



STEWARDSHIP REPORT

APRIL 2015

Willis

2015 POOL MARKETING EFFORTS

Lloyd's was asked to provide options increasing the property limits for \$400M and \$500M from the existing \$300M. Willis Pooling Practice was directed to submit the renewal information to the incumbent markets., NPAIP will utilize PRM's quota share participation to counter any rate changes that are offered by the markets.

The underwriting information was placed on a website submission. This property and casualty information consisted of historical information, exposure information and comparisons, loss information, policy language, catastrophe analysis, annual report, financial reports and actuarial reports.

The 2015-2016 NPAIP renewal was quoted by the incumbent markets:

- County Reinsurance Limited (CRL)
- United Educators
- Boiler Re
- Brit
- Governmental Entities Mutual
- Public Risk Mutual (PRM)
- Lloyd's of London

NPAIP 2014-2015 PROGRAM STRUCTURE With \$500K Property Retention			
Property	General Liability Including Law Enforcement Liability	Auto Liability	Wrongful Acts
300,000,000 Loss Limit Property including	10,000,000 Limit	10,000,000 Combined Single Limit	10,000,000 Occurrence Limit
Earthquake 125,000,000	10,000,000 Annual Aggregate per Event Per Named Assured		10,000,000 Aggregate Claims Made Form
Flood 125,000,000			
Flood Zone A 10,000,000			
Boiler & Machinery 60,000,000			

Limits shown are inclusive of the SIR

- NPAIP Maintenance Deductible (per loss) - Paid by Pool Member
- NPAIP Self Insured Retention (SIR) - per loss
- NPAIP General Liability (including Law Enforcement Liability), Auto Liability and Wrongful Acts - 100% reinsured.
- NPAIP Property - 100% reinsured.

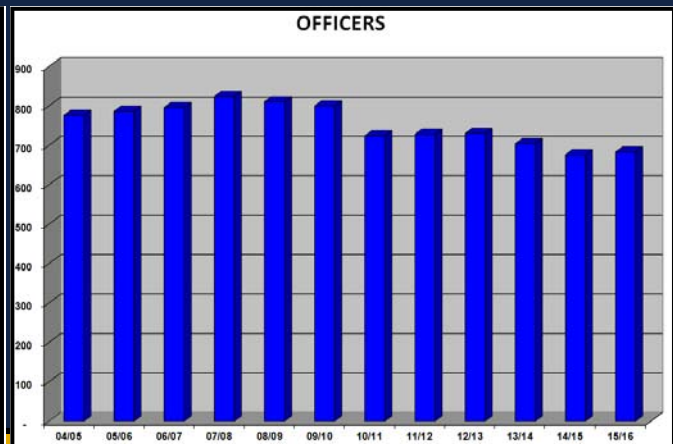
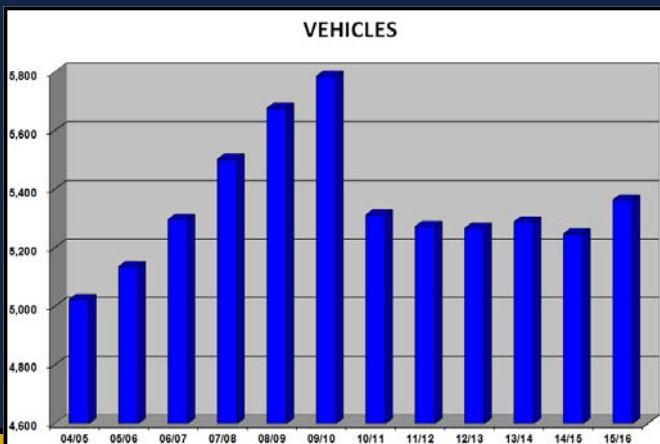
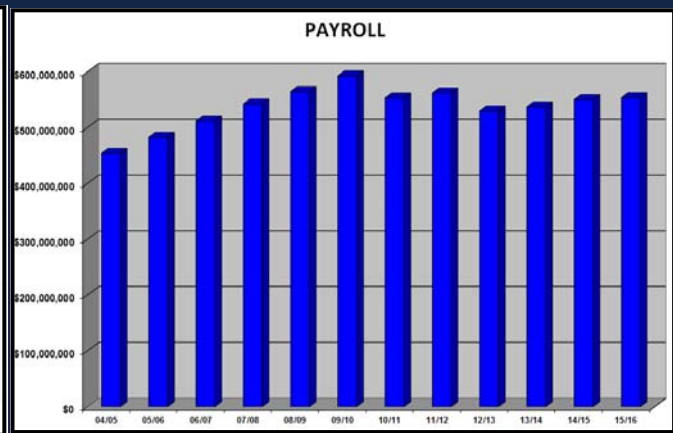
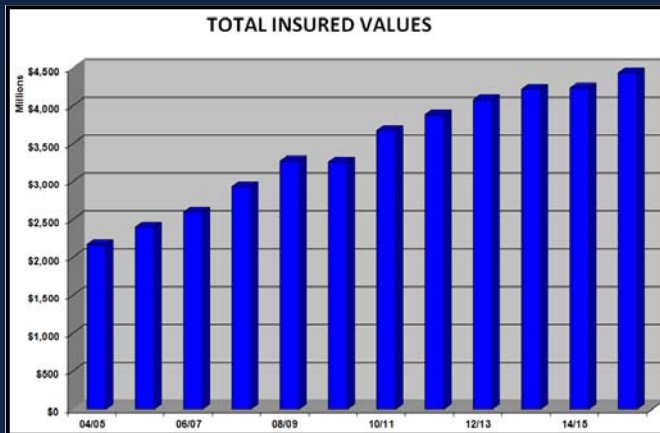
NOTE: A Public Official's Position Schedule Bond is now provided separately for all members. The Surety's (NPAIP) liability shall not exceed the penal sum established by the Member at the time the position is created or \$100,000, whichever is less.

NPAIP \$500,000 SIR applies to General Liability (including Law Enforcement Liability), Auto Liability and Wrongful Acts

NPAIP/PRM \$500,000 SIR applies to Property

During the 2014- 2015 renewal the Board elected to continue with the \$500,000 Self Insured Liability Retention. County Reinsurance Limited (CRL) and United Educators (UE) limits remained at \$2,500,000 in excess of the \$500,000 retention. United Educators provides coverage for the School only exposure while CRL provides coverage for all other entities participating in the NPAIP program. The \$7M x \$3M layer is shared by 3 carriers, 35% Governmental Entities Mutual, Brit 50%, and 15% for Public Risk Mutual. The total combined casualty limits available to the membership remained at \$10,000,000. The \$250k property corridor was eliminated and the property retention was increased to \$500k from \$250k. The property coverages remained with Lloyds of London, and they increased the Flood and Earthquake Limit was increased to \$125M, up from \$100M and the equipment breakdown coverage stayed with Boiler Re.

MEMBER EXPOSURE THROUGH 2015



2015 PACT MARKETING EFFORTS

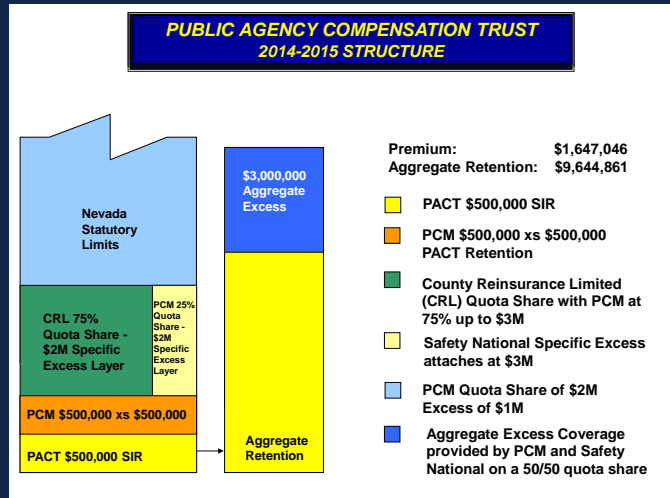
Willis Pooling Practice met with the PACT management and staff regarding the PACT renewal marketing strategies, and it was determined that submission should only be made to the incumbent companies for the 2015 PACT Renewal:

- County Reinsurance Limited (CRL)
- Public Compensation Mutual (PCM)
- Safety National (CRL)

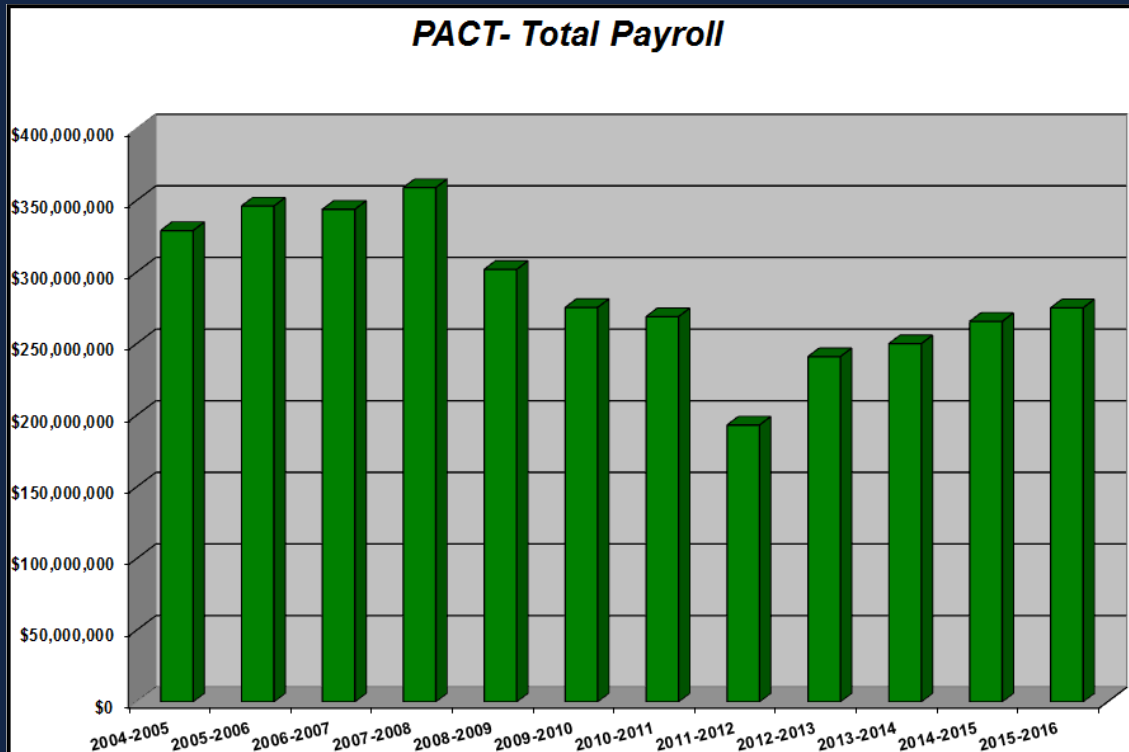
An application including basic underwriting information and loss information was sent to the PACT office to update. The application included exposure update requests for employee concentration information, watercraft information, and aircraft information.

Willis Pooling Practice set up a website submission for all markets to use during the quote process. The website included the PACT application, payroll information, historical information, concentration of risk, financial statements, actuarial information, annual report, loss information, Nevada Revised Statutes information, and PACT requirements.

During the 2014 – 2015 renewal the PACT SIR was increased to \$1,000,000 from \$750,000 with PCM sitting \$500k xs \$500k. And the \$500k corridor was eliminated. This reduced the \$2.25M Specific Excess layer to \$2M. PCM quota shares the CRL layer on a 25/75 basis. PCM will take 25% of each and every loss in excess of the retention while CRL will pay the remaining 75% of the loss up to \$3,000,000. Safety National is on both the specific excess attaching at \$3M, as well as the aggregate excess. The aggregate excess is on a 50/50 quota share between PCM and Safety National.



MEMBER EXPOSURE THROUGH 2015



RISK CONTROL SERVICES

SERVICES MENU

Risk Control Program Analysis

Risk control specialists can perform an analysis of an entity's operations and current risk control programs. Improvements or enhancements to the member's current program can be suggested while recognizing the portions of the program that need no adjustment.

Policies and Procedures Review

Safety and other policies and procedures that relate to loss potential can be submitted for review and comment. Areas that are identified as being deficient or expose the client to previously unknown liability are highlighted so that the member can evaluate and make adjustments accordingly.

Site Surveys

Buildings and operations throughout an entity can be surveyed with an eye towards loss prevention and control in the areas of Workers Compensation, Property and Liability, and Security. Findings are documented and presented to the entity with recommendations for corrective actions.

OSHA Compliance Assistance

Entities can request assistance in identifying those operations within their organizations that are required to have specific written safety programs. In the event of regulatory enforcement action against an entity, risk control representatives can provide support with hazard abatement and hearings.

Safety and Loss Control Committees

Meetings with safety and loss control committees can be helpful in planning strategy, making presentations and assisting in the smooth operation of these committees.

Accident Investigation

Risk control specialists can help with the investigation of specific accidents and/or training of personnel responsible for loss control and safety within the organization in regards to proper investigation techniques and disposition of accident investigations.

Claims Analysis

Analysis of recent and past claims can be performed, to help pinpoint areas of concern or claim trends.

Resource Center

Risk control specialists are available to provide reference material, do research, and answer questions on loss control issues based on specific needs of the member.

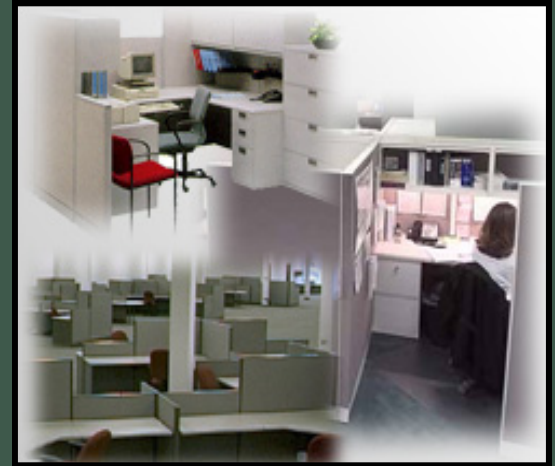
Information Distribution

Announcements, bi-monthly bulletins, guidelines and other materials that are thought to be helpful are distributed to the members and POOL/PACT staff.

RISK CONTROL SERVICES

RISK CONTROL CONSULTATIVE SERVICES

Defensive Driving	Back Injury Prevention	Confined Space
Emergency Management	Playground Safety	Trenching/Shoring
Workplace Violence	Fall Protection	Scaffold Safety
CPR/AED	ATV Operation	Noise Evaluation
Ergonomics	Personal Safety Awareness	Lighting
Accident Investigation	P.P.E.	Wellness Programs
Hospital Injury Prevention	Hazard Communication	Security Assessment
Slip/Trip/Fall	Eye/Hand protection	ADA compliance
Stress	Machine Guarding	Respiratory Protection
Fleet Safety	Hand and Power Tool	Environmental
Safety Committees	Electrical	



MEMBERS

Risk control specialists assist and support individual members in their efforts to achieve and maintain policies and practices that control, reduce or eliminate exposures that have the potential to incur a loss.

Assistance to members is accomplished primarily by determining the particular needs of the members risk control program and selecting the appropriate services. Not all members receive or need all of the services available. Each separate risk control program undertaking requires a period of time to successfully complete. Size of the project, member commitment, resources of the member entity and other factors determine whether the member accesses one service or several services over the course of a year. Once that service has been selected and performed that service may not need to be performed again for several years or if the need continues it may be necessary to repeat more often.

Allocation of services has not been based on a specific criteria such as member size, loss history or premium/contribution amount. Services are generally provided to members or their agents upon demand on a first come first serve basis. However, service requests are prioritized depending on urgency and to make the most efficient use of resources and travel schedules.

The team is involved in a variety of activities with members including:

- Introductory meetings with liaisons, department heads and supervisors
- Major concentration on PACT (workers compensation) issues including regulatory compliance through site surveys
- Training sessions concentrating on emergency response driving, supervisor's safety responsibilities, safety program organization, workplace violence, claims management, fitness and wellness.
- Assistance with responses to OSHA fines and sanctions
- Assistance with setting up safety committees, accident review boards, inspections, programs, etc.
- Providing assistance to local officials in increasing Members participation in OSHA training classes
- Setting up efficient internal claims handling systems for Members to make sure claims are reported promptly and consistently
- Working closely with claims adjusters to identify claims trends and areas of concern
- Assisting Members in receiving recognition under POOL's incentive and award programs
- Loss Control Excellence Program
- School District Loss Control Excellence Program
- Hospital Safety Management Excellence Program
- Conducting training activity with new safety officers
- Regular meetings with safety committees to provide guidance
- Attending training classes to increase knowledge and understanding
- Establishing effective and sustainable risk control systems with Members
- Playground equipment inspections in accordance with the U.S. Consumer Products Safety Commission guidelines.
- Working closely with POOL/PACT Loss Control Committee and staff to determine focus of programs and services



RISK CONTROL SERVICES

JOINING FORCES

When employers and workers join forces to battle high healthcare costs, everyone wins. Although the challenge of controlling these costs may seem insurmountable, organizations across the US are making the effort - achieving higher productivity, lower absenteeism, and reduced claims. People who take a more active role in managing their own health enjoy the payoffs, too, in quality of life and cost savings.

Diabetes, heart disease, obesity, and other costly conditions can be prevented when people engage in healthy behaviors day after day, year after year. Disease management programs that focus on the high-risk population may seem like the best strategy, but research confirms that a major opportunity for economic impact is in *keeping low-risk employees from moving into higher-risk categories*.

Emerging research revitalizes the value of prevention — that it makes good business sense to help people stay healthy. A wealth of cost-effective worksite interventions — from education materials to team competitions — can support efforts to keep healthy people healthy.

Research shows that as health risks increase, costs increase; as health risks decrease, costs decrease — it's that simple. People with 0-2 high risks (considered a low-risk group) make up the majority of worksite populations — roughly 60%. By helping people maintain low-risk status, employers can make a substantial difference in the organization's long term physical and financial health. The following studies demonstrate the connection between lower risks and lower costs:

- For each employee who loses low-risk status, health costs go up \$350/year. Every employee who regains low-risk status saves \$150/year
- High BMI individuals cost an average of \$2326 (1996 dollars) more in annual health claims compared to healthy BMI individuals.
- High-risk health plan members cost approximately \$2000 over the average for annual medical claims. (Risks included high BMI, smoking, and lack of physical activity and are in 1996 dollars.)
- High-risk employees (5+ risk factors) between ages 35-65 have medical claim costs of \$3007-\$4182 higher/year compared to low risk employees in the same age group



CULTIVATING A HEALTHY WORKFORCE

Keeping people healthy is the cornerstone of a population health strategy. Health and wellness seeks to improve the health of a defined group by targeting programs to meet the needs of the population. Research consistently points to the value of prevention and makes good business sense to assist the population in getting and remaining healthy. Cost effective worksite interventions from trainings to educational materials can support efforts to get unhealthy people healthy, and keep healthy people healthy. Offering a range of options — campaigns, contests, print materials, along with rewards that reinforce healthy behavior — is a proven strategy for keeping healthy people healthy.

Wellness services that include health promotion and disease prevention, offers employees opportunities to live healthier by emphasizing the benefits of regular physical activity and smart food choices. Trainings and interventions offer support and guidance for the population ready to make health changes as well as positive reinforcement for those who wish to maintain healthy habits.

This service is provided to NPAIP/PACT members. On-location visits allow entities to determine what attitudes members might have with regards to health and wellness as well as establish what resources they have available in their demographic areas.

RISK CONTROL SERVICES

PROMOTING HEALTH AND PREVENTING DISEASE

Wellness programs that include health promotion and disease prevention offer employees opportunities to live healthier, emphasizing the benefits of physical activity and smart food choices. These programs provide support and guidance for employees ready to make healthy changes as well as positive reinforcement for those who want to maintain healthy habits.

- A variety of workplace wellness services, aimed at lowering high risks and maintaining low risks, supports improvements:
- A balanced diet that includes over 5 fruit and vegetable servings a day can help lower the risk for diabetes, heart disease, high blood pressure, stroke, and some types of cancer.
- Regular physical activity can reduce medication use, hospitalizations, and unnecessary physician visits.
- When detected early, risk factors associated with metabolic syndrome can be reversed with regular endurance exercise — avoiding the more deadly and costly consequences (see related sidebar).
- Preventive strategies for back pain and other musculoskeletal disorders — including education, training, and workstation redesign — contain costs, which can otherwise skyrocket.
- Healthcare costs for people with stress or depression symptoms are 147% higher. There are 15 Stress management programs that have proven effective to limit the cost impact and recurrence of stress-related disability.

Encouraging physical activity and balanced nutrition, along with other healthy behaviors, is central to any health promotion program. The most effective way to increase the proportion of employees in the low-risk category is to keep them from developing risk factors. The key to success in maintaining lower healthcare costs.



Get Smart Eating on the Go

You know that eating a diet rich in fruits and vegetables is good for you, but you're constantly on the go. You can fit fruits and veggies into your everyday routine. Fruits and vegetables can be a part of a balanced diet anytime, anywhere. Fruits and veggies are easy to eat while on the go. Follow these simple tips to include more fruits and veggies into your time away from home.

On the Go with Fruits and Veggies

- Blend a fruit smoothie or drink to take with you on your commute.
- Fresh fruits and veggies are nature's original fast food. Stick a banana, apple or celery stick in your bag for a quick and easy snack.
- When out at a restaurant, try vegetable stir fry, vegetable fajitas, veggie wraps, or vegetable soup. When ordering a sandwich, ask for extra veggies such as lettuce, tomato, onion, sliced peppers or cucumbers. Order a side of veggies with your meal, or pack three or four veggie sides and create your own vegetable plate.
- Salads are a great way to get a variety of fruits and veggies. Choose a salad with low-fat dressing (avoid high-calorie toppings like croutons instead of fries).
- Roll it up! Make a fruit roll-up that travels anywhere. Start with tortillas and peanut butter then add your favorite fruits - fresh or dried.

On the Go with Kids

- When ordering a kids meal, substitute fruit for the fries.
- Have your kids help you make a large batch of trail mix at home using seeds, nuts, and dried fruit. Slice trail mix in small bags so they are ready to go at a moment's notice.
- Ants on a Log—spread peanut butter on a piece of celery. Add raisins as ants and you have a fun, healthy treat.

Visit www.fruitsandvegetables.gov for more great tips and recipes.



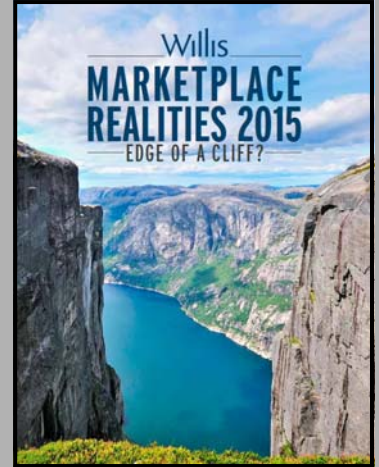
ACTIVITIES SCHEDULED FOR 2015-2016

- Support POOL/PACT Loss Control Committee in development of Injury Management Programs
- First Aid/CPR/AED Training
- Respirator Fit Testing: Quantitative respirator fit testing
- Fire Extinguisher Training: Member safety practices, recognition of specific types of fire, and the effects of proper and improper use of fire extinguishers
- OSHA 10 & 30 Hour Construction Training
- Fleet defensive driver training to include, law enforcement vehicles, fire and ambulance apparatus, maintenance vehicles and passenger vehicles
- SkidCar Training
- ADA Compliance
- Conduct research for Risk Management Bulletins as requested by risk management staff
- Wellness and body mechanics
- Parks & Playground Safety Inspections
- Human Injury-Limiting Tool (HILT Program)



CURRENT MARKET CONDITIONS

MARKETPLACE REALITIES 2014 - EDGE OF A CLIFF?



PROPERTY:

Rates have been falling for consecutive quarters and given loss numbers and present marketplace trends, we do not see an end to this trend. The following dynamics support soft market conditions continuing into 2015:

- Insurers have increased capacity in 2014, and we expect the same to continue in 2015
- Aside from the earthquake in Napa, CA, losses have been benign in 2014. No major hurricanes have hit mainland U.S. since Ike in 2008, and none have hit Florida for nine years.
- The influx from the capital markets has had an impact on the reinsurance market as insurers have been able to replace the highest priced reinsurance capacity with this alternative capacity. According to a recent report, the combined ratios for top reinsurers averaged 87 compared to 86 in 2013. So despite falling rates (-15% to -20% in 2014) and expanded terms and conditions, the reinsurance market continues to make decent returns due to the favorable loss experience.
- Profitability – Despite falling rates, most Property insurers should see a reasonable return on their respective portfolios, albeit not to the levels achieved in 2013. According to recent reports, the 2014 midyear combined ratios for the top insurers averaged 94.

CASUALTY:

- Capacity is still abundant and carriers are still redefining their appetites; some are cutting back on Workers' Compensation or raising umbrella attachments to improve their profitability and others are aggressively underwriting to grow their market share on the same lines.
- Underwriters are generally a bit less flexible when considering manuscripted endorsement language and are more likely to insist on ISO language unless higher retentions or only incidental exposures are involved.

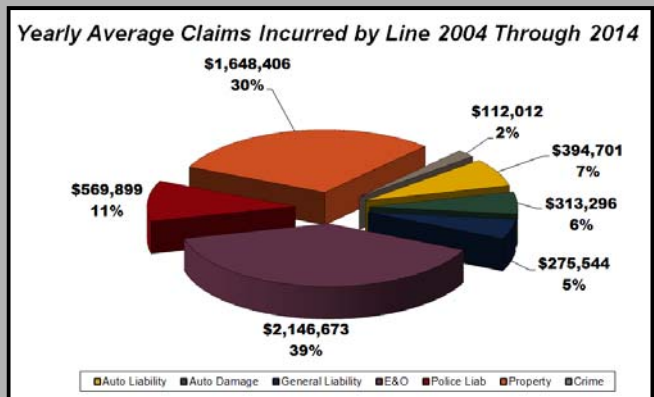
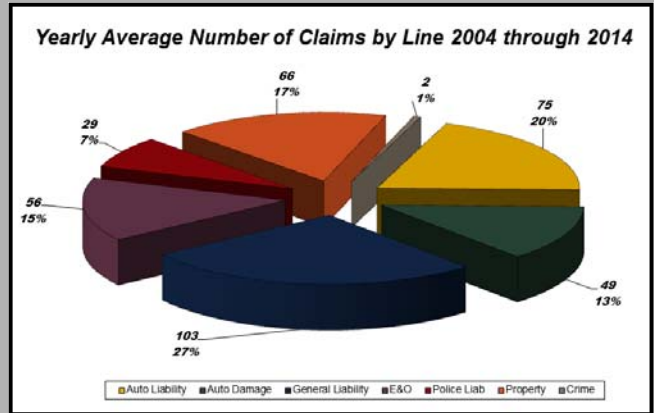
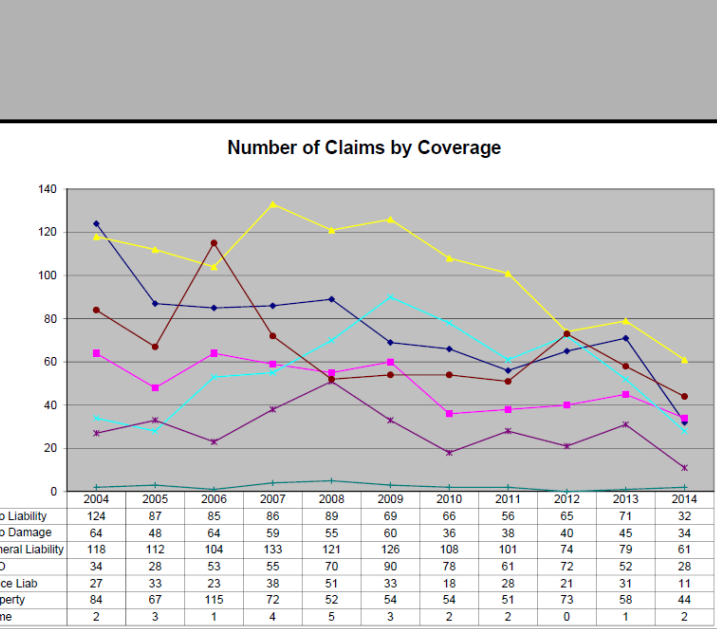
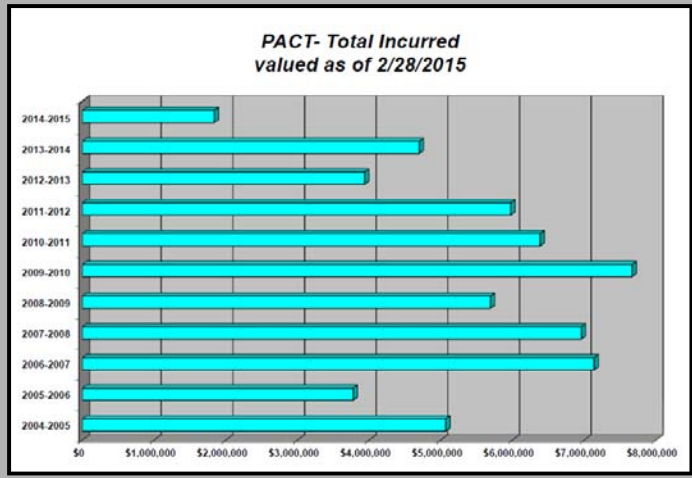
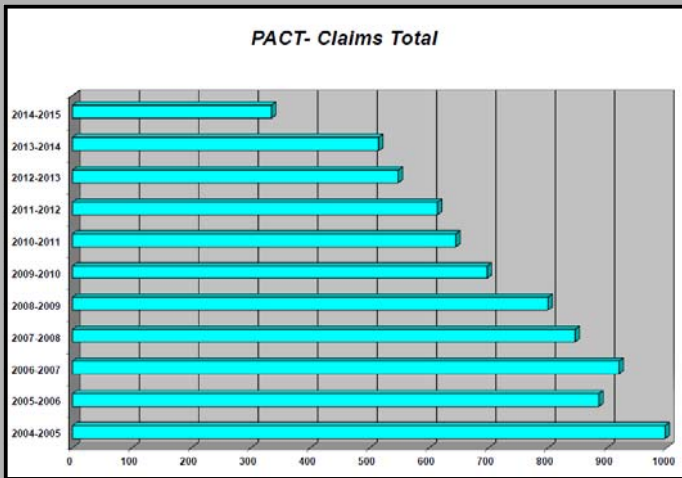
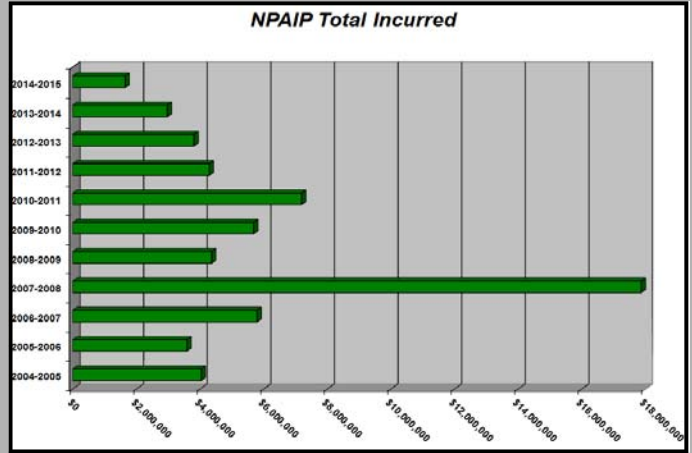
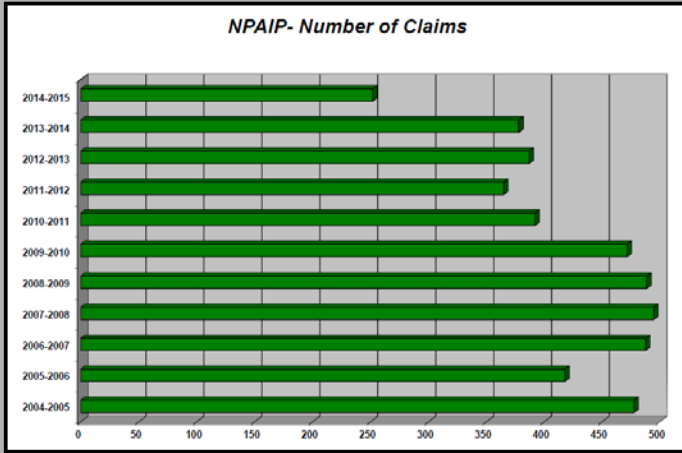
WORKERS COMP:

- Overall, combined ratios for Workers' Compensation carriers appear to be continuing to improve in 2014, due to pricing trends, attachment strategies and some improvement in medical inflation trends.
- Carriers continue to fine tune their state-specific appetites.
- Monoline Workers' Compensation and Excess Workers' Compensation for qualified self-insureds continue to present challenges due to limited availability of markets.

CYBER COVERAGE:

- With Cyber breaches becoming alarmingly common and increasingly severe, the demand for stand-alone Cyber policies is rising. Yet rates are competitive, with renewals coming in primarily flat.
- First-time buyers will be more likely to find a competitive environment but not to the extent we have reported in previous updates.
- In 2013, there were more than 2,100 privacy breaches reported in the U.S. – roughly six per day. So far 2014 is offering little relief. Over 552 million identities were exposed via breaches in 2013 – an increase of 493% over 2012.
- Preventable breaches (caused by a failure to encrypt data storage devices) continue to decrease, while breaches involving hackers/organized crime and rogue employees continue to increase. As a result, claim severity has spiked dramatically, especially in the retail sector. Eight of the top 15 largest breaches of all time occurred in 2013.
- Underwriters are starting to aggregate limits at large cloud providers as they assess the probability of catastrophic cyber losses.

CLAIMS DATA 2004-2014

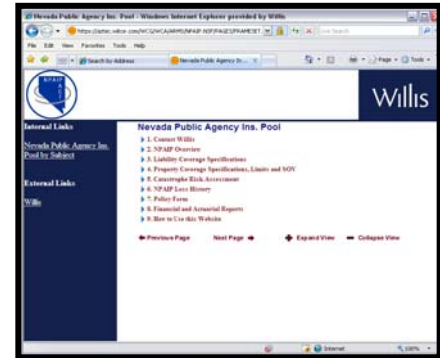


NPAIP/PACT Brokerage and Consulting Services

Primary Property & Casualty excess of Retention, Excess Property

BROKERAGE SERVICES

- Survey incumbent carriers with respect to their coverage and pricing intentions prior to renewal and report findings to NPAIP/PACT.
- Develop renewal marketing strategy and submit recommendations to NPAIP/PACT for approval.
- Develop renewal timeline and submit to NPAIP/PACT for approval.
- Based on approved marketing strategy, ascertain what additional data may be needed for renewal and develop application.
- Arrange for and attend meetings with key markets and NPAIP/PACT.
- Examine completed data and request clarification when necessary.
- Prepare thorough marketing website submissions including, review with NPAIP/PACT prior to release.
- Market the insurance program and any requested options to secure the broadest coverage at the lowest cost with financially secure insurers.
- Respond to underwriter inquiries for additional information (obtaining answers from NPAIP/PACT when necessary), and follow up for receipt of quotes prior to agreed due date.
- Review all pricing and reinsurance contracts, specimen coverage forms and endorsements received from underwriters and negotiate pricing and program enhancements where possible with respect to coverages and program structure.
- Prepare and distribute proposals including historical exposure graphs
- Bind coverages approved by the NPAIP/PACT Board of Directors and as directed.
- Prepare invoices for insurance/reinsurance premiums.
- Review/quote/report/invoice all member midterm changes to carriers
- Review insurance/reinsurance contracts received and request corrections from underwriters as necessary.
- Respond to NPAIP/PACT requests for coverage changes.
- 2013 Earthquake study completed
- 2014 Appraisal review on 1/3 of the locations

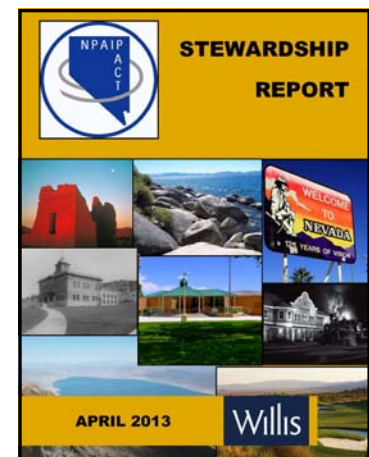


ADMINISTRATIVE SERVICES

- Handle special projects relating to insurance and risk management as directed by the Executive Director.
- Attendance at Board of Director Meetings, market meetings and additional meetings at the request of NPAIP/PACT
- At the direction of the Executive Director, prepare and/or gather materials for the Board of Directors and as needed.
- Assist with filing reports and applications required by state administrative agencies – surplus lines

OTHER SERVICES

- Consult on policy design as needed.
- Monitor NPAIP/PACT's insurer financial ratings, advising NPAIP/PACT of changes.
- Provide annual client Symposium to present ideas and solutions regarding emerging pooling topics as well as networking opportunities with other leaders in the pooling arena.
- Present Stewardship Report annually to Board of Directors
- Loss Control support by a team of full time loss control specialists



YOUR 2015 SERVICE TEAM

NPAIP/PACT SERVICE TEAM

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Willis

GOALS FOR 2015

- Price Stability and Predictability
- Maintain Capacity
- Concurrency with reinsurance contracts
- Long term relationships with the markets
- Seek innovative coverages and services that would benefit NPAIP and it's members

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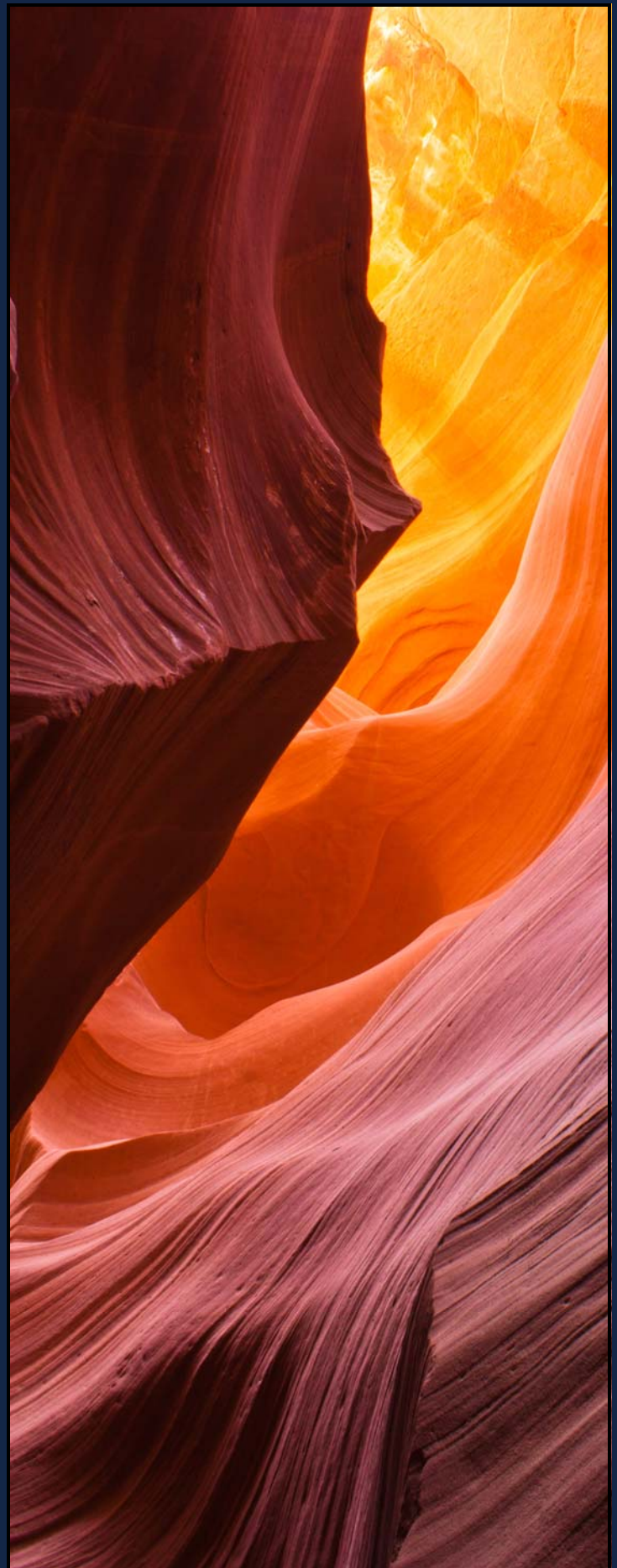
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