then either of the parties may terminate the Agreement on thirty (30) days written notice to the other party.
- (c) Survival. The respective rights and obligations of Company under Section 5(c) of this Addendum shall survive the termination of this Addendum.
- (d) Interpretation. Any ambiguity in this Addendum shall be resolved in favor of a meaning that permits Customer to comply with the Privacy and Security Rules.
- (e) No third party beneficiary. Nothing express or implied in this Addendum or in the Agreement is intended to confer, nor shall anything herein confer, upon any person other than the parties and the respective successors or assigns of the parties, any rights, remedies, obligations, or liabilities whatsoever.
- (f) Governing Law. This Addendum shall be governed by and construed in accordance with the same internal laws as that of the Agreement

The parties hereto have executed this Addendum with the execution of the Agreement.



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

**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: May 1, 2015

AGENDA

May 1, 2015

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 25, 2014**
 - Acceptance of Interim Financial Statements**
- 4. For Possible Action: Acceptance of Audit for June 30, 2014**
- 5. For Possible Action: SpecialtyHealth Cardiac Wellness Program Report and
Recommendations**
- 6. For Possible Action: Acceptance of Reports**

- a. Claims Review Report
- b. Large Loss Report
- c. Actuarial Update

7. **For Possible Action:** Acceptance of PACT Retention Options and Renewal Reinsurance Proposals and Options
8. **For Possible Action:** Acceptance of Budget for 2015-2016
9. **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
10. **For Possible Action:** Election of Executive Committee for Two Year Terms from 2015-2017
 - a. One Representative from Counties and/or Cities with less than 35,000 Population
 - b. Two Representatives from Counties and/or Cities with 35,000 or more Population
 - c. One Representative of Special Districts
11. **For Possible Action:** Election of Chair and Vice Chair
12. **For Possible Action:** Approve Changes to the Bylaws
13. Public Comment
14. **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 and on the State Website:

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

**DRAFT Minutes of 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 25, 2014**

April 25, 2014

1. Introductions and Roll

A quorum being present, Chair Kalt called the meeting to order at about 11:15 a.m.

2. Public Comment

Chair Kalt opened the public comment period and hearing none, closed the 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 26, 2013**
- **Acceptance of Interim Financial Statements**

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

4. For Possible Action: Acceptance of Audit for June 30, 2013

Chair Kalt highlighted key financial results. On motion and second to accept the audit, the motion carried.

**5. For Possible Action: Approval of SpecialtyHealth Managed Care Organization and
Cardiac Wellness Program Agreements**

Dr. Greenwald (Greenie) made introductory remarks and thanked the board for its confidence in SpecialtyHealth's programs and services. He introduced Shanti Wolfe, nutritionist and Ethan Opdal, exercise physiologist, who provided a presentation overview of the Cardiac Wellness Program and the details of services delivered. They showed the improvements in participants' health outcomes and highlighted the organizations that had achieved a significant level of participation by their employees. They gave examples of the types of data they gather from the physical examinations and how they use it to tailor specific diet,

exercise and sleep management programs for individuals. They noted that Mike Livermore had joined their program on his own and both he and his wife had achieved tremendous improvements. Jackie Cox, CEO of SpecialtyHealth added comments and noted that the company had received accreditation status as a wellness organization based upon their evidence-based approach to wellness and the comprehensive program.

On motion and second to approve the SpecialtyHealth Managed Care Organization and Cardiac Wellness Program agreements, the motion carried.

6. For Possible Action: Acceptance of Reports

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

Doug Smith reviewed the large losses and the impact on the actuarial report analysis. He noted that the actuarial report contains a comparison of projections between actuarial estimates and actual results each year. Very small differences reflected good claims reserving practices and appropriate projections as a result. He noted that largest losses and the continuing issues with the costs of heart claims. He concurred with Mike Livermore's observation of an improving trend that enabled the actuary to project a small increase in funding in spite of medical inflation. Wayne Carlson commented on the claims review report which compared claims frequency and severity by type of member. He then reviewed highlights of the recent claims audit of ASC, noting differences well within the margin of 10% with medical only reserves within 3.7% and indemnity reserves within 3% of the auditors recommendations.

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

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

Bob Lombard reviewed the current PACT coverage structure, retention and reinsurance arrangements. Presently, PACT self-insures the first \$500,000 on all losses plus a corridor of \$500,000. PACT's captive, PCM, covers the next \$250,000 each loss. PCM then covers 25% quota share of losses in excess of \$750,000 up to \$2,250,000 with County Reinsurance bearing a 75% share of those losses. Safety National bears all losses in excess of \$3,000,000 to statutory limits. They also provide an aggregate excess limit of \$3,000,000 in excess of aggregate losses of \$9,644,861 which limit is quota shared 50%-50% with PCM. The combined program cost using expiring rates applied to the 2014-15 payroll basis is \$1,666,955.

Bob prepared a comparison for the 2014-15 program year using the same structure but with renewal rates and payroll. That total cost comes to \$1,724,452, a 3.4% increase.

Option 1 eliminates the \$500,000 corridor for PACT, thus reducing its retention. PCM increased its retention by taking a \$500,000 layer per loss. PCM changed its quota share arrangement with CRL to 25% of \$2,000,000 with CRL at 75%, thus a lower quota share limit. PCM and SNCC continue their quota share on the aggregate excess and SNCC still attaches at 3,000,000 to statutory. The cost of this option is \$1,647,046 a reduction of 1% over the renewal as is structure. More funding goes into PCM and the premiums for CRL are reduced. Bob responded to questions about the option. Doug Smith commented about the

additional surplus in PCM and that it is well positioned to take the additional risk and to reduce PACT's risks.

On motion and second to approve renewing with Option 1, the motion carried.

8. For Possible Action: Approval of Renewal Risk Retention Options

Since this was addressed in Item 7, no action was deemed necessary.

9. For Possible Action: Acceptance of Budget for 2014-2015

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

10. For Possible Action: Review of Status of Temporary Regulation on Reporting of Actuarial Liability for Public Safety Heart-Lung Benefits

Chair Kalt noted that he serves on the Committee on Local Government Finance and their Subcommittee on this temporary regulation, chaired by John Sherman. He said the subcommittee worked diligently to develop the temporary regulations that were adopted by the CLGF. Temporary regulations are subject to approval by the Legislative Commission, but they had deferred action at two meetings due to apparent political influences. The Legislative Commission was meeting today once again. Wayne Carlson added that he received an email from Carole Vilardo of the Nevada Taxpayers Association providing some insights into the political maneuvering that surrounded heart-lung benefits, but did not fall within the jurisdiction of the CLGF or the temporary regulation. Wayne noted also that this benefit applies lifetime eligibility and PACT has been trying to fund its actuarial minimum recommendation target of \$21,000,000 by raising rates 10% per year. PACT is about two-thirds of the way to that minimum target at present. He further commented that nearly all of the larger self-insured governments have been operating on a pay-as-you-go basis so have not prefunded for this lifetime risk. He said the purpose of the temporary regulation was to provide transparency to the taxpayers about the cost of these lifetime benefits and the impact on local government budgets as they try to fund for the risk. No action was taken by the board.

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**

Chair Kalt said he serves on the CLGF and there were no PACT members currently under financial condition review for any adverse action. Wayne Carlson noted the claims review by type of member had been included in the board packet for review. Chair Kalt indicated that it did not appear that any member should be subject to removal for financial or adverse loss experience reasons.

On motion and second to have the minutes reflect this regulatory required review, the motion carried.

13. For Possible Action: Election of Executive Committee for Two Year Terms from 2014-2016

- 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**
- d. **Extend Term of Incumbent Appointee James Eason for Towns/Districts by One Year to 2015**

Chair Kalt opened the nominations noting that the incumbents were prepared to serve again and that James Eason was willing to have his term extended to 2015 since he was appointed mid-term.

On motion and second to reelect the incumbents and to extend the term of James Eason to 2015, the motion carried.

14. For Possible Action: Election of Chair and Vice Chair

Chair Kalt indicated that both he and Vice Chair Cash Minor were willing to continue to serve. He opened nominations.

On motion and second to reelect Alan Kalt as Chair and Cash Minor as Vice Chair, the motion carried.

15. Public Comment

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

16. For Possible Action: Adjournment

Chair Kalt adjourned the meeting at 12:42 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, 2015

| | Operating Fund (Unrestricted) | Trust Fund (Restricted) | TOTAL FUNDS |
|--|----------------------------------|----------------------------|----------------------|
| ASSETS | | | |
| Cash and Equivalents | 214,272.63 | 559,613.35 | 773,885.98 |
| Pledged Account Cash Equivalents | - | 681,333.91 | 681,333.91 |
| Investments | 18,402,600.89 | 46,494,173.03 | 64,896,773.92 |
| Investments - State of Nevada | - | 3,850,350.00 | 3,850,350.00 |
| Investments Interest Receivable | 81,614.25 | 228,673.97 | 310,288.22 |
| Member Assessments Receivable | 20,173.87 | 60,522.10 | 80,695.97 |
| Heart/Lung Fund Receivable | - | (0.01) | (0.01) |
| Agent Compensation Receivable | 2,280.17 | - | 2,280.17 |
| Interfund Account | (51,601.29) | 51,601.29 | - |
| Interfund Account - Heart/Lung Fund | (8,729.29) | 8,729.29 | - |
| Accrued Assessments | 565,438.00 | 1,631,070.00 | 2,196,508.00 |
| Accrued Assessments - Heart/Lung Fund | - | 355,156.00 | 355,156.00 |
| Accrued Agent Compensation | 39,360.00 | - | 39,360.00 |
| Public Compensation Mutual Investment | 2,000,000.00 | 25,607,679.00 | 27,607,679.00 |
| PCM Amortization | (1,119,995.00) | (14,129,187.00) | (15,249,182.00) |
| Specific Recoverable | - | 107,151.62 | 107,151.62 |
| Prepaid Expenses | 140,597.88 | 616,147.54 | 756,745.42 |
| | 20,286,012.11 | 66,123,014.09 | 86,409,026.20 |
| TOTAL ASSETS | | | |
| | 20,286,012.11 | 66,123,014.09 | 86,409,026.20 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Specific Recoverable | | 107,151.62 | 107,151.62 |
| Loss Reserves | | 89,235,415.30 | 89,235,415.30 |
| Loss Reserves - Heart/Lung | | 16,726,039.69 | 16,726,039.69 |
| Claims Payments | | (67,913,061.01) | (67,913,061.01) |
| Claims Payments - Heart/Lung | | (139,229.22) | (139,229.22) |
| Fund Balances: | | | |
| Fund Balance | 20,286,012.11 | 28,106,697.71 | 48,392,709.82 |
| | 20,286,012.11 | 66,123,014.09 | 86,409,026.20 |
| TOTAL LIABILITIES AND FUND BALANCES | | | |
| | 20,286,012.11 | 66,123,014.09 | 86,409,026.20 |

Unaudited Report for Management and Insurance Division Use Only

PUBLIC AGENCY COMPENSATION TRUST
Income Statement
For the Eight Months Ending February 28, 2015

| | <u>Operating Fund (Unrestricted)</u> | <u>Trust Fund (Restricted)</u> | <u>TOTAL FUNDS</u> |
|---------------------------------------|--|------------------------------------|------------------------|
| REVENUES | | | |
| Assessments | 1,714,213.62 | 5,142,641.09 | 6,856,854.71 |
| Heart Lung Fund | | 1,119,552.74 | 1,119,552.74 |
| Accrued Assessments | 565,438.00 | 1,631,070.00 | 2,196,508.00 |
| Accrued Assessments - Heart/Lung Fund | | 355,156.00 | 355,156.00 |
| Accrued Agent Compensation | 39,360.00 | | 39,360.00 |
| Agent Compensation | 123,290.75 | | 123,290.75 |
| Prior Year Assessments Adjustments | (13,239.81) | (39,719.44) | (52,959.25) |
| Heart Lung Prior Year Adjustments | | (11,415.00) | (11,415.00) |
| Other Claims Recoveries | | 249,668.50 | 249,668.50 |
| Investment Interest Income | 274,510.43 | 806,229.64 | 1,080,740.07 |
| Bank Interest Income | | 556.24 | 556.24 |
| Investment Realized Gains/(Losses) | (62,516.55) | (367,429.10) | (429,945.65) |
| Investment Unrealized Gains/(Losses) | 79,103.99 | 282,248.25 | 361,352.24 |
| | <u>2,720,160.43</u> | <u>9,168,558.92</u> | <u>11,888,719.35</u> |
| LOSS RESERVES EXPENSES | | | |
| Claims and Adjustment Expenses | - | 2,360,862.40 | 2,360,862.40 |
| Heart Lung Loss Reserves Expenses | - | 1,119,552.74 | 1,119,552.74 |
| | <u>-</u> | <u>3,480,415.14</u> | <u>3,480,415.14</u> |
| PROGRAM EXPENSES | | | |
| Excess Insurance Premiums | - | 293,936.00 | 293,936.00 |
| Reinsurance Premium (PCM) | - | 804,664.00 | 804,664.00 |
| Claims TPA Fees (ASC) | - | 415,994.85 | 415,994.85 |
| Underwriting Fees (Willis Pooling) | - | 19,807.00 | 19,807.00 |
| Nevada Insolvency Fund | - | 19,586.00 | 19,586.00 |
| Security Bond/Regulatory Assessments | - | 350,512.77 | 350,512.77 |
| Specialty Health MCO Contract | - | 32,000.00 | 32,000.00 |
| Amortization Expense | - | 1,661,168.00 | 1,661,168.00 |
| | <u>-</u> | <u>3,597,668.62</u> | <u>3,597,668.62</u> |
| ADMINISTRATION EXPENSES | | | |
| Management Services | 308,000.00 | - | 308,000.00 |
| Sponsorship Fees | 2,537.50 | - | 2,537.50 |
| Travel | 9,007.13 | - | 9,007.13 |
| Casualty Insurance | 21,256.00 | - | 21,256.00 |
| Due and Seminar Fees | 8,626.34 | - | 8,626.34 |
| Audit Expense | 22,026.25 | - | 22,026.25 |
| Printing & Copying Expense | 392.21 | - | 392.21 |
| Postage | 479.86 | - | 479.86 |
| Office Supplies | 1,446.79 | - | 1,446.79 |
| Telephone Expense | 1,938.60 | - | 1,938.60 |
| Legal Expense | 1,658.40 | - | 1,658.40 |
| Miscellaneous Expenses | - | - | - |
| Board & Committee Meetings | 3,231.04 | - | 3,231.04 |
| Actuary Expense | 16,600.00 | - | 16,600.00 |

PUBLIC AGENCY COMPENSATION TRUST

Income Statement

For the Eight Months Ending Februray 28, 2015

| | | | |
|--------------------------------------|--------------------------|----------------------------|----------------------------|
| Member Education and Services | 91,039.87 | - | 91,039.87 |
| Bank Service Charges | 10,025.90 | - | 10,025.90 |
| PRI Contract Services | 364,332.00 | - | 364,332.00 |
| Agent Compensation | 123,241.00 | - | 123,241.00 |
| Insurance Division Fees | 328,599.46 | - | 328,599.46 |
| Loss Control Expense | 268,061.00 | - | 268,061.00 |
| SMEP Awards | | - | - |
| Specialty Health - Cardiac Wellness | 144,321.98 | - | 144,321.98 |
| Risk Management Grants | 50,169.87 | - | 50,169.87 |
| Amortization Expense | 133,328.00 | - | 133,328.00 |
| Investment Expenses | 111,284.39 | - | 111,284.39 |
| Total Administrative Expenses | <u>2,021,603.59</u> | - | <u>2,021,603.59</u> |
| REVENUES OVER EXPENSES | <u>698,556.84</u> | <u>2,090,475.16</u> | <u>2,789,032.00</u> |

Unaudited Report for Management and Insurance Division Use Only

PUBLIC AGENCY COMPENSATION TRUST

Budget Comparison to Actuals

As of February 28, 2015

| Account Description | Budget Amount | YTD | Remaining Budget | This Month Last Year | % of Change |
|---|-------------------|-------------------|--------------------|----------------------|-----------------|
| INCOME: | | | | | |
| Assessments | 12,564,457 | 9,000,403 | 3,564,054 | 8,503,923 | 5.52% |
| Heart/Lung Assessments | 2,277,686 | 1,463,294 | 814,392 | 1,329,366 | 9.15% |
| Agent Compensation | 0 | 162,651 | (162,651) | 165,499 | -1.75% |
| Other Claims Recoveries | 0 | 249,669 | (249,669) | - | 100.00% |
| Investment Revenues | 900,000 | 1,012,147 | (112,147) | 638,391 | 36.93% |
| Bank Interest Income | 1,000 | 556 | 444 | 451 | 18.98% |
| TOTAL INCOME | 15,743,143 | 11,888,719 | 3,854,424 | 10,637,630 | 10.52% |
| LOSS RESERVES EXPENSES: | | | | | |
| Claims and Adjustment Expenses | 9,202,662 | 2,360,862 | 6,841,800 | 3,961,910 | -67.82% |
| Heart/Lung Reserves Expense | 2,211,345 | 1,119,553 | 1,091,792 | 1,027,381 | 8.23% |
| TOTAL LOSS FUND EXPENSES | 11,414,007 | 3,480,415 | 7,933,592 | 4,989,292 | -100.00% |
| PROGRAM EXPENSES: | | | | | |
| Excess Insurance/Reinsurance Premiums | 1,200,888 | 1,098,600 | 102,288 | 785,360 | 28.51% |
| Claims TPA Fees (ASC) | 671,850 | 415,995 | 255,855 | 409,147 | 1.65% |
| Underwriting Fees (Willis Pooling) | 30,000 | 19,807 | 10,193 | 19,807 | 0.00% |
| Nevada Insolvency Fund | 23,000 | 19,586 | 3,414 | 22,471 | -14.73% |
| Security Bond/Regulatory Assessments | 300,000 | 350,513 | (50,513) | 336,552 | 3.98% |
| Unclaimed Property Payments | | | - | | 0.00% |
| Specialty Health MCO Contract | 48,000 | 32,000 | 16,000 | 32,000 | 0.00% |
| Total Program Expenses | 2,273,738 | 1,936,501 | 337,237 | 1,605,337 | 17.10% |
| ADMINISTRATION EXPENSES: | | | | | |
| Management Services | 462,000 | 308,000 | 154,000 | 326,760 | -6.09% |
| Sponsorship Fees | 3,000 | 2,538 | 463 | 2,515 | 0.89% |
| Travel | 20,000 | 9,007 | 10,993 | 14,663 | -62.79% |
| Casualty Insurance | 32,000 | 21,256 | 10,744 | 20,864 | 1.84% |
| Due and Seminar Fees | 13,000 | 8,626 | 4,374 | 12,244 | -41.94% |
| Audit Expense | 45,000 | 22,026 | 22,974 | 45,445 | -106.32% |
| Printing & Copying Expense | 6,000 | 392 | 5,608 | 4,555 | 0.00% |
| Postage | 1,500 | 480 | 1,020 | 1,065 | -121.98% |
| Office Supplies | 3,000 | 1,447 | 1,553 | 1,445 | 0.13% |
| Telephone Expense | 2,500 | 1,939 | 561 | 1,562 | 19.45% |
| Legal Expense | 15,000 | 1,658 | 13,342 | 4,720 | -100.00% |
| Miscellaneous Expenses | 4,000 | - | 4,000 | - | 0.00% |
| Board & Committee Meetings | 7,000 | 3,231 | 3,769 | 893 | 72.37% |
| Actuary Expense | 58,970 | 16,600 | 42,370 | 14,650 | 11.75% |
| Member Education and Services | 149,600 | 91,040 | 58,560 | 88,931 | 2.32% |
| Bank Service Charges | 5,000 | 10,026 | (5,026) | 7,758 | 0.00% |
| PRI Contract Services | 374,850 | 364,332 | 10,518 | 357,000 | 2.01% |
| Agent Compensation | - | 123,241 | (123,241) | 118,342 | 3.98% |
| Insurance Division Fees | 320,000 | 328,599 | (8,599) | 322,599 | 1.83% |
| Loss Control Expense | 406,000 | 268,061 | 137,939 | 268,061 | 0.00% |
| Investment Expense | | 111,284 | (111,284) | 115,018 | -3.35% |
| LCEP Awards | 10,000 | - | 10,000 | - | 0.00% |
| Risk Management Grants | 447,072 | 50,170 | 396,902 | 10,464 | 79.14% |
| TOTAL ADMINISTRATION EXPENSES | 2,385,492 | 1,743,954 | 641,538 | 1,739,552 | 0.25% |
| TOTAL LOSS FUND, PROGRAM & ADMINISTRATION EXPENSES | 16,073,237 | 7,160,869 | 8,912,368 | 8,334,181 | -16.39% |
| NET INCOME | (330,094) | 4,727,850 | (5,057,944) | 2,303,449 | 51.28% |

PUBLIC AGENCY COMPENSATION TRUST

Budget Comparison to Actuals

As of February 28, 2015

NON-ALLOCABLE INCOME AND EXPENSES

| Account Description | Budget Amount | YTD | Remaining Budget | This Month Last Year | % of Change |
|-------------------------------------|----------------------|--------------------|-------------------------|-----------------------------|--------------------|
| OTHER EXPENSES: | | | | | |
| Specialty Health - Cardiac Wellness | 480,000 | 144,322 | 335,678 | 158,872 | -10.08% |
| PCM Amortization Expense | 2,715,945 | 1,794,496 | 921,449 | 1,794,496 | 0.00% |
| TOTAL OTHER EXPENSES | 3,195,945 | 1,938,818 | 1,257,127 | 1,953,368 | -0.75% |
| Net Income | | 4,727,850 | | 2,303,449 | |
| Other Expenses | | <u>(1,938,818)</u> | | <u>(1,953,368)</u> | |
| Income Statement Net Income | | 2,789,032 | | 350,081 | |

PUBLIC AGENCY COMPENSATION TRUST

General Ledger Trial Balance

As of Feb 28, 2015

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

| Account ID | Account Description | Debit Amt | Credit Amt |
|------------|--------------------------------|---------------|---------------|
| 1102-C-C | Cash - Claims - Wells Fargo | | 60,917.28 |
| 1102-C-E | Cash - Claims Expense -Wells | 247,481.31 | |
| 1102-G-A | Cash - Admin. - Wells Fargo | 131,624.46 | |
| 1150-C-E | Public Compensation Mutual-Inv | 25,607,679.00 | |
| 1150-G-A | Public Compensation Mutual-Inv | 2,000,000.00 | |
| 1151-C-E | PCM Amortization | | 14,129,187.00 |
| 1151-G-A | PCM Amortization | | 1,119,995.00 |
| 1200-C-E | Interfund Account - Claims | 51,601.29 | |
| 1200-C-H | Interfund Account - Heart/Lung | 8,729.29 | |
| 1200-G-A | Interfund Account - General | | 51,601.29 |
| 1200-G-H | Interfund Account - Heart/Lung | | 8,729.29 |
| 1201-C-C | Eagle - Claims Investments | 41,293,057.13 | |
| 1201-G-A | Eagle - Admin Investments | 15,795,117.64 | |
| 1202-C-E | Eagle Claims Cash Equivalents | 350,970.90 | |
| 1202-G-A | Eagle Admin Cash Equivalents | 64,219.47 | |
| 1207-C-E | PACT/State of NV Pledged Acct. | 3,850,350.00 | |
| 1208-C-E | PFM Claims Investments | 5,201,115.90 | |
| 1208-G-A | PFM Admin. Investments | 2,607,483.25 | |
| 1209-C-E | PFM Claims Cash Equivlanets | 22,078.42 | |
| 1209-G-A | PFM Admin. Cash Equivlanets | 18,428.70 | |
| 1210-C-E | Pledged Account Cash Equiv. | 681,333.91 | |
| 1214-C-E | Claims Eagle Interest Rec | 202,309.84 | |
| 1214-G-A | Admin Eagle Interest Rec | 72,802.69 | |
| 1215-C-E | Claim PFM Interest Receivable | 19,766.81 | |
| 1215-G-A | Admin. PFM Interest Receivable | 8,811.56 | |
| 1216-C-E | Pledged Account Interest Rec. | 6,597.32 | |
| 1303-C-E | Member Assessments Receivable | 60,522.10 | |
| 1303-C-H | Heart Fund Receivable | | 0.01 |
| 1303-G-A | Member Assessments Receivable | 20,173.87 | |
| 1304-C-E | Accrued Assessments - Claims | 1,631,070.00 | |
| 1304-G-A | Accrued Assessments - Admin. | 565,438.00 | |
| 1305-C-E | Accrued Heart Fund | 355,156.00 | |
| 1306-G-A | Accrued Agent Comp | 39,360.00 | |
| 1310-C-E | Specific Recoverable | 107,151.62 | |
| 1312-G-A | Agent Compensation Receivable | 2,280.17 | |
| 1400-C-E | Pre-Paid Excess Insurance | 146,972.00 | |
| 1401-C-E | Pre-Paid ASC Admin Fees | 56,646.54 | |
| 1402-C-E | Prepaid Willis Pooling Fees | 10,193.00 | |
| 1403-C-E | Prepaid Reinsurance Premium | 402,336.00 | |
| 1463-G-A | Pre-Paid Casualty Insurance | 2,658.88 | |
| 1485-G-A | Prepaid Loss Control Fees | 137,939.00 | |
| 2110-C-E | Loss Reserves | | 89,235,415.30 |
| 2111-C-H | Heart Lung Loss Reserves | | 16,726,039.69 |
| 2200-C-C | Claims Payments | 67,913,061.01 | |
| 2201-C-H | Claims Payments - Heart/Lung | 139,229.22 | |
| 2310-C-E | Specific Recoverable | | 107,151.62 |
| 3501-C-C | Retained Earnings - Claims | | 26,016,222.55 |
| 3501-G-A | Retained Earnings - General | | 19,587,455.27 |
| 4001-C-E | Assessments-Claims- Expense | | 5,142,641.09 |
| 4001-C-H | Heart Lung Fund | | 1,119,552.74 |
| 4001-G-A | Assessments - General Admin | | 1,714,213.62 |
| 4003-C-E | Accrued Assessments - Claims | | 1,631,070.00 |
| 4003-G-A | Accrued Assessments - Admin. | | 565,438.00 |
| 4004-C-E | Accrued Heart Fund | | 355,156.00 |
| 4005-G-A | Accrued Agent Comp | | 39,360.00 |
| 4006-G-A | Agent Compensation | | 123,290.75 |
| 4007-C-E | Prior Year Assessments Adj. | 39,719.44 | |
| 4007-C-H | Heart/Lung Prior Year Adj. | 11,415.00 | |
| 4007-G-A | Prior Year Assessments Adj. | 13,239.81 | |
| 4012-C-E | Other Claims Receoveries | | 249,668.50 |
| 5110-C-E | Loss Reserves Expense | 2,360,862.40 | |
| 5111-C-H | Heart /Lung Loss Reserves Exp | 1,119,552.74 | |
| 5450-G-A | Management Services | 308,000.00 | |
| 5456-G-A | Sponsorship Fees | 2,537.50 | |
| 5462-G-A | Travel | 9,007.13 | |
| 5463-G-A | Casualty Insurance | 21,256.00 | |
| 5464-G-A | Dues and Seminar Fees | 8,626.34 | |
| 5465-G-A | Audit Expense | 22,026.25 | |

PUBLIC AGENCY COMPENSATION TRUST

General Ledger Trial Balance

As of Feb 28, 2015

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

| <u>Account ID</u> | <u>Account Description</u> | <u>Debit Amt</u> | <u>Credit Amt</u> |
|-------------------|--------------------------------|-----------------------|-----------------------|
| 5466-G-A | Printing & Copying Expense | 392.21 | |
| 5467-G-A | Postage | 479.86 | |
| 5468-G-A | Office Supplies | 1,446.79 | |
| 5469-G-A | Telephone Expense | 1,938.60 | |
| 5470-G-A | Legal Expense | 1,658.40 | |
| 5472-G-A | Board and Committee Meetings | 3,231.04 | |
| 5474-G-A | Actuary Expense | 16,600.00 | |
| 5475-G-A | Member Education and Services | 91,039.87 | |
| 5476-G-A | Bank Service Charges | 10,025.90 | |
| 5477-G-A | PRI Contract Services | 364,332.00 | |
| 5478-G-A | Agent Compensation | 123,241.00 | |
| 5482-C-E | Insurance Division Fees | 350,512.77 | |
| 5482-G-A | Insurance Division Fees | 328,599.46 | |
| 5484-C-E | Nevada Insolvency Fund | 19,586.00 | |
| 5485-G-A | Loss Control Expense | 268,061.00 | |
| 5488-G-A | Spec. Health-Cardiac Wellness | 144,321.98 | |
| 5489-G-A | Risk Management Grants | 50,169.87 | |
| 6000-C-E | Excess Insurance | 293,936.00 | |
| 6001-C-E | ASC Claims Admin Fees | 415,994.85 | |
| 6002-C-E | Willis Pooling Fees | 19,807.00 | |
| 6003-C-E | Reinsurance Premium (PCM) | 804,664.00 | |
| 6006-C-E | Specialty Health MCO Contract | 32,000.00 | |
| 6100-C-C | Interest Income Claims Account | | 806,229.64 |
| 6100-G-A | Interest Income Admin. Acct. | | 274,510.43 |
| 6101-C-C | Claims Bank Interest Income | | 556.24 |
| 6110-C-E | Claims Realized Gains/(Losses) | 367,429.10 | |
| 6110-G-A | Admin. Realized Gains/(Losses) | 62,516.55 | |
| 6111-C-E | Clms Unrealized Gains/(Losses) | | 282,248.25 |
| 6111-G-A | Admn Unrealized Gains/(Losses) | | 79,103.99 |
| 6151-C-E | Amortization Expense | 1,661,168.00 | |
| 6151-G-A | Amortization Expense | 133,328.00 | |
| 7200-G-A | Investment Expense - Admin | 111,284.39 | |
| | Total: | 179,425,753.55 | 179,425,753.55 |

PUBLIC AGENCY COMPENSATION TRUST

FINANCIAL STATEMENTS

June 30, 2014 and 2013

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BERTRAND & ASSOCIATES, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Executive Director and the Board of Directors
Public Agency Compensation Trust

Report on the Financial Statements

We have audited the accompanying statements of net position of the Public Agency Compensation Trust a non-profit corporation, as of June 30, 2014 and 2013 and the related statements of revenues and expenses and changes in net position and statement of changes in cash flows for the years then ended.

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 opinions 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 from material misstatement.

An audit involves 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 the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Public Agency Compensation Trust as of June 30, 2014 and 2013 and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 10 year claims development schedule 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. A supplemental schedule of unpaid loss liabilities for workers compensation and heart and lung claims, though not required, is also provided. 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

September 29, 2014
Carson City, Nevada

Management's Discussion and Analysis

Purpose:

To further understanding of significant financial issues, this Public Agency Compensation Trust (PACT) 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:

PACT is subject to 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 PACT 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, 2014 and June 30, 2013 to facilitate understanding of changes in the financial position over time.

The Statement of Net Position 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 solvency, liquidity and financial flexibility of PACT.

Current year revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of PACT's operations for the fiscal year compared to the previous fiscal 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 Position:

Fiscal year ended June 30, 2014: \$45,603,678

Fiscal year ended June 30, 2013: \$44,707,193

Net increase: \$896,485 or 2.0%.

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, 2014: \$15,701,455

Fiscal year ended June 30, 2013: \$14,320,208

Net increase: \$1,381,247 or 9.6%.

The increase resulted from increased rates and an increased payroll exposure basis.

Total expenses:

Fiscal year ended June 30, 2014: \$15,524,182

Fiscal year ended June 30, 2013: \$15,889,434

Net decrease: (\$365,252) or (2.3)%.

One factor that contributed to this change was a slight decrease in claims reserves. The development schedule included in the financial statement provides the history of the claims reserve changes each year over 10 years. Additionally, in the prior fiscal year there was a major risk management grant that was not repeated in the current fiscal year (see Operating Net Position discussion).

Operating Net Position:

Fiscal year ended June 30, 2014: \$177,273

Fiscal year ended June 30, 2013: \$(1,569,226)

Net change: \$1,476,499

Contributors to the change in operating Net Position came from a \$473,745 decrease in expenses that arose from lower risk management grant expenses since the prior fiscal year included a significant one-time matching grant initiative for power cots and stair chairs due to discounted pricing from Stryker, the manufacturer of these devices. Total claims reserves decreased by \$66,488; Insurance Division Fees decreased by \$25,379; and professional services increased by \$44,621 primarily due to bi-annual claims audit expenses.

Non-operating net investment income:

Fiscal year ended June 30, 2014: \$719,212

Fiscal year ended June 30, 2013: \$(270,267)

Net change: \$989,479

Investments are marked to market value at the time of the financial statements, which may result in a negative or positive overall result. Somewhat improved economic conditions during this fiscal year for fixed income investments contributed to the positive change. Restrictions imposed by law on the types of investments PACT may utilize are similar to other local governments. 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.

Assets:

In fiscal year ended June 30, 2014, the Net Position change from June 30, 2013 saw a positive swing of \$2,735,978. Unlike the preceding year, there was no negative net investment income on a marked to market basis and Operating Net

Position shifted from negative to positive as well. An explanation about how these results were achieved was provided in the financial highlights.

Amortization of contributions to Public Compensation Mutual (PCM), the PACT- owned non-profit captive mutual insurance company, reflects a conservative financial accounting approach (refer to Note 13). By board policy, if there are gains, then a portion of those gains may be transferred to PCM; however, no such transfers occurred.

Growing the asset base is important 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. PACT has maintained its retention level and relies in part on PCM to take any additional retention with the contributed assets.

Revenues, Expenses and Changes in Assets:

Gross revenues (assessments plus non-operating net investment income) increased by 16.9% for fiscal year ended June 30, 2014 partially as a result of a rate and exposure basis increases coupled with an increase in net investment income.

Actuarial:

The actuarial analysis for the current fiscal year revealed a decrease in case reserves and IBNR reserves over prior years' estimated incurred losses. Refer to Note 11 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;
- 2) SpecialtyHealth, the managed care organization and MCMC, the bill reviewer, for PACT helped the adjusters manage claims and costs 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 monitor its Net Position. 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. PACT management, consistent with board policy, selected a 75% actuarial confidence level as a prudent level in keeping with the PACT Board's goals of creating and sustaining a durable financial position. As described earlier in the Changes in Net Position discussion, Net Position is affected by amortization of transfers of funds to PCM consistent with the board's policy on Capitalization. PACT maintains an interest in PCM as its sole policyholder and is entitled to a return of those capital contributions before any other distributions can be made by PCM.

Capital Assets and Debt Administration:

PACT has no physical assets and no borrowed funds. 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.

Comparative Key Performance Indicators:

In order to enhance analysis, comparative information is provided for Assets, Liabilities, Net Position, Revenues and Expenses as shown in the chart below. 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.

| Financial Ratios | 2009/2010 | 2010/2011 | 2011/2012 | 2012/2013 | 2013/2014 |
|--|---------------|----------------|----------------|---------------|---------------|
| Total Revenue | \$ 14,043,571 | \$12,778,111 | \$13,740,006 | \$14,320,208 | \$15,701,455 |
| Revenue over (under) Expenses | \$ 2,217,070 | \$ 271,155 | \$ (1,613,147) | \$(1,839,493) | \$ 896,485 |
| Operating Net Assets | \$ (595,858) | \$ (1,138,622) | \$ (4,103,018) | \$(1,569,226) | \$ 177,273 |
| Non-operating Net Investment Income | \$ 2,812,928 | \$ 1,409,777 | \$ 2,489,871 | \$ (270,267) | \$ 719,212 |
| Total Assets | \$ 73,829,771 | \$ 76,488,418 | \$ 79,370,901 | \$80,347,217 | \$83,611,339 |
| Total Liabilities | \$ 25,941,093 | \$ 28,328,585 | \$ 32,824,215 | \$35,640,024 | \$ 38,007,661 |
| Net Position | \$ 47,888,678 | \$ 48,159,833 | \$ 46,546,686 | \$44,707,193 | \$ 45,603,678 |
| Net Assets to SIR (Board Target 12:1); Benchmark >5:1 | 93.90 | 94.43 | 93.09 | 89.41 | 91.21 |
| SIR to Net Assets (Benchmark: captives <.10; group captives <.25) | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| % Assets attributable to Net Assets | 64.9% | 63.0% | 58.6% | 55.6% | 54.5% |
| Total assets/total liabilities | 2.85 | 2.70 | 2.42 | 2.25 | 2.20 |
| Revenues to Net Assets (Benchmark: <2.5:1 and >0 | 0.29 | 0.27 | 0.30 | 0.32 | 0.34 |
| Loss Reserves to Net Assets (discounted): Benchmark <3:1 and >0 | 0.35 | 0.37 | 0.41 | 0.44 | 0.45 |
| Total liabilities to liquid assets: Benchmark <100% | 47% | 51% | 54% | 64% | 63% |
| Change in members' Net Assets: >-10% | 4.9% | 0.6% | -3.3% | -4.0% | 2.0% |
| Return on Net Assets: Net Operating Income/Net Assets | -1.2% | -2.4% | -8.8% | -3.5% | 0.4% |
| Return on Net Assets: Total Income/Net Assets | 4.6% | 0.6% | -3.5% | -4.1% | 2.0% |

Economic Factors:

For fiscal year ending June 30, 2014, economic conditions showed signs of improvement with some growth continuing for the nation and Nevada. Medical inflation still exceeds the general inflation rate and this affects the underlying costs of claims payable by PACT. There may be future unknown effects from implementation of the Patient Protection and Affordable Care Act as its impact on health care costs unfolds. 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 5th Edition of the AMA guide to rating impairments, which increased costs overall. The 2009 Legislature fixed the 5th Edition into statute rather than having the most current edition be implemented by regulation. The 6th 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, 2014 were \$2,130,944 compared to June 30, 2013 which were \$1,884,394 based upon a continuing 10% increase in the rates with generally flat payroll basis.

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. Similar legislation was attempted in 2013, but no sponsor would step forward.

Prior to the 2013 Legislative Session, the Committee on Local Government Finance adopted a temporary regulation requiring self-insured employers and association self-insured groups to report certain actuarial reserve projections, claims data and funding methods for the reserves on a form known as Form 33 in connection with the tentative budget. Such information was to be compiled by the Department of Taxation for the benefit of the Legislature and the public regarding the cost of these benefits. PACT filed its required report. In 2014, the temporary regulation was submitted to the Legislative Commission for final approval, but has been stalled.

Subsequent Events:

There was a subsequent event that will affect the subsequent fiscal year:

MCMC is PACT's medical bill review company. They had a programming error that was discovered by ASC back in March 2014 and led to an investigation and analysis of overpayments and underpayments to medical providers over the last five years. A claims settlement agreement was reached between MCMC and ASC to reimburse PACT and other ASC clients affected. ASC will reimburse PACT for the amount of its MCMC overpayments: \$249,668.50. MCMC and PACT entered into a subrogation agreement enabling MCMC to seek to collect the overpayments from the medical providers. The PACT portion of underpayments was: \$17,143.48, which MCMC will process to the medical providers as billing reconsiderations. MCMC agreed to establish quality assurance measures to avoid such system errors in the future and is submitting quarterly sampling reports to ASC to verify data.

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

PUBLIC AGENCY COMPENSATION TRUST
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

| ASSETS | <u>2014</u> | <u>2013</u> |
|---|-----------------------------|-----------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 3,704,609 | \$ 3,430,664 |
| Investments | 56,655,983 | 52,244,259 |
| Investment income receivable | 297,836 | 319,298 |
| Member assessments receivable | 4,287,129 | 3,274,179 |
| Specific recoverable | 49,148 | 86,328 |
| Commissions receivable | 61,661 | 59,671 |
| Receivable from State of Nevada | 301,166 | - |
| Prepaid expenses | 32,364 | 45,548 |
| Total current assets | <u>65,389,896</u> | <u>59,459,947</u> |
| Noncurrent assets: | | |
| Pledged investments | 4,516,692 | 4,466,575 |
| Contributed surplus PCM, net | 13,704,751 | 16,420,695 |
| Total noncurrent assets | <u>18,221,443</u> | <u>20,887,270</u> |
| TOTAL ASSETS | <u>83,611,339</u> | <u>80,347,217</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 160,789 | 116,245 |
| Commissions payable | - | 59,671 |
| Specific recoverable | 49,148 | 86,328 |
| Current portion of reserve for claims losses | 6,294,103 | 6,342,238 |
| Total current liabilities | <u>6,504,040</u> | <u>6,604,482</u> |
| Noncurrent liabilities: | | |
| Reserve for Worker's Compensation claims losses | 16,011,897 | 15,674,762 |
| Reserve for Heart & Lung claims losses reserves | 15,491,724 | 13,360,780 |
| Total noncurrent liabilities | <u>31,503,621</u> | <u>29,035,542</u> |
| TOTAL LIABILITIES | <u>38,007,661</u> | <u>35,640,024</u> |
| NET POSITION - unrestricted | <u>45,603,678</u> | <u>44,707,193</u> |
| TOTAL NET POSITION | <u>\$ 45,603,678</u> | <u>\$ 44,707,193</u> |

See accompanying notes

PUBLIC AGENCY COMPENSATION TRUST
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended June 30, 2014 and 2013

| REVENUES | <u>2014</u> | <u>2013</u> |
|--|-----------------------------|-----------------------------|
| Assessments for workers compensation | \$ 13,570,511 | \$ 12,435,814 |
| Assessments for heart and lung | 2,130,944 | 1,884,394 |
| Total Revenues | <u>15,701,455</u> | <u>14,320,208</u> |
| LOSS FUND AND PROGRAM EXPENSES | | |
| Claims and adjustment expenses | 6,032,574 | 6,138,595 |
| Heart and Lung loss expenses | 2,146,394 | 1,973,885 |
| Excess insurance premium | 504,052 | 521,624 |
| Re-insurance premium | 674,000 | 674,710 |
| Underwriting and claims processing | 684,495 | 736,676 |
| Total loss fund and program expenses | <u>10,041,515</u> | <u>10,045,490</u> |
| ADMINISTRATION EXPENSES | | |
| Management fees | 490,140 | 475,860 |
| Professional services | 125,648 | 81,027 |
| Administrative and overhead | 422,052 | 360,790 |
| Member education and services | 705,282 | 688,749 |
| Risk management grants | 17,864 | 491,609 |
| Insurance Division fees | 577,266 | 601,645 |
| Insolvency fund and related expenses | 22,471 | 22,319 |
| Loss control expenses | 406,000 | 406,000 |
| Amortization expense | 2,715,944 | 2,715,945 |
| Total administration expenses | <u>5,482,667</u> | <u>5,843,944</u> |
| Increase (decrease) in operating net position | <u>177,273</u> | <u>(1,569,226)</u> |
| Increase in non-operating net investment income | 719,212 | (270,267) |
| Increase (decrease) in net position | <u>896,485</u> | <u>(1,839,493)</u> |
| Net position, beginning of year | 44,707,193 | 46,546,686 |
| Net position, end of year | <u>\$ 45,603,678</u> | <u>\$ 44,707,193</u> |

See accompanying notes

**PUBLIC AGENCY COMPENSATION TRUST
STATEMENTS OF CASH FLOWS
For Years Ended June 30, 2014 and 2013**

| | <u>2014</u> | <u>2013</u> |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Assessments and other revenues | \$ 14,688,504 | \$ 14,477,891 |
| Payment for claims | (5,759,023) | (5,391,908) |
| Payment to vendors | (4,571,542) | (5,009,241) |
| Net cash provided from operating activities | <u>4,357,939</u> | <u>4,076,742</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest and net realized investment income | 1,319,982 | 1,228,970 |
| Sale of investments | 16,356,582 | 21,248,197 |
| Purchases of investments | (21,760,558) | (23,870,087) |
| Net cash used for investing activities | <u>(4,083,994)</u> | <u>(1,392,920)</u> |
| Increase in cash and cash equivalents | 273,945 | 2,683,822 |
| Cash and cash equivalents, beginning of fiscal year | 3,430,664 | 746,842 |
| Cash and cash equivalents, year ended June 30 | <u>3,704,609</u> | <u>3,430,664</u> |
| RECONCILIATION FOR OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating net income (loss) | 177,273 | (1,569,226) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Member assessments receivable | (1,012,950) | 153,074 |
| Specific recoverable | 37,180 | (1,703) |
| Prepaid expenses | 13,184 | 22,513 |
| Accounts payable | 44,544 | 33,864 |
| Specific recoverable | (37,180) | 1,703 |
| Amortization of contributed surplus | 2,715,944 | 2,715,945 |
| Loss reserves | 2,419,944 | 2,720,572 |
| Net cash provided by operating activities | <u>\$ 4,357,939</u> | <u>\$ 4,076,742</u> |

See accompanying notes

PUBLIC AGENCY COMPENSATION TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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

Budgetary to actual results is not presented as there are no legal budgetary requirements.

PUBLIC AGENCY COMPENSATION TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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 2014 and 2013, 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 or credit received each year as the expense or credit to the expense for that year as these invoices cannot be reasonably estimated and therefore accrued.

Prior year's reclassification

The prior year's financial statements have been reclassified where applicable to conform to current year's presentation.

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.

PUBLIC AGENCY COMPENSATION TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 2 – CASH & EQUIVALENTS

The carrying amount of PACT's deposits with financial institutions at June 30, 2014 and 2013 are \$ 3,704,609 and \$3,430,664 respectively. The financial institution balances were \$ 4,009,762 and \$3,623,318 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.

| | 2014 | 2013 |
|--|---------------------|---------------------|
| Amounts insured by FDIC | \$ 250,000 | \$ 250,000 |
| Amounts collateralized | 308,930 | 207,212 |
| Cash equivalents at brokerage firm | 3,450,832 | 3,166,106 |
| Total deposits at financial institutions | <u>\$ 4,009,762</u> | <u>\$ 3,623,318</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, 2014 is as follows:

| | Fair Value | Investment Maturities in Years | | | |
|-----------------------------------|----------------------|--------------------------------|----------------------|---------------------|----------------------|
| | | 1 year of less | 1-5 | 5-10 | Over 10 |
| U.S. Treasuries | \$ 23,761,753 | \$ 1,911,976 | \$ 18,809,467 | \$ 3,040,310 | \$ - |
| U.S. Government & Agencies | 5,077,952 | 2,106,846 | 2,918,390 | - | 52,716 |
| U.S. Mortgage-backed securities | 7,505,345 | 928,634 | 4,185,033 | 1,299,480 | 1,092,198 |
| U.S. Government backed securities | 24,252,622 | 676,920 | 6,439,322 | 2,460,079 | 14,676,301 |
| Less pledged investments | (3,941,689) | - | (3,941,689) | - | - |
| Total investments | <u>\$ 56,655,983</u> | <u>\$ 5,624,376</u> | <u>\$ 28,410,523</u> | <u>\$ 6,799,869</u> | <u>\$ 15,821,215</u> |

A summary of investments as of June 30, 2013 is as follows:

| | Fair Value | Investment Maturities in Years | | | |
|-----------------------------------|----------------------|--------------------------------|----------------------|----------------------|----------------------|
| | | 1 year of less | 1-5 | 5-10 | Over 10 |
| U.S. Treasuries | \$ 23,804,818 | \$ 868,706 | \$ 12,531,747 | \$ 10,404,365 | \$ - |
| U.S. Government & Agencies | 4,438,860 | - | 4,361,768 | - | 77,092 |
| U.S. Mortgage-backed securities | 19,569,373 | 741,198 | 4,350,131 | 191,730 | 14,286,314 |
| U.S. Government backed securities | 8,493,082 | - | 5,004,353 | 2,370,468 | 1,118,261 |
| Less pledged investments | (4,061,874) | - | (3,384,390) | (677,484) | - |
| Total investments | <u>\$ 52,244,259</u> | <u>\$ 1,609,904</u> | <u>\$ 22,863,609</u> | <u>\$ 12,289,079</u> | <u>\$ 15,481,667</u> |

Investment income receivable was \$297,836 on June 30, 2014 and \$319,298 on June 30, 2013.

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, 2014 and 2013

NOTE 4 – MEMBER ASSESSMENTS RECEIVABLE

Member assessments receivable were \$4,287,129 and \$3,274,176 for the years ended June 30, 2014 and 2013. 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) Safety National Casualty Company provides a statutory specific limit of liability per accident excess of PACT's self-insured retention per accident of \$3,000,000. PACT reinsures a portion of PACT's \$3,000,000 retention through Public Compensation Mutual, which bears \$250,000 excess of PACT's \$500,000 specific retention and PACT's \$500,000 aggregate retention plus 25% of \$2,250,000 excess of PACT's \$750,000 retention and through County Reinsurance, LTD., which bears 75% of \$2,250,000 excess of PACT's \$750,000 retention
- 2) Safety National Casualty Company provides a limit of liability of \$3,000,000 excess of an aggregate retention of \$3.68 per \$100 of payroll, subject to a minimum aggregate retention of \$9,814,330 and \$9,188,959 for years ended June 30, 2014 and 2013. PACT reinsures a portion of PACT's aggregate excess limit of \$3,000,000 through Public Compensation Mutual which bears 50% of PACT's annual aggregate excess limit and through Safety National Casualty Company which bears 50% 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, 2014 and 2013 was \$490,140 and \$475,860 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 2014 and 2013 were \$65,772 and \$65,772. The contract includes a 2% per annum increase in the lease expenses beginning on July 1, 2014.

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.

**PUBLIC AGENCY COMPENSATION TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013**

NOTE 7 - RELATED PARTY TRANSACTIONS (continued)

Effective July 1, 2006, Nevada Public Agency Insurance Pool (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 \$535,500 and \$525,000 for June 30, 2014 and 2013 respectively. The grant was renewed for three years beginning July 1, 2013 with future costs being \$546,500 for year ended 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.

PACT is the sole policy holder of Public Compensation Mutual Company which was formed as a captive insurance company.

NOTE 8 – PLEDGED INVESTMENTS

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. The amounts pledged for years ended June 30, 2014 and 2013 were \$4,516,692 and \$4,466,575. 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. The minimum required deposit for years ended June 30, 2014 and 2013 were \$3,917,288 and \$2,702,000 respectively. Management does not intend to withdraw available funds, however, a withdraw of funds in excess of the minimum required deposit is available upon giving notice to and receiving approval from the Nevada Division of Insurance.

| | <u>June 30, 2014</u> | <u>June 30, 2013</u> |
|------------------------------|----------------------|----------------------|
| Cash equivalents | \$ 511,038 | \$ 340,733 |
| Investments | 3,941,688 | 4,061,874 |
| Investment income receivable | 63,966 | 63,968 |
| Total | <u>\$ 4,516,692</u> | <u>\$ 4,466,575</u> |

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 2014 and 2013 is \$15,491,724 and \$13,360,780 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.

PUBLIC AGENCY COMPENSATION TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 11 – 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, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|---|-----------------------------|-----------------------------|
| Unpaid losses and loss adjustment expenses at beginning of year or period | <u>\$ 35,377,780</u> | <u>\$ 32,657,208</u> |
| Incurred losses and loss adjustment expenses: | | |
| Provision for insured events of current year | 8,695,968 | 8,924,480 |
| Increase (decrease) in provision for insured events of prior fiscal years | <u>(517,000)</u> | <u>(812,000)</u> |
| Total incurred losses and loss adjustment | 8,178,968 | 8,112,480 |
| Payments: | | |
| Claims and claim adjustment expenses attributable to insured events of current fiscal year/period | (1,565,000) | (1,960,313) |
| Claims and claims adjustment expenses attributable to insured events of prior | <u>(4,194,024)</u> | <u>(3,431,595)</u> |
| Total Payments | (5,759,024) | (5,391,908) |
| Unpaid claims and claims adjustment expenses | | |
| At end of fiscal year | <u>\$ 37,797,724</u> | <u>\$ 35,377,780</u> |

The current portion of the long term loss reserve for 2014 and 2013 is \$6,294,103 \$6,642,238 with the long term portion for 2014 and 2013 being \$31,503,621 and \$29,035,542.

Incurred losses and loss adjustment expenses are comprised of two significant factors. Provisions for events of the current year decreased from \$8,924,480 for 2013 to \$8,695,968 for 2014. The increase in the provision for insured events of prior fiscal years for 2014 and 2013 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, 2014 and 2013**

NOTE 12 – POOLING RESOURCES INC. GRANT

Pooling Resources Inc. receives a joint grant to perform human resource services from PACT and the Nevada Public Agency Insurance Pool (NPAIP). Pooling Resources is required to provide status reports and quarterly financial statements to the PACT Executive Committees and NPAIP in accordance with the grant document. Any funds not expended for grant purposes are subject to be refunded to PACT and NPAIP unless otherwise directed by the grantors. Grantors may allow retention of unexpended funds for the purpose of carryover to future grants, expansion or redirection of services or any other purpose deemed appropriate by the grantors.

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 13 – 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, 2014 was \$27,159,437 with accumulated amortization of \$13,454,686 for a net amount of \$13,704,751. Capitalization at June 30, 2013 was \$27,159,437 with accumulated amortization of \$10,738,742 for a net amount of \$16,420,695.

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. In 2013, PCM converted from an association captive model to a pure captive model, which makes PACT the owner of PCM directly. This reduces certain administrative costs of PCM, which inures to PACT's benefit through reduced reinsurance charges.

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 startup capital. Therefore, the PACT's contributed surplus to PCM will be amortized over 10 years.

NOTE 14 –SUBSEQUENT EVENTS

MCMC is PACT's medical bill review company. They had a programming error that was discovered by ASC in March 2014 and led to an investigation and analysis of overpayments and underpayments to medical providers over the last five years. A claims settlement agreement was reached between MCMC and ASC to reimburse PACT and other ASC clients affected. ASC will reimburse PACT for the amount of its MCMC overpayments of \$249,668.50. MCMC and PACT entered into a subrogation agreement enabling MCMC to seek to collect the overpayments from the medical providers. The PACT portion of underpayments was: \$17,143.48, which MCMC will process to the medical providers as billing reconsiderations. MCMC agreed to establish quality assurance measures to avoid such system errors in the future and is submitting quarterly sampling reports to ASC to verify data.

Management has evaluated the activities and transactions subsequent to June 30, 2014 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended June 30, 2014. Management has evaluated subsequent events through September 29, 2014 which is the date the financial statements were available for issue.

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, 2014 and 2013:

| | <u>2014</u> | | | <u>2013</u> | | |
|---|---------------------------------|-------------------------|---------------------|---------------------------------|-------------------------|---------------------|
| | <u>Workers Compensation</u> | <u>Heart & Lung</u> | <u>Total</u> | <u>Workers Compensation</u> | <u>Heart & Lung</u> | <u>Total</u> |
| Unpaid losses and loss adjustment expenses at beginning of the year | \$22,017,000 | \$13,360,780 | \$35,377,780 | \$21,171,000 | \$11,486,208 | \$32,657,208 |
| Incurred losses and loss adjustment expenses: | | | | | | |
| Provision for insured events of current year | 6,549,574 | 2,146,394 | 8,695,968 | 6,950,595 | 1,973,885 | 8,924,480 |
| Increase (decrease) in provision for insured events of prior fiscal year | (517,000) | - | (517,000) | (812,000) | - | (812,000) |
| Total incurred losses and loss adjustments | 6,032,574 | 2,146,394 | 8,178,968 | 6,138,595 | 1,973,885 | 8,112,480 |
| Payments: | | | | | | |
| Claims and claim adjustment expense attributable to insured events of current year | (1,565,000) | (15,450) | (1,580,450) | (1,861,000) | (99,313) | (1,960,313) |
| Claims and claims adjustment expense attributable to insured events of a prior period | (4,178,574) | - | (4,178,574) | (3,431,595) | - | (3,431,595) |
| Total payments | (5,743,574) | (15,450) | (5,759,024) | (5,292,595) | (99,313) | (5,391,908) |
| Unpaid claims and claims adjustments expenses at end of fiscal year | \$22,306,000 | \$15,491,724 | \$37,797,724 | \$22,017,000 | \$13,360,780 | \$35,377,780 |

This information is required by the Governmental Accounting Standards Board

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,

| Required Contributions & Investment Inc | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Earned | \$12,638,430 | \$14,150,771 | \$17,528,899 | \$19,214,202 | \$18,382,217 | \$16,856,499 | \$14,187,888 | \$16,229,877 | \$14,049,941 | \$16,420,666 |
| Ceded | (789,791) | (626,266) | (673,485) | (711,236) | (999,595) | (1,019,746) | (760,706) | (821,229) | 1,196,334 | 1,178,052 |
| Net earned | 11,848,639 | 13,524,505 | 16,855,414 | 18,502,966 | 17,382,622 | 15,836,753 | 13,427,182 | 15,408,648 | 15,246,275 | 17,598,718 |
| Unallocated Expenses | 2,280,908 | 2,401,410 | 2,644,815 | 3,467,687 | 3,888,708 | 4,372,365 | 5,340,792 | 6,086,457 | 6,580,620 | 6,167,162 |
| Estimated Incurred Claims & Expense End of Policy Year: | | | | | | | | | | |
| Incurred | 7,694,786 | 7,221,184 | 6,932,261 | 6,211,000 | 6,699,000 | 7,604,904 | 7,226,000 | 8,393,000 | 8,503,886 | 8,561,944 |
| Ceded | - | - | - | - | - | - | - | - | - | - |
| Net Incurred | 7,694,786 | 7,221,184 | 6,932,261 | 6,211,000 | 6,699,000 | 7,604,904 | 7,226,000 | 8,393,000 | 8,503,886 | 8,561,944 |
| Paid (cumulative) as of: | | | | | | | | | | |
| End of policy year | 1,153,042 | 903,024 | 955,534 | 1,396,400 | 1,813,443 | 1,576,283 | 1,627,122 | 1,875,562 | 1,861,690 | 1,564,723 |
| One Year Later | 2,466,279 | 1,863,166 | 2,333,923 | 3,334,645 | 3,630,752 | 3,121,442 | 3,604,503 | 3,460,736 | 3,221,497 | |
| Two Years Later | 2,774,180 | 2,317,418 | 3,332,247 | 4,312,797 | 4,050,129 | 4,039,612 | 4,245,842 | 4,582,100 | | |
| Three Years Later | 3,033,660 | 2,626,506 | 3,930,487 | 4,768,994 | 4,496,682 | 4,357,378 | 5,004,699 | | | |
| Four Years Later | 3,323,358 | 2,872,958 | 4,102,622 | 5,095,774 | 4,714,495 | 4,448,046 | | | | |
| Five Years Later | 3,399,607 | 3,226,213 | 4,388,188 | 5,496,210 | 4,975,855 | | | | | |
| Six Years Later | 3,454,799 | 3,457,294 | 4,518,951 | 5,639,154 | | | | | | |
| Seven Years Later | 3,512,672 | 3,546,659 | 4,629,499 | | | | | | | |
| Eight Years Later | 3,493,961 | 3,635,208 | | | | | | | | |
| Nine Years Later | 3,535,271 | | | | | | | | | |
| Re-estimated ceded claims & Expenses | - | - | - | - | - | - | - | - | - | - |
| Re-estimated Claims & Expense | | | | | | | | | | |
| End of policy year | 7,964,786 | 7,221,184 | 6,932,261 | 6,211,000 | 6,699,000 | 7,604,904 | 7,226,026 | 8,403,083 | 8,503,886 | 8,561,944 |
| One Year Later | 5,783,000 | 5,100,000 | 6,163,261 | 7,066,000 | 7,100,000 | 7,767,000 | 8,156,000 | 8,287,083 | 8,064,886 | |
| Two Years Later | 5,147,000 | 4,117,000 | 7,269,261 | 7,695,000 | 6,892,000 | 8,507,000 | 7,998,000 | 8,599,083 | | |
| Three Years Later | 5,230,000 | 4,388,000 | 7,555,261 | 7,612,000 | 7,010,000 | 8,178,000 | 8,204,000 | | | |
| Four Years Later | 5,287,000 | 4,574,184 | 7,453,261 | 8,127,000 | 6,928,000 | 7,930,000 | | | | |
| Five Years Later | 5,238,899 | 4,729,000 | 7,650,261 | 7,898,000 | 6,902,000 | | | | | |
| Six Years Later | 5,235,000 | 4,819,000 | 7,657,261 | 7,863,000 | | | | | | |
| Seven Years Later | 5,202,000 | 4,805,000 | 7,665,261 | | | | | | | |
| Eight Years Later | 5,079,899 | 4,815,000 | | | | | | | | |
| Nine Years Later | 5,036,899 | | | | | | | | | |
| Increase(Decrease) in Estimated Incurred Claims & Expenses from End of Policy Year: | (\$2,927,887) | (\$2,406,184) | \$733,000 | \$1,652,000 | \$203,000 | \$325,096 | \$977,974 | \$196,000 | (439,000) | - |

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PACT Counties

| Member Name | Claims | | Claims | | Claims | | Claims | | Claims | | TOTAL | TOTAL | Average Annual | Average |
|--------------------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Frequency | Claims Costs | Frequency | Claims Costs | Frequency | Claims Costs | Frequency | Claims Costs | Frequency | Claims Costs | Claims | Claims | Cost 5 years | Annual Cost 3 |
| | 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 | 7/1/12- 6/30/13 | 7/1/12- 6/30/13 | 7/1/13- 6/30/14 | 7/1/13- 6/30/14 | 2009/2010- 2013/2014 | 2009/2010- 2013/2014 | 2009/2010- 2013/2014 | 2011/2012- 2013/2014 |
| CARSON CITY (No Longer Member) | 131 | \$ 1,841,743 | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 131 | \$ 1,841,743 | \$ 1,841,743.20 | \$ - |
| CHURCHILL COUNTY | 14 | \$ 30,698 | 13 | \$ 160,707 | 14 | \$ 56,647 | 13 | \$ 55,746 | 14 | \$ 21,329 | 68 | \$ 325,126 | \$ 65,025 | \$ 44,574 |
| DOUGLAS COUNTY | 148 | \$ 925,804 | 149 | \$ 590,367 | 127 | \$ 712,726 | 129 | \$ 461,721 | 121 | \$ 454,438 | 674 | \$ 3,145,057 | \$ 629,011 | \$ 542,962 |
| ELKO COUNTY | 29 | \$ 67,103 | 28 | \$ 605,468 | 39 | \$ 150,923 | 34 | \$ 94,917 | 35 | \$ 237,929 | 165 | \$ 1,156,341 | \$ 231,268 | \$ 161,256 |
| ESMERALDA COUNTY | 4 | \$ 3,128 | 4 | \$ 8,823 | 2 | \$ 3,467 | 4 | \$ 3,422 | 3 | \$ 1,672 | 17 | \$ 20,512 | \$ 4,102 | \$ 2,854 |
| EUREKA COUNTY | 8 | \$ 20,451 | 7 | \$ 8,403 | 13 | \$ 59,003 | 16 | \$ 57,791 | 11 | \$ 68,449 | 55 | \$ 214,098 | \$ 42,820 | \$ 61,748 |
| HUMBOLDT COUNTY | 7 | \$ 3,255 | 15 | \$ 86,239 | 11 | \$ 47,127 | 18 | \$ 16,184 | 9 | \$ 4,342 | 60 | \$ 157,148 | \$ 31,430 | \$ 22,551 |
| LANDER COUNTY | 11 | \$ 16,058 | 20 | \$ 137,499 | 17 | \$ 324,149 | 11 | \$ 98,855 | 10 | \$ 26,141 | 69 | \$ 602,703 | \$ 120,541 | \$ 149,715 |
| LINCOLN COUNTY | 6 | \$ 47,132 | 11 | \$ 16,144 | 6 | \$ 17,591 | 9 | \$ 9,239 | 3 | \$ 1,048 | 35 | \$ 91,154 | \$ 18,231 | \$ 9,293 |
| LYON COUNTY | 36 | \$ 59,907 | 34 | \$ 657,904 | 40 | \$ 678,652 | 37 | \$ 15,544 | 56 | \$ 137,147 | 203 | \$ 1,549,155 | \$ 309,831 | \$ 277,115 |
| MINERAL COUNTY | 21 | \$ 185,407 | 27 | \$ 94,634 | 20 | \$ 58,284 | 22 | \$ 359,133 | 11 | \$ 204,496 | 101 | \$ 901,954 | \$ 180,391 | \$ 207,304 |
| NYE COUNTY | 61 | \$ 1,796,349 | 60 | \$ 403,690 | 78 | \$ 618,330 | 66 | \$ 258,691 | 94 | \$ 281,474 | 359 | \$ 3,358,534 | \$ 671,707 | \$ 386,165 |
| PERSHING COUNTY | 4 | \$ 2,833 | 6 | \$ 3,007 | 9 | \$ 66,765 | 2 | \$ 16,102 | 10 | \$ 66,321 | 31 | \$ 155,028 | \$ 31,006 | \$ 49,730 |
| STOREY COUNTY | 24 | \$ 99,854 | 12 | \$ 21,951 | 17 | \$ 103,674 | 26 | \$ 368,278 | 9 | \$ 47,429 | 88 | \$ 641,186 | \$ 128,237 | \$ 173,127 |
| WHITE PINE COUNTY | 27 | \$ 240,156 | 22 | \$ 5,637 | 19 | \$ 55,395 | 17 | \$ 103,126 | 17 | \$ 71,195 | 102 | \$ 475,509 | \$ 95,102 | \$ 76,572 |
| TOTAL | 531 | \$ 5,339,879 | 408 | \$ 2,800,474 | 412 | \$ 2,952,733 | 404 | \$ 1,918,750 | 403 | \$ 1,623,411 | 2,158 | \$ 14,635,247 | \$ 4,400,444 | \$ 2,164,965 |

PACT Cities

| 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 5 | Annual Cost |
| | 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 | 7/1/12- 6/30/13 | 7/1/12- 6/30/13 | 7/1/13- 6/30/14 | 7/1/13- 6/30/14 | Frequency 2009/2010- 2013/2014 | Costs 2009/2010- 2013/2014 | years 2009/2010- 2013/2014 | 3 years 2011/2012- 2013/2014 |
| BOULDER CITY | 20 | \$ 14,557 | 28 | \$ 597,684 | 25 | \$ 57,935 | 40 | \$ 147,165 | 22 | \$ 96,477 | 135 | \$ 913,819 | \$ 182,764 | \$ 100,526 |
| CALIENTE | 5 | \$ 28,010 | 2 | \$ 1,220 | 3 | \$ 1,357 | 1 | \$ 687 | 4 | \$ 2,413 | 15 | \$ 33,687 | \$ 6,737 | \$ 1,486 |
| CARLIN CITY | 5 | \$ 6,138 | 5 | \$ 3,442 | 6 | \$ 2,884 | 3 | \$ 51,579 | 14 | \$ 11,689 | 33 | \$ 75,732 | \$ 15,146 | \$ 22,050 |
| CITY OF ELKO | 36 | \$ 88,515 | 40 | \$ 80,903 | 38 | \$ 168,028 | 68 | \$ 174,886 | 40 | \$ 117,281 | 222 | \$ 629,613 | \$ 125,923 | \$ 153,398 |
| ELY CITY | 2 | \$ 53,665 | 9 | \$ 41,741 | 3 | \$ 1,799 | 4 | \$ 319,557 | 5 | \$ 4,491 | 23 | \$ 421,253 | \$ 84,251 | \$ 108,616 |
| CITY OF FALLON | 18 | \$ 84,782 | 11 | \$ 114,399 | 19 | \$ 214,933 | 11 | \$ 54,960 | 11 | \$ 11,504 | 70 | \$ 480,577 | \$ 96,115 | \$ 93,799 |
| CITY OF FERNLEY | 4 | \$ 10,763 | 3 | \$ 147,252 | 2 | \$ 62,671 | 7 | \$ 1,301 | 5 | \$ 2,099 | 21 | \$ 224,086 | \$ 44,817 | \$ 22,024 |
| CITY OF LOVELOCK | 3 | \$ 360 | 5 | \$ 2,517 | 6 | \$ 66,760 | 6 | \$ 2,359 | 6 | \$ 6,326 | 26 | \$ 78,322 | \$ 15,664 | \$ 25,148 |
| MESQUITE CITY | 31 | \$ 142,046 | 33 | \$ 37,725 | 28 | \$ 103,782 | 24 | \$ 111,150 | 25 | \$ 21,638 | 141 | \$ 416,341 | \$ 83,268 | \$ 78,856 |
| WELLS CITY | 1 | \$ 319 | 6 | \$ - | 2 | \$ 25,146 | 4 | \$ 1,353 | 4 | \$ 1,563 | 17 | \$ 28,381 | \$ 5,676 | \$ 9,354 |
| CITY OF WEST WENDOVER | 2 | \$ 312 | 5 | \$ 1,829 | 3 | \$ 27,487 | 5 | \$ 30,947 | 3 | \$ 2,803 | 18 | \$ 63,378 | \$ 12,676 | \$ 20,412 |
| CITY OF WINNEMUCCA | 8 | \$ 210,223 | 6 | \$ 6,436 | 6 | \$ 5,513 | 9 | \$ 64,315 | 7 | \$ 89,287 | 36 | \$ 375,772 | \$ 75,154 | \$ 53,038 |
| CITY OF YERINGTON | 7 | \$ 32,056 | 2 | \$ 425 | 3 | \$ 251,912 | 7 | \$ 22,841 | 0 | \$ - | 19 | \$ 307,234 | \$ 61,447 | \$ 91,584 |
| TOTAL | 142 | \$ 671,747 | 155 | \$ 1,035,572 | 144 | \$ 990,206 | 189 | \$ 983,099 | 146 | \$ 367,571 | 776 | \$ 4,048,195 | \$ 809,639 | \$ 780,292 |

PACT Schools

| 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 |
| | 7/1/09- 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 | 7/1/12- 6/30/13 | 7/1/12- 6/30/13 | 7/1/13- 6/30/14 | 7/1/13- 6/30/14 | 2009/2010- 2013/2014 | 2009/2010- 2013/2014 | 2009/2010- 2013/2014 | 2011/2012- 2013/2014 |
| ESMERALDA COUNTY SCHOOL DISTRICT | 5 | \$ 2,047 | 3 | \$ - | 2 | \$ 830 | 4 | \$ 15,979 | 1 | \$ - | 15 | \$ 18,855 | \$ 3,771 | \$ 5,603 |
| EUREKA COUNTY SCHOOL DISTRICT | 1 | \$ 81 | 1 | \$ 351 | 1 | \$ 6 | 3 | \$ 484 | 1 | \$ 2,734 | 7 | \$ 3,655 | \$ 731 | \$ 1,074 |
| HUMBOLDT COUNTY SCHOOL DISTRICT(No longer | 16 | \$ 72,231 | 10 | \$ 5,553 | 19 | \$ 145,314 | 0 | \$ - | 0 | \$ - | 45 | \$ 223,099 | \$ 44,620 | \$ 48,438 |
| LANDER COUNTY SCHOOL DISTRICT | 4 | \$ 15,948 | 10 | \$ 22,412 | 9 | \$ 1,393 | 4 | \$ 55,863 | 3 | \$ 3,454 | 30 | \$ 99,070 | \$ 19,814 | \$ 20,237 |
| LINCOLN COUNTY SCHOOL DISTRICT | 12 | \$ 55,258 | 7 | \$ 288,112 | 9 | \$ 43,256 | 6 | \$ 47,592 | 16 | \$ 6,856 | 50 | \$ 441,075 | \$ 88,215 | \$ 32,568 |
| MINERAL COUNTY SCHOOL DISTRICT | 10 | \$ 487,413 | 25 | \$ 36,728 | 20 | \$ 42,261 | 18 | \$ 16,017 | 16 | \$ 55,233 | 89 | \$ 637,652 | \$ 127,530 | \$ 37,837 |
| NYE COUNTY SCHOOL DIST (No longer member) | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| PERSHING COUNTY SCHOOL DISTRICT | 6 | \$ 18,994 | 5 | \$ 8,971 | 3 | \$ 289,195 | 4 | \$ 2,105 | 4 | \$ 6,949 | 22 | \$ 326,214 | \$ 65,243 | \$ 99,416 |
| WHITE PINE COUNTY SCHOOL DISTRICT | 25 | \$ 51,851 | 19 | \$ 37,973 | 20 | \$ 33,340 | 15 | \$ 19,402 | 16 | \$ 5,619 | 95 | \$ 148,185 | \$ 29,637 | \$ 19,454 |
| TOTAL | 79 | \$ 703,823 | 80 | \$ 400,101 | 83 | \$ 555,595 | 54 | \$ 157,441 | 57 | \$ 80,845 | 353 | \$ 1,897,804 | \$ 379,561 | \$ 264,627 |

PACT Hospitals

| Member Name | Claims | Claims | Claims | Claims | Claims | Claims | Claims | Claims | Claims | Claims | TOTAL Claims | TOTAL | Average | Average |
|--|---------------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------------|--------------------------------------|---|---|---|
| | 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 7/1/12- 6/30/13 | Costs 7/1/12- 6/30/13 | Frequency 7/1/13- 6/30/14 | Costs 7/1/13- 6/30/14 | Frequency 2009/2010- 2013/2014 | Claims Costs 2009/2010- 2013/2014 | Annual Cost 5 years 2009/2010- 2013/2014 | Annual Cost 3 years 2011/2012- 2013/2014 |
| BATTLE MOUNTAIN GENERAL HOSPITAL | 14 | \$ 2,018 | 1 | \$ 1,136 | 5 | \$ 2,063 | 6 | \$ 2,756 | 9 | \$ 5,010 | 35 | \$ 12,982 | \$ 2,596 | \$ 3,276 |
| BOULDER CITY HOSPITAL (No longer member) | 14 | \$ 9,269 | 17 | \$ 11,055 | 12 | \$ 45,170 | 13 | \$ 69,302 | 0 | \$ - | 56 | \$ 134,796 | \$ 33,699 | \$ 38,157 |
| CARSON TAHOE HOSPITAL (No longer member) | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| GROVER C. DILS MEDICAL CENTER | 7 | \$ 11,769 | 3 | \$ 348 | 4 | \$ 3,549 | 6 | \$ 6,842 | 0 | \$ - | 20 | \$ 22,508 | \$ 4,502 | \$ 3,464 |
| HUMBOLDT GENERAL HOSPITAL | 9 | \$ 109,943 | 12 | \$ 106,578 | 19 | \$ 64,751 | 18 | \$ 60,085 | 12 | \$ 22,078 | 70 | \$ 363,436 | \$ 72,687 | \$ 48,971 |
| MT. GRANT GENERAL HOSPITAL | 8 | \$ 42,821 | 14 | \$ 8,240 | 9 | \$ 2,576 | 12 | \$ 60,647 | 12 | \$ 15,936 | 55 | \$ 130,221 | \$ 26,044 | \$ 26,386 |
| PERSHING GENERAL HOSPITAL | 10 | \$ 79,543 | 6 | \$ 35,055 | 8 | \$ 26,791 | 10 | \$ 15,251 | 7 | \$ 6,366 | 41 | \$ 163,006 | \$ 32,601 | \$ 16,136 |
| SO. LYON MEDICAL CENTER (No longer member) | 25 | \$ 89,506 | 34 | \$ 277,546 | 38 | \$ 27,277 | 14 | \$ 103,197 | 0 | \$ - | 111 | \$ 497,525 | \$ 124,381 | \$ 43,491 |
| TOTAL | 87 | \$ 344,869 | 87 | \$ 439,957 | 95 | \$ 172,176 | 79 | \$ 318,080 | 40 | \$ 49,390 | 388 | \$ 1,324,473 | \$ 296,511 | \$ 179,882 |

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 5 | Annual |
| | 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 | 7/1/12- 6/30/13 | 7/1/12- 6/30/13 | 7/1/13- 6/30/14 | 7/1/13- 6/30/14 | 2009/2010- 2013/2014 | 2009/2010- 2013/2014 | 2009/2010- 2013/2014 | 2011/2012- 2013/2014 |
| CARSON CITY: | | | | | | | | | | | | | | |
| NEVADA ASSOCIATION OF COUNTIES | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| NEVADA LEAGUE OF CITIES | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| NEVADA RURAL HOUSING AUTHORITY | 2 | \$ 2,845 | 0 | \$ - | 0 | \$ - | 1 | \$ 1,507 | 0 | \$ - | 3 | \$ 4,351 | \$ 870 | \$ 502 |
| CLARK COUNTY: | | | | | | | | | | | | | | |
| VIRGIN VALLEY WATER DISTRICT | 1 | \$ 904 | 1 | \$ 155 | 2 | \$ 459 | 1 | \$ 1,607 | 0 | \$ - | 5 | \$ 3,124 | \$ 625 | \$ 689 |
| CHURCHILL COUNTY: | | | | | | | | | | | | | | |
| CC COMMUNICATIONS | 3 | \$ 7,487 | 0 | \$ - | 1 | \$ 565 | 4 | \$ 2,381 | 1 | \$ 30,355 | 9 | \$ 40,789 | \$ 8,158 | \$ 11,101 |
| CHURCHILL COUNTY MOSQUITO & ABATEMENT DISTRICT | 2 | \$ 1,983 | 0 | \$ - | 2 | \$ 85,114 | 0 | \$ - | 0 | \$ - | 4 | \$ 87,098 | \$ 17,420 | \$ 28,371 |
| DOUGLAS COUNTY: | | | | | | | | | | | | | | |
| DOUGLAS CO. MOSQUITO CONTROL DISTRICT | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| EAST FOR FIRE & PARAMEDIC DISTRICT | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| EAST FORK SWIMMING POOL DISTRICT | 1 | \$ 1,032 | 1 | \$ 289 | 1 | \$ 1,865 | 1 | \$ 942 | 5 | \$ 5,886 | 9 | \$ 10,014 | \$ 2,003 | \$ 2,898 |
| 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 | 18 | \$ 87,650 | 17 | \$ 203,429 | 13 | \$ 30,569 | 16 | \$ 84,653 | 6 | \$ 12,686 | 70 | \$ 418,987 | \$ 83,797 | \$ 42,636 |
| ELKO COUNTY: | | | | | | | | | | | | | | |
| ELKO CENTRAL DISPATCH | 0 | \$ - | 1 | \$ 1,145 | 0 | \$ - | 0 | \$ - | 0 | \$ - | 1 | \$ 1,145 | \$ 229 | \$ - |
| ELKO CONVENTION & VISITORS AUTHORITY | 0 | \$ - | 2 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 2 | \$ - | \$ - | \$ - |
| ELKO TELEVISION DISTRICT | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| JACKPOT TOWN | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| ESMERALDA COUNTY: | | | | | | | | | | | | | | |
| GOLDFIELD TOWN | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| SILVER PEAK TOWN | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| LANDER COUNTY: | | | | | | | | | | | | | | |
| 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 | \$ - | \$ - | \$ - |
| LINCOLN COUNTY: | | | | | | | | | | | | | | |
| ALAMO SEWER & WATER GID | 1 | \$ 16,050 | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 1 | \$ 16,050 | \$ 3,210 | \$ - |
| 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 | \$ - | \$ - | \$ - |
| LYON COUNTY: | | | | | | | | | | | | | | |
| CENTRAL LYON COUNTY FIRE PROTECT | 0 | \$ - | 6 | \$ 12,198 | 13 | \$ 41,108 | 13 | \$ 22,600 | 5 | \$ 128,646 | 37 | \$ 204,552 | \$ 40,910 | \$ 64,118 |
| MASON VALLEY FIRE PROTECTION DISTRICT | 2 | \$ 1,338 | 0 | \$ - | 1 | \$ 531 | 2 | \$ 3,761 | 2 | \$ 24,999 | 7 | \$ 30,629 | \$ 6,126 | \$ 9,763 |
| NORTH LYON COUNTY FIRE PROTECTION DISTRICT | 5 | \$ 140,837 | 4 | \$ 2,712 | 1 | \$ 325 | 14 | \$ 5,777 | 3 | \$ - | 27 | \$ 149,651 | \$ 29,930 | \$ 2,034 |
| SMITH VALLEY FIRE PROTECTION DISTRICT | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 1 | \$ 1,501 | 1 | \$ 1,501 | \$ 300 | \$ 500 |
| MINERAL COUNTY: | | | | | | | | | | | | | | |
| 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 | \$ - | \$ - | \$ - |
| NYE COUNTY: | | | | | | | | | | | | | | |
| PAHRUMP, TOWN OF | 5 | \$ 7,316 | 17 | \$ 268,337 | 10 | \$ 108,482 | 6 | \$ 24,744 | 8 | \$ 5,986 | 46 | \$ 414,865 | \$ 82,973 | \$ 46,404 |
| ROUND MOUNTAIN, TOWN OF | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| TONOPAH, TOWN OF | 0 | \$ - | 0 | \$ - | 1 | \$ 25,987 | 2 | \$ 930 | 3 | \$ 2,315 | 6 | \$ 29,232 | \$ 5,846 | \$ 9,744 |
| TONOPAH PUBLIC UTILITIES | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| PERSHING COUNTY: | | | | | | | | | | | | | | |
| PERSHING COUNTY WATER CONSERVATION DISTRICT | 2 | \$ 23,386 | 1 | \$ 381 | 4 | \$ 7,018 | 2 | \$ 47,384 | 0 | \$ - | 9 | \$ 78,169 | \$ 15,634 | \$ 18,134 |
| STOREY COUNTY: | | | | | | | | | | | | | | |
| CANYON GENERAL IMPROVEMENT DISTRICT | 0 | \$ - | 0 | \$ - | 1 | \$ 134 | 1 | \$ 148 | 0 | \$ - | 2 | \$ 282 | \$ 56 | \$ 94 |
| WASHOE COUNTY: | | | | | | | | | | | | | | |
| INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 23 | \$ 129,433 | 23 | \$ 129,433 | \$ 129,433 | \$ 129,433 |
| NORTH LAKE TAHOE FIRE PROTECTION DISTRICT | 32 | \$ 224,021 | 37 | \$ 237,155 | 28 | \$ 379,799 | 35 | \$ 107,903 | 52 | \$ 105,724 | 184 | \$ 1,054,603 | \$ 210,921 | \$ 197,809 |
| SIERRA FIRE PROTECTION DISTRICT | 15 | \$ 48,483 | 24 | \$ 34,419 | 9 | \$ 208,319 | 0 | \$ - | 0 | \$ - | 48 | \$ 291,220 | \$ 58,244 | \$ 69,440 |
| SUN VALLEY GENERAL IMPROVEMENT DIST (No longer member) | 2 | \$ 2,086 | 1 | \$ 412 | 0 | \$ - | 0 | \$ - | 0 | \$ - | 3 | \$ 2,498 | \$ 500 | \$ - |

PACT Special Districts and Towns

| | | | | | | | | | | | | | | |
|--|-----------|-------------------|------------|---------------------|-----------|-------------------|------------|-------------------|------------|-------------------|------------|---------------------|-------------------|-------------------|
| TRUCKEE MEADOWS FIRE PROTECTION DISTRICT | 2 | \$ 1,798 | 5 | \$ 247,884 | 4 | \$ 40,278 | 21 | \$ 218,697 | 32 | \$ 174,584 | 64 | \$ 683,240 | \$ 136,648 | \$ 144,519 |
| TRUCKEE MEADOWS REGIONAL PLANNING AUTHORITY | 0 | \$ - | 0 | \$ - | 0 | \$ - | 1 | \$ - | 0 | \$ - | 1 | \$ - | \$ - | \$ - |
| WHITE PINE COUNTY: | | | | | | | | | | | | | | |
| 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 | \$ - | 2 | \$ - | 2 | \$ 1,882 | 0 | \$ - | 4 | \$ 1,882 | \$ 376 | \$ 627 |
| WHITE PINE COUNTY TOURISM & RECREATION BOARD | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| WHITE PINE HISTORICAL RAILROAD FOUNDATION | 1 | \$ 327 | 2 | \$ 899 | 1 | \$ 770 | 3 | \$ 11,951 | 2 | \$ 8,765 | 9 | \$ 22,711 | \$ 4,542 | \$ 7,162 |
| TOTAL | 94 | \$ 567,542 | 119 | \$ 1,009,414 | 94 | \$ 931,323 | 125 | \$ 536,866 | 143 | \$ 630,881 | 575 | \$ 3,676,026 | \$ 735,205 | \$ 699,690 |

PACT Summary of All Claims
as of 6/30/14

| Claims | | Claims | | Claims | | Claims | | Claims | | TOTAL Claims | TOTAL Claims | Average Annual | Average |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Frequency | Claims Costs | Frequency | Claims Costs | Frequency | Claims Costs | Frequency | Claims Costs | Frequency | Claims Costs | Frequency | Costs | Cost 5 years | Annual Cost 3 |
| 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 | 7/1/12- 6/30/13 | 7/1/12- 6/30/13 | 7/1/13- 6/30/14 | 7/1/13-6/30/14 | 2009/2010- 2013/2014 | 2009/2010- 2013/2014 | 2009/2010- 2013/2014 | 2011/2012- 2013/2014 |
| 933 | \$ 7,627,860 | 849 | \$ 5,685,518 | 828 | \$ 5,602,032 | 851 | \$ 3,914,237 | 789 | \$ 2,752,098 | 4,250 | \$ 25,581,745 | \$ 5,116,349 | \$ 4,089,455 |

| Claim Number | Date Of Loss | Benefit Type | Presumption Case | Injury Description | Accident Description | Incurred Total | Paid Total |
|----------------|--------------|-----------------------|------------------|--|---|-----------------|---------------|
| C1430300548 01 | 1/9/2004 | PTD Heart DirDep SIF? | Y | HEART, CARDIAC ARRHYTHMIA | PREPARING FOR TRAINING STANDING IN DAY ROOM | \$ 1,740,125.30 | \$ 83,636.52 |
| C1430600272 01 | 7/28/2006 | PTD Heart A-Pay | Y | HEART, AORTIC VALVE INSUFFICIENCY | HEART; ONGOING CHEST PAIN AND WEAKNESS | \$ 1,600,498.26 | \$ 424,726.40 |
| C1430400836 01 | 3/3/2005 | PTD Heart DirDep | Y | HEART CONDITION | ROUTINE ANNUAL HEART STRESS TEST- FAILED | \$ 1,556,004.25 | \$ 392,551.47 |
| C1431407974 01 | 1/14/2014 | PTD pndg | N | HEART, Myocardial infarction | AFTER PHYSICAL FITNESS, DIDN'T FEEL WELL AND COLOR | \$ 1,548,929.98 | \$ 77,141.12 |
| C1431004905 01 | 4/26/2010 | Death Benefits DirDep | N | FATALITY, MULTIPLE GUN SHOT WOUNDS, HOMICIDE. | RESPONDING TO A CALL AT A CASINO, GUN SHOTS WERE F | \$ 1,544,054.28 | \$ 202,869.59 |
| C1430000055 01 | 7/25/2000 | PTD Back DirDep SIF | N | BACK, LOW; Neck; sprains | STRUCK BY LIGHTNING | \$ 1,438,785.07 | \$ 331,188.92 |
| C1430904533 01 | 11/18/2009 | Death Benetits DirDep | N | FATALITY; CANCER: GLIOBLASTOMA MULTIFORM | EXPOSURE TO COMBUSTIVE MATERIALS AND OTHER HAZARDO | \$ 1,284,909.66 | \$ 232,772.46 |
| C1430802758 01 | 2/4/2008 | PTD Heart DirDep SIF? | Y | HEART DISEASE & compensable consequences 9-2008 of | OCC-DISEASE, HEART, CAREER POLICE OFFICER | \$ 1,253,762.41 | \$ 424,056.34 |
| C1430702238 01 | 4/25/2007 | PTD Heart DirDep SIF? | Y | HEART, CORONARY ARTERY DISEASE (BLOCKAGE) | ANNUAL PHYSICAL 4-25-07 ABNORMAL TEST | \$ 1,198,036.46 | \$ 365,236.51 |
| C1430000347 01 | 11/4/2000 | PTD Heart DirDep | Y | HEART ATRIAL FIBRILLATION | ATRIAL FIBRILLATION | \$ 1,108,507.61 | \$ 554,442.75 |
| C1430300794 01 | 2/20/2004 | Death Benefits DirDep | Y | HEART ATTACK; FATALITY | WHILE TRANSPORTING A PRISONER | \$ 927,674.20 | \$ 387,137.98 |
| C1430301086 01 | 6/8/2004 | PTD Heart DirDep SIF | Y | HEART ATTACK | WATCHING TV IN CLASS | \$ 796,916.02 | \$ 62,821.29 |
| C1430904509 01 | 11/17/2009 | Lifetime Med PPD inst | N | SHOULDER, L, A/C Jnt separation; HEAD, Posttraumat | ATTEMPTING TO SUBDUE SUSPECT, FELL TO GROUND STRIK | \$ 706,849.56 | \$ 105,925.93 |
| C1430300334 01 | 10/27/2003 | PPD Instlmt mon A-Pay | Y | HEART/CHEST PAIN-- ANGINA | HEART/CHEST PAIN-- SEVERAL EPISODES OF ANGINA AT WO | \$ 668,771.02 | \$ 347,061.32 |

| | | | | | | | |
|----------------|------------|--------------------------|---|---|--|---------------|---------------|
| C1431005293 01 | 9/16/2010 | Life Med Heart SIF | N | HEART, Atrial Fibrillation; BRAIN, cerebral vascul | WALKING DOWN THE FIRE STATION HALLWAY AND HAD A SE | \$ 616,645.32 | \$ 134,976.27 |
| C1430702169 01 | 7/28/2007 | Life Med Pain Mgt | N | BACK, LOW; ACUTE LUMBAR STRAIN | HIT BUMP WHILE DRIVING EQUIPMENT | \$ 555,431.60 | \$ 382,194.52 |
| C1439700709 01 | 5/24/1998 | Death Benefits DirDep | N | FATALITY; Drowning | BOAT CAPSIZED-DROWNED | \$ 528,407.80 | \$ 166,122.67 |
| C1431105623 01 | 2/24/2011 | PPD Instlmts Mon SBRO | N | Chest, abdomen, R femur, L upper extremity; gunsho | Shot during domestic violence call | \$ 423,827.23 | \$ 278,089.35 |
| C1430000474 01 | 12/29/2000 | PPD Instlmt mon DD | N | BACK, LOWER; NECK; UPPER CHEST, SHOULDER | MAKING "U" TURN ATTEMPTING TO MAKE TRAFFIC STOP ST | \$ 420,456.85 | \$ 356,811.97 |
| C1430300159 01 | 8/27/2003 | PPD Instlmt mon DD | N | WRISTS; CTS, BILATERAL MEDIAN NERVE IMPINGEMENT, C | LEFT & RIGHT HANDS/CARPAL TUNNEL SYNDROME--DOING C | \$ 386,856.70 | \$ 369,756.15 |
| C1430600167 01 | 8/23/2006 | PPD Instlmt mon DD | N | BACK, LOW; LUMBAR STRAIN ONLY; EXCLUDING COVERAGE | LIFTING BLOCKS TO MAKE A RETAINING WALL | \$ 369,761.62 | \$ 277,058.14 |
| C1430701932 01 | 5/16/2007 | PPD Instlmt mon DD | N | BACK, MID, LOW; Thoracic & Lumbar spine. L1-L3 tra | FELL 12 FEET DOWN OFF A RETAINING WALL WHILE FIGHT | \$ 353,457.90 | \$ 226,649.77 |

Actuarial Report – PACT – April, 2015

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 (dated September 5, 2014) 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. This report was used for the audited financial statements. I again enclose 18 of the 66 pages in the full report.

The second report is a draft (cover letter dated March 19, 2015) of the PACT rate study, which was not yet finalized (as of our printing deadline for board packets), but we do not expect it 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.

We expect to hold prices flat this year. The preliminary forecast is for a 9.8% percentage decrease in rates, but please remember this does not reflect PACT expenses, your individual modification factor (see below) nor changes in your entity's payroll. The Executive Committee will meet to discuss the rate forecasts and approve any rate changes a few days 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 could see their rates fluctuate by as much as 10% each year (up or down) as a result of changes in their experience modification factor, aka: EMF or "mod." The EMFs have been calculated, and you should receive your indication of pricing and mod prior to or soon after 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.

Our primary goal, per your Board, is to provide stable year-to-year pricing insofar as possible.



Actuarial Review of the Self-Insured Workers' Compensation Program

Outstanding Liabilities as of June 30, 2014

Presented to
Public Agency Compensation Trust

September 5, 2014





Friday, September 5, 2014

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 \$37,798,000 as of June 30, 2014, which includes an \$15,491,724 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 \$35,093,000 and is the minimum liability to be booked at June 30, 2014 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.

Our conclusions regarding PACT's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2014 are summarized in the table below.

**PACT
Self-Insured Workers' Compensation Program
Estimated Liability for Unpaid Loss and LAE
at June 30, 2014**

| | Expected | Marginally Acceptable 70% CL | Recommended Range | | | Conservative 90% CL |
|-----------------------------|--------------|------------------------------------|-------------------|------------------|----------------|------------------------|
| | | | Low 75% CL | Target 80% CL | High 85% CL | |
| Loss and ALAE | \$21,347,000 | | | | | |
| Heart/Lung | 15,491,724 | | | | | |
| ULAE | 941,000 | | | | | |
| Investment Income Offset | (2,687,000) | | | | | |
| Discounted Loss and LAE | \$35,093,000 | \$36,975,000 | \$37,798,000 | \$38,758,000 | \$39,954,000 | \$41,542,000 |

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. However, the amount referenced in this report is not intended to represent an actuarial estimate of Heart/Lung liabilities.

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



Mark Priven, FCAS, MAAA
Director, Regulatory and Alternative Risk Consulting, Bickmore
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries



Derek Burkhalter
Manager, Property and Casualty Insurance Services, Bickmore
Associate, Casualty Actuarial Society
Member, American Academy of Actuaries

We estimate the program's expected, discounted liability for outstanding claims to be \$35,093,000 as of June 30, 2014. Again, these amounts include ALAE and ULAE and a \$15,491,724 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, 2014

| Confidence Levels | <u>Expected</u> | <u>70%</u> | <u>75%</u> | <u>85%</u> | <u>90%</u> |
|-------------------|-----------------|--------------|--------------|--------------|--------------|
| Discounted | \$35,093,000 | \$36,975,000 | \$37,798,000 | \$39,954,000 | \$41,542,000 |
| Undiscounted | 37,780,000 | 39,919,000 | 40,855,000 | 43,307,000 | 45,112,000 |

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, 2014, before recognition of investment income.

PACT
Self-Insured Workers' Compensation Program
Estimated Liability for Unpaid Loss and LAE at June 30, 2014

| Year | Case Reserves | IBNR Reserves | Total Outstanding |
|---------------------|---------------|---------------|-------------------|
| 1995-1996 | \$0 | \$2,359 | \$2,359 |
| 1996-1997 | 51,730 | 12,658 | 64,388 |
| 1997-1998 | 194,196 | 39,477 | 233,673 |
| 1998-1999 | 11,569 | 48,806 | 60,375 |
| 1999-2000 | 99,316 | 40,059 | 139,375 |
| 2000-2001 | 186,836 | 77,420 | 264,256 |
| 2001-2002 | 30,935 | 69,644 | 100,579 |
| 2002-2003 | 209,922 | 69,399 | 279,321 |
| 2003-2004 | 1,685,160 | 60,718 | 1,745,878 |
| 2004-2005 | 473,128 | 81,496 | 554,624 |
| 2005-2006 | 92,254 | 95,006 | 187,260 |
| 2006-2007 | 1,122,890 | 135,591 | 1,258,481 |
| 2007-2008 | 415,308 | 210,036 | 625,344 |
| 2008-2009 | 321,108 | 380,742 | 701,850 |
| 2009-2010 | 1,150,162 | 304,953 | 1,455,115 |
| 2010-2011 | 680,466 | 822,482 | 1,502,948 |
| 2011-2012 | 1,020,237 | 1,107,968 | 2,128,205 |
| 2012-2013 | 689,476 | 1,820,763 | 2,510,239 |
| 2013-2014 | 1,186,838 | 3,224,902 | 4,411,740 |
| Loss and ALAE | \$9,621,531 | \$8,604,479 | \$18,226,010 |
| Corridor Deductible | \$1,750,000 | \$1,371,242 | \$3,121,242 |
| ULAE | | 941,376 | 941,376 |
| Heart-Lung | | 15,491,724 | 15,491,724 |
| Total | \$11,371,531 | \$26,408,821 | \$37,780,352 |

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.

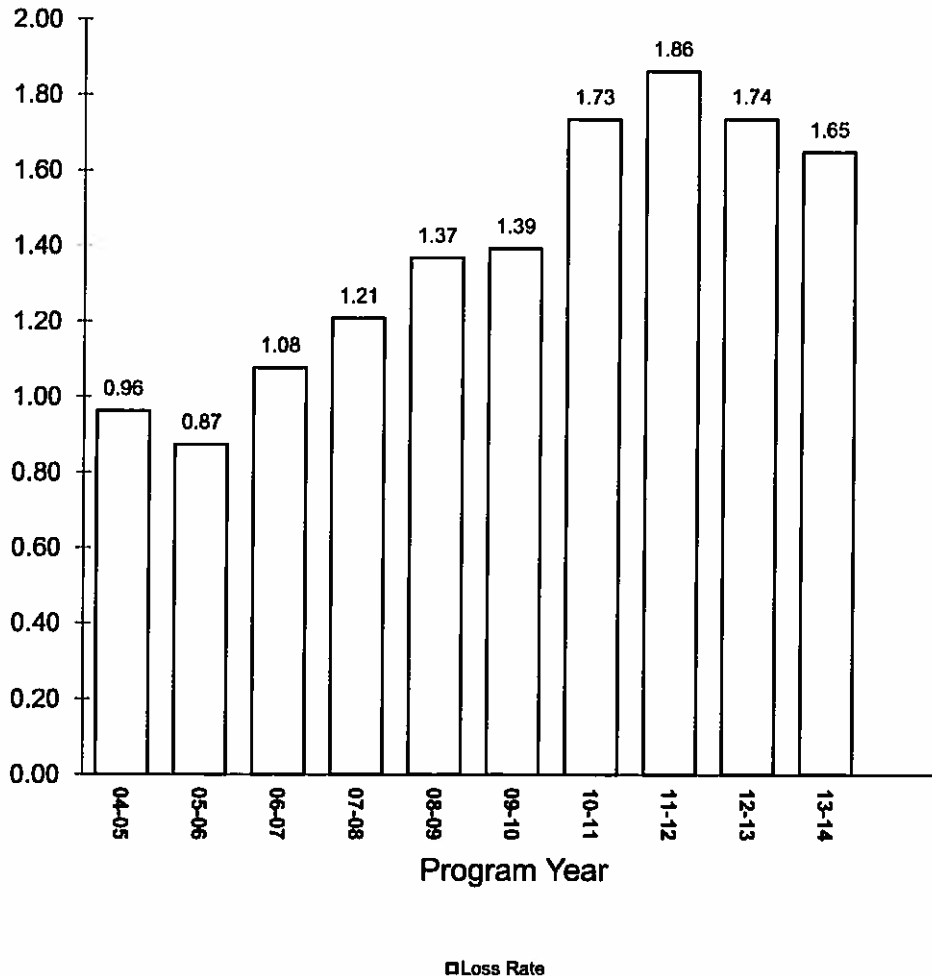
In general, we recommend that you fund each year's claims costs in that year. When surpluses or deficiencies have developed and funding adjustments are necessary, they should be clearly identified as such so that the habit of funding each year's claims costs that year is maintained. We also recommend 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 steadily increased from 2005-06 to 2011-12, but appears to be trending downward in the most recent years. Our projection for 2013-14 is \$1.65 per \$100 of payroll, and appears to help confirm the decreasing trend. For the purposes of this graph, all losses have been limited to \$100,000 per occurrence.

Graph 2

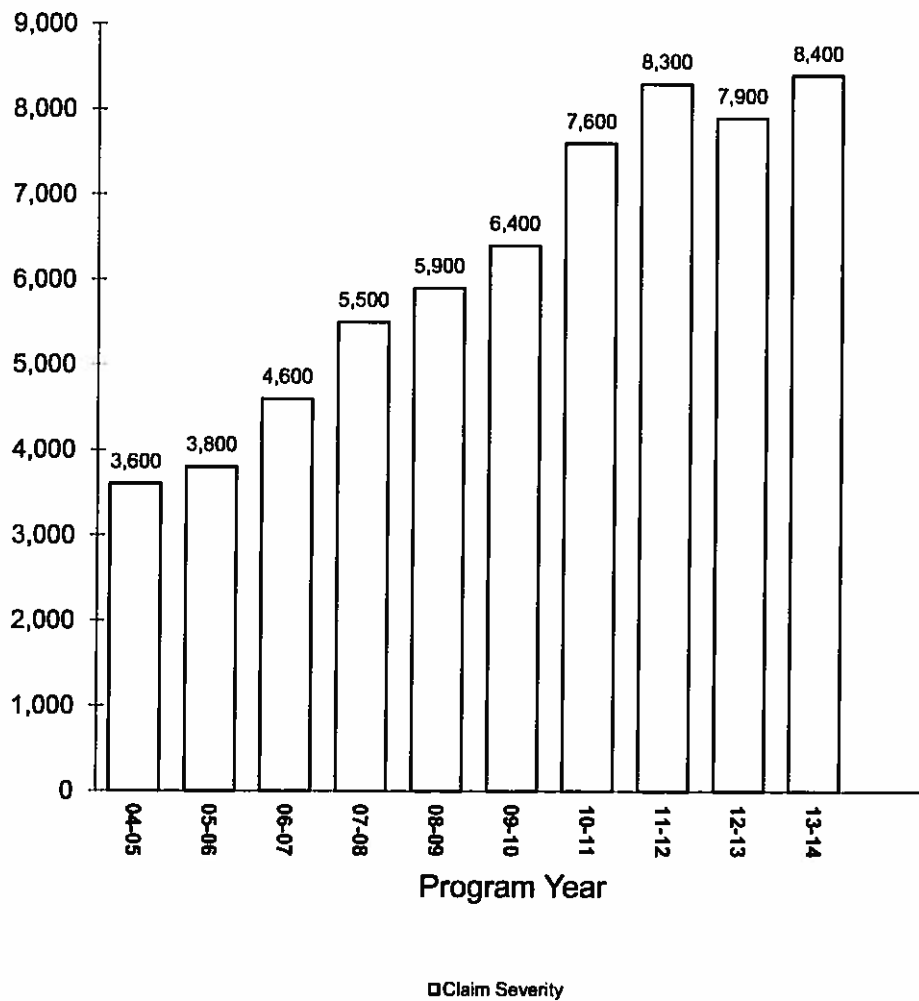
NV PACT - Workers' Compensation
Dollars of Loss per
\$100 of Payroll



The average dollars of loss per claim, or severity, has also generally increased over the last nine years. Our projection for 2013-14 is \$8,400 per claim, based on this increasing trend. Again, for the purposes of this graph, all losses have been limited to \$100,000 per occurrence.

Graph 3

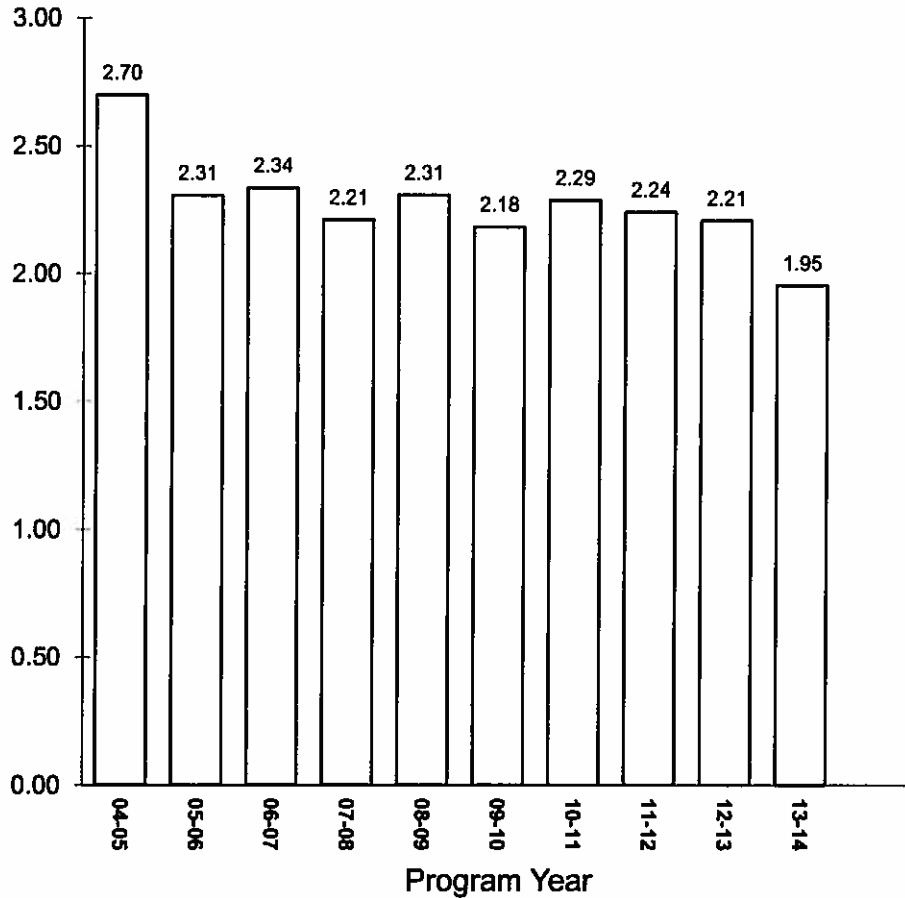
NV PACT - Workers' Compensation
Dollars of Loss per Claim



PACT's frequency decreased between 2004-05 and 2005-06 and then remained relatively stable until 2010-11. Since 2010-11 there appears to be a downward trend. Our projection for 2013-14 is 1.95 claims per \$1 million of payroll and reflects the relatively low emergence of claims for this particular year.

Graph 4

NV PACT - Workers' Compensation
Number of Claims per
\$1 Million of Payroll



□ Claim Severity

D. COMPARISON WITH PREVIOUS RESULTS

The prior outstanding liability report for PACT was dated August 30, 2013. In the table below we display actual versus expected development of incurred losses and ALAE (excluding corridor deductibles) by accident year since our prior report.

Actual Versus Expected Incurred Loss and ALAE Development

| Accident Year | Expected Incurred Development | Actual Incurred Development | Actual Minus Expected |
|---------------|-------------------------------|-----------------------------|-----------------------|
| 1996-1997 | \$3,000 | (\$5,000) | (\$8,000) |
| 1997-1998 | 3,000 | (29,000) | (32,000) |
| 1998-1999 | 7,000 | 0 | (7,000) |
| 1999-2000 | 2,000 | (40,000) | (42,000) |
| 2000-2001 | 4,000 | (42,000) | (46,000) |
| 2001-2002 | 8,000 | (2,000) | (10,000) |
| 2002-2003 | 3,000 | 26,000 | 23,000 |
| 2003-2004 | 6,000 | 233,000 | 227,000 |
| 2004-2005 | 8,000 | (16,000) | (24,000) |
| 2005-2006 | 13,000 | 56,000 | 43,000 |
| 2006-2007 | 38,000 | (12,000) | (50,000) |
| 2007-2008 | 89,000 | 15,000 | (74,000) |
| 2008-2009 | 144,000 | 145,000 | 1,000 |
| 2009-2010 | 158,000 | (63,000) | (221,000) |
| 2010-2011 | 391,000 | 642,000 | 251,000 |
| 2011-2012 | 619,000 | 1,176,000 | 557,000 |
| 2012-2013 | 1,446,000 | 977,000 | (469,000) |
| 2013-2014 | 2,609,000 | 2,752,000 | 143,000 |
| Total | \$5,551,000 | \$5,813,000 | \$262,000 |

As shown, actual incurred development in total was greater than anticipated since the prior report. The greater than expected development, particularly in three of the most recent four program years, has been partially offset by the less than expected development in other years.

In the table below we display actual versus expected development of paid losses and ALAE (excluding corridor deductibles) by accident year since our prior report.

Actual Versus Expected Paid Loss and ALAE Development

| Accident Year | Expected Paid Development | Actual Paid Development | Actual Minus Expected |
|---------------|---------------------------|-------------------------|-----------------------|
| 1996-1997 | \$6,000 | \$4,000 | (\$2,000) |
| 1997-1998 | 38,000 | 69,000 | 31,000 |
| 1998-1999 | 5,000 | 4,000 | (1,000) |
| 1999-2000 | 18,000 | 10,000 | (8,000) |
| 2000-2001 | 26,000 | (11,000) | (37,000) |
| 2001-2002 | 12,000 | 3,000 | (9,000) |
| 2002-2003 | 39,000 | 37,000 | (2,000) |
| 2003-2004 | 337,000 | 136,000 | (201,000) |
| 2004-2005 | 129,000 | 47,000 | (82,000) |
| 2005-2006 | 66,000 | 89,000 | 23,000 |
| 2006-2007 | 343,000 | 111,000 | (232,000) |
| 2007-2008 | 250,000 | 144,000 | (106,000) |
| 2008-2009 | 248,000 | 261,000 | 13,000 |
| 2009-2010 | 449,000 | 284,000 | (165,000) |
| 2010-2011 | 416,000 | 725,000 | 309,000 |
| 2011-2012 | 702,000 | 1,121,000 | 419,000 |
| 2012-2013 | 1,409,000 | 1,364,000 | (45,000) |
| 2013-2014 | 1,403,000 | 1,565,000 | 162,000 |
| Total | \$5,896,000 | \$5,963,000 | \$67,000 |

As shown, actual paid development in total was also greater than anticipated since the prior report.

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 | \$178,000 | \$180,000 | \$2,000 |
| 1996-1997 | 997,000 | 990,000 | (7,000) |
| 1997-1998 | 2,857,000 | 2,826,000 | (31,000) |
| 1998-1999 | 3,082,000 | 3,071,000 | (11,000) |
| 1999-2000 | 2,442,000 | 2,399,000 | (43,000) |
| 2000-2001 | 4,419,000 | 4,372,000 | (47,000) |
| 2001-2002 | 3,587,000 | 3,570,000 | (17,000) |
| 2002-2003 | 3,350,000 | 3,372,000 | 22,000 |
| 2003-2004 | 5,309,000 | 5,547,000 | 238,000 |
| 2004-2005 | 4,143,000 | 4,100,000 | (43,000) |
| 2005-2006 | 3,614,000 | 3,626,000 | 12,000 |
| 2006-2007 | 5,876,000 | 5,884,000 | 8,000 |
| 2007-2008 | 6,297,000 | 6,262,000 | (35,000) |
| 2008-2009 | 5,663,000 | 5,674,000 | 11,000 |
| 2009-2010 | 6,145,000 | 5,897,000 | (248,000) |
| 2010-2011 | 6,240,000 | 6,508,000 | 268,000 |
| 2011-2012 | 6,302,000 | 6,710,000 | 408,000 |
| 2012-2013 | 6,080,000 | 5,735,000 | (345,000) |
| 2013-2014 | 5,823,000 | 5,977,000 | 154,000 |
| Total | \$82,404,000 | \$82,700,000 | \$296,000 |

As shown, overall we have increased our estimated ultimates by \$296,000 since our prior report. These changes tend to correlate 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, 2013 to be \$32,708,000 at the discounted expected level. Our current estimate as of June 30, 2014 is \$35,093,000, 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, 2013 | Current Report at June 30, 2014 | Change |
|--|-------------------------------------|---------------------------------------|-------------|
| (A) Case Reserves: | \$9,771,000 | \$9,622,000 | (\$149,000) |
| (B) IBNR Reserves: | 8,298,000 | 8,604,000 | \$306,000 |
| (C) Corridor Deductible Reserves: | 2,959,000 | 3,121,000 | \$162,000 |
| (D) Heart and Lung Reserves: | \$13,361,000 | 15,492,000 | 2,131,000 |
| (E) Claims Administration Reserves: | 920,000 | 941,000 | \$21,000 |
| (F) Total Reserves: | 35,309,000 | 37,780,000 | 2,471,000 |
| (G) Offset for Investment Income: | (\$2,601,000) | (2,687,000) | (86,000) |
| (H) Total Outstanding Claim Liabilities: | 32,708,000 | 35,093,000 | 2,385,000 |

As shown, our estimate of outstanding claims liabilities at the discounted expected level has increased between June 30, 2013 and June 30, 2014, as reflected in our prior and current reports, respectively.

Since our prior report, case reserves have decreased, offset by an increase in IBNR reserves limited to the SIR. Reserves for losses subject to the corridor deductible have increased due to the inclusion of the 2013-14 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 \$2,385,000 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, 2014

| | |
|--|---------------------|
| (A) Estimated Ultimate Losses Incurred through 6/30/14: | \$86,017,000 |
| (B) Estimated Paid Losses through 6/30/14: | 64,670,000 |
| (C) Estimated Liability for Claims Outstanding at 6/30/14: | <u>\$21,347,000</u> |
| (D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/14: (From Appendix F) | \$941,000 |
| (E) Total Outstanding Liability for Claims at 6/30/14: ((C) + (D)) | <u>\$22,288,000</u> |
| (F) Reserve Discount Factor | 0.879 |
| (G) Discounted Outstanding Liability for Claims at 6/30/14 (ex Heart-Lung Retiree): ((E) x (F)) | <u>\$19,601,000</u> |
| (H) Heart-Lung Retiree Liability | 15,491,724 |
| (I) Discounted Outstanding Liability for Claims at 6/30/14: ((G) + (H)) | <u>\$35,093,000</u> |

| Confidence Level of Adequacy: | Marginally Acceptable | Recommended | | | Conservative |
|--|-----------------------|---------------------|---------------------|---------------------|---------------------|
| | 70% | 75% | 80% | 85% | 90% |
| (J) Confidence Level Factor: | 1.096 | 1.138 | 1.187 | 1.248 | 1.329 |
| (K) Margin for Adverse Experience (ex Heart-Lung Retiree): ((G) x ((J) - 1)) | 1,882,000 | 2,705,000 | 3,665,000 | 4,861,000 | 6,449,000 |
| (L) Total Required Available Funding at 6/30/14: ((I) + (K)) | <u>\$36,975,000</u> | <u>\$37,798,000</u> | <u>\$38,758,000</u> | <u>\$39,954,000</u> | <u>\$41,542,000</u> |

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Thursday, March 19, 2015

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 2015-16

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 2015-16 program year to be \$5,749,000. 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.

The table on the following page shows our funding recommendations for PACT for the 2015-16 fiscal year.

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The table below shows our funding recommendations for PACT for the 2015-16 fiscal year based on a \$500,000 SIR.

**PACT – All Members Combined
Self-Insured Workers' Compensation Program
Loss and ALAE Funding Guidelines for 2015-16
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 | \$6,272,000 | | | | | |
| Investment Income Offset | (523,000) | | | | | |
| Discounted Loss and ALAE | \$5,749,000 | \$6,324,000 | \$6,560,000 | \$6,830,000 | \$7,152,000 | \$7,589,000 |
| Rate per \$100 of 2015-16 Payroll | \$2.30 | \$2.53 | \$2.62 | \$2.73 | \$2.86 | \$3.03 |

The funding recommendations shown in the table above does not include any recognition of the existing funding margin at June 30, 2015. 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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D. COMPARISON WITH OUR PREVIOUS RESULTS

The prior report for PACT was dated April 17, 2014. In the table below we display actual versus expected development of incurred losses and ALAE by accident year between the 9/30/13 evaluation date of the prior report and the 9/30/14 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 | (\$5,000) | (\$6,000) |
| 1997-1998 | 6,000 | (30,000) | (36,000) |
| 1998-1999 | 6,000 | 5,000 | (1,000) |
| 1999-2000 | 1,000 | (39,000) | (40,000) |
| 2000-2001 | 4,000 | 25,000 | 21,000 |
| 2001-2002 | 7,000 | (2,000) | (9,000) |
| 2002-2003 | 3,000 | 33,000 | 30,000 |
| 2003-2004 | 9,000 | 239,000 | 230,000 |
| 2004-2005 | 12,000 | (16,000) | (28,000) |
| 2005-2006 | 11,000 | 42,000 | 31,000 |
| 2006-2007 | 22,000 | (13,000) | (35,000) |
| 2007-2008 | 146,000 | 47,000 | (99,000) |
| 2008-2009 | 146,000 | 90,000 | (56,000) |
| 2009-2010 | 212,000 | 46,000 | (166,000) |
| 2010-2011 | 391,000 | 511,000 | 120,000 |
| 2011-2012 | 575,000 | 781,000 | 206,000 |
| 2012-2013 | 1,370,000 | 688,000 | (682,000) |
| 2013-2014 | 2,406,000 | 2,858,000 | 452,000 |
| Total | \$5,328,000 | \$5,260,000 | (\$68,000) |

As shown, total actual incurred development was less than anticipated since the prior report. This is primarily due to less than expected loss development in the 2012-13 program year.

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In the table below we display actual versus expected development of paid losses and ALAE by accident year between the 9/30/13 evaluation date of the prior report and the 9/30/14 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 | \$5,000 | \$4,000 | (\$1,000) |
| 1997-1998 | 24,000 | 54,000 | 30,000 |
| 1998-1999 | 7,000 | 4,000 | (3,000) |
| 1999-2000 | 11,000 | 10,000 | (1,000) |
| 2000-2001 | 24,000 | 46,000 | 22,000 |
| 2001-2002 | 14,000 | 4,000 | (10,000) |
| 2002-2003 | 33,000 | 51,000 | 18,000 |
| 2003-2004 | 322,000 | (58,000) | (380,000) |
| 2004-2005 | 130,000 | 50,000 | (80,000) |
| 2005-2006 | 57,000 | 90,000 | 33,000 |
| 2006-2007 | 331,000 | 112,000 | (219,000) |
| 2007-2008 | 278,000 | 150,000 | (128,000) |
| 2008-2009 | 209,000 | 48,000 | (161,000) |
| 2009-2010 | 439,000 | 103,000 | (336,000) |
| 2010-2011 | 392,000 | 459,000 | 67,000 |
| 2011-2012 | 668,000 | 876,000 | 208,000 |
| 2012-2013 | 1,242,000 | 1,039,000 | (203,000) |
| 2013-2014 | 1,477,000 | 1,912,000 | 435,000 |
| Total | \$5,663,000 | \$4,954,000 | (\$709,000) |

As shown, total actual paid development was less than anticipated since the prior report.

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At the time of the prior report our funding estimate for the 2014-15 year was \$5,497,000 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 2015-16 year, as shown in the table below, is \$5,749,000 at the discounted expected level and includes allocated loss adjustment expenses (ALAE):

Comparison of Funding for Loss and ALAE

| | Prior Report 2014-15 SIR = \$500,000 | Current Report 2015-16 SIR = \$500,000 | Change |
|-----------------------------------|---|---|-----------|
| (A) Ultimate Loss and ALAE: | \$6,020,000 | \$6,272,000 | \$252,000 |
| (B) Offset for Investment Income: | (523,000) | (523,000) | 0 |
| (C) Total Recommended Funding: | \$5,497,000 | \$5,749,000 | \$252,000 |
| (D) Funding per \$100 of Payroll: | \$2.33 | \$2.30 | (\$0.03) |

Our estimates of total claim costs have increased by \$252,000. However, this is primarily due to an increase in the projected payroll. In fact, the funding rate per \$100 of payroll has actually decreased from \$2.33 to \$2.30.

PACT - Combined - Workers' Compensation
Funding Options for Program Year 2015-2016 (SIR = \$500,000)
One-Year Funding Plan

| | <u>Dollar Amount</u> | <u>Payroll Rate</u> | | | |
|---|----------------------------------|-------------------------|--------------------|---------------------|--------------------|
| (A) Estimated Ultimate Losses Incurred in Accident Year 2015-2016: (From Appendix F) | \$6,272,000 | \$2.505 | | | |
| (B) Corridor Deductible (Maximum Total of \$500,000) | 0 | 0.000 | | | |
| (C) Total Claims Costs Incurred in Accident Year 2015-2016: ((A) + (B)) | <u>\$6,272,000</u> | <u>\$2.505</u> | | | |
| (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 2015-2016: ((C) x (D)) | <u>\$5,749,000</u> | <u>\$2.298</u> | | | |
| | <u>Marginally Acceptable</u> | <u>Recommended</u> | | <u>Conservative</u> | |
| | 70% | 75% | 80% | 85% | 90% |
| (F) Confidence Level Factor: (From Appendix H) | 1.100 | 1.141 | 1.188 | 1.244 | 1.320 |
| (G) Margin for Adverse Experience: ((E) x ((F) - 1)) | 575,000 | 811,000 | 1,081,000 | 1,403,000 | 1,840,000 |
| (H) Recommended Funding in 2015-2016 for Claims Costs and Other Expenses ((E) + (G)) | <u>\$6,324,000</u> | <u>\$6,560,000</u> | <u>\$6,830,000</u> | <u>\$7,152,000</u> | <u>\$7,589,000</u> |
| (I) Rate per \$100 of Payroll: ((H) / \$2,503,718) | \$2.526 | \$2.620 | \$2.728 | \$2.857 | \$3.031 |

Payroll rates are per hundred dollars of 2015-2016 payroll of \$250,371,800.

| 3/2/2015 Executive Committee Recommended 70% Confidence Level to Board ; Approved by Board 5--2015 | Budget Amount 2014/2015 | % of Total Revenue (Budget Basis) | Comments |
|---|------------------------------------|--|-----------------------------------|
| Revenues | | | |
| Assessments | 14,016,388 | 85.4% | |
| Assessments For Heart & Lung | 2,405,669 | 14.6% | Increased by 10% per board policy |
| Total Revenues | 16,422,057 | | |
| Loss Fund Expenses: | | | |
| Claims and Adjustment Expenses | 9,023,100 | 54.9% | |
| Heart and Lung Loss Expenses | 2,405,669 | 14.6% | Increased by 10% per board policy |
| Total Loss Fund Expenses: | 11,428,769 | 69.6% | |
| Program Expenses: | | | |
| Reinsurance Premium | 1,697,242 | 10.3% | |
| Underwriting And Claims Processing | 717,157 | 4.4% | |
| MCO Fees | 48,000 | 0.3% | |
| Insolvency Fund and Related Expenses | 323,000 | 2.0% | |
| Total Program Expenses | 2,785,399 | 17.0% | |
| Administration Expenses | | | |
| Management Fees | 475,860 | 2.9% | |
| Professional Services | 133,310 | 0.8% | |
| Administrative And Overhead | 107,000 | 0.7% | |
| Member Education And Services | 178,875 | 1.1% | |
| PRI Grant | 395,500 | 2.4% | |
| Insurance Division Fees | 320,000 | 1.9% | |
| Loss Control Expenses | 406,000 | 2.5% | |
| LCEP Awards | 10,500 | 0.1% | |
| PCM Amortization Expense | 2,760,768 | 16.8% | |
| Total Administrative Expenses | 4,787,813 | 29.2% | |
| Operating Net Income | (2,579,924) | -15.7% | |
| Investment Income | 801,000 | 4.9% | |
| Net Gain (Loss) | (1,778,924) | -10.8% | |
| OTHER EXPENSES: | | | |
| Risk Management Grants (Paid from Net Assets) | 456,037 | | |
| Specialty Health - Cardiac Wellness paid from Net Assets | 400,000 | | |

PACT Executive Committee

| | Re-election Term | Entity | Officers | 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 | 2013-2015 | Churchill County | Chair | | | | | |
| Roger Mancebo | 2013-2015 | Pershing County | | X | | | | |
| Josh Foli | 2013-2015 | Lyon County | Fiscal Officer | | X | | | |
| Cash Minor | 2013-2015 | Elko County | Vice Chair | | X | | | |
| James Eason | 2013-2015 | Town of Tonopah | | | | | X | |
| | | | | | | | | |
| Pat Irwin | 2014-2016 | Pershing General Hospital | | | | | | X |
| Steve West | 2014-2016 | City of Winnemucca | | X | | | | |
| Paul Johnson | 2014-2016 | White Pine Co. School District | | | | X | | |

Candidates for Vice Chair

Eligible Special Districts/Towns:

| | | |
|----------------|---------------------|---|
| James Eason | Town of Tonopah | x |
| Terry Bostwick | Town of Pahrump | x |
| Gerry Eick | Incline Village GID | x |

Eligible for Hospitals:

| | | |
|----------------------------------|----------------------------------|---|
| Kathy Ancho or Linda Lauritzen | Battle Mountain General Hospital | X |
| Jason K. Bleak or Missie Rowe | Grover C Dils Hospital | X |
| Sandi Lehman or Rose Marie Green | Humboldt General Hospital | X |
| Jonalee Roberts or Greg Schumann | Mt Grant General Hospital | X |
| Patty Bianchi or Pat Irwin | Pershing General Hospital | X |

PACT Executive Committee Elections

All of the incumbents have expressed interest in continuing to serve.

Paul Johnson of White Pine County School District is interested in serving as Vice Chair to replace Cash Minor of Elko County.

Gerry Eick is interested in being appointed by the Chair as fiscal officer for both NPAIP and PACT if Josh Foli becomes Vice Chair of NPAIP.

If others wish to be included as candidates, please contact Wayne Carlson in advance of the meeting.

Nominations will be open at the annual meeting as well.

PUBLIC AGENCY COMPENSATION TRUST

BYLAWS

Adopted: April 1, 1996
Revised: May 2, 1997
Revised: May 1, 2000
Revised: May 2, 2003
Revised: April 28, 2005
Revised: May 2, 2007
Revised: May 1, 2009
Revised: April 26, 2013
Revised: May 1, 2015

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**BYLAWS OF THE
PUBLIC AGENCY COMPENSATION TRUST**

ARTICLE I: PACT PHILOSOPHY AND STRUCTURE

SECTION 1.01. PHILOSOPHY.

The philosophy of PACT is to maintain long term stability in the costs and coverages provided by PACT to its Members through risk management.

SECTION 1.02. GENERAL STRUCTURE.

PACT is governed by its Board of Trustees consisting of representatives of each Member as defined in the Interlocal Cooperation Agreement

SECTION 1.03. DUTIES AND RESPONSIBILITIES.

The responsibilities of PACT to Members shall be:

- (a) To provide a source of workers compensation coverage;
- (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 PACT so as to continue to operate as a PACT; and
- (f) To collect and disburse funds for the sound financial organization and operation of PACT.

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 PACT;
- (b) To maintain good community relations with the primary objective being reduction of risks;
- (c) To make timely submissions to PACT and its insurers of contributions to PACT's Loss Fund, administrative fees, and insurance premiums;

- (d) To publish for the Member and the files of PACT, guidelines for the operation of the Member's Risk Management Program;
- (e) To appoint a PACT 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 PACT 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 PACT. The maintenance deductible applies once to each loss. Each member shall reimburse PACT 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 PACT 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 PACT or which are within PACT Member's maintenance deductible including:
 - a. workers compensation claims,
 - b. 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 PACT 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 PACT 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 PACT;

- (b) Willingness to abide by the Interlocal Cooperation Agreement, Bylaws, rules, regulations and objectives of PACT;
- (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.

PACT'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 PACT 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 3.03. 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.

SECTION 3.06. ANNUAL MEETING BUSINESS

The Annual Meeting agenda must include the following topics required by the Nevada Administrative Code:

- (a) Review by the Board of Trustees at least annually of the 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 by the members at least annually of the loss experience of each member of the association; and
- (c) Review for the removal of members with an excessive loss experience or members determined by the Board of Trustees to be operating in a hazardous financial condition.

ARTICLE IV: TRUSTEES

SECTION 4.01. POWERS.

Subject to any limitations contained in PACT's 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 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 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 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 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 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 may be filled by the Member at its next regular meeting..
- (c) A vacancy in the Board shall be deemed to exist in case of withdrawal of the Member from PACT, the 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 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.
- f) Upon withdrawal of a Member from PACT, its board positions shall be eliminated upon the effective date of withdrawal.

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 PACT.

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.

ARTICLE V: COMMITTEES

SECTION 5.01. EXECUTIVE COMMITTEE:

- (a) Appointments to the Executive Committee shall be by a majority vote of the trustees 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 trustees 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 PACT 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 trustees 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 trustees and shall be presided over by a trustee 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 Trustees or persons who are not Trustees, but such task forces shall not be deemed committees of the Board and shall not exercise any powers of the Board. Such task forces shall exist for a limited period not to exceed a period of 12 months unless extended for an additional period in order to complete its task prior to the annual board meeting. 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 PACT shall be the Chair and the Vice Chair of the Board.

SECTION 6.02. ELECTION.

Members shall elect one Trustee, by a majority of the votes cast, to serve a two year term as Chair and one Trustee 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 PACT 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 PACT, but without prejudice to the rights, if any, of PACT 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. EXECUTIVE DIRECTOR.

The Executive Director shall be the chief administrative officer of PACT and, subject to the control of the Board, shall:

- (a) Supervise, direct, and control the business and affairs of PACT;
- (b) Provide adequate staff to administer PACT;
- (c) Supervise, direct, and control the collection, deposit, investment, and disbursement of all funds of PACT 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 advisor and recording secretary thereof;
- (e) Have the general powers and duties of management usually vested in the office of an 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 Chair shall designate a member of the Board to serve as the Fiscal Officer of PACT.

ARTICLE VIII: MISCELLANEOUS

SECTION 7.01. INSPECTION OF AGREEMENT AND BYLAWS.

PACT 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. PACT 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 PACT and any other person shall be valid and binding on PACT 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 PACT 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 its Committees 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 PACT. 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 trustees and Members not later than one hundred twenty days after the close of PACT 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 PACT that such statements were

prepared without audit from the books and records of PACT. The annual report shall contain in appropriate detail the following:

- (a) The assets and liabilities, including the trust funds, of PACT 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 PACT, both unrestricted and restricted to particular purposes, for the fiscal year; and
- (d) The expenses or disbursements of PACT, 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 PACT shall commence on July 1 of each year and end on June 30 of the following year.

ARTICLE IX: 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 Trustees 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 trustees 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 shall repeal and supersede all previous Bylaws of ~~this~~ PACT.

Adopted ~~4/26/2013~~/ /2015



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: 8:00 a.m. or After

Public Agency Compensation Trust Board Meeting

Date: May 1, 2015

AGENDA

1. Roll
2. **Action Item:** Approval of
 - a. Minutes of Annual Member Meeting April 25, 2014
 - b. Ratification of Board Action Taken Since the 2014 Annual Meeting
3. Report - Minutes of Meetings
 - Meeting of the Board of Directors of April 21, 2014
 - Meeting of the Board of Directors of May 22 2014
 - Meeting of the Board of Directors of December 1, 2014
 - Meeting of the Board of Directors of March 2, 2015
4. Investments Report
5. Report - Audited Financial Reports for 2014 (Calendar Year)
6. Discussion of Reinsurance Program Provided to Public Agency Compensation Trust for its Fiscal Year 2015-2016
7. **Action Item:** Elections/Ratification of Board Members and Officers
8. **Action Item:** Adjournment



PUBLIC COMPENSATION MUTUAL

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**DRAFT Minutes of Annual Members Meeting of
Public Compensation Mutual
Place: John Ascuaga's Nugget, Sparks, Nevada
Time: Upon Adjournment of PACT Meeting
Public Agency Compensation Trust Board Meeting
Date: April 25, 2014**

1. Roll

A quorum being present, the meeting was called to order by Chair Paul Johnson.

2. Action Item: Approval of

- a. Minutes of Annual Member Meeting April 26, 2013**
- b. Ratification of Board Action Taken Since the 2013 Annual Meeting**

On motion and second to approve both a and b, the motion carried.

3. Report - Minutes of Meetings

- Meeting of the Board of Directors of April 23, 2013**
- Meeting of the Board of Directors of January 27, 2014**
- Meeting of the Board of Directors of March 3, 2014**

On motion and second to approve, the motion carried.

4. Investments Report

On motion and second to approve based on earlier presentation, the motion carried.

5. Report - Audited Financial Reports for 2013 (Calendar Year)

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



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6. Status Report – Change of PCM to Single-Parent Status

Doug Smith commented that this change had been authorized last year by the board and approved earlier this year by the Division of Insurance. No action was needed.

7. Discussion of Reinsurance Program Provided to Public Agency Compensation Trust for its Fiscal Year 2014-2015

Doug Smith noted that this had been presented in conjunction with the PACT board meeting. No action taken.

8. Action Item: Elections/Ratification of Board Members and Officers

Doug Smith noted that Cash Minor and Josh Foli both had three-year terms expiring and were willing to continue to serve. On motion and second to reelect Cash Minor to the board and Josh Foli to the board and as Treasurer/Fiscal Officer, and to ratify Wayne Carlson as President and Doug Smith as Vice President, the motion carried.

9. Action Item: Approval of Public Agency Risk Management Services, Inc. Management Contract

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

10. Action Item: Adjournment

Chair Johnson adjourned the meeting at 12:47 p.m.



PUBLIC COMPENSATION MUTUAL

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Minutes for the Meeting of the Board of Directors of Public Compensation Mutual (PCM)

Date: Monday April 21, 2014

Scheduled Time: 2:00 P.M. or when POOL/PACT/PRM 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 at 2:40 P.M. on April 21, 2014. The joint meetings of NPAIP/PACT were recessed in order to allow captive Boards to approve renewal proposals

Board Members Present: Cash Minor, Josh Foli, Mike Rebaleati, and Alan Kalt, (Paul Johnson absent)

Others Present: Wayne Carlson, Ann Wiswell, Doug Smith, and various members of the POOL/PACT executive committees.

2. Action Item: Approval of Minutes of March 3, 2014

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

3. Staff Reports and Old Business (Action as Necessary):

Staff briefly reviewed surplus/net worth positions from the balance sheets of both captives, and noted that investment results for the first quarter were positive, reversing some of the prior year bond losses. Equities gained about 1.5% for the quarter.

4. Action Item: Election of PCM Board Members and Officers

Both Josh Foli (Fiscal Officer/Corporate Treasurer) and Cash Minor expressed willingness to serve as Board Members for the coming 2014-2017 term. Upon motion and second to reelect both, as well as ratifying Wayne Carlson (President) and Doug Smith (Vice President) as continuing officers, the motion carried. The action is on the agenda for ratification at the annual meeting April 25, 2014.



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5. Renewal Offer for PACT 2014-2015

Staff indicated that pricing for the renewal by PCM (coverage as is) is \$716,000. This is up 6.2% over last year, but it was pointed out that the Board held costs to PACT flat last year since net worth of PCM had risen significantly. This price is based on the PACT corridor deductible of \$500,000 continuing, and expenses estimated at \$104,000, which is identical with the prior year. Pricing continues to use the 70% confidence level from the actuarial work-ups.

The actuarial indication has gone up about the same for the last three years. This year it increased by 3.2%. This is for the 250k xs 500k layer, and quota share of 2.25 MM xs 750k with CRL. Also ½ of the Aggregate XS with Safety, roughly the same attachment as last year.

An option was recommended by staff, with PACT no longer funding the corridor but keeping a \$500,000 per loss retention. The first PCM layer would expand to 500,000 xs 500,000 per loss. The next layer would be compressed slightly, with CRL/PCM splitting the layer 2MM xs 1MM on a 75-25 basis (same proportion as now). The cost of this program would be \$1,207,000 (first layer \$891,000, second layer \$212,000, and expenses \$104,000).

Doug pointed out that PACT will be able to reduce its price to reflect the corridor deletion, and that this will offset much if not all of the increase in PCM's reinsurance price. This option presumes no changes in the aggregate excess layer, which attaches above roughly \$10,000,000. The aggregate pricing is presumed to be included in the layer pricing, as in the past (expected losses are estimated at about \$20,000).

Upon motion and second to present both options to the Board, the motion passed.

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 3:00 p.m.



PUBLIC COMPENSATION MUTUAL

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Minutes for the Board of Directors of Public Compensation Mutual (PCM)

Date: Monday May 22, 2014

Time: 1:30 P.M. or when Exec. Boards or PRM concludes

**Place: POOL building or by conference call
Carson City, Nevada 89701**

AGENDA

1. Roll

Chairman Paul Johnson called the meeting to order.

Members present: Josh Foli, Paul Johnson, Mike Rebaleati, Alan Kalt

Members absent: Cash Minor

Others Present: Joe Woods, Julia Doyle, Dan Smerek, Alton Cogert, Doug Smith, Wayne Carlson, Ann Wiswell, Lisa Jones, Pat Irwin, Roger Mancebo, Dan Newell, Gerry Eick

2. Action Item: Approval of Minutes of April 21, 2014

Upon motion and second to approve the minutes, the motion was passed.

3. Staff Reports and Old Business (Action as Necessary):

As the primary purpose of this joint meeting of PRM and PCM was to consider a new investment advisory firm, staff stated there were no reports at this time. Status was generally the same as at the prior meeting in April.

4. Action Item: SAA Firm Overview and Board Education

In the interest of time, the board members of Public Risk Mutual and Public Compensation Mutual convened during a joint meeting of POOL and PACT to hear this discussion as part of their agendas. Doug Smith introduced Dan Smerek and Alton Cogert of Strategic Asset Alliance (SAA) who reviewed their firm's background and proposal for investment advisor services. Doug Smith added that although he had been satisfied with Joe Woods services, he felt that a specialty advisor for insurance type operations such as SAA would be appropriate. Various members of the committee asked questions to which SAA representatives and staff



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responded. Doug commented about the need for the boards to be more aware of the big picture of investments so more training would be helpful.

Alan Kalt concurred and noted his having attended some of SAA's training. Paul Johnson discussed investment policies and strategies. Wayne Carlson reviewed the experience of CRL in having the wrong type of advisor not examining the ratio of risk assets to surplus and the consequences when the market meltdown occurred. He noted the need for a long-term perspective. Josh Foli commented about his previous experience as an investment advisor and the need for multiple viewpoints and the specific insurance related knowledge. Joe Woods added comments about his response to the process and the services he has provided. Paul Johnson noted the value of a new perspective and expertise. Gerry Eick asked about other proposals and Doug Smith responded that he had vetted numerous other advisors over the last few years (noting some of them by name) and found SAA to be unique in its expertise and focus. Many of the others had advisory and money management services, an inherent conflict.

On motion and second to accept the proposal from Strategic Asset Alliance, the motion carried.

(POOL Chair Rebaleati recessed their meeting to allow the captive boards to make their decision with regard to this issue. Upon completion of the captive meetings, Chair Rebaleati reconvened the Joint Executive Committee meeting.)

5. Action Item: Other New Business and Announcements

6. Action Item: Adjournment

On motion and second to adjourn, the motion was passed.



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**Minutes for the Meeting of the Board of Directors of
Public Compensation Mutual (PCM)
Date: Monday December 1, 2014
Scheduled Time: 1:00 P.M. or when PCM concludes
Place: POOL building or by conference call
Carson City, Nevada 89701**

1. Roll

A Board meeting of PRM was called to order by PRM Chairman Paul Johnson at 2:15 p.m. on December 1, 2014.

Board Members Present: Cash Minor, Josh Foli, Paul Johnson, and Mike Rebaleati

Others Present: Dan Smereck, Debbie Connally, Ann Wiswell, Wayne Carlson, Doug Smith

2. Action Item: Approval of Minutes of May 22, 2014

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

3. Staff Reports and Old Business (Action as Necessary):

- a. Investment Report – Dan Smereck (the report was actually presented during the PRM meeting which preceded the PCM meeting, but all Board Members listed above were present for the report and acted to accept the report as well, below)**

Dan Smereck of Strategic Asset Alliance (SAA) presented his first investment review, covering status as of September 30, 2014. Dan reported that their first quarter of involvement with our programs was focused on data collection, and he said he had been very pleased with the cooperation of our current partners. He has visited Eagle, and plans to visit PFM later next year.

He is still waiting for some history from Wells, then will begin to focus on asset allocation. He also mentioned that he feels we should look at results not only for the individual organizations, but POOL/PRM and



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PACT/PCM as rolled-up 'single risk-bearing entities' since the ultimate task of each entity is to pay underlying losses.

He discussed SAA's use of the term 'risk assets' which they define rather uniquely as including virtually any non-investment grade fixed income instruments. So, risk assets include equities, foreign bonds, junk bonds, mlp's, reits, and most other investments.

Although he has not spent much time on asset allocation yet, he plans to do so before calendar year-end, and said that he will probably recommend simplification, with fewer funds and consolidation of risk types.

Dan reviewed economic trends and provided quite a bit of benchmark and industry information. Oil price fluctuation and continuing low interest rates dominate much of the recent investment results, and low interest rates appear to be on the horizon for next year too. Reinvestment rates are only around 1-2%, for investment grade assets, and SAA feels chasing yield is quite dangerous at this time. Moving from 10-year to 30-year maturities, for example, simply doesn't appear worth the risk.

Once the asset allocation recommendations have been made and accepted, Dan will work on new benchmarks for the captives. He will also relate the risk assets, particularly, to the surplus (net worth) in each entity, and cash flow needs will be considered for each entity. Finally, the investment policies will be reviewed and changes recommended as necessary.

Doug reminded members that the SAA investment conference will be held March 17-19 in San Diego and encouraged members to plug into the SAA newsletters and website information.

By motion and second to accept the investment report, the motion carried.

4. Action Item: Annual Review of Investment Policy

Members had been provided with a copy of the current investment policy, and during brief discussion concluded there were no changes needed at this time. By motion and second to approve the investment policy, the motion carried.



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5. Action Item: Approval of audit engagement - Casey, Neilon & Assoc.

Doug provided members with auditors "Communication with those charged with Governance" and "Engagement Letter" for the 2014 audit. Upon motion and second to engage Casey, Neilon and Associates for the audit, the motion carried.

6. 2014 Tentative Board Meetings

Staff affirmed the following scheduled meeting dates:

- **Tuesday, February 17, 2015, 10:00 a.m.**
- **Tuesday, April 28, 2015, 10:00 a.m.**
- **Friday, May 1, 2015, Annual Meeting**

7. Action Item: Other New Business and Announcements

No other items were discussed.

8. Action Item: Adjournment

On motion and second the meeting adjourned at about 2:20 p.m.



PUBLIC COMPENSATION MUTUAL

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Minutes for the Meeting of the Board of Directors of Public Compensation Mutual (PCM)

Date: Monday March 2, 2015

Scheduled Time: 9:00 A.M. or when PRM concludes

**Place: POOL building or by conference call
Carson City, Nevada 89701**

**(Held Jointly with PRM; Investment Report also presented jointly to
POOL/PACT Executive Committee simultaneously)**

1. Roll

A joint meeting of PRM and PCM was called to order by PRM Chairman Cash Minor and PCM Chairman Paul Johnson at 9:00 A.M. on March 2, 2015. The joint meetings of NPAIP/PACT were recessed for the convenience of the captive auditors to present their report.

Board Members Present: Cash Minor, Paul Johnson, Mike Rebaleati, and Alan Kalt

Others Present: Wayne Carlson, Ann Wiswell, Doug Smith, Niki Neilon, Xin Chen and various members of the POOL/PACT Executive Committees.

2. Action Item: Approval of Minutes of December 1, 2014

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

3. Staff Reports and Old Business (Action as Necessary):

Staff reported no changes of substance since the last meeting.

4. Action Item: Approval of Audit Report - Casey, Neilon & Assoc.

Niki Neilon, accompanied by audit team leader Xin Chen, 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. This audit was the first to address the new 'single-parent' status of the captive.

Niki also noted that a 'clean' opinion was included, and concluded with communications regarding internal controls and governance. No changes of note since the prior year were noted.



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Upon motion and second to approve the audit report with the change noted, the motion carried.

5. **Action Item: Investment Report & Approval of Recommendations**

At around 9:10 a.m. (this item was taken out of order, via phone conference, and was a Joint report to all four affected entities) Dan Smereck of SAA provided a 4th Quarter Investment Report. Dan noted continued pressure on fixed income investments, including falling interest rates globally, is expected to continue into the near future. The captives had negative relative performance in comparison with what Dan feels are appropriate benchmarks, but positive overall results. Diversification still helped, but Dan noted our investments need to become better aligned with the benchmarks. He provided recommendations for reallocation of assets, including a move into active management for all fixed income investments (with the exception of limited exposure to high income bonds), and a more passive, index-fund based mix for equities (actually SAA defined 'risk assets' at the prior meeting as their preferred moniker for non-fixed investments).

Upon motion and second to accept Dan's recommendations, with risk assets being converted in the next month or so, preferably before the end of the quarter, and with a management search taking place for the fixed assets, the motion passed. POOL/PACT also agreed to be involved in the management search. Dan stressed that Eagle has performed quite satisfactorily, relative to their quite restrictive guidelines, and Board Members agreed due diligence suggests the occasional search be done. Staff pointed out that expenses might be reduced via the exercise, too.

6. **Future 2015 Board Meetings**

- **Tuesday, April 28, 2015, 10:00 a.m.**
- **Friday, May 1, 2015, Annual Meeting TBD**

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 about 11:30.



CASEY NEILON

March 1, 2015

To the Board of Directors
Public Compensation Mutual

We have audited the financial statements of Public Compensation Mutual for the year ended December 31, 2014, and have issued our report thereon dated March 1, 2015. 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 November 12, 2014. 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 2014. 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(s) affecting the financial statements was (were):

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 general 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 disclosure(s) affecting the financial statements was (were):

The disclosure of reserve for loss and loss adjustment expense in Note 5 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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, 2015.

Management Consultations with Other Independent Accountants

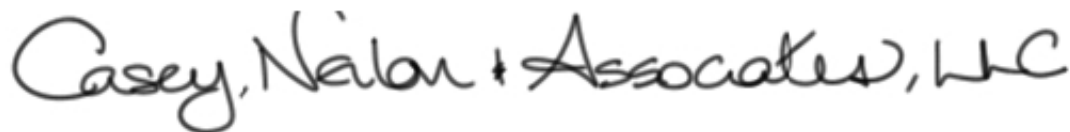
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the 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.

This information is intended solely for the use of the 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, flowing style.

Casey, Neilon and Associates



CASEY NEILON

March 1, 2015

Board of Directors
Public Compensation Mutual
201 S. Roop St, Suite 102
Carson City, NV 89701

Please find enclosed our audit report on the December 31, 2014 and 2013 financial statements of Public Compensation Mutual. In accordance with the provisions of Nevada Administrative Code 694C.210 we make the following representations:

- We are independent with regard to Public Compensation Mutual.
- We conform to the standards set forth in the *AICPA Professional Standards* published by the American Institute of Public Accountants.
- We understand that the audit annual report and our opinions thereon will be filed with the Commissioner pursuant to NAC 694C.210.
- We agree to comply with NAC 694C.230.
- We are properly licensed by the Nevada State Board of Accountancy, and we are members in good standing of the American Institute of Public Accountants.
- The workpapers for this engagement are the property of Casey, Neilon & Associates, LLC and constitute confidential information. However, we may be requested to make certain workpapers available to the State of Nevada, Department of Business and Industry, Division of Insurance pursuant to authority given to it by law or regulation. If requested, access to such workpapers will be provided under the supervision of Casey, Neilon & Associates, LLC's personnel.

The staffs involved in the audit of Public Compensation Mutual are as follows:

Darsi Casey, CPA, MST – Compliance Partner

26 years accounting and auditing experience, including 19 years of experience with auditing insurance entities in the following categories:

- Self insured associations for workers compensation (19 years)
- Self insured health fund of the State of Nevada (16 years)
- Self insured property and casualty fund of the State of Nevada (16 years)
- Captive insurers (12 years)

503 N. Division St.
Carson City, NV 89703
775 . 283 . 5555

+

730 Sandhill Rd., Ste. 300
Reno, NV 89521
775 . 329 . 9999

+

761 Northwood Blvd.
Incline Village, NV 89451
775 . 832 . 2222

Board of Directors
Public Compensation Mutual
March 1, 2015
Page 2

Niki Neilon, CPA – Engagement Partner

18 years accounting and auditing experience, including 18 years of experience with auditing insurance entities in the following categories:

- Self insured associations for workers compensation (18 years)
- Self insured health fund of the State of Nevada (16 years)
- Self insured property and casualty fund of the State of Nevada (16 years)
- Captive insurers (12 years)

Xin Chen, CPA – Manager

10 years accounting and auditing experience

Nick Belanger – Staff Accountant

3 years accounting and auditing experience.

We appreciate the opportunity to be of service to Public Compensation Mutual.

Sincerely,

A handwritten signature in black ink, appearing to read "Nicola Neilon". The signature is fluid and cursive, with the first name "Nicola" and last name "Neilon" clearly distinguishable.

Nicola Neilon, CPA

Encl.

PUBLIC COMPENSATION MUTUAL

DECEMBER 31, 2014 AND 2013

**PUBLIC COMPENSATION MUTUAL
DECEMBER 31, 2014 AND 2013**

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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 pure captive insurer) which comprise the balance sheets as of December 31, 2014 and 2013 and the related statements of income and comprehensive income, changes in surplus and cash flows for the years ended December 31, 2014 and 2013, 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 presentation of the financial statements.

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, 2014 and 2013, and the results of its operations and its cash flows for the years ended December 31, 2014 and 2013, 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, 2015, 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, 2015

**PUBLIC COMPENSATION MUTUAL
BALANCE SHEETS
DECEMBER 31, 2014 AND 2013**

| | 2014 | 2013 |
|--|---------------|---------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 2,754,269 | \$ 1,407,959 |
| Investments | 35,266,545 | 34,210,274 |
| Investment income receivable | 28 | 4,896 |
| Total Assets | \$ 38,020,842 | \$ 35,623,129 |
| LIABILITIES AND SURPLUS | | |
| Accounts payable | \$ 5,000 | \$ 10,640 |
| Reserve for loss and loss adjustment expenses | 1,934,000 | 1,218,000 |
| Unearned assessments | 603,500 | 337,000 |
| Total Liabilities | 2,542,500 | 1,565,640 |
| Surplus | 33,030,019 | 31,178,136 |
| Accumulated other comprehensive income | 2,448,323 | 2,879,353 |
| Total Surplus | 35,478,342 | 34,057,489 |
| Total Liabilities and Surplus | \$ 38,020,842 | \$ 35,623,129 |

See accompanying notes

**PUBLIC COMPENSATION MUTUAL
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| INCOME | | |
| Premiums | \$ 940,500 | \$ 674,355 |
| Investment income | <u>1,692,812</u> | <u>1,307,097</u> |
| Total Income | <u>2,633,312</u> | <u>1,981,452</u> |
| EXPENSES | | |
| Administrative fees | 65,429 | 59,972 |
| Loss and loss adjustment expenses | <u>716,000</u> | <u>116,001</u> |
| Total Expenses | <u>781,429</u> | <u>175,973</u> |
| Net Income Before Income Taxes | 1,851,883 | 1,805,479 |
| Provision for Income Taxes | <u>-</u> | <u>-</u> |
| Net Income | <u>\$ 1,851,883</u> | <u>\$ 1,805,479</u> |
| OTHER COMPREHENSIVE INCOME | | |
| Unrealized gains (losses) on available for sale securities arising during the period | \$ (431,030) | \$ 1,070,112 |
| Less: Reclassification adjustment for gains (losses) recognized in net income | <u>-</u> | <u>(161,687)</u> |
| Other Comprehensive Income (Loss) | <u>(431,030)</u> | <u>908,425</u> |
| Comprehensive Income | <u>\$ 1,420,853</u> | <u>\$ 2,713,904</u> |

See accompanying notes

**PUBLIC COMPENSATION MUTUAL
STATEMENTS OF CHANGES IN SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

| | <u>Surplus</u> | <u>Accumulated Other Comprehensive Income (Loss)</u> | <u>Total Surplus</u> |
|---|-----------------------------|--|-----------------------------|
| Balance, December 31, 2012 | \$ 29,372,657 | \$ 1,970,928 | \$ 31,343,585 |
| Net income | 1,805,479 | - | 1,805,479 |
| Unrealized holding gains arising during the period | - | 1,070,112 | 1,070,112 |
| Less: Reclassification adjustment for gains realized in net income | <u>-</u> | <u>(161,687)</u> | <u>(161,687)</u> |
| Balance, December 31, 2013 | <u>\$ 31,178,136</u> | <u>\$ 2,879,353</u> | <u>\$ 34,057,489</u> |
| Net income | 1,851,883 | - | 1,851,883 |
| Unrealized holding losses arising during the period | <u>-</u> | <u>(431,030)</u> | <u>(431,030)</u> |
| Balance, December 31, 2014 | <u><u>\$ 33,030,019</u></u> | <u><u>\$ 2,448,323</u></u> | <u><u>\$ 35,478,342</u></u> |

See accompanying notes

**PUBLIC COMPENSATION MUTUAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING | | |
| ACTIVITIES: | | |
| Net income (loss) | \$ 1,851,883 | \$ 1,805,479 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Gains (losses) on sale of securities | - | (161,687) |
| Changes in assets and liabilities: | | |
| Increase (decrease) in: | | |
| Investment income receivable | 4,868 | (1,839) |
| (Increase) decrease in: | | |
| Reserve for loss and loss adjustment expenses | 716,000 | 116,000 |
| Accounts payable | (5,640) | 398 |
| Unearned assessments | 266,500 | (355) |
| Net Cash Provided by Operating Activities | <u>2,833,611</u> | <u>1,757,996</u> |
| CASH FLOWS FROM INVESTING | | |
| ACTIVITIES: | | |
| Purchase of securities | (1,487,301) | (1,951,127) |
| Sale of securities | <u>-</u> | <u>1,447,516</u> |
| Net Cash Provided (Used) by Investing Activities | <u>(1,487,301)</u> | <u>(503,611)</u> |
| Increase (Decrease) in Cash and Cash Equivalents | 1,346,310 | 1,254,385 |
| CASH AND CASH EQUIVALENTS, Beginning of Period | <u>1,407,959</u> | <u>153,574</u> |
| CASH AND CASH EQUIVALENTS, End of Period | <u>\$ 2,754,269</u> | <u>\$ 1,407,959</u> |

See accompanying notes

**PUBLIC COMPENSATION MUTUAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations:

Public Compensation Mutual (“the Company”), a Nevada nonprofit pure captive mutual insurer formed pursuant to Nevada Revised Statute 694C, is engaged in the business of providing reinsurance for the Public Agency Compensation Trust (PACT). Effective July 18, 2013, the Company became a pure captive authorized by State of Nevada Division of Insurance, prior to this date, the Company was an association captive. 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, 2012, the Company provided 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 were subject to a one time corridor deductible of \$500,000. Effective July 1, 2014, PCM provides excess insurance in the layer \$500,000 excess of \$500,000 and a 25% quota share of the layer \$2,000,000 excess of \$1,000,000 with no corridor deductible. 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, 2014 AND 2013**

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, 2014 AND 2013**

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.

Investments and Investment Income:

Captive insurance companies are governed by 694C.340 regarding allowable investments, however, as a pure captive, the Company is not subject to any restrictions on allowable investments. The Board has, by policy, implemented investment guidelines to which the Company adheres such that investments are in accordance with NRS 682A.

Credit Risk:

Credit risk is the risk that the issuer of a security will default on principal and interest in the security. The investment guidelines, do not limit investments based upon the rating of a security, but it is policy to limit those securities with potential default risk such that the Company's annual investment income would exceed a loss on a single issuer's securities.

Concentration of Credit Risk:

The Company limits investments in revenue bonds of public utilities to no more than 25% of its assets, and investments in no more than 20% of its assets in corporate obligations.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Company minimizes this risk by 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.

Prior Year Reclassifications:

The prior year's financial statements have been reclassified where applicable to conform to the current year's presentation.

**PUBLIC COMPENSATION MUTUAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 input 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 price 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. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company has not experienced any losses in such accounts.

Additionally, as of December 31, 2014 and 2013, 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, 2014 and 2013 consist of various investments as indicated below:

| | December 31, 2014 | | | |
|--------------------------------|----------------------|----------------------|---------------------|---------------------|
| | Cost | Estimated Fair Value | Gross Unrealized | |
| | | | Gains | Losses |
| Fixed income mutual funds | \$ 16,249,604 | \$ 16,253,371 | \$ 272,457 | \$ (268,690) |
| Treasury exchange traded funds | 5,412,765 | 5,541,039 | 176,621 | (48,347) |
| Equity mutual funds | 10,095,543 | 11,445,110 | 1,470,492 | (120,925) |
| Common stock | 1,060,310 | 2,027,025 | 966,715 | - |
| Total | <u>\$ 32,818,222</u> | <u>\$ 35,266,545</u> | <u>\$ 2,886,285</u> | <u>\$ (437,962)</u> |

**PUBLIC COMPENSATION MUTUAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 4 – INVESTMENTS (continued)

| | December 31, 2013 | | | |
|--------------------------------|----------------------|----------------------|---------------------|---------------------|
| | Cost | Estimated Fair Value | Gross Unrealized | |
| | | | Gains | Losses |
| Fixed income mutual funds | \$ 15,763,933 | \$ 15,755,412 | \$ 233,266 | \$ (241,787) |
| Treasury exchange traded funds | 5,412,765 | 5,506,659 | 148,991 | (55,097) |
| Equity mutual funds | 9,093,913 | 11,347,643 | 2,253,730 | - |
| Equities | 1,060,310 | 1,600,560 | 540,250 | - |
| Total | \$ 31,330,921 | \$ 34,210,274 | \$ 3,176,237 | \$ (296,884) |

For purposes of determining gross realized gains, the cost of securities sold is based on specific identification.

| | 2014 | 2013 |
|-----------------------|------|--------------|
| Sales proceeds | \$ - | \$ 1,447,516 |
| Gross realized gains | \$ - | \$ 161,687 |
| Gross realized losses | \$ - | \$ - |

Information pertaining to securities with gross unrealized losses at December 31, 2014, aggregated by length of time individual securities have been in a continuous loss position, is as follows:

| | Less Than 12 Months | | 12 Months or Greater | | Total | |
|--------------------------------|---------------------|-------------------|----------------------|-------------------|----------------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Fixed income mutual fund | \$ - | \$ - | \$ 7,780,493 | \$ 268,690 | \$ 7,780,493 | \$ 268,690 |
| Treasury exchange traded funds | - | - | 1,451,635 | 48,347 | 1,451,635 | 48,347 |
| Equity mutual funds | 1,844,167 | 120,925 | - | - | 1,844,167 | 120,925 |
| Total | \$ 1,844,167 | \$ 120,925 | \$ 9,232,128 | \$ 317,037 | \$ 11,076,295 | \$ 437,962 |

**PUBLIC COMPENSATION MUTUAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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.

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.

All investments conformed to the Board approved investment policy during the year ended December 31, 2014.

NOTE 5 – RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES

For the year ended December 31, 2014, estimated unpaid losses have been determined to range from a recommended low of \$1,934,000 to a recommended high of \$2,389,000 based on actuarial estimates; further the actuary has projected expected losses at \$1,362,000. For the year ended December 31, 2013, estimated paid losses have been determined to range from a recommended low of \$1,218,000 to a recommended high of \$1,564,000 based on actuarial estimates; further the actuary has projected expected losses at \$784,000. Management has estimated reserves to be \$1,934,000 and \$1,218,000 at December 31, 2014 and 2013. 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>2014</u> | <u>2013</u> |
|------------------------|----------------------------|----------------------------|
| Balance at January 1 | \$ 1,218,000 | \$ 1,102,000 |
| Incurred related to: | | |
| Current year | 924,000 | 85,000 |
| Prior years | <u>(208,000)</u> | <u>31,000</u> |
| Total incurred | <u>716,000</u> | <u>116,000</u> |
| Net paid | <u>-</u> | <u>-</u> |
| Balance at December 31 | <u><u>\$ 1,934,000</u></u> | <u><u>\$ 1,218,000</u></u> |

As a result of changes in estimates of incurred events in the prior year, the provision for losses changed by (\$208,000) and \$31,000, respectively, due to (lower)/higher than anticipated losses on the development of claims.

**PUBLIC COMPENSATION MUTUAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 6 – SURPLUS CONTRIBUTION

An additional \$ - and \$135,599 in surplus was contributed to the Company from PACT during the years ended December 31, 2014 and 2013 respectively, pursuant to authorization by the Executive Committee of PACT. In the PACT executive board minutes for December 2014, it was agreed that 50% of the PACT's net income in the amount of \$448,242 would be transferred to the Company in a subsequent period.

NRS 694C.250 requires a pure captive to maintain capital of not less than \$200,000, the Company is in compliance with this requirement as of December 31, 2014 and 2013.

NOTE 7 – RELATED PARTIES

All premiums and surplus contributions are made by PACT and all claims activity is attributable to the quota share reinsurance agreement with PACT.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated the activities and transactions subsequent to December 31, 2014 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended December 31, 2014. Management has evaluated subsequent events through March 1, 2015, 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, 2014 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, 2015

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 | 2015-2018 | reelection |
| Alan Kalt | Churchill Co. | Vice Chair/Corp Sec. | 2013-2016 | | |
| Josh Foli | Lyon Co. | Fiscal Officer/Corp Treas. | 2014-2017 | | |
| Cash Minor | Elko Co. | | 2014-2017 | | |
| Mike Rebaleati | Eureka Co. | | 2013-2016 | | |

Other Officers

| | | | | | |
|---------------|--|----------------|--|--|---------------------|
| Wayne Carlson | | President | | | Ratification |
| Doug Smith | | Vice President | | | Ratification |

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

**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 PCM Board Meeting
Date: May 1, 2015**

AGENDA

May 1, 2015

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**
 - a. Approval of Minutes of Board and Committee Meetings:**
 - Board Meeting April 25 2014
 - b. Acceptance of Interim Financial Statements**
- 4. For Possible Action: Acceptance of Audit for June 30, 2014**
- 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 Effective July 1, 2015**

- a. Discussion regarding POOL Form and Possible Changes
- b. Approve Changes to POOL Form 2015-2016

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

8. For Possible Action: Acceptance of Budget for 2015-2016

9. For Possible Action: Action regarding these topics:

- 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

10. For Possible Action: Election of Executive Committee for Two Year Terms from 2015-2017

- a. One Representative from School Districts for a Two Year Term and One Representative to Fill the Current Vacancy for a One-Year Term
- b. Two Representatives from Counties and/or Cities with under 35,000 population
- c. Two Representatives from Counties and/or Cities with 35,000 or more population

11. For Possible Action: Election of Chair and Vice Chair

12. For Possible Action: Approve Changes to the Bylaws

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 and on the State's Website:

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.



**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

**DRAFT 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 25, 2014**

April 25, 2014

1. Introductions and Roll

A quorum being present, Chair Rebaleati called the meeting to order at 1:12 p.m.

2. Public Comment

Chair Rebaleati opened public comment, but hearing none, closed the period.

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 26, 2013**
- **Acceptance of Interim Financial Statements**

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

4. For Possible Action: Acceptance of Audit for June 30, 2013

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

5. For Possible Action: Acceptance of Reports

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

Wayne Carlson commented that the claims review report showed comparative results by type of member. He then updated the board on the 2013 claims audit about which he reported preliminary results at the last annual meeting. ASC's claims handling was deemed to be excellent with reserves well within the acceptable margin. Donna Squires reviewed the large loss report noting that errors or omissions claims were the highest and that a couple of school district claims grew to significant amounts of the total cost of claims. Doug Smith discussed the property loss pattern and how over time the typical loss pattern was one large loss every three years. He reviewed the actuarial trends revealing a leveling of claims activity and costs and trending lower.

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

6. For Possible Action: Approval of POOL Form Effective July 1, 2014

a. Action to approve POOL Form and Changes

b. Discussion Regarding Adding a “Hammer” Clause in the Future to Address Member Non-compliance with Claims Reporting Requirements or Failing to Follow Legal Counsel Advice

- a. Wayne Carlson said that the genesis of the terrorism language change came from County Reinsurance as a modernization of the language to reflect the current TRIA law, which expires and the end of this year unless congress extends the law. He noted that NPAIP has separate terrorism property and liability policies that are unaffected by this language change.

On motion and second to approve the POOL Form for 2014-2015, the motion carried.

- b. Wayne Carlson introduced this to begin a discussion about the concerns that some members may not be reporting claims or lawsuits timely or are trying to handle claims themselves since they have large deductibles. He reviewed the sample language other pools have adopted to address these problems ranging from excluding coverage to requiring proportional sharing in any loss amounts. He cited examples of issues arising from NPAIP’s own claims that created problems in the past. Donna Squires added that another issue is when members fail to follow legal advice in the course of resolving claims, thus making the claim worse.

On motion and second to have this topic placed on a future retreat agenda for consideration and in addition, to have staff direct a letter to members explaining their obligations and problems with failure to report, failure to timely report and noncooperation with NPAIP and legal counsel on settlements or loss prevention advice, the motion carried.

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

Bob Lombard explained the reinsurance marketing efforts and each of the options that resulted. He noted particularly that the long term relationship with Lloyds of London greatly helped secure positive results for this renewal.

Bob reviewed the present program structure. NPAIP’s property retention is \$200,000 plus a \$250,000 corridor; its liability retention is \$500,000. NPAIP’s captive, Public Risk Mutual (PRM) reinsures property for \$50,000 excess of \$200,000 each loss. It quota shares liability limits with County Reinsurance (CRL) with PRM taking 20% of \$2,500,000 excess of \$500,000 and CRL taking 80% for all but schools. United Educators provides \$2,500,000 excess of \$500,000 for schools. Government Entities Mutual (GEM) provides \$2,000,000 excess of \$3,000,000 and Brit provides \$5,000,000 excess of \$5,000,000. Using the current year’s rates and applying them to the renewal exposure base, the reinsurance costs including terrorism policies total \$4,931,134. For comparison purposes using the same structure for the 2014-2015 renewal, the total program costs are \$4,803,301.

The Executive Committee and the captive boards both discussed additional options that involve increasing PRM’s capacity while holding or reducing NPAIP’s retentions. In addition, during discussions at Lloyds, it appeared that additional capacity was available such that we could add additional earthquake and flood coverage for a small cost. From a liability perspective, Doug Smith compared our actuarial pricing considerations for the various other reinsurers and determined that PRM could charge much less than Brit for their layer. This resulted in consideration of a couple of options for additional liability reinsurance layers for PRM and adjusting layers for the others.

Two options were presented:

Option 1: Increase the earthquake and flood limits by \$25,000,000. NPAIP's retention would remain at \$200,000, but PRM would increase its coverage to \$300,000 excess of \$200,000. For liability, a new quota share arrangement would be used for the \$7,000,000 excess of \$3,000,000 layer with PRM taking 10%, GEM taking 40% and Brit taking 50%. There would be no change for CRL or UE. This option totals \$4,815,301.

Option 2: Makes the same property changes as Option 1 and for the CRL and UE layers of liability. The quota share liability layer of \$7,000,000 excess of \$3,000,000 would be changed to PRM taking 15%, GEM taking 35% and Brit taking 50%. This options totals \$4,813,401.

Discussion ensued about the merits of these alternatives. Doug Smith commented that PRM had increased its surplus substantially and was well-positioned to take either of the options. He also noted that until Brit's renewal pricing dropped, he could have made an argument for PRM to stretch and take the Brit layer out and split it with GEM. He felt the two options above reflect a more gradual approach to taking risk. Josh Foli commented about the long range strategy of placing more risk into our captives was appropriate. Wayne Carlson noted that NPAIP placed capital into PRM, CRL and GEM so there was a membership relationship in which NPAIP has a stake in all of them. Brit is a commercial reinsurer in which NPAIP has not capital stake. Gerry Eick suggested that if PRM is to take on the additional risk, then perhaps the Executive Committee should consider contributing additional NPAIP capital into PRM; for example, \$1,000,000. Bob and staff responded to questions from other board members.

On motion and second to select Option 2 and to request that the Executive Committee determine the need to transfer additional capital into PRM, the motion carried.

8. For Possible Action: Acceptance of Budget for 2014-2015

On motion and second to approve, the motion carried.

9. For Possible Action: Action regarding these topics:

- 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**

Alan Kalt commented that he was on the CLGF and no current members were in hazardous financial condition. Wayne Carlson referred the board to the previous claims review report. Discussion ensued regarding notification of members with excessive losses about the availability of NPAIP's extensive services to help reduce the risks for their benefit and for the benefit of the pool membership as a whole.

On motion and second to have the minutes reflect that this review occurred and no action was deemed necessary to expel any member, the motion carried.

10. For Possible Action: Election of Executive Committee for Two Year Terms from 2014-2016

- 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**

Incumbents expressed interest in continuing to serve: a. Kevin Curnes, Carson City School District; b. Dan Newell, City of Yerington; c. Gerry Eick, Incline Village GID. Chair Rebaleati opened nominations.

On motion and second to reelect these incumbents, the motion carried.

11. For Possible Action: Election of Chair and Vice Chair

Chair Rebaleati and Vice Chair Cash Minor indicated interest in continuing to serve. On motion and second to reelect each to their respective positions, the motion carried.

12. Public Comment

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

13. For Possible Action: Adjournment

Chair Rebaleati adjourned the meeting at 2:16 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
Complex
10 S. Main Street
Eureka, NV 89316**

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

NEVADA PUBLIC AGENCY INSURANCE POOL

Balance Sheet
February 28, 2015

ASSETS

| | |
|--------------------------------|-------------------------|
| Current Assets | |
| Cash - Claims - Wells Fargo | (\$ 1,130,523.04) |
| Cash - Admin. - Wells Fargo | 1,271,668.89 |
| A/R PARMS | <u>47.00</u> |
| Total Current Assets | 141,192.85 |
| Property and Equipment | |
| Land - 2nd & Roop Streets | 466,653.05 |
| Building - 2nd & Roop Streets | 1,783,715.41 |
| Building Depreciation | (546,041.62) |
| 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 | 1,704,326.84 |
| Other Assets | |
| WF - Investment Cash Account | 22,701.14 |
| Eagle - Cash Equivalents | 644,212.39 |
| Investment - Eagle Asset Mgmt. | 32,621,506.02 |
| Public Risk Mutual- Investment | 17,988,540.00 |
| PRM Amortization | (9,064,688.54) |
| Eagle Investment Income Rec. | 148,246.55 |
| Wells Investment Interest Rec. | 0.47 |
| Assessments Receivable | 82,765.68 |
| Specific Recoverable | 1,450,078.12 |
| Maintenance Deductibles | 170,943.53 |
| Prepaid Reinsurance | 1,746,386.74 |
| Prepaid Commission - Current | 318,755.64 |
| Prepaid Willis Pooling | 85,000.00 |
| Prepaid ASC | 57,165.14 |
| Prepaid Loss Control Fees | 83,336.00 |
| Prepaid Schools Security Prog | 35,167.00 |
| Other Prepaid | 332.00 |
| Prepaid Casualty Insurance | <u>36,817.61</u> |
| Total Other Assets | <u>46,427,265.49</u> |
| Total Assets | <u>\$ 48,272,785.18</u> |

LIABILITIES AND CAPITAL

| | |
|-----------------------------|-------------------------|
| Current Liabilities | |
| Loss Fund | \$ 60,222,292.25 |
| Loss Reserves - LAE | 71,014.11 |
| Loss Payments | (64,586,137.41) |
| Loss Payments - LAE | (32,372,713.72) |
| Specific Recoverable | 24,779,520.76 |
| Aggregate Recoverable | 765,730.03 |
| Deductible Reimbursement | 13,476,719.02 |
| Vouchers Within Deductible | 8,663,196.75 |
| Unearned Assessment Reserve | <u>4,700,601.35</u> |
| Total Current Liabilities | 15,720,223.14 |
| Long-Term Liabilities | |
| Total Long-Term Liabilities | <u>0.00</u> |
| Total Liabilities | 15,720,223.14 |
| Capital | |
| Retained Earnings | 32,937,917.03 |
| Net Income | <u>(385,354.99)</u> |
| Total Capital | <u>32,552,562.04</u> |
| Total Liabilities & Capital | <u>\$ 48,272,785.18</u> |

NEVADA PUBLIC AGENCY INSURANCE POOL

Income Statement

For the Eight Months Ending February 28, 2015

| | Current Month | | Year to Date | |
|--------------------------------|---------------------|---------------|----------------------|---------------|
| Revenues | | | | |
| Rental Income | \$ 15,895.00 | 1.56 | \$ 171,051.21 | 1.68 |
| Phone Equipment Lease | 336.00 | 0.03 | 2,688.00 | 0.03 |
| Postage Reimbursement | 114.70 | 0.01 | 709.61 | 0.01 |
| Assessments Written | 16,161.49 | 1.58 | 14,071,584.84 | 137.90 |
| Assessments Written Prior Year | 0.00 | 0.00 | (774.97) | (0.01) |
| Taxes Written | 11.90 | 0.00 | 7,004.86 | 0.07 |
| Change in Unearned Assessments | 1,175,148.00 | 115.03 | (4,700,601.35) | (46.07) |
| Investment Interest Income | 72,505.18 | 7.10 | 563,804.39 | 5.53 |
| Realized Gain/(Loss) Invest. | 4,745.82 | 0.46 | (62,567.55) | (0.61) |
| Invest. Unrealized Gain/(Loss) | (263,304.15) | (25.77) | 146,819.10 | 1.44 |
| Other Income | 0.00 | 0.00 | 4,203.53 | 0.04 |
| Total Revenues | 1,021,613.94 | 100.00 | 10,203,921.67 | 100.00 |
| Cost of Sales | | | | |
| Reinsurance Ceded | 438,682.00 | 42.94 | 3,483,632.00 | 34.14 |
| Loss Fund Expense | 410,457.00 | 40.18 | 3,275,280.00 | 32.10 |
| Commission Expense - Current | 66,223.00 | 6.48 | 601,226.00 | 5.89 |
| Willis Pooling Fees | 21,250.00 | 2.08 | 170,000.00 | 1.67 |
| ASC Claims Admin. Fees | 57,738.00 | 5.65 | 436,143.95 | 4.27 |
| Tax Expense | 15.83 | 0.00 | 8,586.05 | 0.08 |
| Loss Control Fees | 20,833.00 | 2.04 | 166,664.00 | 1.63 |
| Total Cost of Sales | 1,015,198.83 | 99.37 | 8,141,532.00 | 79.79 |
| Gross Profit | 6,415.11 | 0.63 | 2,062,389.67 | 20.21 |
| Expenses | | | | |
| Management Services | 38,500.00 | 3.77 | 308,000.00 | 3.02 |
| Sponsorship Fees | 437.50 | 0.04 | 2,537.50 | 0.02 |
| Counsel Opinions | 0.00 | 0.00 | 23,110.50 | 0.23 |
| Travel | 2,684.54 | 0.26 | 17,332.64 | 0.17 |
| Casualty Insurance | 3,380.00 | 0.33 | 25,451.14 | 0.25 |
| Dues & Seminar Fees | 1,267.50 | 0.12 | 8,667.93 | 0.08 |
| Audit Expense | 0.00 | 0.00 | 14,830.00 | 0.15 |
| Printing/Copying/Subscriptions | 206.73 | 0.02 | 1,897.17 | 0.02 |
| Postage | 0.00 | 0.00 | 207.26 | 0.00 |
| Office Supplies | 507.20 | 0.05 | 2,328.94 | 0.02 |
| Telephone Expense | 271.67 | 0.03 | 6,659.59 | 0.07 |
| Legal Expense | 924.76 | 0.09 | 5,800.76 | 0.06 |
| Board & Committee Meetings | 382.17 | 0.04 | 3,231.11 | 0.03 |
| Actuary Expense | 0.00 | 0.00 | 8,670.00 | 0.08 |
| Member Education & Services | 14,016.22 | 1.37 | 182,618.20 | 1.79 |
| Loss Control Excellence Awards | 0.00 | 0.00 | 28,000.00 | 0.27 |
| Consultants Appraisals | 0.00 | 0.00 | 101,198.00 | 0.99 |
| PRI Contract Services | 45,541.50 | 4.46 | 364,332.00 | 3.57 |
| Loss Control Grants | 5,641.94 | 0.55 | 50,740.03 | 0.50 |
| Environmental Consultants | 747.88 | 0.07 | 10,888.92 | 0.11 |
| PRM Amortization Expense | 141,571.00 | 13.86 | 1,132,568.00 | 11.10 |

NEVADA PUBLIC AGENCY INSURANCE POOL

Income Statement

For the Eight Months Ending February 28, 2015

| | Current Month | | Year to Date | |
|--------------------------------|------------------------|----------------|------------------------|---------------|
| Investment Expense | 1,221.91 | 0.12 | 49,239.09 | 0.48 |
| Building Maintenance & Repairs | 1,009.00 | 0.10 | 21,317.95 | 0.21 |
| Conference Room Expense | 0.00 | 0.00 | 147.39 | 0.00 |
| Custodial Services | 2,119.94 | 0.21 | 14,796.17 | 0.15 |
| Building Depreciation Expense | 3,744.72 | 0.37 | 29,957.76 | 0.29 |
| Building Equipment Lease | 554.72 | 0.05 | 4,536.70 | 0.04 |
| Building Copier Paper | 221.34 | 0.02 | 1,356.21 | 0.01 |
| Building Insurance Expense | 751.00 | 0.07 | 6,008.00 | 0.06 |
| Building Tax Expense | 0.00 | 0.00 | 4,194.61 | 0.04 |
| Postage for Meter | 0.00 | 0.00 | 773.52 | 0.01 |
| Building Utilities | <u>2,024.16</u> | <u>0.20</u> | <u>16,347.57</u> | <u>0.16</u> |
| Total Expenses | <u>267,727.40</u> | <u>26.21</u> | <u>2,447,744.66</u> | <u>23.99</u> |
| Net Income | <u>(\$ 261,312.29)</u> | <u>(25.58)</u> | <u>(\$ 385,354.99)</u> | <u>(3.78)</u> |

**Nevada Public Agency Insurance Pool
Budget Comparison to Actuals
As of February 28, 2015**

| Account Description | Budget Amount | YTD | Remaining Budget | This Month Last Year | % of Change |
|---|----------------------|-------------------|-------------------------|-----------------------------|--------------------|
| INCOME: | | | | | |
| Assessments Written | 15,757,285 | 9,370,209 | 6,387,076 | 9,562,416 | -2.05% |
| Taxes Written | 7,254 | 7,005 | 249 | 7,234 | -3.27% |
| Investment Revenues | 610,000 | 648,056 | (38,056) | 449,685 | 30.61% |
| Bank Interest Income | 0 | | - | | 0.00% |
| Other Income | 4,000 | 4,204 | (204) | 8,158 | -94.07% |
| TOTAL INCOME | 16,378,539 | 10,029,473 | 6,349,066 | 10,027,493 | 0.02% |
| LOSS FUND EXPENSES: | | | | | |
| Loss Fund Expense | 5,646,000 | 3,275,280 | 2,370,720 | 4,363,616 | -33.23% |
| TOTAL LOSS FUND EXPENSES | 5,646,000 | 3,275,280 | 2,370,720 | 4,363,616 | -33.23% |
| PROGRAM EXPENSES: | | | | | |
| Reinsurance Ceded | 4,975,918 | 3,483,632 | 1,492,286 | 3,279,400 | 5.86% |
| Commission Expense | 939,245 | 601,226 | 338,019 | 625,192 | -3.99% |
| Willis Pooling Fees | 255,000 | 170,000 | 85,000 | 170,000 | 0.00% |
| ASC Claims Admin. Fees | 686,938 | 436,144 | 250,794 | 420,360 | 3.62% |
| Tax Expense | 7,254 | 8,586 | (1,332) | 7,234 | 15.75% |
| Loss Control Fees | 250,000 | 166,664 | 83,336 | 166,664 | 0.00% |
| Total Program Expenses | 7,114,355 | 4,866,252 | 2,248,103 | 4,668,850 | 4.06% |
| ADMINISTRATION EXPENSES: | | | | | |
| Management Services | 490,136 | 308,000 | 182,136 | 326,760 | -6.09% |
| Sponsorship Fees | 5,000 | 2,538 | 2,463 | 2,515 | 0.89% |
| Counsel Opinions | 40,000 | 23,111 | 16,890 | 10,835 | 53.12% |
| Travel | 30,000 | 17,333 | 12,667 | 22,488 | -29.74% |
| Casualty Insurance | 40,000 | 25,451 | 14,549 | 24,921 | 2.08% |
| Dues & Seminar Fees | 12,000 | 8,668 | 3,332 | 9,941 | -14.68% |
| Audit Expense | 17,700 | 14,830 | 2,870 | 15,250 | -2.83% |
| Printing/Copying/Subscriptions | 7,000 | 1,897 | 5,103 | 4,887 | -157.60% |
| Postage | 2,000 | 207 | 1,793 | 498 | -140.32% |
| Office Supplies | 4,000 | 2,329 | 1,671 | 1,556 | 33.19% |
| Telephone Expense | 3,000 | 6,660 | (3,660) | 1,365 | 79.50% |
| Legal Expense | 25,000 | 5,801 | 19,199 | 2,482 | 57.22% |
| Miscellaneous Expense | - | - | - | - | 0.00% |
| Board & Committee Meetings | 10,000 | 3,231 | 6,769 | 1,115 | 65.48% |
| Actuary Expense | 20,000 | 8,670 | 11,330 | 8,590 | 0.92% |
| Member Education, Training & Services | 227,600 | 182,618 | 44,982 | 116,829 | 36.03% |
| Bank Charges | - | - | - | 1,857 | -100.00% |
| Loss Control Excellence Awards | 20,000 | 28,000 | (8,000) | - | 100.00% |
| Consultants Appraisals | 92,500 | 101,198 | (8,698) | 114,660 | -13.30% |
| Bad Debt Expense | 500 | - | 500 | - | 0.00% |
| PRI Contract Services | 535,500 | 364,332 | 171,168 | 357,000 | 2.01% |
| Equip Depreciation Expense | - | - | - | - | 0.00% |
| Loss Control Grants | 429,111 | 50,740 | 378,371 | 78,778 | -55.26% |
| Investment Expense | - | 49,239 | (49,239) | 52,283 | -6.18% |
| Environmental Consultants | 22,000 | 10,889 | 11,111 | 6,596 | 39.43% |
| TOTAL ADMINISTRATION EXPENSES | 2,033,047 | 1,215,741 | 817,306 | 1,161,206 | 4.49% |
| TOTAL LOSS FUND, PROGRAM & ADMINISTRATION EXPENSES | 14,793,402 | 9,357,273 | 5,436,129 | 10,193,672 | -8.94% |
| NET INCOME | 1,585,137 | 672,200 | 912,937 | (166,179) | 124.72% |

NON-ALLOCABLE INCOME AND EXPENSES

**Nevada Public Agency Insurance Pool
Budget Comparison to Actuals
As of February 28, 2015**

| Account Description | Budget Amount | YTD | Remaining Budget | This Month Last Year | % of Change |
|--------------------------------|----------------------|------------------|-------------------------|-----------------------------|--------------------|
| BUILDING INCOME: | | | | | |
| Conference Room Revenue | - | - | - | | 0.00% |
| Rental Income | 259,347 | 171,051 | 88,296 | 185,828 | -8.64% |
| Phone Equipment Lease | 4,000 | 2,688 | 1,312 | 3,024 | -12.50% |
| Postage Reimbursement | 2,000 | 710 | 1,290 | 923 | -30.07% |
| TOTAL BUILDING INCOME | 265,347 | 174,449 | 90,898 | 189,775 | -8.79% |
| BUILDING EXPENSES: | | | | | |
| Building Maintenance & Repairs | 22,000 | 21,318 | 682 | 20,726 | 2.78% |
| Building Management & Accting | - | - | - | - | 0.00% |
| Conference Room Expense | 200 | 147 | 53 | - | 0.00% |
| Custodial Services | 25,000 | 14,796 | 10,204 | 15,866 | -7.23% |
| Building Depreciation Expense | 44,936 | 29,958 | 14,978 | 29,958 | 0.00% |
| Building Equipment Lease | - | 4,537 | (4,537) | 479 | 89.44% |
| Building Copier Paper | - | 1,356 | (1,356) | 166 | 87.79% |
| Bldg Equipment Maintenance | 1,000 | - | 1,000 | 263 | -100.00% |
| Building Insurance Expense | 8,000 | 6,008 | 1,992 | 5,800 | 3.46% |
| Building Misc Expense | - | - | - | - | 0.00% |
| Building Tax Expense | 3,700 | 4,195 | (495) | 4,072 | 2.91% |
| Postage for Meter | 2,000 | 774 | 1,226 | 1,207 | -56.03% |
| Building Utilities | 25,000 | 16,348 | 8,652 | 15,776 | 3.50% |
| TOTAL BUILDING EXPENSES | 131,836 | 99,436 | 32,400 | 94,313 | 5.15% |
| NET BUILDING INCOME | 133,511 | 75,013 | 58,498 | 95,462 | -27.26% |
| OTHER EXPENSES: | | | | | |
| PRM Amortization Expense | 2,131,205 | 1,132,568 | 998,637 | 1,186,732 | -4.78% |
| TOTAL OTHER EXPENSES | 2,131,205 | 1,132,568 | 998,637 | 1,186,732 | -4.78% |
| Net Income | | 672,200 | | (166,179) | |
| Net Building Income | | 75,013 | | 95,462 | |
| Other Expenses | | (1,132,568) | | (1,186,732) | |
| Income Statement Net Income | | (385,355) | | (1,257,449) | |

NEVADA PUBLIC AGENCY INSURANCE POOL

Income Statement

For the Eight Months Ending February 28, 2015

| | Current Month This Year 2015 | Year to Date This Year 2015 | Current Month Last Year 2014 | Year to Date Last Year 2014 |
|--------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
| Revenues | | | | |
| Rental Income | \$ 15,895.00 | \$ 171,051.21 | \$ 31,570.00 | \$ 185,827.77 |
| Phone Equipment Lease | 336.00 | 2,688.00 | 672.00 | 3,024.00 |
| Postage Reimbursement | 114.70 | 709.61 | 209.45 | 923.00 |
| Assessments Written | 16,161.49 | 14,071,584.84 | 0.00 | 14,343,634.11 |
| Assessments Written Prior Year | 0.00 | (774.97) | 0.00 | 0.00 |
| Taxes Written | 11.90 | 7,004.86 | 0.00 | 7,234.00 |
| Change in Unearned Assessments | 1,175,148.00 | (4,700,601.35) | 1,195,302.00 | (4,781,218.10) |
| Investment Interest Income | 72,505.18 | 563,804.39 | 63,553.99 | 524,615.69 |
| Realized Gain/(Loss) Invest. | 4,745.82 | (62,567.55) | (5,103.45) | 435,992.57 |
| Invest. Unrealized Gain/(Loss) | (263,304.15) | 146,819.10 | 82,924.63 | (510,922.91) |
| Other Income | 0.00 | 4,203.53 | 0.00 | 8,157.60 |
| Total Revenues | 1,021,613.94 | 10,203,921.67 | 1,369,128.62 | 10,217,267.73 |
| Cost of Sales | | | | |
| Reinsurance Ceded | 438,682.00 | 3,483,632.00 | 410,012.00 | 3,279,400.00 |
| Loss Fund Expense | 410,457.00 | 3,275,280.00 | 545,452.00 | 4,363,616.00 |
| Commission Expense - Current | 66,223.00 | 601,226.00 | 78,149.00 | 625,192.00 |
| Willis Pooling Fees | 21,250.00 | 170,000.00 | 21,250.00 | 170,000.00 |
| ASC Claims Admin. Fees | 57,738.00 | 436,143.95 | 51,725.00 | 420,359.80 |
| Tax Expense | 15.83 | 8,586.05 | 0.00 | 7,233.91 |
| Loss Control Fees | 20,833.00 | 166,664.00 | 20,833.00 | 166,664.00 |
| Total Cost of Sales | 1,015,198.83 | 8,141,532.00 | 1,127,421.00 | 9,032,465.71 |
| Gross Profit | 6,415.11 | 2,062,389.67 | 241,707.62 | 1,184,802.02 |
| Expenses | | | | |
| Management Services | 38,500.00 | 308,000.00 | 40,845.00 | 326,760.00 |
| Sponsorship Fees | 437.50 | 2,537.50 | 0.00 | 2,515.00 |
| Counsel Opinions | 0.00 | 23,110.50 | 0.00 | 10,835.00 |
| Travel | 2,684.54 | 17,332.64 | 3,097.88 | 22,487.76 |
| Casualty Insurance | 3,380.00 | 25,451.14 | 3,115.00 | 24,921.14 |
| Dues & Seminar Fees | 1,267.50 | 8,667.93 | 700.00 | 9,940.56 |
| Audit Expense | 0.00 | 14,830.00 | 0.00 | 15,250.00 |
| Printing/Copying/Subscriptions | 206.73 | 1,897.17 | 721.29 | 4,887.20 |
| Postage | 0.00 | 207.26 | 4.46 | 498.09 |
| Office Supplies | 507.20 | 2,328.94 | 342.34 | 1,555.88 |
| Telephone Expense | 271.67 | 6,659.59 | (6.24) | 1,365.17 |
| Legal Expense | 924.76 | 5,800.76 | 1,301.72 | 2,481.72 |
| Board & Committee Meetings | 382.17 | 3,231.11 | 839.30 | 1,115.49 |
| Actuary Expense | 0.00 | 8,670.00 | 0.00 | 8,590.00 |
| Member Education & Services | 14,016.22 | 182,618.20 | 14,014.70 | 116,829.27 |
| Bank Charges | 0.00 | 0.00 | 0.00 | 1,856.62 |
| Loss Control Excellence Awards | 0.00 | 28,000.00 | 0.00 | 0.00 |
| Consultants Appraisals | 0.00 | 101,198.00 | 32,148.00 | 114,660.00 |
| PRI Contract Services | 45,541.50 | 364,332.00 | 44,625.00 | 357,000.00 |

NEVADA PUBLIC AGENCY INSURANCE POOL

Income Statement

For the Eight Months Ending February 28, 2015

| | Current Month This Year 2015 | Year to Date This Year 2015 | Current Month Last Year 2014 | Year to Date Last Year 2014 |
|--------------------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
| Loss Control Grants | 5,641.94 | 50,740.03 | 125.00 | 78,777.95 |
| Environmental Consultants | 747.88 | 10,888.92 | 0.00 | 6,595.88 |
| PRM Amortization Expense | 141,571.00 | 1,132,568.00 | 149,904.00 | 1,186,732.00 |
| Investment Expense | 1,221.91 | 49,239.09 | 1,195.87 | 52,283.24 |
| Building Maintenance & Repairs | 1,009.00 | 21,317.95 | 862.40 | 20,726.26 |
| Conference Room Expense | 0.00 | 147.39 | 0.00 | 0.00 |
| Custodial Services | 2,119.94 | 14,796.17 | 1,971.94 | 15,866.40 |
| Building Depreciation Expense | 3,744.72 | 29,957.76 | 3,744.72 | 29,957.76 |
| Bldg Equipment Maintenance | 0.00 | 0.00 | 0.00 | 262.52 |
| Building Equipment Lease | 554.72 | 4,536.70 | (2,523.96) | 479.22 |
| Building Copier Paper | 221.34 | 1,356.21 | (470.45) | 165.63 |
| Building Insurance Expense | 751.00 | 6,008.00 | 725.00 | 5,800.00 |
| Building Tax Expense | 0.00 | 4,194.61 | 0.00 | 4,072.46 |
| Postage for Meter | 0.00 | 773.52 | (157.50) | 1,206.92 |
| Building Utilities | 2,024.16 | 16,347.57 | 2,006.02 | 15,775.78 |
| Total Expenses | <u>267,727.40</u> | <u>2,447,744.66</u> | <u>299,131.49</u> | <u>2,442,250.92</u> |
| Net Income | <u>(\$ 261,312.29)</u> | <u>(\$ 385,354.99)</u> | <u>(\$ 57,423.87)</u> | <u>#####</u> |

NEVADA PUBLIC AGENCY INSURANCE POOL

General Ledger Trial Balance

As of Feb 28, 2015

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

| Account ID | Account Description | Debit Amt | Credit Amt |
|------------|--------------------------------|---------------|---------------|
| 1104 | Cash - Claims - Wells Fargo | | 1,130,523.04 |
| 1105 | Cash - Admin. - Wells Fargo | 1,271,668.89 | |
| 1107 | Land - 2nd & Roop Streets | 466,653.05 | |
| 1108 | Building - 2nd & Roop Streets | 1,783,715.41 | |
| 1110 | Building Depreciation | | 546,041.62 |
| 1200 | WF - Investment Cash Account | 22,701.14 | |
| 1203 | Eagle - Cash Equivalents | 644,212.39 | |
| 1204 | Investment - Eagle Asset Mgmt. | 32,621,506.02 | |
| 1210 | Public Risk Mutual- Investment | 17,988,540.00 | |
| 1212 | PRM Amortization | | 9,064,688.54 |
| 1214 | Eagle Investment Income Rec. | 148,246.55 | |
| 1215 | Wells Investment Interest Rec. | 0.47 | |
| 1301 | Assessments Receivable | 82,765.68 | |
| 1310 | Specific Recoverable | 1,450,078.12 | |
| 1313 | Maintenance Deductibles | 170,943.53 | |
| 1325 | A/R PARMS | 47.00 | |
| 1401 | Prepaid Reinsurance | 1,746,386.74 | |
| 1411 | Prepaid Commission - Current | 318,755.64 | |
| 1413 | Prepaid Willis Pooling | 85,000.00 | |
| 1414 | Prepaid ASC | 57,165.14 | |
| 1417 | Prepaid Loss Control Fees | 83,336.00 | |
| 1418 | Prepaid Schools Security Prog | 35,167.00 | |
| 1420 | Other Prepaid | 332.00 | |
| 1463 | Prepaid Casualty Insurance | 36,817.61 | |
| 1500 | Equipment | 60,528.00 | |
| 1510 | Equip Accumulated Depreciation | | 94,856.66 |
| 1600-BLD | Building Equipment | 28,645.91 | |
| 1620-BLD | Building Fixtures | 1,323.00 | |
| 1625-BLD | Building Furniture | 4,359.75 | |
| 2110 | Loss Fund | | 60,222,292.25 |
| 2114 | Loss Reserves - LAE | | 71,014.11 |
| 2200 | Loss Payments | 64,586,137.41 | |
| 2210 | Loss Payments - LAE | 32,372,713.72 | |
| 2310 | Specific Recoverable | | 24,779,520.76 |
| 2311 | Aggregate Recoverable | | 765,730.03 |
| 2312 | Deductible Reimbursement | | 13,476,719.02 |
| 2320 | Vouchers Within Deductible | | 8,663,196.75 |
| 2330 | Unearned Assessment Reserve | | 4,700,601.35 |
| 3501 | Retained Earnings | | 32,937,917.03 |
| 4050-BLD | Rental Income | | 171,051.21 |
| 4075-BLD | Phone Equipment Lease | | 2,688.00 |
| 4080-BLD | Postage Reimbursement | | 709.61 |
| 4110 | Assessments Written | | 14,071,584.84 |
| 4112 | Assessments Written Prior Year | 774.97 | |
| 4115 | Taxes Written | | 7,004.86 |
| 4330 | Change in Unearned Assessments | 4,700,601.35 | |
| 4401 | Reinsurance Ceded | 3,483,632.00 | |
| 5110 | Loss Fund Expense | 3,275,280.00 | |
| 5411 | Commission Expense - Current | 601,226.00 | |
| 5413 | Willis Pooling Fees | 170,000.00 | |
| 5414 | ASC Claims Admin. Fees | 436,143.95 | |
| 5415 | Tax Expense | 8,586.05 | |
| 5417 | Loss Control Fees | 166,664.00 | |
| 5450 | Management Services | 308,000.00 | |
| 5456 | Sponsorship Fees | 2,537.50 | |
| 5457 | Counsel Opinions | 23,110.50 | |
| 5462 | Travel | 17,332.64 | |
| 5463 | Casualty Insurance | 25,451.14 | |
| 5464 | Dues & Seminar Fees | 8,667.93 | |
| 5465 | Audit Expense | 14,830.00 | |
| 5466 | Printing/Copying/Subscriptions | 1,897.17 | |
| 5467 | Postage | 207.26 | |
| 5468 | Office Supplies | 2,328.94 | |
| 5469 | Telephone Expense | 6,659.59 | |
| 5470 | Legal Expense | 5,800.76 | |
| 5472 | Board & Committee Meetings | 3,231.11 | |
| 5474 | Actuary Expense | 8,670.00 | |
| 5475 | Member Education & Services | 182,618.20 | |

NEVADA PUBLIC AGENCY INSURANCE POOL

General Ledger Trial Balance

As of Feb 28, 2015

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

| <u>Account ID</u> | <u>Account Description</u> | <u>Debit Amt</u> | <u>Credit Amt</u> |
|-------------------|--------------------------------|-----------------------|-----------------------|
| 5477 | Loss Control Excellence Awards | 28,000.00 | |
| 5478 | Consultants Appraisals | 101,198.00 | |
| 5482 | PRI Contract Services | 364,332.00 | |
| 5484 | Loss Control Grants | 50,740.03 | |
| 5485 | Environmental Consultants | 10,888.92 | |
| 6100 | Investment Interest Income | | 563,804.39 |
| 6110 | Realized Gain/(Loss) Invest. | 62,567.55 | |
| 6111 | Invest. Unrealized Gain/(Loss) | | 146,819.10 |
| 6112 | PRM Amortization Expense | 1,132,568.00 | |
| 6160 | Other Income | | 4,203.53 |
| 6200 | Investment Expense | 49,239.09 | |
| 7100-BLD | Building Maintenance & Repairs | 21,317.95 | |
| 7200-BLD | Conference Room Expense | 147.39 | |
| 7275-BLD | Custodial Services | 14,796.17 | |
| 7300-BLD | Building Depreciation Expense | 29,957.76 | |
| 7450-BLD | Building Equipment Lease | 4,536.70 | |
| 7475-BLD | Building Copier Paper | 1,356.21 | |
| 7500-BLD | Building Insurance Expense | 6,008.00 | |
| 7750-BLD | Building Tax Expense | 4,194.61 | |
| 7800-BLD | Postage for Meter | 773.52 | |
| 7900-BLD | Building Utilities | 16,347.57 | |
| | Total: | <u>171,420,966.70</u> | <u>171,420,966.70</u> |

NEVADA PUBLIC AGENCY INSURANCE POOL

FINANCIAL STATEMENTS

June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the Executive Director and the Board of Directors
Nevada Public Agency Insurance Pool

Report on the Financial Statements

We have audited the accompanying statement of net assets of the Nevada Public Agency Insurance Pool as of June 30, 2014 and 2013 and the related statements of revenues and expenses and changes in net position and statement of changes in cash flows for the years then ended.

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 opinions 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 from material misstatement.

An audit involves 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 the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Nevada Public Agency Insurance Pool as of June 30, 2014 and 2013 and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis beginning on page 5 and 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

Carson City, Nevada
November 25, 2014

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,
- 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 financial statements show a comparison of two audited years ending June 30, 2014 and June 30, 2013 to facilitate understanding of changes in the financial position over time.

The Statement of Net Position 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 NPAIP.

Current year revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. 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 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 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 Position:

Fiscal year ended June 30, 2014: \$32,937,916

Fiscal year ended June 30, 2013: \$31,185,669

Net change: \$1,752,247 or 5.6%.

Net Position changes reflect both operating and non-operating net investment income. Increases in Net Position 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 Position. 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, \$1,734,284 of the total assets for fiscal year end June 30, 2014 consists of capital assets (after depreciation).

Total revenues:

Fiscal year ended June 30, 2014: \$14,610,828

Fiscal year ended June 30, 2013: \$14,832,482

Net change: (\$221,654)

NPAIP's primary revenue source comes from Member contributions to the NPAIP's Loss Fund, administrative budget and reinsurance costs. A slight reduction in revenues occurred as a result of lower exposure and rates. Rental income constitutes the secondary revenue source and it was up due to rental rate increases.

Total expenses:

Fiscal year ended June 30, 2014: \$13,344,678

Fiscal year ended June 30, 2013: \$13,292,093

Net change: \$52,585 or 0.04%.

The most significant factors in this change were attributable to decreased losses and increased reinsurance costs. 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 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, 2014, NPAIP had increased its contribution to surplus in Public Risk Mutual to \$17,988,540. Amortization expense as of June 30, 2014 rose to \$1,786,354 based upon NPAIP's policy to continue to amortize each of 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 Position:

Fiscal year ended June 30, 2014: \$1,266,150

Fiscal year ended June 30, 2013: \$1,540,389

Net change: (\$274,239) or (17.8%)

Program expenses declined by \$166,861 or -1.7%, which was offset by an increase of \$219,446 (6.1%) in administration expenses largely due to increased amortization expense that 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, 2014: \$486,097

Fiscal year ended June 30, 2013: (\$ 124,125)

Net change: \$610,222

The net increase of \$610,222 reflects improved 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 \$29,313,204 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 adjusts the mix of investments as market conditions change.

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 3.96% of its total assets. The building generates rental income and also diversifies NPAIP’s investments. NPAIP remains debt free.

Comparative Key Performance Indicators:

In order to enhance analysis, comparative information is provided for Assets, Liabilities, Net Position, Revenues and Expenses as shown in the chart below. 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.

Financial Ratios

| | 2009/2010 | 2010/2011 | 2011/2012 | 2012/2013 | 2013/2014 |
|--|------------------|------------------|------------------|------------------|------------------|
| Total Revenue | \$ 14,186,965 | \$ 14,191,328 | \$ 14,902,485 | \$ 14,832,482 | \$ 14,610,828 |
| Total Income (excludes special reserve adjustments 96 & 98) | \$ 4,553,218 | \$ 2,475,162 | \$ 3,508,083 | \$ 1,416,264 | \$ 1,752,247 |
| Net Operating Income | \$ 3,018,451 | \$ 1,702,336 | \$ 2,078,584 | \$ 1,540,389 | \$ 1,266,150 |
| Net Investment Income | \$ 1,534,767 | \$ 772,826 | \$ 1,429,499 | \$ (124,125) | \$ 486,097 |
| Total Assets | \$ 36,644,309 | \$ 38,796,007 | \$ 41,349,269 | \$ 42,911,169 | \$ 43,758,612 |
| Total Liabilities | \$ 12,858,140 | \$ 12,424,000 | \$ 11,579,864 | \$ 11,725,500 | \$ 10,820,696 |
| Net Position (Assets) | \$ 23,786,160 | \$ 26,261,322 | \$ 29,769,405 | \$ 31,185,669 | \$ 32,937,916 |
| Net Position to SIR (Board target: 12:1) | 47.6 | 52.5 | 59.5 | 62.4 | 65.9 |
| SIR to Net Position (Benchmark: captives <.10; group captives <.25) | 0.021 | 0.019 | 0.017 | 0.016 | 0.015 |
| % Assets attributable to Net Position | 64.9% | 67.7% | 72.0% | 72.7% | 75.3% |
| Total assets/total liabilities | 2.85 | 3.12 | 3.57 | 3.66 | 4.04 |
| Revenues to Net Position (Benchmark: <2.5:1 and >0) | 0.60 | 0.54 | 0.50 | 0.48 | 0.44 |
| Loss Reserves to Net Position (discounted): Benchmark <3:1 and >0 | 0.54 | 0.47 | 0.39 | 0.37 | 0.35 |
| Total liabilities to liquid assets: Benchmark <100% | 39% | 46% | 40% | 39% | 35% |
| Change in Net Position: >-10% | 23.7% | 10.4% | 13.4% | 4.8% | 5.6% |
| Return on Net Position: Net Operating Income/Net Position | 12.7% | 6.5% | 7.0% | 4.9% | 3.8% |
| Return on Net Position: Total Income/Net Position | 19.1% | 9.4% | 11.8% | 4.5% | 5.3% |

Economic Factors:

For fiscal year ending June 30, 2014, economic conditions showed signs of improvement with some growth continuing for the nation and Nevada. NPAIP’s investments, although showing improved results this year, have performed consistently with fixed income investment markets in light of the statutory requirements to invest in governmental securities.

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, 2014 evidenced stable insurance market conditions for property and liability reinsurance. Rates in property coverage were stable as were liability rates. NPAIP continued its membership in the following reinsurers in which it has a financial interest:

- ❖ Public Risk Mutual, its own captive, that provides reinsurance for property and liability coverage
- ❖ County Reinsurance, Ltd., a captive mutual reinsurer for all members other than schools for liability coverage
- ❖ United Educators, a captive risk retention group for schools liability coverage reinsurance
- ❖ Government Entities Mutual (GEM), a captive mutual reinsurer, that provides a layer of liability reinsurance

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 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 Position
June 30, 2014 and 2013

| ASSETS | <u>2014</u> | <u>2013</u> |
|---|------------------------------------|------------------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 2,000,714 | \$ 2,163,709 |
| Investments | 29,313,204 | 27,729,023 |
| Accrued interest | 159,855 | 176,044 |
| Deductibles receivable | 113,516 | 233,348 |
| Assessments receivable | 6,101 | 75,855 |
| Other Receivables | 136,689 | 9,716 |
| Specific and aggregate recoverables | 166,396 | 383,132 |
| Prepaid expense | 71,434 | 18,692 |
| Total current assets | <u>31,967,909</u> | <u>30,789,519</u> |
| Capital assets: | | |
| Land, building & equipment, net | 1,734,284 | 1,778,877 |
| Other assets: | | |
| Contributed Surplus Public Risk Mutual, net | <u>10,056,419</u> | <u>10,342,773</u> |
| Total Assets | <u><u>43,758,612</u></u> | <u><u>42,911,169</u></u> |
| LIABILITIES | | |
| Other current liabilities: | | |
| Accounts payable | 61,456 | 64,724 |
| Payable to Public Risk Mutual | 586,235 | - |
| Deferred revenues | 20,005 | 21,776 |
| Current portion of reserve for claims and claims adjustment expenses | <u>4,336,045</u> | <u>4,811,009</u> |
| Total current liabilities | <u>5,003,741</u> | <u>4,897,509</u> |
| Noncurrent liabilities: | | |
| Reserve for claims and claims adjustment expenses | <u>5,816,955</u> | <u>6,827,991</u> |
| Total non-current liabilities: | <u>5,816,955</u> | <u>6,827,991</u> |
| Total Liabilities | <u><u>10,820,696</u></u> | <u><u>11,725,500</u></u> |
| NET POSITION | | |
| Net Position, unrestricted | 31,203,632 | 29,406,792 |
| Net Position, invested in capital assets | <u>1,734,284</u> | <u>1,778,877</u> |
| Total Net Position | <u><u>\$ 32,937,916</u></u> | <u><u>\$ 31,185,669</u></u> |

See accompanying notes

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Revenues, Expenses and Changes in Net Position
For Years Ended June 30, 2014 and 2013

| OPERATING REVENUES | <u>2014</u> | <u>2013</u> |
|---|--|--|
| Premiums written | \$ 14,350,868 | \$ 14,551,486 |
| Rental income | 247,770 | 232,655 |
| Other Income | 12,190 | 48,341 |
| Total revenues | <u>14,610,828</u> | <u>14,832,482</u> |
| PROGRAM EXPENSES | | |
| Losses and loss adjustment expenses | 2,752,708 | 2,994,002 |
| Excess insurance premiums | 4,919,456 | 4,812,711 |
| Pooling and loss control fees | 505,000 | 505,000 |
| Third party administrator fees | 626,501 | 644,938 |
| Agent commissions | 937,796 | 951,511 |
| Taxes written | 7,234 | 7,394 |
| Total program expenses | <u>9,748,695</u> | <u>9,915,556</u> |
| ADMINISTRATIVE EXPENSES | | |
| Management fees | 490,140 | 475,860 |
| Building maintenance and utilities | 53,254 | 46,254 |
| Depreciation | 44,593 | 44,593 |
| Amortization | 1,786,354 | 1,628,228 |
| Travel | 42,226 | 35,354 |
| Casualty insurance | 37,381 | 37,381 |
| Operating expenses | 141,213 | 159,223 |
| Legal expenses | 11,593 | 22,422 |
| Loss control awards & grants | 90,800 | 109,584 |
| Consultant appraisals | 114,660 | 75,540 |
| Environmental consultation | 9,365 | 21,757 |
| Member education & training | 774,404 | 720,341 |
| Total pool administration expenses | <u>3,595,983</u> | <u>3,376,537</u> |
| Total program and administration expenses | <u>13,344,678</u> | <u>13,292,093</u> |
| Increase in operating net position | <u>1,266,150</u> | <u>1,540,389</u> |
| Increase in non-operating net investment income | 486,097 | (124,125) |
| Increase in net position | <u>1,752,247</u> | <u>1,416,264</u> |
| Net position, beginning of year | 31,185,669 | 29,769,405 |
| Net position, end of year | <u><u>\$ 32,937,916</u></u> | <u><u>\$ 31,185,669</u></u> |

See accompanying notes

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Cash Flows
For Years Ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|----------------------------|----------------------------|
| Cash flows from operating activities: | | |
| Premiums written | \$ 14,418,851 | \$ 14,500,913 |
| Rental income | 247,770 | 232,655 |
| Other revenues | 12,190 | 38,625 |
| Payment for claims | (4,238,707) | (2,828,001) |
| Payment to vendors | (8,591,251) | (8,529,223) |
| Net Cash Provided from Operating Activities: | <u>1,848,853</u> | <u>3,414,969</u> |
| Cash flows from investing activities: | | |
| Interest and dividend income, net of expenses | 711,222 | 796,376 |
| Purchases of investments | (1,223,070) | (2,351,750) |
| Proceeds from sales of investments | - | 727,142 |
| Net cash Used in Investing Activities | <u>(511,848)</u> | <u>(828,232)</u> |
| Cash flows from financing activities: | | |
| Increase in capitalization of PRM | (1,500,000) | (1,237,581) |
| Net Cash Used for Capital Activities | <u>(1,500,000)</u> | <u>(1,237,581)</u> |
| Increase in Cash and Cash Equivalents | (162,995) | 1,349,156 |
| Cash and Cash Equivalents, beginning of fiscal year | 2,163,709 | 814,553 |
| Cash and Cash Equivalents, year ended June 30 | <u>2,000,714</u> | <u>2,163,709</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating net income | 1,266,150 | 1,540,389 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense | 44,593 | 44,593 |
| Amortization expense | 1,786,354 | 1,628,228 |
| Decrease in deductibles receivable | 189,586 | 195,544 |
| Decrease (increase) in prepaid expense | (179,716) | 16,028 |
| Decrease (increase) in specific excess recoverable | 216,736 | (83,100) |
| Decrease (increase) in other receivables | 16,189 | (72,349) |
| Decrease in accounts payable | (3,268) | (42,140) |
| Increase (decrease) in deferred revenues | (1,771) | 21,776 |
| Increase (decrease) in claims and loss adjustment expenses | (1,486,000) | 166,000 |
| Net Cash Provided by Operating Activities | <u>\$ 1,848,853</u> | <u>\$ 3,414,969</u> |

See accompanying notes

NEVADA PUBLIC AGENCY INSURANCE POOL
Notes to Financial Statements
June 30, 2014 and 2013

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.

Budget

A budget is prepared by management though there is no legal budgetary requirement.

NEVADA PUBLIC AGENCY INSURANCE POOL
Notes to Financial Statements
June 30, 2014 and 2013

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.

Fixed Assets:

Equipment on the books is depreciated over the estimated useful lives of the assets using the straight-line method and the lives assigned to assets range from 5 years to 10 years. The office building cost is depreciated using the straight-line method over a period of 40 years with no salvage value.

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.

Prior Year Reclassifications

The prior year's financial statements have been reclassified where applicable to conform to the current year's presentation.

NEVADA PUBLIC AGENCY INSURANCE POOL
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 3 – CASH AND INVESTMENTS

The carrying amount of NPAIP's deposits with financial institutions at June 30, 2014 and 2013 was \$2,000,714 and \$2,163,709.

The financial institution balance at June 30, 2014 and 2013 was \$2,344,007 and \$2,372,322 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>2014</u> | <u>2013</u> |
| Amounts insured by FDIC | \$250,000 | \$250,000 |
| Amounts collateralized | 505,778 | 7,346 |
| Cash equivalents at brokerage firm | <u>2,114,976</u> | <u>2,114,976</u> |
| Total deposits at financial institutions | <u>\$2,344,007</u> | <u>\$2,372,322</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, 2014 is as follows:

| | <u>Fair Value</u> | Investment Maturities in Years | | | |
|-----------------------------------|----------------------|---------------------------------------|----------------------|---------------------|----------------------|
| | | <u>1 year of less</u> | <u>1-5</u> | <u>5-10</u> | <u>Over 10</u> |
| U.S. Treasuries | \$ 7,264,031 | \$ - | \$ 5,670,706 | \$ 1,593,325 | \$ - |
| U.S. Government & Agencies | 2,424,653 | 802,608 | 1,589,098 | - | 32,947 |
| U.S. Mortgage-backed securities | 16,076,337 | - | 3,167,911 | 2,218,597 | 10,689,829 |
| U.S. Government backed securities | 3,548,183 | - | 2,005,510 | 809,278 | 733,395 |
| Total cash and investments | <u>\$ 29,313,204</u> | <u>\$ 802,608</u> | <u>\$ 12,433,225</u> | <u>\$ 4,621,200</u> | <u>\$ 11,456,171</u> |

A summary of investments as of June 30, 2013 is as follows:

| | <u>Fair Value</u> | Investment Maturities in Years | | | |
|-----------------------------------|----------------------|---------------------------------------|---------------------|---------------------|----------------------|
| | | <u>1 year of less</u> | <u>1-5</u> | <u>5-10</u> | <u>Over 10</u> |
| U.S. Treasuries | \$ 9,108,518 | \$ 85,953 | \$ 2,963,507 | \$ 6,059,058 | \$ - |
| U.S. Government & Agencies | 2,807,107 | 35,201 | 2,723,723 | - | 48,183 |
| U.S. Mortgage-backed securities | 11,971,093 | 323,485 | 1,977,520 | 37,394 | 9,632,694 |
| U.S. Government backed securities | 3,842,305 | 32,896 | 1,772,065 | 1,436,625 | 600,719 |
| Total cash and investments | <u>\$ 27,729,023</u> | <u>\$ 477,535</u> | <u>\$ 9,436,815</u> | <u>\$ 7,533,077</u> | <u>\$ 10,281,596</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, 2014 and 2013

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, 2014 and 2013 was as follows:

Property and equipment activity for the year ended June 30, 2014 was as follows:

| | Estimated Useful Life | June 30, 2013 | Additions | Dispositions | June 30, 2014 |
|---|----------------------------------|----------------------|--------------------|---------------------|----------------------|
| Land | - | \$ 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 | | (566,348) | (44,593) | - | (610,941) |
| Capital assets net accumulated depreciation | | <u>\$ 1,778,877</u> | <u>\$ (44,593)</u> | <u>\$ -</u> | <u>\$ 1,734,284</u> |

Property and equipment activity for the year ended June 30, 2013 was as follows:

| | Estimated Useful Life | June 30, 2012 | Additions | Dispositions | June 30, 2013 |
|---|----------------------------------|----------------------|--------------------|---------------------|----------------------|
| Land | - | \$ 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 | | (521,755) | (44,593) | - | (566,348) |
| Capital assets net accumulated depreciation | | <u>\$ 1,823,470</u> | <u>\$ (44,593)</u> | <u>\$ -</u> | <u>\$ 1,778,877</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:

| <u>NPAIP Limits:</u> | <u>2013-2014</u> | <u>2012-2013</u> |
|------------------------------|-------------------------|-------------------------|
| 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, 2014 and 2013

NOTE 6 – 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>2014</u> | <u>2013</u> |
|---|-----------------------------|-----------------------------|
| Unpaid losses and loss adjustment expenses at beginning of year or period | <u>\$ 11,639,000</u> | <u>\$ 11,473,000</u> |
| Incurred losses and loss adjustment expenses: | | |
| Provision for insured events of current year | 4,851,000 | 5,370,000 |
| Increase (decrease) in provision for insured events of prior fiscal years | <u>(2,098,292)</u> | <u>(2,375,998)</u> |
| Total incurred losses and loss adjustment | 2,752,708 | 2,994,002 |
| Payments: | | |
| Claims and claim adjustment expenses attributable to insured events of current fiscal year/period | (788,000) | (652,000) |
| Claims and claims adjustment expenses attributable to insured events of prior | <u>(3,450,708)</u> | <u>(2,176,002)</u> |
| Total Payments | (4,238,708) | (2,828,002) |
| Unpaid claims and claims adjustment expenses At end of fiscal year | <u><u>\$ 10,153,000</u></u> | <u><u>\$ 11,639,000</u></u> |

In 2014 the current portion of the reserve, cash expected to be paid within 12 months, is \$4,336,045 and the long-term portion is \$5,816,955. At the end of 2013 the current portion was \$4,811,009 and the long term portion was \$6,827,991.

At June 30, 2014 and 2013, 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, 2014 and 2013.

NEVADA PUBLIC AGENCY INSURANCE POOL
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 7 - RELATED PARTY TRANSACTIONS

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, 2014 and 2013 was \$490,140 and \$475,000.

PARMS is under obligation to lease office space at 201 S. Roop St. in Carson City, Nevada from the Nevada Public Agency Insurance Pool throughout the term of the management contract. Payments made in 2014 and 2013 were \$65,772 and \$65,772. The contract includes a 2% per annum increase in the lease expenses beginning on July 1, 2014.

PARMS provides accounting services to the Nevada Association of Counties and Wayne Carlson is authorized as the second signer on checks disbursed from that organization's accounts.

Effective July 1, 2006, Nevada Public Agency Insurance Pool (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 \$535,500 and \$525,000 for June 30, 2014 and 2013 respectively. The grant was renewed for three years beginning July 1, 2013 with future costs being \$546,500 for year ended 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. POOL is the sole policy holder of Public Risk Mutual Company which was formed as a captive insurance company.

NOTE 8 – 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, 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 \$ 17,988,540 and \$16,488,540 as of years ended June 30, 2014 and 2013. 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 \$1,786,354 and \$1,628,228 for fiscal years ended 2014 and 2013.

| | June 30, 2013 | Additions | June 30, 2014 |
|---|----------------------|---------------------|----------------------|
| Contributed surplus to Public Risk Mutual | \$ 16,488,540 | \$ 1,500,000 | \$ 17,988,540 |
| Accumulated amortization | (6,145,767) | (1,786,354) | (7,932,121) |
| Contributed Surplus net of accumulated amortization | <u>\$ 10,342,773</u> | <u>\$ (286,354)</u> | <u>\$ 10,056,419</u> |
| | June 30, 2012 | Additions | June 30, 2013 |
| Contributed surplus to Public Risk Mutual | \$ 15,250,959 | \$ 1,237,581 | \$ 16,488,540 |
| Accumulated amortization | (4,517,539) | (1,628,228) | (6,145,767) |
| Contributed Surplus net of accumulated amortization | <u>\$ 10,733,420</u> | <u>\$ (390,647)</u> | <u>\$ 10,342,773</u> |

NEVADA PUBLIC AGENCY INSURANCE POOL
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 9 – 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.

| Property limits: | <u>2013 -2014</u> | <u>2012 - 2013</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 |
| Liability limits: | | |
| Each and Every Per 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 |
| Cyber Event Liability | 2,000,000 | n/a |
| Privacy Response Expense | 500,000 | n/a |

NPAIP reinsurance is as follows:

Property 2012-2013: 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 2013-2014 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 2012-2013: 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, 2014 and 2013

NOTE 9 – EXCESS INSURANCE OR REINSURANCE (continued)

Liability 2013-2014: 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
- f) County Reinsurance, Ltd. Cyber Security Liability Section - \$750,000 limit excess of \$250,000 NPAIP retention.

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 \$365. Future minimum lease payments total \$4,010 to be paid during the fiscal year ended 2015.

NPAIP entered into a lease for a postage machine with Mailfinance in March 2014. The lease is an operating lease with minimum monthly payments of \$50 for the first 12 months and \$65 for the remaining 48 months. Minimum lease payments are as follows for years ended June 30,

| | | | |
|-------------------------------|------|-----------|---------------------|
| | 2015 | \$ | 642 |
| | 2016 | | 776 |
| | 2017 | | 776 |
| | 2018 | | 776 |
| | 2019 | | 582 |
| Minimum lease payments | | \$ | <u>3,552</u> |

NOTE 11 –PAYABLE TO PUBLIC RISK MUTUAL

Two reinsurers paid on the same loss during the year. As a result, a liability was recorded to reimburse Public Risk Mutual in the amount of \$586,235.

NOTE 12 –SUBSEQUENT EVENTS

Management has evaluated the activities and transactions subsequent to June 30, 2014 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended June 30, 2014. Management has evaluated subsequent events through November 25, 2014 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>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Required Contributions & Investment Income: | | | | | | | | | | |
| Earned | \$11,568,331 | \$11,786,124 | \$13,785,893 | \$14,643,824 | \$15,184,061 | \$15,721,731 | \$14,964,155 | \$16,331,984 | \$14,843,453 | \$15,203,196 |
| Ceded | (3,718,455) | (3,358,462) | (3,758,623) | (3,681,857) | (3,919,235) | (4,388,536) | (4,642,512) | (5,019,808) | (4,812,711) | (4,919,456) |
| Net earned | 7,849,876 | 8,427,662 | 10,027,270 | 10,961,967 | 11,264,826 | 11,333,195 | 10,321,643 | 11,312,176 | 10,030,742 | 10,283,740 |
| Unallocated Expenses | 2,846,143 | 3,031,993 | 3,255,602 | 3,715,519 | 4,103,075 | 4,521,913 | 4,968,874 | 5,659,813 | 5,485,380 | 5,672,515 |
| Estimated Incurred Claims & Expense End of Policy Year: | | | | | | | | | | |
| Incurred | 3,626,034 | 4,355,000 | 5,498,000 | 7,232,000 | 6,118,000 | 6,036,000 | 5,938,000 | 5,471,000 | 5,370,000 | 4,851,000 |
| Ceded | - | - | - | - | - | - | - | - | - | - |
| Net Incurred | 3,626,034 | 4,355,000 | 5,498,000 | 7,232,000 | 6,118,000 | 6,036,000 | 5,938,000 | 5,471,000 | 5,370,000 | 4,851,000 |
| Paid (cumulative) as of: | | | | | | | | | | |
| End of policy year | 862,908 | 434,000 | 845,000 | 1,020,000 | 397,000 | 417,000 | 833,000 | 722,000 | 652,000 | 788,000 |
| One Year Later | 1,421,000 | 936,000 | 1,764,000 | 3,301,000 | 1,078,000 | 1,546,000 | 1,736,000 | 1,538,000 | 1,670,000 | |
| Two Years Later | 1,717,000 | 1,380,000 | 3,209,000 | 4,041,000 | 1,767,000 | 2,386,000 | 2,083,000 | 2,331,000 | | |
| Three Years Later | 1,935,000 | 1,973,000 | 3,832,000 | 4,403,000 | 2,443,000 | 2,827,000 | 3,053,000 | | | |
| Four Years Later | 2,045,000 | 2,169,000 | 3,836,000 | 4,505,000 | 2,594,000 | 3,401,000 | | | | |
| Five Years Later | 2,150,000 | 2,212,000 | 3,797,000 | 4,579,000 | 2,641,000 | | | | | |
| Six Years Later | 2,269,000 | 2,236,000 | 3,887,000 | 4,634,000 | | | | | | |
| Seven Years Later | 2,295,000 | 2,225,000 | 4,008,000 | | | | | | | |
| Eight Years Later | 2,308,000 | 2,217,000 | | | | | | | | |
| Nine Years Later | 2,308,000 | | | | | | | | | |
| Re-estimated ceded claims & Expenses | 757,715 | 442,343 | 322,736 | 12,131,490 | - | 431,167 | 1,071,345 | 351,455 | 282,938 | - |
| Re-estimated Claims & Expense | | | | | | | | | | |
| End of policy year | 3,626,034 | 4,355,000 | 5,498,000 | 7,232,000 | 6,118,000 | 6,036,000 | 5,938,000 | 5,471,000 | 5,370,000 | 4,851,000 |
| One Year Later | 3,482,000 | 3,676,000 | 3,676,000 | 6,844,000 | 4,793,000 | 4,953,000 | 4,973,000 | 4,461,000 | 4,425,000 | |
| Two Years Later | 3,431,000 | 3,054,000 | 5,344,000 | 5,972,000 | 3,921,000 | 4,185,000 | 4,287,000 | 3,780,000 | | |
| Three Years Later | 2,755,000 | 2,838,000 | 4,714,000 | 5,353,000 | 3,272,000 | 3,618,000 | 4,051,000 | | | |
| Four Years Later | 2,599,000 | 2,599,000 | 4,260,000 | 4,874,000 | 3,054,000 | 3,712,000 | | | | |
| Five Years Later | 2,315,000 | 2,493,000 | 4,056,000 | 4,848,000 | 3,000,000 | | | | | |
| Six Years Later | 2,352,000 | 2,411,000 | 4,073,000 | 4,750,000 | | | | | | |
| Seven Years Later | 2,350,000 | 2,314,000 | 4,108,000 | | | | | | | |
| Eight Years Later | 2,308,000 | 2,217,000 | | | | | | | | |
| Nine Years Later | 2,308,000 | | | | | | | | | |
| Increase (Decrease) in Estimated Incurred Claims & Expenses from End of Policy Year | (1,318,034) | (2,138,000) | (1,390,000) | (2,482,000) | (3,118,000) | (2,324,000) | (1,887,000) | (1,691,000) | (945,000) | - |

POOL Counties

| 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 |
| | 7/1/09- 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 | 7/1/12- 6/30/13 | 7/1/12- 6/30/13 | 7/1/13- 6/30/14 | 7/1/13- 6/30/14 | TOTAL | TOTAL | 2009/2010- 2013/2014 | 2011/2012- 2013/2014 |
| CARSON CITY | 82 | \$ 142,559 | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 82 | \$ 142,559 | \$ 142,559 | \$ - |
| CHURCHILL COUNTY | 13 | \$ 159,165 | 1 | \$ - | 10 | \$ 565,411 | 6 | \$ 9,818 | 8 | \$ 20,172 | 38 | \$ 754,566 | \$ 150,913 | \$ 198,467 |
| DOUGLAS COUNTY | 29 | \$ 177,952 | 36 | \$ 211,358 | 28 | \$ 119,110 | 34 | \$ 167,998 | 34 | \$ 144,837 | 161 | \$ 821,255 | \$ 164,251 | \$ 143,982 |
| ELKO COUNTY | 21 | \$ 311,512 | 22 | \$ 40,267 | 18 | \$ 765,038 | 21 | \$ 160,981 | 17 | \$ 8,816 | 99 | \$ 1,286,614 | \$ 257,323 | \$ 311,612 |
| ESMERALDA COUNTY | 0 | \$ - | 6 | \$ 15,923 | 0 | \$ - | 2 | \$ 12,211 | 6 | \$ 22,885 | 14 | \$ 51,019 | \$ 10,204 | \$ 11,699 |
| EUREKA COUNTY | 9 | \$ 42,675 | 2 | \$ 33,813 | 5 | \$ 41,591 | 13 | \$ 85,858 | 5 | \$ 81,957 | 34 | \$ 285,894 | \$ 57,179 | \$ 69,802 |
| HUMBOLDT COUNTY | 18 | \$ 663,145 | 8 | \$ 62,082 | 11 | \$ 5,546 | 11 | \$ 290,248 | 14 | \$ 180,734 | 62 | \$ 1,201,754 | \$ 240,351 | \$ 158,842 |
| LANDER COUNTY | 6 | \$ 27,901 | 8 | \$ 155,925 | 6 | \$ 52,455 | 8 | \$ 211,562 | 9 | \$ 62,297 | 37 | \$ 510,140 | \$ 102,028 | \$ 108,771 |
| LINCOLN COUNTY | 6 | \$ 19,564 | 2 | \$ 10,150 | 5 | \$ 23,920 | 3 | \$ 22,956 | 6 | \$ 25,694 | 22 | \$ 102,284 | \$ 20,457 | \$ 24,190 |
| LYON COUNTY | 13 | \$ 119,690 | 12 | \$ 44,821 | 12 | \$ 124,895 | 13 | \$ 133,002 | 11 | \$ 156,511 | 61 | \$ 578,919 | \$ 115,784 | \$ 138,136 |
| MINERAL COUNTY | 6 | \$ 18,963 | 4 | \$ 27,999 | 11 | \$ 26,851 | 6 | \$ 62,849 | 6 | \$ 40,188 | 33 | \$ 176,850 | \$ 35,370 | \$ 43,296 |
| NYE COUNTY | 27 | \$ 696,166 | 21 | \$ 178,475 | 25 | \$ 295,056 | 16 | \$ 118,105 | 8 | \$ 85,165 | 97 | \$ 1,372,968 | \$ 274,594 | \$ 166,109 |
| PERSHING COUNTY | 9 | \$ 49,953 | 8 | \$ 16,176 | 3 | \$ 1,316 | 5 | \$ 70,388 | 7 | \$ 6,400 | 32 | \$ 144,232 | \$ 28,846 | \$ 26,034 |
| STOREY COUNTY | 20 | \$ 39,594 | 7 | \$ 30,398 | 4 | \$ 10,221 | 9 | \$ 96,390 | 6 | \$ 157,447 | 46 | \$ 334,050 | \$ 66,810 | \$ 88,019 |
| WHITE PINE COUNTY | 11 | \$ 98,134 | 12 | \$ 166,937 | 6 | \$ 29,775 | 8 | \$ 37,612 | 9 | \$ 69,287 | 46 | \$ 401,745 | \$ 80,349 | \$ 45,558 |
| TOTAL | 270 | \$ 2,566,972 | 149 | \$ 994,325 | 144 | \$ 2,061,184 | 155 | \$ 1,479,978 | 146 | \$ 1,062,389 | 864 | \$ 8,164,847 | \$ 1,747,016 | \$ 1,534,517 |

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 |
| | 7/1/09- 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 | 7/1/12- 6/30/13 | 7/1/12- 6/30/13 | 7/1/13- 6/30/14 | 7/1/13- 6/30/14 | TOTAL | TOTAL | 2009/2010- 2013/2014 | 2011/2012- 2013/2014 |
| BOULDER CITY | 24 | \$ 266,771 | 23 | \$ 15,041 | 30 | \$272,860 | 31 | \$ 113,695 | 33 | \$ 38,974 | 141 | \$ 707,339 | \$ 141,468 | \$ 141,843 |
| CALIENTE | 4 | \$ 2,160 | 2 | \$ - | 6 | \$258,655 | 0 | \$ - | 6 | \$ 21,500 | 18 | \$ 282,315 | \$ 56,463 | \$ 93,385 |
| CARLIN CITY | 2 | \$ 31,711 | 2 | \$ 20,837 | 1 | \$ 70,250 | 3 | \$ - | 2 | \$ 9,248 | 10 | \$ 132,047 | \$ 26,409 | \$ 26,499 |
| CITY OF ELKO | 10 | \$ 23,098 | 13 | \$ 98,787 | 14 | \$ 38,401 | 21 | \$201,635 | 17 | \$ 93,343 | 75 | \$ 455,265 | \$ 91,053 | \$ 111,127 |
| ELY CITY | 8 | \$ 15,491 | 7 | \$ 10,520 | 8 | \$ 10,266 | 8 | \$ 21,091 | 6 | \$ 69,563 | 37 | \$ 126,931 | \$ 25,386 | \$ 33,640 |
| CITY OF FERNLEY | 13 | \$ 91,536 | 13 | \$ 25,886 | 6 | \$ 8,071 | 7 | \$ 54,375 | 8 | \$ 35,500 | 47 | \$ 215,368 | \$ 43,074 | \$ 32,649 |
| CITY OF LOVELOCK | 1 | \$ - | 3 | \$ 1,905 | 1 | \$ 4,112 | 0 | \$ - | 0 | \$ - | 5 | \$ 6,017 | \$ 1,203 | \$ 1,371 |
| MESQUITE CITY | 4 | \$ 132,425 | 8 | \$ 92,667 | 18 | \$ 63,648 | 17 | \$ 28,462 | 14 | \$162,649 | 61 | \$ 479,852 | \$ 95,970 | \$ 84,920 |
| WELLS CITY | 4 | \$ 23,209 | 1 | \$ - | 2 | \$ 52,588 | 2 | \$ 41 | 0 | \$ - | 9 | \$ 75,838 | \$ 15,168 | \$ 17,543 |
| WEST WENDOVER | 4 | \$ 2,139 | 7 | \$ 24,989 | 7 | \$ 16,311 | 2 | \$ 7,508 | 4 | \$ 11,099 | 24 | \$ 62,045 | \$ 12,409 | \$ 11,639 |
| CITY OF WINNEMUCCA | 3 | \$ 36,634 | 8 | \$ 31,140 | 5 | \$ 52,614 | 1 | \$ 2,457 | 1 | \$ 8,193 | 18 | \$ 131,039 | \$ 26,208 | \$ 21,088 |
| CITY OF YERINGTON | 1 | \$ - | 3 | \$ 50,949 | 1 | \$ - | 0 | \$ - | 3 | \$ 33,490 | 8 | \$ 84,439 | \$ 16,888 | \$ 11,163 |
| TOTAL | 78 | \$ 625,175 | 90 | \$372,721 | 99 | \$847,776 | 92 | \$429,264 | 94 | \$483,560 | 453 | \$ 2,758,496 | \$ 551,699 | \$ 586,867 |

POOL School Districts

| Member Name | Claims | 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 | | | | |
| | 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 | 7/1/12- 6/30/13 | 7/1/12- 6/30/13 | 7/1/13- 6/30/14 | 7/1/13- 6/30/14 | TOTAL | TOTAL | TOTAL | 2009/2010- 2013/2014 | 2011/2012- 2013/2014 |
| CARSON CITY SCHOOL DISTRICT | 9 | \$ 28,516 | 9 | \$ 5,103 | 7 | \$ 58,254 | 21 | \$ 5,699 | 10 | \$ 3,010 | 56 | \$ 100,581 | \$ 20,116 | \$ 22,321 | |
| CHURCHILL COUNTY SCHOOL DISTRICT | 11 | \$ 952,391 | 7 | \$ 1,359,395 | 14 | \$ 69,092 | 12 | \$ 117,442 | 1 | \$ 10,000 | 45 | \$ 2,508,321 | \$ 501,664 | \$ 65,511 | |
| DOUGLAS COUNTY SCHOOL DISTRICT | 16 | \$ 56,419 | 22 | \$ 39,240 | 22 | \$ 23,846 | 24 | \$ 29,354 | 19 | \$ 31,041 | 103 | \$ 179,899 | \$ 35,980 | \$ 28,080 | |
| ELKO COUNTY SCHOOL DISTRICT | 9 | \$ 1,631 | 11 | \$ 310,075 | 18 | \$ 24,648 | 21 | \$ 348,619 | 17 | \$ 75,583 | 76 | \$ 760,556 | \$ 152,111 | \$ 149,617 | |
| ESMERALDA COUNTY SCHOOL DISTRICT | 0 | \$ - | 0 | \$ - | 2 | \$ 3,982 | 0 | \$ - | 1 | \$ 10,020 | 3 | \$ 14,002 | \$ 2,800 | \$ 4,667 | |
| EUREKA COUNTY SCHOOL DISTRICT | 1 | \$ 1,498 | 0 | \$ - | 1 | \$ 56,045 | 2 | \$ - | 0 | \$ - | 4 | \$ 57,543 | \$ 11,509 | \$ 18,682 | |
| HUMBOLDT COUNTY SCHOOL DISTRICT | 5 | \$ 2,225 | 7 | \$ 13,994 | 9 | \$ 178,115 | 8 | \$ 40,111 | 7 | \$ 43,118 | 36 | \$ 277,563 | \$ 55,513 | \$ 87,114 | |
| LANDER COUNTY SCHOOL DISTRICT | 2 | \$ 10,747 | 1 | \$ 4,800 | 1 | \$ - | 6 | \$ 368,629 | 4 | \$ 54,564 | 14 | \$ 438,740 | \$ 87,748 | \$ 141,064 | |
| LINCOLN COUNTY SCHOOL DISTRICT | 0 | \$ - | 7 | \$ 301,399 | 0 | \$ - | 4 | \$ 43,783 | 3 | \$ 12,010 | 14 | \$ 357,192 | \$ 71,438 | \$ 18,598 | |
| LYON COUNTY SCHOOL DISTRICT | 8 | \$ 26,491 | 5 | \$ 5,709 | 14 | \$ 83,876 | 15 | \$ 19,446 | 12 | \$ 38,180 | 54 | \$ 173,703 | \$ 34,741 | \$ 47,168 | |
| MINERAL COUNTY SCHOOL DISTRICT | 10 | \$ 107,286 | 2 | \$ 1,295 | 3 | \$ 172,656 | 5 | \$ 70,600 | 10 | \$ 73,399 | 30 | \$ 425,237 | \$ 85,047 | \$ 105,552 | |
| NYE COUNTY SCHOOL DISTRICT | 9 | \$ 124,431 | 20 | \$ 2,233,387 | 13 | \$ 114,356 | 15 | \$ 63,020 | 9 | \$ 67,603 | 66 | \$ 2,602,797 | \$ 520,559 | \$ 81,660 | |
| PERSHING COUNTY SCHOOL DISTRICT | 2 | \$ 2,100 | 0 | \$ - | 0 | \$ - | 1 | \$ 821 | 2 | \$ 62,053 | 5 | \$ 64,974 | \$ 12,995 | \$ 20,958 | |
| STOREY COUNTY SCHOOL DISTRICT | 3 | \$ 8,169 | 1 | \$ 10,971 | 0 | \$ - | 1 | \$ 75 | 2 | \$ 21,083 | 7 | \$ 40,298 | \$ 8,060 | \$ 7,053 | |
| WHITE PINE COUNTY SCHOOL DISTRICT | 5 | \$ 29,197 | 10 | \$ 6,149 | 8 | \$ 149,568 | 5 | \$ 15,927 | 7 | \$ 31,070 | 35 | \$ 231,910 | \$ 46,382 | \$ 65,521 | |
| TOTAL | 90 | \$ 1,351,102 | 102 | \$ 4,291,517 | 112 | \$ 934,438 | 140 | \$ 1,123,526 | 104 | \$ 532,734 | 501 | \$ 7,896,135 | \$ 1,646,663 | \$ 863,566 | |

POOL Special Districts, Towns Others

| 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 |
| | 7/1/09- 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 | 7/1/12- 6/30/13 | 7/1/12- 6/30/13 | 7/1/13- 6/30/14 | 7/1/13- 6/30/14 | TOTAL | TOTAL | 2009/2010- 2013/2014 | 2011/2012- 2013/2014 |
| CARSON CITY: | | | | | | | | | | | | | | |
| 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 | \$ - | 1 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 1 | \$ - | \$ - | \$ - |
| NEVADA LEAGUE OF CITIES | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| NEVADA RURAL HOUSING AUTHORITY | 2 | \$ 1,058 | 1 | \$ 55,000 | 0 | \$ - | 1 | \$ 3,239 | 1 | \$ 4,883 | 5 | \$ 64,179 | \$ 12,836 | \$ 2,707 |
| WESTERN NEVADA DEVELOPMENT DISTRICT | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| CLARK COUNTY: | | | | | | | | | | | | | | |
| MOAPA VALLEY WATER DISTRICT | 0 | \$ - | 0 | \$ - | 1 | \$ 10,000 | 2 | \$ 6,222 | 0 | \$ - | 3 | \$ 16,222 | \$ 3,244 | \$ 5,407 |
| VIRGIN VALLEY WATER DISTRICT | 9 | \$ 422,134 | 1 | \$ 505,000 | 0 | \$ - | 4 | \$ 14,642 | 0 | \$ - | 14 | \$ 941,776 | \$ 188,355 | \$ 4,881 |
| CHURCHILL COUNTY: | | | | | | | | | | | | | | |
| CHURCHILL CO. MOSQUITO & WEED ABATEMENT DIST. | 1 | \$ 601 | 0 | \$ - | 0 | \$ - | 2 | \$ 801 | 1 | \$ 1,646 | 4 | \$ 3,047 | \$ 609 | \$ 815 |
| DOUGLAS COUNTY: | | | | | | | | | | | | | | |
| 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 | 4 | \$ 150 | 2 | \$ 7,741 | 3 | \$ 1,130 | 0 | \$ - | 0 | \$ - | 9 | \$ 9,021 | \$ 1,804 | \$ 377 |
| TOWN OF GARDNERVILLE | 3 | \$ - | 3 | \$ 1,568 | 2 | \$ - | 0 | \$ - | 2 | \$ 5,953 | 10 | \$ 7,522 | \$ 1,504 | \$ 1,984 |
| GARDNERVILLE RANCHOS GID | 0 | \$ - | 22 | \$ 45,818 | 0 | \$ - | 1 | \$ - | 0 | \$ - | 23 | \$ 45,818 | \$ 9,164 | \$ - |
| TOWN OF GENOA | 2 | \$ - | 1 | \$ - | 0 | \$ - | 1 | \$ 5,000 | 1 | \$ - | 5 | \$ 5,000 | \$ 1,000 | \$ 1,667 |
| INDIAN HILLS GID | 3 | \$ 25,775 | 1 | \$ 2,417 | 0 | \$ - | 1 | \$ 28,700 | 0 | \$ - | 5 | \$ 56,892 | \$ 11,378 | \$ 9,567 |
| KINGSBURY GID | 5 | \$ 5,357 | 2 | \$ 253 | 4 | \$ 1,029 | 0 | \$ - | 1 | \$ 2,000 | 12 | \$ 8,640 | \$ 1,728 | \$ 1,010 |
| 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 | 0 | \$ - | 1 | \$ - | 0 | \$ - | 0 | \$ - | 1 | \$ 1,510 | 2 | \$ 1,510 | \$ 302 | \$ 503 |
| MINDEN GARDNERVILLE SANITATION DISTRICT | 0 | \$ - | 0 | \$ - | 1 | \$ - | 0 | \$ - | 0 | \$ - | 1 | \$ - | \$ - | \$ - |
| 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 | \$ - | 1 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 1 | \$ - | \$ - | \$ - |
| TAHOE DOUGLAS DISTRICT | 0 | \$ - | 0 | \$ - | 1 | \$ - | 0 | \$ - | 2 | \$ 1,787 | 3 | \$ 1,787 | \$ 357 | \$ 596 |
| TAHOE DOUGLAS FIRE PROTECTION DIST | 2 | \$ 100 | 3 | \$ 21,941 | 0 | \$ - | 1 | \$ - | 0 | \$ - | 6 | \$ 22,041 | \$ 4,408 | \$ - |
| ELKO COUNTY: | | | | | | | | | | | | | | |
| ELKO CENTRAL DISPATCH ADMINISTRATION | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| ELKO CO. AGRICULTURAL ASSOCIATION | 0 | \$ - | 0 | \$ - | 1 | \$ - | 1 | \$ 102,692 | 0 | \$ - | 2 | \$ 102,692 | \$ 20,538 | \$ 34,231 |
| ELKO CONVENTION & VISITORS AUTHORITY | 0 | \$ - | 0 | \$ - | 1 | \$ - | 1 | \$ - | 1 | \$ 1,498 | 3 | \$ 1,498 | \$ 300 | \$ 499 |
| WENDOVER ADMINISTRATIVE AUTHORITY | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| WEST WENDOVER RECREATION | 0 | \$ - | 0 | \$ - | 1 | \$ 1,486 | 3 | \$ 1,173 | 1 | \$ - | 5 | \$ 2,658 | \$ 532 | \$ 886 |
| ESMERALDA COUNTY: | | | | | | | | | | | | | | |
| EUREKA COUNTY: | | | | | | | | | | | | | | |
| COUNTY FISCAL OFFICERS ASSOCIATION | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| CENTRAL NEVADA REGIONAL WATER AUTHORITY | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| HUMBOLDT COUNTY: | | | | | | | | | | | | | | |
| HUMBOLDT RIVER BASIN WATER AUTHORITY | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| LANDER COUNTY: | | | | | | | | | | | | | | |
| LINCOLN COUNTY: | | | | | | | | | | | | | | |
| 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 | 1 | \$ 20,957 | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 1 | \$ 20,957 | \$ 4,191 | \$ - |
| LYON COUNTY: | | | | | | | | | | | | | | |
| SILVER SPRINGS GID | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| STAGECOACH GID | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 1 | \$ 1 | 1 | \$ 1 | \$ 0 | \$ 0 |
| US BOARD OF WATER COMMISSIONERS | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 1 | \$ 3,299 | 1 | \$ 3,299 | \$ 660 | \$ 1,100 |
| WALKER RIVER IRRIGATION DISTRICT | 0 | \$ - | 2 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 2 | \$ - | \$ - | \$ - |
| WESTERN NEVADA REGIONAL YOUTH CENTER | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 2 | \$ 22,641 | 2 | \$ 22,641 | \$ 4,528 | \$ 7,547 |
| NYE COUNTY: | | | | | | | | | | | | | | |
| BEATTY WATER & SANITATION | 1 | \$ 2,408 | 1 | \$ 18,702 | 1 | \$ 3,960 | 1 | \$ 19,000 | 2 | \$ 22,462 | 6 | \$ 66,531 | \$ 13,306 | \$ 15,140 |

POOL Special Districts, Towns Others

| | | | | | | | | | | | | | | |
|---|-----------|------------------|-----------|------------------|-----------|------------------|-----------|------------------|-----------|------------------|------------|--------------------|-------------------|-------------------|
| TOWN OF PAHRUMP | 1 | \$ 42,500 | 4 | \$ 42,338 | 7 | \$ 149,393 | 2 | \$ 117,525 | 3 | \$ 7,251 | 17 | \$ 359,006 | \$ 71,801 | \$ 91,389 |
| PAHRUMP LIBRARY DISTRICT | 0 | \$ - | 1 | \$ 3,194 | 0 | \$ - | 0 | \$ - | 1 | \$ 1,885 | 2 | \$ 5,079 | \$ 1,016 | \$ 628 |
| ROUND MOUNTAIN TOWN | 0 | \$ - | 1 | \$ - | 1 | \$ 6,350 | 0 | \$ - | 0 | \$ - | 2 | \$ 6,350 | \$ 1,270 | \$ 2,117 |
| TOWN OF TONOPAH | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 1 | \$ - | 1 | \$ - | \$ - | \$ - |
| PERSHING COUNTY: | | | | | | | | | | | | | | |
| LOVELOCK MEADOWS WATER DISTRICT | 0 | \$ - | 3 | \$ 15,982 | 0 | \$ - | 0 | \$ - | 0 | \$ - | 3 | \$ 15,982 | \$ 3,196 | \$ - |
| PERSHING CO. TOURISM AUTHORITY | 2 | \$ 110,480 | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 2 | \$ 110,480 | \$ 22,096 | \$ - |
| PERSHING CO WATER CONSERVATION DISTRICT | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| STOREY COUNTY: | | | | | | | | | | | | | | |
| CANYON GID | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| STOREY RTC (No Longer a Member) | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| TAHOE RENO INDUSTRIAL GID | 2 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 2 | \$ - | \$ - | \$ - |
| VIRGINIA CITY CONVENTION & TOURISM | 0 | \$ - | 0 | \$ - | 1 | \$ 1,040 | 0 | \$ - | 0 | \$ - | 1 | \$ 1,040 | \$ 208 | \$ 347 |
| WASHOE COUNTY: | | | | | | | | | | | | | | |
| CARSON TRUCKEE WATER CONSERVANCY DISTRICT | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| INCLINE VILLAGE GID | 7 | \$ 3,622 | 16 | \$ 162,221 | 12 | \$ 91,544 | 10 | \$ 83,710 | 7 | \$ 20,100 | 52 | \$ 361,197 | \$ 72,239 | \$ 65,118 |
| NORTH LAKE TAHOE FIRE PROTECTION DISTRICT | 1 | \$ - | 0 | \$ - | 3 | \$ 1,055 | 1 | \$ 3,249 | 1 | \$ 15,000 | 6 | \$ 19,304 | \$ 3,861 | \$ 6,435 |
| SIERRA FIRE PROTECTION DISTRICT | 2 | \$ 8,404 | 1 | \$ - | 1 | \$ 2,646 | 2 | \$ 6,538 | 1 | \$ 30 | 7 | \$ 17,618 | \$ 3,524 | \$ 3,071 |
| SUN VALLEY GID | 4 | \$ 33,668 | 9 | \$ 2,206 | 7 | \$ 420 | 3 | \$ 336 | 1 | \$ - | 24 | \$ 36,630 | \$ 7,326 | \$ 252 |
| TRUCKEE MEADOWS FIRE PROTECTION DISTRICT | 3 | \$ 501 | 0 | \$ - | 4 | \$ 15 | 1 | \$ - | 6 | \$ 62,602 | 14 | \$ 63,118 | \$ 12,624 | \$ 20,872 |
| TRUCKEE MEADOWS REGIONAL PLANNING AGENCY | 0 | \$ - | 0 | \$ - | 0 | \$ - | 1 | \$ - | 0 | \$ - | 1 | \$ - | \$ - | \$ - |
| WASHOE CO. WATER CONSERVATION DISTRICT | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | \$ - | \$ - |
| WHITE PINE COUNTY | | | | | | | | | | | | | | |
| WHITE PINE CO. FIRE PROTECTION DISTRICT | 2 | \$ 3,196 | 0 | \$ - | 0 | \$ - | 0 | \$ - | 0 | \$ - | 2 | \$ 3,196 | \$ - | \$ - |
| WHITE PINE CO. TOURISM & RECREATION BOARD | 0 | \$ - | 0 | \$ - | 1 | \$ - | 0 | \$ - | 0 | \$ - | 1 | \$ - | \$ - | \$ - |
| WILLIAM BEE RIRIE HOSPITAL | 0 | \$ - | 2 | \$ 30,462 | 0 | \$ - | 0 | \$ - | 0 | \$ - | 2 | \$ 30,462 | \$ 6,092 | \$ - |
| TOTAL | 57 | \$680,911 | 79 | \$914,843 | 53 | \$270,068 | 39 | \$392,826 | 38 | \$174,547 | 266 | \$2,433,194 | \$ 486,000 | \$ 279,147 |

POOL Summary of All Claims
as of 6/30/14

| Claims Frequency | Claims Costs | Claims Frequency | Claims Costs | Claims Frequency | Claims Costs | Claims Frequency | Claims Costs | Claims Frequency | Claims Costs | Claims Frequency | Claims Costs | 5 Year Ave Costs | 3 Year Ave Costs |
|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|-------------------------|-------------------------|
| 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 | 7/1/12- 6/30/13 | 7/1/12-6/30/13 | 7/1/13- 6/30/14 | 7/1/13-6/30/14 | TOTAL | TOTAL | 2009/2010- 2013/2014 | 2011/2012- 2013/2014 |
| 495 | \$ 5,224,160 | 420 | \$ 6,573,405 | 408 | \$ 4,113,466 | 426 | \$ 3,425,594 | 382 | \$ 2,253,230 | 2,131 | \$ 21,589,854 | \$ 4,317,971 | \$ 3,264,096 |

EXECUTIVE SUMMARY

The Nevada Public Agency Insurance Pool (NPAIP), hereinafter referred to as the Pool, engaged the services of Claim Innovative Solutions LLC (CIS), a claim management consulting firm to conduct a claim review of a statistically valid sample of its pending/open claim files.

Alternative Service Concepts (ASC), a property and casualty third-party administrator (TPA), administers claims on behalf of NPAIP out of its Reno, Nevada offices.

The pending/open claim file review commenced on Thursday, February 26, 2015 and incorporated a review of 35 pending/open claims reflecting individual total outstanding case reserves, inclusive of expenses, of \$10,000 or greater. The rationale for the loss pick criteria with respect to the subject claims review and the incorporation of expenses is the fact that legal defense expenses, in particular, comprise a large portion of total gross outstanding case reserves as well as the total gross incurred losses.

With respect to this year's review of pending/open claims with total gross outstanding case reserves in excess of \$10,000, some claim files selected might reflect minimal total outstanding pure loss case reserves (e.g., \$0.00, \$2,500, \$5,000, etc.) However, when coupled with the current outstanding legal defense case reserves, the total outstanding case reserves inclusive of legal defense case reserves exceeded the \$10,000 loss-pick threshold.

The 35 pending/open claims subject to this year's review represent the total number of pending/open claim files reflecting total outstanding case reserves, inclusive of legal defense case reserves, which exceeded \$10,000 and, as such, represented a statistically valid sample of claims.

General Findings:

- Case reserve recommendations were compared to the current case reserves which appeared on the Claim Abstract Summaries provided to this Consultant relative to each individual claim and, as such, were time limited depending on the date the Claim Abstract was printed.
- Gross outstanding current case reserves, inclusive of legal defense case reserves, are found to be understated in the aggregate by \$24,000. Pure loss case reserves relative to bodily injury (BI) were understated by \$29,000, relative to property damage (PD) were appropriate and relative to legal defense were overstated by \$5,000. Case reserve variances are addressed in Exhibits A, B, C, D, and E of this report.

EXECUTIVE SUMMARY

- Outstanding case reserves for bodily injury, property damage and legal defense costs individually and combined fall well within the acceptable variance margins of plus or minus 10%.
- Claim oversight by the claims manager is excellent and the TPA does an excellent job of keeping clients and excess insurers informed of pertinent developments.
- Other comments addressed herein center more around general housekeeping issues, such as:
 - **Claim Abstract:** It is still difficult at times to determine from the Claims Abstract just who the insured is particularly if the same claim number incorporates multiple suffixes suggesting either different claimants or different insureds. The heading “Location” might suggest who the insured might be, but then again might not. As the Claim Abstract should function as a claims summary, it should address the name of the claimant and the insured that is related to a specific suffix. It is noted that this might require a claims system rewrite revision.
 - **Claim Status:** The claim Abstract does not reflect when a claim is open for subrogation only. As current case reserves for same reflect zero, on the surface the Claim Abstract Summary of the claim financials (i.e., paid, outstanding and incurred dollar amounts) give every impression that the claim is closed, when in fact it is not. It is noted that this might require a claims system rewrite revision in order to identify claims as being open for subrogation only.
 - **Action Plan:** This term appearing in the claim notes is sometimes misapplied as the text following same does not always appear to address any action that is going to be taken. Action Plans should not so such address what is to transpire in the near future (e.g., mediation date, trial date, etc.), but address actions that are being taken to conclude the claim (e.g., This being a case of clear liability, we will be making an offer in judgment in the amount of \$33,000, reflecting our assessment of the plaintiff’s damages, etc.)
 - **Statistical Case Reserves – Loss:** ASC continues to utilize initial statistical case reserves for loss and expense. That said; ASC will no doubt revises this year following an analysis of annual paid claims.

Legal defense statistical case reserves for Errors & Omissions (E&O) and Police Liability (PL) are still posted for \$12,000.

Initial statistical case reserves for these two lines are posted for \$7,000, whereas for Automobile Liability (AL) and General Liability (GL), they are posted for \$5,000 and \$9,000 respectively.

- **Legal Defense Budget, Invoices and Legal Defense Summaries:** ASC still insists upon the practice of having every legal defense invoice for services rendered accompanied by, or immediately preceded with an attorney's status report, if said invoice is to be put in line for payment.

That said; ASC needs to be continually mindful of legal defense expenditures as well as the remaining case reserves required to conclude a claim. Although, in the aggregate, legal defense case reserves were only overstated by \$5,000, individually it was suggested that two be increased by \$10,000 each, one be reduced by \$10,000 and another be reduced by \$15,000.

| Policy Eff | Claim Number | Claimant Name | Date Of Lo | Date Reported To | Statu: Location | Coverag | Paid Recovery | Incurred Total | Paid Total | O/S Reserve Total | Accident Description | Body Part |
|------------|-------------------|----------------------------------|------------|------------------|-----------------------------------|---------------|-----------------|-----------------|-----------------|--|--|--|
| 7/1/2004 | P243-04-00002 -01 | LYON COUNTY | 7/7/2004 | 9/13/2004 | F LYON COUNTY | RC | \$ 722,857.39 | \$ 924,857.39 | \$ 924,857.39 | \$ - | COMMUNITY CENTER DESTROYED BY FIRE | Fire Lightning or Removal |
| 7/1/2005 | P243-05-00141 -01 | STOREY COUNTY | 12/31/200 | 1/5/2006 | F STOREY COUNTY | RC | \$ 459,062.68 | \$ 610,226.76 | \$ 610,226.76 | \$ - | FLOOD WATERS DAMAGED BRIDGES AND ROADS | Water Damage |
| 7/1/2005 | P243-05-00290 -01 | SMITH, ROBERT | 2/14/2006 | 5/19/2006 | F NYE COUNTY | PL | \$ - | \$ 413,284.26 | \$ 413,284.26 | \$ - | EXCESSIVE FORCE--CLAIMANT TASED FOUR TIMES BY SHERIFF DEPUTY | Insufficient Info to Properly Identify |
| 7/1/2006 | P243-06-00010 -01 | TRUCKEE MEADOWS FPD, STATION # | 7/18/2006 | 7/18/2006 | F TRUCKEE MEADOWS FPD | AP | \$ 221,413.92 | \$ 374,188.92 | \$ 374,188.92 | \$ - | FIRE STARTED IN PUMPER TRUCK DAMAGING TRUCK, RESCUE VEHICLE & ENGINE | No Physical Injury |
| 7/1/2006 | P243-06-00507 -01 | DOUGLAS COUNTY SCHOOL DISTRICT | 10/19/200 | 10/19/2006 | F DOUGLAS COUNTY SCHOOL DIST AL | \$ - | \$ - | \$ 500,409.93 | \$ 500,409.93 | \$ - | IV T-BONED OVB#: 2007 THOMAS BUS, VIN #86608, LOU BERGANDI#V: FORD SUV | Hand |
| 7/1/2006 | P243-06-00511 -01 | SCOTSMAN DEVELOPMENT CORPORATION | 10/19/200 | 10/23/2006 | F DOUGLAS COUNTY | EO | \$ - | \$ 340,943.33 | \$ 340,943.33 | \$ - | ALLEGED 5TH AND 14TH AMENDMENT VIOLATIONS IN CONNECTION WITH REQU | No Physical Injury |
| 7/1/2006 | P243-07-00598 -01 | CALIENTE PUBLIC POOL | 2/14/2007 | 2/20/2007 | F CALIENTE (CITY OF) | RB | \$ 348,693.44 | \$ 586,193.44 | \$ 586,193.44 | \$ - | DAMAGE TO BEAM DISCOVERED BY POOL MANAGER WHEN REPAIRING PUMP | No Physical Injury |
| 7/1/2006 | P243-07-00794 -01 | MATHIS, RICHARD | 3/21/2007 | 6/14/2007 | O LYON COUNTY | EO | \$ - | \$ 367,500.00 | \$ 308,553.51 | \$ 58,946.49 | MULTIPLE CAUSES OF ACTION BOTH FEDERAL AND STATE, IN CONNECTION W/ A/ | No Physical Injury |
| 7/1/2007 | P243-08-01891 -01 | KROSHUS, JUDY | 1/5/2008 | 1/8/2008 | F FERNLEY (CITY OF) | EO | \$ 5,286,789.18 | \$ 5,812,328.73 | \$ 5,812,328.73 | \$ - | CLASS ACTION LAW SUIT REGARDING CANEL BREACH | Water Damage |
| 7/1/2007 | P243-08-01890 -01 | KROSHUS, JUDY | 1/5/2008 | 1/8/2008 | F LYON COUNTY | EO | \$ 1,759,280.15 | \$ 2,261,280.15 | \$ 2,261,280.15 | \$ - | CLASS ACTION LAWSUIT REGARDING CANEL BREACH | Water Damage |
| 7/1/2007 | P243-08-01060 -01 | ELKO COUNTY SCHOOL DISTRICT | 2/21/2008 | 2/21/2008 | F WELLS (CITY OF) | RB | \$ 4,351,676.06 | \$ 4,908,176.05 | \$ 4,908,176.05 | \$ - | 6.0 EARTHQUAKE | Earthquake (Landslide/Volcanic) |
| 7/1/2007 | P243-08-01120 -01 | LINCOLN COUNTY COURTHOUSE | 4/13/2008 | 4/14/2008 | F LINCOLN COUNTY | RC | \$ 202,456.11 | \$ 403,968.77 | \$ 403,968.77 | \$ - | PIPE BROKE AND FLODDED COURTHOUSE | Water Damage |
| 7/1/2008 | P243-08-01310 -01 | JARVIS, SHARON | 9/11/2008 | 1/19/2010 | F MESQUITE (CITY OF) | PL | \$ - | \$ 313,047.11 | \$ 313,047.11 | \$ - | ALLEGED SEXUAL MISCONDUCT BY POLICE OFFICER | No Physical Injury |
| 7/1/2008 | P243-09-01542 -01 | WESTERN BEST, LTD | 3/17/2009 | 6/29/2009 | F NYE COUNTY | EO | \$ - | \$ 454,833.72 | \$ 454,833.72 | \$ - | COMPLAINT FOR DEC. AND INJ. RELIEF AND DUE PROCESS/EQUAL PROTECTION V | No Physical Injury |
| 7/1/2009 | P243-09-01751 -01 | SERPA, JULIE | 9/10/2009 | 3/15/2012 | F CHURCHILL COUNTY SCHOOL DI: EO | \$ 399,343.31 | \$ 909,343.31 | \$ 909,343.31 | \$ - | COMPLAINT BY TEACHER OF INAPPROPRIATE SEXUAL CONDUCT BY JANITOR | All Other | |
| 7/1/2009 | P243-10-01994 -01 | REBEL COMMUNICATIONS | 4/9/2010 | 10/6/2011 | F VIRGIN VALLEY WATER DISTRICT EO | \$ 34,561.26 | \$ 484,781.42 | \$ 458,340.24 | \$ 26,441.18 | DISPUTE OVER COMMUNICATION TOWER. SUIT ALLEGES BREACH OF CONTRACT, | No Physical Injury | |
| 7/1/2009 | P243-10-02006 -01 | JUNGO LAND & INVESTMENTS | 4/28/2010 | 11/3/2010 | F HUMBOLDT COUNTY | EO | \$ - | \$ 358,283.25 | \$ 358,283.25 | \$ - | COMPLAINT FOR DECLARATORY & INJUNCTIVE RELIEF & DAMAGES AND PETITION | No Physical Injury |
| 7/1/2009 | P243-10-02087 -01 | MAIRS, MANUEL AND JAQUELINE | 6/7/2010 | 8/25/2011 | F NYE COUNTY | EO | \$ - | \$ 521,823.84 | \$ 521,823.84 | \$ - | ALLEGED 4TH & 14TH AMENDMENT VIOLATIONS MALICIOUS PROSECUTION, IIED | No Physical Injury |
| 7/1/2010 | P243-10-02379 -01 | VIRGIN VALLEY WATER DISTRICT | 8/17/2010 | 3/17/2011 | O VIRGIN VALLEY WATER DISTRICT CM | \$ - | \$ - | \$ 505,000.00 | \$ - | \$ 505,000.00 | ALLEGED EMPLOYEE DISHONESTY | No Physical Injury |
| 7/1/2010 | P243-10-02259 -01 | MCNEAL, JONATHAN | 11/24/201 | 2/5/2013 | F NYE COUNTY SCHOOL DISTRICT EO | \$ - | \$ - | \$ 2,222,707.30 | \$ 1,894,014.81 | \$ 328,692.49 | ALLEGED CHILD ABUSE/NEGLECT OF STUDENTS WITH MENTAL OR PHYSICAL DISA | No Physical Injury |
| 7/1/2010 | P243-10-02301 -01 | GREGORY, JUSTIN | 12/6/2010 | 6/15/2011 | O CHURCHILL COUNTY SCHOOL DI: EO | \$ 336,761.41 | \$ 867,200.81 | \$ 846,761.41 | \$ 20,439.40 | ALLEGED 14TH AMENDMENT DUE PROCESS VIOLATION FOLLOWING SUSPENSION | No Physical Injury | |
| 7/1/2011 | P243-11-02838 -01 | PIKE, RICHARD | 8/1/2011 | 11/7/2012 | O ELKO COUNTY | PL | \$ - | \$ 442,000.00 | \$ 289,174.95 | \$ 152,825.05 | ALLEGED ILLEGAL SEARCH IN VIOLATION OF 4TH & 14TH AMENDMENT WITH STA | All Other |
| 7/1/2011 | P243-12-02755 -01 | CHURCHILL COUNTY | 1/17/2012 | 3/7/2012 | O CHURCHILL COUNTY | CM | \$ - | \$ 504,533.20 | \$ 500,940.66 | \$ 3,592.54 | EMPLOYEE DISHONESTY | Crime (Burglary, Robbery, Theft) |
| 7/1/2012 | P243-12-03061 -01 | ELKO COUNTY SCHOOL DISTRICT | 1/6/2013 | 8/8/2013 | F ELKO COUNTY SCHOOL DISTRICT RC | \$ - | \$ - | \$ 729,624.95 | \$ 729,624.95 | \$ - | FIRE SPRINKLER LINE FROZE AND BURST | Water Damage |

Actuarial Report – NPAIP (POOL) – April, 2015

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 26, 2014, was prepared in conjunction with last year's audit, and ties to the audit report. 13 of the 50 pages are enclosed.

The two rate studies (four pages for property, four for casualty, each beginning with a cover letter) indicate a decrease in loss costs for property, and a decrease in loss costs for casualty. This 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. Of course, each member's 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 deadline for preparation of the 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 and Property Program

Outstanding Liabilities as of June 30, 2014

Presented to
Nevada Public Agency Insurance Pool

September 26, 2014





Friday, September 26, 2014

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 \$8,560,000 as of June 30, 2014. 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 \$8,560,000 estimate is the minimum liability to be booked by NPAIP at June 30, 2014 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.

Our conclusions regarding NPAIP's liability for unpaid loss and allocated loss adjustment expenses (ALAE) at June 30, 2014 are summarized in the table below.

NPAIP
Self-Insured Liability & Property Program
Estimated Liability for Unpaid Loss and ALAE
at June 30, 2014

| | Expected | Marginally Acceptable 70% CL | Recommended Range | | | Conservative 90% CL |
|--|-------------|------------------------------------|-------------------|------------------|----------------|------------------------|
| | | | Low 75% CL | Target 80% CL | High 85% CL | |
| Liability – Gross of Deductibles and Aggregate Limit | \$7,837,000 | \$8,770,000 | \$9,185,000 | \$9,671,000 | \$10,274,000 | \$11,074,000 |
| Property – Gross of Deductibles and Aggregate Limit | \$1,526,000 | \$1,795,000 | \$1,920,000 | \$2,068,000 | \$2,251,000 | \$2,495,000 |
| TOTAL – Gross of Deductibles & Aggregate Limit | \$9,363,000 | \$10,565,000 | \$11,105,000 | \$11,739,000 | \$12,525,000 | \$13,569,000 |
| TOTAL – Net of Deductibles & Aggregate Limit, Incl. Corridor Deductible | \$8,560,000 | \$9,659,000 | \$10,153,000 | \$10,732,000 | \$11,451,000 | \$12,405,000 |

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on NPAIP's financial statements.

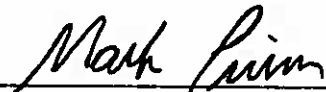
Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level for primary programs. We consider funding to the 70% confidence level to be marginally acceptable and funding to the 90% confidence level to be 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 NPAIP's internal use. It is not intended for general circulation.

We appreciate the opportunity to be of service to NPAIP 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



Mark Priven, FCAS, MAAA
Director, Regulatory and Alternative Risk Consulting, Bickmore
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries



Derek Burkhalter
Manager, Property and Casualty Insurance Services, Bickmore
Associate, Casualty Actuarial Society
Member, American Academy of Actuaries

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, 2014, before recognition of investment income.

| NPAIP | | | |
|--|--------------------|--------------------|--------------------|
| Self-Insured Liability & Property Program | | | |
| Estimated Liability for Unpaid Loss and ALAE at June 30, 2014 | | | |
| Year | Case Reserves | IBNR Reserves | Total Outstanding |
| Prior | \$0 | \$0 | \$0 |
| 2006-07 | 81,268 | 3,385 | 84,653 |
| 2007-08 | 76,444 | 20,926 | 97,370 |
| 2008-09 | 222,985 | 79,765 | 302,750 |
| 2009-10 | 135,901 | 127,038 | 262,939 |
| 2010-11 | 626,513 | 215,075 | 841,588 |
| 2011-12 | 806,717 | 415,065 | 1,221,782 |
| 2012-13 | 890,855 | 1,432,149 | 2,323,004 |
| 2013-14 | 918,063 | 2,507,108 | 3,425,171 |
| Loss and ALAE | \$3,758,746 | \$4,800,510 | \$8,559,256 |

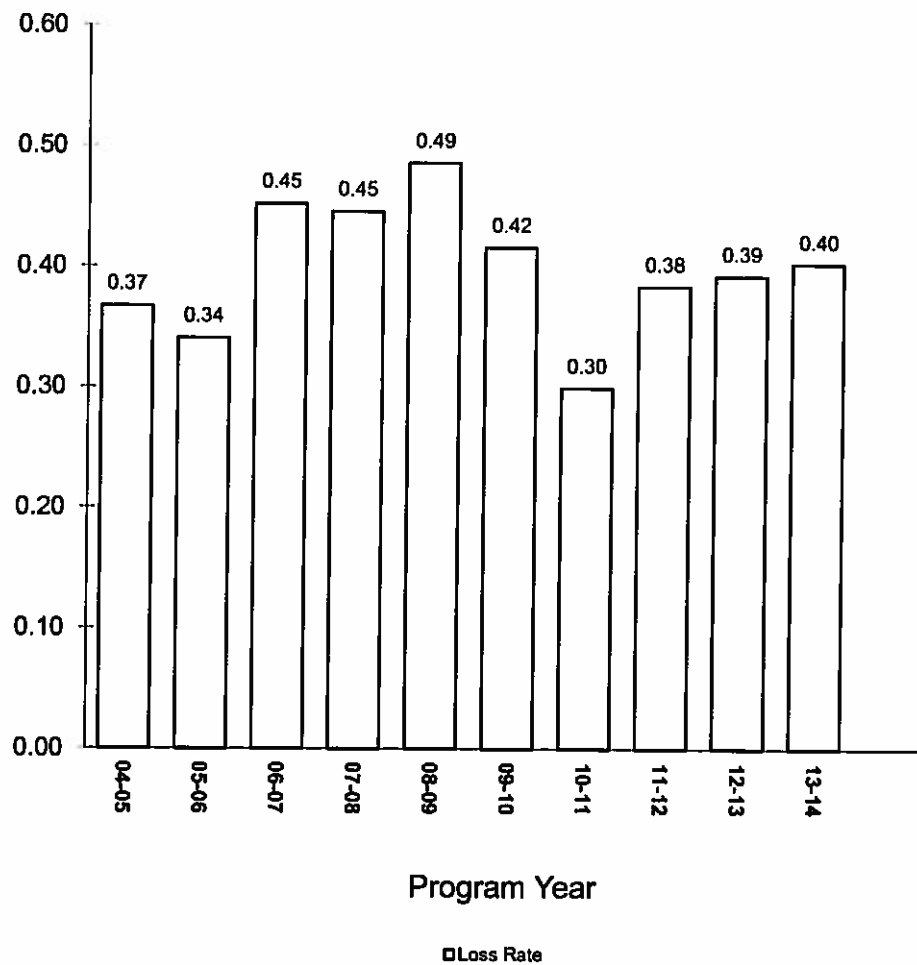
C. HISTORICAL TRENDS IN THE SELF-INSURANCE PROGRAM

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 dollars of loss per \$100 of payroll for liability, or loss rate, generally increased between 2005-06 and 2008-09, and then decreased between 2008-09 and 2010-11. Since 2010-11, the loss rate has appeared to have been increasing again. Our selection for 2013-14 of \$0.40 per \$100 of payroll is based on this recent trend.

Graph 2

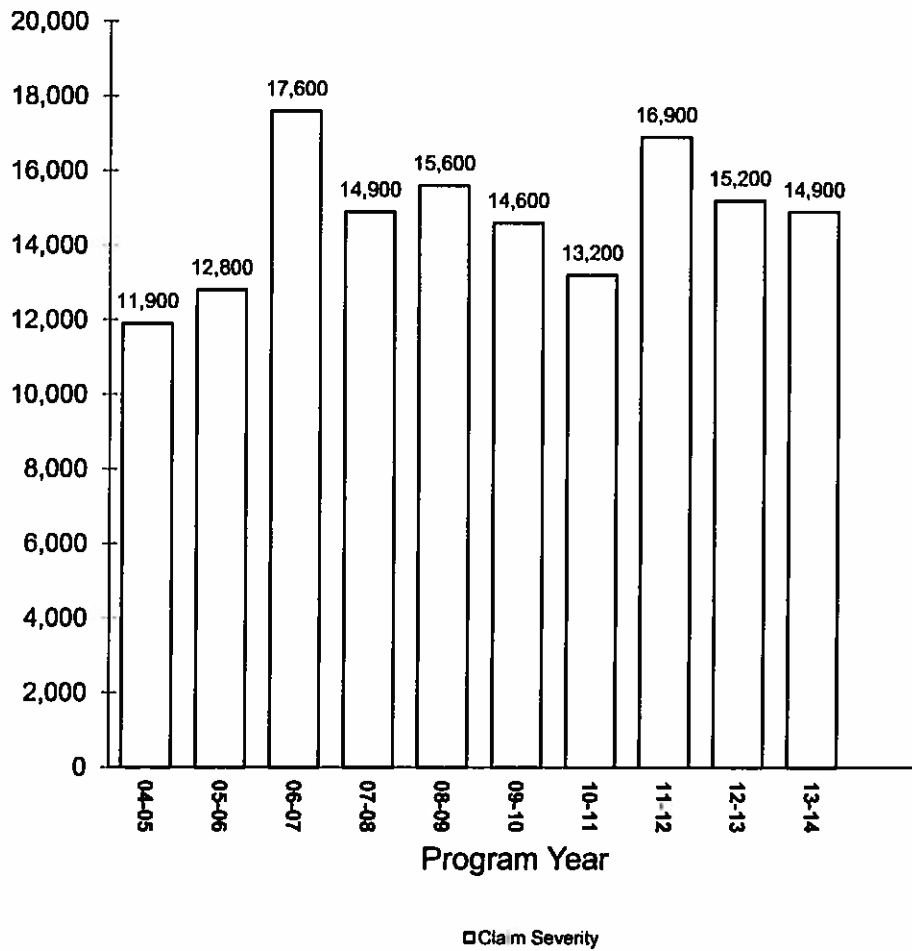
NPAIP- Liability
Dollars of Loss per
\$100 of Payroll



The average dollars of loss per claim, or severity, for liability had varied over the last ten years. Our estimate of the average limited claim size is \$14,900 for 2013-14.

Graph 3

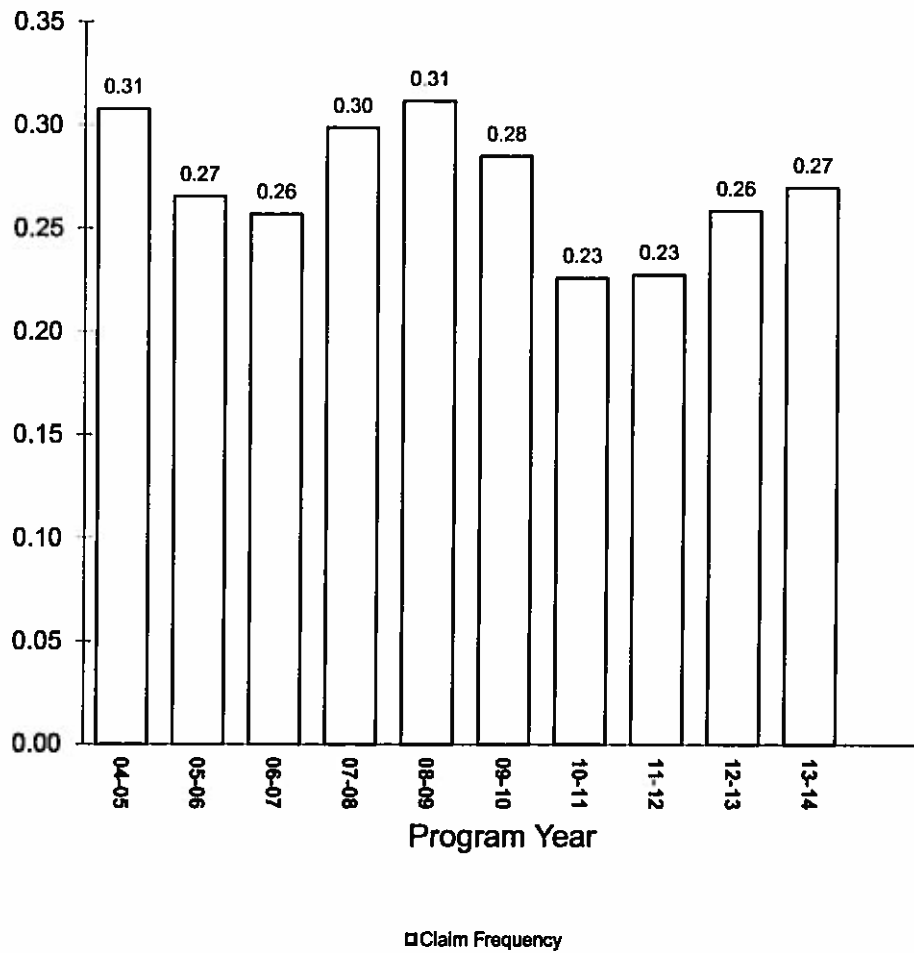
NPAIP- Liability
Dollars of Loss per Claim



The number of claims per \$1 million of payroll, or frequency, for liability has varied over the past ten years. Our selection for 2013-14 is 0.27 claims per \$1 million payroll.

Graph 4

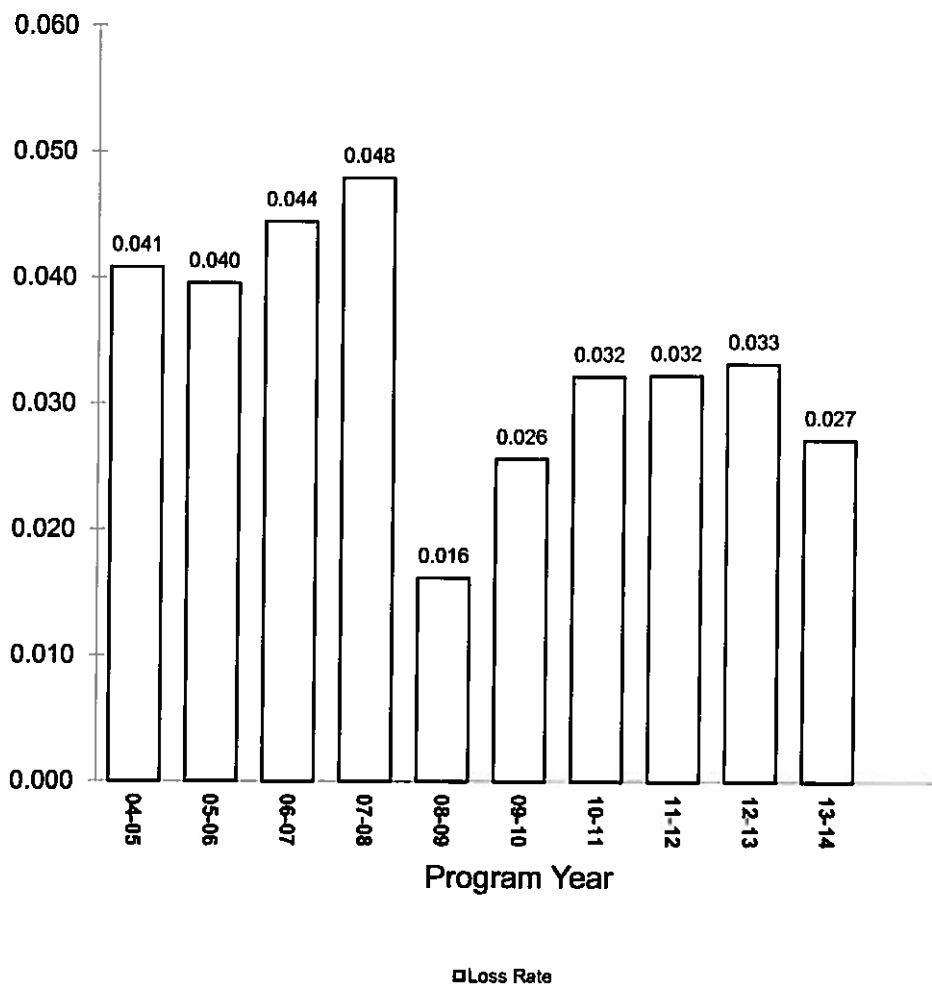
NPAIP- Liability
Number of Claims per
\$1 Million of Payroll



For property, the loss rate has been relatively variable ranging from a high of \$0.048 in 2007-08 per \$100 Total Insured Value (TIV) to a low of \$0.016 in 2008-09. Our estimate of \$0.027 for 2013-14 is similar to that of the prior four years.

Graph 5

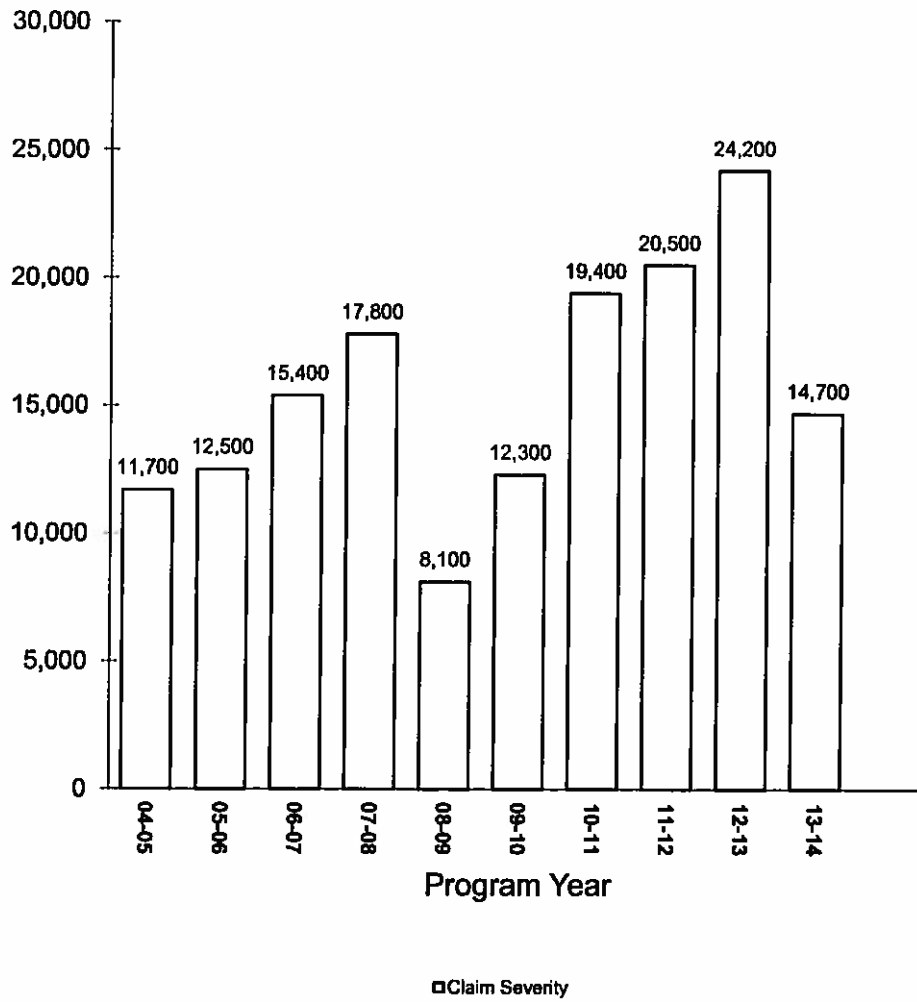
NPAIP - Property
Dollars of Loss per
\$100 of Total Insured Value



The average severity for property had generally been increasing since 2004-05, with the exception of a decrease in 2008-09. Our estimate for 2013-14 is also relatively lower at \$14,700.

Graph 6

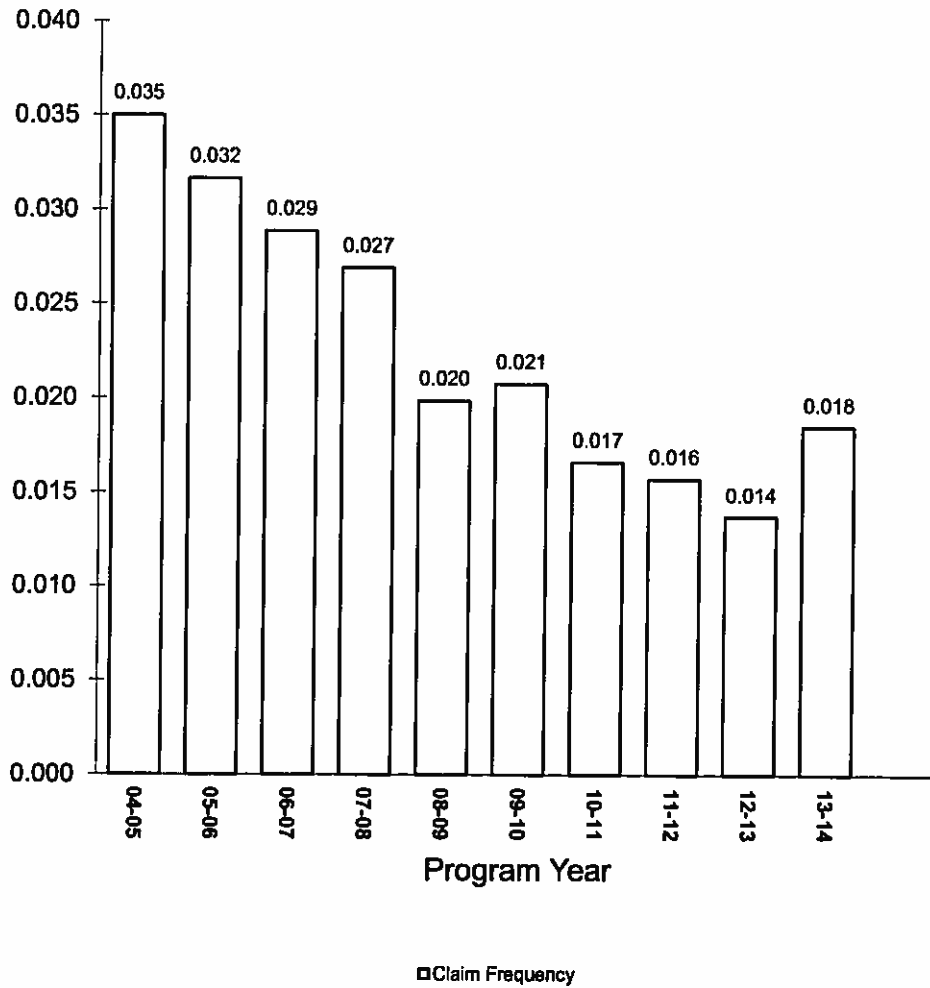
NPAIP - Property
Dollars of Loss per Claim



The frequency for property has decreased significantly from its high of 0.035 per \$1 million TIV in the 2004-05 program year. The estimate for 2013-14 is 0.018 claims per \$1 million TIV, based in part 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 27, 2013. In the table below we display actual versus expected development of incurred losses and ALAE by accident year between the 6/30/13 evaluation date of the prior report and the 6/30/14 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 |
|---------------|-------------------------------|-----------------------------|-----------------------|
| Prior | \$0 | \$0 | \$0 |
| 2003-04 | 0 | 1,000 | 1,000 |
| 2004-05 | 0 | 0 | 0 |
| 2005-06 | 2,000 | (83,000) | (85,000) |
| 2006-07 | 17,000 | 39,000 | 22,000 |
| 2007-08 | 57,000 | (9,000) | (66,000) |
| 2008-09 | 65,000 | 26,000 | (39,000) |
| 2009-10 | 203,000 | 335,000 | 132,000 |
| 2010-11 | 588,000 | 497,000 | (91,000) |
| 2011-12 | 1,091,000 | 757,000 | (334,000) |
| 2012-13 | 1,117,000 | 416,000 | (701,000) |
| 2013-14 | 2,714,000 | 2,067,000 | (647,000) |
| Total | \$5,854,000 | \$4,046,000 | (\$1,808,000) |

As shown, actual incurred development was less than anticipated since the prior report. Although \$5,854,000 was expected to be incurred in total, the actual amount was only \$4,046,000. In fact, with the exception of the 2003-04, 2006-07 and 2009-10, each individual year came in less than expected as well. This favorable experience appears to be mainly due to the declining frequency observed for both liability and property particularly in the most recent three accident years.

Nevada Public Agency Insurance Pool - Liability and Property Combined
Funding Guidelines for Outstanding Liabilities Net of Deductible and Aggregate Limits at
June 30, 2014

| | | | | | |
|--|--------------------|---------------------------------|---------------------|---------------------|---------------------|
| (A) Estimated Ultimate Losses Incurred through 6/30/14: (From Exhibit 1 - Combined, Page 3) | \$45,663,000 | | | | |
| (B) Estimated Paid Losses through 6/30/14: (From Exhibit 1 - Combined, Page 4) | 37,103,000 | | | | |
| (C) Estimated Liability for Claims Outstanding at 6/30/14: ((A) + (B)) | <u>\$8,560,000</u> | | | | |
| (D) Estimated Liability for Outstanding Claims Administration Fees at 6/30/14: (Sum of Liability & Property Coverages) | 0 | | | | |
| (E) Total Outstanding Liability for Claims at 6/30/14: ((C) + (D)) | <u>\$8,560,000</u> | | | | |
| (F) Reserve Discount Factor (Average of Liability & Property Coverages) | 1.000 | | | | |
| (G) Discounted Outstanding Liability for Claims at 6/30/14: ((E) x (F)) | <u>\$8,560,000</u> | | | | |
| Confidence Level of Adequacy: | | Marginally <u>Acceptable</u> | | <u>Recommended</u> | <u>Conservative</u> |
| | | 70% | 75% | 80% | 85% |
| (H) Confidence Level Factor: (Average of Liability & Property Coverages) | | 1.128 | 1.188 | 1.254 | 1.338 |
| (I) Margin for Adverse Experience: ((G) x [(H) - 1]) | | 1,099,000 | 1,593,000 | 2,172,000 | 2,891,000 |
| (J) Total Required Available Funding at 6/30/14: ((G) + (I)) | | <u>\$9,659,000</u> | <u>\$10,153,000</u> | <u>\$10,732,000</u> | <u>\$11,451,000</u> |
| | | <u>\$12,405,000</u> | | | |

DRAFT



Thursday, March 19, 2015

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 2015-16

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 2015-16 program year to be \$1,588,000. This figure is net of the expected amount to be covered by individual members' deductibles. 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 2015-16 fiscal year.

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The table below shows our funding recommendations for NPAIP for the 2015-16 fiscal year based on a \$200,000 SIR.

| Nevada Public Agency Insurance Pool Self-Insured Property Program Loss and ALAE Funding Guidelines for 2015-16 Self-Insured Retention (SIR) of \$200,000 No Corridor Deductible | | | | | | |
|---|-------------|------------------------------------|-------------------|------------------|----------------|------------------------|
| | 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 | \$1,908,000 | | | | | |
| Expected Amount from Members' Deductibles | (320,000) | | | | | |
| Loss and ALAE – Net of Members' Deductible | 1,588,000 | \$1,853,000 | \$1,977,000 | \$2,125,000 | \$2,309,000 | \$2,555,000 |
| Rate per \$100 of 2015-16 Total Insured Value | \$0.036 | \$0.042 | \$0.045 | \$0.048 | \$0.052 | \$0.058 |

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2015. 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 2014-15 year was \$1,605,000 at the expected level. That amount included allocated loss adjustment expenses (ALAE) but was net of individual members' deductibles. Our current estimate for the 2015-16 year is \$1,588,000 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 2014-15 SIR = \$200,000 | Current Report 2015-16 SIR = \$200,000 | Change |
|--|---|---|------------|
| (A) Ultimate Loss and ALAE – Net of Members' Deductibles: | \$1,605,000 | \$1,588,000 | (\$17,000) |
| (B) Funding per \$100 of Total Insured Value: | \$0.038 | \$0.036 | (\$0.002) |

As you can see, our funding recommendations at the expected level have decreased between 2014-15 and 2015-16, as shown in our prior and current reports respectively. Our projected rate per \$100 of TIV has also decreased since the prior report.

Nevada Public Agency Insurance Pool - Property Coverages

Funding Options for Program Year 2015-2016 (SIR = \$200,000) - Net of Deductible
One-Year Funding Plan

| | Dollar Amount | TIV Rate | | | |
|---|----------------------------------|--------------------|--------------------|--------------------|---------------------|
| (A) Estimated Ultimate Losses Incurred in Accident Year 2015-2016: (From Appendix F) | \$1,908,000 | \$0.043 | | | |
| (B) Estimated Deductible Adjustment Factor: (From Exhibit 3, Page 1, item (O)) | 0.832 | | | | |
| (C) Estimated Ultimate Losses Incurred in Accident Year (Net of Deductible): ((A) x (B)) | <u>\$1,588,000</u> | <u>\$0.036</u> | | | |
| (D) Incurred Loss from Corridor Deductible (Not Applicable) | 0 | 0.000 | | | |
| (E) Estimated Claims Administration Fees Incurred in Accident Year 2015-2016: (From Exhibit 3, Page 1, item (L)) | 0 | 0.000 | | | |
| (F) Total Claims Costs Incurred in Accident Year 2015-2016: ((C) + (E)) | <u>\$1,588,000</u> | <u>\$0.036</u> | | | |
| (G) Loss Discount Factor (Appendix G, (F)) | 1.000 | | | | |
| (H) Discounted Total Claims Costs Incurred in Accident Year 2015-2016: ((F) x (G)) | <u>\$1,588,000</u> | <u>\$0.036</u> | | | |
| | <u>Marginally Acceptable</u> | | <u>Recommended</u> | | <u>Conservative</u> |
| | 70% | 75% | 80% | 85% | 90% |
| (I) Confidence Level Factor: (From Appendix H) | 1.167 | 1.245 | 1.338 | 1.454 | 1.609 |
| (J) Margin for Adverse Experience: ((H) x [(I) - 1]) | 265,000 | 389,000 | 537,000 | 721,000 | 967,000 |
| (K) Recommended Funding in 2015-2016 for Claims Costs and Other Expenses: ((H) + (J)) | <u>\$1,853,000</u> | <u>\$1,977,000</u> | <u>\$2,125,000</u> | <u>\$2,309,000</u> | <u>\$2,555,000</u> |
| (L) Rate per \$100 of TIV: ((K) / \$44,365,445) | \$0.042 | \$0.045 | \$0.048 | \$0.052 | \$0.058 |

TIV rates are per hundred dollars of 2015-2016 TIV of \$4,436,544,500.

DRAFT



Thursday, March 19, 2015

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 2015-16

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 2015-16 program year to be \$2,536,000. 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 2015-16 fiscal year.

DRAFT

The table below shows our funding recommendations for NPAIP for the 2015-16 fiscal year based on a \$500,000 SIR.

| Nevada Public Agency Insurance Pool Self-Insured Liability Program Loss and ALAE Funding Guidelines for 2015-16 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 | \$3,439,000 | | | | | |
| Expected Amount from Member Deductibles | (903,000) | | | | | |
| Loss and ALAE – Net of Deductible | \$2,536,000 | \$2,960,000 | \$3,162,000 | \$3,401,000 | \$3,700,000 | \$4,098,000 |
| Rate per \$100 of 2015-16 Payroll | \$0.46 | \$0.53 | \$0.57 | \$0.61 | \$0.67 | \$0.74 |

The funding recommendations shown in the table above do not include any recognition of the existing funding margin at June 30, 2015. 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 2014-15 year was \$2,681,000 at the expected level. That amount included allocated loss adjustment expenses (ALAE) and was net of individual members' deductibles. Our current estimate for the 2015-16 year is \$2,536,000 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 2014-15 SIR = \$500,000 | Current Report 2015-16 SIR = \$500,000 | Change |
|-----------------------------------|---|---|-------------|
| (A) Total Recommended Funding: | \$2,681,000 | \$2,536,000 | (\$145,000) |
| (B) Funding per \$100 of Payroll: | \$0.487 | \$0.458 | (\$0.029) |

As you can see, our funding recommendations at the expected level have decreased between 2014-15 and 2015-16, 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 2015-2016 (SIR = \$500,000) - Net of Deductible
One-Year Funding Plan

| | <u>Dollar Amount</u> | <u>Payroll Rate</u> | | | |
|--|----------------------------------|-------------------------|--------------------|--------------------|---------------------|
| (A) Estimated Ultimate Losses Incurred in Accident Year 2015-2016: (From Appendix F) | \$3,439,000 | \$0.621 | | | |
| (B) Estimated Deductible Adjustment Factor: (From Exhibit 3, Page 1, item (O)) | 0.737 | | | | |
| (C) Estimated Ultimate Losses Incurred in Accident Year (Net of Deductible): ((A) x (B)) | <u>\$2,536,000</u> | <u>\$0.458</u> | | | |
| (D) Estimated Claims Administration Fees Incurred in Accident Year 2015-2016: (From Exhibit 3, Page 1, item (L)) | 0 | 0.000 | | | |
| (E) Total Claims Costs Incurred in Accident Year 2015-2016: ((C) + (D)) | <u>\$2,536,000</u> | <u>\$0.458</u> | | | |
| (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 2015-2016: ((E) x (F)) | <u>\$2,536,000</u> | <u>\$0.458</u> | | | |
| | <u>Marginally Acceptable</u> | | <u>Recommended</u> | | <u>Conservative</u> |
| | 70% | 75% | 80% | 85% | 90% |
| (H) Confidence Level Factor: (From Appendix H) | 1.167 | 1.247 | 1.341 | 1.459 | 1.616 |
| (I) Margin for Adverse Experience: ((G) x [(H) - 1]) | 424,000 | 626,000 | 865,000 | 1,164,000 | 1,562,000 |
| (J) Recommended Funding in 2015-2016 for Claims Costs and Other Expenses: ((G) + (I)) | <u>\$2,960,000</u> | <u>\$3,162,000</u> | <u>\$3,401,000</u> | <u>\$3,700,000</u> | <u>\$4,098,000</u> |
| (L) Rate per \$100 of Payroll: ((J) / \$5,538,467) | \$0.534 | \$0.571 | \$0.614 | \$0.668 | \$0.740 |

Payroll rates are per hundred dollars of 2015-2016 payroll of \$553,846,700.

POOL Form Changes:

Staff has been reviewing potential changes in coverages or optional insurance products. Some options included:

- Since Nevada was selected as an Unmanned Aerial Vehicle (drone) State, the University partnered with drone development companies to form NEVADA INSTITUTE FOR AUTONOMOUS SYSTEMS (“NIAS”), a non-profit which serves as the Trusted Agent for the State of Nevada in fulfillment of the obligations of the FAA to develop the drone industry. NIAS has been contacting Member airports to site drone launch operations. One possible extension of coverage would be to include Unmanned Aerial Systems (drone) physical damage and liability in the event a member purchases a drone. CRL also is considering extending a sublimit for such coverage. The FAA determined that pilot licenses would be required and that flight restrictions of up to 500 feet and within the sightline of the pilot would be required for the use of drones. We do not know whether members intend to purchase drones, but would require specifically scheduling them if we extend coverage. This could be done a stand-alone drone insurance master policy or possibly coverage extended under the POOL Form with PRM and CRL jointly. Other reinsurers would have to be contacted for consideration of higher limits. We recommend a stand-alone policy approach due to the rapidly changing requirements for operators and operations.
- At the last annual meeting, the board discussed a “hammer clause” provision which creates a monetary penalty for failure to cooperate in a claim including failure to follow legal advice. Such penalty could be a percentage share of the costs of a claim up to a designated maximum. Staff has considered whether or not such a penalty was necessary and recommends not adding it at this time since generally Members are cooperative and we have certain cooperation obligations already in the form.

POOL Budget Summary 2015-2016

**Approved by Exec comm at 70% confidence level
3/2/2015 Approved by Board 5/--/2015**

Revenues

| | | |
|-----------------------|-----------|-------------------|
| Aseessments Written | \$ | 15,441,277 |
| Total Revenues | \$ | 15,441,277 |

Loss Fund Expenses

| | | | |
|------------------------------|----|-----------|-------|
| Claims & Adjustment Expenses | \$ | 5,406,419 | 35.0% |
|------------------------------|----|-----------|-------|

Program Expenses

| | | | |
|------------------------------------|-----------|------------------|--------------|
| Reinsurance Premiums Ceded | \$ | 5,380,293 | 34.8% |
| Agent Compensation | \$ | 956,552 | 6.2% |
| Willis Pooling & Loss Control Fees | \$ | 505,000 | 3.3% |
| ASC Claims Management Fees | \$ | 712,941 | 4.6% |
| Total Program Expenses: | \$ | 7,554,786 | 48.9% |

POOL Administration Expenses

| | | | |
|--------------------------------------|-----------|------------------|--------------|
| Management Services | \$ | 475,860 | 3.1% |
| Casualty Insurance | \$ | 40,000 | 0.3% |
| Operating Expenses | \$ | 87,500 | 0.6% |
| Legal Services Fees | \$ | 55,000 | 0.4% |
| Professional Services | \$ | 50,610 | 0.3% |
| Consultants Appraisals | \$ | 117,500 | 0.8% |
| Member Education & Training | \$ | 328,375 | 2.1% |
| HR Services Fees | \$ | 734,500 | 4.8% |
| Total Administration Expenses | \$ | 1,889,345 | 12.2% |

| | | | |
|---|-----------|-------------------|--------------|
| Total Loss Fund, Program and Administration Expenses | \$ | 14,850,549 | 96.2% |
|---|-----------|-------------------|--------------|

| | | | |
|-----------------------------|-----------|----------------|-------------|
| Net Operating Income | \$ | 590,728 | 3.8% |
|-----------------------------|-----------|----------------|-------------|

| | | | |
|--|-----------|----------------|-------------|
| Total Non-operating net investment revenues | \$ | 500,000 | 3.2% |
|--|-----------|----------------|-------------|

Revenues Building

| | | |
|---------------|-----------|----------------|
| Rental Income | \$ | 257,817 |
| Other Income | \$ | 6,000 |
| | \$ | 263,817 |

| | | |
|--------------------------|-----------|----------------|
| Building Expenses | \$ | 148,193 |
|--------------------------|-----------|----------------|

| | | |
|----------------------------|-----------|----------------|
| NET BUILDING INCOME | \$ | 115,624 |
|----------------------------|-----------|----------------|

OTHER EXPENSES:

| | |
|-----------------------------|------------------------|
| PRM Amortization Expense | 1,873,966 |
| TOTAL OTHER EXPENSES | 1,873,966 12.1% |

Risk Management Grants:

| | | |
|-----------------------------|-----------|----------------|
| 1% of Net Assets per Policy | \$ | 329,379 |
|-----------------------------|-----------|----------------|

POOL Executive Committee

| Re-election Term | Entity | Officers | 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 | 2013-2015 | Eureka County | Chair | | | | NOT a Candidate for reelection Candidate for Chair |
| Cash Minor | 2013-2015 | Elko County | Vice Chair | X | | | |
| Pat Whitten | 2013-2015 | Storey County | Fiscal Officer | X | | | Candidate for Vice Chair |
| Josh Foli | 2013-2015 | Lyon County | | X | | | |
| Lisa Jones | 2013-2015 | Eureka Co. School District | | | X | | |
| Dan Newell | 2014-2016 | City of Yerington | | X | | | Resigned effective upon election Declared Candidate |
| Holly Luna | 2015-2016 | Douglas County School District | | | X | | |
| Gerry Eick | 2014-2016 | Incline Village GID | | | | X | |

| |
|--|
| Declared Small City/County Candidate for Dan Newell's remaining Term: Bev Connolly Recorder/Auditor Eureka County |
|--|

Eligible Special Districts/Towns:

| | | |
|-------------------------------|--------------------------|---|
| Bob Spellberg | Gardnerville Ranchos GID | x |
| Susan Severt or Garth Elliott | Sun Valley GID | x |
| Terry Bostwick | Town of Pahrump | x |
| James Eason | Town of Tonopah | x |
| Gerry Eick | Incline Village GID | x |

NPAIP Executive Committee Election

Chair Mike Rebaleati's term ends this year and he will not be standing for reelection as a result of job changes and since he is now on the Eureka County School District Board. Vice Chair Cash Minor of Elko County has indicated a willingness to serve as Chair.

Josh Foli of Lyon County has indicated a willingness to serve as Vice Chair. He currently serves as Fiscal Officer of NPAIP, but Gerry Eick of Incline Village GID has expressed interest in being appointed by the Chair to replace Josh as Fiscal Officer if he becomes Vice Chair.

Dan Newell of the City of Yerington resigned from the Executive Committee representing small cities/counties under 35,000 population. Bev Connolly of Eureka County has declared her interest in serving in that position. She formerly was on the Eureka County School District Board, but was elected to Eureka County Recorder/Auditor.

Kevin Curnes of Carson City School District retired mid-year. Holly Luna of Douglas County School District has declared her interest in serving in that position. She is Finance Director of the district.

All other incumbents have expressed interest in continuing to serve.

If others wish to be included as candidates, please contact Wayne Carlson in advance of the meeting.

Nominations will be open at the annual meeting as well.

NEVADA PUBLIC AGENCY INSURANCE POOL
BYLAWS

Revised: May 1, 2000
Revised: May 2, 2003
Revised: May 1, 2009
Revised: April 26, 2013
Revised: May 1, 2015

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**BYLAWS OF THE
NEVADA PUBLIC AGENCY INSURANCE POOL**

ARTICLE I: ~~POOL~~NPAIP PHILOSOPHY AND STRUCTURE

SECTION 1.01. PHILOSOPHY.

The philosophy of ~~the Pool~~NPAIP is to maintain long term stability in the costs and coverages provided by ~~the Pool~~NPAIP to its Members through risk management.

SECTION 1.02. GENERAL STRUCTURE.

~~The Pool~~NPAIP 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~~NPAIP 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~~NPAIP so as to continue to operate ~~as a Pool~~successfully; and
- (f) To collect and disburse funds for the sound financial organization and operation of ~~the Pool~~NPAIP.

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~~NPAIP;
- (b) To maintain good community relations with the primary objective being reduction of risks;
- (c) To make timely submissions to ~~the Pool~~NPAIP and its insurers of contributions to ~~the Pool~~NPAIP's Loss Fund, administrative fees, and insurance premiums;
- (d) To publish for the Member and the files of ~~the Pool~~NPAIP, 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~~NPAIP 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~~NPAIP. 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~~NPAIP'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~~NPAIP 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~~NPAIP 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~~NPAIP 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~~NPAIP 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~~NPAIP;
- (b) Willingness to abide by the Interlocal Cooperation Agreement, Bylaws, rules, regulations and objectives of ~~the Pool~~NPAIP;
- (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~~NPAIP 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 3.0~~2~~3. 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.

SECTION 3.06. ANNUAL MEETING BUSINESS

The Annual Meeting agenda must include the following topics required by the Nevada Administrative Code:

- (a) Review by the Board of Trustees at least annually of the 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 by the members at least annually of the loss experience of each member of the association; and
- (c) Review for the removal of members with an excessive loss experience or members determined by the Board of Trustees to be operating in a hazardous financial condition.

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~~NPAIP 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~~NPAIP to any person or persons, management company, or committee however composed, provided that the activities and affairs of ~~the Pool~~NPAIP 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~~NPAIP, 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~~ PoolNPAIP, 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~~ PoolNPAIP 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~~ PoolNPAIP, 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~~NPAIP.

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 may be filled by the Member at its next regular meeting.
- (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.
- ~~(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.~~
- (fe) Upon withdrawal of a Member from ~~POOL~~NPAIP, its board positions shall be eliminated upon the effective date of withdrawal.

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~~NPAIP.

~~The Pool~~NPAIP 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~~NPAIP 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~~NPAIP, 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~~NPAIP and, subject to the control of the Board, shall:

- (a) Supervise, direct, and control the business and affairs of ~~the Pool~~NPAIP;
- (b) Provide adequate staff to administer ~~the Pool~~NPAIP;
- (c) Supervise, direct, and control the collection, deposit, investment, and disbursement of all funds of ~~the Pool~~NPAIP 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-Chair~~ 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~~NPAIP 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~~NPAIP 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~~NPAIP and any other person shall be valid and binding on ~~the Pool~~NPAIP 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~~NPAIP 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 its Executive Committees~~ 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~~NPAIP. 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~~NPAIP 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~~NPAIP that such statements were prepared without audit from the books and records of ~~the Pool~~NPAIP. The annual report shall contain in appropriate detail the following:

- (a) The assets and liabilities, including the trust funds, of ~~the Pool~~NPAIP 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~~NPAIP, both unrestricted and restricted to particular purposes, for the fiscal year; and
- (d) The expenses or disbursements of ~~the Pool~~NPAIP, 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~~NPAIP 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~~ NPAIP.

Public Risk Mutual



**Notice of Annual Members Meeting and Agenda for
Public Risk Mutual
Place: John Ascuaga's Nugget, Sparks, Nevada
Time: 8:00 a.m. or After
Nevada Public Agency Insurance Pool Board Meeting
Date: May 1, 2015**

AGENDA

1. Roll
2. **Action Item:** Approval of
 - a. Minutes of Annual Member Meeting April 25, 2014
 - b. Ratification of Board Action Taken Since the 2014 Annual Meeting
3. Report - Minutes of Meetings
 - Meeting of the Board of Directors of April 21, 2014
 - Meeting of the Board of Directors of May 22 2014
 - Meeting of the Board of Directors of December 1, 2014
 - Meeting of the Board of Directors of March 2, 2015
4. Investments Report
5. Report - Audited Financial Reports for 2014 (Calendar Year)
6. Discussion of Reinsurance Program Provided to Nevada Public Agency Insurance Pool for its Fiscal Year 2015-2016
7. **Action Item:** Elections/Ratification of Board Members and Officers
8. **Action Item:** Adjournment



**DRAFT Minutes of Annual Members Meeting of
Public Risk Mutual
Place: John Ascuaga's Nugget, Sparks, Nevada
Time: Upon Adjournment of POOL Meeting
Nevada Public Agency Insurance Pool Board Meeting
Date: April 25, 2014**

1. Roll

A quorum being present, Chair Minor called the meeting to order.

2. Action Item: Approval of

a. Minutes of Annual Member Meeting April 26, 2013

b. Ratification of Board Action Taken Since the 2013 Annual Meeting

On motion and second to approve both items, the motion carried.

3. Report - Minutes of Meetings

- **Meeting of the Board of Directors of April 23, 2013**
- **Meeting of the Board of Directors of January 27, 2014**
- **Meeting of the Board of Directors of March 3, 2014**

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

4. Investments Report

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

5. Report - Audited Financial Reports for 2013 (Calendar Year)

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

6. Status Report – Change of PRM to Single-Parent Status

Doug Smith commented that this item was approved by the members last year and approved by the Division of Insurance this year. No action taken.

7. Discussion of Reinsurance Program Provided to Nevada Public Agency Insurance Pool for its Fiscal Year 2014-2015

Doug Smith commented that this program was presented under the NPAIP agenda. He also said that the expenses remained fairly flat this year.

8. Action Item: Elections/Ratification of Board Members and Officers

Incumbents Cash Minor, Chair and Josh Foli, Treasurer/Fiscal Officer were up for election. On motion and second to reelect both incumbents to their respective positions and to rarify Wayne Carlson to serve as President and Doug Smith as Vice President, the motion carried.

9. Action Item: Approval of Public Agency Risk Management Services, Inc. Management Contract

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

10. Action Item: Adjournment

Chair Minor adjourned the meeting at 2:27 p.m.

DRAFT

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 April 21, 2014

Scheduled Time: 2:00 P.M. or when POOL/PACT/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 at 2:40 P.M. on April 21, 2014. The joint meetings of NPAIP/PACT were recessed in order to allow captive Boards to approve renewal proposals

Board Members Present: Cash Minor, Josh Foli, Mike Rebaleati, and Alan Kalt, (Paul Johnson absent)

Others Present: Wayne Carlson, Ann Wiswell, Doug Smith, and various members of the POOL/PACT executive committees.

2. Action Item: Approval of Minutes of March 3, 2014

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

3. Staff Reports and Old Business (Action as Necessary):

Staff briefly reviewed surplus/net worth positions from the balance sheets of both captives, and noted that investment results for the first quarter were positive, reversing some of the prior year bond losses. Equities gained about 1.5% for the quarter.

4. Action Item: Election of PRM Board Members and Officers

Both Cash Minor (Chairman) and Josh Foli expressed willingness to serve as Board Members for the coming 2014-2017 term. Upon motion and second to reelect both, as well as ratifying Wayne Carlson (President) and Doug Smith (Vice President) as continuing officers, the motion carried. The action is on the agenda for ratification at the annual meeting April 25, 2014.

Public Risk Mutual



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5. Renewal Offer for POOL (NPAIP) 2014-2015

Doug reported that actuarial projections for the existing degree of participation by PRM in the POOL program fell this year, with pricing contemplated to remain at the 75% confidence level. The property layer (\$50,000 excess of \$200,000) was priced at \$146,000 last year, \$129,000 this year. Expenses were projected by staff at \$120,000, up slightly from the prior year.

Casualty participation (20% of the layer \$2,500,000 excess of \$500,000) was priced actuarially at \$223,000 last year, \$205,000 this year.

Doug stated that the total budget would therefore be \$454,000, with no changes in reinsurance layers involved. The recommended offer to POOL by PRM, then, assuming no other retention changes, would be \$454,000 renewal premium on an 'as is' basis (slightly less than the \$462,000 last year). All PRM projections are based on a 75% confidence level.

The Cyber Liability layers (which provide a total of \$2,000,000 in coverage as a sublimit on the POOL form) will be structured as last year: POOL will retain the first \$250,000 of all losses, then for non-school members CRL will take \$750,000 excess of POOL and PRM the next layer of \$1,000,000; for schools, PRM will take \$250,000 excess of POOL and UE will take the next \$1,500,000 excess of \$500,000. Cyber premiums are contemplated in the base pricing.

Two further options were recommended by staff. The first option would see a reduction in retention by POOL by dropping the current 250k xs 250k corridor deductible and an increase in the per loss PRM layer to 300k xs 200k. This would result in an additional cost of \$403,000, mostly due to removal of the corridor. POOL could pass along the savings in its pricing.

A second option would be based on a restructuring of the current 7MM xs 3MM layer. The layer could be quota-shared by PRM, GEM and BRIT, with PRM retaining 10% of the layer. If BRIT was unwilling to participate, PRM could retain a significant portion of the layer, perhaps with another structure. Tentative prices for this 10% participation by PRM as well as a layer 4MM xs 6MM were provided to Willis for initial discussions. The price for the PRM 10% share was \$52,000 additional, with additional participation proportional to that. The estimate for the

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layer 4MM xs 6MM was \$250,000, although Doug indicated he felt that would introduce significant volatility in the program and might be less than ideal at this time. Surplus/Retention ratios were in line for even this level of reinsurance, however.

During earlier discussions by the POOL Executive Committee, interest in an additional 5 or 10% of participation was expressed, and staff agreed to provide options to the Board at the Annual Meeting, subject to GEM approval, since their participation would be reduced accordingly.

On motion and second to approve offering renewal terms and options as recommended by staff, with changes recommended by the Board, the motion carried.

6. Action Item: Other New Business and Announcements

No other business was pending or announcements were made.

7. Action Item: Adjournment

On motion and second to adjourn, the meeting adjourned at about 3:00 p.m.

Public Risk Mutual



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775-885-7475

Minutes for the Board of Directors of Public Risk Mutual (PRM)

Date: Monday May 22, 2014

Time: 1:30 P.M. or when Exec. Boards or PCM concludes

**Place: POOL building or by conference call
Carson City, Nevada 89701**

AGENDA

1. Roll

Mike Rebaleati, Vice Chair, called the meeting to order.

Members present: Josh Foli, Paul Johnson, Mike Rebaleati, Alan Kalt

Members absent: Cash Minor

Others Present: Joe Woods, Julia Doyle, Dan Smerek, Alton Cogert, Doug Smith, Wayne Carlson, Ann Wiswell, Lisa Jones, Pat Irwin, Roger Mancebo, Dan Newell, Gerry Eick

2. Action Item: Approval of Minutes of April 21, 2014

Upon motion and second to approve the minutes, the motion was passed.

3. Staff Reports and Old Business (Action as Necessary):

As the primary purpose of this joint meeting of PRM and PCM was to consider a new investment advisory firm, staff stated there were no reports at this time. Status was generally the same as at the prior meeting in April.

4. Action Item: SAA Firm Overview and Board Education

In the interest of time, the board members of Public Risk Mutual and Public Compensation Mutual convened during a joint meeting of POOL and PACT to hear this discussion as part of their agendas. Doug Smith introduced Dan Smerek and Alton Cogert of Strategic Asset Alliance (SAA) who reviewed their firm's background and proposal for investment advisor services. Doug Smith added that although he had been satisfied with Joe Woods services, he felt that a specialty advisor for insurance type operations such as SAA would be appropriate. Various members of the committee asked questions to which SAA representatives and staff

Public Risk Mutual



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responded. Doug commented about the need for the boards to be more aware of the big picture of investments so more training would be helpful.

Alan Kalt concurred and noted his having attended some of SAA's training. Paul Johnson discussed investment policies and strategies. Wayne Carlson reviewed the experience of CRL in having the wrong type of advisor not examining the ratio of risk assets to surplus and the consequences when the market meltdown occurred. He noted the need for a long-term perspective. Josh Foli commented about his previous experience as an investment advisor and the need for multiple viewpoints and the specific insurance related knowledge. Joe Woods added comments about his response to the process and the services he has provided. Paul Johnson noted the value of a new perspective and expertise. Gerry Eick asked about other proposals and Doug Smith responded that he had vetted numerous other advisors over the last few years (noting some of them by name) and found SAA to be unique in its expertise and focus. Many of the others had advisory and money management services, an inherent conflict.

On motion and second to accept the proposal from Strategic Asset Alliance, the motion carried.

(POOL Chair Rebaleati recessed their meeting to allow the captive boards to make their decision with regard to this issue. Upon completion of the captive meetings, Chair Rebaleati reconvened the Joint Executive Committee meeting.)

5. **Action Item: Other New Business and Announcements**
6. **Action Item: Adjournment**

On motion and second to adjourn, the motion was passed.

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Minutes for the Meeting of the Board of Directors of Public Risk Mutual (PRM)

Date: Monday December 1, 2014

Scheduled Time: 1:00 P.M. or when PCM concludes

**Place: POOL building or by conference call
Carson City, Nevada 89701**

1. Roll

A Board meeting of PRM was called to order by PRM Chairman Cash Minor at 1:05 p.m. on December 1, 2014.

Board Members Present: Cash Minor, Josh Foli, Paul Johnson, and Mike Rebaleati (Mike joined shortly after the meeting began)

Others Present: Dan Smereck, Debbie Connally, Ann Wiswell, Wayne Carlson, Doug Smith

2. Action Item: Approval of Minutes of May 22, 2014

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

3. Staff Reports and Old Business (Action as Necessary):

a. Investment Report – Dan Smereck

Dan Smereck of Strategic Asset Alliance (SAA) presented his first investment review, covering status as of September 30, 2014. Dan reported that their first quarter of involvement with our programs was focused on data collection, and he said he had been very pleased with the cooperation of our current partners. He has visited Eagle, and plans to visit PFM later next year.

He is still waiting for some history from Wells, then will begin to focus on asset allocation. He also mentioned that he feels we should look at results not only for the individual organizations, but POOL/PRM and PACT/PCM as rolled-up 'single risk-bearing entities' since the ultimate task of each entity is to pay underlying losses.

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He discussed SAA's use of the term 'risk assets' which they define rather uniquely as including virtually any non-investment grade fixed income instruments. So, risk assets include equities, foreign bonds, junk bonds, mlp's, reits, and most other investments.

Although he has not spent much time on asset allocation yet, he plans to do so before calendar year-end, and said that he will probably recommend simplification, with fewer funds and consolidation of risk types.

Dan reviewed economic trends and provided quite a bit of benchmark and industry information. Oil price fluctuation and continuing low interest rates dominate much of the recent investment results, and low interest rates appear to be on the horizon for next year too. Reinvestment rates are only around 1-2%, for investment grade assets, and SAA feels chasing yield is quite dangerous at this time. Moving from 10-year to 30-year maturities, for example, simply doesn't appear worth the risk.

Once the asset allocation recommendations have been made and accepted, Dan will work on new benchmarks for the captives. He will also relate the risk assets, particularly, to the surplus (net worth) in each entity, and cash flow needs will be considered for each entity. Finally, the investment policies will be reviewed and changes recommended as necessary.

Doug reminded members that the SAA investment conference will be held March 17-19 in San Diego and encouraged members to plug into the SAA newsletters and website information.

By motion and second to accept the investment report, the motion carried.

4. **Action Item: Annual Review of Investment Policy**

Members had been provided with a copy of the current investment policy, and during brief discussion concluded there were no changes needed at this time. By motion and second to approve the investment policy, the motion carried.

5. **Action Item: Approval of audit engagement - Casey, Neilon & Assoc.**

Doug provided members with auditors "Communication with those charged with Governance" and "Engagement Letter" for the 2014 audit. Upon motion and second to engage Casey, Neilon and Associates for the audit, the motion carried.

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6. 2014 Tentative Board Meetings

Staff affirmed the following scheduled meeting dates:

- **Tuesday, February 17, 2015, 10:00 a.m.**
- **Tuesday, April 28, 2015, 10:00 a.m.**
- **Friday, May 1, 2015, Annual Meeting**

7. Action Item: Other New Business and Announcements

No other items were discussed.

8. Action Item: Adjournment

On motion and second the meeting adjourned at about 2:15 p.m.

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Minutes for the Meeting of the Board of Directors of Public Risk Mutual (PRM)

Date: Monday March 2, 2015

Scheduled Time: 9:00 A.M. or when PCM concludes

**Place: POOL building or by conference call
Carson City, Nevada 89701**

**(Held Jointly with PCM; Investment Report also presented jointly to POOL/PACT
Executive Committee simultaneously)**

1. Roll

A joint meeting of PRM and PCM was called to order by PRM Chairman Cash Minor and PCM Chairman Paul Johnson at 9:00 A.M. on March 2, 2015. The joint meetings of NPAIP/PACT were recessed for the convenience of the captive auditors to present their report.

Board Members Present: Cash Minor, Paul Johnson, Mike Rebaleati, and Alan Kalt

Others Present: Wayne Carlson, Ann Wiswell, Doug Smith, Niki Neilon, Xin Chen and various members of the POOL/PACT Executive Committees.

2. Action Item: Approval of Minutes of December 1, 2014

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

3. Staff Reports and Old Business (Action as Necessary):

Staff reported no changes of substance since the last meeting.

4. Action Item: Approval of Audit Report - Casey, Neilon & Assoc.

Niki Neilon, accompanied by audit team leader Xin Chen, 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. This audit was the first to address the new 'single-parent' status of the captive.

Niki also noted that a 'clean' opinion was included, and concluded with communications regarding internal controls and governance. No changes of note since the prior year were noted.

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Upon motion and second to approve the audit report with the change noted, the motion carried.

5. **Action Item: Investment Report & Approval of Recommendations**

At around 9:10 a.m. (this item was taken out of order, via phone conference, and was a Joint report to all four affected entities) Dan Smereck of SAA provided a 4th Quarter Investment Report. Dan noted continued pressure on fixed income investments, including falling interest rates globally, is expected to continue into the near future. The captives had negative relative performance in comparison with what Dan feels are appropriate benchmarks, but positive overall results. Diversification still helped, but Dan noted our investments need to become better aligned with the benchmarks. He provided recommendations for reallocation of assets, including a move into active management for all fixed income investments (with the exception of limited exposure to high income bonds), and a more passive, index-fund based mix for equities (actually SAA defined 'risk assets' at the prior meeting as their preferred moniker for non-fixed investments).

Upon motion and second to accept Dan's recommendations, with risk assets being converted in the next month or so, preferably before the end of the quarter, and with a management search taking place for the fixed assets, the motion passed. POOL/PACT also agreed to be involved in the management search. Dan stressed that Eagle has performed quite satisfactorily, relative to their quite restrictive guidelines, and Board Members agreed due diligence suggests the occasional search be done. Staff pointed out that expenses might be reduced via the exercise, too.

6. **Future 2015 Board Meetings**

- **Tuesday, April 28, 2015, 10:00 a.m.**
- **Friday, May 1, 2015, Annual Meeting TBD**

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 about 11:30.



CASEY NEILON

March 1, 2015

Board of Directors
Public Risk Mutual
201 S. Roop St, Suite 102
Carson City, NV 89701

Please find enclosed our audit report on the December 31, 2014 and 2013 financial statements of Public Risk Mutual. In accordance with the provisions of Nevada Administrative Code 694C.210 we make the following representations:

- We are independent with regard to Public Risk Mutual.
- We conform to the standards set forth in the *AICPA Professional Standards* published by the American Institute of Public Accountants.
- We understand that the audit annual report and our opinions thereon will be filed with the Commissioner pursuant to NAC 694C.210.
- We agree to comply with NAC 694C.230.
- We are properly licensed by the Nevada State Board of Accountancy, and we are members in good standing of the American Institute of Public Accountants.
- The workpapers for this engagement are the property of Casey, Neilon & Associates, LLC and constitute confidential information. However, we may be requested to make certain workpapers available to the State of Nevada, Department of Business and Industry, Division of Insurance pursuant to authority given to it by law or regulation. If requested, access to such workpapers will be provided under the supervision of Casey, Neilon & Associates, LLC's personnel.

The staffs involved in the audit of Public Risk Mutual are as follows:

Darsi Casey, CPA, MST – Compliance Partner

26 years accounting and auditing experience, including 19 years of experience with auditing insurance entities in the following categories:

- Self insured associations for workers Risk (19 years)
- Self insured health fund of the State of Nevada (16 years)
- Self insured property and casualty fund of the State of Nevada (16 years)
- Captive insurers (12 years)

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+

730 Sandhill Rd., Ste. 300
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761 Northwood Blvd.
Incline Village, NV 89451
775 . 832 . 2222

Board of Directors
Public Risk Mutual
March 1, 2015
Page 2

Niki Neilon, CPA – Engagement Partner

18 years accounting and auditing experience, including 18 years of experience with auditing insurance entities in the following categories:

- Self insured associations for workers Risk (18 years)
- Self insured health fund of the State of Nevada (16 years)
- Self insured property and casualty fund of the State of Nevada (16 years)
- Captive insurers (12 years)

Xin Chen, CPA – Manager

10 years accounting and auditing experience

Nick Belanger – Staff Accountant

3 years accounting and auditing experience.

We appreciate the opportunity to be of service to Public Risk Mutual.

Sincerely,

A handwritten signature in black ink, appearing to read "Nicola Neilon". The signature is fluid and cursive, with the first name "Nicola" and last name "Neilon" clearly distinguishable.

Nicola Neilon, CPA

Encl.



CASEY NEILON

March 1, 2015

To the Board of Directors
Public Risk Mutual

We have audited the financial statements of Public Risk Mutual for the year ended December 31, 2014, and have issued our report thereon dated March 1, 2015. 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 November 12, 2014. 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 2014. 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(s) affecting the financial statements was (were):

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 general 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 disclosure(s) affecting the financial statements was (were):

The disclosure of reserve for loss and loss adjustment expense in Note 6 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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, 2015.

Management Consultations with Other Independent Accountants

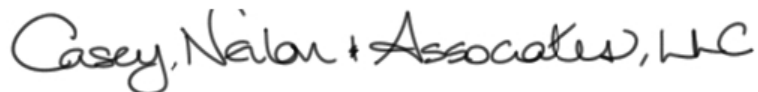
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the 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.

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,



Casey, Neilon and Associates, LLC

PUBLIC RISK MUTUAL
DECEMBER 31, 2014 AND 2013

**PUBLIC RISK MUTUAL
DECEMBER 31, 2014 AND 2013**

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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 pure captive insurer) which comprise the balance sheets as of December 31, 2014 and 2013 and the related statements of income and comprehensive income, changes in surplus and cash flows for the years ended December 31, 2014 and 2013, 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 presentation of the financial statements.

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, 2014 and 2013, and the results of its operations and its cash flows for the years ended December 31, 2014 and 2013, 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, 2015, 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, 2015

**PUBLIC RISK MUTUAL
BALANCE SHEETS
DECEMBER 31, 2014 AND 2013**

| | 2014 | 2013 |
|--|---------------|---------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,538,363 | \$ 1,672,744 |
| Investments | 24,679,524 | 22,967,954 |
| Investment income receivable | 82,077 | 70,136 |
| Total Assets | \$ 26,299,964 | \$ 24,710,834 |
| LIABILITIES AND SURPLUS | | |
| Accrued expenses | \$ 7,801 | \$ 8,843 |
| Unearned premium | 467,500 | 231,000 |
| Reserve for loss and loss adjustment expenses | 1,268,000 | 2,494,190 |
| Total Liabilities | 1,743,301 | 2,734,033 |
| Surplus | 22,175,410 | 19,518,197 |
| Accumulated other comprehensive income | 2,381,253 | 2,458,604 |
| Total Surplus | 24,556,663 | 21,976,801 |
| Total Liabilities and Surplus | \$ 26,299,964 | \$ 24,710,834 |

See accompanying notes.

PUBLIC RISK MUTUAL
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| REVENUES | | |
| Premiums earned | \$ 698,500 | \$ 461,071 |
| Net investment income | <u>894,672</u> | <u>597,571</u> |
| Total Revenues | <u>1,593,172</u> | <u>1,058,642</u> |
| EXPENSES | | |
| Administrative expenses | 72,194 | 66,051 |
| Loss and loss adjustment expenses | <u>(1,136,235)</u> | <u>1,687,044</u> |
| Total Expenses | <u>(1,064,041)</u> | <u>1,753,095</u> |
| Net Income (Loss) Before Income Taxes | 2,657,213 | (694,453) |
| Provision for Income Taxes | <u>-</u> | <u>-</u> |
| Net Income (Loss) | <u>\$ 2,657,213</u> | <u>\$ (694,453)</u> |
| OTHER COMPREHENSIVE INCOME | | |
| Unrealized gains (losses) on available for sale securities arising during the period | \$ (34,058) | \$ 1,029,066 |
| Less: Reclassification adjustment for (gains) losses recognized in net income | <u>(43,293)</u> | <u>(61,302)</u> |
| Other Comprehensive Income (Loss) | <u>(77,351)</u> | <u>967,764</u> |
| Comprehensive Income | <u>\$ 2,579,862</u> | <u>\$ 273,311</u> |

See accompanying notes.

**PUBLIC RISK MUTUAL
STATEMENTS OF CHANGES IN SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

| | <u>Surplus</u> | <u>Accumulated Other Comprehensive Income (Loss)</u> | <u>Total Surplus</u> |
|--|-----------------------------|--|-----------------------------|
| Balance, December 31, 2012 | \$ 18,712,650 | \$ 1,490,840 | \$ 20,203,490 |
| Net income (loss) | (694,453) | - | (694,453) |
| Surplus contributions | 1,500,000 | - | 1,500,000 |
| Unrealized holding gains (losses) arising during the period | - | 1,029,066 | 1,029,066 |
| Less: Reclassification adjustment for (gains) losses included in net income | <u>-</u> | <u>(61,302)</u> | <u>(61,302)</u> |
| Balance, December 31, 2013 | <u>19,518,197</u> | <u>2,458,604</u> | <u>21,976,801</u> |
| Net income (loss) | 2,657,213 | - | 2,657,213 |
| Unrealized holding gains (losses) arising during the period | - | (34,058) | (34,058) |
| Less: Reclassification adjustment for (gains) losses included in net income | <u>-</u> | <u>(43,293)</u> | <u>(43,293)</u> |
| Balance, December 31, 2014 | <u><u>\$ 22,175,410</u></u> | <u><u>\$ 2,381,253</u></u> | <u><u>\$ 24,556,663</u></u> |

See accompanying notes.

**PUBLIC RISK MUTUAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

| | 2014 | 2013 |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ 2,657,213 | \$ (694,453) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Realized (gains) losses on sales of securities | (43,293) | (61,302) |
| Amortization of premium or discount | 114,188 | 102,860 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Investment income receivable | (11,941) | (4,510) |
| Reinsurance recoverable receivable | - | 286,434 |
| Increase (decrease) in: | | |
| Accrued expenses | (1,042) | (2,340) |
| Unearned premium | 236,500 | 929 |
| Reserve for loss and loss adjustment expenses | (1,226,190) | 1,397,914 |
| Net Cash Provided (Used) by Operating Activities | <u>1,725,435</u> | <u>1,025,532</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sales of securities | 2,887,348 | 6,338,231 |
| Purchase of investments | (4,747,164) | (7,645,973) |
| Net Cash Provided (Used) by Investing Activities | <u>(1,859,816)</u> | <u>(1,307,742)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from contribution of surplus | - | 1,500,000 |
| Increase (Decrease) in Cash and Cash Equivalents | (134,381) | 1,217,790 |
| CASH AND CASH EQUIVALENTS, Beginning of Year | <u>1,672,744</u> | <u>454,954</u> |
| CASH AND CASH EQUIVALENTS, End of Year | <u>\$ 1,538,363</u> | <u>\$ 1,672,744</u> |

See accompanying notes.

**PUBLIC RISK MUTUAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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). Effective July 18, 2013, the Company became a pure captive authorized by State of Nevada Division of Insurance. 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. As of July 1 2007, the limit of liability for all covered perils was \$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. Effective July 1, 2014, the Company provides excess insurance in the layer \$300,000 excess of \$200,000. 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 incepted 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. Effective July 1, 2014, the Company provides excess insurance in the layer \$7,000,000 excess of \$3,000,000 subject to a 15% quota share for all members including schools in addition to the coverage above.

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.

PUBLIC RISK MUTUAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Method of Accounting:

The Company prepares its financial statements on the accrual method of accounting, recognizing income when earned and expenses when incurred.

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, 2014 AND 2013**

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.

Investments and Investment Income:

Captive insurance companies are governed by 694C.340 regarding allowable investments, however, as a pure captive, the Company is not subject to any restrictions on allowable investments. The Board has, by policy, implemented investment guidelines to which the Company adheres such that investments are in accordance with NRS 682A.

Credit Risk:

Credit risk is the risk that the issuer of a security will default on principal and interest in the security. The investment guidelines, do not limit investments based upon the rating of a security, but it is policy to limit those securities with potential default risk such that the Company's annual investment income would exceed a loss on a single issuer's securities.

Concentration of Credit Risk:

The Company limits investments in revenue bonds of public utilities to no more than 25% of its assets, and limits investments in in corporate obligations to no more than 20% of its assets. Further no more than 10% of assets should be held in any single mutual fund or exchange traded fund except for diversified money market funds approved by the NAIC (National Association of Insurance Commissioners).

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Company minimizes this risk 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.

Prior Year Reclassifications:

The prior year's financial statements have been reclassified where applicable to conform to the current year's presentation.

**PUBLIC RISK MUTUAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 input 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 price 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 in various institutions. The balances are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company has not experienced any losses in such accounts.

Additionally, as of December 31, 2014 and 2013, 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 - REINSURANCE ACTIVITY:

Until June 30, 2011, the Company ceded insurance to another company. This reinsurance contract does not relieve the Company from its obligations to policyholders. Failure of the reinsurer 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, 2014 and 2013, the Company had reinsurance receivables with a carrying value of \$ - and \$ -. Effective July 1, 2010, POOL no longer passes the property premiums through the Company, and is directly reinsured by an outside reinsurer.

The amount of recoveries pertaining to reinsurance contracts that were deducted from losses incurred during 2014 and 2013 were approximately - and -, respectively.

PUBLIC RISK MUTUAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 5 - INVESTMENTS:

Available-for-sale securities at December 31, 2014 and 2013 consist of various investments as indicated below:

| | December 31, 2014 | | | |
|-------------------------------------|----------------------|----------------------|---------------------|--------------------|
| | Cost | FMV | Gross Unrealized | |
| | | | Gains | Losses |
| U.S. government obligations | \$ 3,699,219 | \$ 3,716,389 | \$ 27,147 | \$ (9,977) |
| U.S. states and local authorities | 272,394 | 277,900 | 5,845 | (339) |
| Foreign government bonds | 190,486 | 192,251 | 1,765 | - |
| U.S. corporate bonds | 5,621,792 | 5,647,061 | 43,794 | (18,525) |
| | | | | |
| Total debt securities | <u>9,783,891</u> | <u>9,833,601</u> | <u>78,551</u> | <u>(28,841)</u> |
| | | | | |
| Common stocks | 6,964,560 | 9,139,957 | 2,175,397 | - |
| Exchange traded funds | 5,549,820 | 5,705,966 | 192,034 | (35,888) |
| | | | | |
| Total equity securities | <u>12,514,380</u> | <u>14,845,923</u> | <u>2,367,431</u> | <u>(35,888)</u> |
| | | | | |
| Total available-for-sale securities | <u>\$ 22,298,271</u> | <u>\$ 24,679,524</u> | <u>\$ 2,445,982</u> | <u>\$ (64,729)</u> |

| | December 31, 2013 | | | |
|-------------------------------------|----------------------|----------------------|---------------------|--------------------|
| | Cost | FMV | Gross Unrealized | |
| | | | Gains | Losses |
| U.S. government obligations | \$ 3,105,779 | \$ 3,084,801 | \$ 3,094 | \$ (24,072) |
| U.S. states and local authorities | 281,185 | 286,280 | 5,095 | - |
| Foreign government bonds | 190,615 | 190,361 | - | (254) |
| Mortgage backed securities | 5,392 | 5,914 | 522 | - |
| U.S. corporate bonds | 5,074,031 | 5,044,492 | 23,327 | (52,866) |
| | | | | |
| Total debt securities | <u>8,657,002</u> | <u>8,611,848</u> | <u>32,038</u> | <u>(77,192)</u> |
| | | | | |
| Common stocks | 5,748,574 | 7,737,316 | 1,988,742 | - |
| Exchange traded funds | 6,103,774 | 6,618,790 | 535,519 | (20,503) |
| | | | | |
| Total equity securities | <u>11,852,348</u> | <u>14,356,106</u> | <u>2,524,261</u> | <u>(20,503)</u> |
| | | | | |
| Total available-for-sale securities | <u>\$ 20,509,350</u> | <u>\$ 22,967,954</u> | <u>\$ 2,556,299</u> | <u>\$ (97,695)</u> |

**PUBLIC RISK MUTUAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 5 - 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 \$(34,058) and \$1,029,066 for the years ended December 31, 2014 and 2013 have been included in accumulated other comprehensive income.

During 2014 and 2013, sales proceeds and gross realized gains and losses on securities classified as available-for-sale were:

| | <u>2014</u> | <u>2013</u> |
|-----------------------|---------------------|---------------------|
| Sale proceeds | <u>\$ 2,887,348</u> | <u>\$ 6,338,231</u> |
| Gross realized gains | <u>\$ 53,788</u> | <u>\$ 94,878</u> |
| Gross realized losses | <u>\$ (10,495)</u> | <u>\$ (33,576)</u> |

Contractual maturities of available-for-sale debt securities at December 31, 2014 and 2013 are as follows:

| | <u>Estimated Fair Values</u> | |
|-------------------------------------|------------------------------|---------------------|
| | <u>2014</u> | <u>2013</u> |
| 1 year or less | \$ 1,024,562 | \$ - |
| Due in 1 - 5 years | 5,883,618 | 7,002,988 |
| Due in 5 - 10 years | 2,925,421 | 1,602,946 |
| Due in 10 years or more | - | 5,914 |
| Total investment in debt securities | <u>\$ 9,833,601</u> | <u>\$ 8,611,848</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, 2014, 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. government obligations | \$ - | \$ - | \$ 709,017 | \$ 9,977 | \$ 709,017 | \$ 9,977 |
| U.S. states and local authorities | 55,580 | 339 | - | - | 55,580 | 339 |
| U.S. corporate bonds | - | - | 2,365,495 | 18,525 | 2,365,495 | 18,525 |
| Exchange traded funds | - | - | 1,423,880 | 35,888 | 1,423,880 | 35,888 |
| Total available-for-sale securities | <u>\$ 55,580</u> | <u>\$ 339</u> | <u>\$ 4,498,392</u> | <u>\$ 64,390</u> | <u>\$ 4,553,972</u> | <u>\$ 64,729</u> |

**PUBLIC RISK MUTUAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 5 - 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 6 - RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES:

For the year ended December 31, 2014, estimated unpaid losses have been determined to range from a recommended low of \$1,268,000 to a recommended high of \$2,039,000 with a conservative estimate of \$2,811,000 based on actuarial estimates; further the actuary has projected expected losses at \$661,000. For the year ended December 31, 2013, estimated unpaid losses have been determined to range from a recommended low of \$618,000 to a recommended high of \$887,000 with a conservative estimate of \$1,156,000 based on actuarial estimates; further the actuary has projected expected losses at \$406,000. Management has estimated reserves to be \$1,268,000 and \$2,494,190 at December 31, 2014 and 2013. 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>2014</u> | <u>2013</u> |
|-------------------------------|---------------------|---------------------|
| Balance at January 1 | \$ 2,494,190 | \$ 1,096,276 |
| Less reinsurance recoverables | - | (286,434) |
| Net Balance at January 1 | <u>2,494,190</u> | <u>809,842</u> |
| Incurred related to: | | |
| Current year | 797,209 | 274,000 |
| Prior years | <u>(1,933,444)</u> | <u>1,413,044</u> |
| Total incurred | <u>(1,136,235)</u> | <u>1,687,044</u> |
| Net paid | <u>89,955</u> | <u>2,696</u> |
| Plus reinsurance recoverables | - | - |
| Balance at December 31 | <u>\$ 1,268,000</u> | <u>\$ 2,494,190</u> |

As a result of changes in estimates of incurred events in prior years, the provision for losses changed by \$(1,933,444) and \$1,413,044 for the years ended December 31, 2014 and 2013, respectively, due to higher (lower) than anticipated losses on the development of claims. The reduction in prior years incurred is also attributable to two claims that were originally believed to be the responsibility of the Company, but were ultimately determined to be the responsibility of another insurance company.

**PUBLIC RISK MUTUAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 7 - SURPLUS CONTRIBUTION:

An additional \$ - and \$1,500,000 in capital was contributed to the Company from POOL during the years ended December 31, 2014 and 2013, respectively, pursuant to authorization by the Executive Committee of POOL. At the December 10, 2014 meeting of the Executive Committee of POOL, the board approved to transfer 50% of POOL's net income to the Company in an amount of \$876,123, but no transfer has been made as of December 31, 2014.

NRS 694C.250 requires a pure captive to maintain capital of not less than \$200,000, the Company is in compliance with this requirement as of December 31, 2014 and 2013.

NOTE 8 – RELATED PARTIES

All premiums and surplus contributions are made by POOL and all claims activity is attributable to the quota share reinsurance agreement with POOL.

NOTE 9 - SUBSEQUENT EVENTS:

Management has evaluated the activities and transactions subsequent to December 31, 2014 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended December 31, 2014, and there were none. Management has evaluated subsequent events through March 1, 2015, 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, 2014 and 2013 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, 2015

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 | 2014-2017 | | |
| Mike Rebaleati | Eureka Co. | Vice Chair/Corp Sec. | 2013 - 2016 | | |
| Paul Johnson | White Pine CSD | Fiscal Officer/Corp Treas. | 2012-2015 | 2015-2018 | reelection |
| Josh Foli | Lyon Co. | | 2014-2017 | | |
| Alan Kalt | Churchill Co. | | 2013 - 2016 | | |

Other Officers

| | | | | | |
|---------------|--|----------------|--|--|---------------------|
| Wayne Carlson | | President | | | Ratification |
| Doug Smith | | Vice President | | | Ratification |

Note: President and Vice President are not elected positions but serve at the pleasure of the Boards