



**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  
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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  
Virtual Only**

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## **ALL AUDIO WILL BE TELEPHONE ONLY**

DIAL:

US: +1 346 248 7799 or +1 669 900 6833 or +1 312 626 6799 or +1 929 205 6099 or +1 253 215 8782 or  
+1 301 715 8592

**MEETING ID: 458 609 986**

**Date: April 17, 2020 Time: 8:30 a.m.**

### **JOINT BOARDS and EXECUTIVE COMMITTEES' AGENDA**

**April 17, 2020**

**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:**
    - 1) **Joint Board Meeting April 16, 2019 – April 17, 2019**
  - b. **Acceptance of Minutes of Committee Meetings.**
    - 1) **Joint Executive Committee Meeting of June 21, 2019**
    - 2) **Joint Executive Committee Meeting of September 6, 2019.**
    - 3) **Joint Executive Committee Meeting of November 4, 2019.**
    - 4) **Joint Executive Committee Meeting of March 11, 2020.**
    - 5) **Joint Executive Committee Meeting of April 6, 2020.**
    - 6) **Loss Control Committee Meeting of July 16, 2019.**
    - 7) **Loss Control Committee Meeting of September 9, 2019.**
    - 8) **Loss Control Committee Meeting of December 17, 2019.**
    - 9) **Loss Control Committee Meeting of April 7, 2020.**
    - 10) **Human Resource Oversight Committee Meeting of June 7, 2019**
    - 11) **Human Resource Oversight Committee Meeting of September 20, 2019.**
    - 12) **Human Resource Oversight Committee Meeting of December 13, 2019.**
    - 13) **Human Resource Oversight Committee Meeting of March 6, 2020.**
    - 14) **Audit Committee Meeting of October 29, 2019**
  - c. **Acceptance of Reports:**
    - 1) **Nevada Risk Pooling, Inc.**
    - 2) **Executive Director**
    - 3) **Chief Operations Officer**
    - 4) **Chief Financial Officer**
      - a. **Public Risk Mutual Audit.**
      - b. **Public Compensation Mutual Audit.**
      - c. **PRI Financial Audit.**
    - 5) **POOL/PACT HR Accomplishments and Strategic Plan Update.**
    - 6) **Risk Management and Loss Control Services.**
    - 7) **SpecialtyHealth Fit for Retirement Program and 24/7/365 Injury Call Service Report.**
    - 8) **Willis Re Pooling Stewardship Report.**
    - 9) **Davies Claims Solutions (formerly ASC) Claims Overview Reports.**
    - 10) **Wells Fargo Fraud Prevention report.**
    - 11) **eLearning Update.**
4. **For Possible Action: Acceptance of Investment Reports and Action on Recommendations:**
  - a. **NEAM Enterprise Risk Report.**
  - b. **NEAM Investment Manager Report.**
  - c. **Strategic Asset Alliance Investment Advisor Report.**
5. **For Possible Action: Review and Approval of Investment Guidelines**
  - a. **PACT Investment Guidelines.**
  - b. **POOL Investment Guidelines.**
6. **For Possible Action: Employee Assistance Program Review and Approval of Joinder onto State of Nevada Contract with KEPRO.**
7. **For Possible Action: Approval of POOL/PACT Grant to Pooling Resources, Inc.**
8. **Public Comment**
9. **Adjournment**

**This Agenda was posted at the following locations and on the State's Website [notice.nv.gov](http://notice.nv.gov):**

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Carson City, NV 89701**

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

**Churchill County Administration  
155 North Taylor Street  
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**Minutes 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: Whitney Peak Hotel  
255 N Virginia St.  
Reno, Nevada**

**Date: April 16, 2019 Time: 1:00 p.m.**

**Date: April 17, 2019 Time: 8:00 a.m.**

**1. Introductions and Roll**

A sign in sheet was circulated and a quorum determined to be present. Josh Foli chaired the meeting and called it to order at 8:00 a.m.

**2. Public Comment**

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

**3. Risk Management, Loss Control, Wellness: Watch This!!!**

Marshall Smith, Risk Manager, led this presentation about the role of risk management and the various services provided by POOL/PACT. He utilized interactive exercises to elicit member participation and learning. Rick Hudson, Loss Control Manager, and Josh Wilson, Senior Loss Control Consultant of Willis Pooling Re presented several scenarios for participants to look for loss control concerns and to identify specific services that would help address the problems. Ethan Opdahl of SpecialtyHealth provided a review of their program Fit for Retirement that focuses on public safety wellness and advanced medical testing to prevent heart disease. He introduced Jackie Cox, CEO and their nutritionist Anna LeMay. Jackie asked the participants to identify potential incentives to increase participation and collected those ideas for further review. She said that only 12% of the current participating public safety employees had received advanced testing that could help early identify heart disease risk factors so that they could tailor their services.

**4. Human Resources: From the Trenches - They Did What??**

Stacy Norbeck, General Manager of POOL/PACT HR handed out a paper on which participants were asked to identify the HR business partners, services and training programs to see what they already know and to show the additional scope of POOL/PACT HR to increase awareness. She showed slides of the extensive services and training programs members had available to them. She identified members participation levels in several of the services and programs. She and Curtis

Calder, Chair of the HR Oversight Committee, presented awards for completion of the Phase I HR Assessments to four members and showed the list of members currently working on Phase II.

#### **5. Claims Management: This Is Us?!?**

Donna Squires, Claims Manager of ASC, had each of her staff and corporate leaders introduce themselves by providing a brief background of their experience with claims. They then teamed up to present scenarios and polling questions to help members understand liability and workers compensation claims scenarios.

#### **6. Cyber Report: The Spy Among Us?**

Mike Rebaleati, Chief Operations Officer of the pools, presented information about the history of the NPAIP cyber security prevention efforts and coverage program. He indicated that most of the counties, cities and school districts had completed the passive network assessments and that the remaining members would be completed soon. He conducted polling on specific cyber risk prevention issues.

**Break come back at 3:00 p.m.**

#### **7. Benchmarking Ratio Review**

Alan Kalt, Chief Financial Officer of the pools, reviewed the use and importance of benchmarking tools in assuring financial success of the pools. He illustrated key ratios being tracked by the pools and why they are important to long-term viability of the organizations. He noted that AGRiP will be introducing its Financial Benchmarking Instrument to help pools understand how each compares with best practices. He added that Strategic Asset Alliance, the investment advisor to the pools and captives, has its own benchmarking comparison with other pool clients to illustrate the investment strategies utilized. Alan reviewed how the NEAM Enterprise Based Asset Allocation approach has helped optimize alignment of risk bearing strategies with investment options. He emphasized the importance of the board paying attention to the key performance indicators.

#### **8. The Reinsurance Quilt: It's Puzzling – Can You Solve It?**

Mary Wray, Client Advocate of Willis Re Pooling and Mike Rebaleati presented how the reinsurance structure of the pools and captives works. They challenged members to calculate how loss scenarios would play out in terms of how much each participating reinsurer would pay in the event of a loss.

#### **9. Convenient Learning: Saving Money and Time!**

Mike Rebaleati presented information about the ELearning program being enhanced by Mike Van Houten, the Pools' ELearning manager. He show the number of participants and courses being taken and the growth in utilization of the Torch LMS system. He described the enhanced features and options available to members at no additional cost.

#### **10. Agent Best Practices: What? They Didn't Tell Me About That!**

Stephen Romero of Willis Pooling Re utilized an interactive scenario approach to discuss potential issues that could arise when communication breaks down. He asked who members should call in specific scenarios. Group interaction about the scenarios helped members understand roles and responsibilities of all parties to the pooling relationship.

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

**a. Approval of Minutes of Board:**

1) **Joint Board Meeting April 19, 2018 – April 20, 2018**

**b. Acceptance of Minutes of Committee Meetings**

1) **Joint Executive Committee Meeting of August 20, 2018**

2) **Joint Executive Committee Meeting of November 5, 2018**

3) **Joint Executive Committee Meeting of February 19, 2019**

4) **Audit Committee Meeting of October 30, 2018**

5) **Human Resources Oversight Committee Meeting of September 28, 2018**

6) **Human Resources Oversight Committee Meeting of December 7, 2018**

7) **Human Resources Oversight Committee Meeting of March 1, 2019**

8) **Loss Control Committee Meeting of September 18, 2018**

9) **Loss Control Committee Meeting of December 17, 2018**

10) **Loss Control Committee Meeting of March 19, 2019**

**c. Acceptance of Reports**

1) **Executive Director**

2) **Public Risk Mutual Audit**

3) **Public Compensation Mutual Audit**

4) **HR Accomplishments Report**

5) **PRI Financial Audit**

6) **Risk Management and Loss Control Services Reports**

7) **Alternative Service Concepts Claims**

8) **SpecialtyHealth Cardiac Wellness Program and 24/7/365 Injury Call Service Report**

Chair Foli asked whether any item should be removed from the consent agenda for discussion. Hearing none, he called for a motion.

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

**12. Public Comment**

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

**13. For Possible Action: Recess Until April 17, 2019 at 8:00 a.m.**

On motion and second to recess the meeting until the next day, the meeting recessed until 8:00 a.m. on April 17, 2019.

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

**6:30 p.m. – 9:00 p.m. Dinner and Entertainment: 2 Blokes & A Squeeze Box**

## JOINT BOARDS and EXECUTIVE COMMITTEES' MINUTES

April 17, 2019

### **14. Reconvene Meeting of April 16<sup>th</sup> and Roll**

Chair Foli reconvened the meeting at 8:00 a.m.

### **15. Public Comment**

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

### **16. For Possible Action: Acceptance of Investment Reports and Action on Recommendations:**

- a. NEAM Enterprise Risk Report**
- b. NEAM Investment Manager Report**
- c. Strategic Asset Alliance Investment Advisor Report**

Kelly Sullivan led off with a brief overview of the NEAM report, then introduced Mark Yu to review the Enterprise Based Asset Allocation report. Mark first reviewed the purpose and scope of the analysis done was to match the risk tolerance and capacity of the pools with the investment options available consistent with the investment guidelines. He discussed the concept of the efficient frontier to illustrate the risk and return implications of various strategies. He then reviewed the data for the pools and captives showing how certain changes in investment strategies can enhance the investment results while extending some additional, manageable risk within the EBAA tolerance indications. Kelly then returned to review the fixed income investment performance of the pools and captive under the current guidelines and how she would utilize the EBAA in assessing shifts in investments to match the EBAA goals.

Dan Smereck of SAA discussed the key investment performance results for the pool and captives, noting how the mix of fixed income and risk assets combined affected the overall performance of the organizations alone and in combination. He explained how the EBAA tool would be applied to the strategies he would discuss with the pools and captives.

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

### **17. For Possible Action: Review and Approval of Investment Guidelines**

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

Wayne Carlson commented that the investment guidelines were required to be reviewed annually to confirm with the AGRiP Advisory Standards Recognition program that the pools had received since 1993 (NPAIP) and 1996 (PACT). He indicated that the changers approved last year were included. Mike Rebaleati added that the guidelines included managing investments for all the pools, captives and administrative organizations.

On motion and second to approve the investment guideless for PACT and POOL, the motion carried.

**18. For Possible Action: POOL/PACT Board Retreat Report**

Wayne Carlson reviewed highlights of the retreat noting that the facilitator (Dan Burrus) led the group through his anticipatory organization approach to pre-solving future issues. He described that this entails recognition of trends that are coming and preparing in advance for addressing them in advance so that the response is not reactionary. He cited some examples of hard trends we should prepare for and have plans to address. He noted that the next area of focus of the retreat was on succession planning for his company by the creation of a new, nonprofit organization which is the subject of the next agenda item. He described the process for developing the new organization and its current status. Mike Rebaleati added that the succession planning process was designed to establish a successor organization while retaining Wayne Carlson's involvement under a subcontract with the new nonprofit organization for an initial three-year period to assure a smooth transition. Wayne Carlson commented that his staff would be transferred seamlessly to the new organization called Nevada Risk Pooling, Inc. effective July 1, 2019.

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

**19. For Possible Action: Approval of Grant to Nevada Risk Pooling, Inc.**

Wayne Carlson and Mike Rebaleati reviewed the scope of the grant noting it was similar to the POOL/PACT HR Grant terms. The scope of the grant is designed to cover the services currently provided by PARMS under its contract. PARMS would become a subcontractor for executive director services to NRP.

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

**20. Public Comment**

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

**21. For Possible Action: Adjournment**

On motion and second to adjourn, the meeting was adjourned at about 8:55 a.m.

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

**Date: Friday, June 21, 2019**

**Time: 1:30 P.M.**

**Place: at 201 S. Roop Street, Carson City, NV 89701**

**Conference Call-In Phone No: 1-800-593-9034; Passcode: 150420**

**1. Roll**

Members present: Paul Johnson, Mike Giles, Chris Mulkerns, Gerry Eick, Josh Foli, Cash Minor, Geof Stark, Ann Cyr  
Members absent: Dan Murphy, Cindy Hixenbaugh, Elizabeth Frances, Beverly Conley  
Others present: Wayne Carlson, Alan Kalt, Mike Rebaleati, Marshall Smith

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

**2. Public Comment**

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

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

- a. **Approval of Minutes of Joint Meeting of April 2, 2019**
- b. **Approval of Minutes of POOL Executive Committee of May 28, 2019**

On motion and second to approve the consent agenda with a correction to the minutes of May 28, 2019 to add members present to include Geof Stark and Ann Cyr, the motion carried.

**4. For Possible Action: Approval of Prospective Members of NPAIP and/or PACT**

- a. **PACT - Gerlach GID**
- b. **NPAIP and PACT – Stillwater Conservation District**

- a. Wayne Carlson review the Gerlach GID application noting they presently are members of NPAIP. They have an excellent loss record. Discussion ensued.

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

- b. Wayne Carlson reviewed Stillwater GID's application for NPAIP and PACT membership. He responded to questions. Alan Kalt added additional information.

On motion and second to approve Stillwater GID for NPAIP and PACT membership, the motion carried.

**5. Public Comment**

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

**6. For Possible Action: Adjournment**

On motion and second to adjourn, Chair Johnson adjourned the meeting.

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**Minutes of Joint Meeting  
Executive Committees of  
Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust  
Date: Friday, September 6, 2019  
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: 150420**

**AGENDA**

**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. Public Comments are Limited to Three Minutes per Person.**
- 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. Roll**

Members Present: Josh Foli, Mike Giles, Chris Mulkerns, Cindy Hixenbaugh, Elizabeth Frances, Gerry Eick,  
Members Absent: Cash Minor, Geof Stark, Dan Murphy, Ann Cyr, Paul Johnson  
Others Present: Wayne Carlson, Alan Kalt, Mike Rebaleati, Marshall Smith

A quorum of PACT Executive Committee members was present and Fiscal Officer Foli called the meeting to order regarding to PACT items. Because there was not a quorum for POOL, no action could be taken on POOL=L items.

**2. Public Comment**

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

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

**a. Approval of Minutes of Joint Meeting of June 21, 2019**

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

**4. For Possible Action: Approval of Prospective Members of NPAIP and/or PACT**

- a. PACT – Tahoe Reno Industrial GID**
- b. NPAIP – Zephyr Heights GID**

4.a. Wayne Carlson described this account as presently a member of NPAIP. They had contracted out their operations in the past. Recently, they hired a general manager who would oversee the contract operations and eventually move things in house. The general manager was the only employee at this time.

On motion and second to approve Tahoe Reno Industrial GID as a PACT Member, the motion carried.

4.b. No action taken due to lack of a quorum.

**5. Public Comment**

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

**6. For Possible Action: Adjournment**

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

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**Minutes of Joint Meeting of  
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Public Agency Compensation Trust**

**Date: Monday, November 4, 2019**

**Time: 8:30 A.M.**

**Place: at 201 S. Roop Street, Carson City, NV 89701**

**Conference Call-In Phone No: 1-800-593-9034; Passcode: 150420**

**WEBEX Connection**

<https://poolpact.my.webex.com/poolpact.my/j.php?MTID=mba567be6d1f4a9f3ba94511fe1ac1442>

Meeting number: 294 193 381

Password: POOLPACT!

**AMENDED AGENDA**

**1. Roll**

Members Present: Cash Minor, Paul Johnson, Josh Foli, Chris Mulkerns, Cindy Hixenbaugh, Gerry Eick, Geof Stark, Elizabeth Frances, Dan Murphy

Members Absent: Mike Giles, Ann Cyr

Others Present: Mike Rebaleati, Alan Kalt, Wayne Carlson, Debra Connally, Stacy Norbeck, Mike Van Houten, Alton Cogert, Steve Balkenbush, Andrew Halsall, Kelly Sullivan, Donna Squires, Mike Livermore, Margaret Malzahn, Stephen Romero, Mary Wray, Lorena Dellinger, Glenn Backus, Courtney Giesseman

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

**2. Public Comment**

Gerry Eick commented on the committee packet being very helpful to him to understand the issues to be discussed.

**3. For Possible Action:**

- a. **Approval of Minutes of Joint Executive Committee Meeting of September 6, 2019.**
- b. **Approval of Minutes of POOL Executive Committee Meeting of September 13, 2019.**
- c. **Acceptance of unaudited Financial Reports as of September 30, 2019 for POOL, PACT, PRM, & PCM**

Chair Minor opened items 3 a. and 3.b. On motion and second to approve the minutes, the motion carried.

Chair Minor opened item 3 c. On motion and second to accept the unaudited financial reports as of September 30, 2019 for POOL, PACT, PRM and PCM, the motion carried.

**4. For Possible Action: Alternative Service Concepts, LLC. Report of Corporate Changes.**

Glenn Backus, President of ASC, discussed the acquisition of ASC by the Davies Group, a London based large corporation. He said the Davies Group sought a presence in the U.S. via purchase of a firm with a strong management team. He indicated that they would very protective of the status quo for employees and management. He indicated that Davies Group brought robust, enhanced capabilities for adjusters, particularly in the data security and claims services delivery. He responded to questions.

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

**5. For Discussion: Reinsurance update from GEM CEO Andrew Halsall.**

Andrew Halsall presented an overview of GEM and its Members. He described the reinsurance structure GEM offers and the current market conditions noting that GEM intends to remain a stable provider particularly when the commercial reinsurance market is tightening. He reviewed the GEM strategic goals.

**6. For Possible Action: Investments**

- a. Report from SAA on risk assets. This discussion will also address options related to Bank Loans.**
- b. Report from NEAM on fixed income markets and results.**
- c. Discussion on fixed income portfolio benchmarks and tolerance for tracking error in pursuit of investment objectives.**

6. a. Alton Cogert, Present of Strategic Asset Alliance (SAA), reviewed the opportunity for investment in bank loans as an option within the fixed income space. He described the bank loan market, noting that it was nearly equal in size to the high yield bond market. He noted the structure of corporate debt by order of priority in the event of bankruptcy: 1) bank loans, 2) high yield bonds, 3) stockholders. Thus, with a higher priority, bank loans present a diversification opportunity with less or comparable risk and return to high yield bonds. He reviewed the correlation to treasuries which showed bank loans were negatively correlated to treasuries. He commented on the long-term return performance of bank loans and their risk-adjusted returns (Sharpe ratio). He commented that unlike bonds, bank loans have certain covenants requiring maintenance of key financial ratios. He responded to questions.

Gerry Eick noted that the explanation was helpful to understanding this option versus high yield bonds. He asked for a risk/reward discussion about bank loans versus other fixed income investments. Alton explained the risk components as including duration risk, credit risk and liquidity risk. Bank loans have short duration, credit risk is higher than treasuries but about the same level as high yield bonds, and liquidity is like an over the counter type market because the banks do not want uncollectible loans. Alan Kalt asked about bank loan fund manager quality and Alton responded that Eaton Vance or NEAM both were high quality. Josh Foli expressed his concerns about increased corporate debt decisions that may reduce their bond rating. Alton said that corporate treasurers were very astute and sometimes were willing to take a slight bond rating downgrade in order to take advantage of options. Josh Foli asked about performance in up and down markets. Discussion ensued about the likely corporations which were in this space. Wayne Carlson noted that this investment option was an opportunity for the captives, but not for the pools. Gerry Eick asked about the portfolio allocation for this

option as a diversification tool. Kelly Sullivan indicated that future reports from NEAM would be able to include a discussion of this topic.

b. and c. Kelly Sullivan of NEAM, provided an overview of how the benchmarks were established for the captives and pools. She said they tied the benchmarks to the investment goals of the programs. Key elements were stability over time. Gerry Eick commented about whether the performance relative to benchmarks was inconsistent with our practices. He indicated that the benchmarks seemed to focus on price return while the NEAM strategy focused on income return. He indicated that he was satisfied with the performance but wondered whether the benchmark should be a measurement of the income return. Kelly indicated that book return was likely the best performance indicator over time. Paul Johnson questioned whether there may be multiple benchmarks that may show a clearer picture for the unsophisticated reader. Alton Cogert suggested that the GASB accounting rules makes the pricing volatility show up in the financial statements, but these rules should not govern the strategy. Book yield is a more stable indicator of performance. Kelly Sullivan noted that her presentation slide addressed this differential of price volatility compared to income stability. Mike Rebaleati suggested showing two benchmarks that reflect both price and income performance. Kelly agreed that this may help and could be incorporated into future reports.

No action was taken on these items.

**7. For Possible Action: Acceptance of fiscal year 2018-2019 Financial Audits of**  
**a. NPAIP.**  
**b. PACT.**

a. Alan Kalt presented an overview of the NPAIP audit and the key financial ratios results. Michael Bertrand reviewed his communications to the board noting no significant adverse findings although he did have a few suggestions for enhancing internal operations. On motion and second to accept the audit, the motion carried.

b. Alan Kalt presented an overview of the PACT audit and the key financial ratios results. Michael Bertrand reviewed his communications to the board noting no significant adverse findings although he did have a few suggestions for enhancing internal operations. He also complimented staff, particularly Debra Connally, for having no exceptions to the assessments reconciliation for the first time. Overall, he said improvements continued to happen. On motion and second to accept the audit, the motion carried.

Alan commented that a future item for discussion would be the amortization policy in consideration of the substantial effect amortization on the contributed net position to the captives have on the financial statements. He indicated that a restatement of the financials writing off the capitalization from the pools to the captives would cleanup the issues and better reflect actual performance in the future.

**8. For Possible Action: Review and determine the voting status of the Town of Pahrump.**

Mike Rebaleati introduced the topic noting that Lorena Dellinger of Nye County, Jared Rossi the agent for Nye County, and General Counsel Steve Balkenbush were present regarding this issue. The issue arose from the Town of Pahrump having had voting status until an election dissolved the separate town board to being an advisory board governed by the county commissioners in which case, voting status ceased. The question revolves around interpretation of the interlocal cooperation agreement as to Member status versus voting Member status. Lorena said that the commissioners were the town board members, not an advisory board, per NRS 269 which gives the commissioners the option to be the town board.

Discussion ensued about the issue. Wayne Carlson reviewed the history of the town's membership in NPAIP and how it petitioned for and was granted voting status. When the town board was dissolved by an election, it appeared that there no longer was voting status. Others commented that counties had multiple board for which the county commissioners served as the governing board and that granting such separate voting status would increase the number of votes dramatically. Discussion about options ensued.

On motion and second to direct staff to work with legal counsel for further interpretation of status and whether any modifications to the Interlocal Cooperation Agreement were needed to address the issues, motion carried.

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

- a. PACT - Nye County Hospital District.**
- b. NPAIP - Nevada Association of School Superintendents (501c3).**
- c. NPAIP – Tonopah Development Corporation (501c3).**

a. Wayne Carlson commented that Nye County Hospital District presently is a member of NPAIP as the owner of the hospital building which they lease to Renown. They hired a part time clerical person to support to the board operations. On motion and second to approve for membership, the motion carried.

b. Wayne Carlson reviewed the formation of NASS as an organization for superintendents. They have an independent contractor Executive Director who oversees operations. He noted their purpose and function is to train superintendents and to provide legislative review and lobbying efforts similar to the Nevada Association of School Boards. He responded to questions. On motion and second to approve for nonvoting membership, the motion carried.

c. Wayne Carlson discussed an email inquiry from Ken Eason, the agent, who described the organization's history and purpose, noting that the Town of Tonopah is housing them and provides some funding for their operation. Chris Mulkerns commented on the relationship to the town. Their purpose is to promote development of the town's center. On motion and second to table pending receipt of an application for review.

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

- a. Executive Director.**
- b. Operations Manager Report.**
  - i. NPAIP building roof project.**
  - ii. NRP updates.**
- c. Chief Financial Officer Report.**
  - i. Actuarial Update – POOL.**
  - ii. Actuarial Update – PACT.**
- d. Risk Manager Report.**
- e. Willis Pooling.**
  - i. State of the Market.**
  - ii. Elearning Demo for Renewal Application Process.**
- f. Human Resources.**
- g. ASC – Claim status.**
- h. E-Learning/Web Master on the POOL/PACT LMS programs.**

a. Wayne Carlson provided a brief synopsis of his written report noting the trends in reinsurance market that may require consideration of adjusting the pools and captives' retentions on renewal. He noted that the annual meeting location had been confirmed at the



Whitney Peak Hotel in Reno. Nevada Risk Pooling, Inc. has been established as directed pending formal IRS approval. Wayne added that the EAP agreement renews in 2020. Also, the lease with State Risk Management is pending final approval by the Board of Examiners and the CCMSI lease renews in January 2020.

b. Mike Rebaleati commented about the ongoing roof replacement status and costs of about \$250,000 with an anticipated completion in a couple of weeks. He discussed the possibility of having an office mapping consultant analyze our operations to identify potential issues based upon discussions he had at a recent GEM meeting with other pool directors. He reviewed the success of the HVA assessments in helping our school districts secure major grants to funding improvements in the districts. He commented that a future contract with Jeff Kaye may be needed to assist the districts. The Cyber Summit on November 7<sup>th</sup> has an estimated 80 attendees. He then discussed enhancements to the ClearSight Stars Enterprise claims system with it's an acquisition by Riskconnect which has numerous optional applications that may be worth consideration in the future.

c. Alan Kalt presented a review of key actuarial report exhibits and described how they tie into the financial audits for both NPAIP and PACT. He described the historical results over 10-year cycles and year over year estimates to actual results. He discussed the confidence level indications and that the pools use 75%. Alan noted that there was a reduction in the discount rate from 3% to 1.5% for PACT reserves and that the plan was to eliminate the discount for the current fiscal year. He responded to questions.

d. Mike Rebaleati provided the risk manager report on behalf of Marshall Smith. He will distribute the EAP utilization report soon. He showed the utilization report for Target Solutions and noted that it is being rolled out to additional volunteer fire departments. The Fit For Retirement E-Learning courses has been released and well received. Swimming pool inspections continue successfully. Law enforcement policies and jail audits are being well received. The Cops and Prosecutors training in Elko was well-received and valuable. Passive Network Assessments are nearly completed and efforts are being made to follow-up on implementation of recommendations. He noted that replacement of the respirator fit testing equipment is underway.

e. Mary Wray of Willis Re Pooling reviewed the adverse trends in reinsurance capacity and pricing, particularly in property but also in large liability losses. Increasing the statute of limitations for sexual abuse liability likely will put pressure on availability of limits and pricing for that coverage. Cyber liability trends indicate increasing frequency and severity of claims, particular on public sector. She indicated that continued vigilance is necessary in working with markets and providing the pool services. She responded to questions noting that we likely will face certain market conditions over which we will not have control as the reinsurers have their own difficulties. Our pre-planning efforts will help especially consideration of retention and quota-share options for the pools and captives.

Mike Rebaleati, Mike Van Houten and Courtney Giesseman reviewed the E-Learning module that has been developed to help agents and members to understand how to complete the renewal applications. The module provides what and where are the sources of information available to assist with completion. This was designed to highlight key elements, how to interpret questions, what responses are expected. They demonstrated the property section module.

f. Stacy Norbeck of POOL/PACT HR reviewed the extensive accomplishments from 2018 and thus far in 2019 noting the number of training classes, bulletins, alerts, legislative tracking and

policy updates they have achieved for the members. She highlighted the success of the HR Summit.

g. Donna Squires of ASC introduced Mike Livermore. Mike explained that he plans to retire on April 30, 2020. Margaret Malzahn is his designated claims supervisor successor and they will be hiring another adjuster to replace Margaret's position. Donna then reviewed the large POOL claims (over \$300,000) noting that 7 of the 12 listed will be closing out in the next 60 days. She commented on individual claims status and responded to questions. Mike Livermore then reviewed the large PACT claims commenting that unlike the POOL, these claims do not close until the death of the claimant which can be years. He highlighted that most large losses were due to heart disease.

h. Mike Van Houten reviewed the progress of the E-Learning program describing some new courses and utilization. He highlighted that with the merger of Torch Enterprise into Absorb LMS, we gained a more robust LMS platform. Members are being enrolled in the new system and are now able to import their own courses into our LMS system in addition to assigning our courses. He is rolling it out after having initiated Boulder City as the pilot in the new system. The system has the ability to upload and test courses such as law enforcement training. Mike also reviewed what he learned from a conference about Boosted Learning that reinforce the course learning by follow-up mini courses that enhance knowledge retention substantially. In addition, he said the technology is evolving rapidly and may upend current E-Learning practices by making the course data independent of the LMS platform which will enable the ability to combine the results from multiple platforms into a single records storage system.

**11. For Possible Action: Review and determine the structure of the existing audit committee to encompass PRI, NRP, PRM and PCM. Currently the audit committee only reviews NPAIP and PACT.**

Mike Rebaleati introduced this subject with a goal of utilizing the financial expertise of the existing POOL and PACT Audit Committee members to facilitate the same review for the other organizations. Committee members expressed interest in this approach. Wayne Carlson noted that certain legal issues would need to be addressed because each organization is separate and its board should appoint their own audit committee perhaps requiring some contractual arrangement. In addition, POOL and PACT are public entities, but the other organizations are not, so public records laws may apply and should be addressed.

On motion and second to direct staff to work with legal counsel for a way to accomplish this, the motion carried.

**12. For Possible Action: Risk Management Programs and Insurance/Reinsurance Coverages.**

- a. **Overview of POOL/PACT all insurance/reinsurance coverages and risk management programs to determine what coverages and programs to retain for 2020/2021.**
- b. **Review EnVision Enterprise Risk Model for Captives to Evaluate Potential Retention Decisions for the pools.**

a. Mike Rebaleati indicated that due to previous discussion at this meeting no additional discussion on this item was needed until the February 2020 meeting.

b. Mary Wray introduced the EnVision model and provided a demonstration about how it helps to visually see the impact of various financial and risk decision components. She said there is a tool for PRM and for PCM and future versions for POOL and PACT. The outputs of the

model include financial benchmark measures that can be tested live to see the impact on the financial results and performance indicators.

**13. For Possible Action: Approval of Proposed POOL Form Amendments/Endorsements for Fiscal Year 2020-2021 for Adoption by the POOL Board at its Annual Meeting.**

Wayne Carlson said there was no formal draft of possible changes, but highlighted a couple of potential changes to enhance the coverage for building replacement coverage to include environmental improvements similar to an option within the equipment breakdown extension. Another continuing issue is replacement cost coverage for vehicles in addition to the public safety vehicles. He said that he asked Donna Squires and her staff to review and advise where clarifications might be needed to resolve claims confusion. Donna noted one potential area regards the sexual abuse sublimit in light of cases and upcoming reinsurance market changes. Wayne said that change to the data security coverage likely would be necessary because CRL is working on changes to its reinsurance form and that may affect our coverage provisions. He also noted that the claims trend in the market was adverse. Coverage analysis should be discussed in context of loss prevention. Discussion ensued. Questions arose about statute of limitations extensions on sexual abuse having an impact. No action was deemed needed at this time as formal proposals will be provided in February.

**14. For Possible Action: Ratify the appointment of Small City/County Representative on NPAIP Executive Committee to Replace Beverly Connally.**

Mike Rebaleati indicated this item may be tabled until the annual meeting if desired although suggested names are being received. On motion and second to table, this item was tabled.

**15. For Possible Action: Approval of the next Joint Executive Committee meeting being scheduled for February 10, 2019 and the Annual Meeting to be held on April 16-17 (Thursday-Friday), 2020 at the Whitney Peak Hotel, Reno.**

Mike Rebaleati indicated that the date was a placeholder and likely another meeting in March would be necessary to finalize the recommendations to the board at the annual meeting. Cash Minor noted that the proposed date should read 2020.

**16. Public Comment.**

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

**17. For Possible Action: Adjournment.**

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

The Agenda was posted at the following locations and linked to the Official State Website <https://notice.nv.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  
10 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 Joint Meeting of  
Executive Committees of  
Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust**

**Date: Wednesday, March 11, 2020**

**9:30 AM**

**Place: NACO Building / 304 S. Minnesota St. / Carson City, NV**

**Conference Call 1-800-351-6805 Passcode: 83376**

**WEBEX Meeting number: 624 926 338**

**Password: PoolPact!**

<https://poolpact.my.webex.com/poolpact.my/j.php?MTID=mc9ff6eb4d35a07e85214ffac9ab50b3c>

1. **Roll**

A quorum being present, Josh Foli acting as Chair called the meeting to order.

2. **Public Comment**

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

3. **For Possible Action: Approval of minutes of Joint Executive Committee Meeting of November 4, 2019.**

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

4. **Discussion Only: Report on PRM and PCM 2019 annual audit.**

Alan Kalt briefly commented on the status of the PRM and PCM audits noting that they had not yet been completed and accepted by the captive boards. However, the dollar amounts shown likely would not be changed. No action was taken.

5. **For Possible Action: Report and discussion on Investments.**

**a. Report from Investment Advisor SAA.**

**b. Report from NEAM on fixed income markets and results.**

Kelly Sullivan from NEAM spoke first about current volatile market conditions and how NEAM had positioned the fixed income portfolios to take advantage on market volatility both as a defensive measure and to take advantage of opportunities for our longer-term strategies. She discussed the investment policy variances notifications to staff and how the market volatility created the slight exceptions. She indicated that NEAM is tracking the markets closely in order to avoid surprises during this current cycle. She reviewed the current NEAM investment performance reports and responded to questions.

Dan Smereck from SAA review the equity market results for the captives and notice that the combined investment results for captives and the respective pools revealed a negative 1% result. Diversification with fixed income and equities, kept performance relatively stable overall. The individual captive's equity results were down significantly but fixed income performance was up. He responded to questions.

On motion by Mike Giles and second by Gerry Eick to accept the reports, the motion carried.

6. **For Possible Action: Change in accounting policy relating to transfer of capital to the PRM and PCM captives providing for 100% expense in the year of transfer.**

Alan Kalt reviewed the highlights of his written explanation of the proposed change in accounting policy. Currently, both pools amortize the capital transferred to the captives over 10 years which results in a negative operating income. The proposed change would write down the remaining amortization effective July 1, 2019 and for all future transfers. This will affect the comparative financial statements for the current audit year by reducing net position substantially, but still leaving the pools meeting their management ratios. He responded to questions.

A motion by Gerry Eick and second by Dan Murphy to approve the change in accounting policy as proposed effective July 1, 2019 was made. Under discussion Gerry Eick noted that the comparative statements would require the effective date to be changed to July 1, 2018. Alan Kalt concurred. Gerry then requested an amendment to the motion to have the change be effective July 1, 2018 and the second concurred. The motion carried effective July 1, 2018.

7. **For Possible Action: Review and determine the voting status of the Town of Pahrump.**

Mike Rebaleati explained that he had requested Steve Balkenbush as general counsel to prepare an opinion regarding the voting status of the Town of Pahrump, which was included in the packet. Steve added comments that based upon his research, the Town of Pahrump was dissolved by an election and now is an advisory council to the Nye County Commissioners. Given this, the Town of Pahrump no longer is eligible for voting status with POOL or PACT.

On motion by Dan Murphy and second by Geof Stark to the accept the legal opinion and to deny voting status to he Town of Pahrump, the motion carried.

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

- a. **Executive Director**
- b. **Chief Operations Officer.**
  - i. **NPAIP building roof project.**
  - ii. **NRP updates.**
  - iii. **Knowbe4 availability to all members.**
- c. **Chief Financial Officer.**
- d. **Risk Manager.**
- e. **POOL/PACT Human Resources General Manager.**
- f. **Davies Claims Solutions (Formerly ASC).**
- g. **E-Learning/Web Master.**
  - i. **POOL/PACT LMS Programs.**
  - ii. **Transition from Torch LMS to Absorb LMS.**

Each of the reports were included in the board packet, presented and highlighted by the authors. Significant developments and progress were highlighted for each. On motion by Mike Giles and second by Paul Johnson to accept the reports, the motion carried.

9. **For Possible Action: Review of Risk Management Programs, Insurance/Reinsurance Coverage, and EAP program:**

a. **Review Employee Assistance Program options:**

- i. **Continue or terminate Aetna Resources for Living (ARFL) contract.**
- ii. **Joinder onto State of Nevada EAP Contract with KEPRO.**
- iii. **Eliminate EAP as a POOL/PACT service and let members select own provider (if any) including ARFL or joining State contract.**

Wayne Carlson reviewed his report noting that he and John Bates reviewed the EAP services and options in order to inform the HR Oversight Committee about options. The issues have been discussed over the last two years due to problems with services and low utilization. Stacy Norbeck added comments on the service issues. The options were presented to the HR Oversight Committee at its meeting on March 6, 2020. The Committee voted to recommend nonrenewing the Aetna Resources for Living contract and entering into a contract via joinder provisions of the State of Nevada contract with KEPRO. Wayne noted that the timing of contract terms requires action to notify Aetna not later than April 1, 2020 if nonrenewing.

On motion and second to notify Aetna Resources for Living of contract nonrenewal and the joinder onto the State of Nevada contract with KEPRO, the motion carried.

b. **Review of POOL/PACT insurance/reinsurance coverage and risk management programs to determine what coverages and programs to offer for 2020/2021:**

- i. **Willis Pooling Report on the State of the Insurance Market.**
- ii. **Review of POOL and PACT rate indications.**
- iii. **Review of reinsurance coverage and retention options for NPAIP and PACT renewal reinsurance strategies.**
- iv. **Review of ancillary programs including Student Accident, Pollution Legal Liability, and the proposed TULIP Program.**

Mary Wray of Willis Re Pooling led off with an overview of difficult market conditions for all lines of business. She then noted that a preliminary indication just received on the Lloyds property program revealed a 10% rate increase and some additional term restrictions that she had not yet been able to review in detail. For liability, she indicated that several reinsurers expected increases of at least 15% due to market conditions and liability claims history. She said quotes from the markets were to come in early next week, but with high market activity there could be delays. Stephen Romero reviewed several ancillary programs noting that some of them likely would have no increase or a small increase. A new program for users of event facilities known as Tenant User Liability Insurance Program is being offered at no charge to the POOL, all on-line access for event tenants to obtain liability limits of at least \$1,000,000. This will be proposed for adoption at the annual meeting.

c. **Review Proposed 2020-2021 budgets for POOL and PACT for recommendation to the POOL and PACT Boards.**

Alan Kalt presented the draft budget summaries for both pools noting that until firm quotes came in, they would not be fully ready for adoption. The goal is to present to the committee at its next meeting prior to the annual meeting. He responded to questions. No action taken.

**d. Review Pooling Resources, Inc. proposed grant budget and Scope of Services for recommendation to the POOL and PACT Boards.**

Stacy Norbeck commented that the current grant expires this fiscal year so a new five-year grant is proposed. She revised the scope of services with review by the HR Oversight Committee. She and Alan Kalt developed the budget. Alan complimented Stacy for her monitoring and management of her budget, which they worked together to prepare for the new grant.

On motion by Paul Johnson and second by Geof Stark to recommend approval of the grant scope and budget, the motion carried.

**10. For Possible Action: Approval of proposed POOL Form Amendments/Endorsements for Fiscal Year 2020-2021 for adoption by the POOL Board at its Annual Meeting.**

Wayne Carlson commented that the basic POOL Form had a few changes, but there was a major rewrite of the Data Security coverage. The draft changes in the packet were only for the Data Security coverage to carve it out to a stand-alone coverage form in consultation with our reinsurers. Staff had just received the first draft and had not had time to review it in detail. Wayne invited the members to provide any input about these drafts. No action taken.

**11. For Possible Action: Review of candidates for Executive Committee and Officers up for election at the Annual Meeting,**

The list of current Executive Committee members was reviewed. For POOL there presently is a vacancy for small cities and counties under 35,000 population. Potential candidates names were floated for consideration. The incumbents for both pools expressed interest in continuing to serve. No action taken.

**12. For Possible Action: Review and revise drafts of agendas including Joint Board Agenda, POOL Board Agenda, and PACT Board Agenda for Annual Meeting on April 16-17 (Thursday-Friday), 2020 at the Whitney Peak Hotel, Reno, NV.**

Wayne Carlson reviewed the draft agendas to obtain feedback for any changes to them. Proposed changes were noted. No action taken.

**13. Public Comment**

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

**14. For Possible Action: Adjournment**

On motion and second to adjourn, the meeting adjourned at 2:16 pm.

The Agenda was posted at the following locations and linked to the Official State Website <https://notice.nv.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  
10 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

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**Notice of Joint Meeting and Agenda of  
Executive Committees of  
Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust**

**Date: Monday, April 6, 2020**

**9:00 AM or immediately following the Public Compensation Mutual meeting  
VIRTUAL ONLY**

Please click the link below to join the meeting:

<https://zoom.us/j/824245388?pwd=Q1pGcmxhSThSMTRLVVNDaGk5eGtqUT09>

Password: 843034

US: +1 669 900 6833 or +1 929 205 6099 or +1 253 215 8782

Webinar ID: 824 245 388

**Minutes**

**1. Roll:**

Chairman Cash Minor called the meeting to order immediately following the Public Compensation Mutual Meeting at 8:47 am. The following members were present: Cash Minor, Paul Johnson, Gerry Eick, Chris Mulkerns, Elizabeth Francis, Ann Cyr, Mike Giles, Geof Stark, Dan Murphy, Josh Foli, and Cindy Hixenbaugh.

Other Participants included: Wayne Carlson, Mike Rebaleati, Alan Kalt, Marshall Smith, Stacy Norbeck, Debbie Connally, Michael Van Houten, Mary Wray, Stephen Romero, Donna Squires, and Kathy Parks.

**2. Public Comment:**

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

**3. For Possible Action: Approval of Minutes of Joint Executive Committee Meeting of March 11, 2020.**

Josh Foli make a motion which was seconded by Dan Murphy to approve the March 11, 2020 Joint Executive Committee Minutes. Motion carried.

**4. Discussion Only: Report on PRM and PCM 2019 annual audit.**

Alan Kalt noted that the PRM and PCM 2019 audits were finalized and the reports issued March 11<sup>th</sup>. The draft audits were presented at the March 11<sup>th</sup> meeting and finalized and accepted at the April 6, 2020 PRM and PCM meetings. The audits were included in the meeting packet. The approved audit reports will be filed with the necessary entities. No formal action was needed.

**5. For Possible Action: Report and discussion on Investments.**

**a. Staff report on investments.**



**b. Revise POOL and PACT Investment Guidelines.**

Mike Rebaleati reviewed the revised POOL and PACT Investment Guidelines that addressed the allowance of periodic variance waivers be granted by the Chief Operations Officer or Chief Financial Officer with the concurrence of the Executive Director for allocation percentage and credit rating variances to the policy. The POOL Executive Committee will be notified of any waiver(s) granted at the next regular meeting.

On a motion by Josh Foli and a second by Mike Giles, the Board approved the changes to the POOL and PACT Investments Guidelines.

6. **For Possible Action: Review of Risk Management Programs, Insurance/Reinsurance**
- a. **Review of POOL/PACT insurance/reinsurance coverage and risk management programs to determine what coverages and programs to offer for 2020/2021:**
    - i. **Willis Pooling Report on the State of the Insurance Market.**
    - ii. **Review of POOL and PACT Renewal Proposals.**
    - iii. **Review of reinsurance coverage and retention options for NPAIP and PACT renewal reinsurance strategies.**
    - iv. **Review of ancillary programs including Student Accident, Pollution Legal Liability, and the proposed TULIP Program.**

Mary Wray and Stephen Romero of Willis Towers Watson gave an update on the Insurance Market Place. They started with the global perspective, then looking at the US Market and the impact it has on the Nevada POOLS. Mary indicated it is a seller's market and there is significant pressure on upward pricing and further exclusions noted in the renewals.

They walked through the 2020-2021 NPAIP Renewal Quotations looking at the Premium with 2019 Rates applied to the 2020 Exposures to the 2020 rates applied to the 2020 exposures on the various coverage lines as noted in the handout. The overall increase on the core coverages were 14.39%. The Joint Purchase Insurance Programs for Terrorism, Student Accident and Environmental increased by 0.99% for a combined increase of 13.09%. Mary noted that Steve Firman is still working to complete the property coverage at Lloyds of London for the POOL. The renewal coverage provides \$3,600,00 which is an increase of 14.2% for this coverage. An additional \$150,000 has been provided to complete the coverage if necessary. Wayne Carlson noted that the actuary prepared various options for the POOL and PRM to take a \$1M property retention but the financial tradeoff with the marketplace was not beneficial at this time. He noted that PRM would likely fill in any gaps in coverage at the higher retentions if necessary to complete the property cover. A discussion was held on the various lines of coverage and rate adjustments by the carriers. Stephen gave a brief overview of the Tenant Users Liability Insurance Program (TULIP Program) that members can promote with vendors and groups using their facilities to obtain affordable liability insurance for them using member's facilities.

Stephen Romero went over the 2020-2021 PACT Renewal Quotations. It was noted that coverage from PRM increased 11.39% as a result of numerous claims within this layer. This was discussed at the PCM meeting and setting of the rate for 2020-21 year. Mike Rebaleati noted that over the years, PACT and PCM have taken on more of the retention, thus, their rate increases were needed to cover the claims.

Wayne Carlson noted the Legislative changes specifically to TTD and PPD is going to have an impact on higher claim cost. CRL coverage went down \$6,298 or 2.01% with Safety National keeping their rates the same for the renewal. During the discussion, Josh Foli and Gerry Eick noted that the covered payroll for the current year and the renewal year are likely to be reduced significantly as entities deal with the COVID-19 virus and the related economic impacts on the members. Alan Kalt further noted that the payroll audits indicated that a few of the members did not cap their payroll at the \$36,000 statutory cap and paid additional workers compensation assessments on total payroll. This overpayment will be refunded to the members and will change the covered payroll amounts used in the rate making process.

**b. Review Proposed 2020-2021 budgets for POOL and PACT for recommendation to the POOL and PACT Boards.**

Alan Kalt reviewed the proposed PACT budget for 2020-21. He indicated that PACT's recommended Loss Fund contribution rate would be at the 70% Confidence Level which is the same as the current level. The additional cost to move to the 75% would be \$289,000. Due to the economic situation it was recommended to keep it at the 70% Marginally Acceptable rate for another year. Josh Foli and Mike Giles stressed the importance of keeping cost down during these difficult times for the members. The proposed budget reflects an increase of 8.3% in the rates and adding the cost of the cardiac wellness program into the Police Fire rates. The Loss Fund & Insurance costs represents 72% of the total revenue with program expenses and administration expenses taking up 12.0% and 12.8% respectively.

Paul Johnson made a motion to recommend the approval the recommended budget Option 1 at the 70% Confidence Interval funding rate to the full board at the Annual Meeting. The motion was seconded by Mike Giles and carried.

Alan Kalt reviewed the POOL budget for 2020-21. He indicated that POOL's Loss Fund Contribution remain at the 70% Confidence Level which is the same as the current level. The additional cost to move to the preferred 75% Confidence Level would be \$727,000 for liability and property combined. Due to the economic situation, it was recommended to keep it at the 70% Marginally Acceptable rate for another year. The budget included \$250,000 as a Loss Fund Contribution for Cyber Losses for the year. In the past, this was paid from surplus, however, given the increasing number of claims there is a need for this contribution. It was noted that the budget provided for apportionment of the Student Accident Fund to 50% and go with KEPRO as the EAP provider at the reduced cost. Kalt noted that both the PACT and POOL budgets reflected the new policy to no longer amortize the Transfer of Capital to the captives over a ten-year period, rather, 100% expense in the year of the transfer. Given the POOLS' current financial positions, it is not anticipated that any transfers will take place in the next several years. As noted on the budget worksheet, 79.1% of the total revenues are allocated to the Loss Fund and reinsurance expenses with 14.5% supporting member program expenses and 5.2% in administrative expenses. A discussion was held on the various budget items and the appreciation to keep the cost increases to a minimum to the membership.

Geof Stark made a motion to recommend acceptance of the proposed 2020-21 Budget Option 1 at 70% Confidence Level to the full board at the annual meeting. Motion was seconded by Josh Foli and passed.

**7. For Possible Action: Approval of proposed POOL and CYBER Form Amendments/Endorsements for Fiscal Year 2020-2021 for adoption by the POOL Board at its Annual Meeting.**

Wayne Carlson first reviewed the highlights of the POOL Form commenting that the section on data security was removed and replaced in the new proposed CYBER Form. He then highlighted some key language changes that sought to clarify coverages particularly revising the specialized vehicle replacement cost coverage to an agreed value basis. He then highlighted that key coverage elements of the new CYBER Form noting that in developing the form, staff and coverage counsel relied on the current section, CRL and AIG language in order to develop a reasonably broad coverage for members. He commented on the limits shown in the draft declarations page were within the POOL's retention and added coverage not currently provided but available in the market. He asked for input on the sublimit amounts. He then reviewed the highlights of each coverage section. He emphasized the importance of notice to the POOL when an event occurs so that an immediate deployment of security and legal expertise could be made. Mike Rebaleati commented about how important preservation of evidence was in such cases and reminded the committee about the KnowBe4 capability for training members' staff to prevent claims.

On motion and second to recommend to the POOL Board to adopt the draft POOL Form excluding the Data Security coverage section, the motion carried.

On motion and second to recommend to the POOL board to adopt the proposed CYBER Form including the sublimits proposed in the draft Declarations page, the motion carried.

**8. For Possible Action: Review of candidates for Executive Committee and Officers up for election at the Annual Meeting,**

Wayne Carlson reviewed the candidates for Executive Committee election schedule. It was noted some changes in some entities' representatives/alternate for Special Districts and Hospitals. The elections will take place at the Annual Meeting. No action was taken.

**9. For Possible Action: Review and revise drafts of agendas including Joint Board Agenda, POOL Board Agenda, and PACT Board Agenda for Virtual Annual Meeting on April 17, 2020.**

Wayne Carlson and Mike Rebaleati reviewed the draft agendas and the use of ZOOM for the annual meeting. It was noted that all audio would be through the telephone lines for better sound quality. A brief discussion was held. No Action Taken.

**10. Public Comment**

The Chair asked for Public Comment and hearing none, closed the comment period.

**11. For Possible Action: Adjournment**

Meeting adjourned at 10:20 am.



**Nevada Public Agency Insurance Pool  
Public Agency Compensation Trust**  
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Carson City, NV 89701-4779  
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**Minutes of Meeting of the Loss Control Committee of  
Nevada Public Agency Insurance Pool and Public Agency Compensation Trust  
Date: Tuesday, July 16, 2019  
Time: 9:00 A.M.  
Place: POOL/PACT Office, 201 S. Roop, Carson City NV**

**1. Roll:**

Members Present: Cash Minor (Chairman) Geof Stark, Ann Cyr, Dan Murphy, Alicia Heiser  
Members Absent: Bryce Boldt, Darren Wagner, John Dollar  
Others Present: Mike Rebaleati, Alan Kalt, Zaria Hanses, Stacy Norbeck, Rick Hudson, Marshall Smith

**2. Public Comment:**

No public Comment

**3. For Possible Action: Approval of Minutes of Committee Meeting of March 3, 2019.**

A Motion was made and seconded to approve the minutes. After discussion, the Motion carried.

**4. For Discussion: Risk Manager's Report**

Marshall Smith summarized activities relating to LLRMI Jail Inspection audit status, recognition of Carson City School District LCEP award, status of updated LCEP, begin process of revising 2016/2019 and begin developing 2019-2023 LCC Strategic Plan for approval during the September 2019 meeting, review and presentation of the *SpecialtyHealth Fit for Retirement e-Learning* course.

**5. For Discussion: Review and analysis of Risk Management Grant Program budget for 2018-2019.**

**5. For Possible Action: Appointment of Alicia Heiser, Winnemucca City Manager to the Loss Control Committee. Both Chairmen of POOL and PACT executed the Appointment and joined the other members of the Committee in welcoming Alicia to the Committee.**

**7. For Possible Action: Review of and Annual appointment of voting members of the Loss Control Committee. Both Chairmen of POOL and PACT executed the Appointment for re-appointment to the Committee:**

Bryce Boldt, Boulder City  
Geof Stark, Churchill County  
John Dollar, Incline Village General Improvement District  
Ann Cyr, Carson City School District  
Darren Wagner, City of Yerington  
Dan Murphy, Pershing County School District  
Alicia Heiser, City of Winnemucca

8. **For Possible Action:** Public Comment.

There was no public comment.

9. **For Possible Action:** Adjournment

A Motion was made and seconded to adjourn the meeting. After discussion, the Motion carried.



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**DRAFT**

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

**Date: Tuesday, September 17, 2019**

**Time: 9:00 A.M.**

**Place: POOL/PACT Office, 201 S. Roop, Carson City NV**

**1. Roll:**

Members Present: Geof Stark (Acting Chairman), Ann Cyr, Dan Murphy, Alicia Heiser, Bryce Boldt, John Dollar  
Members Absent: Cash Minor, Darren Wagner  
Others Present: Wayne Carlson, Mike Rebaleati, Alan Kalt, Zaria Hanses, Stacy Norbeck, Marshall Smith

**2. Public Comment:**

No public Comment.

**3. For Possible Action: Approval of Minutes of Committee Meeting of July 16, 2019.**

A Motion was made and seconded to approve the minutes. After discussion, the Motion was approved.

**4. For Discussion: Risk Manager's Report**

Marshall Smith provided summary of the following programs: LLMRI Jail Audit/Inspection status; b) MSDSONline update; d) 2019 Swimming Pool Inspections Completed; e) POOL/PACT Cop/Prosecutor Series – Critical Report Writing; f) Member Safety Program/Committee Outreach

**5. For Possible Action: Discussion and consideration of the Pool Pact startup support for Law Enforcement Agencies policy development and maintenance, such as Lexipol, LLRMI, and related.**

Direction to staff to prepare additional segment on the RM Grant Application where software/subscription type services are requested that applicant include: (1) name of person who will administer the program; (2) understanding/acknowledgment that any/all future costs will be borne by the applicant; (3) follow-up by PP RM relating to implementation and usage; and (4) applicant agrees to use LLRMI policies and procedures in the LEXIPOL LMS. The draft of the segment will be presented to and reviewed that the LCC at its next regular meeting.

**6. For Possible Action: Discussion and consideration of setting minimum level premium for cyber security assessment and the future prevention and response support.**

Direction to staff to prepare summary and proposal to submit to the next Executive Committee meeting for possible member wide or individual funding for a program such as or similar to KnowB4.

- 7. For Possible Action:** Re-evaluation/consideration of the Stryker funding program. At the December 17, 2018, A motion made and seconded to terminate further Stryker funding for the remainder of the 2019 fiscal year with consideration for future funding as a single stand-alone funding program.

Direction to staff to prepare analysis including which agencies have obtained Stryker equipment, a draft stand-alone grant application for upgrading non-Stryker equipped ambulances and consideration for grant funding for equipping such ambulances with Stryker or similar equipment at a 50/50 funding rate.

- 8. For Possible Action:** Consideration and approval of Risk Management Grant Application submitted by Lander County School District for network server upgrade and (3) lifts for Battle Mountain Highschool. Total \$108,594.89 (server: \$29,604.89; lifts \$78,990), Member Contribution, \$27,148.72; PP Funding \$81,446.17. (See Attachment #2)

After discussion, a Motion was made and seconded to approve the grant.

- 9. For Possible Action:** Consideration and approval of Risk Management Grant Application submitted by Churchill County for modification of the county administration building to address security issues. Total \$47,650.05, Member Contribution \$11,912.52, PP Funding: \$35,737.53.

After discussion, a Motion was made and seconded to approve the grant. Geof Stark abstained from the vote.

- 10. For Possible Action:** Consideration and approval of Risk Management Grant Application submitted by Mineral County Sheriff's Office for emergency medical dispatch software. Total \$37,432.00, Member Contribution \$9,358.00, PP Funding: \$28,074.00. (See Attachment #4)

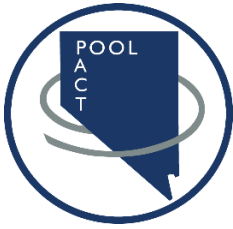
After discussion, a Motion was made and seconded to approve the grant.

**11. Public Comment**

No Public Comment

**12. For Possible Action: Adjournment**

After discussion, a Motion was made and seconded to adjourn.



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**Draft**

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

**Date: Tuesday, December 17, 2019**

**Time: 9:00 A.M.**

**Place: POOL/PACT Office, 201 S. Roop, Carson City NV**

**1. Roll:**

Members Present: Cash Minor (Chairman) Geof Stark, Ann Cyr, Dan Murphy, Alicia Heiser, Bryce Boldt, Darren Wagner, John Dollar  
Others Present: Wayne Carlson, Mike Rebaleati, Alan Kalt, Zaria Hanses, Stacy Norbeck, Donna Squires, Mike Livermore, Marshall Smith

**2. Public Comment:**

No public Comment

**3. For Possible Action: Approval of Minutes of Committee Meeting of September 17, 2019.**

A Motion was made and seconded to approve the minutes. After discussion, the Motion carried.

**4. For Possible Action: Discussion and consideration of limited member funding for KnowB4 training.**

Jennifer Custer (KnowB4 Representative) presented an executive overview of the KnowB4 “Security Awareness Training Program.” After discussion, a motion was made to fund the program for all members for a period of three years from the Loss Control Budget in the estimated costs for 10,000 users will be \$137,000.00. The motion was seconded, and the Motion carried. Staff will coordinate accounting, roll-out, and program implementation.

**5. For Possible Action: Discussion and consideration of approving amended risk management grant submitted by Mineral County Sheriff’s Office (which was approved during the September 17, 2019 meeting) in the amended amount to allow for required interface module as follows**

Amended (11/7/19):

Total Funding Amount:	\$45,494.00
Member Contribution:	\$11,373.52 (x 25% = \$2,015.50) (amended member funding)
POOL/PACT Funding:	\$34,121.00 (x 75% = \$6,046.50) (amended Request)

After discussion, a Motion was seconded, and the Motion carried.



- 6. For Discussion:** Discussion and consideration of providing two United Educator publications to member school districts and Driver Training Materials from School Bus Safety Company:

After discussion and review of *K12 Protecting Children Checklist Series* (UE), and *Action Guide for Improving Sexual Abuse Prevention and Response* (UE) a Motion was made to send these publications to each of POOL/PACT member school districts, after review by POOL/PACT Human Resources. The motion was seconded and the Motion carried.

- 7. For Possible Action:** Discussion and consideration of approval of POOL/PACT First Responder Hydraulic Lift and Related Equipment Grant Application Guidelines and Funding Plan.

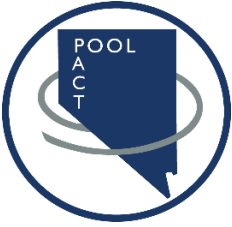
After discussion, the item was tabled with instruction to staff to obtain data relating to: (1) identification of members who have received Stryker grant funding, and (2) an assessment/analysis of claims in relation to use of Stryker equipment.

- 8. For Possible Action:** Public Comment.

There was no public comment.

- 9. For Possible Action:** Adjournment

A Motion was made and seconded to adjourn the meeting. After discussion, the Motion carried.



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**Draft**

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

**Date: Tuesday, April 7, 2020**

**Time: 9:00 A.M.**

**Place: POOL/PACT Office, 201 S. Roop, Carson City NV and via Zoom and teleconference**

**1. Roll:**

Members Present: Cash Minor (Chairman) Geof Stark, Dan Murphy, Alicia Heiser, John Dollar  
Members Absent: Ann Cyr, Darren Wagner, Bryce Boldt  
Others Present: Wayne Carlson, Mike Rebaleati, Alan Kalt, Zaria Hanses, Stacy Norbeck, Donna Squires, Mike Livermore, Rick Hudson, Marshall Smith

**2. Public Comment:**

No public Comment

**3. For Possible Action: Approval of Minutes of Committee Meeting of December 17, 2019.**

A Motion was made and seconded to approve the minutes. After discussion, the Motion carried.

**4. For Discussion: Risk Management Report:**

The Committee was presented with updates regarding: POOL/PACT Pandemic preparedness webinars information; Enterprise Risk Management/Risk Management Information Systems Study Group; Cyber Program, members informed of the critical importance of having effective network backup systems in place; Upcoming Swimming Pool Audits; Upcoming Detention Facility Audits.

**5. For Possible Action: Consideration and approval of Risk Management Grant Application submitted by Lincoln County School District for Soter Technologies Flysense vape/bulling sound incident detection system. Total: \$13,788.50; Member Contribution: \$3,447.13; POOL/PACT Funding: \$10,341.37.**

After discussion, a Motion was made to approve the grant, seconded, and the Motion carried.

**6. For Possible Action: Update regarding proposed POOL/PACT First Responder Hydraulic Lift and Related Equipment Grant Application; Analysis of Injury; Guidelines, Funding Plan.**

After discussion, on motion and second to establish the parameters, which passed, staff was instructed to finalize and publish the proposed Hydraulic Lift and Related Equipment Grant Application to include the following restrictions:

1. A total of \$250,000.00 will be allocated for this grant program;
2. The program will be effective from July 1, 2020 through June 30, 2021;
3. The program will expire after expending the budget or June 30, 2021 whichever occurs first;
4. New vehicle purchases should be purchased and equipped with Stryker equipment and are ineligible under this grant program.

7. **For Possible Action:** Public Comment.

There was no public comment.

8. **For Possible Action:** Adjournment

A Motion was made and seconded to adjourn the meeting. After discussion, the Motion carried.

DRAFT



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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 7, 2019                      Time: 10:00 a.m.  
Place: 201 S. Roop Street  
Library Room – POOL/PACT Offices  
Carson City, NV 89701**

**1. Oversight Committee Roll Call**

Members participating in person: Chairman Curtis Calder; Pat Whitten. Members participating by phone: Cindy Hixenbaugh; Dave Mendiola (sitting in for Able del Real Nava); Danelle Shamrell; Geof Stark. Members not participating: Scott Baker; Dee Carey; Jose Delfin; Dawn Huckaby; Robert Quick. PRI Staff: Ashley Creel; Neal Freitas; Stacy Norbeck; Sandy Schooler. PARMS Staff: Mike Rebaleati; Marshall Smith. Public attending: Austin Osborne.

**2. Item: Public comment**

Chairman Calder opened public comment and hearing none, closed the public comment period.

**3. For Possible Action: Approval of Minutes of Meeting March 1, 2019**

On motion and second to approve the Minutes of March 1, 2019, the motion carried.

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

**a. 18/19 Strategic Plan-to-date**

Stacy Norbeck reviewed the 18/19 Strategic Plan as follows:

**New Trainings** — Two new classes to be updated this year are complete: a performance management course and *So, You Want to be a Supervisor?* which was conducted on June 6, 2019 (21 registered). *Workplace Violence* e-Learning course is scheduled to be released June 7, 2019.

**Revisions** — The *Advanced Essential Management Skills* revision, *Customer Service*, and *Bullying in the Workplace* are complete.

**Regional Trainings** — Ten of 11 regional trainings are complete.

**Workshops Utilizing Outside Resources** —Erickson, Thorpe and Swainston conducted three of four sessions of *ADA: Interactive Process/Service Emotional Support Animals*. Boulder City was canceled due to low enrollment, and a webinar was held on December 6, 2018, to reach more members. Temple Fletcher conducted one *Peer Support Team (PST) Awareness* webinar. The *Emotional Wellness* workshops scheduled in partnership with the Loss Control Committee were canceled due to lack of enrollment.

**HR Webinars** — All four scheduled HR webinars have been conducted.

**EAP Webinars** —All four scheduled Employee Assistance Program (EAP) webinars have been conducted.

**New Briefings** — All three new briefings have been completed this year.

**Updated Briefings** — Thirteen of 19 briefings have been updated this year, six are in process and will be complete before the end of FY.

**Post Member Pay Plan/Scale on Website** — Member pay scales are being added to the website as they are received. Stacy noted she would give a more detailed report in her General Manager's update.

**Sample Personnel Policy Annual Update** —Stacy reported most of the changes have been made with the exception of legislative changes which are minimal. There will be comment boxes added to blanks to assist members in knowing the correct employee to insert thus enabling them to more easily adopt the policies. A may/will option for discipline issues will be added. Employers need to determine in each instance of corrective/disciplinary action whether it wants to "mandate" (will) corrective action to be implemented or allow management "discretion" (may). If the employer chooses to mandate (will) and chooses to take appropriate action, it could be evidence that management did not comply with their own internal policies. If they allow discretion (may), then employers may face an employee showing s/he did not know s/he "would" face corrective/disciplinary action. Stacy stated there is also a plan to provide video instruction on how to use Word to efficiently update the policies. She said the updated policies will be released by June 30, 2019.

Curtis asked if Becky Bruch had weighed in on how the policies regarding the chapter on disciplinary process needed to be reworded to deal with the post deprivation issue.

Stacy stated she is in ongoing conversations with Becky Bruch on how to best handle that issue and will have it in place by the end of June 2019.

Pat Whitten informed the group of his retirement effective June 30, 2019, and introduced Austin Osborne as his replacement. Austin said he had been in contact with Becky Bruch and suggested the creation of a whole separate policy on investigation out of discipline. Stacy said she would discuss with Becky.

Curtis suggested as the new policy is rolled out, county and city attorneys be kept informed, so they are aware it is a new policy and not in direct contradiction with the code or city charter.

Stacy said a disclaimer encouraging a legal review could be added to the existing red section at the top of the samples document.

**Alerts** — Eight alerts have been issued to date.

**Trainings** — As of June 3, 2019, 147 trainings have been conducted with 3,664 participants, with 4.51 course content average; 4.8 instructor evaluation average. 22 members are interested in FRISK; 12 classes have been conducted with 124 participants. 12 HR briefings have been conducted with 266 participants.

**Member Survey** — A bi-annual member survey was conducted in December 2018.

**Phase I HR Compliance Assessment Program** — There are 12 interested members this FY; two in process and two completed. There were 21 rollovers left to complete from previous years; seven have been completed this FY.

**Phase II HR Compliance Assessment Program** — There are four interested members this FY; one canceled, one completed, and two delayed because they need to finish Phase I. There were seven rollovers left to complete from previous years; two are nearly complete.

#### **b. Report on Employment-Related Claims**

As of May 20, 2019, we had 22 claims, 17 of which are open. 15 are EEO: four race, one disability, one sex, three Title VII discrimination, two hostile work environment, and three age; one wrongful termination, one FLSA, two administrative investigations, one policy violation, two employment matters, and one alleging due process violation in connection with wrongful termination. Of the 22, 11 are from counties, two are from cities, three are from schools, and six are from special districts.

### **5. For Possible Action: General Manager Report**

#### **a. Salary Schedule**

Stacy reported efforts were increased to communicate the existence of the database as well as ask for contributions. As noted on the handout, substantial progress has been made. There are now 13 cities/towns, 12 counties, 1 hospital, 13 school districts, and 3 special districts represented in the salary schedule database on the POOL/PACT website.

#### **b. HR Conference**

Stacy reported that as of June 3, 2019, 27 individuals were registered to attend the *Navigating Today's Challenges in Public-Sector Employment: POOL/PACT HR Leadership Conference 2019* scheduled to be held October 17-18, 2019, at the Atlantis in Reno.

### **c. Scholarships**

Stacy asked the committee if there should be a limit, per organization, for the number of scholarships received per year or whether we should take them as received. She said the subject came up due to a request from an organization that would like to send a number of their employees through certification. Curtis stated it would be good to stay consistent with the other program (PARMS) which has a limit of five education grants. He asked if this would be coming out of the POOL/PACT HR budget. Stacy responded that was her understanding. There was discussion between Curtis, Stacy, and Geof on whether to consider a dollar amount limit or a limit to the number of scholarships. Stacy stated these same employers do have access to up to five \$2,000 education grants per year, which can be used for certification. She said they could be referred to these grants if there is a scholarship limit. Curtis recommended a combination of the two. After further discussion, it was decided to vote on a \$3,000 annual limit per organization.

On motion and second to approve a \$3,000 annual limit per organization, the motion carried.

### **d. Pat Whitten – Retirement**

Stacy announced Pat Whitten would be retiring effective June 30, 2019. She thanked him for his support over the years and presented him with a plaque and a card signed by the POOL/PACT HR staff. Pat thanked Stacy and said it had been one of the true blessings and joys of his life working with the committee. Curtis thanked Pat for the insight he provided over the years and wished him the best.

## **6. Legislation**

Stacy reported that she and her staff have continued to track bills of interest from both the Senate and Assembly. She noted the governor has a deadline of Friday, June 14, 2019, to sign approved bills. She has set a June 21, 2019, goal to complete and make available to the members a summary of legislation report.

## **7. Scope of Services**

Stacy requested an additional change to the Scope of Services 2015/16 – 2020/21. She reported Jeff Coulam has created three video HR briefings using Articulate (eLearning software) and Powtoon (online presentation software). The briefings he has completed so far are: Communication Style, Leadership Style, and Buddy to Boss. The videos are approximately four to five minutes in length and available on the website. Stacy said Mike Van Houten has been developing eLearning, but he is also the webmaster in addition to other responsibilities and has limited time to focus on developing eLearning. Stacy requested approval to modify the language to include “or online services” under Develop and Revise Training Courses. Curtis said he spoke with Stacy about this subject a few weeks earlier and it seems to make a lot of sense given the fact that membership is spread out all over the state. He stated it was worthy of consideration. Pat Whitten, Geof Stark, and Cindy Hixenbaugh agreed. Curtis said he would entertain a motion to change the Scope of Services to reflect that change.

On motion and second to approve a change to the Scope of Services to reflect the online training as indicated on the documents provided, the motion carried.

## **8. EAP Report**

Stacy noted the inclusion in the meeting packet of the Resources for Living Utilization Report for 2018 and the first quarter of 2019. In addition, she included the emails from Kim Johnson addressing some of her questions regarding the reports. She said the 2018 report indicated the utilization rate overall dropped from 3.4% in 2017 to 2.7% in 2018 which in turn lowers our rate back down to \$1.06 per employee per month versus \$1.10. She noted the fiscal report is in a different format than last year's making it difficult to compare the two, however, she did make an attempt. She offered to share bullet points she prepared earlier and directed everyone to the emails from Kim Johnson. Stacy asked if the committee had any questions. Curtis asked for comments and none being heard, moved on to the next agenda item.

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

Town of Round Mountain: Pearl Olmedo. Completed Phase I Assessment. Requesting \$500 for purchase of Sentry® Safe Fire-Safe® Commercial Safe to store documents and keys.

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

Sun Valley General Improvement District: Chris Melton. Requesting \$1,399 to obtain his IPMA certificate. This amount includes the fees, application, and testing.

On motion and second to approve both applications as presented, the motion carried.

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

Next meeting is scheduled for September 20, 2019, at 10:00 a.m., in Carson City.

## **12. Item: Public Comment**

Chairman Calder opened public comment and hearing none, closed the public comment period.

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

Chairman Calder called the meeting adjourned at 11:32 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 20, 2019                      Time: 10:00 a.m.**  
**Place: 201 S. Roop Street**  
**Library Room – POOL/PACT Offices**  
**Carson City, NV 89701**

**1. Oversight Committee Roll Call**

Members participating in person: Chairman Curtis Calder; Scott Baker; Austin Osborne; Geof Stark. Members participating by phone: Dawn Huckaby; Robert Quick; Danelle Shamrell. Members not participating: Dee Carey; Jose Delfin; Abel del Real-Nava. PRI Staff: John Bates; Stacy Norbeck; Sandy Schooler.

**2. Item: Public comment**

Chairman Curtis Calder opened public comment and hearing none, closed the public comment period.

**3. For Possible Action: Approval of Minutes of Meeting June 7, 2019**

On motion and second to approve the Minutes of June 7, 2019, the motion carried.

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

**a. 18/19 Strategic Plan Final**

Stacy Norbeck reviewed the 18/19 Strategic Plan as follows:

**New Trainings** — Two new classes to be developed this year are complete: a performance management course and *So, You Want to be a Supervisor? Workplace Violence* e-Learning course was released June 12, 2019.

**Revisions** — The *Advanced Essential Management Skills* revision, *Customer Service*, and *Bullying in the Workplace* are complete.

**Regional Trainings** — 11 of 12 regional trainings are complete. The AEMS training scheduled for Elko was canceled due to low enrollment.

**Workshops Utilizing Outside Resources** —Erickson, Thorpe and Swainston conducted three of four sessions of *ADA: Interactive Process/Service Emotional Support Animals*. Boulder City was canceled due to low enrollment, and a webinar was held on December 6, 2018, to reach more members. Temple Fletcher conducted one *Peer Support Team (PST) Awareness* webinar. The *Emotional Wellness* workshops scheduled in partnership with the Loss Control Committee were canceled due to lack of enrollment.

**HR Webinars** — All four scheduled HR webinars have been conducted.

**EAP Webinars** —All four scheduled Employee Assistance Program (EAP) webinars have been conducted.

**New Briefings** — All three new briefings have been completed this year.

**Updated Briefings** — 21 briefings have been updated this year.

**Post Member Pay Plan/Scale on Website** — 45 member pay scales have been added to the website: 13 cities and towns, 15 counties, 1 hospital, 13 schools, and 3 special districts.

**Sample Personnel Policy Annual Update** —The sample policies were released on June 28, 2019.

**Alerts** — Eight alerts have been issued to date.

**Trainings** — As of June 30, 2019, 147 trainings have been conducted with 3,664 participants, with 4.51 course content average; 4.8 instructor evaluation average. 12 FRISK classes have been conducted with 124 participants. 12 HR briefings have been conducted with 266 participants.

**Member Survey** — A bi-annual member survey was conducted in December 2018.

**Phase I HR Compliance Assessment Program** — There are 12 interested members this FY; two in process and two completed. There were 21 rollovers left to complete from previous years; seven have been completed this FY.

**Phase II HR Compliance Assessment Program** — There are four interested members this FY; one canceled, one completed, and two delayed because they need to finish Phase I. There were seven rollovers left to complete from previous years; two are nearly complete.

**Legislative Tracking** — Summary released on June 24, 2019.

**b. 19/20 Strategic Plan to date**

Stacy Norbeck reviewed the 19/20 Strategic Plan as follows:

**New Trainings** — Three new classes will be developed this year: *Taking Care of Conflict* is 75% complete and *Customer Service* has been completed (both are eLearning courses), and *Influential Leadership*, an instructor-led class, has not started.

**Revisions** — Six training course revisions are complete.

**Regional Trainings** — 12 regional trainings are scheduled. Essential Management Skills in the Public Sector (EMS) is scheduled six times, two have been taught and a third is in process. The *Advanced Human Resources Representative (AHRR)* training scheduled for Carson City was canceled due to low enrollment and is being rescheduled for April 1-2, 2020.

**Workshops Utilizing Outside Resources** — Attorneys Charlie Cockerill and Joel Locke, with Allison MacKenzie, Ltd., conducted two of three sessions of *Negotiations, Overtime, and Legislation*. Boulder City was canceled due to low enrollment, and a webinar was streamed live and recorded for the website to reach more members.

**Webinars** — Four Employee Assistance Program (EAP) webinars are scheduled; one has already been conducted. One *Negotiations, Overtime, and Legislation* webinar has been conducted via livestream.

**New Briefings** — Two new briefings have been completed this year.

**Updated Briefings** — 18 briefings will be updated this year; four have already been completed.

**Post Member Pay Plan/Scale on Website** — These are being added as received.

**Sample Personnel Policy Annual Update** — Updates will be completed by the end of FY 2020. Currently on year two of a three-year plan. Sections 3-5 will be reviewed this year, including employment, classification, and compensation.

**Alerts** — Two alerts have been issued to date.

**Trainings** — As of September 19, 2019, 29 trainings have been conducted with 776 participants, with 4.67 course content average; 4.8 instructor evaluation average. 12 members are interested in FRISK; 2 classes have been conducted with 20 participants. 9 HR briefings have been conducted with 360 participants.

**Phase I HR Compliance Assessment Program** — There are eight interested members this FY; three in process. There are 14 rollovers left to complete from previous years.

**Phase II HR Compliance Assessment Program** — There is one interested member this FY. There are six rollovers left to complete from previous years; two are nearly complete.

### **c. Report on Employment-Related Claims**

As of September 13, 2019, we had six claims, all of which are open. Two are EEO (discrimination/harassment and retaliation), two EMRB (gender, age, disability), one wrongful term, one administrative matter including HIPPA, and one alleging due process violation in connection with employment. Of the six, one is from a county, one from a city, two are from schools, and two are from special districts.

## 5. For Possible Action: General Manager Report

### a. HR Conference

Stacy reported on the upcoming HR Conference to be held October 17-18, 2019, at the Atlantis in Reno. At the time of the Oversight Committee (OSC) meeting, there were 67 persons registered and more are expected to register before the day of the conference. Last year there were 71 attendees confirmed. The website link was updated from [poolpact.com/hrseminar](http://poolpact.com/hrseminar) to [poolpact.com/hrconference](http://poolpact.com/hrconference). It reflects the conference schedule including meal descriptions, speaker bios and/or links, and evaluations. Handouts for the conference will also be available on the website.

### b. New HR Briefing Videos

Stacy reported that last FY, Jeff Coulam completed five HR briefing videos including *Buddy to Boss*, *Communication Skills*, *Leadership Styles*, *Policy Implementation*, and *Adopting POOL/PACT HR Sample Personnel Policies*. This FY, he has completed *Time Management*, *Meeting Management*, *Ethics*, and *Job Descriptions*; they are available on the website and Torch. Stacy asked the committee if they would like the videos added to the Strategic Plan going forward. Curtis said it would be a good idea. Austin Osborne asked if the videos are on LMS and if so, are they set aside as HR briefings along with the title or would he have to drill in further. Stacy said she did not know but would ask Jeff Coulam or Mike Van Houten.

## 6. Training, Policies, and Commitment

### a. Minimum Requirements for Compliance Training Policies

Stacy asked to discuss the possibility of requiring members to meet minimum standards in their compliance policies prior to POOL/PACT HR providing training. Stacy stated the compliance trainings (Harassment, Drugs and Alcohol, and Bullying) are taught to the policy. That is, the course is modified to match the member's policy requirements, but sometimes the policy is old and leaves out protected classes or focuses solely on sexual harassment, or in the case of drugs/alcohol, the policy is a paragraph. Stacy said in those cases, with permission from the contact, the business partners will teach to the POOL/PACT HR sample policy to ensure employees hear the correct, updated information, and receive matching handouts. This idea came up after a somewhat related conversation Stacy had with Wayne Carlson about a member who has not formally adopted policies. It was discussed that perhaps by withholding the training, the member would be motivated to adopt policies in a timely manner. Stacy stated that she and Jeff identified some minimum requirements that would not be based on the year updated, but whether the policy meets what has been identified as the minimum standard based on laws and Equal Employment Opportunity Commission (EEOC) guidance.

Curtis asked if they are not going to adopt minimum compliance policies why are they allowed to be insured through the insurance pool. Austin asked if older policies, that are up to date, would still be allowable. Stacy replied yes, if they are legally defensible policies. Robert Quick said the problem is the elected officials who want to comply with what they are supposed to be doing but if they cannot get the training, how do they know any better since the county is not approving policies. He said it is a double-edged sword.

Curtis asked if the pool would be inviting more liability by providing live trainings if the organization has an outdated policy. Stacy stated Becky Bruch and Ann Alexander had reached out to the pool in the past for training records regardless if the organization had a solid policy, so she thinks it would be defensible.

Curtis stated this would be a good discussion at the annual board meeting and that maybe Wayne or Alan can do some advocacy in advance of the meeting. Stacy asked Curtis if he would like Wayne to attend the December OSC meeting. Curtis said yes.

There was continued discussion between Curtis, Scott Baker, Stacy, Austin, Robert, and Geof Stark regarding audits and incentives/discounts. Stacy stated an audit could be done by going through members' policies to determine how many members are meeting minimum standards. She said it could be done proactively if that was the pleasure of the committee. Curtis stated it will probably not be time well spent since a new policy is currently being rolled out. He said the discussion can be tabled until the next meeting at which time Wayne can attend to discuss the practical realities from his perspective and do business as usual or adopt and implement something new between now and December to see how that works. Austin and Dawn Huckaby both agreed it was a good idea to invite Wayne to the next meeting before implementing anything new.

On motion to table the decision until which time Wayne can attend the next OSC meeting to have a full discussion, the motion carried.

#### **b. Commitment Agreement – Example**

Stacy stated that John Bates has a suggestion to help attain management commitment for employee-level trainings which includes the current all employee, Employer Relations courses such as the current Customer Service in the Public Sector training, Discovering Values and Creating Ground Rules Workshop, Ethics in the Workplace training, Miss Communication and Her Friend, Miss Understanding training, and the Taking Control of Conflict training. John then presented to the committee a program he put together for Humboldt County a number of years ago after they asked for Customer Service training. He stated if an organization wants behavioral change, it needs to start at the top. He said he brings in the management group first because they have a bigger job and responsibility, and they need to buy-in to the process. He then reviews the mission and vision statement and how to establish it within their organizations, as well as how to integrate it with their department heads. He stated that all the behavioral change expected of employees is based on leadership modeling the right behavior.

Scott asked what kind of action the committee is looking for on the agenda item. Stacy stated she is suggesting the use of John's template for ensuring management buy-in. Curtis said he could see sending out a notice to the county manager, city manager, or whoever is in charge, 30 days in advance of the crucial classes; i.e., customer service, compliance, and illegal harassment. Stacy stated the notice could be included with the training flyer announcement which is sent out four to six weeks prior to the training date. A discussion followed on whether to include the regional trainings in the 30-day notice emails. Curtis said if the organization requests the training, a letter should be sent out to them.

On motion to authorize the POOL/PACT HR staff to develop commitment agreements to be sent to top staff and HR directors for organizational trainings as soon as practical, the motion carried.

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

Carson Valley Swim Center: Shannon Harris. Completed Phase I Assessment. Requesting \$750 to purchase Lenovo ThinkCentre Computer for the shared office of three Aquatics Center supervisors.

On motion to approve the application as presented, the motion carried.

**8. For Possible Action: HR Scholarship Application Approval**

Carson City School District: Ariel Hines. Requesting \$2,042 to obtain SPHR Certification including \$1,350 UNR Extended Studies, \$595 test fee, \$57.78 Study Guide, \$39.01 Flashcards.

On motion to approve the application, excluding the study guide and flashcards, for a total of \$1,945, the motion carried.

Humboldt County: Abel del Real-Nava. Requesting \$1,222 for CLRP (NPELRA) Certification.

On motion to approve application as presented, the motion carried.

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

Next Meeting is scheduled for December 6, 2019, at 10:00 a.m., in Carson City.

**10. Item: Public Comment**

Chairman Calder opened public comment and hearing none, closed the public comment period.

**11. For Possible Action: Adjournment**

Chairman Calder called the meeting adjourned at 11:51 a.m.



**POOL/PACT Human Resources (HR)**  
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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 13, 2019                      Time: 10:00 a.m.**  
**Place: 201 S. Roop Street**  
**Library Room – POOL/PACT Offices**  
**Carson City, NV 89701**

**1. Oversight Committee Roll Call**

Members participating in person: Chairman Curtis Calder; Scott Baker; Austin Osborne.  
Members participating by phone: Dee Carey; Abel del Real-Nava; Cindy Hixenbaugh; Dawn Huckaby; Robert Quick; Danelle Shamrell; Geof Stark. Members not participating: Jose Delfin.  
Pooling Resources, Inc. (PRI) Staff: John Bates; Stacy Norbeck; Sandy Schooler. Risk Management Staff: Wayne Carlson; Marshall Smith.

**2. Item: Public comment**

Chairman Curtis Calder opened public comment and hearing none, closed the public comment period.

**3. For Possible Action: Approval of Minutes of Meeting September 20, 2019**

On motion and second to approve the Minutes of September 20, 2019, the motion carried.

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

**a. 19/20 Strategic Plan to date**

Stacy Norbeck reviewed the 19/20 Strategic Plan as follows:

**New Trainings** — Three new classes will be developed this year: *Taking Care of Conflict* and *Customer Service* have been completed (both are eLearning courses), and *Influential Leadership (IL)*, an instructor-led class, is at 10% complete.

**Revisions** — Six training course revisions are complete.

**Regional Trainings** — 13 regional trainings are scheduled. *Essential Management Skills in the Public Sector (EMS)* is scheduled seven times, four have been taught and three are scheduled in Ely, Carson City, and Elko. Elko is not yet on the Strategic Plan. *Advanced Essential Management Skills in the Public Sector* is scheduled two times, one has been taught and one is scheduled for April 14-15, 2020, in Carson. *Human Resources Representative (HRR)* training is scheduled one time for February 11-13 and 26-27, 2020 in Carson. *Advanced Human Resources Representative (AHRR)* training is scheduled one time for April 1-2, 2020, in Carson. *So, You Want to Be a Supervisor? (SYWTBAS)* is scheduled one time for April 29, 2020 in Carson. *IL* is scheduled one time in Carson on June 4, 2020.

**Regional Training Workshops Utilizing Outside Resources** —Attorneys Charlie Cockerill and Joel Locke, with Allison MacKenzie, Ltd., conducted two of three sessions of *Negotiations, Overtime, and Legislation*. Boulder City was canceled due to low enrollment, and a webinar was streamed live and recorded for the website to reach more members.

**New Briefings** — Two new briefings have been completed this year, *New Employee Orientation* and *Drugs and Alcohol in the Workplace*. A third new briefing on *Marijuana and the Workplace* is in development.

**Updated Briefings** — 18 briefings will be updated this year; four have already been completed.

**HR Briefing Videos** — Four new briefing videos have been completed this year: *Ethics, Job Descriptions, Meeting Management, and Time Management*. All of these are available on the website and on Torch.

**Webinars** —Four Employee Assistance Program (EAP) webinars are scheduled; two have already been conducted. One *Negotiations, Overtime, and Legislation* webinar has been conducted via livestream.

**Post Member Pay Plan/Scale on Website** — These are being added as received.

**Sample Personnel Policy Annual Update** —Updates will be completed by the end of FY 2020. Currently on year two of a three-year plan. Sections 3-5 will be reviewed this year, including employment, classification, and compensation.

**Alerts** — Three alerts have been issued to date.

**Trainings** — As of December 6, 2019, 74 trainings have been conducted with 1,405 participants, with 4.57 course content average; 4.8 instructor evaluation average. 12 members are interested in FRISK; 7 classes have been conducted with 105 participants. 12 HR briefings have been conducted with 395 participants.

**Phase I HR Compliance Assessment Program** — There are seven interested members this FY; three are reassessments and five are in process. There are 11 rollovers left to complete from previous years; one completed this FY and one removed due to inactivity by mutual agreement.



**Phase II HR Compliance Assessment Program** — There is one interested member this FY (Lincoln County School District; onsite assessment was conducted on October 21, 2019). There are six rollovers left to complete from previous years; two are nearly complete.

**b. Report on Employment-Related Claims**

As of October 10, 2019, we had 12 claims, 10 of which are open. Four are EEO (discrimination/harassment and retaliation), one EMRB (gender, age, disability), one wrongful term, two administrative matters including HIPPA, one alleging due process violation in connection with employment, one disparate treatment, one retaliation for efforts to unionize, and one whistleblower. Of the twelve, three are from a county, one from a city, two are from schools, and six are from special districts.

**5. For Possible Action: General Manager Report**

**a. HR Conference**

Stacy reported on the HR Conference held October 17-18, 2019, at the Atlantis in Reno. She said there were 71 participants and nine different sessions including one on leadership with Gerry Preciado. Roundtable discussions were held by entity type and topic. Ann Alexander and Rebecca Bruch did a mock trial on Friday. The overall rating for the two-day conference was 4.8 out of 5. Stacy reported that the 2020 conference location is still being finalized and will be held at either the Atlantis or the Grand Sierra Resort (GSR). She stated while the Atlantis is unavailable in October, it is available November 5-6. She said she was concerned those dates are during election week which could impact some members. The GSR can accommodate the conference October 22-23 but they are more expensive for A/V and food. Austin Osborne asked if we had considered the Peppermill. Stacy replied that the Peppermill had been considered but the conference committee had narrowed it down to the Atlantis and the GSR. Abel Del Real-Nava asked what other places had been considered in the process. Stacy said they had considered the Peppermill, the GSR, the Atlantis, Whitney Peak, and the Renaissance downtown. Curtis suggested considering a location in a different community such as Elko or Winnemucca. A discussion including Curtis, Stacy, Austin, Abel, John, and Wayne followed regarding the conference location and expenses. Curtis asked about the budget. Stacy stated there is no line item in the budget for the conference; it currently comes out of the member education services line item. It was concluded that Stacy would go forward with the GSR (keeping it within a semblance of last year's budget) unless the Atlantis comes back with an October date. She also stated a location other than Reno will be considered for the 2021 Conference.

**b. Member Contract Tracking**

Stacy reported that member contact tracking was reimplemented beginning December 1, 2019; it was last used in 2015. She said the information gathered from the tracking would be used to help identify training and development needs for POOL/PACT and member-specific needs.

**c. Human Resources Certification Institute (HRCI) Credits**

Stacy reported she has been in talks with HRCI about getting pre-approved recertification credits for the Professional in Human Resources (PHR) series. We have attempted to do so for years but have always hit roadblocks as HRCI requires courses to be open to the public. She said she

spoke with Carol Anderson at HRCI, explained to her who PRI is and what we do. It was determined that it is not so much that PRI does not offer courses to the public, but that we are industry specific (public sector). Ms. Anderson said once a course is approved, it will be placed on HRCI's website and asked if we would "accept or entertain someone interested in signing up for [our] course(s)"? Stacy said she told Ms. Anderson, "We are always looking to help others achieve a better education and understanding of how public sector works." Stacy stated that while we do not usually allow outsiders in our courses, there have been some exceptions to help attain new members. She said the annual cost for obtaining the pre-approved credits will be \$450 for classes and \$250 for the annual conference. Stacy said she also looked into receiving the same pre-approval for Society for Human Resource Management (SHRM) credits. That annual fee is \$500.

Curtis said he had never thought about charging people to come to classes because they have always been for the members. He said it is not a bad idea if there are available seats in the class. Abel suggested using some of that money towards scholarships, program improvement, or the cost of the Torch system. Stacy stated it would be an exception; our members would always get priority to attend classes.

On motion to authorize Stacy to have PRI pursue the classes to be part of the PHR and Senior Professional in Human Resources (SPHR) credit, the motion carried.

#### **d. Thank You Card**

Stacy passed around a thank you card from Ariel Hines from Carson City; she was previously awarded an HR Scholarship.

#### **e. EAP Contract**

Stacy stated that the EAP contract is up for renewal at the end of the fiscal year. She stated the current utilization rate is at 2.8% this year. She then turned the agenda item over to Wayne for discussion.

Wayne stated the current EAP contract expires on June 20, 2020 and based upon the contract revisions the notice to non-renew would have to be given no later than April 1, 2020. He said he and Stacy have been talking about whether the efficacy is there to initiate renewal. He asked if the same benefits are incorporated into a member's health insurance program as some agencies have been told. If so, he said it becomes a duplication of something that is already in place and the cost-benefit becomes questionable. As an example, Wayne said based on the utilization numbers in the current report-to-date there are 122 people that utilized some of the basic counseling services. If they went to three sessions at \$200 an hour, that would cost us half. In the case of a critical incident, there are only seven people in two sessions. If that is added, the costs would be much less than the contract price. He said we are paying extra to have availability at any time for 12,000 employees but we are not seeing more than one to two percent utilizing it. He again raised the question that maybe the EAP is unnecessary currently because the members' health plans already provide it.

Curtis and Dawn each indicated their health provider can provide EAP services, but neither selected it because they already had it through POOL/PACT. Dawn also said the EAP is on discipline letters, in performance plans, as well as in much of the documentation, and it is very valuable to them.

Curtis asked if there is an option to seek other proposals from different providers and are there providers who could do it for less. Wayne said they received proposals from about 15 different providers when they did the original RFP years ago, but the cost was not much different and the utilization levels of three to four percent were typical. He stated he did not know how the state's plan compares in terms of price or utilization, but they do have a state contract with KEPRO.

Wayne reported that he had occasion to talk to a psychologist about EAPs and the general opinion was that the counselors in the system are not the experienced counselors, not the PhD counselors, but rather MSW or early career counselors. He said under their group health plan they might have a better chance at receiving higher-level care. He stated three visits seems to be adequate for routine problems, but it is not enough if someone has a fundamental problem that needs attention. The EAP is a supplement that was promoted and developed back when mental health benefits were not a part of group plans. He said the EAP model may not be justifiable long-term, but a lot of funds have been spent on it. He asked if it might be more cost efficient for the local entity to pay for three counseling visits rather than receiving an EAP benefit they never utilize.

Austin voiced his concern about mandatory referrals. Stacy stated she shared his concern, researched the report, and found under organization services that the first three quarters of 2019 there were five total management referrals and seven in 2018.

Stacy stated the other issue is critical incident response, but alternatives have already been identified based on experiences with the EAP a couple of years ago. Austin stated that the EAP has been effective in helping employees that have come to him for alcohol and drug issues, among others. He said they are doing well, and it has been very effective. Stacy stated the benefit of the EAP is to help find the right help. Curtis said it is a gateway to getting an employee into the system. His biggest concern is critical incident and he is not convinced Resources for Living has a good critical incident response. He said it might be the same with all EAPs serving Nevada due to the fact the state does not have a lot of mental health resources, especially in the rural areas; it is almost a situation where a psychologist on retainer is needed who can travel to a rural area within 24 hours. Wayne stated there is a special certification in critical incident that psychologists and counselors are supposed to have, so whether it is ComPsych or Resources for Living, it is one network of critical incident networks around the country.

Scott Baker stated the great thing about EAP being available and free to his individuals is that if they go through their own health care and have to pay out of pocket and then get reimbursed, they probably would not go. They just do not like the hassle of it. He said he sees the advantage of having a free resource readily available to get his people the help they need. Dee Carey reported that she purchased an EAP through Aetna for her seasonal staff. She said they promote it all the time and get low utilization despite her managers promoting it out to people. She stated it is nice to have available because when her seasonal staff needs to use it, they will use it. She said her cost is 94 cents per person per month, so it varies based on her number of seasonal employees.

Curtis stated he would not be opposed to keeping an EAP but did not know if he is in support of continuing the current contract. He said he is interested in the plan the State is currently using if we are going to look at doing a change and trying it for two years. Wayne reported the State's

contract is with KEPRO Acquisitions, Inc. and their contract period is July 1, 2019 through June 30, 2021, but there is no pricing listed.

Stacy asked Wayne if we continue the current contract to the end of the calendar year can we do a 90-day notice at any time. She said this would help members plan for what they will do in the future regarding EAPs on their own health plans. Wayne said the current contract allows for that. He stated that he and John could work with the State to find out whether the counties and cities can join on to the state plan because a lot of these are for the good of the state contracts where you can join on and pay their rate. It would be their plan. He said it may or may not be less expensive. Scott said it sounded like a good idea. Curtis said he liked that strategy.

Stacy stated her understanding that Curtis would rather have an EAP either through POOL, or on their own. Curtis agreed. Danelle Shamrell stated her organization would continue doing something but not necessarily with the current provider. Geof Stark said he would prefer to get an EAP that is included in the POOL/PACT rates. Wayne asked if a survey of the members would be in order. Stacy replied that had been attempted on the Service Plans of May/June 2018 where that was one of the questions. She said without the data in front of her, her recollection was most members did not know whether they had an EAP through other insurance. She said we could do a more formal survey.

Curtis stated there is a consensus that everyone finds value in the EAP program regardless of who administers it so extending the contract out to at least dovetail with everyone's insurance cycle makes sense. After that time, an alternate program can be made available through POOL/PACT or enough lead time given to members to schedule with their health insurance providers or purchase it independently. He asked if more research can be done before the March meeting since April 1 is the cutoff date. Wayne said that he and John would continue to gather options. Curtis requested EAP be put on the agenda for the March meeting.

#### **f. New Hires**

Curtis asked if any new staff had been hired since the last meeting. Stacy reported that the last new hire was Adam Duffenbach in April. She said he is doing a great job.

### **6. For Possible Action: Minimum Requirements for Compliance Training Policies**

Stacy stated this is a rollover from the last meeting regarding the possibility of requiring members to meet minimum standards in their compliance policies prior to providing training. It was requested to have Wayne attend this meeting to continue the discussion regarding minimum standards in the members' compliance policies prior to PRI providing training. Curtis noticed that Collective Bargaining Agreements (CBAs) sometimes have different requirements on some items and suggested to add in the first paragraph, "in order to conduct compliance training on the following topics, organizational policies and/or CBAs must contain the minimum requirements below" or something similar. Stacy agreed it was a good point. She said both the CBA and the policy are considered when teaching the class and the Pool's recommendation will always be that even if it is covered in the CBAs, it will still be included in the policy.

Curtis asked if this policy will apply to school districts like everyone else and does the bullying component include employee bullying or student bullying. Stacy said the stand-alone bullying

class is co-worker bullying, while “misconduct, harassment, and bullying” is taught to schools. She said she will add bullet points for those as well.

Scott said his understanding of the proposed minimum requirements is to get management to have policies in place because the HR people do not have the influence to get them to change their policies and this is one tool for doing it.

Curtis asked if school districts, cities, and counties pay premiums based on their potential risk or is it based on budget or other risk factors. Wayne said there are a number of factors that go into it; they try not to do a judgement rating approach in terms of liability.

Austin said he is not making a motion but thinks a decision needs to be made to provide the training and get proper policies in place. Curtis suggested making the revisions to the form and put the members on notice that this is the direction going forward, e.g., do critical training for one year giving the member a good faith period while they bring their policies into compliance. After that period, training will not be provided due to the deficiencies which create a liability. Stacy acknowledged Curtis’ suggestion that PRI notify members for example that as of July 1, 2021, we will no longer train unless your policies are updated, so you have the next 18 months to get these updated. Austin asked what will happen in 2021 if the member does not comply. Wayne explained the tools that can be used if compliance policies are not updated; one is to increase their deductible. Austin stated he is all for deductibles or a change in a rate but did not like the idea of withholding training. Stacy reminded the committee that members still have access to the online version of the compliance trainings. Wayne suggested taking a member’s areas of deficiencies and making it mandatory to correct those deficiencies as part of their service plan for that fiscal year. Stacy said it is current practice to update policies in service plans but that it could be more specific to compliance policies that are not current. Curtis suggested working with Wayne on putting something in the service plan language that lets the member know there may be a change in their deductible if they do not comply with the requirements or recommendations. Stacy said she would not feel comfortable informing her HR person about an increase in deductible. Wayne stated if there is a serious noncompliance problem it can be referred to his side for review. He said he thinks the emphasis has to be that if we do train to what the law says, and the member’s policies are inconsistent, they are inviting their employees to file challenges or lawsuits because of the inconsistencies. It is important to protect the organization and the Pool from incurring costs. The consequence of that can be that their claims experience is adverse, their price goes up, and their deductibles may go up as a consequence of that failure. He said doing the training, giving the members policies, getting them to adopt them and train to the right ones is a better long-term strategy than just doing punishment.

Stacy stated her final direction from the committee is to put these specific policies on the Service Plans in the spring of 2020 and if specific members do not update their policies by the end of that fiscal year, then the OSC will be notified who will make a motion or decision to send it to the Executive Committee for review and a determination on how to proceed going forward. On motion to approve as stated. Motion carried.

## **7. For Possible Action: Commitment Letters**

### **a. Training Agreement Form**

Stacy stated this item is from the last meeting regarding attaining top management commitment when PRI provides training. Based on the direction received, a training agreement form was developed in addition to a certificate program training agreement email. The training agreement form is for all non-certificate trainings and will be sent to the CEO or HR director the same time the flyer is sent out which is about six weeks prior to the class unless it is scheduled later than that. It states the organization has requested specific training and that PRI wants this training to be impactful, helpful and provide long lasting results. In order to do this, PRI requests cooperation from the senior leadership including asking for at least one member of their leadership team to be present during the training to convey the importance of the training to the participants and talk about how the training reinforces their mission, vision, and values. This form will be signed by the representative and returned to PRI.

### **b. Certificate Program Training Agreement Email**

Stacy stated this form is for certificate programs and is based on the same concept as the email notice that is sent to top level officials confirming certain individuals have attended and completed the training. This form is preliminary and is sent out after an individual signs up for the certificate program. It is not to be signed and returned.

Scott and Curtis said they liked both forms. On motion to approve the form and format of both forms noting it can always be open to discussion after the second, motion carried.

## **8. For Possible Action: Participant Eligibility for EMS**

Stacy stated that EMS is a very popular course; it has been held four times this fiscal year and is scheduled three more times. She said registration is on a first come, first serve basis and she is finding that not all the participants are currently supervising. The class was created in 2005-2006 with the intent to serve current managers as well as those imminently going into management. Currently, there is a large number of non-managers taking the class which is impacting the culture of the class and deterring learning. She said she would like to have more control over who attends which can be determined by their answers to the questions on the registration form asking for their job title, level of supervision, and number of employees under their supervision. This would also give her enough information to know if an employee is eligible to take the course even if they are in a temporary supervisor/manager position.

There was further discussion between Stacy, Curtis, Wayne, Austin, Scott, and Abel regarding wording of the eligibility requirements. Stacy said she will add wording regarding long-term acting positions and manager/HR director's name and email. She said a statement similar to the existing attendance policy that acknowledges the participant's understanding that s/he may not be accepted into the course can be added to the online registration form. Wayne said he liked that idea and suggested an email be sent to the participant to confirm his/her eligibility. He also suggested s/he be referred to a more appropriate class. Stacy said that was taken into consideration and non-eligible participants are referred to the SYWTBAS class. She stated PRI staff would figure out the process and report back to the committee in March. She asked for the committee's approval to go ahead and pilot the new registration process for the spring EMS classes.

On motion to accept as proposed and to provide PRI full latitude to adjust as necessary to meet the goal as stated, motion carried.

**9. For Possible Action: HR Scholarship Application Approval**

Eureka County: Kim Todd. Requesting \$1,394 to obtain IPMA-CP Certification including test fee.

On motion to approve the application for \$1,394 the motion carried.

Southern Nevada Health District: Angela Lewis. Requesting \$1,145 for CLRP (NPELRA) Certification including prep course and test fee.

On motion to approve application as presented, the motion carried.

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

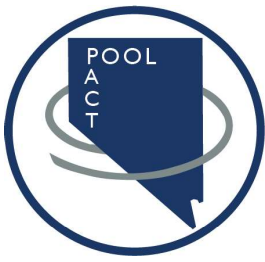
Next Meeting is scheduled for March 6, 2020, at 10:00 a.m., in Winnemucca.

**11. Item: Public Comment**

Chairman Calder opened public comment and hearing none, closed the public comment period.

**12. For Possible Action: Adjournment**

Chairman Calder called the meeting adjourned at 12:20 p.m.



**UNAPPROVED MINUTES OF THE  
NEVADA PUBLIC AGENCY INSURANCE POOL AND  
PUBLIC AGENCY COMPENSATION TRUST  
HUMAN RESOURCES  
OVERSIGHT COMMITTEE MEETING  
Date: March 6, 2020 Time: 10:00 a.m.  
Place: 50 W. Fifth Street, Room 201  
Committee Meeting Room  
Winnemucca, NV 89445**

**1. Oversight Committee Roll Call**

Members participating in person: Chairman Curtis Calder; Scott Baker; Abel del Real-Nava. Members participating by phone: Dee Carey; Cindy Hixenbaugh; Austin Osborne; Robert Quick. Members not participating: Jose Delfin; Dawn Huckaby; Danelle Shamrell; Geof Stark. Pooling Resources, Inc. (PRI) Staff: Stacy Norbeck (in person); and Dora Moya (by phone). Risk Management Staff participating by phone: Wayne Carlson.

**2. Item: Public comment**

Chairman Curtis Calder opened public comment and hearing none, closed the public comment period.

**3. For Possible Action: Approval of Minutes of Meeting December 13, 2019**

On motion and second to approve the Minutes of December 13, 2019, the motion carried.

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

**a. 19/20 Strategic Plan to date**

Stacy Norbeck reviewed the 19/20 Strategic Plan as follows:

**New Trainings** — Three new classes to be developed this year: *Taking Care of Conflict* and *Customer Service* have been completed (both are eLearning courses), and *Influential Leadership (IL)*, an instructor-led class, is at 75% complete.

**Revisions** — Six training course revisions are complete.

**Regional Trainings** — 12 regional trainings are scheduled. *Essential Management Skills in the Public Sector (EMS)* is scheduled seven times, five have been taught and two are scheduled in Carson City and Elko. *Advanced Essential Management Skills in the Public Sector (AEMS)* is scheduled two times, one has been taught and one is scheduled for April 14-15, 2020, in Carson. *Human Resources Representative (HRR)* training was taught on February 11-13 and 26-27, 2020, in Carson. *Advanced Human Resources Representative (AHRR)* training is scheduled one time for April 1-2, 2020, in Carson. *So, You Want to Be a Supervisor? (SYWTBAS)* is scheduled one time for April 29, 2020, in Carson. *IL* is scheduled one time in Carson on June 4, 2020.



**Regional Training Workshops Utilizing Outside Resources** —Attorneys Charlie Cockerill and Joel Locke, with Allison MacKenzie, Ltd., conducted two of three sessions of *Negotiations, Overtime, and Legislation*. Boulder City was canceled due to low enrollment, and a webinar was streamed live and recorded for the website to reach more members.

**New Briefings** — Three new briefings have been completed this year, *New Employee Orientation, Drugs and Alcohol in the Workplace, and Marijuana and the Workplace*.

**Updated Briefings** — 18 briefings will be updated this year; 13 have already been completed.

**HR Briefing Videos** — Four new briefing videos have been completed this year: *Ethics, Job Descriptions, Meeting Management, and Time Management*. All of these are available on the website and on Torch.

**Webinars** —Four Employee Assistance Program (EAP) webinars are scheduled; three have already been conducted. One HR webinar: *Negotiations, Overtime, and Legislation* was conducted via livestream.

**Post Member Pay Plan/Scale on Website** — These are being added as received.

**Sample Personnel Policy Annual Update** —Updates will be completed by the end of FY 2020. Currently on year two of a three-year plan. Sections 3-5 will be reviewed this year, including employment, classification, and compensation.

**Alerts** — Seven alerts have been issued to date, the most recent from NERC regarding the Ban-the-Box provisions. Updated forms regarding background checks and criminal history have been posted on the POOL/PACT website.

**Trainings** — As of February 28, 2020, 100 trainings have been conducted with 1,700 participants, with 4.58 course content average; 4.8 instructor evaluation average. 15 members are interested in FRISK; 8 classes have been conducted with 117 participants. 12 HR briefings have been conducted with 395 participants.

**Phase I HR Compliance Assessment Program** — There are seven interested members this FY; three are reassessments and five are in process. There are 11 rollovers left to complete from previous years; one completed this FY and one was removed due to inactivity for three years by mutual agreement.

**Phase II HR Compliance Assessment Program** — There is one interested member this FY (Lincoln County School District; onsite assessment was conducted on October 21, 2019). There are six rollovers left to complete from previous years; two (Nye County and Town of Pahrump) are nearly complete.

Stacy said it is her understanding that we are not giving grants to entities which have already completed an assessment and want to do it again. She said we have only conducted three assessments for two organizations who actually completed the original assessment. Every other reassessment was because the member did not complete the original assessment. She asked if we could revisit the idea of giving grants to members who complete a second assessment. Curtis asked if the Safety Program gave secondary grants in a similar fashion. Wayne said the Loss Control Program allows for an additional \$750. Curtis said in order to stay consistent with the Loss Control Program, he would not have a problem with reassessing and giving a secondary award. We would just need to come up with the dollar amount. Cindy asked if the entity might do a self-evaluation first before doing a reevaluation so as not to focus on things that are already complete. Stacy thinks that would apply to individuals who were with the organization the first time around, but for a new person the assessment is a great learning tool. Curtis said it would be fine since we do not have that many and there would not be a huge impact on the budget.

Motion made that three years after completion of Phase I being eligible for half the initial incentive at that point in time. Motion carried.

**b. Report on Employment-Related Claims**

As of January 31, 2020, we had 19 claims, 16 of which are open. Six are EEO (discrimination/harassment and retaliation), one EMRB (gender, age, disability), one wrongful term, two administrative matters, one alleging due process violation in connection with employment, one disparate treatment, one retaliation for efforts to unionize, one whistleblower, and two regarding elected officials. Of the 19, seven are from a county, two from a city, four are from schools, and six are from special districts.

**c. Member Usage Report**

Stacy stated this report was originally requested by Pat Whitten to be provided on an annual basis to the Oversight Committee. The report shows organizations who have updated policies, their HR Compliance assessment status, whether they adopted FRISK, the last date they held harassment and drug and alcohol trainings including number of participants, number of EMS and HRR graduates since inception, and number of claims in the past three years and their associated costs. As of February 28, 2020, 93 (74%) have policies, 61% of which are using POOL/PACT HR sample policies; and 33 (27%) do not have policies. 75 members have had Phase I assessments; 52 (69%) have completed or are in the process of Phase I assessments; 23 (31%) have been removed; 82 Phase I assessments conducted include reassessments. 24 members had Phase II assessments; 33 (92%) have completed or are in the process of Phase II assessments; 2 (8%) have been removed; 36 adopted FRISK; 3,448 completed harassment/misconduct training; 1,749 completed drug/alcohol training; 1,472 completed EMS; and 237 completed HRR. Stacy noted the number of claims since 2017 include: cities: 7, towns: 1, counties: 34, school districts: 16, hospitals: 8, fire districts: 3, general improvement districts: 5, water and sewer: 0, and all others: 1.

Curtis asked about the level of difficulty in updating the report every year and whether or not the committee finds it useful. Discussion between Curtis, Abel, and Stacy followed regarding the original intent of the report. Stacy said there is value in visually capturing policy information, including aging of policies. Curtis stated he would value the report from Stacy's perspective because she can see who needs help and level of participation. Stacy said there is some duplication between the Member Usage Report and the Training Value reports that POOL/PACT HR has been creating for the past three FYs. She and Curtis discussed the option of merging the two reports.

**5. For Possible Action: General Manager Report**

**a. HR Conference**

Stacy reported the HR Conference will be held October 21-22, 2020, at the Atlantis in Reno. The Atlantis could only accommodate the conference on a Wednesday/Thursday which could be beneficial since it may encourage people to stay through the last day. She stated the current schedule on Wednesday includes Nick Kittle (Innovation in Government); round tables by entity; Rebecca Bruch (legal updates/survey sent out); Jon Decoteau (Society for Human Resource Management (SHRM) updates/skills gap); and a reception. The Thursday schedule will include Brett Simmons (Servant Leadership/Resourceful Leadership); Kandi Porter (Learning and Development); roundtables by topic; legal topics (TBD/survey was sent out); and an interactive session.

**b. HRCI (Human Resources Certification Institute) and SHRM credits**

Stacy reported that the application for pre-approved recertification credits has been approved and is going well. All certificate programs have been preapproved for credits.

**c. EMS Registration**

Stacy followed up on a discussion about EMS registration regarding participants in the classes who seemed to be taking the class just for POST credits, for example. We asked permission from the OSC to begin requiring that registrants be current managers or imminently to become managers.

A notice was added to the registration page that reads: Who Should Attend? Anyone who is currently in a management/supervisory role or will be promoted to a management/supervisory role within three months of completion of the program. Note: If not currently in or imminently going into a management/supervisory role, POOL/PACT HR's one-day training, "So, You Want to be a Supervisor?" may be a more appropriate class.

To date, only one person has been denied and that person did enroll in SYWTBAS. It is possible others may have started to register, but decided not to because of those questions and then may have enrolled in SYWTBAS. Stacy stated there are currently 22 individuals enrolled for that class in June.

**d. Training Commitment Forms**

Stacy reported, as previously discussed, that in the training confirmation email, we are now requesting that at least one member of the organization's senior leadership is present to convey the importance of the training. In addition, we have just recently added a reminder about our training recording policy due to an incident where a member recorded a training without first obtaining permission.

There were no questions or comments.

**e. Newsletters**

Stacy alerted the Committee that POOL/PACT HR is responsible for the February, May, August, and November newsletters. She also reviewed the topics in the February newsletter: Save the Date for the HR Conference; Something Good (an opportunity to share success stories, photos, videos, by March 31; a notice regarding the Minimum Wage Increase (does not apply to public sector); Latest Alerts; Workers' Compensation Forms Update; New HR Briefing: Marijuana in the Workplace; DOT provides Clarification on CBD Products; Correcting I-9's; New W-4; Ask POOL/PACT HR; When I Lead, Will They Follow?; and Succession Planning.

There were no questions for Stacy.

**6. For Possible Action: Direction on Training Value Reports**

Stacy asked for direction from the OSC regarding the number of fiscal years the Training Value Report will cover going forward. The report has traditionally included certificate programs and seminars, as well as HR assessments and scholarships since inceptions; and all other trainings for the past three fiscal years to date. She said the difference in the number of years represented in the data can be confusing. However, if we elected to change all data to go to back three fiscal years, it will significantly impact total savings (e.g., last three years have had approximately 300 EMS grads versus 1,310 total grads since inception as listed on last year's summary). There was discussion between Curtis and Stacy. Curtis said he did not think all the data would be needed, but he would like to see per agency, per diem, and the cost back to the pool. He said the

report provides good data but would be better if presented year to year rather than three years. He suggested discussing it with staff, decide how to proceed, and give an update at the next board meeting. It was decided there was no need to take action.

**7. For Possible Action: Approval of Updated Training Attendance Policy**

Stacy stated the original Attendance policy allowed participants to miss two hours of the certificate program; we would like to revise it to a one-hour to make the policy cleaner and easier to follow regarding make-up sessions. Curtis asked for any comment on the proposed changes to the policy. There being no comments, on motion to approve the change to the policy, motion carried.

**8. For Possible Action: Approval of New Scope of Services FY20/21 – FY24/25**

Curtis confirmed there is an item at the upcoming annual Board meeting, to approve a new five- year grant and that is why this item is on the agenda: to give our Committee an opportunity to weigh in on the Scope of Services for five years and make sure we are all on board before it goes to the full Board. Stacy stated that the current five-year grant ends this FY and the Scope of Services has been updated. She referred the committee to the new version located on the first two pages of the handout; the old version on the last two pages. She said the services were reorganized by staff into a more logical format. There were also four new items added that were not previously listed: 1) Training and Development: Research and implement methods and tools to enhance online training capabilities; 2) Training Delivery: Deliver on-site trainings to members as needed or requested via service plan; 3) Legislative Tracking: Track HR-related legislation related to POOL/PACT members during each Nevada legislative session and provide a comprehensive summary of Nevada HR-related legislation; and 4) Other Services: Provide HR Scholarships to assist members in attaining nationally recognized HR certifications as approved by the HR Oversight Committee; Work with certifying agencies to attain Continuing Education Credits.

Curtis stated that he thinks the Scope of Services is right on track with staying mission specific. He asked if this was the time to discuss providing interim HR services to members. He said there are instances from time to time when entities, who do not have an HR department, will reach out to POOL/PACT HR for assistance. He said some short-term emergencies turn into more of a long-term assignment which is not mission specific and that is why it is not included in the service plan. Abel said he agreed with Curtis.

Curtis entertained a motion on the new Scope of Services for presentation to the executive board and later the overall board of the insurance pool. On motion to present the new scope of services as stated, motion carried.

**9. For Possible Action: Approval of FY20/21 Strategic Plan**

Stacy reviewed the 20/21 Strategic Plan.

**Develop two new courses** —Stacy stated that with approval from the OSC, we would like our Training and Development focus to be on developing two modules towards creating an online EMS program. She said the reasoning behind this focus is the popularity of the EMS program, the ability to reach more managers, and the accessibility for participants to do makeups. She stated that staff would begin by preparing a couple modules of EMS next FY to baby step in the direction of creating the entire online EMS program. In order to roll out the official online EMS program, we would have to research and implement several items including how to track participation and whether or not there will be mandatory in-person sessions, mentors, or chatrooms. She said the first two modules would be the first step into moving towards that goal. In

addition, Adam Duffenbach is scheduled to attend an ISD course in May which will give POOL/PACT HR a total of two instructional designers on staff (three including Stacy). Dee asked if the online version would include the capability of searching for specific information within the training as she refers back to the EMS training materials on a regular basis. Stacy said she was not certain what the capabilities would be and would look into it. Curtis asked if the online version would be replacing the current live versions of EMS. Stacy confirmed the live version would remain in place.

**Updates and revisions** — *Ethics* and *EMS* (when creating the online courses) and one additional to be determined.

**Regional Trainings** — *EMS, AEMS, HRR, AHRR, SYWTBAS, and IL.*

**Regional Training Workshops Utilizing Outside Resources** — TBD.

**New Briefings** — TBD. We will be writing one on Catastrophic Leave.

**Review/Update Ten Briefings Annually** — See list of briefings on Strategic Plan FY 20/21.

**HR Briefing Videos** — TBD.

**Webinars** — See list of webinars on Strategic Plan FY 20/21.

On motion to approve the FY20/21 Strategic Plan as presented, motion carried.

#### **10. For Possible Action: Employee Assistance Plan Option**

Stacy stated that as previously discussed, our contract with Resources for Living (RFL) will expire on June 30, 2020, and we need to give notice by April 1, 2020. She said that John Bates and Wayne had been working with KEPRO, the state's EAP, to determine whether POOL/PACT HR could fall under an umbrella joiner agreement to represent all POOL/PACT member employees, or if individual members would need to contract independently. She referred to the handouts in the meeting packets including the RFL 2019 annual report which highlights the overall utilization rate last year was 2.8% which was down from 2.9% in 2018. Our current rate per employee per month (pepm) is \$1.06. The second handout is the EAP Service Review report that Wayne put together, and third, is the KEPRO proposal. She deferred to Wayne for further discussion with the OSC.

Wayne stated the state of Nevada negotiated a rate in 2019 of \$.66, so it is substantially less. We had two questions for them about contracting the group as a whole and continue with RFL or KEPRO. He said his understanding is the State contract is for the good of the state so he thinks that individual entities could request to be on the contract even though their preference would be to get the group as a whole. The rate for the individual entity should be exactly the same as for the State. Our thoughts were that we have a couple of choices; continue with RFL, join with the State contract, or third, leave it to the individual entities to build their own relationships with RFL or KEPRO through the State contract or some of the entities may want to look at accessing the EAP's available through their health plans. There are pretty similar providers in each network, and Wayne said he imagines similar people in the group health network if they were to expand the EAP option there. He said he is looking for a motion from the committee to the Executive Committee for our meeting on March 11, 2020.

Stacy stated our options seem to be we could do an EAP as POOL/PACT as a whole, or have the entities go on their own.

Curtis said he has been involved in a lot of discussion and realizes that EAP or KEPRO are not ideal for everybody, but it is an easy way for everyone to get some coverage. His recommendation is that we go with KEPRO. Dee and Robert agreed with Curtis.

A motion was made to provide notice for recommending giving notice to terminate with RFL and work with KEPRO. Motion carried.

**11. For Possible Action: HR Scholarship Application Approval**

Grover C. Dils Medical Center: Heidi Whimple. Requesting \$1,795 for SHRM-CP Certification including prep course and test fee.

On motion to approve application as presented, the motion carried.

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

Next Meeting is scheduled for June 5, 2020, at 10:00 a.m., in Carson City.

**13. Item: Public Comment**

Chairman Calder opened public comment and hearing none, closed the public comment period.

**14. For Possible Action: Adjournment**

Chairman Calder called the meeting adjourned at 11:38 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

**DRAFT MINUTES OF Meeting and Agenda of the  
Audit Committee of**

**Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust**

**Date: October 29, 2019 Time: 8:00 A.M.**

**Place: 201 S. Roop St., Suite 102**

**Carson City, NV 89701 and**

**Conference Call: 1-800-593-9034; Passcode: 15042**

**WEBEX Meeting number: 299 130 103**

**Password: POOLPACT!**

<https://poolpact.my.webex.com/poolpact.my/j.php?MTID=m78b7068ae2f1b19cd65991a7f427ee2c>

1. **Roll** Audit Committee Members Present: Gerry Eick and Josh Foli. Others present: Michael Bertrand, Wayne Carlson, Mike Rebaleati, Alan Kalt, Debbie Connally and Melissa Mack.
2. **Public comment:** There were none.
3. **Action Item: Approval of Minutes of Meeting of October 30, 2018**  
On motion and second to approve the minutes, the motion carried.
4. **Action Item: Acceptance of Auditor's Report and Recommendations Regarding Public Agency Compensation Trust**  
Independent Auditor Michael Bertrand from Bertrand & Associates, LLC reviewed the unmodified clean opinion, Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the note related to unpaid loss liabilities. A discussion about the financial operations and investment income was had. Mr. Bertrand reviewed the letter to Audit Committee and the required communications with those charged with governance. Gerry Eick noted that the letter indicated "There were no material weaknesses noted, however there were other *significant deficiencies* which are noted in this letter." (*emphasis added*) He wanted to know which of the letter items 2-5 he considered "significant deficiencies"? Bertrand stated that item 4 proposed adjustment for the \$250,000 startup cost of Nevada Risk Pooling could be considered significant. He reviewed the other items noting they are worth noting but not significant. Staff addressed the current year audit letter comments. Bertrand commended management and staff on the good job they did on the assessment's worksheets. Noting this was the first year where there were no corrections or recommendations made relating to the various worksheets that support the revenues on the PACT financial statement. At the conclusion of the discussions, on motion and second to accept the Auditor's Report and Recommendations regarding Public Agency Compensation Trust, the motion carried.
5. **Action Item: Acceptance of Audit: Public Agency Compensation Trust**

Josh Foli noted for that the two years presented, there has been a reduction in the Net Position even if you eliminate the amortization of the contributions to the Public Compensation Mutual Captive. He is concerned about this ongoing negative trend noting that revenues need to increase and or reduction in expenses to return to having increases in Net Position in the future. At the conclusion of this discussion, a motion and second to accept the Audit for the Public Agency Compensation Trust for the fiscal year ending June 30, 2019 and recommend approval to the Executive Committee, the motion carried.

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

Independent Auditor Michael Bertrand from Bertrand & Associates, LLC reviewed the unmodified clean opinion, Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the note related to unpaid loss liabilities. He noted a reduction in the prior year loss reserves as a result of payment of claims during the year. A discussion about the financial operations and investment income was had. Mr. Bertrand reviewed the letter to Audit Committee and the required communications with those charged with governance. Gerry Eick noted that the letter indicated "There were no material weaknesses noted, however there were other *significant deficiencies* which are noted in this letter." (*emphasis added*) He wanted to know which of the letter items 2-7 he considered "significant deficiencies"? Bertrand stated that item 4 non reoccurring journal entry review was significant as well as #5 updating the procedures manual and #6 the specific recoverables reconciliation as significant. He reviewed the other items noting they are worth noting but not significant. Staff addressed the current year audit letter comments. Bertrand commended management and staff on the good job noting a high level of cooperation though out the audit, timeliness in preparing audit schedules and improving accounting records.

At the conclusion of the discussions, on motion and second to accept the Auditor's Report and Recommendations regarding Nevada Public Agency Insurance Pool for fiscal year ending June 30, 2019, the motion carried.

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

Foli and Eick complimented staff for their hard work and efforts in connection with the audit. They appreciated the transmittal letter and management discussion and analysis to help the reader understand the financial operations of the POOLs during the year.

At the conclusion of this discussion, on motion and second to accept the Audit for the Nevada Public Agency Insurance Pool for the fiscal year ending June 30, 2019 and recommend approval to the Executive Committee, the motion carried.

**8. Public comment :** There was none.

**9. Action Item: Adjournment**

Upon a motion and second the meeting adjourned at 8:42 am.





**Nevada Risk Pooling, Inc.**  
201 S. Roop Street, Suite 102  
Carson City, NV 89701-4779  
Toll Free Phone (877) 883-7665  
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**Status update on Nevada Risk Pooling, Inc.**  
**Date: April 17, 2020**

The following are summarized highlights of Nevada Risk Pooling, Inc.:

- Nevada Risk Pooling, Inc (NRP) has been the non-profit managing company for POOL, PRM, PACT, PCM, and PRI since July 1, 2019. Also, through service agreements, NRP also maintains the finances for NACO and NLC.
- All filings with the IRS, Secretary of State, and Division of Insurance are complete. NRP is waiting on the final IRS non-profit status but the IRS final determination may take up to a year. There is no expected problem.
- NRP has been approved by the State of Nevada Division of Insurance to manage the insurance requirements for all organizations.
- Attorney Katherine Parks from the law firm of Thorndal, Delk, Balkenbush & Eisinger is corporate counsel and resident agent.
- The Board of Directors are Cash Minor, Paul Johnson, Gerald Eick, Chris Mulkerns, and Josh Foli.
- The Corporate officers are President Wayne Carlson, Vice President Michael Rebaleati, Treasurer Alan Kalt, and Secretary Marshall Smith.
- NRP employees are Michael Rebaleati, Alan Kalt, Marshall Smith, Debra Connelly, Melissa Mack, Zaria Hanses, and Michael Van Houten.
- Wayne Carlson from PARMS serves as the President and Executive Director as appointed by the NRP Board of Directors.
- A five-year grant agreement was approved by the POOL/PACT Joint Board in April 2019.
- There were 6 meetings held by the Nevada Risk Pooling, Inc (NRP) board since January 14, 2019.



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## **Executive Director's Report to Board April 2020**

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

**PACT:** Recent regulatory changes resulted in increased disability rating costs, most of which will be absorbed within the PACT retention, thus calling for increased funding. Additionally, COVID-19 cases have begun to emerge for public safety employees and future costs are difficult to project at this time.

As a result of Legislation that increased benefits, the post-employment heart-lung rate for FY 2019-2020 was increased by \$1.00 to \$3.85. Staff proposes to allocate some of the previously unallocated costs of the SpecialtyHealth Cardiac Wellness program.

A notable Nevada Supreme Court decision on one of PACT's claims resulting in upholding that the Last Injurious Exposure Rule. This decision reduces the long-term risk of a claim covered by a previous insurer becoming a PACT claim.

**For POOL:** Property reinsurance rates effective July 1, 2020 renewal will increase again by 10%-15% or more due to difficult market conditions overall. Property values usually increase by about 4% due to appraisals. Liability rates, both in the POOL Loss Fund and reinsurance layers, will see a significant increase for renewal due to exposure changes and several large adverse claims results from multiple types of members.

**For POOL and PACT:** Amortization of contributions to the captives continues to reduce results from operating income. Staff is recommending expensing the remaining amortization. The captives have more investment flexibility and opportunities for gains that inure to the benefit of the overall pool and captives long term strategies. Both POOL and PACT, this policy decision will result in a current significant deficit but both have accumulated substantial reserves from positive years, thus overall financial standing remains adequate.

Both program budgets rely on a 70% actuarial funding confidence level to generate sufficient margin for contingencies. The proposed budget reflects preliminary quotes and will be adjusted following decisions at the annual board meeting.

### **Renewal Strategies:**

#### **POOL:**

The property coverage program is placed by Willis Re Pooling in various syndicates at Lloyds of London. Renewal negotiations in London occurred the week of February 17<sup>th</sup>, 2020. Mike Rebaleati, Mary Wray and Stephen Romero of Willis Pooling met with the various syndicates. The reinsurance markets remain hard as a result of Named Storms, Earthquakes and Fire catastrophes around the US

and the world. The Lloyds market also is firming its financial controls and limiting certain syndicates capacity to stabilize the market. POOL Members were hit with a 12.5% property rate increase in 2018 followed by an additional 5% in 2019. We were advised to expect another rate increase in the amount of 10%-15% or more. We plan to retain the \$150 million of earthquake and flood aggregates.

Public Risk Mutual will offer a liability renewal at current terms in which it takes a 25% quota share of \$7,000,000 excess of \$3,000,000 POOL retention as well as 30% (other than schools) of the \$2,500,000 liability limit above POOL's retention of \$500,000. Due to large settlements, we anticipate liability rate increases.

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 70% quota share basis with PRM bearing 30%. CRL indications are for a rate increase of 9%.

United Educators, a member owned risk retention group in which NPAIP placed a substantial capital contribution, writes a liability limit of \$2,500,000 excess of the POOL's \$500,000 retention. UE bears 100% of this layer. Given recent large settlements, we anticipate a rate increase of over 20%.

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. Mike Rebaleati was elected to the GEM governing board in 2017 and will provide insights on GEM. GEM quoted options in 2019 but the options were not accepted but could be considered again. POOL has not had losses in the GEM layer. Likely GEM will have an increase in the neighborhood of 5%.

Brit provides 40% quota share of liability limits of \$7,000,000 excess of POOL's \$3,000,000 retention. POOL has not had losses in the Brit layer. We will evaluate this along with other layers.

Our equipment breakdown reinsurer is Travelers Boiler Re which provides a \$100,000,000 limit with various sub-limits. Since their limits and pricing have been stable for several years now, we anticipate renewal with them as our best option. We have received a profit-sharing distribution in recent years which we apply toward our loss control programs.

#### NOTICES OF INTENT TO WITHDRAW:

We received notices of intent to withdraw from: (none as of 3/8/2020)

#### **PACT:**

Public Compensation Mutual (PCM) bears \$700,000 excess of PACT's \$300,000 retention plus a quota share of 25% of the next \$2,000,000 excess of \$1,000,000. CRL bears 75%. PCM is beginning to see some loss activity due to its attachment at a lower PACT retention level, thus a rate increase is expected.

Safety National attaches above a \$3,000,000 retention 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.

#### NOTICES OF INTENT TO WITHDRAW:

We received notices of intent to withdraw from: (none as of 3/8/2020)

**POOL Form:**

Staff reviewed proposed changes to the POOL form with coverage counsel Jack Angaran and his associate Brandon Wright. Most of the changes needed were clarifications and formatting. However, one major change discussed was revising the POOL Form to carve out all Data Security coverage from both the property section and the liability section into a standalone coverage form. We reviewed sample policy forms to update current language including suggested language from CRL, our reinsurer for data security liability coverage. POOL will separate its coverage form into a standalone CYBER Form.



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

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## Operation Officer Report April 17, 2020

### **Custodial Banking Change**

The POOL/PACT/PRM/PCM custodial banking services for the investments has been switched from Wells Fargo bank to US Bank. The basic banking services, such as checks, deposits, etc., will remain with Wells Fargo. Several months ago, Wells Fargo sold their Institutional Retirement Trust (custodial services) to the Principal Financial Group. Staff took the time to evaluate this sale and explored other options. After taking prudent steps in making this decision, which included consultations with Strategic Asset Alliance (SAA), staff decided that US Bank custodial services are better suited to meet our needs for our insurance related investments. The fund transfer on March 30, 2020 went smoothly.

### **Internal IT and RMIS**

At the November 2019 meeting, I provided a report to the Board summarizing potential software analysis tools (Risk Management Information Systems) that are now available. It is my opinion that we currently cannot efficiently utilize our claims data to understand past and current claim trends. We need to make significant improvements in this process. A robust RMIS system will decrease costs by providing the ability to nearly instantaneously examine current claims, as well as direct attention and risk mitigation programs were needed. Such a quantitative and qualitative claims analysis process will save time and money by identifying areas of need, as well as illustrating which programs and services are working (based upon reduction in claims). A staff study has been established and the first meeting will be held towards the end of April or early May 2020.

### **CYBER**

The Cyber Summit attendees exceeded 70. This summit was extremely well received. There is strong interest in holding a 2<sup>nd</sup> cyber security summit this fall. The dates have not been selected but it might take place mid-November. Our cyber security consultant, Tony Rucci, put together the first POOL/PACT cyber security webcast on February 28, 2020. The second webcast is scheduled for March 27, 2020. We will be coordinating with Shaun Rahmeyer, who is the director of the State of Nevada Office of Cyber Defense and Coordination Office. We also will be working with Shaun on the future developments on the new cyber security regulations.

## **POOL building roof repair**

The POOL building roof repair is complete. When you visit our offices, you will notice a completely new roof, new snow guards, concrete gutters and drains. Lumos and Associates did great job monitoring and managing the contract work. Despite some delays, Alpine Roofing did a great job as well. They lived up to all the conditions of the contract. We ended up with more installed roofing material than originally planned at no additional costs. The total cost, which includes the engineering and architectural fees, was \$ 218,991.

## **KnowBe4 availability**

I want to thank the Loss Control committee for approving a grant that will provide the KnowBe4 email security training and phishing testing for all POOL members. We have four school districts already signed up and one member currently being enrolled. If a member does not have the staff time to help run and monitor this service, we can do it for the member. It takes a little bit of time to initially set it up but once the active directory of the respective domain it is very easy to deploy trainings and phishing tests. A permission form will be required by all entities. A template of this form is attached in the information packet and it will be available on our website. This is a three-year agreement with KnowBe4 but the sooner we can all members on the service the greater the benefit. Those members who already are using the KnowBe4 service can switch to our service when their contract expires if they choose to.



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## **Chief Financial Officer Report 4-17-2020**

### **Financial Benchmarking Analysis:**

Completed the NPAIP and PACT Financial Benchmarking Analysis in December 2019. These reports looked at financial data for the past 7 years as well as using data obtained from the AGRIP Financial Benchmarking Initiative. This analysis will be updated and kept current to assist the POOLs in understanding our financial strengths/weaknesses.

### **POOL Renewal Application Tutorial:**

Worked with Courtney at Willis and Mike Van Houten to develop an e-learning session on how to complete the annual renewal application. The was a webinar for the agents to launch the e-learning class. Training will be updated based on feedback from members and agents.

### **PACT Payroll Audit Guidelines:**

Worked with Ken Boley and Debbie Connally to develop a webinar that was a tutorial to assist in making the PACT payroll audit process go smoothly. Great participation on the training. Ken is conducting the audits and has commented that the training has assisted members in their preparation. Still have some issues as members deal with software conversion issues.

### **PACT DOI Regulatory 3 Year Review:**

Completed the required Department of Insurance regulatory review of PACT that is required every three years. No findings or recommendations were noted in the review.

### **Fraud Prevention and Awareness / Local Government Training Sessions:**

Completed a Fraud Prevention and Awareness / Local Government Training Session in Carson City, Elko, Pahrump, Caliente, and Boulder City. Willing to modify and give training to other members as deemed necessary.

### **PRM / PCM Audit Preparation Fiscal Year Ending December 31, 2019**

Completing the independent audits for the captives. Comprehensive Income for PRM and PCM for the year is \$4,158,816 and \$9,154,734 respectively. Unrealized gains on available for sale securities arising during the period was a significant portion of the income. See statements for more details.

**Miscellaneous Items:**

Attending meetings with members, investment advisors, training and continuing education. Taught Local Budget Class at NACO and NLC. Assisted NACO in developing new investment policy and selection of new investment advisor. Assisting NLC on budget and financial oversight.

The following items are specifically included in the report for review. If anyone wants more information on these or any items discussed in this report, please e-mail me at [AKalt@poolpact.com](mailto:AKalt@poolpact.com) or call the office at (775) 885-7475.

**Public Risk Mutual Audit:** Clean Opinion from Casey Neilon and Associates. Total Assets of \$46,381,081 at December 31, 2019. Reserves for loss and loss adjustments are \$3,955,000 with Total Surplus of \$41,702,381 at year end. Premiums earned during the year were \$1,289,525 compared to Loss and loss adjustments expense of \$1,669,939 resulting in an underwriting loss of \$380,414. Unrealized gains were significant as our book yields are higher than the market yields as of 12-31-2019. Comprehensive Income was \$4,158,816. See audit report and related PowerPoint Presentation for more details.

**Public Compensation Mutual Audit:** Clean Opinion from Casey Neilon and Associates. Total Assets of \$84,764,024 at December 31, 2019. Reserves for loss and loss adjustments are \$5,756,600 with Total Surplus of \$77,854,824 at year end. Premiums earned during the year were \$1,922,350 compared to Loss and loss adjustments expense of \$1,748,999 resulting in an underwriting gain of \$173,351. Unrealized gains were significant as our book yields are higher than the market yields as of 12-31-2019. Comprehensive Income was \$9,154,734. See audit report and related PowerPoint Presentation for more details.

**Pooling Resources Inc (POOL/PACT HR) Audit:** Clean Opinion from Bertrand & Associates. Total Assets as of Fiscal Year End June 30, 2019 were \$1,394,115. Programs grant revenue was \$1,223,000 compared to expenses of \$1,175,162 resulting in an increase in operating net assets of \$47,838. Non-operating net investment income was \$15,126 for a total increase in net assets of \$62,964 during the fiscal year bringing the Net Assets at the end of the year to \$1,339,136.



Public Risk  
Mutual



# PRM CAPTIVE AUDIT OVERVIEW

Year Ending December 31, 2019

# KEY SECTIONS OF THE AUDIT REPORT

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President's Letter

---

Management Discussion and Analysis

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Independent Auditors Report

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Financial Statements:

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Balance Sheets

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Statements of Income & Comprehensive Income

---

Statements of Changes in Surplus

---

Statements of Cash Flows

---

Compliance Section

---

Report on Internal Controls and NAC 694C.210

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# KEY PLAYERS

Wayne Carlson, Executive Director POOL/PACT

Mike Rebaleati, Captive President, COO

Alan Kalt, CFO

Deb Connally, Controller

Cash Minor, Chair PRM, Director PCM

Paul Johnson, Chair PCM, Director PRM

Josh Foli, Director, Audit Committee Member

Gerry Eick, Vice Chair PCM, , Audit Committee

Niki Neilon: Casey, Neilon & Associates: Audit Firm

Steve Balkenbush, General Counsel

Willis Towers Watson, Brokers

Derek Burkhalter, Actuary



**PUBLIC RISK MUTUAL  
BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 192,919	\$ 309,851
Premiums receivable	11,250	-
Investments	45,979,714	40,914,152
Investment income receivable	192,198	176,272
Deposits	5,000	5,000
Total Assets	\$ 46,381,081	\$ 41,405,275
<b>LIABILITIES AND SURPLUS</b>		
Accrued expenses	\$ 20,175	\$ 18,532
Unearned premium	703,525	586,000
Reserve for loss and loss adjustment expenses	3,955,000	3,591,000
Total Liabilities	4,678,700	4,195,532
Surplus	40,894,749	37,989,713
Accumulated other comprehensive income (loss)	807,632	(779,970)
Total Surplus	41,702,381	37,209,743
Total Liabilities and Surplus	\$ 46,381,081	\$ 41,405,275

# Public Risk Mutual



PUBLIC RISK  
MUTUAL



**PUBLIC RISK MUTUAL**  
**STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Premiums earned	\$ 1,289,525	\$ 1,167,000
Net investment income	1,249,305	1,299,667
Net realized and unrealized gains and (losses)	2,768,734	(32,821)
<b>Total Revenues</b>	<u>5,307,564</u>	<u>2,433,846</u>
<b>EXPENSES</b>		
Administrative expenses	359,993	129,321
Membership services expense	274,600	412,238
Loss and loss adjustment expenses	1,669,939	2,051,058
<b>Total Expenses</b>	<u>2,304,532</u>	<u>2,592,617</u>
<b>Net Income (Loss) Before Income Taxes</b>	3,003,032	(158,771)
Provision for income taxes	-	-
<b>Net Income (Loss)</b>	<u>\$ 3,003,032</u>	<u>\$ (158,771)</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized gains (losses) on available for sale securities arising during the period	\$ 1,465,783	\$ (2,165,741)
Less: Reclassification adjustment for (gains) losses recognized in net income	<u>(309,999)</u>	<u>32,821</u>
<b>Other Comprehensive Income (Loss)</b>	<u>1,155,784</u>	<u>(2,132,920)</u>
<b>Comprehensive Income (Loss)</b>	<u>\$ 4,158,816</u>	<u>\$ (2,291,691)</u>

# Public Risk Mutual



PUBLIC RISK  
MUTUAL



Total Capital Contributions From POOL	\$29,477,263
Investment Balance at 12-31-2019	\$45,979,714
Reserves for losses and loss adjustments	\$ 3,955,000
Net Investment Income for 2019	\$ 4,018,039
Unrealized Gains (losses) on investments	\$ 1,465,783
Membership Services Expense (Cyber)	\$ 274,600
Surplus Balance at 12-31-2019	\$41,702,381

See detailed financial statements and notes for more details.

# Public Risk Mutual



PUBLIC RISK  
MUTUAL

KEY FINANCIAL  
FIGURES



## Five Year Benchmark Data 2014-2018

2014 2015 2016 2017 2018 2019

### Total Assets/Total Liabilities

Ratio 15.1 13.3 12.6 13.6 9.9 9.9

### Change In Net Surplus

Ratio 11.7% 5.5% 9.0% 39.9% -5.8% 12.1%

### Reserve Leverage (Claims Reserves/Total Surplus)

Ratio 1.9% 1.8% 6.8% 6.3% 9.7% 9.5%

### Loss Ratios (Losses/Premiums)

Ratio -162.7% 48.8% 49.4% 171.4% 175.8% 129.5%

### Expense Ratio (Total Expenses/Premiums)

Ratio 10.3% 8.0% 7.5% 31.5% 46.4% 49.2%

### Surplus to Retention Ratio (Surplus/Blended Retentions)

10.3 13.9 13.9 15.4

# Public Risk Mutual



PUBLIC RISK  
MUTUAL

KEY FINANCIAL  
BENCHMARKS



# QUESTIONS & ANSWERS

*Thanks for your support!*



**PUBLIC RISK MUTUAL**  
**DECEMBER 31, 2019 AND 2018**

**PUBLIC RISK MUTUAL  
DECEMBER 31, 2019 AND 2018**

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## President's Letter

There were many challenges for Public Risk Mutual (PRM) in 2019 but the results showed the strength of its business plan. Here are few of the primary financial highlights:

- ❖ PRM is a pure captive of the Nevada Public Agency Insurance Pool (NPAIP). The total NPAIP surplus contribution of \$29,477,263 remained unchanged since there were no additional surplus contributions to PRM.
- ❖ PRM continued to provide \$300,000 excess of NPAIP's \$200,000 retention for property reinsurance.
- ❖ PRM continued its data security liability reinsurance program for all NPAIP members and has continued to support a passive network assessment (PNA) program to help prevent cyber claims. These assessments have helped help mitigate protecting our members from cyber-attacks and the resulting insurance costs related to cyber-attacks. This risk management initiative has been well received by our membership. The Cyber Educational Summit was a success with our members.
- ❖ Total investments increased from \$40,914,152 in 2018 to \$45,979,714 in 2019. This increase is due primarily to the increase in the market values of investments held as a result of the Federal Reserve lowering interest rates during 2019 resulting in unrealized gains on available for sale and equity securities during the year. PRM's surplus increased from \$37,209,743 to \$41,702,381 during the year. The primary reason for the increase is the investment income and the net realized and unrealized gains on the portfolio. PRM's business plan strategy of having enough surplus contribution for PRM to help provide additional coverage for our members, coupled with the business plan of utilizing a conservative investment strategy is successfully maturing as planned.
- ❖ PRM's investment income had a slight reduction from \$1,299,667 in 2018 to \$1,249,305 in 2019 due to the lower book yields as a result of the Federal Reserve's actions during the year. PRM's investment portfolio includes U.S. government obligations, U.S. state and local bonds, U.S. corporate bonds, Fixed income mutual funds, bond mutual funds and equity mutual funds.
- ❖ One of PRM's main goals is to continue increasing investment earnings while providing our members added value to property and liability coverage through cost effective reinsurance. This has been instrumental when PRM is seeking reinsurance and excess quotes from its insurance partners.

Due to improvements in liability loss developments during 2019 and payoff of some large claims in 2018, the loss and loss adjustment expenses decreased from \$2,051,058 to \$1,669,939. This type of loss activity is a reminder of why PRM exists to help lessen any rate increases while still providing enough funds to cover our losses. This is especially true as the "hardening" insurance market continues to impact rates.

I personally want to thank the board of trustees for NPAIP and the PRM captive board of trustees for their commitment to the dynamic development of the coverages and risk management products that we have been able to support. PRM has remained true to its business plan in providing appropriate coverage and rate stabilization for our members.

Best,



PRM President

PUBLIC RISK MUTUAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018

Public Risk Mutual's discussion and analysis is designed to, (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the entity's financial activities, (c) identify changes in the Company's financial position (its ability to address next and subsequent years challenges), and (d) identify any material deviations from the financial plan.

We encourage readers to read this information in conjunction with the President's letter, financial statements and notes to gain a more complete understanding of the information presented.

**Company Overview**

Public Risk Mutual ("PRM"), a Nevada nonprofit pure captive mutual insurer formed pursuant to Nevada Revised Statutes 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 the State of Nevada Division of Insurance. PRM's formation was approved on July 26, 2004 by the State of Nevada Division of Insurance and began operations September 1, 2004. Currently, the Company issues a single reinsurance policy to POOL each year and the underlying POOL program in turn issues a certificate of participation to the members with a copy of the POOL coverage form providing coverage details.

**Financial Highlights**

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

The auditor's report offers an unmodified opinion on the financial statements, the best opinion that can be attained.

**Critical Accounting Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the accounting period. Actual results could differ from these estimates.

PRM has identified the estimates inherent in the valuation of investments and loss reserves (including reserves for unreported claims- IBNR) as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability. In developing these estimates, management makes subjective and complex judgements that are inherently uncertain and subject to material change as facts and circumstances develop. Although variability is inherent in these estimates, management believes the amounts provided are appropriate and conservative based upon the facts available as of the date of the financial statements. The estimates were made with the assistance of an independent outside actuarial firm in relation to the IBNR and overall loss reserve adequacy.

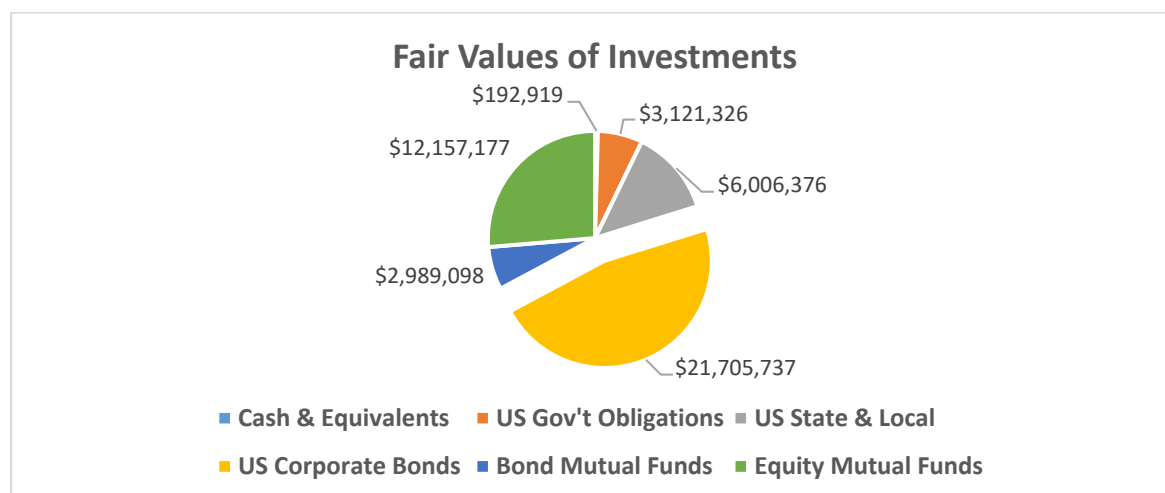
## Investments

One significant estimate inherent in the valuation of investments is the evaluation of fair value and other than temporary impairment (OTTI). Fair value requires management judgment on the appropriate classes of assets and liabilities for which disclosures about fair value measurement should be provided. Fair value for investments primarily is a quantitative assessment. For debt and equity securities, class is determined on the basis, nature and risk of the investments. A full disclosure of PRM's fair value methodology can be found in Note 3 Fair Value of Financial Instruments in the Notes to the Audited Financial Statements.

The determination of OTTI is a quantitative and qualitative process, which is subject to judgment in the determination of whether declines in the fair value of investments are other than temporary. The cost basis of fixed maturity investments is adjusted for impairments in value, deemed to be other than temporary, with the associated realized loss reported in net income. Factors considered in evaluating whether a decline in value is other than temporary include: 1) the magnitude of the decline in value; 2) current economic conditions and the financial condition and near-term prospects of the issuer; 3) the amount of time that the fair value has been less than cost; and 4) the estimated period over which the security is expected to recover and whether PRM's cash or working capital requirements and contractual or regulatory requirements may indicate a need to sell the security before its forecasted recovery.

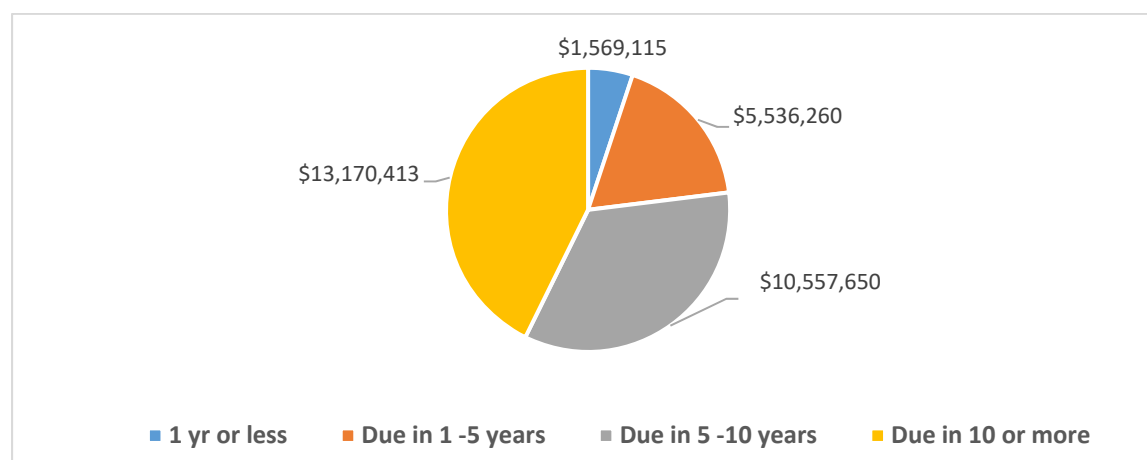
Cash and investments of \$46,172,633 are available to meet current liabilities, including reserves for loss and loss adjustment expenses of \$4,678,700. Total liabilities include accounts payable, reserves for loss and loss adjustment expenses and unearned premiums. This is a conservative measure of cash and investments available to pay current obligations. PRM's cash ratio is 9.9, meaning that it has 9.9 times the unrestricted cash and investments on hand to meet its obligations. Last year's cash ratio was 9.8.

Investments as of December 31, 2019 were \$45,979,714 compared to 2018 balance of \$40,914,152. Thus, an increase of \$5,065,562 or 12.4% during the year. The increase is due primarily to the increase in the market value of the investments held as a result of the Federal Reserve Board lowering interest rates during 2019 resulting in unrealized gains on available for sale and equity securities during the period. As noted in Note 3, Level 1 quoted price in active market for identical assets were valued at \$15,339,194, the Level 2 significant other observable inputs at \$30,833,439 and no Level 3 assets. The following is an overview of the fair value investments allocation:



As noted in Note 6- Investments, the contractual maturities of available-for-sale debt securities at December 31, 2019 and 2018 are as follows:

	Estimated Fair Values	
	<u>2019</u>	<u>2018</u>
1 year or less	\$1,569,115	\$594,548
Due in 1 – 5 years	5,536,260	7,664,657
Due in 5 - 10 years	10,557,650	9,064,588
Due in 10 years or more	<u>13,170,413</u>	<u>10,103,989</u>
Total Investment in debt securities	<u>\$30,833,438</u>	<u>\$27,427,782</u>



### Investment Income Receivable

The investment income receivable at December 31, 2019 is \$192,198 compared to \$176,272 in 2018. This is a change of \$15,926 or 9.0%. This is due primarily to the timing of the payment of accrued interest on the investments.

### Loss Reserves

Loss reserves are estimates of losses and loss development and as such will differ from the ultimate results. Therefore, one of the critical accounting estimates is the proper amount of reserves to be set aside to meet net future liabilities of the current in-force business. Changes in or deviations from the assumptions used to develop the loss reserves can significantly affect PRM's reserve levels and related future operations. Assumptions include company methodology for underwriting and claims handling and current estimates of the legal, inflation rate, and social environments. Annually, PRM retains an outside independent actuary, to provide a loss reserve opinion and establish a range for PRM's loss reserves. PRM's policy is to book reserves at the 75% confidence level as recommended by the actuary. Management has elected not to discount the reserves for anticipated investment income. See Note 7- Reserve for Loss and Loss Adjustment Expense note in the financial statements.

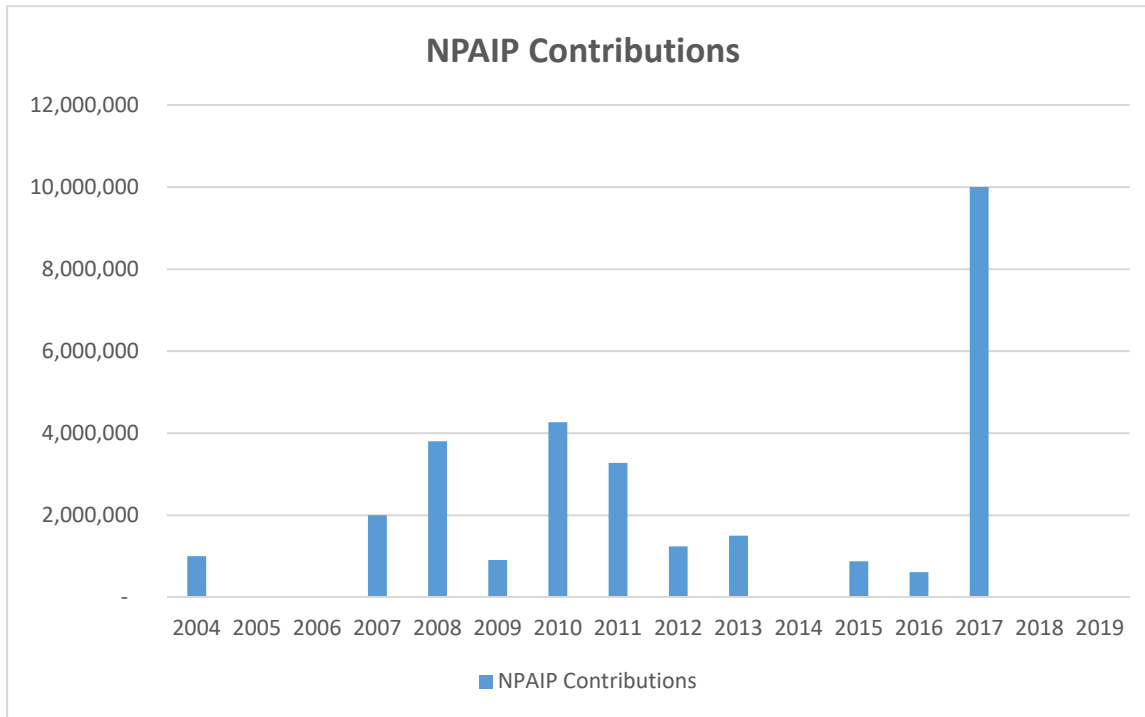
Reserves for loss and loss adjustment expenses increased from \$3,591,000 to \$3,955,000 at December 31, 2019 an increase of \$364,000 or 10.1% during the year. This increase is due to the claim development in the current year and increases in prior year claims loss development.

### Unearned Premiums

PRM writes only 12-month insurance policies effective July 1<sup>st</sup> the year written, so all the \$703,525 unearned assessments carried in 2019 will be fully earned in 2020.

### Surplus Contributions

There were no surplus contributions from NPAIP in 2019. Surplus contributions from NPAIP during 2017 were \$10,000,000 as approved by the Board at their meeting held on March 22, 2017 meeting. This brings the total surplus contribution into PRM at \$29,477,263. See Note 8 Surplus Contributions for more details. The following chart indicated the NPAIP surplus contributions to PRM:



### Surplus

PRM's total surplus at December 31, 2019 was \$41,702,381 an increase of \$4,492,638 from the December 31, 2018 balance of \$37,209,743. The increase is the result from the net income of \$3,003,032 combined with accumulated other comprehensive income of \$1,489,606 during the year. At December 31, 2018, PRM had paid-in capital (NPAIP's contributions) of \$29,477,263 and accumulated retained earnings and other comprehensive income of \$7,732,480 to account for the total surplus of \$37,209,743 in 2018.

The following is the comparative Balance Sheet of Public Risk Mutual as of December 31, 2019 and 2018.

**Public Risk Mutual  
Balance Sheet**

	2019	2018	\$ Difference	% Difference
<b>Assets</b>				
Cash and cash equivalents	\$ 192,919	\$ 309,851	\$ (116,932)	-37.7%
Premium receivable	\$ 11,250		\$ 11,250	
Deposit	5,000	5,000	-	0.0%
Investments	45,979,714	40,914,152	5,065,562	12.4%
Investment income receivable	192,198	176,272	15,926	9.0%
<b>Total Assets</b>	<b>\$ 46,381,081</b>	<b>\$ 41,405,275</b>	<b>\$ 4,975,806</b>	<b>12.0%</b>
<b>Liabilities and Surplus</b>				
Accrued expenses	\$ 20,175	\$ 18,532	\$ 1,643	8.9%
Unearned premium	703,525	586,000	\$ 117,525	20.1%
Reserve for loss and loss adjustment expenses	3,955,000	3,591,000	364,000	10.1%
<b>Total liabilities</b>	<b>\$ 4,678,700</b>	<b>\$ 4,195,532</b>	<b>\$ 483,168</b>	<b>39.1%</b>
<b>Surplus</b>	<b>40,894,749</b>	<b>37,989,713</b>	<b>2,905,036</b>	<b>7.6%</b>
Accumulated other comprehensive income (loss)	807,632	(779,970)	1,587,602	203.5%
<b>Total Surplus</b>	<b>41,702,381</b>	<b>37,209,743</b>	<b>4,492,638</b>	<b>12.1%</b>
<b>Total Liabilities and Surplus</b>	<b>\$ 46,381,081</b>	<b>\$ 41,405,275</b>	<b>\$ 4,975,806.00</b>	<b>12.0%</b>

**Net Income from Operations**

PRM reported net income from operations for the year ended December 2019 of \$3,003,032 an increase of \$3,161,803 from the prior year end loss of (\$158,771). The increase is primarily driven by an increase in net realized and unrealized investment income of \$2,768,734 compared to a loss of (\$32,821) in the prior year. This increase was offset by increases of \$230,672 in administrative expenses as a result of payment to NPAIP for risk management services for the members and offset by a reduction in the allocation of management cost approved by the Board of Directors. There was a reduction in the loss and loss adjustment expenses from \$2,051,058 in 2018 to \$1,669,939 in 2019. The reduction is due to less claim development during 2019. See further explanation below.

**Earned Premiums**

Earned premiums increased by \$122,525 or 10.5% to \$1,289,525 at December 31, 2019 compared to prior year amount of \$1,167,000. Pricing is determined with the assistance of the independent actuary.

**Investment Income Including Realized and Unrealized Gains**

Investment income of \$1,249,305, including net realized and unrealized gains on investments of \$2,768,734, at December 31, 2019 was \$2,751,193 higher than the same period during 2018. The increase was primarily due to the implementation of ASU 2016-01 which requires the unrealized gains and losses on equity securities to be reported on the income statement, as well as the higher investment balance and higher investment book yields. The unrealized gains from the portfolio are



largely a result of market yields decreasing based on actions by the Federal Reserve Board to lower interest rates during 2019. See Note 6 Investments for greater details.

#### **Loss and Loss Adjustment Expenses**

Losses and loss adjustment expenses decreased by (\$381,119) from \$2,051,058 to \$1,669,939 in 2019. The decrease was primarily due to the favorable development of current and prior year losses related to property and liability business.

#### **Administrative Expenses**

Administrative expenses including membership services expenses were \$634,593 and \$541,559 respectively, for the years ended December 31, 2019 and 2018. There was \$274,600 in cyber assessments in 2019 compared to \$412,238 in 2018. PRM provided \$237,500 to NPAIP to support risk management services to our members as approved by the Board to reduce future claim costs.

#### **Other Comprehensive Income**

Other comprehensive income, which consist of unrealized gains (losses) on available for sale securities arising during the period less reclassification adjustment for (gains) losses recognized in net income. In 2019, the unrealized gain on available for sale securities during the period was \$1,465,783 compared to unrealized loss of (\$2,165,741) in 2018. The reclassification adjustment for (gains) losses recognized in net income were (\$309,999) compared to \$32,821 in 2018. This results in total Other Comprehensive Income (Loss) of \$1,155,784 in 2019 and (\$2,132,920) in 2018. This increase in Other Comprehensive gain is due primarily to the decreases in the interest rates imposed by the Federal Reserve in 2019 compared to them raising the rates in 2018. Additionally, the implementation of ASU 2016-01 required the reclassification of equity securities from available-for-sale to equity securities with unrealized gains and losses reported on the income statement rather than as a component of Other Comprehensive Income (Loss). As noted in board policy, investments are intended to be held for maturity, thus the unrealized gains (losses) are not likely to materialize. The significant unrealized gains will become future net investment income as the payment of the book yield occurs on the portfolio.

The following is the Statement of Income and Comprehensive Income for the years ended December 31, 2019 and 2018.

**Public Risk Mutual**  
**Statement of Income and Comprehensive Income**

	2019	2018	\$ Difference	% Difference
<b>INCOME</b>				
Premiums	\$ 1,289,525	\$ 1,167,000	\$ 122,525	10.5%
Net Investment income	\$ 1,249,305	\$ 1,299,667	\$ (50,362)	-3.9%
Net realized and unrealized gains and (losses)	2,768,734	(32,821)	\$ 2,801,555	8535.9%
<b>Total Income</b>	<b>5,307,564</b>	<b>2,433,846</b>	<b>2,873,718</b>	<b>118.1%</b>
<b>EXPENSES</b>				
Administrative expenses	359,993	129,321	230,672	178.4%
Membership service expenses	274,600	412,238	(137,638)	-33.4%
Loss and loss adjustment expenses	1,669,939	2,051,058	(381,119)	-18.6%
<b>Total Expenses</b>	<b>2,304,532</b>	<b>2,592,617</b>	<b>(288,085)</b>	<b>-11.1%</b>
Net Income Before Income Taxes	3,003,032	(158,771)	3,161,803	1991.4%
Provision for Income Taxes	-	-	-	
<b>Net Income</b>	<b>\$ 3,003,032</b>	<b>\$ (158,771)</b>	<b>3,161,803</b>	<b>1991.4%</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Unrealized gains (losses) on available for sale securities arising during the period	\$ 1,465,783	\$(2,165,741)	\$ 3,631,524	167.7%
Less: Reclassified adjustments for (gains) losses recognized in net income	(309,999)	32,821	(342,820)	-1044.5%
Other Comprehensive Income (Loss)	1,155,784	(2,132,920)	3,288,704	154.2%
<b>Comprehensive Income (Loss)</b>	<b>\$ 4,158,816</b>	<b>\$(2,291,691)</b>	<b>\$ 6,450,507</b>	<b>281.5%</b>

**Request for Information**

This financial report is designed to provide a general overview of the financial activities and conditions of Public Risk Mutual to all having an interest in PRM. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Public Risk Mutual, 201 South Roop Street, Suite 102, Carson City, Nevada 89701 or email at [akalt@poolpact.com](mailto:akalt@poolpact.com).

*Casey Neilson, Inc.*  
**Accountants and Advisors**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Public Risk Mutual

We have audited the accompanying financial statements of Public Risk Mutual (a Nevada non-profit pure captive mutual insurer) which comprise the balance sheets as of December 31, 2019 and 2018 and the related statements of income and comprehensive income, changes in surplus 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 of 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 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, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Other Matters – Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the expanded disclosures regarding short duration contracts contained in Note 7 to the financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial 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.

***Report on Other Legal and Regulatory Requirements***

In accordance with the Nevada Administrative Code, we have also issued our report dated March 11, 2020, on our consideration of the Company's internal control and compliance 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.

A handwritten signature in black ink that reads "Casey Nalon". The signature is written in a cursive, flowing style.

Carson City, Nevada  
March 11, 2020

**PUBLIC RISK MUTUAL  
BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 192,919	\$ 309,851
Premiums receivable	11,250	-
Investments	45,979,714	40,914,152
Investment income receivable	192,198	176,272
Deposits	5,000	5,000
Total Assets	\$ 46,381,081	\$ 41,405,275
 <b>LIABILITIES AND SURPLUS</b>		
Accrued expenses	\$ 20,175	\$ 18,532
Unearned premium	703,525	586,000
Reserve for loss and loss adjustment expenses	3,955,000	3,591,000
Total Liabilities	4,678,700	4,195,532
Surplus	40,894,749	37,989,713
Accumulated other comprehensive income (loss)	807,632	(779,970)
Total Surplus	41,702,381	37,209,743
Total Liabilities and Surplus	\$ 46,381,081	\$ 41,405,275

See accompanying notes.

**PUBLIC RISK MUTUAL**  
**STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>REVENUES</b>		
Premiums earned	\$ 1,289,525	\$ 1,167,000
Net investment income	1,249,305	1,299,667
Net realized and unrealized gains and (losses)	2,768,734	(32,821)
Total Revenues	5,307,564	2,433,846
<b>EXPENSES</b>		
Administrative expenses	359,993	129,321
Membership services expense	274,600	412,238
Loss and loss adjustment expenses	1,669,939	2,051,058
Total Expenses	2,304,532	2,592,617
Net Income (Loss) Before Income Taxes	3,003,032	(158,771)
Provision for income taxes	-	-
Net Income (Loss)	\$ 3,003,032	\$ (158,771)
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized gains (losses) on available for sale securities arising during the period	\$ 1,465,783	\$ (2,165,741)
Less: Reclassification adjustment for (gains) losses recognized in net income	(309,999)	32,821
Other Comprehensive Income (Loss)	1,155,784	(2,132,920)
Comprehensive Income (Loss)	\$ 4,158,816	\$ (2,291,691)

See accompanying notes.

**PUBLIC RISK MUTUAL  
STATEMENTS OF CHANGES IN SURPLUS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>Surplus</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Surplus</u>
Balance, December 31, 2017	\$ 38,148,484	\$ 1,352,950	\$ 39,501,434
Surplus contributions	-	-	-
Net loss	(158,771)	-	(158,771)
Unrealized holding losses arising during the period	-	(2,165,741)	(2,165,741)
Add: Reclassification adjustment for losses included in net income	-	32,821	32,821
Balance, December 31, 2018	<u>37,989,713</u>	<u>(779,970)</u>	<u>37,209,743</u>
Net income	3,003,032	-	3,003,032
Unrealized holding gains arising during the period	-	1,465,783	1,465,783
Add: Reclassification adjustment for gains included in net income	-	23,823	23,823
Cumulative change in accounting principle pursuant to ASU 2016-01	<u>(97,996)</u>	<u>97,996</u>	<u>-</u>
Balance, December 31, 2019	<u><u>\$ 40,894,749</u></u>	<u><u>\$ 807,632</u></u>	<u><u>\$ 41,702,381</u></u>

See accompanying notes.

**PUBLIC RISK MUTUAL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 3,003,032	\$ (158,771)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Unrealized (gains) losses on equity securities	(2,458,735)	-
Realized (gains) losses on sales of securities	(309,999)	32,821
Amortization of premium or discount	66,359	94,748
Changes in assets and liabilities:		
(Increase) decrease in:		
Investment income receivable	(15,926)	(9,998)
Premiums receivable	(11,250)	-
Deposits	-	(5,000)
Increase (decrease) in:		
Accrued expenses	1,643	(53,602)
Unearned premium	117,525	5,000
Reserve for loss and loss adjustment expenses	364,000	1,096,000
	<b>756,649</b>	<b>1,001,198</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of securities	17,000,647	2,539,017
Purchase of investments	(17,874,228)	(3,377,819)
	<b>(873,581)</b>	<b>(838,802)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contribution of surplus	-	-
	<b>-</b>	<b>-</b>
Net Cash Provided (Used) by Financing Activities	<b>-</b>	<b>-</b>
Increase (Decrease) in Cash and Cash Equivalents	(116,932)	162,396
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>309,851</b>	<b>147,455</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 192,919</b>	<b>\$ 309,851</b>

See accompanying notes.



**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**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 the 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.

**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.

**Debt 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 securities is determined by quoted market prices and observable information for similar items in active or inactive markets.

**PUBLIC RISK MUTUAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Equity Securities:**

Beginning in 2019, with the adoption of ASU Number 2016-01, Financial Instruments - Overall (Subtopic 825-10), the Company's investments in equity securities at fair value are no longer classified as available-for-sale and changes in fair value are included in net realized and unrealized gains (losses) on investments on the Company's income statement.

The adoption of ASU 2016-01 also removed the impairment assessment for equity securities at fair value beginning in 2019 and changes in fair value are included in net realized and unrealized (losses) gains on investments on the Company's Statements of Income and Comprehensive Income. Prior to adoption of this standard, when, in the opinion of management, a decline in the fair value of an equity security below its cost was considered to be "other-than-temporary," the equity security's cost was written down to its fair value at the time the other-than-temporary decline is identified.

**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.

**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**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.

**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 NRS 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 any single mutual fund, exchange traded fund or similar vehicle to no more than 10% of assets, 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, 2019 AND 2018**

**NOTE 2 – NEW ACCOUNTING STANDARDS:**

**Recently Adopted Accounting Standards:**

In January 2016, the FASB issued ASU Number 2016-01, Financial Instruments - Overall (Subtopic 825-10). This update replaces the guidance to classify equity securities with readily determinable fair values into different categories (trading or available-for sale) and requires equity securities to be measured at fair value with changes in fair value recognized through net income. Additionally, this update eliminates the method and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost. It requires financial instruments to be measured at fair value using the exit price notion. Furthermore, this update clarifies that an evaluation of deferred tax assets related to available-for-sale securities is needed, in combination with an evaluation of other deferred tax assets, to determine if a valuation allowance is required. This update becomes effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The company adopted this update effective January 1, 2019. Adoption of this accounting standard resulted in a reclassification adjustment to surplus from accumulated other comprehensive income of \$97,996.

In May 2014, the FASB issued ASU Number 2014-09, Revenue from Contracts with Customers (Topic 606). This update clarifies the principles for recognizing revenue and develops revenue standards to improve revenue recognition guidance. This update requires an entity to recognize revenue as performance obligations are met in order to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration the entity is entitled to receive for those goods or services. In applying this guidance companies are required to: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract(s); (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract(s); and (5) recognize revenue when, or as, the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, and interim reporting periods within that annual reporting period. Insurance contracts are not within the scope of this updated guidance. The Company has analyzed revenue streams within the current business operation and determined the adoption of this standard did not have an impact on its financial condition and results of operations.

**Recently Issued Accounting Standards – Not Yet Adopted:**

In August 2018, the Financial Accounting Standards Board (FASB) issued ASU Number 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. This update removes the disclosure requirements for the amounts of and the reasons for transfers between Level 1 and Level 2 and disclosure of the policy for timing of transfers between levels. This update also removes disclosure requirements for the valuation processes for Level 3 fair value measurements. Additionally, this update adds disclosure requirements for the changes in unrealized gains and losses for recurring Level 3 fair value measurements and quantitative information for certain unobservable inputs in Level 3 fair value measurements. This update becomes effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company has determined that the impact of this new standard will not be material to the Company's financial statements.

**NOTE 3 - 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.

**PUBLIC RISK MUTUAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued):**

*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.

The following table presents the Company's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2019 and 2018:

Description	December 31, 2019	<u>Fair Value measurement at reporting date using</u>		
		Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 192,919	\$ 192,919	\$ -	\$ -
U.S. government obligations	3,121,326	-	3,121,326	-
U.S states and local authorities Bonds	6,006,376 21,705,737	- -	6,006,376 21,705,737	- -
Fixed income mutual funds	-	-	-	-
Bond mutual funds	2,989,098	2,989,098	-	-
Equity mutual funds	12,157,177	12,157,177	-	-
Total	<u>\$ 46,172,633</u>	<u>\$ 15,339,194</u>	<u>\$ 30,833,439</u>	<u>\$ -</u>

Description	December 31, 2018	<u>Fair Value measurement at reporting date using</u>		
		Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 309,851	\$ 309,851	\$ -	\$ -
U.S. government obligations	4,873,403	1,404,796	3,468,607	-
U.S states and local authorities Bonds	5,217,983 17,336,396	- -	5,217,983 17,336,396	- -
Fixed income mutual funds	1,147	1,147	-	-
Bond mutual funds	1,364,019	1,364,019	-	-
Equity mutual funds	12,121,204	12,121,204	-	-
Total	<u>\$ 41,224,003</u>	<u>\$ 15,201,017</u>	<u>\$ 26,022,986</u>	<u>\$ -</u>

There were no transfers between fair value levels during the year ended December 31, 2019 and 2018.

**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 4 - 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, 2019 and 2018, 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 5 - REINSURANCE ACTIVITY:**

Until June 30, 2011, the Company ceded insurance to another company; however, effective July 1, 2010, POOL no longer passes the property premiums through the Company, and is directly reinsured by an outside reinsurer. 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. All claims that were incurred during the period of reinsurance coverage are now closed, and there are no outstanding liabilities or receivables attributable to the reinsurance policies.

**NOTE 6 - INVESTMENTS:**

Available-for-sale securities at December 31, 2019 and 2018 consist of various investments as indicated below:

	<b>December 31, 2019</b>			
	Cost	Estimated Fair Value	Gross Unrealized	
			Gains	Losses
U.S. government obligations	\$ 3,103,859	\$ 3,121,326	\$ 26,773	\$ (9,306)
U.S. states and local authorities	5,910,744	6,006,376	122,806	(27,174)
Bonds	21,011,202	21,705,736	722,937	(28,403)
Total debt securities	30,025,805	30,833,438	872,516	(64,883)
Total available-for-sale securities	\$ 30,025,805	\$ 30,833,438	\$ 872,516	\$ (64,883)

**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 6 – INVESTMENTS (continued):**

	<b>December 31, 2018</b>			
	Cost	Estimated Fair Value	Gross Unrealized	
			Gains	Losses
U.S. government obligations	\$ 5,020,459	\$ 4,873,403	\$ 6,094	\$ (153,150)
U.S. states and local authorities	5,289,621	5,217,983	11,477	(83,115)
Bonds	17,799,677	17,336,396	29,785	(493,066)
Total debt securities	28,109,757	27,427,782	47,356	(729,331)
Fixed income mutual funds	1,213	1,147	-	(66)
Bond mutual funds	1,495,169	1,364,019	-	(131,150)
Equity mutual funds	12,087,983	12,121,204	504,927	(471,706)
Total equity securities	13,584,365	13,486,370	504,927	(602,922)
Total available-for-sale securities	\$ 41,694,122	\$ 40,914,152	\$ 552,283	\$ (1,332,253)

Proceeds from the sale of investment securities available for sale were \$10,954,264 in 2019 and \$2,539,017 in 2018.

During 2019 and 2018, net realized gains(losses) on investments and the change in unrealized gains (losses) on the Company's investments recorded at fair value are determined on a specific-identification basis and were as follows:

	<b>December 31, 2019</b>				
	Gross Realized Gains	Gross Realized Losses	Changes in Net Unrealized Gains (Losses)	Change in FV Reflected in Earnings	Change in FV Reflected in AOCI, before tax
Debt securities	\$ 10,193	\$ (34,016)	\$ 1,489,606	\$ -	\$ 1,465,783
Equity securities	390,186	(56,364)	2,458,735	2,458,735	-
	\$ 400,379	\$ (90,380)	\$ 3,948,341	\$ 2,458,735	\$ 1,465,783
	<b>December 31, 2018</b>				
	Gross Realized Gains	Gross Realized Losses	Changes in Net Unrealized Gains (Losses)	Change in FV Reflected in Earnings	Change in FV Reflected in AOCI, before tax
Debt securities	\$ -	\$ (32,821)	\$ (620,853)	\$ -	\$ (653,674)
Equity securities	-	-	(1,512,067)	-	(1,512,067)
	\$ -	\$ (32,821)	\$ (2,132,920)	\$ -	\$ (2,165,741)

**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 6 – INVESTMENTS (continued):**

Management evaluates available-for-sale 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 entity 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.

The adoption of ASU 2016-01 removed the impairment assessment for equity securities at fair value, and, beginning in 2019, changes in fair value are included in net realized and unrealized gains and losses on investments in the Company’s Statements of Income and Comprehensive Income. Prior to adoption of this standard, the Company did not recognize any other-than-temporary impairments on equity securities as management has the intent and ability to hold the securities for the foreseeable future.

All investments have been valued based on quoted prices in active markets for identical assets and liabilities.

Contractual maturities of available-for-sale debt securities at December 31, 2019 and 2018 are as follows:

	<b>Estimated Fair Values</b>	
	2019	2018
1 year or less	\$ 1,569,115	\$ 594,548
Due in 1 - 5 years	5,536,260	7,664,657
Due in 5 - 10 years	10,557,650	9,064,588
Due in 10 years or more	13,170,413	10,103,989
Total investment in debt securities	\$ 30,833,438	\$ 27,427,782

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.

**NOTE 7 - RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES:**

The Company provides property reinsurance to POOL on an excess of loss basis per the following table:

<b>Fiscal Year</b>	<b>Insurance layer</b>
7/1/2005-7/1/2007	\$ 50,000 excess of \$150,000
7/1/2007-7/1/2014	\$ 50,000 excess of \$200,000
7/1/2014-7/1/2019	\$300,000 excess of \$200,000
7/1/2019-7/1/2020	\$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.



**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 7 - RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES (continued):**

The Company's coverage to Nevada Public Agency Insurance Pool's liability program is as follows:

Fiscal Year	Retention 1			Retention 2			
	Insurance layer	Quota share	Insurance layer - excluding school district	Quota share	Insurance layer - all members	Quota share	Insurance layer - school district
7/1/05-7/1/07	\$250,000 excess of \$2,000,000						
7/1/07-7/1/11	\$250,000 excess of \$2,000,000	20%	\$1,500,000 excess of \$500,000				
7/1/11-7/1/14		20%	\$2,500,000 excess of \$500,000				
7/1/14-7/1/16		20%	\$2,500,000 excess of \$500,000	15%	\$7,000,000 excess of \$3,000,000		
7/1/16-7/1/17		30%	\$2,500,000 excess of \$500,000	25%	\$7,000,000 excess of \$3,000,000		\$2,500,000 excess of
7/1/17-7/1/18		30%	\$2,500,000 excess of \$500,000	25%	\$7,000,000 excess of \$3,000,000	25%	\$500,000
7/1/18-7/1/19		30%	\$2,500,000 excess of \$500,000	25%	\$7,000,000 excess of \$3,000,000	25%	\$2,500,000 excess of
7/1/19-7/1/20		30%	\$2,500,000 excess of \$500,000	25%	\$7,000,000 excess of \$3,000,000		\$500,000

Loss reserve estimates are inherently uncertain because the ultimate amount the Company will pay for many of the claims it has incurred as of the balance sheet date will not be known for many years. The estimate of loss reserves is intended to equal the difference between the expected ultimate losses of all claims that have occurred as of a balance sheet date and amounts already paid. The Company establishes loss reserves based on its own analysis of emerging claims and review of the results of actuarial projections. The Company's aggregate carried reserve for unpaid losses is the sum of its reserves for each accident year and represents its best estimate of outstanding loss reserves.

The amount by which estimated losses in the aggregate differ from those previously estimated for a specific time period is known as reserve "development." Reserve development is unfavorable when losses ultimately settle for more than the amount reserved or subsequent estimates indicate a basis for reserve increases on open claims, causing the previously estimated loss reserves to be "deficient." Reserve development is favorable when estimates of ultimate losses indicate a decrease in established reserves, causing the previously estimated loss reserves to be "redundant." Development is reflected in the Company's operating results through an adjustment to incurred losses during the period in which it is recognized.

The three main components of reserves for unpaid losses are case reserves, incurred but not reported (IBNR) loss reserves and reserves for loss adjustment expenses (LAE).

**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 7 - RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES (continued):**

When claims are reported, the Company establishes individual estimates of the ultimate cost of each claim (case reserves). These case reserves are continually monitored and revised in response to new information and for amounts paid. IBNR is an actuarial estimate of future payments on claims that have occurred but have not yet been reported. The Company also estimates and makes a provision for the extent to which the case reserves on known claims may develop. IBNR reserves apply to the entire body of claims arising from a specific time period, rather than a specific claim. Most of the Company's IBNR reserves relate to estimated future claim payments on recorded open claims.

For the year ended December 31, 2019, estimated unpaid losses have been determined to range from a recommended low of \$3,688,000 to a recommended high of \$4,795,000 with a conservative estimate of \$5,887,000 based on actuarial estimates; further the actuary has projected expected losses at \$2,787,000. For the year ended December 31, 2018, estimated unpaid losses have been determined to range from a recommended low of \$3,591,000 to a recommended high of \$4,696,000 with a conservative estimate of \$5,781,000 based on actuarial estimates; further the actuary has projected expected losses at \$2,681,000.

Management has estimated reserves to be \$3,955,000 and \$3,591,000 at December 31, 2019 and 2018. This estimate is based on funding the Company at the 75% confidence level as recommended by the actuary and adjusting for claims that are deemed paid during the actuarial analysis but in reality, have not yet been paid by the Company. 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>2019</u>	<u>2018</u>
Balance at January 1	\$ 3,591,000	\$ 2,495,000
Incurred related to:		
Current year	1,735,500	1,392,500
Prior years	<u>(65,561)</u>	<u>658,558</u>
Total incurred	<u>1,669,939</u>	<u>2,051,058</u>
Net paid	<u>1,305,939</u>	<u>955,058</u>
Balance at December 31	<u>\$ 3,955,000</u>	<u>\$ 3,591,000</u>

As a result of changes in estimates of incurred events in prior years, the provision for losses changed by \$(65,561) and \$658,558 for the years ended December 31, 2019 and 2018 due to (higher) lower than anticipated losses on the development of claims.

The Company's reserve estimates are based on loss experience and exposure data and have assumed future development of incurred and paid losses can be reasonably predicted on the basis of development of such losses in the recent past.

The Company compiles and aggregates its claims data by grouping the claims according to the year in which the claim occurred ("accident year") when analyzing claim payment and emergence patterns and trends over time. It has been assumed that costs associated with liability claims and claim size are increasing by 2.0% annually. For the purposes of defining claims frequency, the number of reported claims includes any claim that has case reserves and/or loss and LAE payments associated with them. The Company has assumed that the average frequency of claims stays constant.

**PUBLIC RISK MUTUAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 7 - RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES (continued):**

The Company analyzed the usefulness of disaggregation of its results and determined the characteristics associated with the policies and the related unpaid loss reserves, incurred losses, and payment patterns are similar in nature. The following tables show the Company's historical incurred and cumulative paid losses and LAE development, net of reinsurance, (liability and property combined) as well as IBNR loss reserves and the number of reported claims on an aggregated basis as of December 31, 2019 for each of the previous 10 accident years:

<b>Incurred Losses and LAE, Net of Reinsurance</b>											<b>2019</b>	
<b>Years Ended December 31,</b>												
<b>Accident Year</b>	<b>2010 (1)</b>	<b>2011 (1)</b>	<b>2012 (1)</b>	<b>2013 (1)</b>	<b>2014 (1)</b>	<b>2015 (1)</b>	<b>2016 (1)</b>	<b>2017 (1)</b>	<b>2018 (1)</b>	<b>2019</b>	<b>IBNR</b>	<b>Cumulative number of reported claims</b>
(in thousands, except claims counts)												
2010	\$ 259.7	\$ 460.7	\$ 256.0	\$ 288.4	\$ 274.1	\$ 273.7	\$ 252.5	\$ 196.2	\$ 186.2	\$ 186.2	\$ -	4
2011		276.9	420.0	74.4	274.1	273.7	252.5	196.2	186.2	170.5	-	4
2012			314.5	211.7	131.0	97.8	93.5	92.9	213.9	50.0	-	2
2013				270.5	193.3	73.8	54.6	54.8	51.5	422.4	-	-
2014					284.9	291.5	558.7	355.6	531.3	360.4	16.0	2
2015						804.0	435.5	402.7	394.3	1,286.6	39.4	5
2016							582.8	1,398.2	1,426.3	1,222.6	148.5	6
2017								818.7	1,307.9	883.5	168.8	6
2018									1,207.6	2,306.9	978.5	1
2019										860.9	560.9	2
<b>Total</b>										<b>\$ 7,750.0</b>		

<b>Cumulative Paid Losses and LAE, Net of Reinsurance</b>										
<b>Years Ended December 31,</b>										
<b>Accident Year</b>	<b>2010 (1)</b>	<b>2011 (1)</b>	<b>2012 (1)</b>	<b>2013 (1)</b>	<b>2014 (1)</b>	<b>2015 (1)</b>	<b>2016 (1)</b>	<b>2017 (1)</b>	<b>2018 (1)</b>	<b>2019</b>
(in thousands)										
2010	\$ -	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0	\$ 86.2	\$ 86.2	\$ 88.6	\$ 88.6	\$ 186.2
2011		100.0	100.0	100.0	140.0	140.0	140.0	140.0	140.0	170.5
2012			-	-	-	50.0	50.0	50.0	50.0	50.0
2013				-	50.0	50.0	50.0	50.0	50.0	422.4
2014					-	73.7	73.7	417.9	417.9	310.5
2015						-	50.0	245.2	245.2	1,167.1
2016							50.0	200.0	1,177.3	600.0
2017									600.0	714.7
2018										173.6
2019										-
<b>Total</b>										<b>3,795.0</b>
All outstanding liabilities for unpaid losses and LAE prior to 2010, net of reinsurance										-
<b>Total outstanding liabilities for unpaid losses and LAE, net of reinsurance</b>										<b>\$ 3,955.0</b>

(1) Data presented for these calendar years is considered to be supplementary information, which is unaudited.

The following table presents the average percentage payout of incurred claims by age, net of reinsurance, as of December 31, 2019 and is presented as required supplementary information, which is unaudited:

**PUBLIC RISK MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 7 - RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES (continued):**

<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
6.3%	16.7%	13.5%	24.5%	11.9%	-2.1%	25.8%	0.4%	8.9%	52.4%

The following table represents a reconciliation of claims development to the aggregate carrying amount of the liability for unpaid losses and LAE:

Liabilities for unpaid losses and LAE, net of reinsurance	\$ 3,955.0
Reinsurance recoverable on unpaid losses	-
Unallocated LAE	-
<b>Total liability for unpaid losses and LAE</b>	<b><u><u>\$ 3,955.0</u></u></b>

**NOTE 8 - SURPLUS CONTRIBUTION:**

The following is a summary of the surplus contributed to the Company from POOL pursuant to authorization by the Executive Committee of POOL:

<b>Years</b>	<b>Surplus POOL Contribution</b>
2004	\$ 1,000,000
2005	-
2006	-
2007	2,000,000
2008	3,800,000
2009	908,416
2010	4,265,924
2011	3,276,619
2012	1,237,581
2013	1,500,000
2014	-
2015	876,123
2016	612,600
2017	10,000,000
2018	-
2019	-
<b>Total</b>	<b><u><u>\$ 29,477,263</u></u></b>

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, 2019 and 2018.

**PUBLIC RISK MUTUAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 9 - 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.

Public Risk Mutual has entered into a management services agreement with Nevada Risk Pooling, Inc. to provide captive management for the day to day operations of PRM for a five year period from July 1, 2019 to June 30, 2024. The cost of the initial base year is \$75,000 with annual increases of 3% each succeeding year.

**NOTE 10 - SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through March 11, 2020, which is the date the financial statements were available to be issued.

*Casey Neilson, Inc.*  
**Accountants and Advisors**

**REPORT ON INTERNAL CONTROL AND COMPLIANCE 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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Public Risk Mutual, which comprise the balance sheet as of December 31, 2019, and the related statements of income and comprehensive income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2020.

In planning and performing our audit of the GAAP basis financial statements of Public Risk Mutual as of and for the years ended December 31, 2019 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 Public Risk Mutual'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.

In connection with our audit, nothing came to our attention that caused us to believe that Public Risk Mutual failed to comply with the terms, covenants, provisions, or conditions of their bylaws, articles of incorporation, or business plan, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Company's noncompliance with the above-referenced terms, insofar as they relate to accounting matters

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 Public Risk Mutual is subject and is not intended to be and should not be used by anyone other than these specified parties.



Carson City, Nevada  
March 11, 2020



# PCM CAPTIVE AUDIT OVERVIEW

Year Ending December 31, 2019

# KEY SECTIONS OF THE AUDIT REPORT

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President's Letter

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Management Discussion and Analysis

---

Independent Auditors Report

---

Financial Statements:

---

Balance Sheets

---

Statements of Income & Comprehensive Income

---

Statements of Changes in Surplus

---

Statements of Cash Flows

---

Compliance Section

---

Report on Internal Controls and NAC 694C.210

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# KEY PLAYERS

Wayne Carlson, Executive Director POOL/PACT

Mike Rebaleati, Captive President, COO

Alan Kalt, CFO

Deb Connally, Controller

Cash Minor, Chair PRM, Director PCM

Paul Johnson, Chair PCM, Director PRM

Josh Foli, Director, Audit Committee Member

Gerry Eick, Vice Chair PCM, , Audit Committee

Niki Neilon: Casey, Neilon & Associates: Audit Firm

Steve Balkenbush, General Counsel

Willis Towers Watson, Brokers

Derek Burkhalter, Actuary



**PUBLIC COMPENSATION MUTUAL  
BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,641,784	\$ 855,598
Premiums receivable	136,500	-
Investments	81,608,028	72,834,863
Investment income receivable	377,712	318,679
Prepaid expenses	-	74,250
	\$ 84,764,024	\$ 74,083,390
<b>LIABILITIES AND SURPLUS</b>		
Accounts payable	\$ 33,750	\$ 30,800
Reserve for loss and loss adjustment expenses	5,756,600	4,549,000
Unearned premiums	1,118,850	803,500
	6,909,200	5,383,300
Surplus	76,408,184	70,595,348
Accumulated other comprehensive income (loss)	1,446,640	(1,895,258)
	77,854,824	68,700,090
	\$ 84,764,024	\$ 74,083,390

**PUBLIC  
COMPENSATION  
MUTUAL**



**PUBLIC  
COMPENSATION  
MUTUAL**



**PUBLIC COMPENSATION MUTUAL  
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>INCOME</b>		
Premiums	\$ 1,922,350	\$ 1,769,208
Net investment income	2,218,272	2,151,463
Net realized and unrealized gains (losses) on investments	4,070,504	(12,534)
	<b>8,211,126</b>	<b>3,908,137</b>
<b>EXPENSES</b>		
Administrative fees	549,853	172,829
Loss and loss adjustment expenses	1,748,999	1,467,002
	<b>2,298,852</b>	<b>1,639,831</b>
Net Income Before Income Taxes	5,912,274	2,268,306
Provision for income taxes	-	-
Net Income	<b>\$ 5,912,274</b>	<b>\$ 2,268,306</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized gains (losses) on available for sale securities arising during the period	\$ 3,221,033	\$ (3,353,577)
Less: Reclassification adjustment for (gains) losses recognized in net income	21,427	12,534
Other Comprehensive Income (Loss)	<b>3,242,460</b>	<b>(3,341,043)</b>
Comprehensive Income (Loss)	<b>\$ 9,154,734</b>	<b>\$ (1,072,737)</b>

**PUBLIC  
COMPENSATION  
MUTUAL**

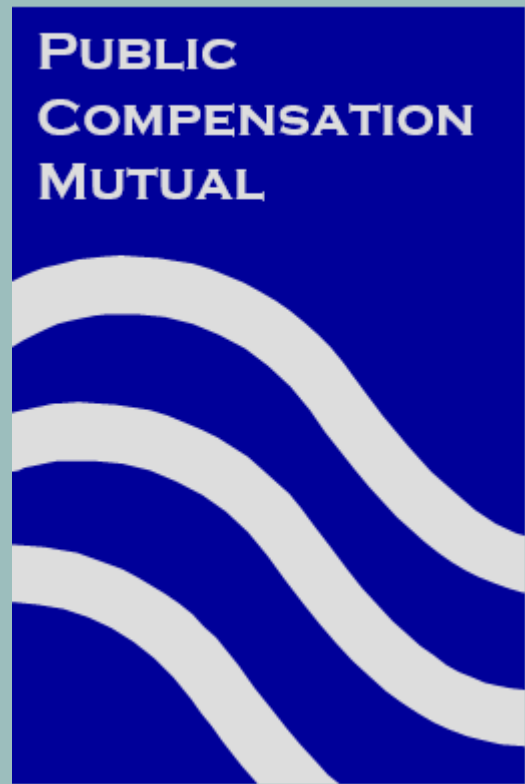


**PUBLIC  
COMPENSATION  
MUTUAL**



Total Capital Contributions From PCM	\$53,700,939
Investment Balance at 12-31-2019	\$81,608,028
Reserves for losses and loss adjustments	\$ 5,756,600
Net Investment Income for 2019	\$ 6,288,776
Unrealized Gains (losses) on investments	\$ 3,221,033
Surplus Balance at 12-31-2019	\$77,854,824

See detailed financial statements and notes for more details.



PUBLIC  
COMPENSATION  
MUTUAL



## Six Year Benchmark Data 2014-2019

2014 2015 2016 2017 2018 2019

### Total Assets/Total Liabilities

Ratio 15.0 13.0 12.0 18.1 13.8 12.3

### Change In Net Surplus

Ratio 4.2% 3.3% 8.3% 75.8% -1.5% 13.3

### Reserve Leverage (Claims Reserves/Total Surplus)

Ratio 5.5% 6.7% 7.5% 4.4% 6.6% 7.4%

### Loss Ratios (Losses/Premiums)

Ratio 76.1% 42.7% 41.6% 7.7% 82.9% 90.1%

### Expense Ratio (Total Expenses/Premiums)

Ratio 7.0% 5.6% 5.5% 4.3% 9.8% 28.6%

PUBLIC  
COMPENSATION  
MUTUAL



PUBLIC  
COMPENSATION  
MUTUAL

KEY FINANCIAL  
BENCHMARKS



# QUESTIONS & ANSWERS

*Thanks for your support!*

**PUBLIC COMPENSATION MUTUAL**

**DECEMBER 31, 2019 AND 2018**

**PUBLIC COMPENSATION MUTUAL  
DECEMBER 31, 2019 AND 2018**

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## President's Letter

Public Compensation Mutual (PCM) had a significant year in 2019 that reflects its strengths despite some major claims:

- ❖ PCM is a pure captive of the Public Agency Compensation Trust (PACT). There was no additional surplus contribution in 2019 so PACT's surplus contribution total of \$53,700,939 remains unchanged.
- ❖ PCM continued to provide \$700,000 excess of PACT's \$300,000 retention and 25% quota share of \$2,000,000 excess of the first \$1,000,000 for worker's compensation coverage. In the aggregate for all ceding entity losses, \$1,500,000 part of \$3,000,000 annually, to attach (a) once any other annual aggregate excess/reinsurance coverage obtained by the ceding entity has been exhausted or, (b) at an annual retention of \$10,000,000 in the aggregate, whichever is greater. This coverage helped PACT absorb major claims expenses while maintaining financial stability.
- ❖ With the assistance of New England Asset Management (Fixed Income Manager) and Strategic Asset Alliance (Investment Advisor), investment earnings grew to \$2,218,272 compared to \$2,151,463 in 2018. The investment base in 2019 was \$81,608,028 compared to \$72,834,863 in 2018. This investment income is key to the risk management services and claim coverage for the PACT and PCM. PCM's investment portfolio includes U.S. government obligations, U.S. state and local bonds, U.S. corporate bonds, fixed income mutual funds, bond mutual funds and equity mutual funds.
- ❖ PCM's reserves for loss and loss adjustment expenses increased to \$5,756,600 in 2019 from \$4,549,000 in 2018. These reserves are based on a 75% confidence level. This increase in actual losses and loss adjustment expenses of \$1,467,002 in 2018 to \$1,748,999 in 2019. The increase was primarily due to the occurrence of the favorable development of current year losses which had been experienced in 2019. PCM incurred losses related to 2019, as determined by the independent actuary, that were \$732,000 less than the prior year offset by an increase in prior years losses of \$1,014,000. This type of volatility is expected when dealing with workers compensation claims.
- ❖ PCM's total surplus as of December 31, 2018 was \$68,700,090 compared to \$77,854,824 as of December 31, 2019. This is an increase of \$9,154,734 during the year with \$4,070,504 being income from the net realized and unrealized gains on the investments due to market conditions.

One of PCM's goals is to continue to increase investment earnings while providing PACT added value to workers compensation coverage. This has been instrumental when PCM is seeking reinsurance and excess quotes from its reinsurance partners. Building financial strength and security is a long-held value of PACT and PCM. Under the Board's direction and leadership, we continue to work toward achieving those goals.

I personally want to thank the board of trustees for PACT and the PCM Captive board of trustees for their commitment to the dynamic development of the coverages and risk management products that we support.

Best,



PCM President

PUBLIC COMPENSATION MUTUAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018

Public Compensation Mutual's (PCM) discussion and analysis is designed to, (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the entity's financial activities, (c) identify changes in the Company's financial position (its ability to address next and subsequent years challenges), and (d) identify any material deviations from the financial plan.

We encourage readers to read this information in conjunction with the President's letter, financial statements and notes to gain a more complete understanding of the information presented.

**Company Overview**

Public Compensation Mutual ("the Company"), a Nevada nonprofit pure captive mutual insurer formed pursuant to Nevada Revised Statutes 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 the State of Nevada Division of Insurance, prior to that date, the Company was an association captive. Currently, the Company issues a single reinsurance policy to PACT each year and the underlying PACT program in turn issues a single certificate of participation to the members with a copy of the PACT Coverage Form to each member.

**Financial Highlights**

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

The auditor's report offers an unmodified opinion on the financial statements, the best opinion that can be attained.

**Critical Accounting Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the accounting period. Actual results could differ from these estimates.

PCM has identified the estimates inherent in the valuation of investments and loss reserves (including reserves for incurred but not reported claims- IBNR) as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability. In developing these estimates, management makes subjective and complex judgements that are inherently uncertain and subject to material change as facts and circumstances develop. Although variability is inherent in these estimates, management believes the amounts provided are appropriate and conservative based upon the facts available as of the date of the financial statements. PCM uses the assistance of an independent outside actuarial firm in relation to the IBNR and overall loss reserve adequacy.

**Investments**

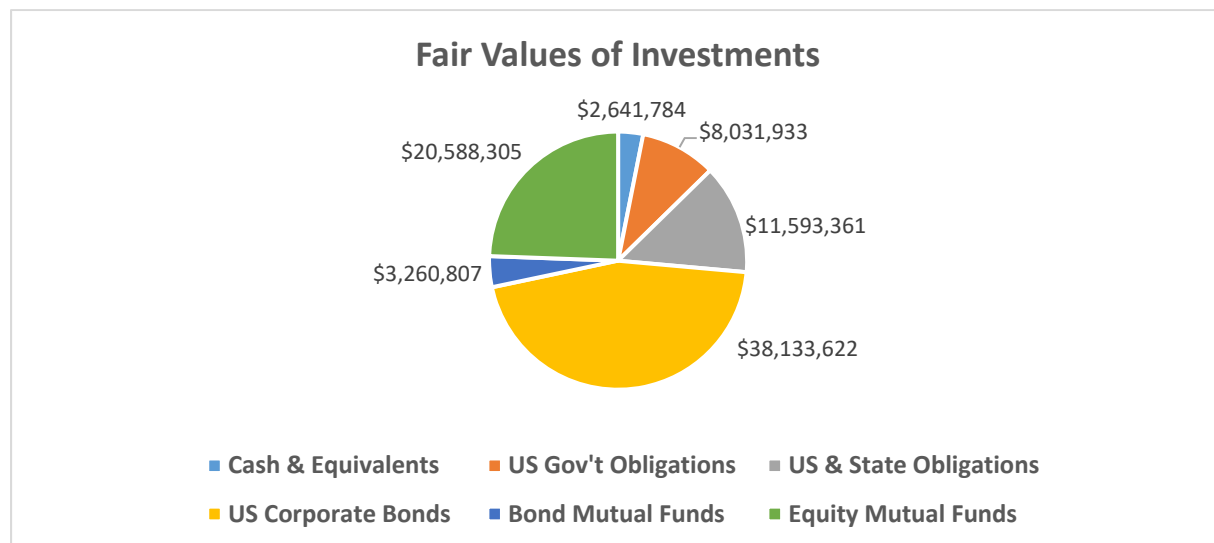
One significant estimate inherent in the valuation of investments is the evaluation of fair value and other than temporary impairment (OTTI). Fair value requires management judgement on the

appropriate classes of assets and liabilities for which disclosures about fair value measurement should be provided. Fair value for investments is primarily a quantitative assessment. For debt and equity securities, class is determined on the basis, nature and risk of the investments. A full disclosure of PCM's fair value methodology can be found in Note 3 Fair Value of Financial Instruments in the Notes to the Audited Financial Statements.

The determination of OTTI is a quantitative and qualitative process, which is subject to judgment in the determination of whether declines in the fair value of investments are other than temporary. The cost basis of fixed maturity investments is adjusted for impairments in value, deemed to be other than temporary, with the associated realized loss reported in net income. Factors considered in evaluating whether a decline in value is other than temporary include: 1) the magnitude of the decline in value; 2) current economic conditions and the financial condition and near-term prospects of the issuer; 3) the amount of time that the fair value has been less than cost; and 4) the estimated period over which the security is expected to recover and whether PCM's cash or working capital requirements and contractual or regulatory requirements may indicate a need to sell the security before its forecasted recovery.

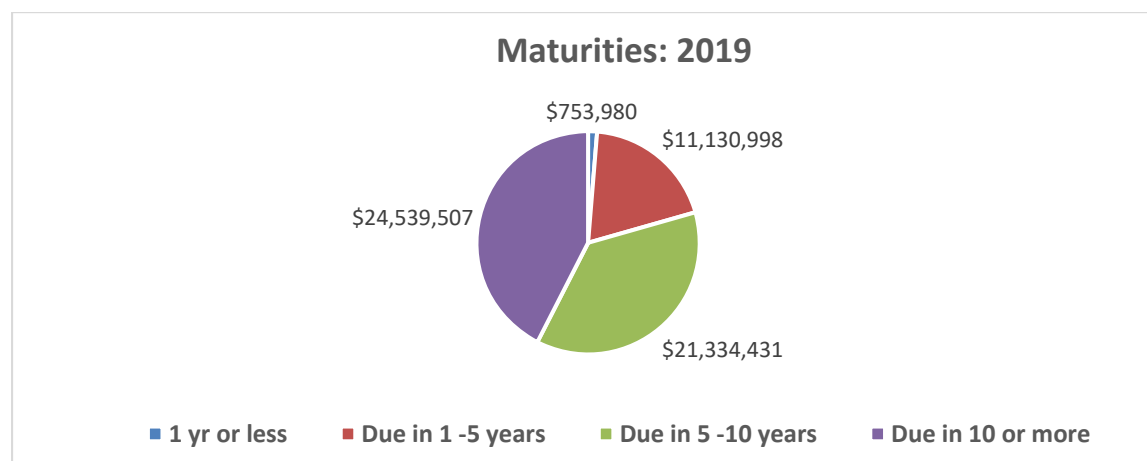
Cash and investments of \$84,249,812 are available to meet current liabilities, including reserves for loss and loss adjustment expenses of \$6,909,200. Total liabilities include accounts payable, reserves for loss and loss adjustment expenses and unearned assessments. This is a conservative measure of cash and investments available to pay current obligations. PCM's cash ratio is 12.2, meaning that the it has 12.2 times the unrestricted cash and investments on hand to meet its obligations. Last year's cash ratio was 13.7.

Investment balances as of December 31, 2019 were \$81,608,028 compared to the prior year amount of \$72,834,863. This represents an increase of \$8,773,165 or 12.0%. The increase is due primarily to the increase in the market value of the investments held as a result of the Federal Reserve Board lowering interest rates during 2019 resulting in unrealized gains on available for sale and equity securities during the period. As noted in Note 3, Level 1 quoted price in active market for identical assets were valued at \$26,490,896 the Level 2 significant other observable inputs at \$57,758,916 and no Level 3 assets. The following is an overview of the fair value investments:



As noted in Note 5- Investments, the contractual maturities of available-for-sale debt securities at December 31<sup>st</sup> 2019 and 2018 are as follows:

	Estimated Fair Values	
	<u>2019</u>	<u>2018</u>
1 year or less	\$ 753,980	\$ 197,196
Due in 1 – 5 years	11,130,998	15,797,000
Due in 5 -10 years	21,334,431	17,857,716
Due in 10 years or more	<u>24,539,507</u>	<u>19,828,939</u>
Total Investment in debt securities	<u>\$57,758,916</u>	<u>\$53,680,851</u>



### Investment Income Receivable

The investment income receivable at December 31, 2019 is \$377,712 compared to \$318,679 in 2018. This is a change of \$59,033 or 18.5%. This is due primarily to the timing of the payment of accrued interest on the investments.

### Loss Reserves

Loss reserves are estimates of losses and loss development and as such will differ from the ultimate results. Therefore, one of the critical accounting estimates is the proper amount of reserves to be set aside to meet net future liabilities of the current in-force business. Changes in or deviations from the assumptions used to develop the loss reserves can significantly affect PCM's reserve levels and related future operations. Assumptions include company methodology for underwriting and claims handling and current estimates of the legal, inflation rate, and social environments. Annually, PCM retains an outside independent actuary to provide a loss reserve opinion and establish a range for PCM's loss reserves. PCM's policy is to book reserves at the 75% confidence level as recommended by the actuary. Management has elected not to discount the reserves for anticipated investment income. See Note 6- Reserve for Loss and Loss Adjustment Expense note in the financial statements.

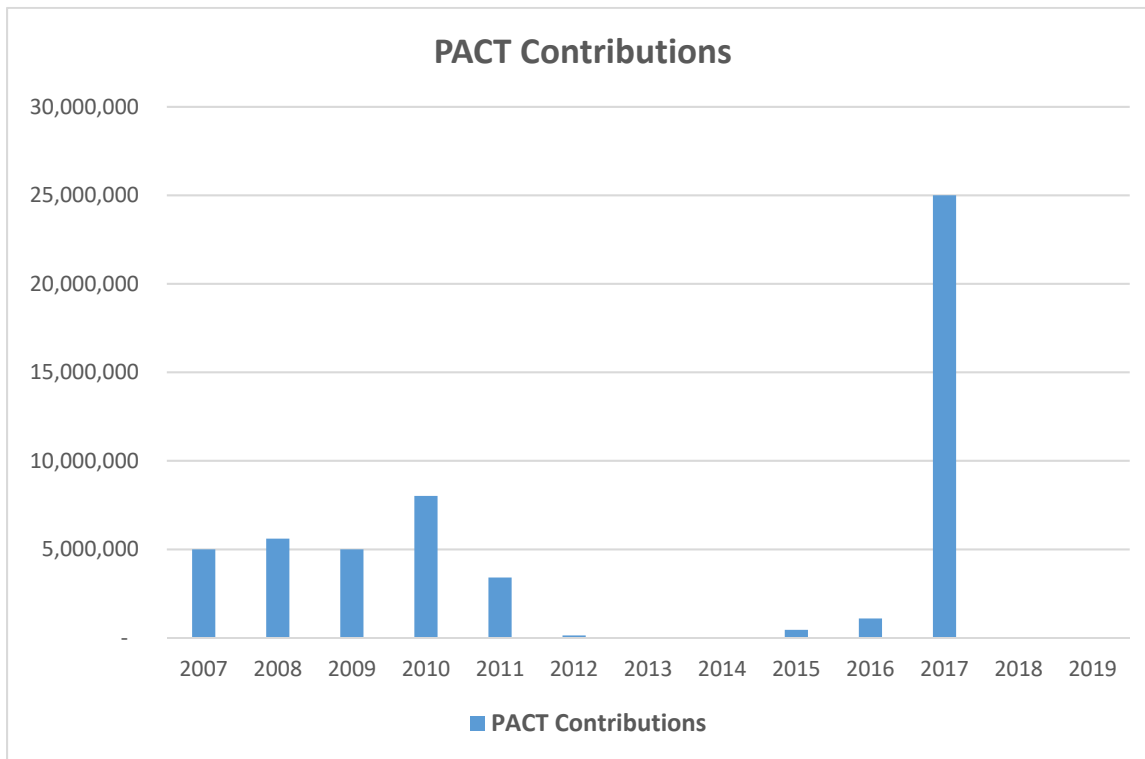
Reserves for loss and loss adjustment expenses increased from \$4,549,000 to \$5,756,600 at December 31, 2019 an increase of \$1,207,600 or 26.5% during the year due to case reserve increases on a couple of severe loss claims incurred during the year.

### Unearned Premiums

PCM writes only 12-month insurance policies effective July 1<sup>st</sup> the year written, so all of the \$1,118,850 unearned premiums carried in 2019 will be fully earned in 2020.

### Surplus Contributions

There were no surplus contributions from PACT during 2019. The last surplus contribution was during 2017 in the amount of \$25,000,000 as approved by the Board at their meeting held on March 22, 2017 meeting. This brings the total surplus contribution into PCM at \$53,700,939. See Note 7 for more details. The following chart indicates PACT's surplus contributions to PCM



### Surplus

PCM's total surplus at December 31, 2019 was \$77,854,824 an increase of \$9,154,734 from the December 31, 2018 balance of \$68,700,090. The increase results from net income of \$5,912,274 enhanced with accumulated other comprehensive gain of \$3,242,460 during the year which is composed of \$3,221,033 in unrealized holding gains on available-for-sale securities arising during the period due to changes in the investment markets.

The following is the comparative Balance Sheet of Public Compensation Mutual as of December 31, 2019 and 2018.

**Public Compensation Mutual  
Balance Sheet**

	2019	2018	\$ Difference	% Difference
<b>Assets</b>				
Cash and cash equivalents	\$ 2,641,784	\$ 855,598	\$ 1,786,186	208.8%
Premiums receivable	\$ 136,500			
Investments	81,608,028	72,834,863	8,773,165	12.0%
Investment income receivable	377,712	318,679	59,033	18.5%
Prepaid expenses	-	74,250	(74,250)	
<b>Total Assets</b>	<b>\$ 84,764,024</b>	<b>\$ 74,083,390</b>	<b>\$ 10,680,634</b>	<b>14.4%</b>
<b>Liabilities and Surplus</b>				
Accounts payable	\$ 33,750	\$ 30,800	\$ 2,950	9.6%
Reserve for loss and loss adjustment expenses	5,756,600	4,549,000	1,207,600	26.5%
Unearned assessments	1,118,850	803,500	315,350	39.2%
<b>Total liabilities</b>	<b>\$ 6,909,200</b>	<b>\$ 5,383,300</b>	<b>\$ 1,525,900</b>	<b>75.4%</b>
<b>Surplus</b>	<b>76,408,184</b>	<b>70,595,348</b>	<b>5,812,836</b>	<b>8.2%</b>
Accumulated other comprehensive income (loss)	1,446,640	(1,895,258)	3,341,898	176.3%
<b>Total Surplus</b>	<b>77,854,824</b>	<b>68,700,090</b>	<b>9,154,734</b>	<b>13.3%</b>
<b>Total Liabilities and Surplus</b>	<b>\$ 84,764,024</b>	<b>\$ 74,083,390</b>	<b>\$ 10,680,634.00</b>	<b>14.4%</b>

**Net Income from Operations**

PCM reported net income from operations for the year ended December 2019 of \$5,912,274 an increase of \$3,643,968 or 160.6% increase from the prior year end income of \$2,268,306. The increase is primarily driven by an increase in net realized and unrealized investment income of \$4,070,504 compared to a loss of (\$12,534) in the prior year. This increase was offset by increases of \$377,024 in administrative expenses as a result of payment to PACT for risk management services for the members and an increase in the allocation of management cost approved by the Board of Directors. Underwriting gains (premiums less loss expenses) of \$173,351 compared to prior year underwriting gains of \$302,206. The reduction in the underwriting gains is due to the increase in the loss and loss adjustment expenses during the year. See further explanation below.

**Net Earned Premiums**

Net earned premiums of \$1,922,350 increased by \$153,142 or 8.7% from \$1,769,208 at December 31, 2018. This increase in 2019 is due to higher assessment based on claims experience.

**Investment Income Including Realized and Unrealized Gains (Losses)**

Investment income of \$2,218,272, plus net realized and unrealized gains and (losses) on investments of \$4,070,504, at December 31, 2019 combined for a total of \$6,288,776 was \$4,149,847 or 194.0% higher than the same period during 2018 as investment income was \$2,151,463 with net realized and unrealized losses of (\$12,534). The increase was primarily due to the implementation of ASU 2016-01 which requires the unrealized gains and losses to be reported on the income statement, as well as the

higher investment balance and higher investment book yields. The unrealized gains from the portfolio are largely a result of market yields decreasing based on actions by the Federal Reserve Board to lower interest rates during 2019. See Note 5 Investments for greater details.

#### **Loss and Loss Adjustment Expenses**

Losses and loss adjustment expenses increased by \$281,997 from \$1,467,002 in 2018 to \$1,748,999 in 2019. See Note 6 Reserve for loss and loss adjustment expenses for more details.

#### **Administrative Fees**

Administrative fees were \$549,853 and \$172,829 respectively, for the years ended December 31, 2019 and 2018. The increase was attributed primarily to increases in the contract amounts for the PARMS and NRP management as the board approved a greater apportionment of the management contract to PCM from \$72,900 in 2018 to \$157,944 in 2019. PCM paid \$287,500 to PACT for risk management services for the membership in 2019. Furthermore, there was a payment of \$74,250 to Target Solutions to assist our Police and Fire members training program during 2019.

#### **Other Comprehensive Income**

Other comprehensive income, which consist of unrealized gains (losses) on available for sale securities arising during the period less reclassification adjustment for (gains) losses recognized in net income. In 2019 the unrealized gain on available for sale securities during the period was \$3,221,033 compared to unrealized losses of (\$3,353,577) in 2018. The unrealized gain is due primarily to the decreases in the interest rates imposed by the Federal Reserve in 2019 compared to them raising the rates in 2018. The reclassification adjustment for (gains) losses recognized in net income were \$21,427 in 2019 compared to \$12,534 in 2018. This results in total Other Comprehensive Income of \$3,242,460 in 2019 and compared to Other Comprehensive Loss (\$3,341,043) in 2018. Additionally, the implementation of ASU 2016-01 required the reclassification of equity securities from available-for-sale to equity securities with unrealized gains and losses reported on the income statement rather than as a component of Other Comprehensive Income (Loss). As noted in board policy, investments are intended to be held for maturity, thus the unrealized gains (losses) are not likely to materialize. The significant unrealized gains will become future net investment income as the payment of the book yield occurs on the portfolio.

The following is the Statement of Income and Comprehensive Income for the years ended December 31, 2019 and 2018.

**Public Compensation Mutual**  
**Statement of Income and Comprehensive Income**

	2019	2018	\$ Difference	% Difference
<b>INCOME</b>				
Premiums	\$ 1,922,350	\$ 1,769,208	\$ 153,142	8.7%
Net Investment income	2,218,272	2,151,463	\$ 66,809	3.1%
Net realized and unrealized gains (losses) on investments	4,070,504	(12,534)	\$ 4,083,038	32575.7%
Total Income	<u>8,211,126</u>	<u>3,908,137</u>	<u>4,302,989</u>	<u>110.1%</u>
<b>EXPENSES</b>				
Administrative expenses	549,853	172,829	377,024	218.1%
Loss and loss adjustment expenses	1,748,999	1,467,002	281,997	19.2%
Total Expenses	<u>2,298,852</u>	<u>1,639,831</u>	<u>659,021</u>	<u>40.2%</u>
Net Income Before Income Taxes	5,912,274	2,268,306	3,643,968	160.6%
Provision for Income Taxes	-	-	-	
Net Income	<u>\$ 5,912,274</u>	<u>\$ 2,268,306</u>	<u>3,643,968</u>	<u>160.6%</u>
<b>OTHER COMPREHENSIVE INCOME</b>				
Unrealized gains (losses) on available for sale securities arising during the period	\$ 3,221,033	\$(3,353,577)	\$ 6,574,610	196.0%
Less: Reclassified adjustment for (gains) losses recognized in net income	21,427	12,534	8,893	71.0%
Other Comprehensive Income (Loss)	<u>3,242,460</u>	<u>(3,341,043)</u>	<u>6,583,503</u>	<u>197.0%</u>
Comprehensive Income (Loss)	<u>\$ 9,154,734</u>	<u>\$(1,072,737)</u>	<u>\$ 10,227,471</u>	<u>953.4%</u>

**Request for Information**

This financial report is designed to provide a general overview of the financial activities and conditions of Public Compensation Mutual. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Public Compensation Mutual, 201 South Roop Street, Suite 102, Carson City, Nevada 89701 or email at [akalt@poolpact.com](mailto:akalt@poolpact.com).



*Casey Neilson, Inc.*  
**Accountants and Advisors**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Public Compensation Mutual

We have audited the accompanying financial statements of Public Compensation Mutual (a Nevada non-profit pure captive mutual insurer) which comprise the balance sheets as of December 31, 2019 and 2018 and the related statements of income and comprehensive income, changes in surplus 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 of 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 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, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Other Matters – Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the expanded disclosures regarding short duration contracts contained in Note 6 to the financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial 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.

***Report on Other Legal and Regulatory Requirements***

In accordance with the Nevada Administrative Code, we have also issued our report dated March 11, 2020, on our consideration of the Company's internal control and compliance 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.

A handwritten signature in black ink that reads "Casey Nalor". The signature is written in a cursive, flowing style.

Carson City, Nevada  
March 11, 2020

**PUBLIC COMPENSATION MUTUAL  
BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,641,784	\$ 855,598
Premiums receivable	136,500	-
Investments	81,608,028	72,834,863
Investment income receivable	377,712	318,679
Prepaid expenses	-	74,250
	<b>\$ 84,764,024</b>	<b>\$ 74,083,390</b>
<b>LIABILITIES AND SURPLUS</b>		
Accounts payable	\$ 33,750	\$ 30,800
Reserve for loss and loss adjustment expenses	5,756,600	4,549,000
Unearned premiums	1,118,850	803,500
	<b>6,909,200</b>	<b>5,383,300</b>
	<b>76,408,184</b>	<b>70,595,348</b>
Surplus	1,446,640	(1,895,258)
Accumulated other comprehensive income (loss)	<b>77,854,824</b>	<b>68,700,090</b>
	<b>\$ 84,764,024</b>	<b>\$ 74,083,390</b>
Total Liabilities and Surplus	<b>\$ 84,764,024</b>	<b>\$ 74,083,390</b>

See accompanying notes

**PUBLIC COMPENSATION MUTUAL  
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>INCOME</b>		
Premiums	\$ 1,922,350	\$ 1,769,208
Net investment income	2,218,272	2,151,463
Net realized and unrealized gains (losses) on investments	4,070,504	(12,534)
	<u>8,211,126</u>	<u>3,908,137</u>
<b>EXPENSES</b>		
Administrative fees	549,853	172,829
Loss and loss adjustment expenses	1,748,999	1,467,002
	<u>2,298,852</u>	<u>1,639,831</u>
Net Income Before Income Taxes	5,912,274	2,268,306
Provision for income taxes	-	-
	<u>\$ 5,912,274</u>	<u>\$ 2,268,306</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized gains (losses) on available for sale securities arising during the period	\$ 3,221,033	\$ (3,353,577)
Less: Reclassification adjustment for (gains) losses recognized in net income	21,427	12,534
	<u>3,242,460</u>	<u>(3,341,043)</u>
Other Comprehensive Income (Loss)	<u>\$ 9,154,734</u>	<u>\$ (1,072,737)</u>

See accompanying notes

**PUBLIC COMPENSATION MUTUAL  
STATEMENTS OF CHANGES IN SURPLUS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>Surplus</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Surplus</u>
Balance, December 31, 2017	\$ 68,327,042	\$ 1,445,785	\$ 69,772,827
Net income	2,268,306	-	2,268,306
Unrealized holding losses arising during the period	-	(3,353,577)	(3,353,577)
Add: Reclassification adjustment for losses realized in net income	-	12,534	12,534
Balance, December 31, 2018	<u>\$ 70,595,348</u>	<u>\$ (1,895,258)</u>	<u>\$ 68,700,090</u>
Net income	5,912,274	-	5,912,274
Unrealized holding gains arising during the period	-	3,221,033	3,221,033
Add: Reclassification adjustment for losses realized in net income	-	21,427	21,427
Reclassification adjustment for adoption of ASU No. 2016-01	<u>(99,438)</u>	<u>99,438</u>	<u>-</u>
Balance, December 31, 2019	<u><u>\$ 76,408,184</u></u>	<u><u>\$ 1,446,640</u></u>	<u><u>\$ 77,854,824</u></u>

See accompanying notes

**PUBLIC COMPENSATION MUTUAL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING</b>		
<b>ACTIVITIES:</b>		
Net income	\$ 5,912,274	\$ 2,268,306
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gains) losses on sale of securities	12,986	12,534
Amortization of premium or discount	170,914	169,591
Net unrealized gains and losses on marketable securities classified as trading	(4,083,490)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Premiums receivable	(136,500)	-
Investment income receivable	(59,033)	(32,794)
Prepaid expenses	74,250	(74,250)
Increase (decrease) in:		
Reserve for loss and loss adjustment expenses	1,207,600	1,467,000
Accounts payable	2,950	(457)
Unearned premiums	315,350	(162,208)
Net Cash Provided by Operating Activities	<u>3,417,301</u>	<u>3,647,722</u>
<b>CASH FLOWS FROM INVESTING</b>		
<b>ACTIVITIES:</b>		
Purchase of securities	(14,892,990)	(6,027,204)
Sale of securities	13,261,875	2,932,521
Net Cash Used by Investing Activities	<u>(1,631,115)</u>	<u>(3,094,683)</u>
Increase in Cash and Cash Equivalents	1,786,186	553,039
<b>CASH AND CASH EQUIVALENTS, Beginning of Period</b>	<u>855,598</u>	<u>302,559</u>
<b>CASH AND CASH EQUIVALENTS, End of Period</b>	<u><u>\$ 2,641,784</u></u>	<u><u>\$ 855,598</u></u>

See accompanying notes

**PUBLIC COMPENSATION MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**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 the 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.

**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.

**Debt Securities Available for Sale:**

Investments in debt securities 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 securities is determined by quoted market prices and observable information for similar items in active or inactive markets. Realized gains and losses are calculated using the specific identification method.

**PUBLIC COMPENSATION MUTUAL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Equity Securities:**

Beginning in 2019, with the adoption of ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10), the Company's investments in equity securities at fair value are no longer classified as available for sale, and changes in fair value are included in net realized and unrealized gains (losses) on investments on the Company's income statement.

The adoption of ASU 2016-01 also removed the impairment assessment for equity securities at fair value beginning in 2019, and changes in fair value are included in net realized and unrealized (losses) gains on investments on the company's statements of income and comprehensive income. Prior to adoption of this standard, when, in the opinion of management, a decline in the fair value of an equity security below its cost was considered to be "other-than-temporary," the equity security's cost was written down to its fair value at the time the other-than-temporary decline is identified.

**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.



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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**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.

**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 NRS 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 any single mutual fund, exchange traded fund or similar vehicle to no more than 10% of assets.

**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.

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**NOTE 2 – NEW ACCOUNTING STANDARDS:**

**Recently Adopted Accounting Standards:**

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10). This update replaces the guidance to classify equity securities with readily determinable fair values into different categories (trading or available-for sale) and requires equity securities to be measured at fair value with changes in fair value recognized through net income. Additionally, this update eliminates the method and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost. It requires financial instruments to be measured at fair value using the exit price notion. Furthermore, this update clarifies that an evaluation of deferred tax assets related to available-for-sale securities is needed, in combination with an evaluation of other deferred tax assets, to determine if a valuation allowance is required. This update became effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The company adopted this update effective January 1, 2019. Adoption of this accounting standard resulted in a reclassification adjustment to surplus from accumulated other comprehensive income of \$99,438.

In May 2014, the FASB issued ASU Number 2014-09, Revenue from Contracts with Customers (Topic 606). This update clarifies the principles for recognizing revenue and develops revenue standards to improve revenue recognition guidance. This update requires an entity to recognize revenue as performance obligations are met in order to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration the entity is entitled to receive for those goods or services. In applying this guidance companies are required to: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract(s); (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract(s); and (5) recognize revenue when, or as, the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, and interim reporting periods within that annual reporting period. Insurance contracts are not within the scope of this updated guidance. The Company has analyzed revenue streams within the current business operation and determined the adoption of this standard did not have an impact on its financial condition and results of operations.

**Recently Issued Accounting Standards – Not Yet Adopted:**

In August 2018, the Financial Accounting Standards Board (FASB) issued ASU Number 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. This update removes the disclosure requirements for the amounts of and the reasons for transfers between Level 1 and Level 2 and disclosure of the policy for timing of transfers between levels. This update also removes disclosure requirements for the valuation processes for Level 3 fair value measurements. Additionally, this update adds disclosure requirements for the changes in unrealized gains and losses for recurring Level 3 fair value measurements and quantitative information for certain unobservable inputs in Level 3 fair value measurements. This update becomes effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company has determined that the impact of this new standard will not be material to the Company's financial statements

**NOTE 3 – 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.

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**NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued):**

*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.

The following table presents the Company’s fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2019 and 2018:

Description	December 31, 2019	Fair Value measurement at reporting date using		
		Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 2,641,784	\$ 2,641,784	\$ -	\$ -
U.S. government obligations	8,031,933	-	8,031,933	-
U.S states and local authorities	11,593,361	-	11,593,361	-
Bonds	38,133,622	-	38,133,622	-
Bond mutual funds	3,260,807	3,260,807	-	-
Equity mutual funds	20,588,305	20,588,305	-	-
<b>Total</b>	<b>\$ 84,249,812</b>	<b>\$ 26,490,896</b>	<b>\$ 57,758,916</b>	<b>\$ -</b>

Description	December 31, 2018	Fair Value measurement at reporting date using		
		Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 855,598	\$ 855,598	\$ -	\$ -
U.S. government obligations	9,096,588	-	9,096,588	-
U.S states and local authorities	10,127,010	-	10,127,010	-
Bonds	34,457,253	-	34,457,253	-
Fixed income mutual funds	1,683	1,683	-	-
Bond mutual funds	1,938,418	1,938,418	-	-
Equity mutual funds	17,213,911	17,213,911	-	-
<b>Total</b>	<b>\$ 73,690,461</b>	<b>\$ 20,009,610</b>	<b>\$ 53,680,851</b>	<b>\$ -</b>

There were no transfers between fair value levels during the year ended December 31, 2019 and 2018.

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**NOTE 4 – CONCENTRATIONS:**

**Premiums:**

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.

**Credit Risk:**

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, 2019 and 2018, 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 5 – INVESTMENTS:**

Available-for-sale securities at December 31, 2019 and 2018 consist of various investments as indicated below:

	December 31, 2019			
	Cost	Estimated Fair Value	Gross Unrealized	
			Gains	Losses
U.S. government obligations	\$ 8,041,166	\$ 8,031,933	\$ 37,706	\$ (46,939)
U.S states and local authorities	11,367,139	11,593,361	248,104	(21,882)
Bonds	36,903,971	38,133,622	1,276,864	(47,213)
Total debt securities	<u>56,312,276</u>	<u>57,758,916</u>	<u>1,562,674</u>	<u>(116,034)</u>
Total available-for-sale securities	<u>\$ 56,312,276</u>	<u>\$ 57,758,916</u>	<u>\$ 1,562,674</u>	<u>\$ (116,034)</u>

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**NOTE 5 – INVESTMENTS (continued):**

	December 31, 2018			
	Cost	Estimated Fair Value	Gross Unrealized	
			Gains	Losses
U.S. government obligations	\$ 9,492,495	\$ 9,096,588	\$ -	\$ (395,907)
U.S states and local authorities	10,355,730	10,127,010	9,650	(238,370)
Bonds	35,628,446	34,457,253	53,064	(1,224,257)
Total debt securities	<u>55,476,671</u>	<u>53,680,851</u>	<u>62,714</u>	<u>(1,858,534)</u>
Fixed income mutual funds	1,781	1,683	-	(98)
Bond mutual funds	2,125,361	1,938,418	-	(186,943)
Equity mutual funds	17,126,308	17,213,911	757,737	(670,134)
Total equity securities	<u>19,253,450</u>	<u>19,154,012</u>	<u>757,737</u>	<u>(857,175)</u>
Total available-for-sale securities	<u>\$ 74,730,121</u>	<u>\$ 72,834,863</u>	<u>\$ 820,451</u>	<u>\$ (2,715,709)</u>

Proceeds from the sale of investment securities available for sale were \$8,085,095 in 2019 and \$2,932,521 in 2018.

During 2019 and 2018, net realized gains (losses) on investments and the change in unrealized gains (losses) on the Company's investments recorded at fair value are determined on a specific-identification basis and were as follows:

	December 31, 2019				
	Gross Realized Gains	Gross Realized Losses	Changes in Net Unrealized Gains (Losses)	Change in FV Reflected in Earnings	Change in FV Reflected in AOCI, before tax
Debt securities	\$ 107	\$ (21,534)	\$ 3,242,460	\$ -	\$ 3,221,033
Equity securities	40,403	(31,962)	4,083,490	4,083,490	-
	<u>\$ 40,510</u>	<u>\$ (53,496)</u>	<u>\$ 7,325,950</u>	<u>\$ 4,083,490</u>	<u>\$ 3,221,033</u>
	December 31, 2018				
	Gross Realized Gains	Gross Realized Losses	Changes in Net Unrealized Gains (Losses)	Change in FV Reflected in Earnings	Change in FV Reflected in AOCI, before tax
Debt securities	\$ 200	\$ (12,734)	\$ (1,193,630)	\$ -	\$ (1,206,164)
Equity securities	-	-	(2,147,413)	-	\$ (2,147,413)
	<u>\$ 200</u>	<u>\$ (12,734)</u>	<u>\$ (3,341,043)</u>	<u>\$ -</u>	<u>\$ (3,353,577)</u>

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**NOTE 5 – INVESTMENTS (continued):**

Management evaluates debt 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.

The adoption of ASU 2016-01 removed the impairment assessment for equity securities at fair value, and, beginning in 2019, changes in fair value are included in net realized and unrealized gains and losses on investments in the Company's statement of income and comprehensive income. Prior to adoption of this standard, the Company did not recognize any other-than-temporary impairments on equity securities as management has the intent and ability to hold the securities for the foreseeable future.

All investments have been valued based on quoted prices in active markets for identical assets and liabilities.

Contractual maturities of available-for-sale debt securities at December 31, 2019 and 2018 are as follows:

	Estimated Fair Values	
	2019	2018
1 year or less	\$ 753,980	\$ 197,196
Due in 1 - 5 years	11,130,998	15,797,000
Due in 5 - 10 years	21,334,431	17,857,716
Due in 10 years or more	24,539,507	19,828,939
Total investment in debt securities	<u>\$ 57,758,916</u>	<u>\$ 53,680,851</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.

**NOTE 6 – RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES:**

The Company provides coverage for members of PACT for worker's compensation losses under a quota-share reinsurance arrangement as illustrated in the following table:

	Quota share	Insurance layer	Quota share	Insurance layer	
7/1/2007-7/1/2012	25%	\$2,000,000 excess of \$500,000			\$500,000
7/1/2012-7/1/2014		\$250,000 excess of \$500,000	25%	\$2,250,000 excess of \$750,000	\$500,000
7/1/2014-7/1/2017		\$500,000 excess of \$500,000	25%	\$2,000,000 excess of \$1,000,000	-
7/1/2017-7/1/2018		\$700,000 excess of \$300,000	25%	\$2,000,000 excess of \$1,000,000	-
7/1/2018-7/1/2019		\$700,000 excess of \$300,000	25%	\$2,000,000 excess of \$1,000,000	-
7/1/2019-7/1/2020		\$700,000 excess of \$300,000	25%	\$2,000,000 excess of \$1,000,000	-

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**NOTE 6 - RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES (continued):**

Additionally, effective July 1, 2014, 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.

Loss reserve estimates are inherently uncertain because the ultimate amount the Company will pay for many of the claims it has incurred as of the balance sheet date will not be known for many years. The estimate of loss reserves is intended to equal the difference between the expected ultimate losses of all claims that have occurred as of a balance sheet date and amounts already paid. The Company establishes loss reserves based on its own analysis of emerging claims and review of the results of actuarial projections. The Company's aggregate carried reserve for unpaid losses is the sum of its reserves for each accident year and represents its best estimate of outstanding loss reserves.

The amount by which estimated losses in the aggregate differ from those previously estimated for a specific time period is known as reserve "development." Reserve development is unfavorable when losses ultimately settle for more than the amount reserved or subsequent estimates indicate a basis for reserve increases on open claims, causing the previously estimated loss reserves to be "deficient." Reserve development is favorable when estimates of ultimate losses indicate a decrease in established reserves, causing the previously estimated loss reserves to be "redundant." Development is reflected in the Company's operating results through an adjustment to incurred losses during the period in which it is recognized.

The three main components of reserves for unpaid losses are case reserves, incurred but not reported (IBNR) loss reserves and reserves for loss adjustment expenses (LAE).

When claims are reported, the Company establishes individual estimates of the ultimate cost of each claim (case reserves). These case reserves are continually monitored and revised in response to new information and for amounts paid. IBNR is an actuarial estimate of future payments on claims that have occurred but have not yet been reported. The Company also estimates and makes a provision for the extent to which the case reserves on known claims may develop. IBNR reserves apply to the entire body of claims arising from a specific time period, rather than a specific claim. Most of the Company's IBNR reserves relate to estimated future claim payments on recorded open claims.

For the year ended December 31, 2019, estimated unpaid losses have been determined to range from a recommended low of \$5,205,000 to a recommended high of \$5,843,000 based on actuarial estimates; further the actuary has projected expected losses at \$4,403,000. For the year ended December 31, 2018, estimated paid losses have been determined to range from a recommended low of \$4,549,000 to a recommended high of \$5,172,000 based on actuarial estimates; further the actuary has projected expected losses at \$3,767,000.

Management has estimated reserves to be \$5,756,600 and \$4,549,000 at December 31, 2019 and 2018 respectively. 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.

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**NOTE 6 - RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES (continued):**

Activity in the reserve for loss and loss adjustment expenses account is summarized as follows:

	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 4,549,000	\$ 3,082,000
Incurred related to:		
Current year	1,370,000	2,102,000
Prior years	<u>379,000</u>	<u>(635,000)</u>
Total incurred	<u>1,749,000</u>	<u>1,467,000</u>
Net paid	<u>541,400</u>	<u>-</u>
Balance at December 31	<u><u>\$ 5,756,600</u></u>	<u><u>\$ 4,549,000</u></u>

As a result of changes in estimates of incurred events in the prior year, the provision for losses changed by \$379,000 and (\$635,000), respectively, due to (lower)/higher than anticipated losses on the development of claims.

The Company's reserve estimates are based on loss experience and exposure data and have assumed future development of incurred and paid losses can be reasonably predicted on the basis of development of such losses in the recent past.

The Company compiles and aggregates its claims data by grouping the claims according to the year in which the claim occurred ("accident year") when analyzing claim payment and emergence patterns and trends over time. It has been assumed that costs associated with workers compensation claims are increasing 2.5% annually and average claim size are increasing by 3.5% annually. For the purposes of defining claims frequency, the number of reported claims includes any claim that has case reserves and/or loss and LAE payments associated with them. The Company has assumed that the average frequency of claims has an annual trend of 1.0%.



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**NOTE 6 - RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES (continued):**

The following tables show the Company's historical incurred and cumulative paid losses and LAE development, net of reinsurance as well as IBNR loss reserves and the number of reported claims on an aggregated basis as of December 31, 2019 for each of the previous 10 accident years:

<b>Incurred Losses and LAE, Net of Reinsurance</b>											<b>2019</b>	
<b>Years Ended December 31,</b>												
<b>Accident Year</b>	<b>2010 (1)</b>	<b>2011 (1)</b>	<b>2012 (1)</b>	<b>2013 (1)</b>	<b>2014 (1)</b>	<b>2015 (1)</b>	<b>2016 (1)</b>	<b>2017 (1)</b>	<b>2018 (1)</b>	<b>2019</b>	<b>IBNR</b>	<b>Cumulative number of reported claims</b>
(in thousands, except claims counts)												
2010	\$ 31.3	\$ 58.0	\$ 35.4	\$ 50.9	\$ 24.2	\$ 38.7	\$ 9.7	\$ -	\$ -	\$ 8.1	\$ 129.3	3
2011		32.6	55.9	45.7	26.0	20.3	-	-	-	-	-	0
2012			60.6	64.7	44.5	33.7	-	-	-	-	-	0
2013				80.7	493.0	421.5	466.4	319.9	410.6	404.9	8.2	1
2014					514.7	694.6	623.7	389.5	274.1	180.1	180.1	0
2015						494.0	774.8	636.3	309.1	270.7	270.7	0
2016							409.7	741.8	454.1	392.7	392.7	0
2017								393.1	1,705.1	1,566.8	782.3	1
2018									788.6	2,072.3	1,317.6	2
2019										790.1	790.1	0
<b>Total</b>										<b>\$ 5,685.7</b>		

<b>Cumulative Paid Losses and LAE, Net of Reinsurance</b>										
<b>Years Ended December 31,</b>										
<b>Accident Year</b>	<b>2010 (1)</b>	<b>2011 (1)</b>	<b>2012 (1)</b>	<b>2013 (1)</b>	<b>2014 (1)</b>	<b>2015 (1)</b>	<b>2016 (1)</b>	<b>2017 (1)</b>	<b>2018 (1)</b>	<b>2019</b>
(in thousands)										
2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011		-	-	-	-	-	-	-	-	-
2012			-	-	-	-	-	-	-	-
2013				-	-	-	-	-	-	-
2014					-	-	-	-	-	-
2015						-	-	-	-	-
2016							-	-	-	-
2017								-	-	-
2018									-	541.4
2019										-
<b>Total</b>										<b>\$ 541.4</b>
All outstanding liabilities for unpaid losses and LAE prior to 2010, net of reinsurance										612.3
<b>Total outstanding liabilities for unpaid losses and LAE, net of reinsurance</b>										<b>\$ 5,756.6</b>

(1) Data presented for these calendar years is considered to be supplementary information, which is unaudited.

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**NOTE 6 - RESERVE FOR LOSS AND LOSS ADJUSTMENT EXPENSES (continued):**

The following table presents the average percentage payout of incurred claims by age, net of reinsurance, as of December 31, 2019 and is presented as required supplementary information, which is unaudited:

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
0.0%	3.3%	2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The following table represents a reconciliation of claims development to the aggregate carrying amount of the liability for unpaid losses and LAE:

Liabilities for unpaid losses and LAE, net of reinsurance	\$ 5,756.6
Reinsurance recoverable on unpaid losses	-
Unallocated LAE	-
<b>Total liability for unpaid losses and LAE</b>	<b>\$ 5,756.6</b>

**NOTE 7 - SURPLUS CONTRIBUTION:**

The following is a summary of the surplus contributed to the Company from PACT pursuant to authorization by the Executive Committee of PACT:

Years	Surplus PACT Contribution
2007	\$ 5,000,000
2008	5,600,000
2009	5,000,000
2010	8,017,375
2011	3,406,464
2012	135,598
2013	-
2014	-
2015	448,242
2016	1,093,260
2017	25,000,000
2018	-
2019	-
<b>Total</b>	<b>\$ 53,700,939</b>

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, 2019 and 2018.

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**NOTE 8 - 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.

Public Compensation Mutual has entered into a management services agreement with Nevada Risk Pooling, Inc. to provide captive management for the day to day operations of PCM for a five year period from July 1, 2019 to June 30, 2024. The cost of the initial base year is \$225,000 with annual increases of 3% each succeeding year.

**NOTE 9 - SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through March 11, 2020, which is the date the financial statements were available to be issued.

*Casey Neilson, Inc.*  
**Accountants and Advisors**

**REPORT ON INTERNAL CONTROL AND COMPLIANCE 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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Public Compensation Mutual, which comprise the balance sheet as of December 31, 2019, and the related statements of income and comprehensive income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2020.

In planning and performing our audit of the GAAP basis financial statements of Public Compensation Mutual as of and for the year ended December 31, 2019 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 Public Compensation Mutual'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.

In connection with our audit, nothing came to our attention that caused us to believe that Public Risk Mutual failed to comply with the terms, covenants, provisions, or conditions of their bylaws, articles of incorporation, or business plan, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Company's noncompliance with the above-referenced terms, insofar as they relate to accounting matters

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 Public Compensation Mutual is subject and is not intended to be and should not be used by anyone other than these specified parties.



Carson City, Nevada  
March 11, 2020

**POOLING RESOURCES INC (a non-profit corporation)**  
**FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Pooling Resources Inc.  
Carson City, Nevada

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, 2019 and 2018, and the related statements of activities and changes in net assets, statement of functional expenses, and statements of 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 controls 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 controls 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 controls. 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, 2019 and 2018, its activities 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.

*Bertrand & Associates, LLC*

Carson City, Nevada  
September 30, 2019

## GENERAL MANAGER'S LETTER

Board of Directors Pooling Resources, Inc.,

As the General Manager, I am pleased to present the Pooling Resources, Inc.(PRI) Annual Audited Financial Statements for the year ending June 30, 2019, the conclusion of our 13<sup>th</sup> year of operations providing human resource consulting services to members of the Nevada Public Agency Insurance Pool (POOL) and the Public Agency Compensation Trust (PACT). As noted in part of PRI's Mission Statement, we serve as a business partner with POOL/PACT members to enhance their human resources programs, improve employee/employer relations, and reduce liability.

The audited financial statements are prepared in accordance with the recommendations of the Financial Accounting Standards Board in its FASB ASC 9580210-45-1, *Financial Statements of Not-For-Profit Organizations*. As such, 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. Please see the audited financial statements for more details.

Through the oversight of the Board of Directors, Audit Committee, and our HR Oversight Committee, POOL/PACT Members can be assured that PRI remains financially responsible in carrying out the strategic plans of the organization and the service plans of the individual members with the grant funding provided. Members should be proud of the success we have achieved together.

PRI has been serving its membership for over 13 years. Our team of highly-qualified HR professionals and support staff have a passion for HR management and are committed to providing relevant, timely, accurate, and consistent advice; and delivering high-value, high-quality services and training tailored to member needs. We take pride in our ability to help members not only reduce liability through individualized consultations on critical employment-related issues, but also in developing and sustaining effective HR programs within their own organizations. We are able to achieve these goals through our comprehensive scope of services which includes: instructor-led and online training courses, workshops, webinars, and HR briefings; on-site assessments of members' HR-related practices with recommendations; updated sample personnel policies, job descriptions, and various HR forms; "Alerts" notifying members of significant changes in an HR-related law or practice; and scholarships which assist members in attaining nationally-recognized HR certifications. We are especially proud of our annual HR leadership conference: *Navigating Today's Challenges in Public-Sector Employment* and our four certificate programs, including *Essential Management Skills* of which more than 1400 member-employees have completed. With this extensive scope of services, members receive a wide range of support services not offered by other agencies.

Thank you for your participation in PRI and for having confidence in our ongoing ability to meet the Mission, Vision, and Strategic Plans set for our member services consortium. We welcome your comments and suggestions to further strengthen PRI's operations and to provide you with additional information and to enhance Member services in human resources programs. I am honored to serve as General Manager. Thank you for your continued active participation as a Member of POOL/PACT.

Sincerely,

*Stacy Norbeck*

PRI General Manager



**POOLING RESOURCES INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2019 and 2018**

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<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Current assets:		
Cash and cash equivalents	\$ 1,035,864	\$ 266,427
Investments	240,473	959,811
Accrued interest income	900	1,336
Grant receivable	101,917	99,917
Total current assets	<u>1,379,154</u>	<u>1,327,491</u>
Other assets:		
Prepaid expenses	14,961	2,627
Total other assets	<u>14,961</u>	<u>2,627</u>
<b>Total assets</b>	<b><u><u>1,394,115</u></u></b>	<b><u><u>1,330,118</u></u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	20,304	31,700
Compensated absences	34,675	22,246
Total current liabilities	<u>54,979</u>	<u>53,946</u>
Net assets: donor-restricted	1,339,136	1,276,172
Total net assets	<u>1,339,136</u>	<u>1,276,172</u>
<b>Total liabilities &amp; net assets</b>	<b><u><u>\$ 1,394,115</u></u></b>	<b><u><u>\$ 1,330,118</u></u></b>

See notes to financial statements

**POOLING RESOURCES INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the years ended June 30, 2019 and 2018**

<b>REVENUES</b>	<b>2019</b>	<b>2018</b>
Grant income	\$ 1,223,000	\$ 1,199,000
Total revenues	1,223,000	1,199,000
 <b>EXPENDITURES</b>		
Program activities:		
Salaries and payroll taxes	695,002	684,721
Retirement	77,817	110,901
Health insurance costs	96,868	102,549
Member education services	39,228	61,478
Professional development	4,564	8,131
Travel	34,002	46,473
Total program activities	947,481	1,014,253
General activities:		
Casualty insurance	9,691	9,621
Dues and subscriptions	6,272	6,343
Legal and professional	11,099	13,875
Management Services	21,937	25,106
Office supplies	7,098	9,723
Rent	94,776	92,916
Technology expenses	51,271	54,155
Other operating expenses	25,537	30,983
Total supporting activities	227,681	242,722
Total expenses	1,175,162	1,256,975
 <b>Increase in operating net assets - temporarily restricted</b>	 47,838	 (57,975)
 Increase in non-operating net investment income	 15,126	 (2,943)
 <b>Change in net assets - donor-restricted</b>	 <b>62,964</b>	 <b>(60,918)</b>
 Net assets at beginning of year	 1,276,172	 1,337,090
<b>Net assets at end of year - donor-restricted</b>	<b>\$ 1,339,136</b>	<b>\$ 1,276,172</b>

See notes to financial statements

**POOLING RESOURCES INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the years ended June 30, 2019 and 2018**

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	2019			2018		
	Program	General	Total	Program	General	Total
Salaries & related taxes	\$ 590,752	\$ 104,250	\$ 695,002	\$ 582,013	\$ 102,708	\$ 684,721
Pension plan contributions	66,144	11,673	77,817	94,266	16,635	110,901
Health insurance	82,338	14,530	96,868	87,167	15,382	102,549
Member education services	39,228	-	39,228	61,478	-	61,478
Professional development	4,564	-	4,564	8,131	-	8,131
Travel	34,002	-	34,002	46,473	-	46,473
Casualty insurance	-	9,691	9,691	-	9,621	9,621
Dues & subscriptions	-	6,272	6,272	-	6,343	6,343
Legal & professional	6,500	4,599	11,099	8,125	5,750	13,875
Management services	-	21,937	21,937	-	25,106	25,106
Office supplies	6,033	1,065	7,098	8,265	1,458	9,723
Rent	80,560	14,216	94,776	78,979	13,937	92,916
Technology expenses	43,580	7,691	51,271	46,032	8,123	54,155
Other operating expense	-	25,537	25,537	-	30,983	30,983
<b>Total expenses</b>	<b>\$ 953,701</b>	<b>\$ 221,461</b>	<b>\$ 1,175,162</b>	<b>\$ 1,020,929</b>	<b>\$ 236,046</b>	<b>\$ 1,256,975</b>

See notes to financial statements

**POOLING RESOURCES INC.**  
**STATEMENT OF CASH FLOWS**  
**For the years ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 62,964	\$ (60,918)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease in accrued investment income	436	1,236
(Increase) in grants receivable	(2,000)	(2,917)
Decrease in contract receivable	-	5,000
(Increase) decrease in prepaid expenses	(12,334)	12,762
(Decrease) increase in accounts payable	(11,396)	14,215
(Decrease) in accrued payroll	-	(20,583)
Increase (decrease) increase in compensated absences	12,429	(15,957)
Net cash flows provided (used) from operating activities	<u>50,099</u>	<u>(67,162)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase (decrease) in investments	<u>719,338</u>	<u>(147,473)</u>
Net cash provided (used) in investing	<u>719,338</u>	<u>(147,473)</u>
Increase (decrease) in cash and cash equivalents	769,437	(214,635)
Beginning cash at July 1	<u>266,427</u>	<u>481,062</u>
<b>Cash and cash equivalents at year end, June 30</b>	<b><u>\$ 1,035,864</u></b>	<b><u>\$ 266,427</u></b>

See notes to financial statements

**POOLING RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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**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, 2015 and continues through to June 30, 2020.

Financial Statement Presentation

The financial statements of the PRI have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Consequently, revenue is recognized when earned and expense when the obligation is incurred. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification ASC 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants “Audit and Accounting Guide for Not-for Profit Organizations” (the Guide”). ASC 958-205 became effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of non-profits and changes therein are to be classified as follows:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of PRI. PRI’s board may designate assets without restrictions for specific operational purposes from time to time.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Donor restrictions that are temporary in nature are those restrictions which will be met by actions of PRI or by the passage of time. Donor restrictions that are perpetual in nature are those whereby the donor has stipulated the funds be maintained in perpetuity. All net assets of PRI are considered restricted as funds are to be used for grant purposes and unspent amounts are to be returned to grantors.

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.

Measure of Operations:

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to PRI’s ongoing activities. Non-operating activities are limited to resources that generate return from investments.

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.

Health insurance benefits

Beginning July 1, 2015, PRI extended health insurance benefits to include the dependents of employees.

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.

**POOLING RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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 affect 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.

Investment return is presented net of investment fees.

Concentrations

The organization receives its sole 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.

Functional Expenses:

The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among program activities and management and general expenses. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries & related costs	Time and Effort
Member services & travel	Time and Effort
Professional development	Time and Effort
Legal & professional	Actual allocation
Rent	Square footage
Office supplies	Time and Effort
Technology expenses	Time and Effort

**POOLING RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. PRI has adjusted the presentation of these statements accordingly.

Prior Year Reclassifications

Prior year's financial statements have been reclassified where applicable to conform to the current year's presentation.

**NOTE 2 – CASH**

The carrying amounts of deposits at financial institutions at June 30, 2019 and 2018 were \$1,035,864 and \$266,427 which are reasonable estimates of fair value and represent Level 1 inputs. 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 accounts are insured by the Federal Deposit Insurance Corporation and SIPC for amounts up to \$250,000. At times, the account balances may exceed the institution's federally insured limits. The balance of cash and cash equivalents held at financial institutions at June 30, 2019 and 2018 was \$1,077,102 and \$301,814 respectively.

	<u>2019</u>	<u>2018</u>
Amounts insured through FDIC	\$ 250,000	\$ 250,000
Cash equivalents insured through SIPC	774,764	27,355
Uninsured balances	52,338	24,459
Total deposits at financial institutions	<u>\$ 1,077,102</u>	<u>\$ 301,814</u>

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

PRI's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 1,035,864
Investments, at fair market value	240,473
Accrued income receivable	900
Grant receivable	101,917
Total current assets	<u>\$ 1,379,154</u>

All grant revenues are donor restricted to the grant purpose. As PRI operates for the sole purpose of providing services to the Grantors, all its expenditures meet donor-imposed restrictions, therefore, financial assets are not

**POOLING RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)**

reduced for donor-imposed restrictions. As part of PRI's liquidity management, its policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. PRI keeps cash in a checking account at a local bank to meet short term cash requirements and has investments held at Wells Fargo of various maturities that can be drawn on to meet liquidity needs. PRI prepares a budget based on anticipated grant draws which are received in 12 equal installments throughout the year.

**NOTE 4 – 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 prices of similar securities. This fair value represents level 1 and Level 2 inputs as described in Note 1. Net investment income represents investment income less investment expenses.

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

	June 30, 2019	June 30, 2018
	Donor restricted	Donor restricted
Interest income	\$ 20,492	\$ 15,411
Realized gains (losses)	-	(1)
Unrealized gains (losses)	7,283	(5,456)
Investment expenses	(12,649)	(12,897)
Total investment return	<u>\$ 15,126</u>	<u>\$ (2,943)</u>

Classification of assets and fair value classifications for years ended June 30, 2019 and 2018 are as follows:

	Assets at fair value June 30, 2019			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ 129,452	\$ -	\$ -	\$ 129,452
Residential mortgage backed	-	110,581	-	110,581
Commercial mortgage backed	-	440	-	440
Total investments	<u>\$ 129,452</u>	<u>\$ 111,021</u>	<u>\$ -</u>	<u>\$ 240,473</u>

	Assets at fair value June 30, 2018			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ 252,385	\$ 549,096	\$ -	\$ 801,481
Residential mortgage backed	-	130,511	-	130,511
Commercial mortgage backed	-	27,819	-	27,819
Total investments	<u>\$ 252,385</u>	<u>\$ 707,426</u>	<u>\$ -</u>	<u>\$ 959,811</u>



**POOLING RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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**NOTE 5 – COMPENSATED ABSENCES**

Compensated Absences represents unused vacation pay that is payable to the employee upon termination. 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 liability. Amounts accrued for employees but not used totaled \$34,675 and \$22,246 for years ended June 30, 2019 and 2018.

**NOTE 6 - 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 7 – EMPLOYEE RETIREMENT PLAN**

All employees who are expected to receive at least a minimum annual compensation of \$5,000 are eligible to participate in the Simplified Employee Plan (SEP) one year after their hire date. PRI made contributions of 17% of the employees' annual compensation in 2019 and 2018. PRI's contribution to the SEP plans totaled \$77,817 and \$110,901 for years ended June 30, 2019 and 2018.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

Nevada Public Agency Insurance Pool (NPAIP) and Public Agency Compensation Trust (PACT) are co-grantors providing funds for the operations of PRI. The grant term covers the period July 1, 2015 through June 30, 2020. The grant amounts for years ended 2019 and 2018 were \$1,223,000 and \$1,199,000 respectively. Receivables on the contract at June 30, 2019 and 2018 were \$101,917 and \$99,917.

Nevada 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 \$94,776 and \$92,916 in 2019 and 2018 respectively.

Effective July 1, 2019, Public Agency Compensation Trust (PACT ) jointly with Nevada Public Agency Insurance Pool (NPAIP) provided a five year grant to Nevada Risk Pooling, Inc. (NRP), a nonprofit organization formed by the executive director of NPAIP, Wayne Carlson, and whose directors are Gerry Eick, Josh Foli, Chris Mulkerns, Cash Minor, and Paul Johnson.

Public Agency Risk Management Services, Inc. (PARMS) received a management fee for fiscal years ended June 30, 2019 and 2018 of \$21,937 and \$25,106 respectively, as approved in the grant to provide management oversight, grant administration and financial services to PRI. Wayne Carlson, sole owner of PARMS, provides Executive Director Services including financial services under a separate contract with both NPAIP and PACT. The contract was renewed for a five-year period beginning July 1, 2015 with a base fee of \$45,000 to be increased by 3% for each year beginning July 1, 2016. The agreement was amended during the fiscal year ending June 30, 2018 to an annual fee of \$23,175 for the year subject to a 3% increase for each of the remaining two years of the contract.

**POOLING RESOURCES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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**NOTE 9 – NET ASSET RESTRICTIONS**

Net assets are 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.

**NOTE 10 – 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, 2019. Management has evaluated subsequent events through September 30, 2019 which is the date the financial statements were available to be issued.



# POOL/PACT HR Accomplishments

## FY 19/20 To Date

POOL/PACT

The Power of the POOL

POOL/PACT HR partners with member entities to reduce employment liability by providing the resources and education for members to build strong foundations for effective Human Resources practices within their organizations. Below are our accomplishments to date this fiscal year. For detailed information see attached Strategic Plan.

### TRAINING DEVELOPMENT:

- 3 new online courses developed
- 1 new facilitator-led course developed
- 6 courses revised
- 3 new HR Briefings developed
- 13 existing HR Briefings reviewed and updated
- 4 new HR Briefing videos developed

### TRAINING DELIVERY:

- 107 training sessions with 1,889 participants to date, including:
  - 7 Regional Trainings
    - 5 sessions of Essential Management Skills (EMS) Certificate Program
    - 1 session of Advanced EMS Certificate Program
    - 1 session of Human Resources Representative (HRR) Certificate Program (HRR)

*Notes: 1 AEMS, 1 AHRR, and 2 EMS sessions were wholly or partially postponed due to COVID-19. So, You Want to Be a Supervisor will be conducted in webinar format due to COVID-19; Influential Leadership is currently planned to be conducted as scheduled in June.*

- 8 FRISK
- 3 EAP Webinars
- 2 HR Webinars
  - Negotiations, Overtime and Legislation
  - Families First Coronavirus Response Act
- 2 Regional Training Workshops Utilizing Outside Resources: Negotiations, Overtime and Legislation
- 12 HR Briefings with 395 participants to date

ALERTS: 10 issued to date

MEMBER SALARY SCHEDULE DATABASE: 46 member entities posted

POLICIES: New Emergency Family and Medical Leave and Emergency Paid Sick Leave policies and related forms released on 4/3/20 to comply with the Families First Coronavirus Response Act (*Note: All sample policy annual updates will be released by 6/30/20.*)

PHASE I ASSESSMENTS: 20 in process; 7 conducted and 2 completed this fiscal year

PHASE II ASSESSMENTS: 7 in process; 1 conducted this fiscal year

ANNUAL HR SEMINAR: held October 17-18, 2019 at the Atlantis Casino Resort Spa: 71 participants

# POOL/PACT HR STRATEGIC PLAN FY 19/20

<i>Objective/Action Plan</i>	<i>Due Date</i>	<i>% Complete</i>
<b><u>Develop two new instructor-led or online courses annually</u></b>		
Taking Control of Conflict eLearning	6/28/2019	100%
Customer Service in the Public Sector eLearning	7/03/2019	100%
Performance Management: From Start to Finish eLearning		
Influential Leadership	6/30/2020	90%
<b><u>Update and revise three instructor-led training courses annually</u></b>		
Human Resources Representative Certificate Program - Session One	7/15/2019	100%
Human Resources Representative Certificate Program - Session Three	7/19/2019	100%
Essential Management Skills Certificate Program - Session Three	7/23/2019	100%
Safe and Sober Workplace	7/24/2019	100%
Essential Management Skills Certificate Program - Session Two	8/01/2019	100%
Taking Control of Conflict	9/04/2019	100%
<b><u>Offer six regional training courses throughout the state</u></b>		
<b>Essential Management Skills Certificate Program (Pahrump)</b>	<b>7/25/2019</b>	<b>100%</b>
Session 1 - The Foundation of Effective Management	7/10/2019	100%
Session 2 - Be Part of Organizational Effectiveness: Legal Compliance, Management Challenges, & Resources	7/11/2019	100%
Session 3 - Preparing to Effectively Manage Others	7/24/2019	100%
Session 4 - Managing and Leading Others to Success	7/25/2019	100%
<b>Essential Management Skills Certificate Program (Hawthorne)</b>	<b>8/22/2019</b>	<b>100%</b>
Session 1 - The Foundation of Effective Management	8/07/2019	100%
Session 2 - Be Part of Organizational Effectiveness: Legal Compliance, Management Challenges, & Resources	8/08/2019	100%
Session 3 - Preparing to Effectively Manage Others	8/21/2019	100%
Session 4 - Managing and Leading Others to Success	8/22/2019	100%
<b>Essential Management Skills Certificate Program (Carson City)</b>	<b>9/26/2019</b>	<b>100%</b>
Session 1 - The Foundation of Effective Management	9/11/2019	100%
Session 2 - Be Part of Organizational Effectiveness: Legal Compliance, Management Challenges, & Resources	9/12/2019	100%
Session 3 - Preparing to Effectively Manage Others	9/25/2019	100%
Session 4 - Managing and Leading Others to Success	9/26/2019	100%
<b>Essential Management Skills Certificate Program (Elko)</b>	<b>11/21/2019</b>	<b>100%</b>
Session 1 - The Foundation of Effective Management	11/06/2019	100%
Session 2 - Be Part of Organizational Effectiveness: Legal Compliance, Management Challenges, & Resources	11/07/2019	100%
Session 3 - Preparing to Effectively Manage Others	11/20/2019	100%
Session 4 - Managing and Leading Others to Success	11/21/2019	100%
<b><u>Offer six regional training courses throughout the state (continued)</u></b>		

# POOL/PACT HR STRATEGIC PLAN FY 19/20

<i>Objective/Action Plan</i>	<i>Due Date</i>	<i>% Complete</i>
<b>Advanced Essential Management Skills Certificate Program (Carson City)</b>	<b>11/14/2019</b>	<b>100%</b>
Day 1	11/13/2019	100%
Day 2	11/14/2019	100%
<b>Essential Management Skills Certificate Program (Ely)</b>	<b>1/30/2020</b>	<b>100%</b>
Session 1 - The Foundation of Effective Management	1/15/2020	100%
Session 2 - Be Part of Organizational Effectiveness: Legal Compliance, Management Challenges, & Resources	1/16/2020	100%
Session 3 - Preparing to Effectively Manage Others	1/29/2020	100%
Session 4 - Managing and Leading Others to Success	1/30/2020	100%
<b>Human Resources Representative Certificate Program (Carson City)</b>	<b>2/27/2020</b>	<b>100%</b>
Session 1- Fundamentals of HR	2/11/2020	100%
Session 2 - People are People	2/12/2020	100%
Session 3 - It's About Time, Off and Paid	2/13/2020	100%
Session 4 - Band-Aids and Welcome Mats	2/26/2020	100%
Session 5 - Working with People	2/27/2020	100%
<b>Essential Management Skills Certificate Program (Carson City)</b>	<b>3/26/2020</b>	<b>50%</b>
Session 1 - The Foundation of Effective Management	3/11/2020	100%
Session 2 - Be Part of Organizational Effectiveness: Legal Compliance, Management Challenges, & Resources	3/12/2020	100%
Session 3 - Preparing to Effectively Manage Others (postponed due to COVID-19)	3/25/2020	0%
Session 4 - Managing and Leading Others to Success (postponed due to COVID-19)	3/26/2020	0%
<b>Advanced Human Resources Representative Certificate Program (Carson City) (postponed due to COVID-19)</b>	<b>4/02/2020</b>	<b>0%</b>
Day 1	4/01/2020	0%
Day 2	4/02/2020	0%
<b>Advanced Essential Management Skills Certificate Program (Carson City) (postponed due to COVID-19)</b>	<b>4/16/2020</b>	<b>0%</b>
Day 1	4/15/2020	0%
Day 2	4/16/2020	0%
<b>So, You Want to be a Supervisor? (Carson City) (rescheduled as webinar 4/29/20 -</b>	<b>4/29/2020</b>	<b>0%</b>
<b>Essential Management Skills Certificate Program (Elko) (postponed due to COVID-19)</b>	<b>5/21/2020</b>	<b>0%</b>
Session 1 - The Foundation of Effective Management	5/06/2020	0%
Session 2 - Be Part of Organizational Effectiveness: Legal Compliance, Management Challenges, & Resources	5/07/2020	0%
Session 3 - Preparing to Effectively Manage Others	5/20/2020	0%
Session 4 - Managing and Leading Others to Success	5/21/2020	0%
<b>Influential Leadership</b>	<b>6/04/2020</b>	<b>0%</b>

# POOL/PACT HR STRATEGIC PLAN FY 19/20

<i>Objective/Action Plan</i>	<i>Due Date</i>	<i>% Complete</i>
<b><u>Provide Regional Training Workshops Utilizing Outside Resources</u></b>		
Negotiations - Allison Mackenzie attorneys (Boulder City) (canceled due to low enrollment)	9/17/2019	0%
Negotiations - Allison Mackenzie attorneys (Carson City)	9/19/2019	100%
Negotiations - Allison Mackenzie attorneys (Elko)	9/20/2019	100%
<b><u>Develop New Briefings as Needed</u></b>		
New Employee Orientation (NEO)	7/25/2019	100%
Drugs and Alcohol in the Workplace	7/25/2019	100%
Marijuana in the Workplace	2/03/2020	100%
<b><u>Review/Update Ten Briefings Annually</u></b>		
Bullying in the Workplace	1/09/2020	100%
COBRA	1/09/2020	100%
Employee Assistance Program for Employees	7/02/2019	100%
Employee Assistance Program for Managers and Supervisors	7/12/2019	100%
Employing Minors	1/09/2020	100%
Exempt Employees	1/01/2020	100%
Fair Labor Standard Act (FLSA)	8/08/2019	100%
I-9 Process	1/09/2020	100%
Managing the Disability Triangle	6/30/2020	100%
Non-exempt Employees and Overtime	2/05/2020	100%
Performance Management	6/30/2020	0%
Public Sector Internships	1/09/2020	100%
Reasonable Suspicion Testing	6/30/2020	0%
Stay Interviews	7/02/2019	100%
Succession Planning, Part I Establishing a Plan	6/30/2020	0%
Succession Planning, Part II Workplace Mentoring	6/30/2020	0%
Volunteer Programs	1/09/2020	100%
Workers' Compensation Part I, Understanding the Process	6/30/2020	0%
<b><u>HR Briefing Videos</u></b>		
Ethics	8/1/2019	100%
Job Descriptions	9/18/2019	100%
Meeting Management	7/29/2019	100%
Time Management	7/10/2019	100%

# POOL/PACT HR STRATEGIC PLAN FY 19/20

<i>Objective/Action Plan</i>	<i>Due Date</i>	<i>% Complete</i>
<b><u>Webinars</u></b>		
Creating a Positive Workplace (EAP)	9/04/2019	100%
Managing the Difficult Interaction (EAP)	11/13/2019	100%
Mental Health (EAP)	2/05/2020	100%
Coping with Organizational Change (EAP)	5/06/2020	0%
Negotiations, Overtime and Legislation (Livestream from Carson City)	9/19/2019	100%
Families First Coronavirus Response Act	3/25/2020	100%
So, You Want to be a Supervisor? (rescheduled from regional training due to COVID-19)	4/30/2020	0%
<b><u>Post Member Pay Plan/Scale on Website</u></b>	6/30/2020	75%
<b><u>Sample Personnel Policy Annual Update</u></b>		
CDL Policies	6/30/2020	0%
Large Organization Sample Personnel Policies	6/30/2020	0%
School District Sample Personnel Policies and Administrative Regulations	6/30/2020	0%
Small Organization Sample Personnel Policies (15 or more employees)	6/30/2020	0%
Small Organization Sample Personnel Policies (Less than 15 employees)	6/30/2020	0%
Emergency Paid Sick Leave Policy	4/03/2020	100%
Emergency Family and Medical Leave Policy	4/03/2020	100%
<b><u>Coaching and Problem Solving</u></b>	6/30/2020	75%
<b><u>Issue Alerts as Needed</u></b>		
US Supreme Court Rules ADEA Applies to All Public-Sector Employees	7/09/2019	100%
Form I-9 Update	8/28/2019	100%
DOL Issues New Final Overtime Rule	9/24/2019	100%
IRS Standard Mileage Rate Effective 1/1/20	1/03/2020	100%
New DOT Controlled Substance Random Testing Percentage Rate for 2020	1/24/2020	100%
Form I-9 Update	2/06/2020	100%
NERC Advises all Public Employers Covered by Ban-the-Box Provisions	2/14/2020	100%
9th Circuit Ruling Reaffirms Restriction of Acquisition of Salary History to Set Starting Pay	3/10/2020	100%
Families First Coronavirus Response Act	3/19/2020	100%
Families First Coronavirus Response Act ALERT UPDATED	3/25/2020	100%

# POOL/PACT HR STRATEGIC PLAN FY 19/20

<i>Objective/Action Plan</i>	<i>Due Date</i>	<i>% Complete</i>
<b><u>Develop Member Service Plans to Include Trainings, Briefings &amp; Policy Development (Year-to-Date)</u></b>		
Trainings - Completed: 107; Participants: 1889; Course Content Evaluation Average: 4.60; Instructor Evaluation Average: 4.8	6/30/2020	0%
FRISK Training - Completed: 8; Participants: 117	6/30/2020	0%
HR Briefings - Completed: 12; Participants: 395	6/30/2020	0%
<b><u>FRISK</u></b>		
Douglas County - China Spring	11/26/2019	100%
Elko, City of (TBD)	6/30/2020	0%
Eureka County	12/04/2019	100%
Humboldt County	10/10/2019	100%
Humboldt County School District (TBD)	6/30/2020	0%
Incline Village General Improvement District	11/13/2019	100%
Kingsbury General Improvement District (TBD)	6/30/2020	0%
Lincoln County School District (postponed due to COVID-19)	3/20/2020	0%
Lyon County School District (TBD)	6/30/2020	0%
Mineral County School District	9/13/2019	100%
North Lyon County Fire Protection District (TBD)	6/30/2020	0%
Nye County School District	10/16/2019	100%
Sun Valley General Improvement District (TBD)	6/30/2020	0%
White Pine County School District	8/08/2019	100%
Winnemucca, City of	10/10/2019	100%
<b><u>Phase I HR Compliance Assessment Program 11/12</u></b>		
Nye County (On-site assessment 10/30/12)	6/30/2020	100%
<b><u>Phase I HR Compliance Assessment Program 15/16</u></b>		
Douglas County Sewer District (On-site assessment 2/23/16)	6/30/2020	75%
<b><u>Phase I HR Compliance Assessment Program 16/17</u></b>		
Lovelock (On-site assessment 11/1/16) (removed due to inactivity)	6/30/2020	75%
Mineral County (On-site assessment 10/18/16)	6/30/2020	75%
North Lyon County Fire Protection District (On-site assessment 10/25/16)	6/30/2020	75%
NRHA Reassessment (On-site assessment 3/13/17)	6/30/2020	75%
Pershing County (On-site assessment 12/12/16)	6/30/2020	75%
Walker River Irrigation District (On-site assessment 3/27/17)	6/30/2020	75%



# POOL/PACT HR STRATEGIC PLAN FY 19/20

<i>Objective/Action Plan</i>	<i>Due Date</i>	<i>% Complete</i>
<b><u>Phase I HR Compliance Assessment Program 17/18</u></b>		
Minden-Gardnerville Sanitation District (On-site assessment 2/14/18)	6/30/2020	100%
Pahrump Library District (On-site assessment 9/6/17)	6/30/2020	75%
Regional Transportation Commission (On-site assessment 2/28/18)	6/30/2020	75%
<b><u>Phase I HR Compliance Assessment Program 18/19</u></b>		
East Fork Fire Protection District (On-site assessment 1/31/19)	6/30/2020	75%
Storey County School District (On-site assessment 2/27/19)	6/30/2020	75%
<b><u>Tentative Phase I HR Compliance Assessment Program 19/20</u></b>		
Fernley Swimming Pool District (On-site assessment 10/8/19)	6/30/2020	75%
Nevada Tahoe Conservation District (reassessment) (On-site assessment 11/5/19)	6/30/2020	75%
Smoky Valley Library District (On-site assessment 7/11/19)	6/30/2020	75%
Southern Nevada Health District (reassessment) (On-site assessment 7/25/19)	6/30/2020	75%
Stagecoach General Improvement District (On-site assessment 1/6/20)	6/30/2020	25%
Storey County (reassessment)	6/30/2020	0%
Sun Valley General Improvement District (reassessment) (On-site assessment 3/5/20)	6/30/2020	75%
Tahoe Transportation District (On-site assessment 7/17/19)	6/30/2020	75%
<b><u>Phase II HR Compliance Assessment Program 15/16</u></b>		
City of Yerington (On-site assessment 9/18/15)	6/30/2020	75%
<b><u>Phase II HR Compliance Assessment Program 16/17</u></b>		
Winnemucca (On-site assessment 1/18/17)	6/30/2020	75%
<b><u>Phase II HR Compliance Assessment Program 17/18</u></b>		
Humboldt County (On-site assessment 9/12/17)	6/30/2020	75%
Nye County (On-site assessment 8/16/17)	6/30/2020	75%
Nye County School District (On-site assessment 3/22/18)	6/30/2020	75%
Pahrump, Town of (On-site assessment 8/16/17)	6/30/2020	75%
<b><u>Tentative Phase II HR Compliance Assessment Program 19/20</u></b>		
Lincoln County School District (10/21/19)	6/30/2020	75%



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

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## Annual Report: POOL/PACT Risk Management

March 11, 2020

Marshall Smith, Risk Manager

Below is a summary of POOL/PACT Risk Management programs and services over the past year.

### 1. Law Enforcement

- Update of all Jail and Road Operations policies by Legal Liability Risk Management Institute.
- Continuation of the *Jail/Detention High Risk Critical Tasks Review*, in coordination with LLRMI. Audit consists of a comprehensive two day (on-site) assessment of jail/detention facility policies/procedures, training in best practices, and five (4) POST certified credits for all attending detention staff. Completed Review (initial with follow up reviews pending)
  - Humboldt County (April 2019)
  - Eureka County (May 2019)
  - Esmeralda County (5/7/2019)
  - Elko County (5/15/2019)
  - Churchill County (8/23/2019)
  - Douglas County (12/17/2019)
  - Storey County (12/6/2019)Scheduled:
  - Lander County (3/30/20)
  - Pershing County (4/1/20)
- POOL/PACT Cop/Prosecutor Seminar Series “Critical Report Writing Skills” (October 2019) in Elko. Awarded Credits: CLE: 70, POST: 97

### 2. On-Line Training Platforms

- TargetSolutions (fire/EMS training): deployed and used by 26 departments;
- MSDSonline (SDS Control) deployed and used by 7 member entities.

### 3. School District Hazard Vulnerability Assessments

- Jeff Kaye and his team are continuing to update the completed HVAs for our School District members.
- With Jeff’s assistance, we developed the *Nevada Rural School District Collaborative*, a group of our member districts which will serve as the applicants for a 2021 BJA Stop Grant Program.

4. **Swimming Pool Inspection Schedule**
  - 2019 inspections included Winnemucca, Battle Mountain, City of Elko, Jackpot, Wells, and West Wendover facilities. The 2020 inspections will be completed in June, which will include Lovelock, Fernley, Storey County, IVGID, Yerington, Minden, and Hawthorne.
  - POOL/PACT is sponsored an Aquatic Risk Management seminar with the *Nevada Recreation & Park Society* in April and presented the ARM it to our members on June 16, 2019 in Elko.
  - The 2020 ARM location is pending.
  
5. **Fit For Retirement Wellness Program**
  - POOL/PACT developed and produced the “Fit For Retirement” Wellness e-Learning course entitled *Myth Buster’s Edition*. The objective of the course is to inform firefighters and police officers about this Heart/Lung Occupational Disease program and importantly to dispel myths associated with it. The course was operational in June 2019.
  
6. **Nevada State Firefighters Association Conference**
  - POOL/PACT sponsored a portion of this conference and presented information regarding TargetSolutions, *HR You need to know*, the Risk Management Grant Program, and Fit For Retirement Program
  
7. **POOL/PACT Loss Control Committee**
  - The LCC has been very active, holding four meetings during the past year. It has carefully reviewed and approved over \$242,676.84 in Risk Management Grant funding. The LCC continues its mission to encourage and develop the most effective risk management/mitigation programs available.
  
8. **24-7-365 Worker’s Comp Nurse Triage Program**
  - 2020 is the third year for this program. We have updated the program to make it easier and more effective for our PACT members. Utilization of this program has been low, and continuation of this program should be discussed.
  
9. **POOL/PACT Litigation Strategy Conference**

The Litigation Strategy Conference, held on July 19, 2019, is an annual event designed to gather litigation counsel associated with POOL/PACT to discuss topics of interest to our members from a litigation standpoint: Topics: Open Meeting Law Legislative Changes; Ethics Law Changes for Public Officials, Jail Audits, Policies, Training, POOL/PACT Cop/Prosecutor Seminar Series Legislative, Changes to Tort Cap, Elected Officials Personal Liability, Public Records Challenges, Education Legislation and Liability Impact, Employment Practices Legislation, Case Review Roundtable.
  
10. **Emergency Medical Dispatcher Seminar**
  - POOL/PACT partnered with Eureka County Sheriff’s Office to present a 3-day course for emergency medical dispatch certification for regional agencies on October 2-4, 2019.

**EXHIBIT #1**

**AGENCY PHYSICAL REPORT                      PUBLIC AGENCY COMPENSATION TRUST**

<b>AGENCY NAME</b>	<b>PHSICALS RECEIVED</b>
Boulder City Fire Dept	2
Central Lyon Co. Fire/Dayton	7
Churchill County Sheriff	39
East Fork Fire and Paramedic Dist.	1
Elko Co. Fire Protection District	3
Elko County Sheriff	1
Elko Fire	44
Elko Police	2
Lincoln Co. Sheriff	13
Lyon County	6
Mineral County Sheriff	1
Mount Charleston Fire Department	7
N. Lake Tahoe Fire Protection District	12
N. Lyon Co. Fire PD	37
Nye County Sheriff	148
Pahrump Valley Fire Dept	49
Pershing County Sheriff	2
Storey County Sheriffs Dept.	5
Tahoe Douglas FPD	5
WC-Nye County Sheriff	4
WEST WENDOVER CITY POLICE	20
WEST WENDOVER FIRE	4
LETTERS PENDING	50
<b>Totals 22</b>	<b>462</b>

**PACT: EXHIBIT 1**

**AGENCY PHYSICAL REPORT                      PUBLIC AGENCY COMPENSATION TRUST**

<b>Agencies who have never sent us physicals:</b>
Lincoln Co Sheriff – 1person?
Lovelock PD
Yerington PD
Mason Valley Fire - USB has physicals for 2019 only.
Lander Co Sheriff
Humboldt Co Sheriff
Mineral Co Fire

**PACT: EXHIBIT 1**

**AGENCY PH PUBLIC AGENCY COMPENSATION TRUST**

<b>Agencies who have sent them in the past; DUE 2020</b>
Boulder Fire
Boulder Police
C. Lyon Co Fire
E. Fork Fire
Elko Police
Elko Co Sheriff
Ely Fire
Eureka Sheriff
Lyon Co
Mineral Co Sheriff
Pershing Co Sheriff
Storey Co Fire
Storey Co Sheriff
Tahoe Douglas Fire
West Wendover Fire
White Pine Co Fire
White Pine Co Sheriff

<b>Agencies who are current as of 2019:</b>
Churchill Co Sheriff
Elko Fire
N. Lyon Co Fire
Nye Co Sheriff
Pahrump Valley Fire
West Wendover Police

<b>Agencies who did Blood Draws 2019</b>	<b>Number of Blood Draws</b>
Lincoln County (5/2019)	15
Fire (11/2019)	11
<b>Total Blood Draws</b>	<b>26</b>

<b>Agencies with projected Blood Draws*</b>
Lincoln County
Nye County
Boulder County
N. Lake Tahoe
<i>*possible delay due to Corvid 19</i>

**PACT: EXHIBIT 1**

<b>Agency Name</b>
<b>ADVANCED NMR TESTING</b>
Nye County Sheriff
Central Lyon Co. Fire/Dayton
Elko Fire
N. Lyon Co. Fire PD
Pahrump Valley Fire Dept
N. Lake Tahoe Fire Protection District
Lyon County
Elko County Sheriff
WEST WENDOVER CITY POLICE
Pahrump Valley Fire Dept
<b>Total Advanced NMR testing 10</b>

**ADVANCED CARDIOMETABOLIC TESTING**

**EXHIBIT 2**

TESTING 61

**ANNUAL PHYSICALS**

N 462  
 AVG. AGE 38  
 MALES 89%  
 FEMALES 11%

**COMPARISON ROUTINE TESTING / ADVANCED TESTING**

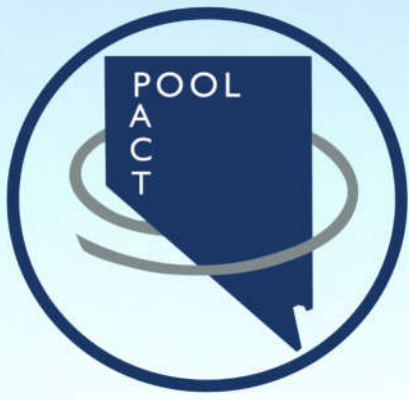
ANNUAL PHYSICALS 462 100%  
 ADVANCED TESTING 61 13%

HIGH RISK % BY CATEGORY

**ROUTINE TESTING / ADVANCED TESTING**

EXHIBIT 2		ROUTINE TESTING / ADVANCED TESTING			POPULATION MISSED		NUMBER OF INDIVIDUALS IMPACTED
%POPULATION AT HIGH RISK	HIGH	ADVANCED TESTING	HIGH	MOD.HIGH	ON ROUTINE TESTING	N=462	
ROUTINE TESTING	%	ADVANCED TESTING	%	%			
CHOL.	6%	LDL-P	36%	46%	27.72	166.32	138.6
LDL-C	26%	LDL-P	36%	46%	120.12	212.52	92.4
TG/HDL	40%	LP-IR	65%		184.8	300.3	115.5
FM HX.	32%	LP(a)	25%		147.84	115.5	32.34
FBS	21%	A1-C	5%		97.02	23.1	73.92
NONE		TSH	5%				23.1
NONE		VIT. D	49%				226.38
NONE		LDP-P/LP(a)/LP-IR	8%				36.96
SELF-REPORTED		SMOKING	15%				69.3
SELF-REPORTED		HTN	9%				41.58

<b>DATE OF INJURY</b>	<b>REFERRED</b>	<b>1ST AIDE ONLY</b>
1/20/2019	X	
1/21/2019	X	
1/25/2019		X
2/11/2019		X
2/21/2019	X	
12/10/2018	X	
2/23/2019	X	
3/6/2019		X
3/11/2019	X	
3/11/2019	X	
3/15/2019	X	
3/28/2019		X
4/1/2019		X
4/1/2019		X
4/9/2019	X	
4/10/2019		X
4/10/2019	X	
4/18/2019		X
5/16/2019		X
2/28/2019	X	
6/1/2019		X
6/10/2019	X	
7/3/2019		X
7/12/2019	X	
7/21/2019	X	
7/27/2019		X
8/23/2019	X	
8/23/2019	X	
8/30/2019	X	
9/20/2019	X	
9/20/2019		X
12/6/2019		X
12/13/2019		X
<b>33</b>	<b>18</b>	<b>15</b>



# STEWARDSHIP REPORT

April 17, 2020



WillisRe 





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# Executive Summary

Willis Re Pooling is pleased to present our 2020 Stewardship Report to Nevada Public Agency Insurance Pool and Public Agency Compensation Trust. For the many members of your Willis Re Pooling service team, assembling this Stewardship Report became a celebration of achievement. Periodically taking stock of goals, performance, obstacles and opportunities is important in its own right – certainly as a chronicle of deeds and values. More importantly, such an exercise provides a foundation for defining future action and continuously enhancing performance.

We serve in concert with POOL/PACT's risk management, operations and senior management staff. It is through a focused, coordinated partnership that the integral goals of managing risk, protecting human and financial assets (and supporting POOL/PACT's corporate health and welfare) will be reached, and from which a stream of future accomplishments will flow.

Willis Re Pooling has had the privilege of serving as POOL/PACT's broker and consultant since the very beginning. In addition to celebrating our joint achievements, the purpose of this report is to:

- Review the current services provided
- Review the state of your current program
- Review accomplishments with regard to our agreed-upon goals
- Update you on the current insurance marketplace














We believe our relationships with our key markets and our expertise in program design and alternatives have made us a leader in partnering with organizations that have been successful and have grown over the years. We would like to express our appreciation to Pool and PACT for choosing Willis Re Pooling as your (Re)insurance Broker and Insurance Advisor. We look forward to continuing to work and grow together in the years to come.

## Major Accomplishments

We cite just a few of the major accomplishments from the past year:

- Relative pricing stability in the hard insurance market
- Capacity maintained
- Maintained availability of all current self-insured retentions
- Concurrency with reinsurance contracts
- Continue to cultivate long term relationships in the marketplace
- Sought options that would be beneficial to POOL/ PACT and their members
  - Obtained additional options to increase retention on the property placement from \$500,000 to \$1,000,000
  - Worked to create special events program to address third party liability when using member facilities
- Co-developed application tutorial and training to assist local agents and members with completion of the renewal applications
- Worked with POOL staff, vendors, and carriers to accelerate the renewal timeline so the renewal proposals can be released to agents early May
- Continually update POOL/PACT SharePoint sites containing all relevant program documents i.e. policies, invoices, quotes, binders, coverage forms, etc.

# Your Service Team

Account Relationship		Client Services	Risk Control	Advisory
 <p><b>Client Advocate</b> Mary Wray</p>		 <p><b>Stephen Romero</b> Vice President</p>	 <p><b>Rick Hudson</b> Risk Control Manager</p>	 <p><b>John Hayden</b> National Practice Leader</p>
<p><b>WTW London Property</b></p>		 <p><b>Amalia Lyons</b> Account Executive</p>	 <p><b>Josh Wilson</b> Sr. Risk Consultant</p>	<p><b>Financial Analytics</b></p>
 <p><b>Steve Firman</b> Director - Broking</p>	 <p><b>Lucy Renew</b> Lead Associate Broker</p>	 <p><b>Courtney Giesseman</b> Vice President</p>	 <p><b>Steven Meglio</b> Risk Consultant</p>	 <p><b>Adrian Nusaputra</b> Financial Services</p>
 <p><b>Julia Gabriel</b> Lead Associate Broker</p>				<p><b>Catastrophe Analytics</b></p>
				 <p><b>Ann Marie Staehnke</b> Willis Re Cat Modeling</p>

## 2020 Key Dates

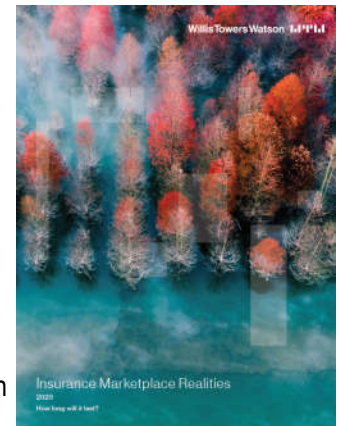
Date	Location	Purpose
December 10, 2019	NPAIP Office	Pre-Renewal Strategy Meeting
February 18 & 19, 2020	London	Syndicate Meeting—Lloyds of London
March 11, 2020	NACO Office	Executive Committee Meeting—Early Indications
April 6, 2020	NPAIP Conference Call	Executive Committee Meeting—Quotes and Options Provided
April 17, 2020	NPAIP Conference Call	Annual Board Meetings and Renewal Presentation

# State of the Market

Call it what you will: a firming market, a challenging market, a seller's market, a disciplined market, an unconventional hard market — North American insurance buyers are paying more. We are predicting increases, many sizeable, for more lines of insurance than we've experienced in recent memory. We predict that rate hikes and capacity constrictions will continue throughout 2020 and likely into 2021.

There is also much speculation globally around the impact of losses related to COVID-19 as well as the impact of investment losses in the equities market. While property claims are sure to be submitted for business interruption, it is unclear how (or if) direct damage will be triggered. Workers' Compensation is likely to see activity, particularly for health care workers and first responders. Liability is perceived as having very limited, if any, coverage, but is highly dependent on the specifics of each policies terms; Pollution, fungi and bacterial exclusions will likely come into play.

And it's far too early to predict the economic losses that (re)insurers' investments will incur, but it is certain that the profitability being sought by the market will have a trickle-down effect to insurance buyers.



## Property

- Two years of combined loss ratios exceeding 100%, along with the previous prolonged soft market, have driven the market correction and insurers' push to return to profitability.
- As property conditions continue to harden, insurers are overwhelmed with submission activity. Increased volume allows for greater scrutiny and a more selective approach to renewals.
- The market is hardening and rate increases are accelerating with each succeeding month. Underwriters continue to take a more critical look at exposures, restricting many coverage terms previously offered in the soft market.
- If we get through the next hurricane season without a major U.S. landfall one might expect that the good news for insurers would, as in the past, push the supply and demand curve eventually in the buyer's favor.
- We also expect that rate increases and capacity deployment will become more predictable by the end of 2020 as most of the re-underwriting by major property insurers should be completed.

## Casualty

The marketplace timeline is elongated. In auto, losses having been climbing significantly for at least eight years and premium rates, which have been rising for years now as well, are still catching up. General liability is starting to show signs of distress due to loss severity. Both of these lines impact excess liability programs, which are now in a very distressed state.

- We are experiencing what appears to be a fundamental and systemic change in liability losses — and not for the better. Loss severity in auto and general liability is spiking due in large part to so-called "social inflation."
- There is a trend to hold corporations and other organizations responsible to a much greater degree for their actions — sometimes for actions in the distant past.
- The median settlement of the top 50 U.S. verdicts nearly doubled over the last four years (\$54M in 2018 vs. \$28M in 2014).
- Reviver statutes that are aimed at abuse create a specter of unending litigation, legitimate and spurious, for schools, health care institutions and non-profits when statutes of limitations are abandoned or extended. Combine these considerations with juries that are numb to monetary values in the days of nine-figure incomes for CEOs, sports stars and celebrities. Fear of the jury verdict wheel of fortune is also driving higher settlements.
- Reinsurer feedback in the public entity sector largely concerns sexual abuse and molestation claims (SAM) as well as law enforcement and jail liability. Of note are exceedingly high demands and awards across the country, forcing underwriters to reevaluate both their limit and coverage offerings in risks where these exposures exist.

## Workers' Compensation

Until this month, we expected near-term workers compensation pricing to remain soft amid an insurance marketplace with excess capacity and three years of underwriting profitability. This is largely supported by combined ratios below 100. The additional factor of a rapidly declining exposure base (payroll) may chip away at carrier profitability in the next several months which may impact rate, as well.

- Improvements in medical care and adoption of return-to-work programs have led to a decrease in lost-time claims.
- Advancements in medical technology have contributed to workers compensation "mega claims", which are defined by the NCCI as workers compensation claims in excess of \$10M. These claims have become more frequent in recent years, with 70% of mega claims arising from motor vehicle accidents and falls from elevation.
- NCCI reports that 2018 average indemnity claim severity increased by 3% year on year, while medical lost-time claim severity increased by 1%. If loss costs continue to rise, premium rate will see upward pressure.
- Workers' Compensation and Excess Workers' Compensation for qualified self-insureds continue to present challenges due to limited availability of markets.

# 2020 NPAIP Property and Casualty Renewal

Willis Re Pooling met with NPAIP's management and staff in December 2019 to strategize on renewal marketing. We were directed to submit the renewal information to the incumbent markets. NPAIP is able to utilize PRM's quota share participation where it is needed to mitigate rate increases or capacity short falls incurred from the markets. The illustrations in the structure graphs and participation are as recommended by the Executive Committee and are subject to the approval of the Board.

The underwriting information was placed in our website submission, Risk Intelligence Link. The property and casualty information consisted of historical data, exposure information and comparisons, loss information, policy language, annual report, financial and actuarial reports, as well as detailed specifications for the underwriting community.

The 2020-2021 NPAIP renewal was quoted by the incumbent markets:

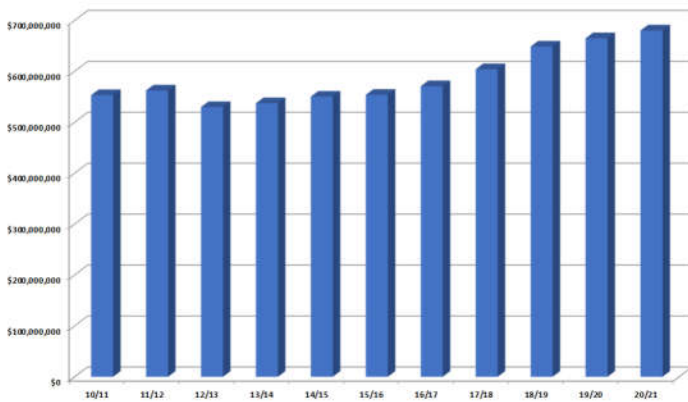
- County Reinsurance Limited (CRL)
- United Educators
- Brit
- Governmental Entities Mutual
- Public Risk Mutual (PRM)
- Lloyd's of London

County Reinsurance Limited (CRL) and United Educators (UE) limits will remain at \$2,500,000 in excess of the \$500,000 retention, with CRL sharing 30% of non-school layer with PRM and UE having 100% of the school portion. The \$7M x \$3M layer is shared by 3 carriers, 35% Governmental Entities Mutual, Brit 40%, and 25% for Public Risk Mutual. The total combined casualty limits available to the membership remains at \$10,000,000.

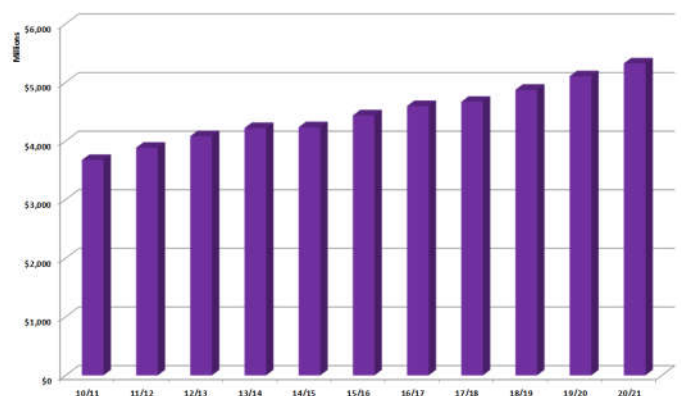
Lloyd's of London has provided property reinsurance to NPAIP since 2004. PRM provides \$300,000 in excess of NPAIP's \$200,000 retention. London renewal limits for 2020 will remain at \$300 million excess of \$500,000, with \$150M sublimit for Earthquake and Flood, and \$25M sublimit as respects Flood Zone A. As mentioned in the State of the Market section, property market profitability has been heavily stressed from 2017 and 2018's catastrophic losses, and several years of soft market conditions previously. The full placement continues to be completed as of the release of this report.

## Member Exposure Through 2021

NPAIP PAYROLL



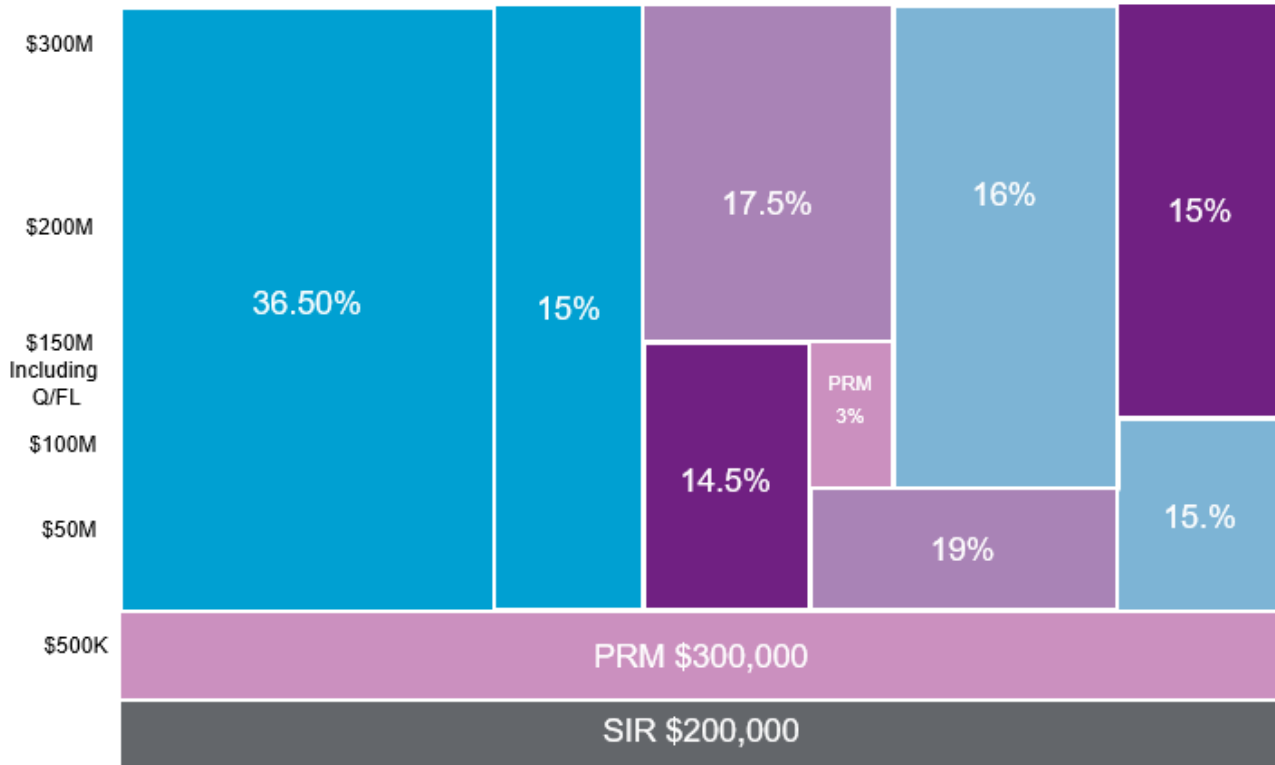
NPAIP TIV



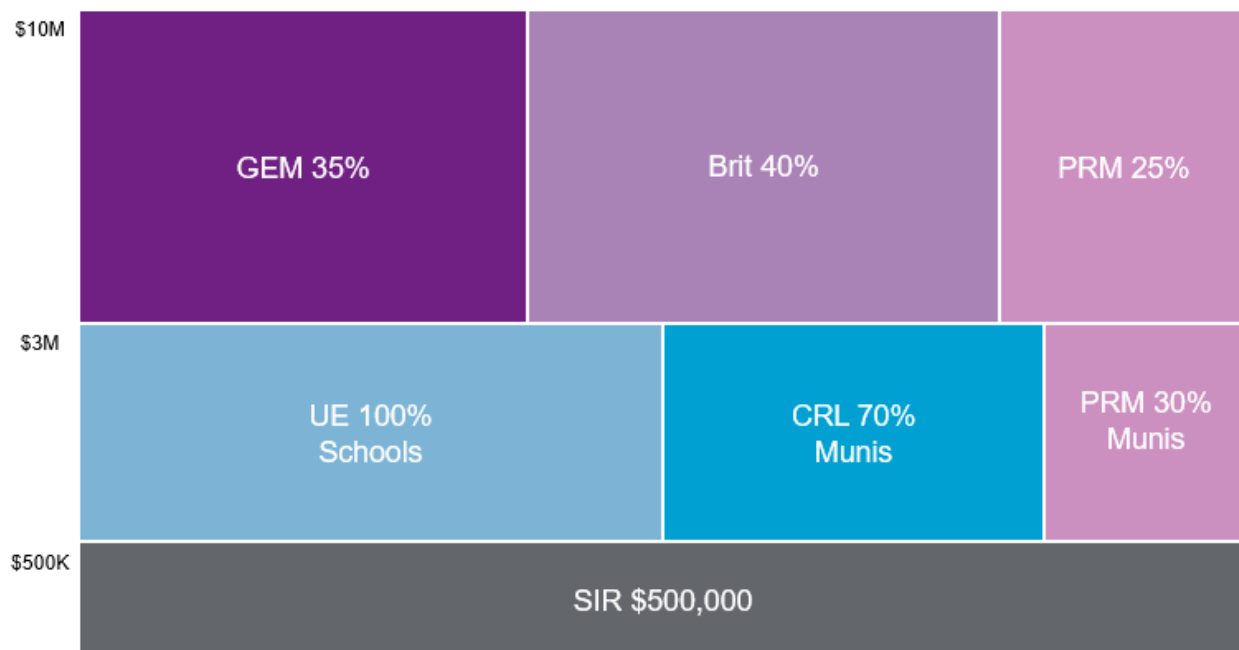
## Nevada Public Agency Insurance Pool

2020 Property Structure – Lloyd's of London

(final structure to be confirmed)



## 2020 Liability Structure



# NPAIP Additional Coverage

## Equipment Breakdown

We approached the incumbent carrier, Boiler Re, of the Travelers Indemnity Company for the 2020 Equipment Breakdown Renewal. Boiler Re has partnered with NPAIP since 2005 and has provided their services to the members through jurisdictional inspections. The Equipment Breakdown limit is \$100,000,000.

## Environmental Liability

An Environmental Liability policy provided by Ironshore was added to the NPAIP coverage offering effective 7/1/2017. This coverage provides Third Party Claims for Bodily Injury, Property Damage or Remediation Expense, First Party Remediation Expenses, Emergency Response Expenses and Business Interruption with a \$2,000,000 Each Incident Limit, an Aggregate Limit of \$10,000,000 and a \$250,000 Each Incident Deductible (\$25,000 deductible to the Member per the NPAIP Coverage Form).

## Terrorism—Property and Liability

The Liability Terrorism policy provides \$10M limits with a \$250,000 retention, and the Property Terrorism policy provides \$10M limits with a \$200,000 retention.

## Student Accident

In 2016, the Student Accident coverage offering was expanded to include all students, all grades, for injuries that occur on or off school premises for school activities, during interscholastic sports, including football, field trips, and while being transported. The 2020 program offers limits of \$25,000 per accident with a \$250 deductible to the student. The 2020 renewal has a 2 year rate guarantee.

## Airport Liability

In 2019, NPAIP procured a three year term policy for the members that request coverage for airport liability. There are currently 15 local and municipal airports owned by the NPAIP membership participating in the program. Members limits range from \$1,000,000 to \$10,000,000.



# 2020 PACT Renewal

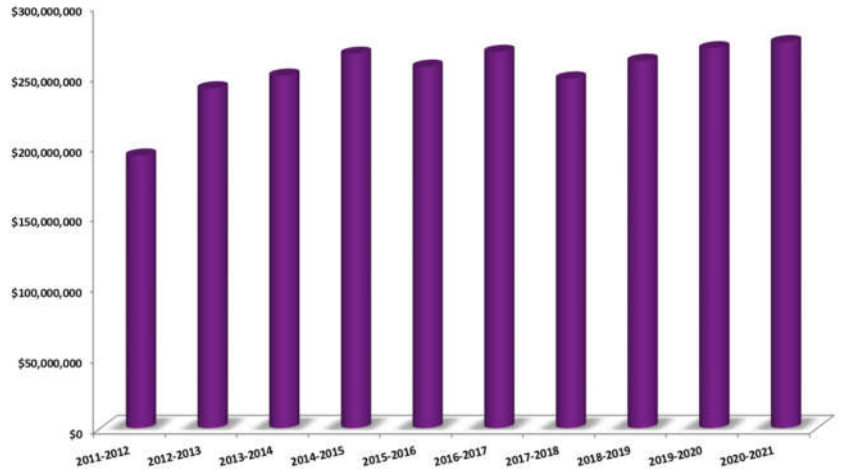
Willis Re Pooling met with PACT management and staff regarding the renewal marketing strategies for PACT, and it was determined that the submission should be released to the incumbent markets for the 2020 Renewal. The illustration in the structure graph and participation are as recommended by the Executive Committee and are subject to the approval of the Board.

PCM provides \$700,000 excess PACT's \$300,000 SIR. PCM quota shares \$2,000,000 excess of \$1,000,000, on a 25/75 basis, with CRL.

Safety National provides both the specific excess attaching at \$3M, as well as a portion of the aggregate excess. The aggregate excess is on a 50/50 quota share between PCM and Safety National.

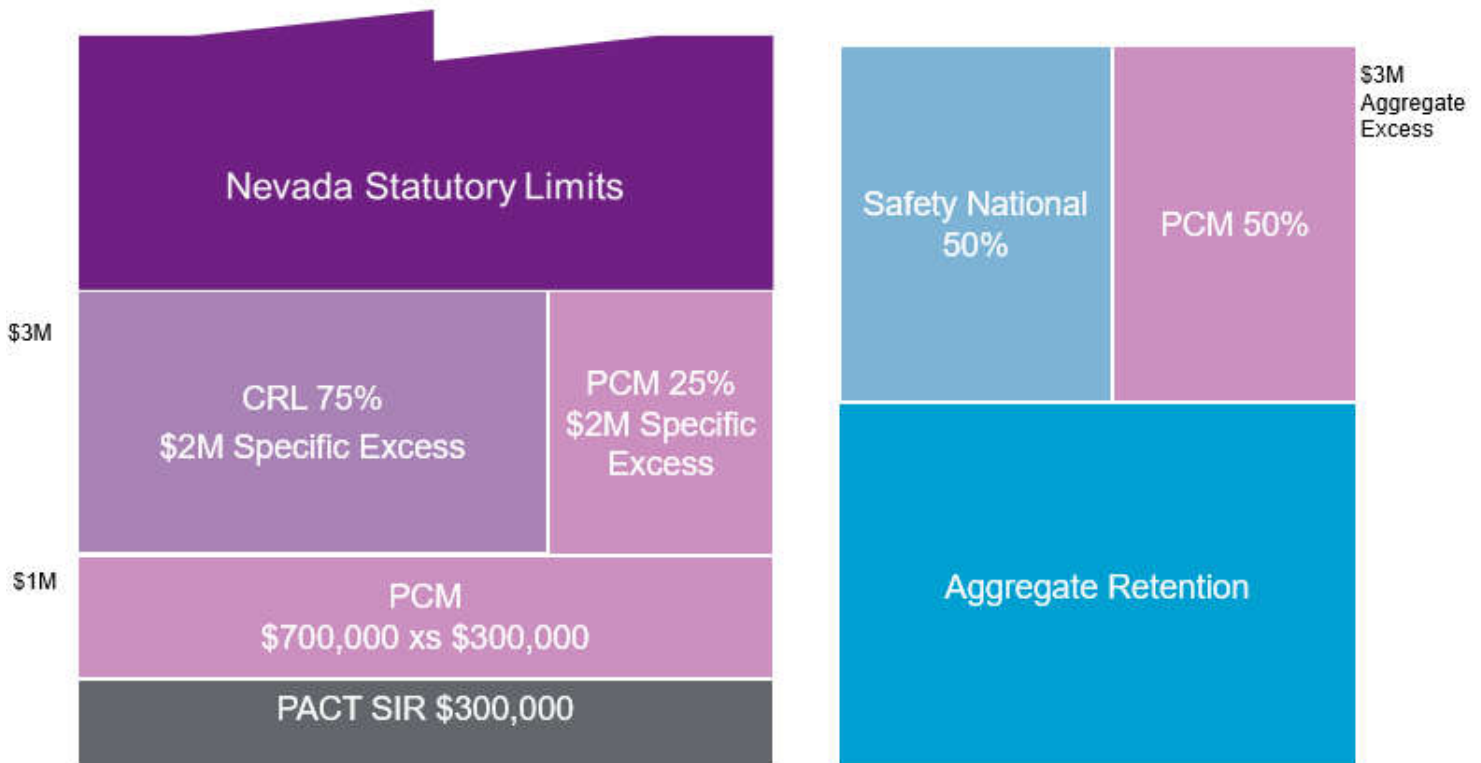
Willis Re Pooling created a website submission for all markets to use during the quote process. The website included the PACT application, payroll information, historical information, concentration of risk, financial statements, actuarial information, annual report, loss information, Nevada Revised Statutes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

Historical Payroll (2019—2021 are estimated and non-audited payrolls)



## Public Agency Compensation Trust 2020-2021

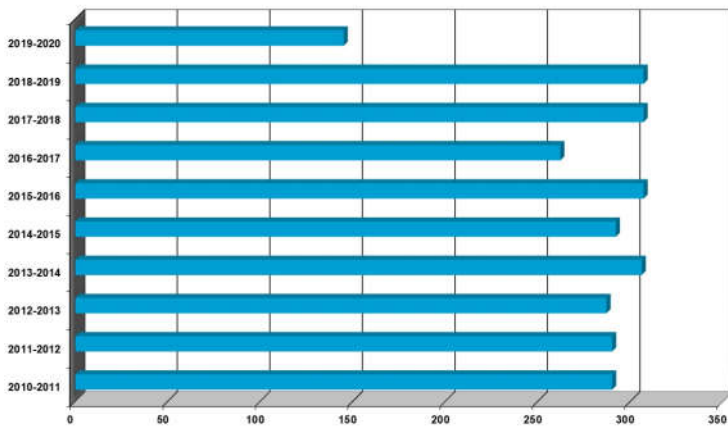
### Workers Compensation Structure



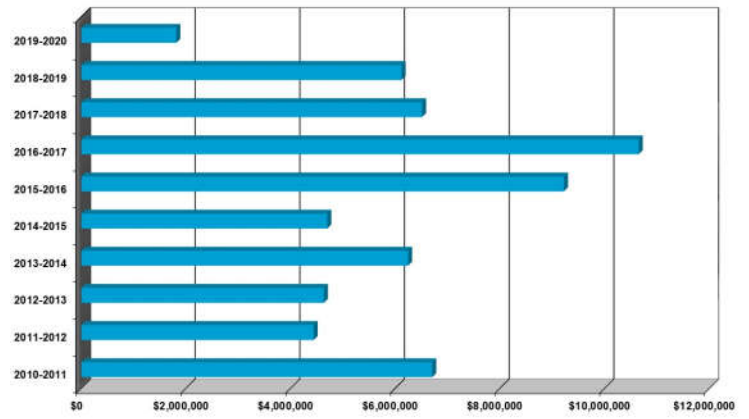


# Claims Data 2010-2019 as of Dec. 31, 2019

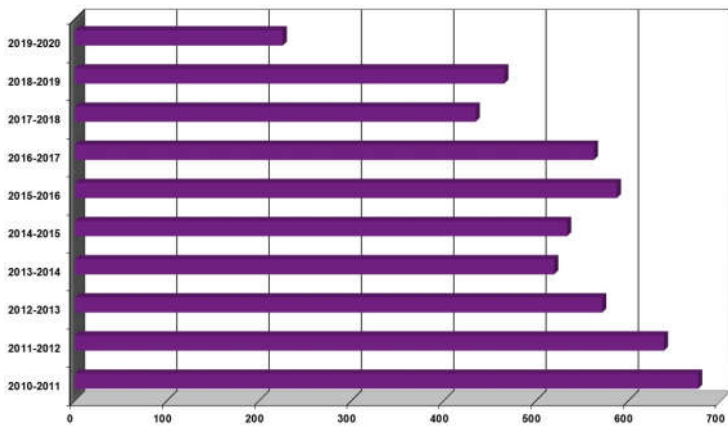
NPAIP - Number of Claims



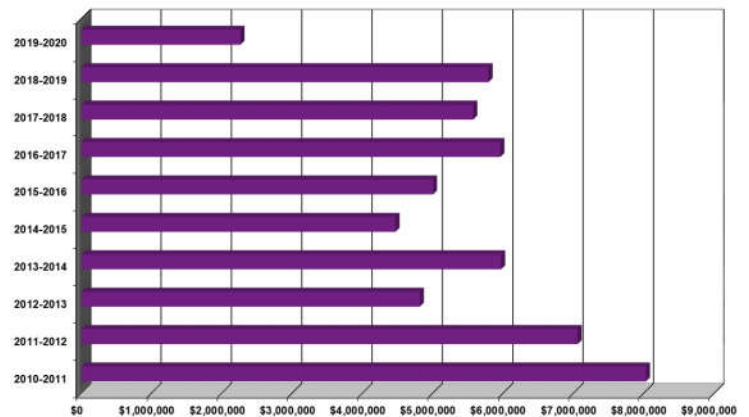
NPAIP - Total Incurred



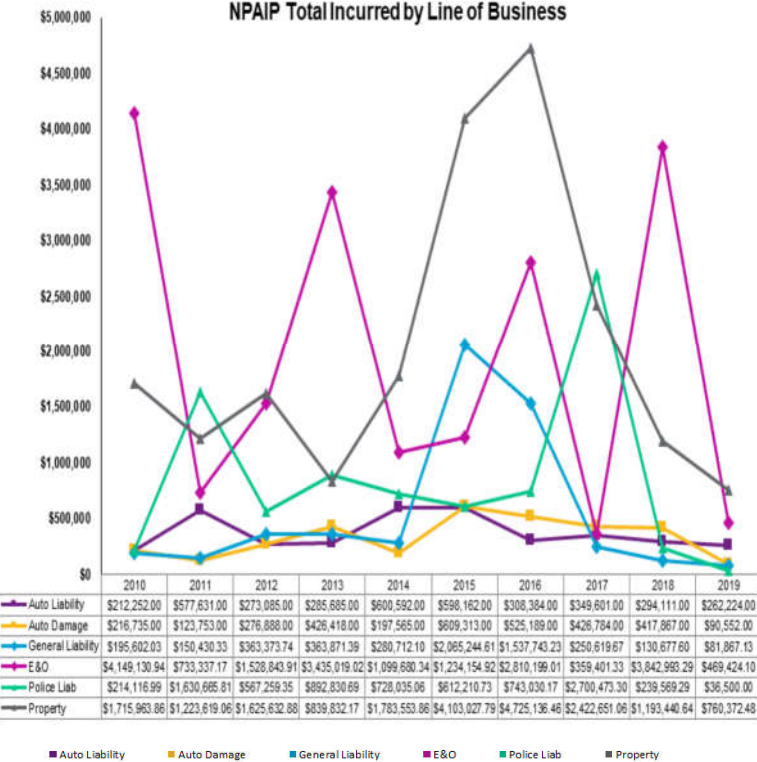
PACT - Number of Claims



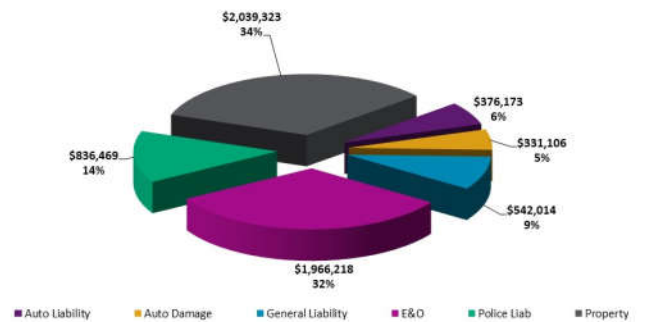
PACT - Total Incurred



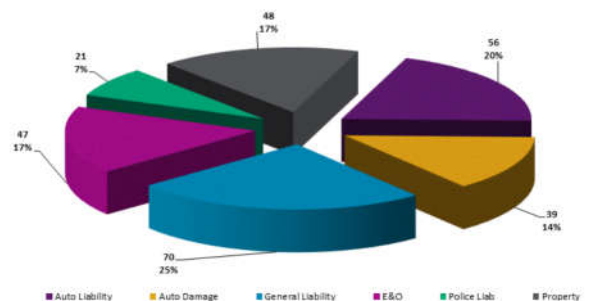
NPAIP Total Incurred by Line of Business



Yearly Average Claims Incurred by Line 2010 Through 2019



Yearly Average Number of Claims by Line 2010 through 2019



# Risk Control Services

## Member Services

The Willis Re Pooling risk control consultants work with NPAIP/PACT leadership to bring innovative ideas; assisting and supporting the POOL/PACT members in their efforts to accomplish and sustain policies and practices that control, reduce or eliminate exposures that have the potential to incur a loss.

Support to members is accomplished primarily by determining the needs of the members risk control profile and selecting the appropriate services. The risk control programs that are selected for each member requires time to successfully complete and implement. 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. Supporting the member in fully completing a service allows for periodic follow-up in consecutive years, but if additional support in any program is needed, time will be made available.

Allocation of services is provided to all members of POOL/PACT and are not based on a criteria of 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 including holding multi-member training courses.

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
- Consultants work with members individually to provide extensive training programs and assist in development of safety programs.
- 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
- Working closely with claims adjusters to identify claims trends and areas of concern
- Assisting Members in receiving recognition under POOL's Loss Control Excellence Programs
- Conduct trainings activities with new safety liaisons
- Regular meetings with safety committees to provide guidance
- Consultants attend training and increase knowledge and understanding to provide the latest Best Practices for Pool members
- Establishing effective and sustainable risk control systems with Members
- Working closely with POOL/PACT Loss Control Committee and staff to determine focus of programs and services



# Services Menu

## Risk Control Program Analysis

Risk control consultants 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 adjust accordingly.

## CPR/AED/First Aid

Classes have been updated to reflect the newest standards. All certifications are good for 2 years.

## 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.

## Park and Playground Surveys

Playground equipment inspections in accordance with the U.S. Consumer Products Safety Commission guidelines.

## Crime Prevention Through Environmental Design (CPTED)

Crime Prevention Through Environmental Design (CPTED). Risk control can perform a site survey using CPTED strategies with recommendations to reduce criminal behavior and enhance environmental safety.

## Accident Investigation

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

## 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.

## Claims Analysis

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

## Resource Center

Risk control consultants 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, bulletins, guidelines and other materials that are thought to be helpful are distributed to POOL/PACT, providing this safety related information for the quarterly newsletters.



# Risk Control Services

## Thermography - Infrared (IR) Thermal Imaging of Electrical and Mechanical Components

Electrical systems require periodic maintenance and inspection to ensure power is supplied to buildings and facilities in a safe and efficient manner. Thermal imaging is the fastest and safest method of early problem detection on electrical and mechanical equipment. A thermal imaging scan increases confidence in equipment, decreases the potential for fire loss, reduces high-energy costs, and helps avoid business interruption.

When thermal images are captured with an infrared camera, the "vital signs" of potential faults are instantly recorded with the IR image. Analysis and reports are completed with the visual information needed to take correction action.

## Playground Safety Survey

According to the Consumer Product Safety Commission, each year, more than 200,000 children ages 14 and younger go to U.S. hospital emergency departments with injuries associated with playground equipment. Most injuries occur when a child falls from the equipment onto the ground. Many of these accidents could have been prevented by implementing a playground safety program.

Risk control consultants can perform park and playground safety surveys to assist members with playground safety issues including hazard identification, equipment specifications, surfacing requirements and risk management methods.



## Risk Control Consultative Services

Defensive Driving (DDC)  
Emergency Management  
Workplace Violence  
CPR/AED  
Ergonomics  
Accident Investigation  
Hospital Injury Prevention  
Slip/Trip/Fall  
Stress  
Fleet Safety  
Safety Committees

Back Injury Prevention  
Playground Safety  
Fall Protection  
Personal Safety Awareness  
P.P.E.  
Hazard Communication  
Eye/Hand protection  
Machine Guarding  
Hand and Power Tool  
Electrical  
CPTED Surveys

Confined Space  
Trenching/Shoring  
Scaffold Safety  
Wellness Initiative  
Security Assessment  
ADA compliance  
Respiratory Protection  
Digital Detox Training  
Occupational Fatigue Training

## Activities Scheduled for 2020-2021

- 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
- Fleet defensive driver training to include, law enforcement vehicles, fire and ambulance apparatus, maintenance vehicles and passenger vehicles
- ADA Compliance
- Conduct research for Risk Management Bulletins as requested by risk management staff
- Wellness and body mechanics
- Parks & Playground Safety Inspections
- Thermography



# Brokerage and Consulting Services

## 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 member 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.
- Earthquake/Flood study completed.

## 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 consultants.
- Willis Pooling Practice Loss Control Electronic Library & Video's.
- Working with NPAIP/PACT Leadership to meet with the Members and the Member's local agents, to provide information on services and renewal materials for the Member Boards.



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**Courtney Giesseman, NPAIP PACT Vice President**

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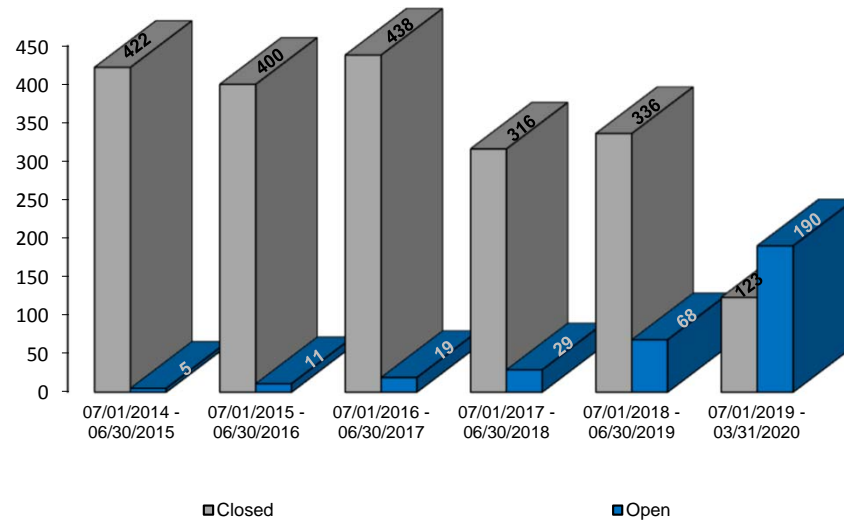
## **Liability Report**





## Total Claims by Policy Year excluding Incidents 07/01/2014 - 03/31/2020

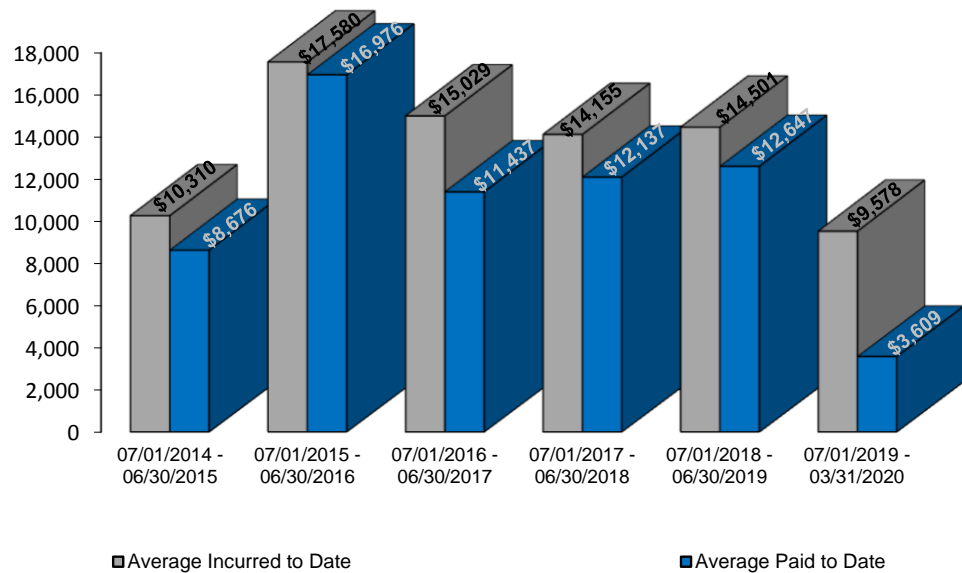
Policy Year	Total Claims	
	Closed	Open
07/01/2014 - 06/30/2015	422	5
07/01/2015 - 06/30/2016	400	11
07/01/2016 - 06/30/2017	438	19
07/01/2017 - 06/30/2018	316	29
07/01/2018 - 06/30/2019	336	68
07/01/2019 - 03/31/2020	123	190





## Average Incurred & Paid by Policy Year 07/01/2014 - 03/31/2020

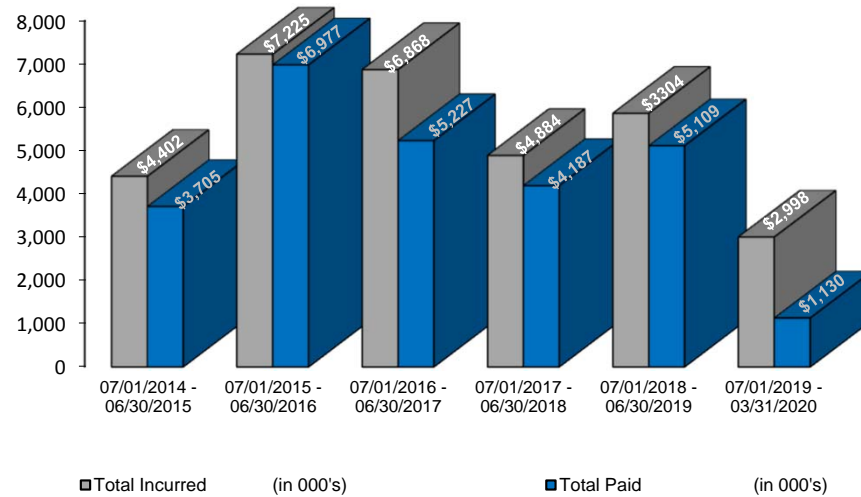
Policy Year	Average Incurred to Date	Average Paid to Date
07/01/2014 - 06/30/2015	\$10,310	\$8,676
07/01/2015 - 06/30/2016	\$17,580	\$16,976
07/01/2016 - 06/30/2017	\$15,029	\$11,437
07/01/2017 - 06/30/2018	\$14,155	\$12,137
07/01/2018 - 06/30/2019	\$14,501	\$12,647
07/01/2019 - 03/31/2020	\$9,578	\$3,609





## Incurred vs Paid by Policy Year 07/01/2014 - 03/31/2020

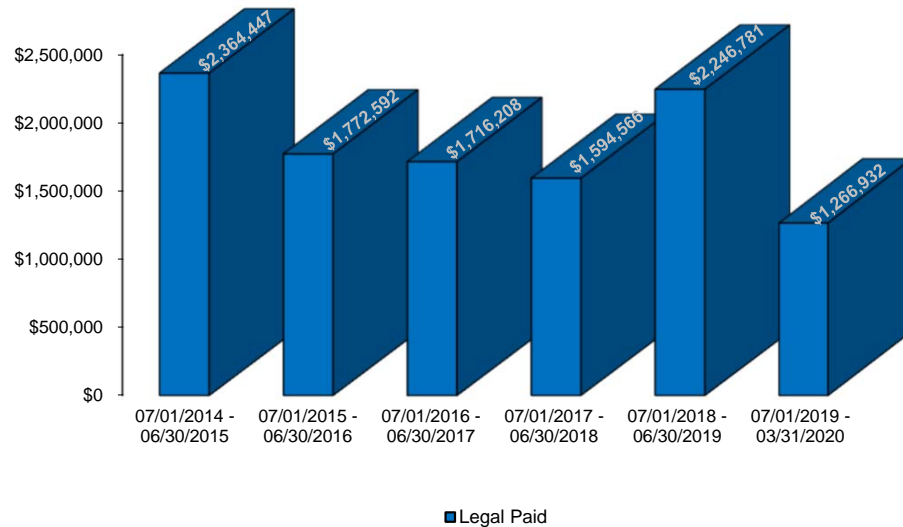
Policy Year	All Claims	
	Total Incurred (in 000's)	Total Paid (in 000's)
07/01/2014 - 06/30/2015	\$4,402	\$3,705
07/01/2015 - 06/30/2016	\$7,225	\$6,977
07/01/2016 - 06/30/2017	\$6,868	\$5,227
07/01/2017 - 06/30/2018	\$4,884	\$4,187
07/01/2018 - 06/30/2019	\$5,858	\$5,109
07/01/2019 - 03/31/2020	\$2,998	\$1,130





## Legal Expenses Paid to Date by Policy Year for All Claims 07/01/2014 - 03/31/2020

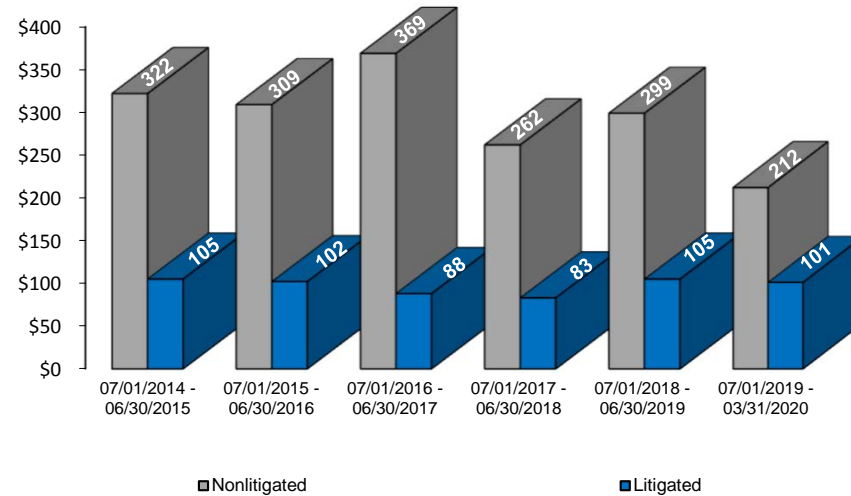
Policy Year	Legal Expenses Paid to Date
07/01/2014 - 06/30/2015	\$2,364,447
07/01/2015 - 06/30/2016	\$1,772,592
07/01/2016 - 06/30/2017	\$1,716,208
07/01/2017 - 06/30/2018	\$1,594,566
07/01/2018 - 06/30/2019	\$2,246,781
07/01/2019 - 03/31/2020	\$1,266,932
<b>Grand Total</b>	<b>\$10,961,526</b>





## Litigated Claims by Policy Year for claims reported 07/01/2014 - 03/31/2020

Policy Year	Litigated Claims	
	Nonlitigated	Litigated
07/01/2014 - 06/30/2015	322	105
07/01/2015 - 06/30/2016	309	102
07/01/2016 - 06/30/2017	369	88
07/01/2017 - 06/30/2018	262	83
07/01/2018 - 06/30/2019	299	105
07/01/2019 - 03/31/2020	212	101





## Lag Time Average - by Location

07/01/2014 - 03/31/2020

Location	Avg. Days
Alamo Sewer And Water Gid	307
Pershing County School District	161
Lyon County	129
Nevada Association Of Counties	96
Mineral County	94
Churchill County	91
Nye County	89
Minden Gardnerville Sanitation District	87
Western Nevada Regional Youth Center	75
White Pine County	71
Lincoln County School District	70
Carlin (City Of)	69
Caliente (City Of)	67
Esmeralda County	63
Boulder City (City Of)	61
Douglas County Sewer Improvement District #1	60
Pahrump (Town Of)	60
North Lyon Fire Protection District	56
Douglas County	52
Storey County	52
Pershing County	51
Lovelock Meadows Water District	51
East Fork Swimming Pool District	48
Carson City School District	44
Elko County	41
Palomino Valley General Improvement Dist	41
Kingsbury Gid	40
Nevada Public Agency Insurance Pool	39



# Lag Time Average - by Location

07/01/2014 - 03/31/2020

Location	Avg. Days
Nevada Commission For The Reconstruction	38
Walker River Irrigation District	37
Ely (City Of)	36
Moapa Valley Water District	36
Winnemucca (City Of)	34
Mineral County School District	33
Lander County School District	32
Elko (City Of)	31
Lander County	31
Canyon Gid	31
Churchill County Mosquito & Weed Abateme	31
Humboldt County	30
White Pine County School District	29
Nevada-Tahoe Conservation District	28
Mesquite (City Of)	28
Walker Basin Conservancy	27
Douglas County Mosquito Abatement District	26
Northern Nye County Hospital Districtq	26
Churchill County School District	25
Yerington (City Of)	24
Virgin Valley Water District	23
Incline Village Gid	23
Fernley (City Of)	22
Tahoe-Douglas Fpd	22
Lovelock (City Of)	20
Lyon County School District	20
Eureka County	20
Gardnerville Ranchos Gid	20



# Lag Time Average - by Location

07/01/2014 - 03/31/2020

Location	Avg. Days
Truckee Meadows Fpd	19
Rtc Washoe County	19
Beatty Water & Sanitation District	18
Minden (Town Of)	18
Sun Valley Gid	17
Tonopah (Town Of)	16
West Wendover (City Of)	16
Storey County School District	15
Humboldt County School District	15
Elko County School District	15
Douglas County School District	15
Stagecoach Gid	15
Skyland Gid	15
Lincoln County	15
North Lake Tahoe Fpd	14
Tahoe Reno Industrial Gid	14
Nye County School District	13
Gardnerville (Town Of)	12
West Wendover Recreation District	12
Nevada Rural Housing Authority	11
Wells (City Of)	10
Southern Nevada Health District	9
Zephyr Heights Gid	9
Elko Co. Agricultural Assoc., DbA Elko Co. Fair Board	8
Nv Association Of Conservation Districts	6
Virginia City Convention & Tourism Autho	6
U.S. Board Of Water Commissioners	5
Indian Hills Gid	5





## Lag Time Average - by Location

07/01/2014 - 03/31/2020

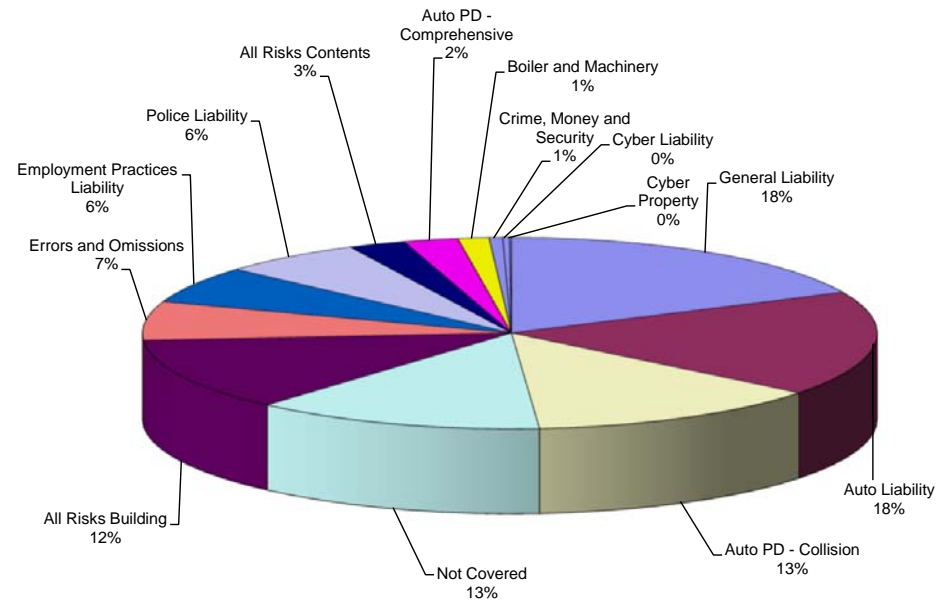
Location	Avg. Days
Tahoe Douglas District	4
Amargosa Library District	4
Silver Springs Stagecoach Hospital District	3
Lakeridge Gid	3
Esmeralda County School District	2
Genoa (Town Of)	2
Eureka County School District	2
Sierra Fpd	2
Mt Charleston Fire Protection District	2
Elko Central Dispatch	1
White Pine Co. Tourism & Rec. Board,Dbas Bristlecone Convention Center	1
Elko Convention & Visitors Authority	1
Carson City	1
Round Mountain (Town Of)	1
Fernley Swimming Pool District	1



## Frequency of Claims by Coverage

07/01/2014 - 03/31/2020

Coverage	# of Claims
General Liability	424
Auto Liability	419
Auto PD - Collision	307
Not Covered	299
All Risks Building	290
Errors and Omissions	154
Employment Practices Liability	148
Police Liability	146
All Risks Contents	59
Auto PD - Comprehensive	56
Boiler and Machinery	32
Crime, Money and Security	14
Cyber Liability	7
Cyber Property	2

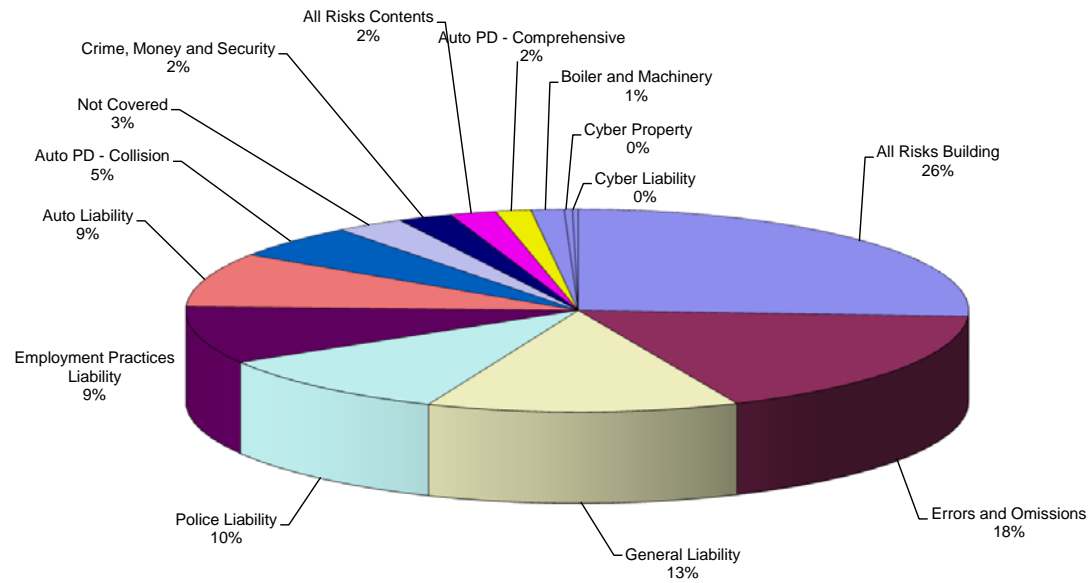




## Severity of Claims by Coverage

07/01/2014 - 03/31/2020

Coverage	Total Incurred
All Risks Building	\$ 8,361,272
Errors and Omissions	\$ 5,626,198
General Liability	\$ 4,133,124
Police Liability	\$ 3,298,202
Employment Practices Liability	\$ 2,957,185
Auto Liability	\$ 2,779,428
Auto PD - Collision	\$ 1,746,038
Not Covered	\$ 906,268
Crime, Money and Security	\$ 722,928
All Risks Contents	\$ 614,775
Auto PD - Comprehensive	\$ 468,338
Boiler and Machinery	\$ 437,109
Cyber Property	\$ 110,000
Cyber Liability	\$ 75,283

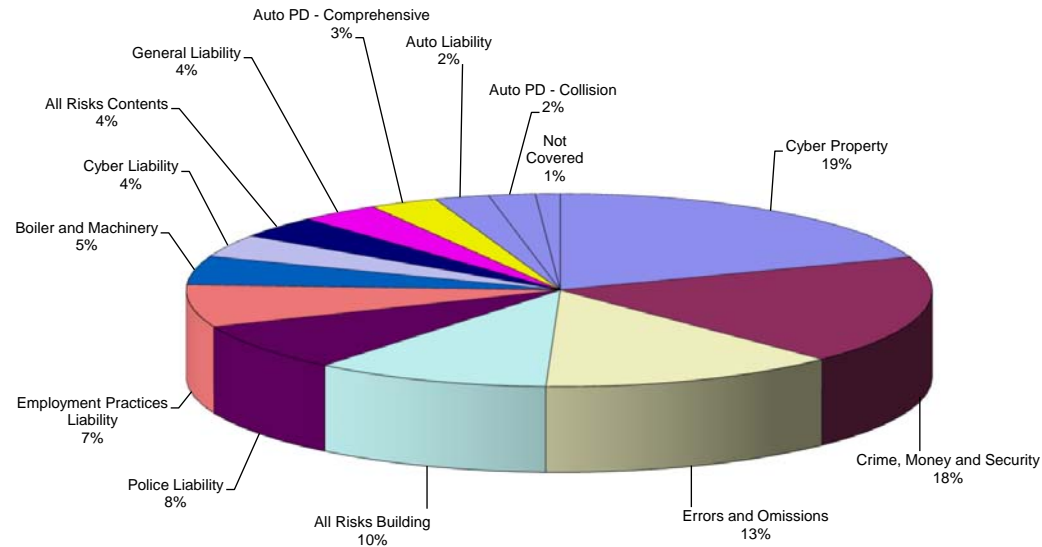




## Average Incurred by Coverage

07/01/2014 - 03/31/2020

Coverage	Average Incurred
Cyber Property	\$ 55,000
Crime, Money and Security	\$ 51,638
Errors and Omissions	\$ 36,534
All Risks Building	\$ 28,832
Police Liability	\$ 22,590
Employment Practices Liability	\$ 19,981
Boiler and Machinery	\$ 13,660
Cyber Liability	\$ 10,755
All Risks Contents	\$ 10,420
General Liability	\$ 9,748
Auto PD - Comprehensive	\$ 8,363
Auto Liability	\$ 6,633
Auto PD - Collision	\$ 5,687
Not Covered	\$ 3,031





## Historical Data Excluding Incidents 07/01/2014 - 03/31/2020

	07/01/14 - 06/30/15	07/01/15 - 06/30/16	07/01/16 - 06/30/17	07/01/17 - 06/30/18	07/01/18 - 06/30/19	07/01/19 - 03/31/20
<b>Nbr of Claims</b>						
Open	5	11	19	29	68	190
Closed	422	400	438	316	336	123
<b>Total</b>	<b>427</b>	<b>411</b>	<b>457</b>	<b>345</b>	<b>404</b>	<b>313</b>

	07/01/14 - 06/30/15	07/01/15 - 06/30/16	07/01/16 - 06/30/17	07/01/17 - 06/30/18	07/01/18 - 06/30/19	07/01/19 - 03/31/20
<b>Total Incurred</b>						
Open	\$919,900	\$660,225	\$2,469,894	\$1,078,580	\$1,186,064	\$2,702,143
Closed	\$3,482,550	\$6,565,169	\$4,398,448	\$3,804,968	\$4,672,418	\$295,789
<b>Total</b>	<b>\$4,402,450</b>	<b>\$7,225,394</b>	<b>\$6,868,342</b>	<b>\$4,883,548</b>	<b>\$5,858,482</b>	<b>\$2,997,932</b>

	07/01/14 - 06/30/15	07/01/15 - 06/30/16	07/01/16 - 06/30/17	07/01/17 - 06/30/18	07/01/18 - 06/30/19	07/01/19 - 03/31/20
<b>Total Paid</b>						
Open	\$222,196	\$412,113	\$828,489	\$382,145	\$436,803	\$833,956
Closed	\$3,482,550	\$6,565,169	\$4,398,448	\$3,804,968	\$4,672,418	\$295,789
<b>Total</b>	<b>\$3,704,746</b>	<b>\$6,977,282</b>	<b>\$5,226,937</b>	<b>\$4,187,113</b>	<b>\$5,109,221</b>	<b>\$1,129,745</b>

	07/01/14 - 06/30/15	07/01/15 - 06/30/16	07/01/16 - 06/30/17	07/01/17 - 06/30/18	07/01/18 - 06/30/19	07/01/19 - 03/31/20
<b>Average Incurred</b>						
Open	\$183,980	\$60,020	\$129,994	\$37,192	\$17,442	\$14,222
Closed	\$8,252	\$16,413	\$10,042	\$12,041	\$13,906	\$2,405
<b>Average Incurred</b>	<b>\$10,310</b>	<b>\$17,580</b>	<b>\$15,029</b>	<b>\$14,155</b>	<b>\$14,501</b>	<b>\$9,578</b>

	07/01/14 - 06/30/15	07/01/15 - 06/30/16	07/01/16 - 06/30/17	07/01/17 - 06/30/18	07/01/18 - 06/30/19	07/01/19 - 03/31/20
<b>Open Claims</b>						
Claims	5	11	19	29	68	190
<b>Total</b>	<b>5</b>	<b>11</b>	<b>19</b>	<b>29</b>	<b>68</b>	<b>190</b>



## Summary by Location

### 07/01/2014 - 03/31/2020

Location	# of Claims	# Open Claims	Total Incurred
Alamo Sewer And Water Gid	3	0	\$80,163
Amargosa Library District	1	0	\$2,143
Beatty Water & Sanitation District	7	0	\$45,931
Boulder City (City Of)	115	12	\$460,797
Caliente (City Of)	11	0	\$55,836
Canyon Gid	1	0	\$84,850
Carlin (City Of)	12	2	\$75,801
Carson City	1	0	\$0
Carson City School District	55	7	\$1,128,949
Churchill County	21	3	\$184,290
Churchill County Mosquito & Weed Abateme	2	0	\$4,641
Churchill County School District	16	0	\$296,090
Douglas County	174	21	\$3,437,715
Douglas County Mosquito Abatement District	2	0	\$10,813
Douglas County School District	108	7	\$630,866
Douglas County Sewer Improvement District #1	5	0	\$0
East Fork Swimming Pool District	3	0	\$5,395
Elko (City Of)	126	20	\$1,799,944
Elko Central Dispatch	1	0	\$3,718
Elko Co. Agricultural Assoc., Dba Elko Co. Fair Board	1	0	\$9,402
Elko Convention & Visitors Authority	1	0	\$4,468
Elko County	79	16	\$636,733
Elko County School District	99	7	\$3,774,447
Ely (City Of)	37	5	\$206,073
Esmeralda County	29	6	\$678,694
Esmeralda County School District	6	2	\$63,838
Eureka County	43	4	\$327,844
Eureka County School District	5	3	\$498,827
Fernley (City Of)	32	3	\$302,938
Fernley Swimming Pool District	2	0	\$3,660



## Summary by Location

### 07/01/2014 - 03/31/2020

Location	# of Claims	# Open Claims	Total Incurred
Gardnerville (Town Of)	10	1	\$48,281
Gardnerville Ranchos Gid	7	2	\$26,086
Genoa (Town Of)	1	0	\$0
Humboldt County	54	4	\$491,745
Humboldt County School District	46	3	\$677,660
Incline Village Gid	74	5	\$586,051
Indian Hills Gid	5	0	\$24,947
Kingsbury Gid	10	2	\$104,803
Lakeridge Gid	2	1	\$10,000
Lander County	32	9	\$501,818
Lander County School District	6	1	\$93,296
Lincoln County	25	1	\$292,617
Lincoln County School District	23	4	\$656,579
Lovelock (City Of)	5	2	\$52,499
Lovelock Meadows Water District	2	0	\$4,292
Lyon County	74	10	\$1,226,419
Lyon County School District	71	7	\$1,276,642
Mesquite (City Of)	24	0	\$40,129
Minden (Town Of)	18	1	\$350,993
Minden Gardnerville Sanitation District	5	0	\$208,821
Mineral County	43	8	\$1,094,633
Mineral County School District	20	0	\$470,856
Moapa Valley Water District	4	0	\$26,738
Mt Charleston Fire Protection District	1	0	\$73,348
Nevada Association Of Counties	2	1	\$5,000
Nevada Commission For The Reconstruction	6	0	\$7,785
Nevada Public Agency Insurance Pool	2	0	\$36,288
Nevada Rural Housing Authority	12	1	\$115,394
Nevada-Tahoe Conservation District	5	0	\$5,342
North Lake Tahoe Fpd	8	0	\$154,060



## Summary by Location

### 07/01/2014 - 03/31/2020

Location	# of Claims	# Open Claims	Total Incurred
North Lyon Fire Protection District	6	3	\$36,550
Northern Nye County Hospital District	1	1	\$9,000
Nv Association Of Conservation Districts	1	1	\$1
Nye County	269	59	\$3,363,156
Nye County School District	77	25	\$865,176
Pahrump (Town Of)	14	3	\$102,070
Palomino Valley General Improvement Dist	3	1	\$9,618
Pershing County	31	3	\$200,081
Pershing County School District	6	2	\$27,956
Round Mountain (Town Of)	1	0	\$2,442
Rtc Washoe County	6	1	\$243,581
Sierra Fpd	1	0	\$0
Silver Springs Stagecoach Hospital District	1	0	\$3,330
Skyland Gid	4	0	\$6,685
Southern Nevada Health District	23	5	\$260,164
Stagecoach Gid	5	1	\$31,068
Storey County	55	10	\$1,066,026
Storey County School District	21	3	\$155,923
Sun Valley Gid	8	0	\$5,874
Tahoe Douglas District	4	0	\$16,154
Tahoe Reno Industrial Gid	4	0	\$132,684
Tahoe-Douglas Fpd	6	2	\$21,931
Tonopah (Town Of)	10	2	\$29,665
Truckee Meadows Fpd	17	0	\$226,873
U.S. Board Of Water Commissioners	1	0	\$0
Virgin Valley Water District	3	0	\$493,166
Virginia City Convention & Tourism Autho	1	1	\$55,000
Walker Basin Conservancy	8	2	\$51,102
Walker River Irrigation District	3	0	\$644
Wells (City Of)	7	0	\$20,474





## Summary by Location

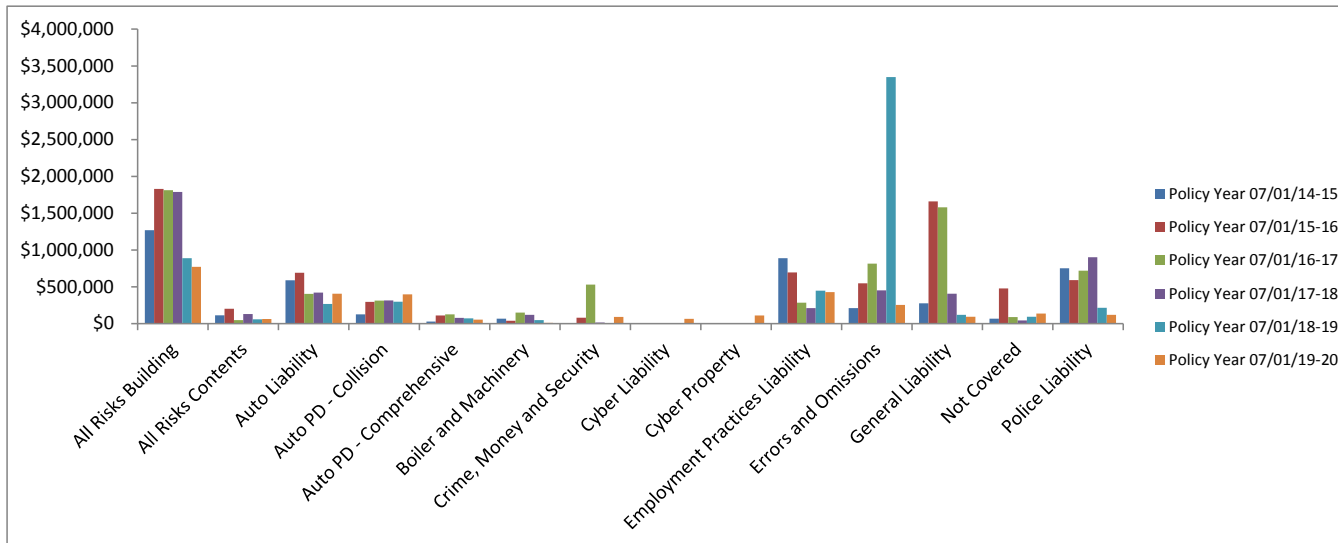
### 07/01/2014 - 03/31/2020

Location	# of Claims	# Open Claims	Total Incurred
West Wendover (City Of)	43	5	\$193,409
West Wendover Recreation District	10	0	\$211,437
Western Nevada Regional Youth Center	5	1	\$98,167
White Pine Co. Tourism & Rec. Board,Db a Bristlecone Convention	2	0	\$1,985
White Pine County	58	5	\$229,211
White Pine County School District	19	2	\$405,653
Winnemucca (City Of)	17	0	\$72,114
Yerington (City Of)	8	1	\$101,194
Zephyr Heights Gid	3	2	\$8,602
<b>TOTAL</b>	<b>2357</b>	<b>322</b>	<b>\$32,236,148</b>



## Total Incurred by Coverage by Policy Year

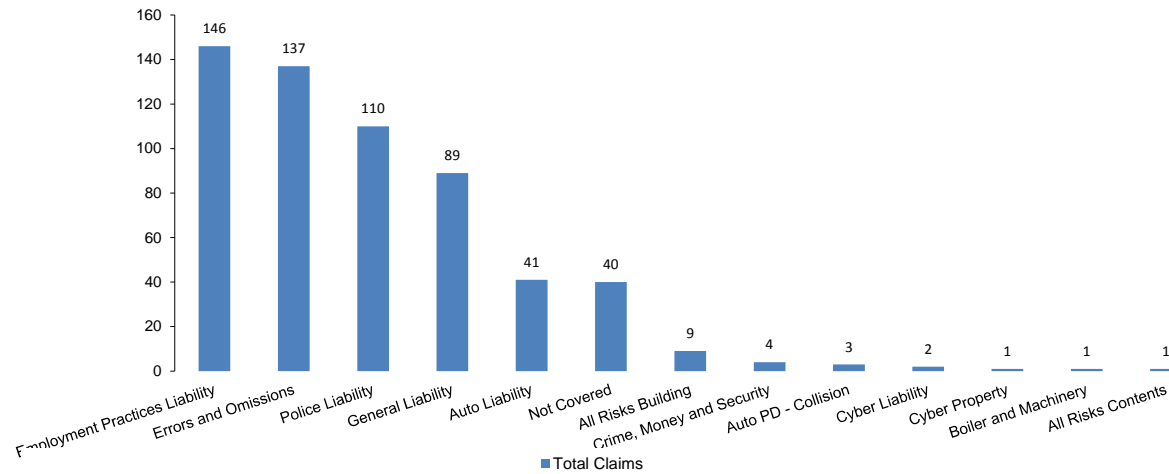
Coverage	Policy Year 07/01/14-15	Policy Year 07/01/15-16	Policy Year 07/01/16-17	Policy Year 07/01/17-18	Policy Year 07/01/18-19	Policy Year 07/01/19-20
All Risks Building	\$1,269,491	\$1,830,629	\$1,812,269	\$1,789,004	\$888,983	\$770,896
All Risks Contents	\$112,154	\$202,826	\$48,194	\$130,763	\$58,299	\$62,540
Auto Liability	\$590,023	\$690,771	\$403,203	\$421,689	\$266,842	\$406,900
Auto PD - Collision	\$126,774	\$295,654	\$312,906	\$315,033	\$298,278	\$397,393
Auto PD - Comprehensive	\$27,867	\$111,244	\$125,378	\$78,157	\$70,945	\$54,747
Boiler and Machinery	\$68,034	\$39,891	\$150,408	\$119,948	\$48,828	\$10,000
Crime, Money and Security	\$6,127	\$80,872	\$529,325	\$15,814	\$290	\$90,500
Cyber Liability	\$9,283	\$0			\$0	\$66,000
Cyber Property						\$110,000
Employment Practices Liability	\$889,790	\$695,745	\$285,064	\$210,235	\$448,635	\$427,716
Errors and Omissions	\$209,891	\$548,122	\$814,462	\$451,037	\$3,348,877	\$253,809
General Liability	\$275,070	\$1,660,452	\$1,579,461	\$406,060	\$119,336	\$92,746
Not Covered	\$66,914	\$477,365	\$88,920	\$43,912	\$92,973	\$136,185
Police Liability	\$751,035	\$591,823	\$718,752	\$901,895	\$216,196	\$118,500





## Litigated Claims by Coverage for Policy Years 07/01/2014 - 03/31/2020

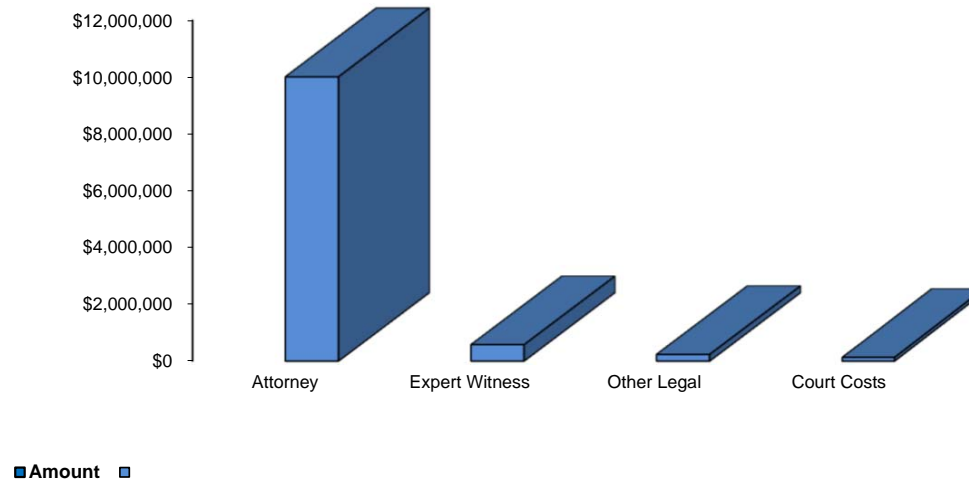
<b>Litigated Claims by Coverage</b>	
Coverage	Total Claims
Employment Practices Liability	146
Errors and Omissions	137
Police Liability	110
General Liability	89
Auto Liability	41
Not Covered	40
All Risks Building	9
Crime, Money and Security	4
Auto PD - Collision	3
Cyber Liability	2
Cyber Property	1
Boiler and Machinery	1
All Risks Contents	1





## Legal Expenses Paid by Type for 07/01/2014 - 03/31/2020

Legal Expenses paid by Type	
Legal Expense Type	Amount
Attorney	\$10,015,605
Expert Witness	\$578,902
Other Legal	\$236,814
Court Costs	\$130,205
<b>Grand Total</b>	<b>\$10,961,526</b>



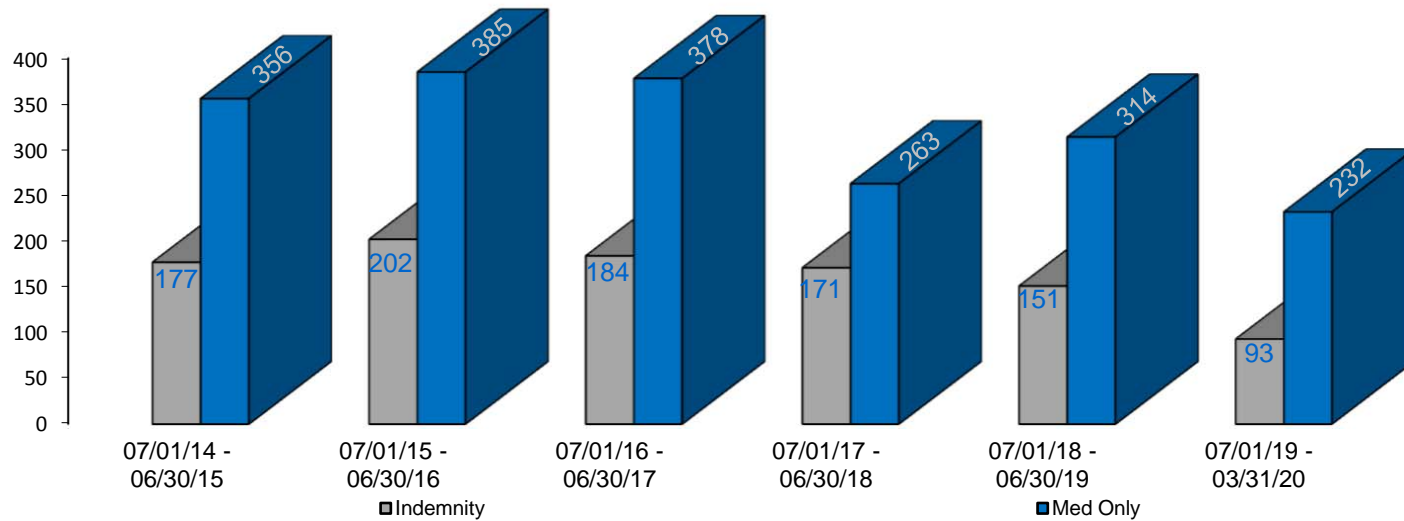


## **Worker's Compensation Report**



# Claim Frequency excluding Incidents 07/01/2014 - 03/31/2020

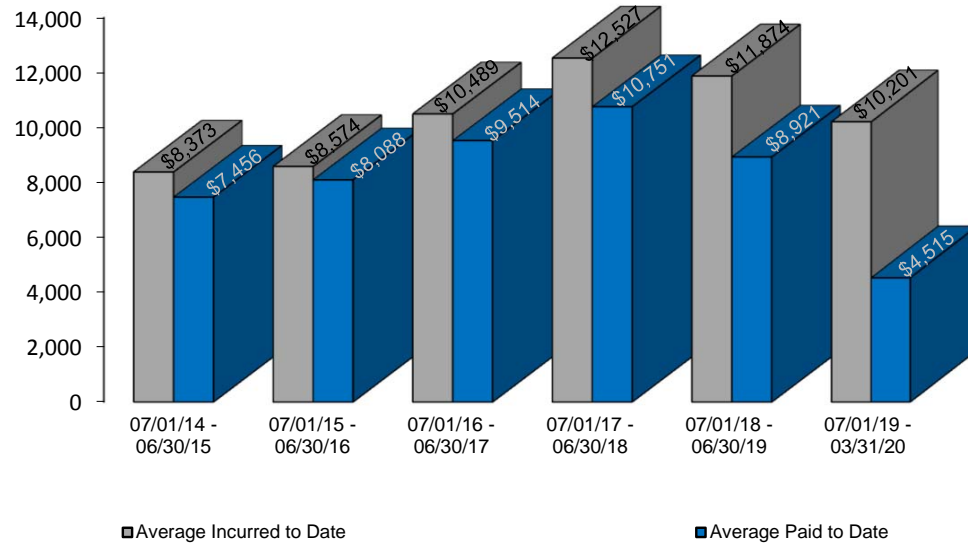
Policy Year	Indemnity		Medical Only		Total Claims
	Open	Closed	Open	Closed	
07/01/14 - 06/30/15	8	169	0	356	533
07/01/15 - 06/30/16	11	191	1	384	587
07/01/16 - 06/30/17	16	168	1	377	562
07/01/17 - 06/30/18	17	154	1	262	434
07/01/18 - 06/30/19	40	111	13	301	465
07/01/19 - 03/31/20	70	23	117	115	325
					<b>2,906</b>





## Average Incurred & Paid by Policy Year 07/01/2014 - 03/31/2020

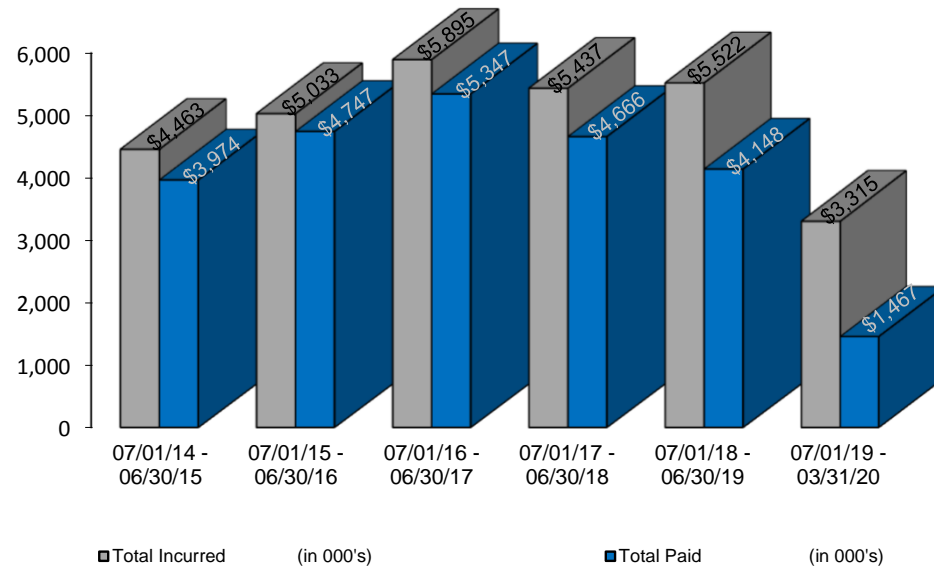
Policy Year	Average Incurred to Date	Average Paid to Date
07/01/14 - 06/30/15	\$8,373	\$7,456
07/01/15 - 06/30/16	\$8,574	\$8,088
07/01/16 - 06/30/17	\$10,489	\$9,514
07/01/17 - 06/30/18	\$12,527	\$10,751
07/01/18 - 06/30/19	\$11,874	\$8,921
07/01/19 - 03/31/20	\$10,201	\$4,515





## Incurred vs Paid by Policy Year 07/01/2014 - 03/31/2020

Policy Year	All Claims	
	Total Incurred (in 000's)	Total Paid (in 000's)
07/01/14 - 06/30/15	\$4,463	\$3,974
07/01/15 - 06/30/16	\$5,033	\$4,747
07/01/16 - 06/30/17	\$5,895	\$5,347
07/01/17 - 06/30/18	\$5,437	\$4,666
07/01/18 - 06/30/19	\$5,522	\$4,148
07/01/19 - 03/31/20	\$3,315	\$1,467







# Lag Time Average by Location 07/01/2014 - 03/31/2020

Location	Avg. Days
Carlin (City Of)	50
Wells (City Of)	40
Tahoe Transportation	33
Eureka County School District	31
White Pine County Tourism & Recreation Board	25
Lincoln County School District	23
North Lyon County Fire Protection District	22
Caliente (City Of)	22
Churchill County Communications	22
Rtc Washoe County	21
Tahoe-Douglas Fpd	21
Pershing County Water Conservation Distr	19
Winnemucca (City Of)	18
Truckee Meadows Fpd	17
East Fork Fire & Paramedic District	16
Grover C. Dils Medical Center	16
Tonopah (Town Of)	16
Pershing County	16
Humboldt General Hospital	15
West Wendover (City Of)	14
White Pine County School District	14
Pahrump (Town Of)	13
Elko County	13
Battle Mountain General Hospital	13
Humboldt County	13
Nevada Rural Housing Authority	13
Mason Valley Fpd	12
Esmeralda County	12
White Pine County Fp District	12



# Lag Time Average by Location 07/01/2014 - 03/31/2020

Location	Avg. Days
Storey County	12
Elko (City Of)	12
Pershing County School District	11
Lincoln County	11
Lander County	11
Lander County School District	11
Beatty Water & Sanitation District	11
Mineral County	10
Churchill County	10
Incline Village General Improvement Dist	10
Lyon County	10
Genoa (Town Of)	10
Douglas County Mosquito Abatement Distri	10
Boulder City (City Of)	10
Nye County	10
Fallon (City Of)	10
Douglas County	10
Mineral County School District	9
Central Lyon County Fpd	8
North Lake Tahoe Fpd	8
Eureka County	8
White Pine County	8
Lovelock (City Of)	8
Mount Grant General Hospital	8
East Fork Swimming Pool District	8
Smith Valley Fpd	8
Mesquite (City Of), Personnel Director	8
Ely (City Of)	8
Douglas Co Sewer Improvement District #1	8



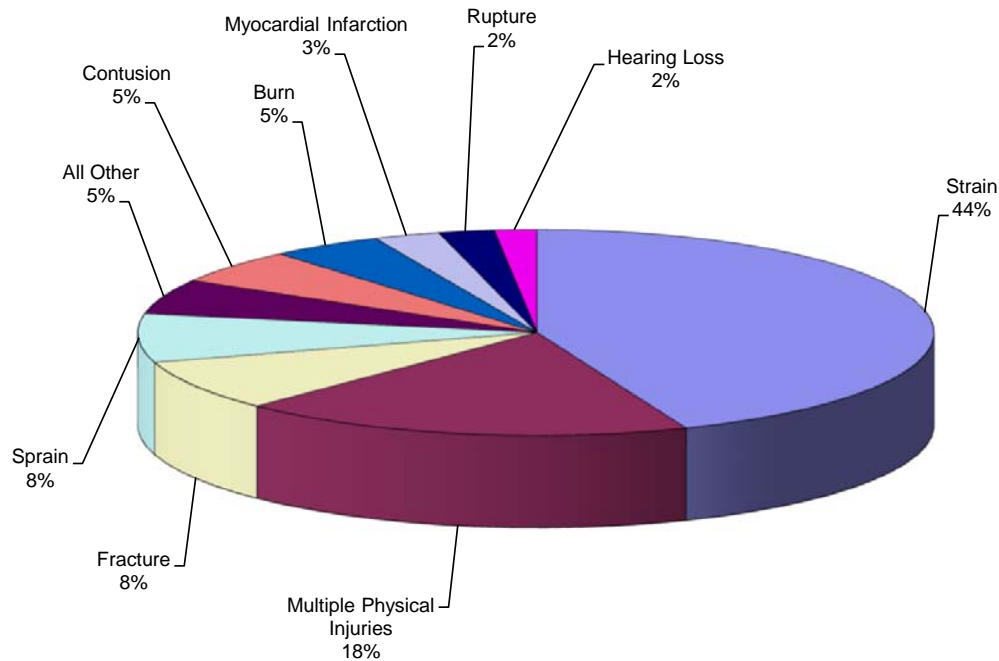
# Lag Time Average by Location 07/01/2014 - 03/31/2020

Location	Avg. Days
Pershing General Hospital	8
White Pine Historical Railroad Foundatio	6
Indian Hills Gid	6
Fernley (City Of)	6
Yerington (City Of)	5
Virgin Valley Water District	5
Palomino Valley Gid	5
Pahranagat Valley Fd	5
Mt Charleston Fire Protection District	5
Southern Nevada Health District	5
Minden (Town Of)	5
Round Mountain (Town Of)	5
Gardnerville (Town Of)	4
Churchill County Mosquito & Weed Abatement Distric	4
Washoe Co Fire Suppression Dist	3
Minden Garnerville Sanitation District	3
Esmeralda County School District	2
Nv Association Of Conservation Districts	2
Canyon Gid	2
Topaz Ranch General Improvement District	2
Fernley Swimming Pool District	1
Nevada-Tahoe Conservation District	1



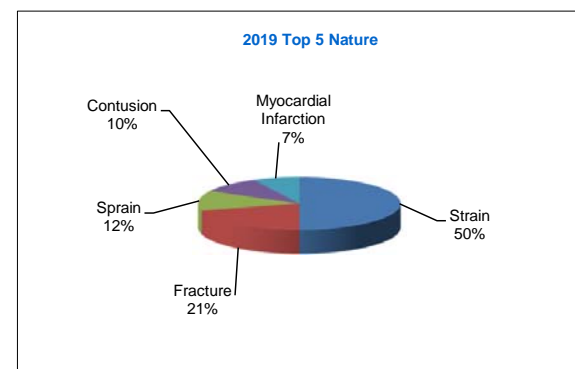
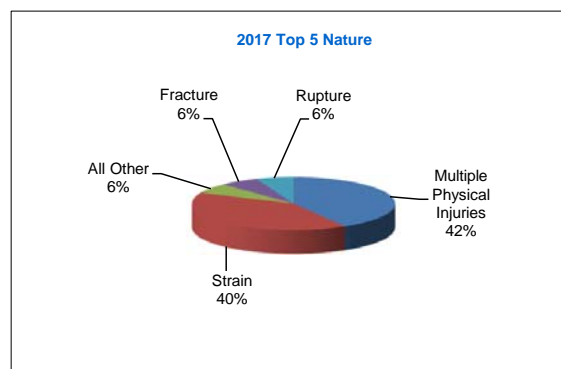
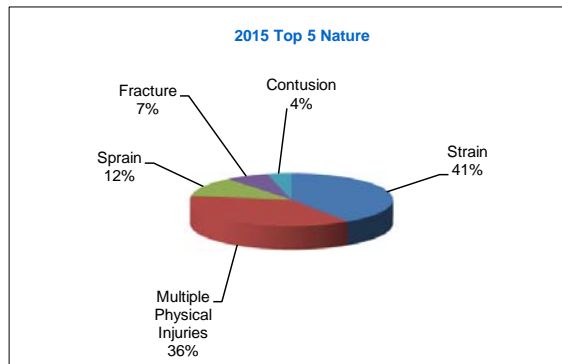
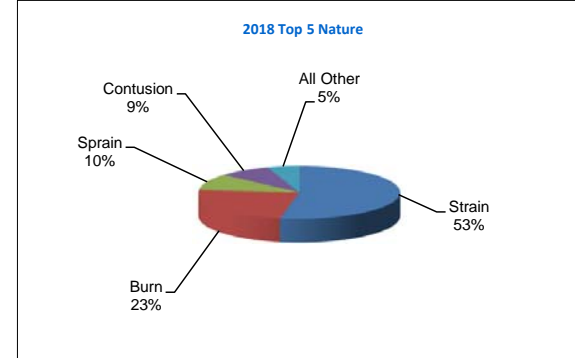
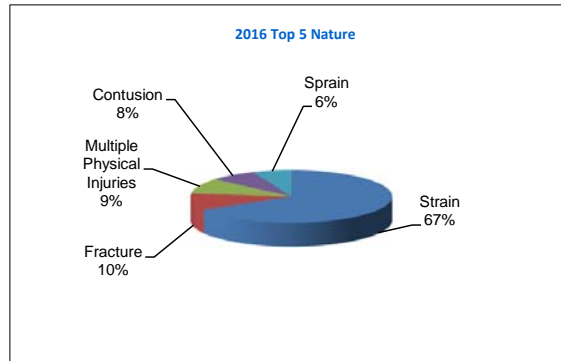
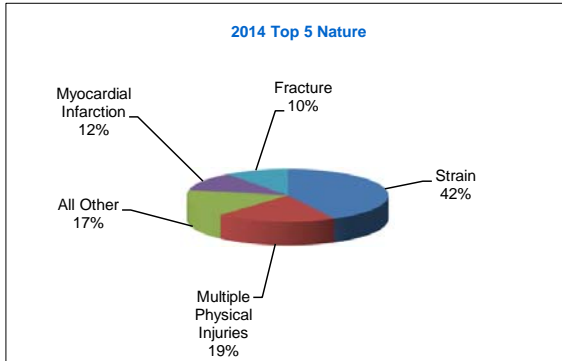
## Top Ten Nature of Injury 07/01/2014 - 03/31/2020

Nature of Injury	# of Claims	Total Incurred
Strain	852	\$ 11,244,233
Multiple Physical Injuries	215	\$ 4,714,905
Fracture	90	\$ 2,040,696
Sprain	259	\$ 1,952,584
All Other	201	\$ 1,397,159
Contusion	342	\$ 1,390,323
Burn	37	\$ 1,158,802
Myocardial Infarction	9	\$ 686,226
Rupture	11	\$ 575,082
Hearing Loss	15	\$ 440,189





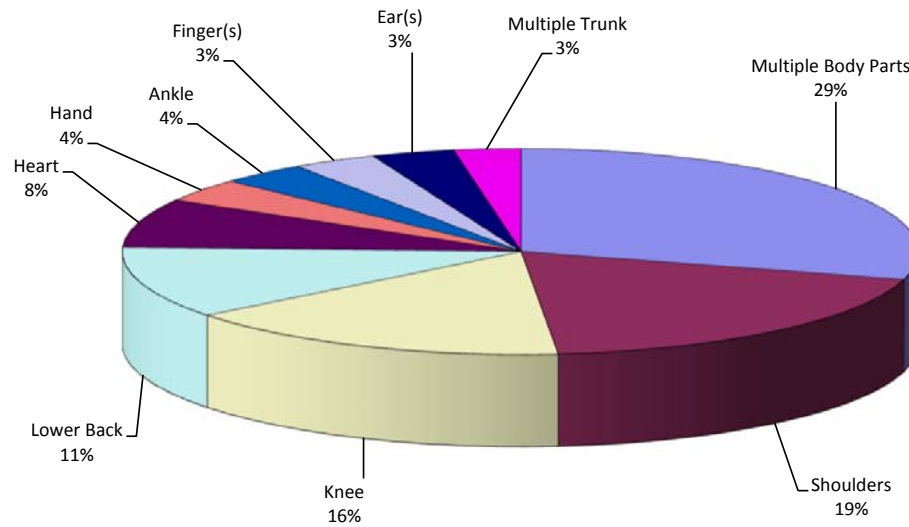
# Nature of Injury Trends for 07/01/2014 - 03/31/2020





# Top Ten Part of Body 07/01/2014 - 03/31/2020

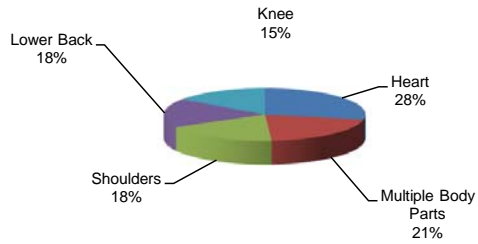
Part of Body	# of Claims	Total Incurred
Multiple Body Parts	332	\$ 6,652,419
Shoulders	191	\$ 4,331,707
Knee	278	\$ 3,589,535
Lower Back	245	\$ 2,545,242
Heart	47	\$ 1,741,716
Hand	152	\$ 828,404
Ankle	106	\$ 800,053
Finger(s)	228	\$ 776,537
Ear(s)	33	\$ 759,973
Multiple Trunk	20	\$ 614,955



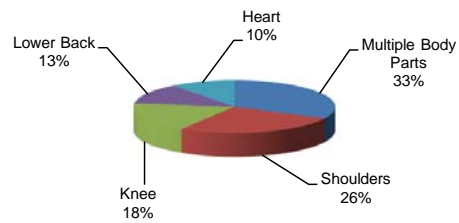


# Body Part Trends for 07/01/2014 - 03/31/2020

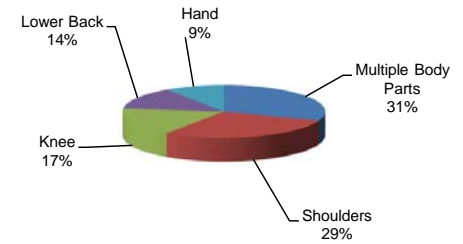
2014 Top 5 Body Part



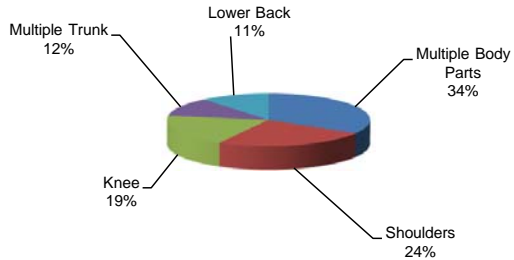
2016 Top 5 Body Part



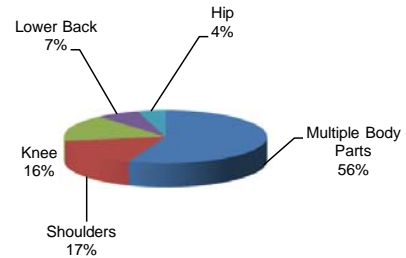
2018 Top 5 Body Part



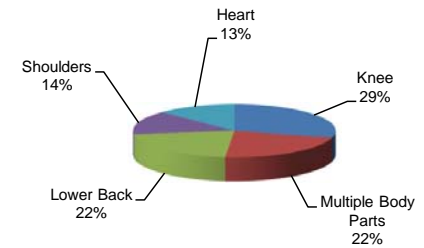
2015 Top 5 Body Part



2017 Top 5 Body Part



2019 Top 5 Body Part

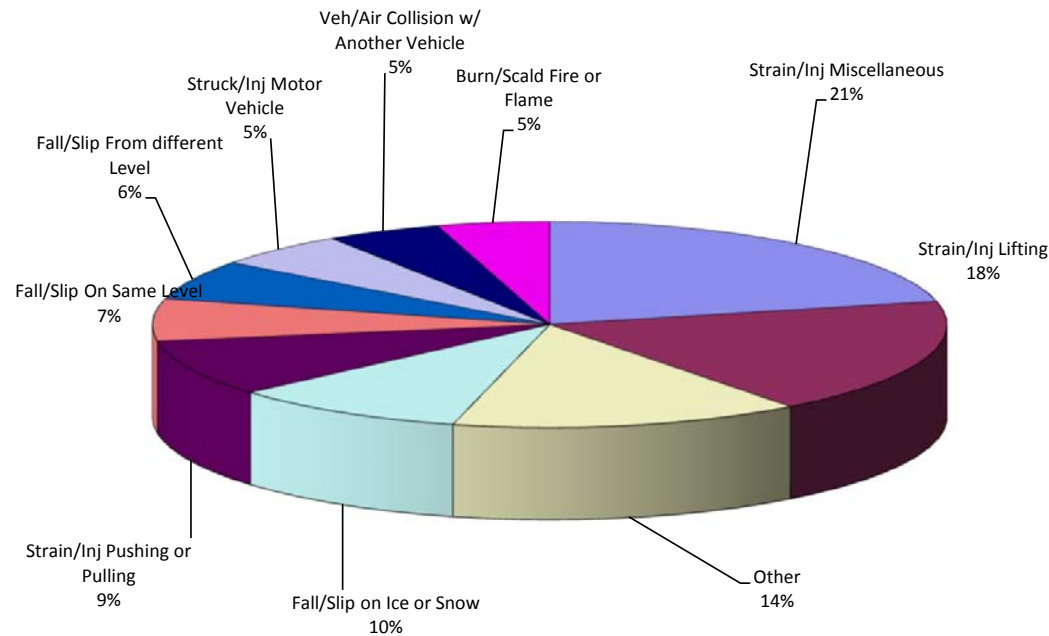




# Top Ten Cause of Injury

07/01/2014 - 03/31/2020

Cause of Injury	# of Claims	Total Incurred
Strain/Inj Miscellaneous	334	\$ 3,993,083
Strain/Inj Lifting	235	\$ 3,411,260
Other	201	\$ 2,658,368
Fall/Slip on Ice or Snow	114	\$ 1,796,144
Strain/Inj Pushing or Pulling	99	\$ 1,655,077
Fall/Slip On Same Level	146	\$ 1,236,584
Fall/Slip From different Level	53	\$ 1,163,765
Struck/Inj Motor Vehicle	27	\$ 1,021,838
Veh/Air Collision w/ Another Vehicle	44	\$ 875,665
Burn/Scald Fire or Flame	8	\$ 853,725

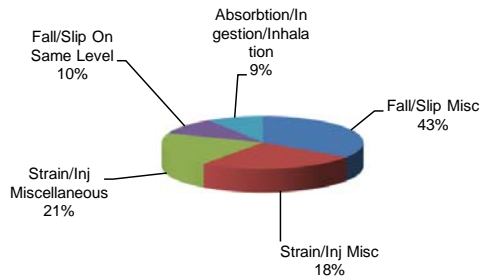




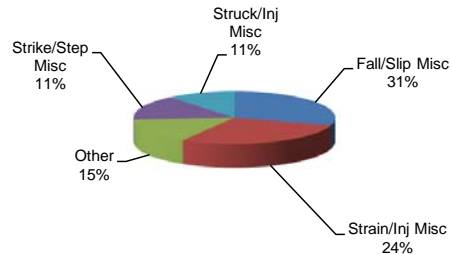


# Cause of Injury Trends for 07/01/2014 - 03/31/2020

2014 Top 5 Cause of Injury



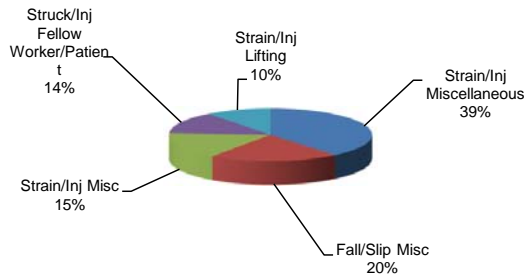
2016 Top 5 Cause of Injury



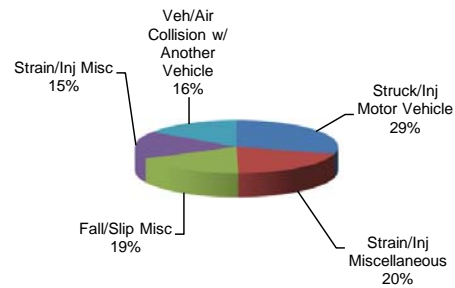
2018 Top 5 Cause of Injury



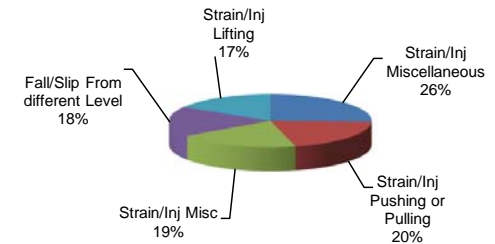
2015 Top 5 Cause of Injury



2017 Top 5 Cause of Injury



2019 Top 5 Cause of Injury





# Historical Data Excluding Incidents 07/01/2014 - 03/31/2020

## Nbr of Claims

	07/01/14 - 06/30/15	07/01/15 - 06/30/16	07/01/16 - 06/30/17	07/01/17 - 06/30/18	07/01/18 - 06/30/19	07/01/19 - 03/31/20
Indemnity	177	202	184	171	151	93
Med Only	356	385	378	263	314	232
<b>Total</b>	<b>533</b>	<b>587</b>	<b>562</b>	<b>434</b>	<b>465</b>	<b>325</b>

## Total Incurred

	07/01/14 - 06/30/15	07/01/15 - 06/30/16	07/01/16 - 06/30/17	07/01/17 - 06/30/18	07/01/18 - 06/30/19	07/01/19 - 03/31/20
Indemnity	\$4,242,910	\$4,745,741	\$5,344,495	\$5,051,645	\$4,984,085	\$2,806,136
Med Only	\$219,679	\$287,040	\$550,282	\$385,256	\$537,511	\$509,038
<b>Total</b>	<b>\$4,462,589</b>	<b>\$5,032,781</b>	<b>\$5,894,777</b>	<b>\$5,436,901</b>	<b>\$5,521,596</b>	<b>\$3,315,174</b>

## Total Paid

	07/01/14 - 06/30/15	07/01/15 - 06/30/16	07/01/16 - 06/30/17	07/01/17 - 06/30/18	07/01/18 - 06/30/19	07/01/19 - 03/31/20
Indemnity	\$3,754,542	\$4,467,107	\$4,817,612	\$4,310,639	\$3,675,611	\$1,241,754
Med Only	\$219,679	\$280,290	\$529,297	\$355,159	\$472,626	\$225,491
<b>Total</b>	<b>\$3,974,221</b>	<b>\$4,747,397</b>	<b>\$5,346,909</b>	<b>\$4,665,798</b>	<b>\$4,148,237</b>	<b>\$1,467,245</b>

## Average Incurred

	07/01/14 - 06/30/15	07/01/15 - 06/30/16	07/01/16 - 06/30/17	07/01/17 - 06/30/18	07/01/18 - 06/30/19	07/01/19 - 03/31/20
Indemnity	\$23,971	\$23,494	\$29,046	\$29,542	\$33,007	\$30,174
Med Only	\$617	\$746	\$1,456	\$1,465	\$1,712	\$2,194
<b>Average Incurred</b>	<b>\$8,373</b>	<b>\$8,574</b>	<b>\$10,489</b>	<b>\$12,527</b>	<b>\$11,874</b>	<b>\$10,201</b>

## Open Claims

	07/01/14 - 06/30/15	07/01/15 - 06/30/16	07/01/16 - 06/30/17	07/01/17 - 06/30/18	07/01/18 - 06/30/19	07/01/19 - 03/31/20
Indemnity	8	11	16	17	40	70
Med Only	0	1	1	1	13	117
<b>Total</b>	<b>8</b>	<b>12</b>	<b>17</b>	<b>18</b>	<b>53</b>	<b>187</b>



## Summary by Location

07/01/2014 - 03/31/2020

Location	# of Claims	# Open Claims	Total Incurred
Nye County	352	51	\$5,202,297
East Fork Fire & Paramedic District	114	22	\$2,139,519
Lander County	59	11	\$1,685,476
Lyon County	160	22	\$1,639,159
Truckee Meadows Fpd	78	10	\$1,625,546
North Lake Tahoe Fpd	133	13	\$1,542,839
Elko County	139	19	\$1,303,894
Incline Village General Improvement Dist	154	15	\$1,297,413
Boulder City (City Of)	89	7	\$1,067,966
Douglas County	149	5	\$1,064,850
Elko (City Of)	108	11	\$1,016,712
Humboldt County	66	7	\$907,820
Pahrump (Town Of)	67	7	\$895,720
Tahoe-Douglas Fpd	70	4	\$830,290
Ely (City Of)	29	5	\$701,672
White Pine County	56	3	\$528,405
Churchill County	60	6	\$524,113
Humboldt General Hospital	84	4	\$523,206
Central Lyon County Fpd	40	3	\$453,373
Eureka County	21	2	\$321,770
Mineral County	59	2	\$281,763
Storey County	46	4	\$280,235
Winnemucca (City Of)	33	1	\$259,756
West Wendover (City Of)	27	0	\$256,654
Pershing County School District	26	4	\$251,093
Pershing County	22	3	\$231,830
Esmeralda County	14	2	\$212,451
Caliente (City Of)	6	3	\$202,376
Battle Mountain General Hospital	43	0	\$161,026
White Pine County School District	46	4	\$145,406
Lander County School District	19	1	\$137,291



## Summary by Location

07/01/2014 - 03/31/2020

Location	# of Claims	# Open Claims	Total Incurred
Pershing County Water Conservation Distr	10	0	\$136,198
Mount Grant General Hospital	58	8	\$128,459
Yerington (City Of)	24	1	\$123,448
Lincoln County School District	19	2	\$120,966
Pershing General Hospital	40	1	\$112,413
Southern Nevada Health District	53	6	\$107,956
Grover C. Dils Medical Center	41	4	\$105,773
Mesquite (City Of),Personnel Director	20	0	\$101,385
Eureka County School District	10	0	\$99,550
Tonopah (Town Of)	7	2	\$96,451
Lincoln County	17	2	\$76,681
Lovelock (City Of)	12	2	\$75,400
Gardnerville (Town Of)	4	0	\$75,215
Mason Valley Fpd	13	3	\$66,742
North Lyon County Fire Protection District	9	1	\$52,662
Mineral County School District	22	2	\$48,630
Wells (City Of)	10	2	\$46,628
Carlin (City Of)	19	2	\$43,351
Tahoe Transportation	1	1	\$41,900
White Pine Historical Railroad Foundatio	13	0	\$41,851
East Fork Swimming Pool District	32	0	\$39,931
Virgin Valley Water District	2	0	\$35,331
Mt Charleston Fire Protection District	1	1	\$29,700
White Pine County Fp District	11	1	\$24,006
Churchill County Communications	8	1	\$16,749
Nevada Rural Housing Authority	6	0	\$16,351
Fernley (City Of)	19	0	\$15,945
White Pine County Tourism & Recreation Board	1	0	\$11,988
Beatty Water & Sanitation District	2	0	\$10,765
Minden (Town Of)	8	0	\$10,097
Fallon (City Of)	11	0	\$7,953



## Summary by Location

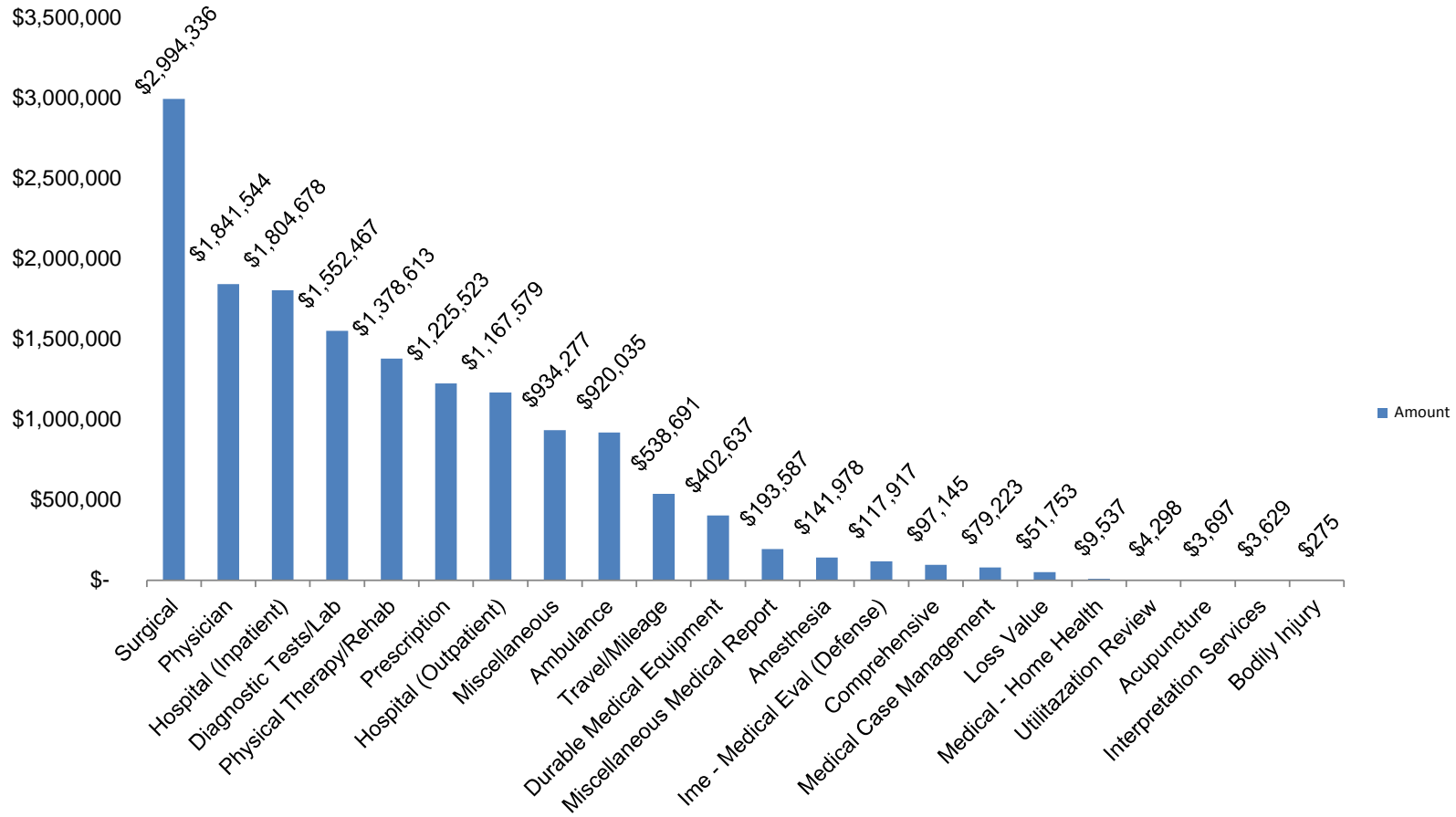
07/01/2014 - 03/31/2020

Location	# of Claims	# Open Claims	Total Incurred
Topaz Ranch General Improvement District	2	1	\$7,139
Smith Valley Fpd	1	1	\$6,500
Esmeralda County School District	4	0	\$5,978
Rtc Washoe County	4	0	\$5,053
Douglas Co Sewer Improvement District #1	4	0	\$3,350
Washoe Co Fire Suppression Dist	1	0	\$3,245
Churchill County Mosquito & Weed Abatement Distric	2	0	\$3,170
Genoa (Town Of)	1	0	\$2,814
Round Mountain (Town Of)	3	0	\$2,526
Nv Association Of Conservation Districts	1	0	\$2,381
Canyon Gid	1	0	\$2,230
Douglas County Mosquito Abatement Distri	2	0	\$1,943
Fernley Swimming Pool District	2	0	\$1,422
Minden Garnerville Sanitation District	2	0	\$1,171
Palomino Valley Gid	1	0	\$908
Indian Hills Gid	1	0	\$617
Pahrnagat Valley Fd	1	0	\$485
Nevada-Tahoe Conservation District	1	0	\$484
<b>Total</b>	<b>2906</b>	<b>295</b>	<b>\$29,663,818</b>



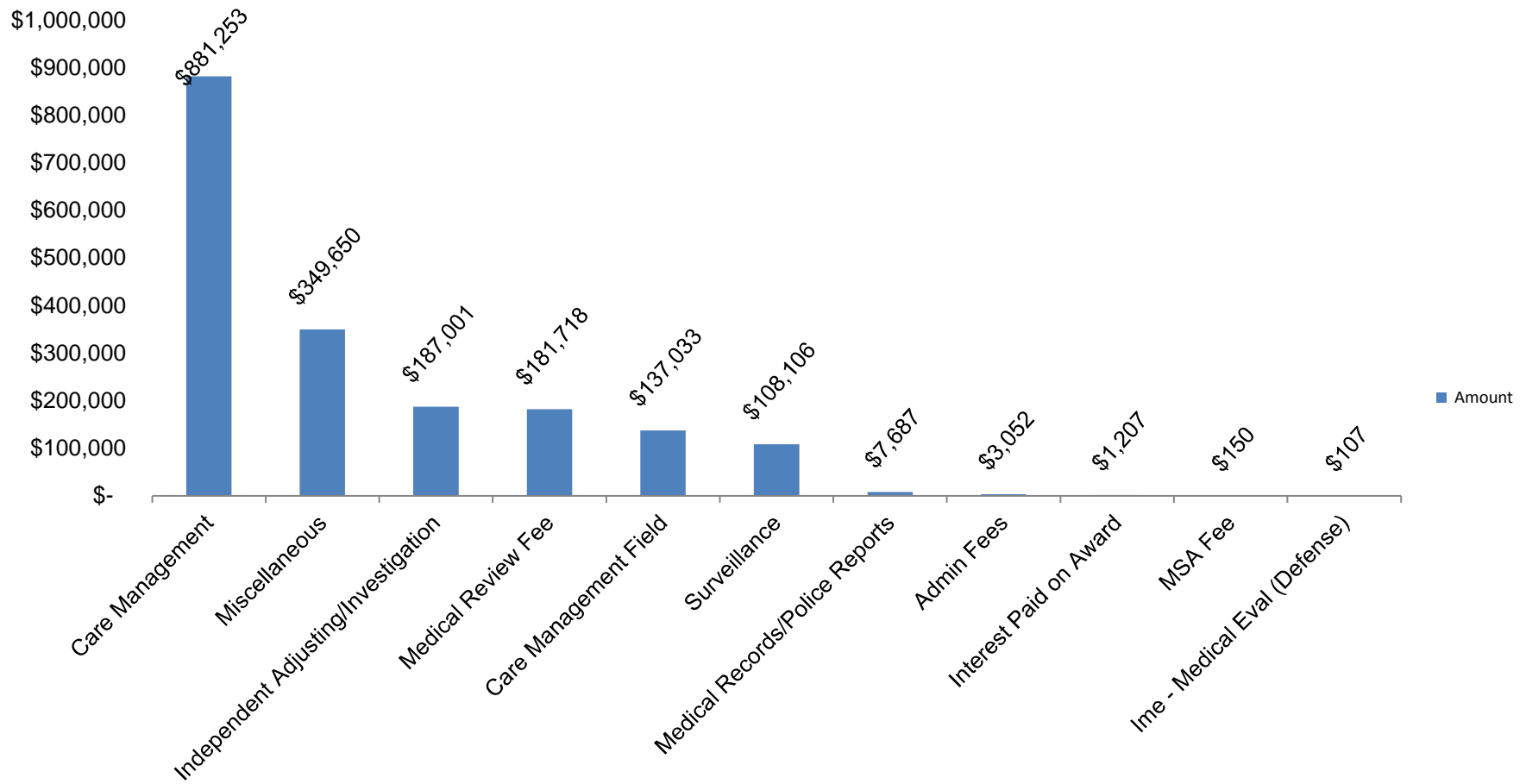
# Medical Payments by Type

## 07/1/2014 - 03/31/2020



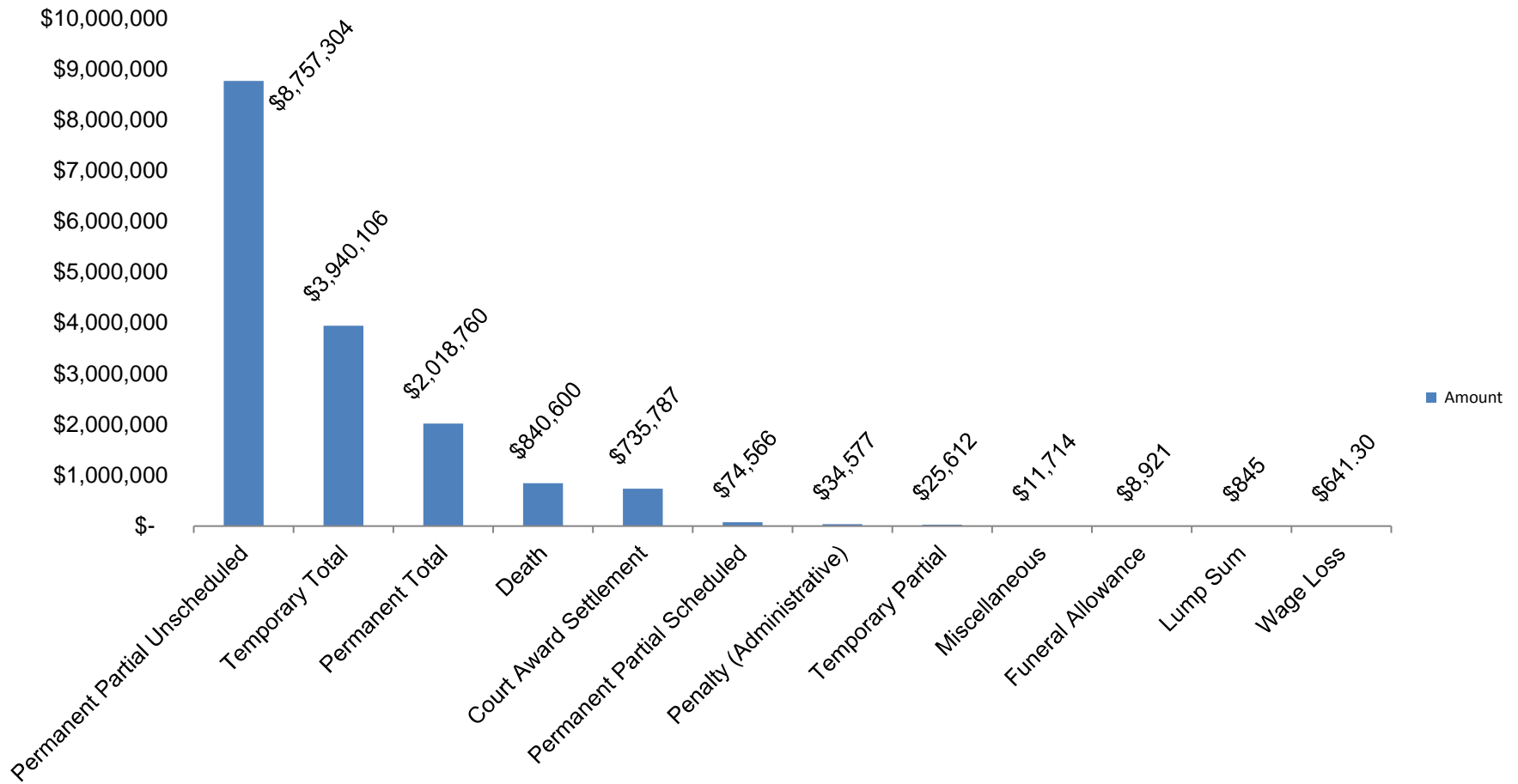


# Expense Payments by Type 07/01/2014 - 03/31/2020





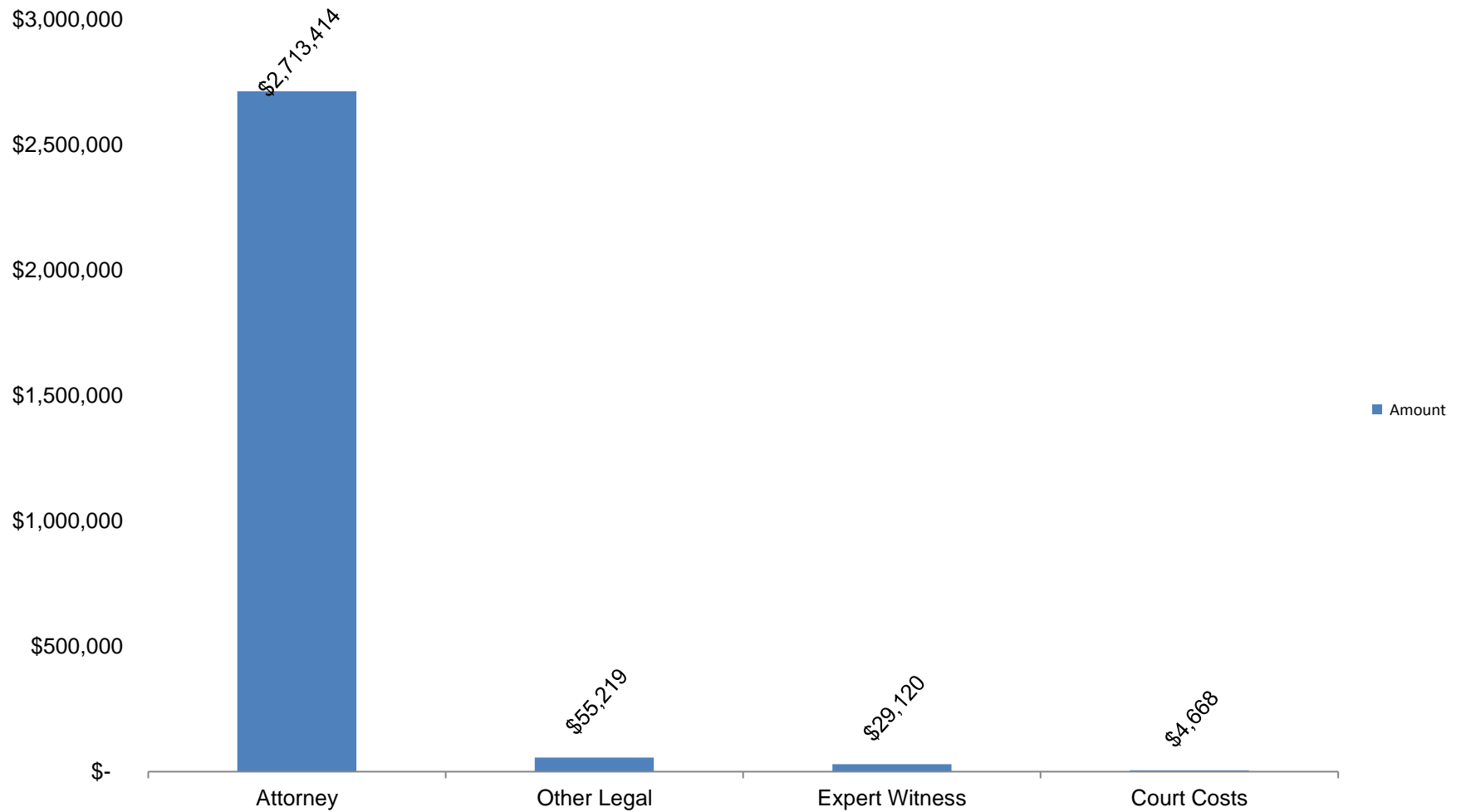
# Indemnity Payments by Type 07/01/2014 - 03/31/2020





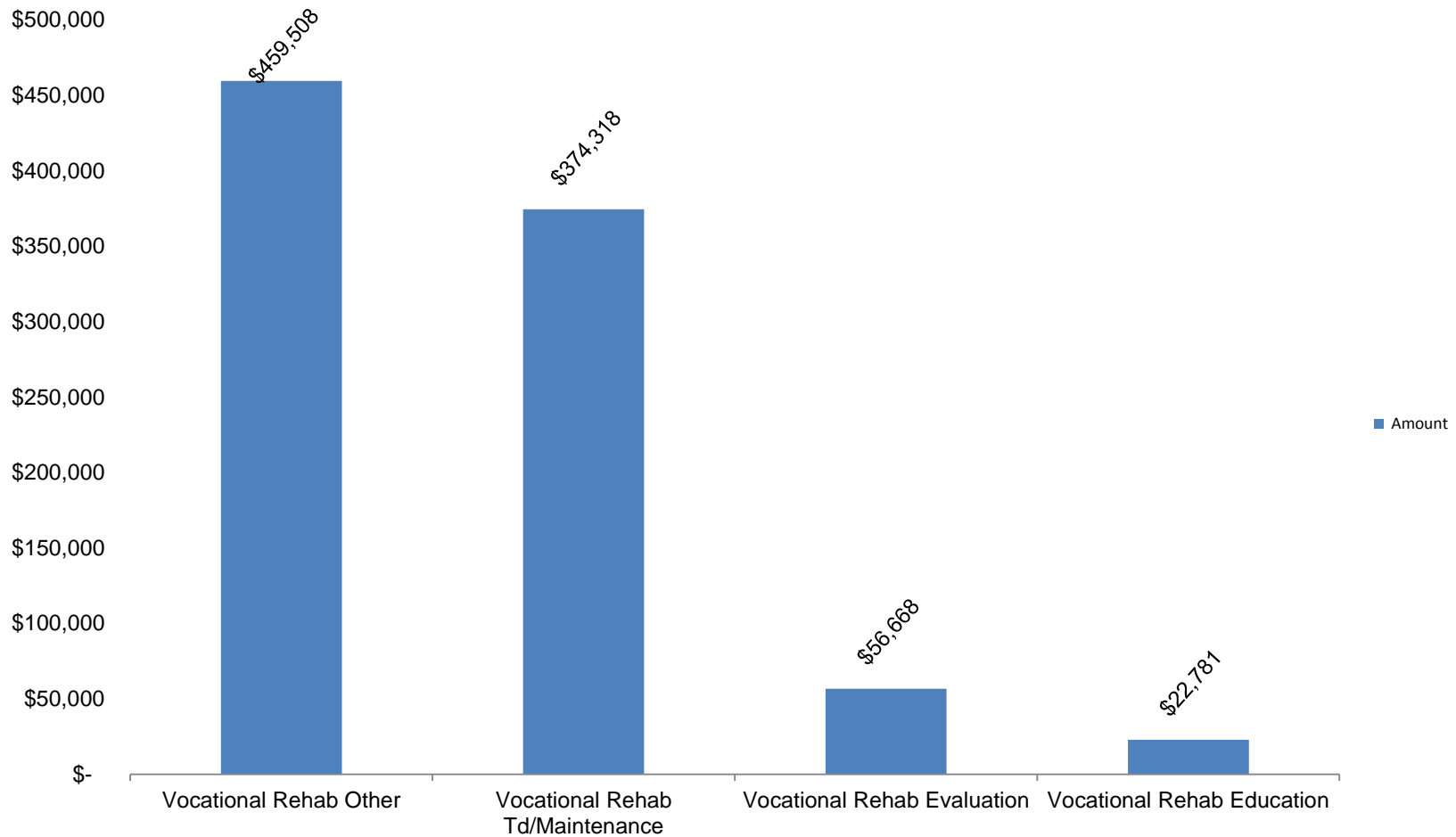


## Legal Payments by Type 07/01/2014 - 03/31/2020





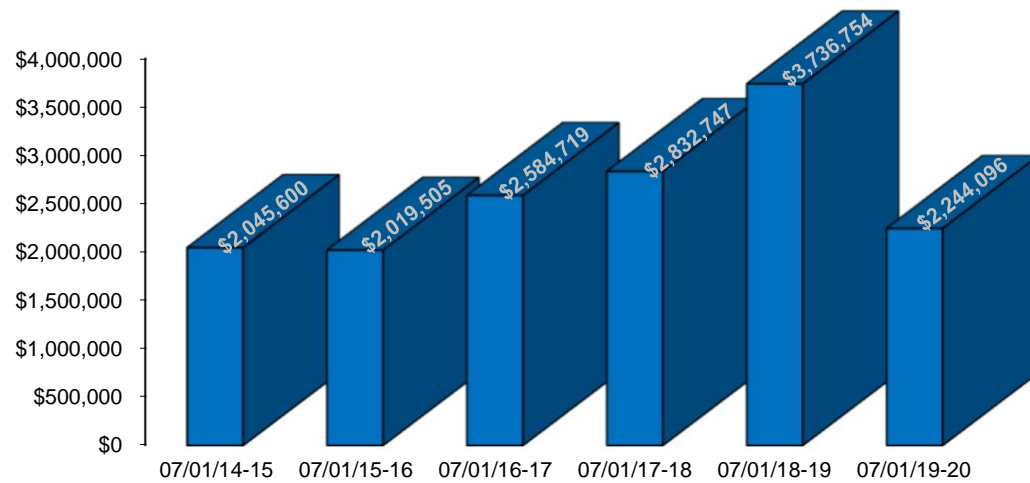
## Voc Rehab Payments by Type 07/01/2014 - 03/31/2020





# Medical Payment Trends 07/01/2014 - 03/31/2020

Policy Year	Medical Payments
07/01/14-15	\$2,045,600
07/01/15-16	\$2,019,505
07/01/16-17	\$2,584,719
07/01/17-18	\$2,832,747
07/01/18-19	\$3,736,754
07/01/19-20	\$2,244,096
<b>Total</b>	<b>\$15,463,420</b>

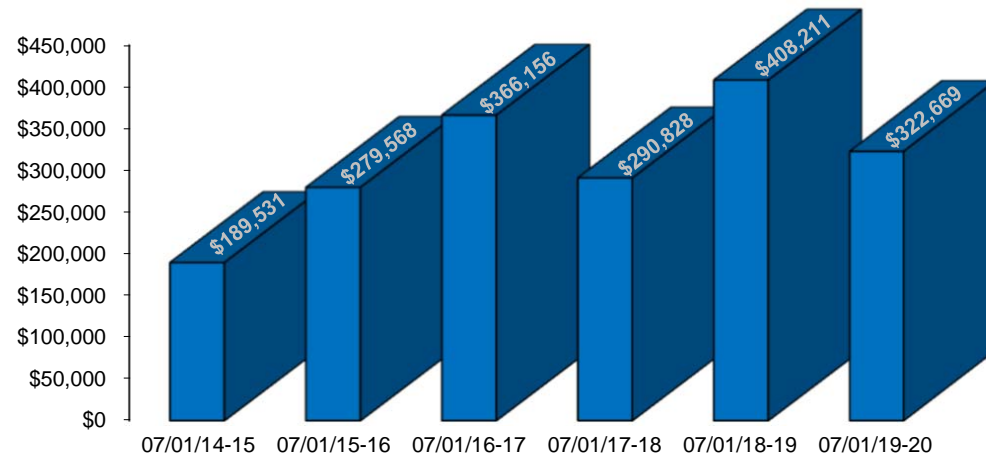


■ Medical Payments



# Expense Payment Trends 07/01/2014 - 03/31/2020

Policy Year	Expense Payments
07/01/14-15	\$189,531
07/01/15-16	\$279,568
07/01/16-17	\$366,156
07/01/17-18	\$290,828
07/01/18-19	\$408,211
07/01/19-20	\$322,669
<b>Total</b>	<b>\$1,856,965</b>

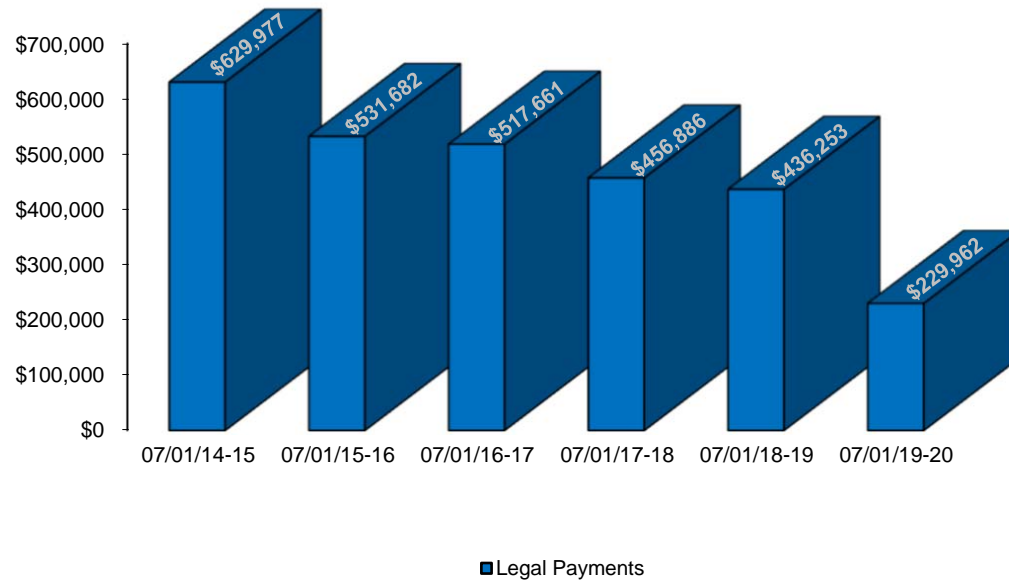


■ Expense Payments



# Legal Payment Trends 07/01/2014 - 03/31/2020

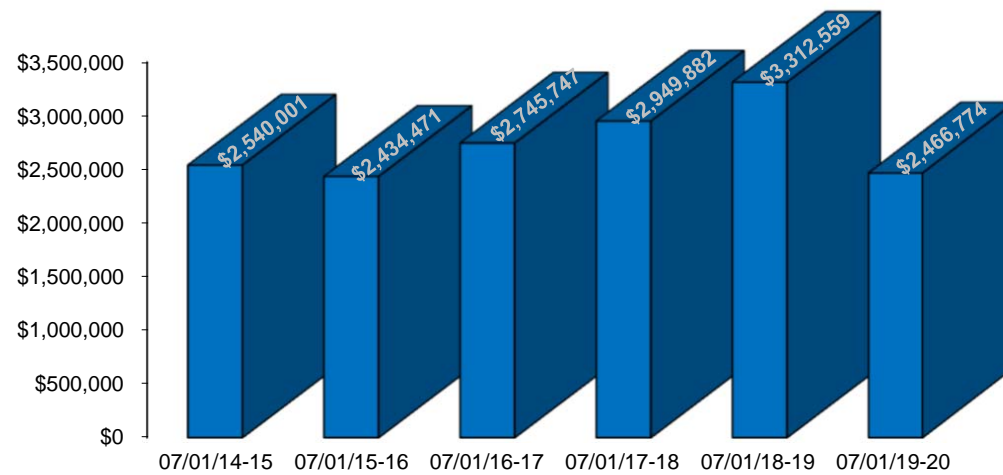
Policy Year	Legal Payments
07/01/14-15	\$629,977
07/01/15-16	\$531,682
07/01/16-17	\$517,661
07/01/17-18	\$456,886
07/01/18-19	\$436,253
07/01/19-20	\$229,962
<b>Total</b>	<b>\$2,802,421</b>





# Indemnity Payment Trends 07/01/2014 - 03/31/2020

Policy Year	Indemnity Payments
07/01/14-15	\$2,540,001
07/01/15-16	\$2,434,471
07/01/16-17	\$2,745,747
07/01/17-18	\$2,949,882
07/01/18-19	\$3,312,559
07/01/19-20	\$2,466,774
<b>Total</b>	<b>\$16,449,434</b>

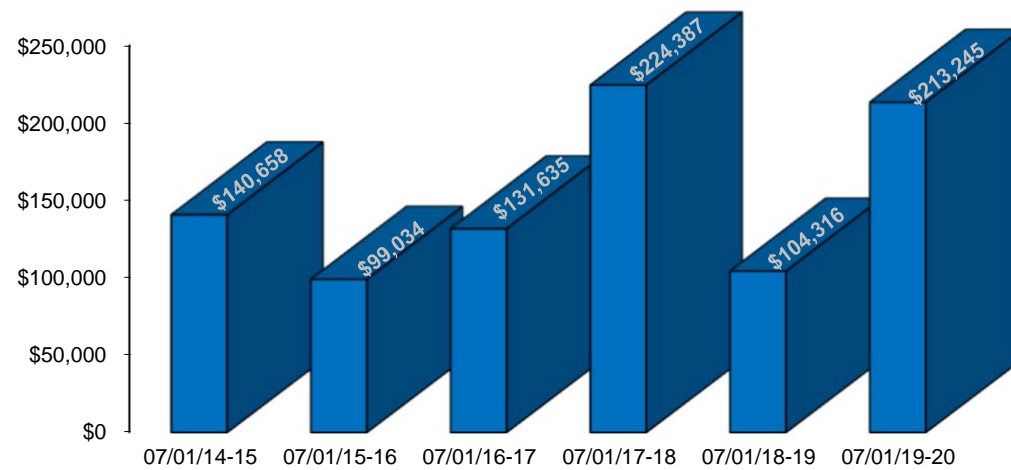


■ Indemnity Payments



## Voc Rehab Payment Trends 07/01/2014 - 03/31/2020

Policy Year	Voc Rehab Payments
07/01/14-15	\$140,658
07/01/15-16	\$99,034
07/01/16-17	\$131,635
07/01/17-18	\$224,387
07/01/18-19	\$104,316
07/01/19-20	\$213,245
<b>Total</b>	<b>\$913,276</b>



■ Voc Rehab Payments



# Fraud Trends & Fraudsters: Are you working for them or against them

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Together we'll go far





# Today's agenda

- Industry trends and information
- Old Fraud Types: Check, ACH & Account Takeover
- New Fraud Types: Ransomware, BEC & Imposter Fraud
- Fight Fraud: Best Practices and Tools

# The sobering reality of fraud



of organizations were victims of payments fraud\*



of organizations have experienced Business Email Compromise (BEC)\*

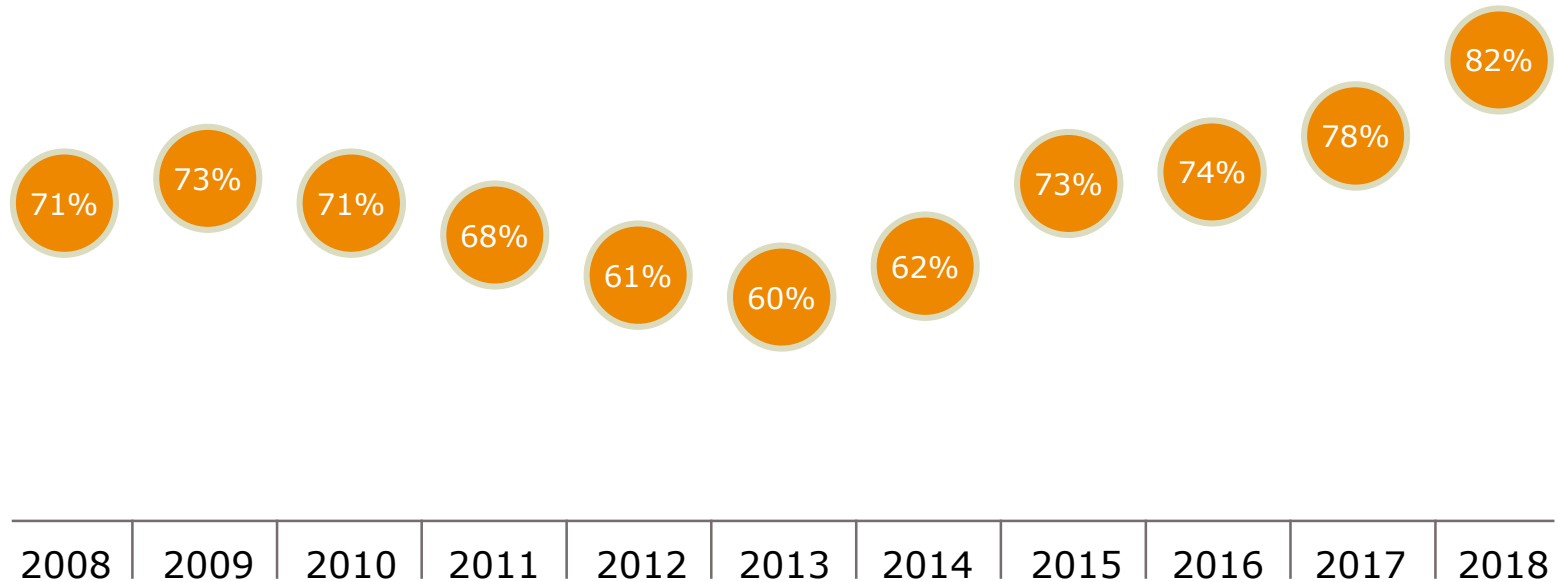


of organizations cited checks as the targeted method of fraud\*

\*Source: The AFP Fraud and Controls Survey, 2019

# The world of fraud

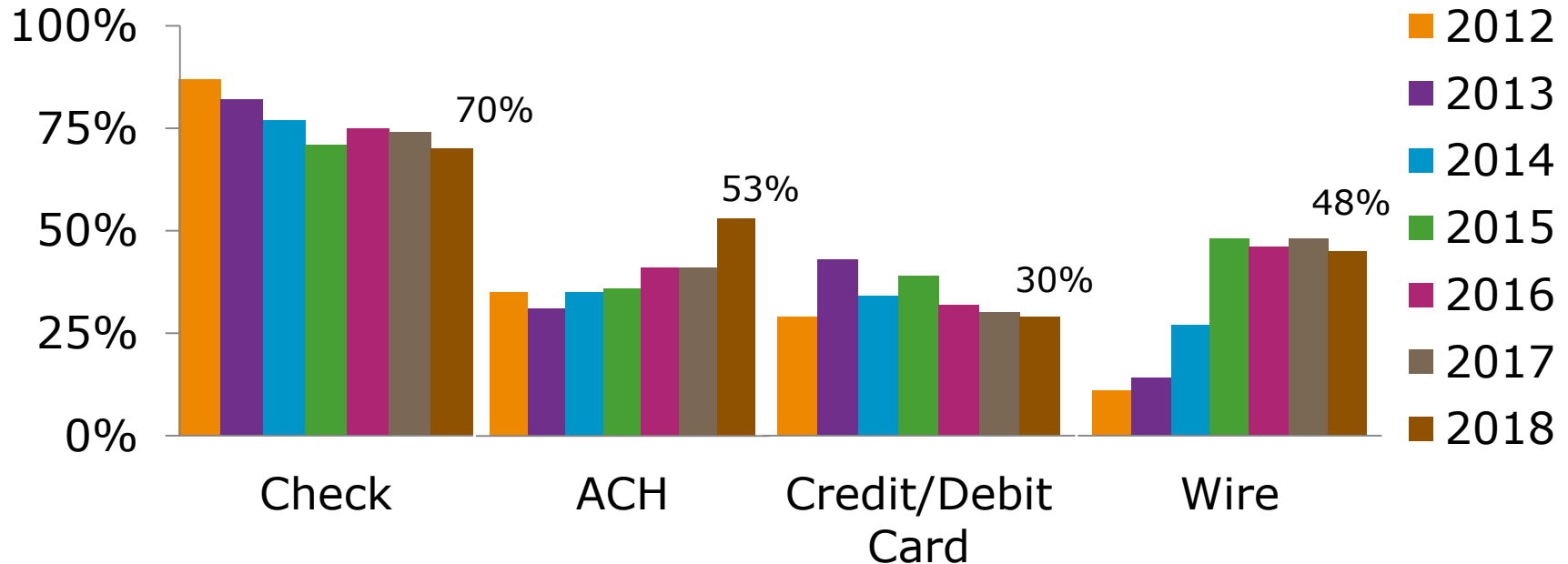
Percent of Organizations that Experienced Attempted and/or Actual Payments Fraud, 2008-2018



Source: *The AFP Fraud and Controls Survey, 2019*

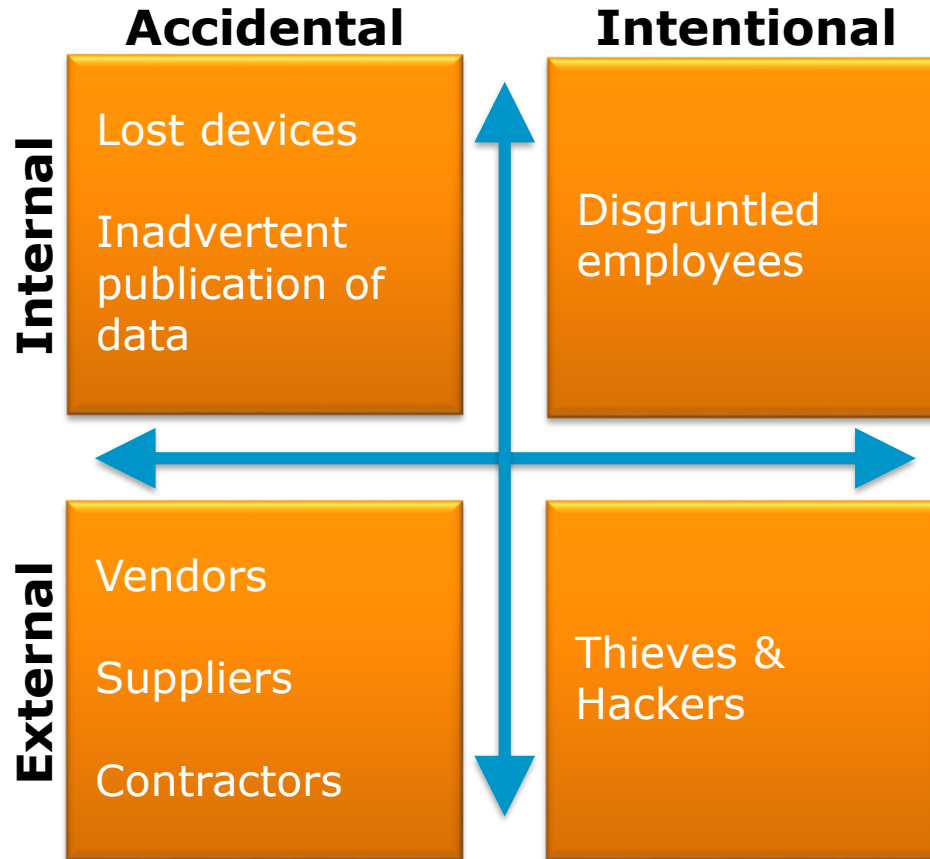
# Payment fraud trends – Up or Down?

## Payment Forms Targeted



Source: AFP Payments Fraud and Control Survey

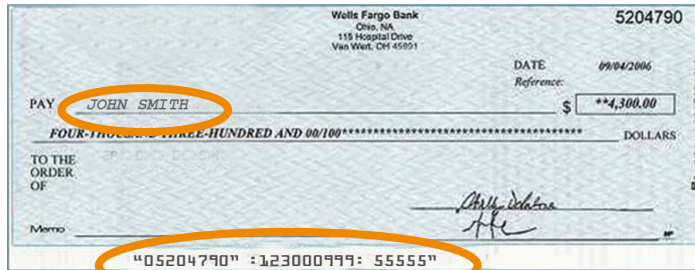
# How do data breaches occur?



# The Old School

# Check Fraud

- Checks stolen from offices or mail system
- Change payee's name on the check with criminal's own name or stolen identity
- Criminals take MICR-line information from a legitimate check and create new check stock



# ACH Debit Fraud

- Criminals get MICR-line information from a legitimate check
- Sell information to fraud rings who originate ACH transactions using legitimate account numbers



# Social engineering strategies



## Classic phishing

- Email messages sent to large populations designed to obtain confidential information
- Emails purport to be from trustworthy sources with which victims have established relationships
- 91% of all cyberattacks start with a phishing email

## Spear-phishing

- Targeted phishing attack directed at a small group of potential victims
- Emails are focused, have a high degree of believability, and a high open rate

## Vishing and smishing

- Vishing is where fraudsters connect with their victims via phone
- Smishing is when a fraudulent text message is sent to the victim



# Online account takeover fraud

## A fraudster

Tricks you into giving up your online banking credentials

**OR**

Tricks you into installing malware on your device.

## How?

Impersonates a trustworthy entity.

Sends infected attachments or links to infected sites.

Records on-screen actions, redirects browsers, or displays fake web pages.

Moves funds from your account to theirs.

# New Face of Fraud

# Business email compromise

The biggest threat today  
and beyond?

- Business Email Compromise (BEC) is a sophisticated scam carried out when a subject compromises legitimate business email accounts through social engineering or computer intrusion.
- General targets of BEC are those in an organization responsible for payments.

# Business email compromise

## The fraudster

- Takes over full access to the email account
- Studies email patterns, checks calendars
- Sends emails from the user's account undetected
  - Will intercept a reply to a hacked email and continue to perpetrate the scheme



# And the biggest difference is...

Fraudsters are willing and ready to interact with you. They anticipate that you may question the request.

They're prepared to respond to your follow-up emails and phone calls.



# Who are the fraudsters of impersonating?

## Treasurers, Finance Directors and Dept. Managers:

- At the top of the approval hierarchy
- Can often be in meetings
- May request ad hoc payments

## Vendors, Suppliers & Contractors:

- Often many vendor relationships and projects
- Correspondence with vendors, suppliers and contractors is now conducted via email
- Vendors often change to new modes of payment or change account information

## Employees:

- Known and Trusted person
- Direct Deposit
- Web-based forms

# Ransomware: A rapidly growing threat



- Ransomware is a form of malware, or malicious software that is a lot more complicated than typical malware.
- Ransomware does exactly what it sounds like – it presents users with an ultimatum: pay a fee to unlock and reclaim personal data, or don't pay the fee and lose the data indefinitely

<https://us.norton.com/internetsecurity-malware-ransomware.html>

**In 2015, there were 2,453 reported ransomware incidents in which victims paid \$24.1 million total.<sup>1</sup>**

<sup>1</sup> Devlin Barrett, "FBI Says Threat From 'Ransomware' Is Expected to Grow," The Wall Street Journal, March 10, 2016.

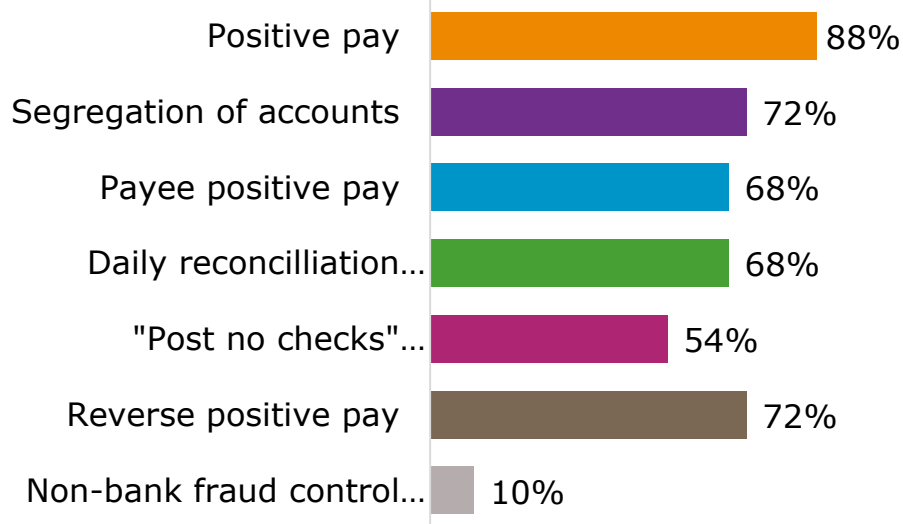
Don't Work for Them



# Effective Check Fraud Prevention

## Fraud Control Procedures and Services used to Protect Against Check Fraud

(Percent of Organizations that Experienced At Least One Attempt of Check Fraud)

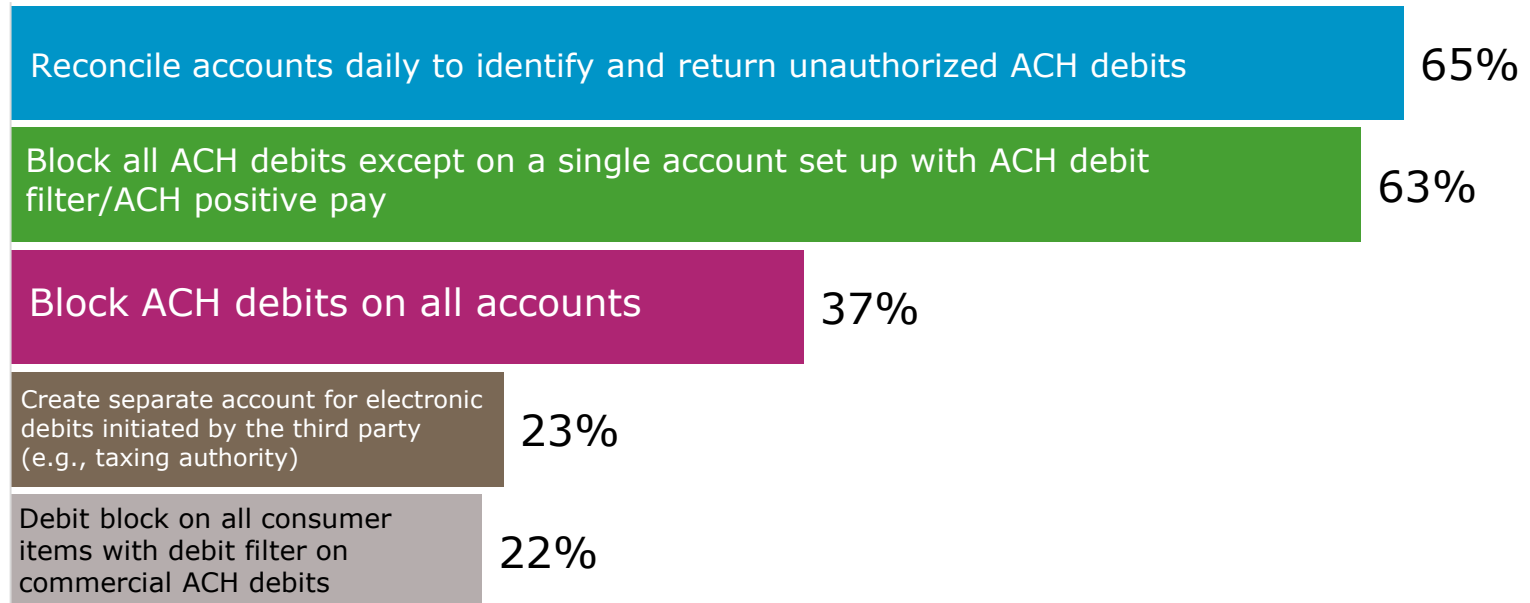


- Positive pay is highly effective at stopping counterfeits, but when isn't it as effective?
  - Default set to "Pay"
  - Internal embezzlement
  - Forged endorsement
  - Ineffective use of the positive pay service

# Ways to foil ACH fraud

## Fraud Control Procedures or Services Used to Protect ACH Fraud

(Percent of Organizations that Experienced At Least One Attempt of ACH Fraud)



Source: The AFP Fraud and Controls Survey, 2019

# Fight fraud before it happens



## Internal to your Organization

- Training employees is essential.
  - Recognize phishing and suspicious activity.
  - Never click on links from unknown senders.
  - Protect your credentials.
  - Verify The Request.
  
- Monitor Accounts
  - Use Automation and Technology
  
- Dual custody
  - Leverage technology
  
- Update antivirus software.

# Fight fraud before it happens



## External to your Organization

- Checks – Positive Pay
  - Payee monitoring
  - Return v Pay
  
- Checks – Payment limits
  - \$0 for accounts that do not issue checks
  
- ACH – Filters and blocks
  - Return v Pay
  
- Online Portal
  - Dual custody
  - Alerts

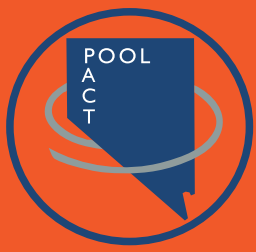
# Know your organization's critical needs



- One size does not fit all: integrate your security measures to reflect your organization's priorities
- Have an actionable plan in place to respond in case of a fraud attack

# Questions?





# Explore POOL/PACT's eLearning Program



**Created Especially for POOL/PACT Members**

**Relevant, efficient, engaging.**

**POOL/PACT's online courses are designed to help you and others in your entity manage risks.**

## **Relevant**

What you won't find in the POOL/PACT eLearning portal is a library of over 100 generic safety topics irrelevant to your operations. The courses offered have been developed specifically for our members to respond to the most commonly requested training materials. Course content is tailored to local government operations in Nevada; not "one size fits all" private-sector corporate training that fails to address statutory requirements found only in the public sector.

## **Engaging**

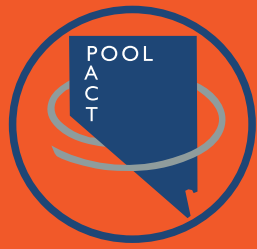
POOL/PACT offers a wide range of online safety training courses for members looking to keep their employees safe and productive. These courses offer all the content and quality of our traditional classroom training programs, without the travel expense and time. Some of the courses incorporate a blended learning model to engage the learner more effectively. POOL/PACT makes it easy and enjoyable to learn our technically sound content through a well integrated learning experience comprised of video, animation, interactive user exercises and real-world simulations.

## **Efficient**

Online learning provides an easy way for POOL/PACT members to deliver training to employees. Users have expressed positive feedback regarding the ability to take courses on their own schedule, in their preferred location (at home or at their entity), and at their own pace.

All POOL/PACT members have access to a range of online courses at no cost - making them one of the most cost-efficient training vehicles available!

*For more information, visit our eLearning portal online at [POOLPACT.com/learn](http://POOLPACT.com/learn)*



# Explore POOL/PACT's eLearning Program Titles



## Current Course Selections For POOL/PACT Members

### **CYBER SECURITY:**

18 Things to Make Your Remote Workplace More Secure  
Captain Awareness - Detecting Suspicious Activity  
Captain Awareness - Pretexting  
Captain Awareness - Prevent Tailgating  
Captain Awareness - Proper Passwords  
Captain Awareness - Vetting Vendors  
COVID19 Best Practices  
Cyber Security Awareness  
Data Security: Malware  
Data Security: Mobile Security and Third-Party Websites  
Data Security: Passwords  
Data Security: Phishing  
Data Security: Physical Security and Unintended Disclosures  
Executive Series: Decision-Maker Email Threats  
Executive Series: Safe Web Browsing With Corporate Devices  
Executive Series: Securely Working From Home  
ITC Presentation at POOL/PACT Risk Management Symposium  
KnowBe4 Security Awareness Training Full Course  
Legal Guidelines for Protecting Sensitive Information  
Physical Threats and Unintended Disclosure  
Physical Threats and Unintended Disclosure  
Ransomware

### **HEALTH & WELLNESS:**

Acute Respiratory Illness Pandemic Training  
Asbestos Awareness Training  
Back Safety in the Workplace  
Bloodborne Pathogens Awareness  
COVID-19: Protecting Yourself and Others  
COVID-19: Your Workplace  
CQLB - The Complex Quadriplex of Lifeguard Blindness  
Fit for Retirement  
Heat-Related Illness  
MRSA Awareness in Hospitals  
Specialty Health 24-7-365 Program

### **HUMAN RESOURCES:**

Bullying in the Workplace  
Customer Service in the Public Sector  
Employee Assistance Program (EAP) Orientation Video  
HR Briefing - Adopting POOL/PACT HR's Sample Policies  
HR Briefing - Buddy to Boss - 5/1/2019  
HR Briefing - Communication Skills 5/15/19  
HR Briefing - Ethics  
HR Briefing - Job Descriptions  
HR Briefing - Leadership Styles  
HR Briefing - Meeting Management  
HR Briefing - Policy Implementation  
HR Briefing - Time Management  
Nevada Anti-harassment Training for Employees  
Nevada Anti-harassment Training for Supervisors  
Safe and Sober Workplace - Supervisor Supplement  
Safe and Sober Workplace for Employees

### **HUMAN RESOURCES, CONTINUED:**

Schools - Avoiding Supervisory Pitfalls  
Schools - Hiring Staff Who Work With Minors  
Schools - Preventing Discrimination and Harassment Together  
Schools - Preventing Discrimination and Harassment Together  
Schools - Show Respect! Prevent Harassment in Schools  
Taking Control of Conflict  
The Performance Management Process  
Whistleblower Protections - What When and How  
You Can Protect Our Children

### **RISK MANAGEMENT:**

Aversive Interventions  
Federal Educational Rights and Privacy Act (FERPA)  
GHS - Hazard Communication  
HIPAA Privacy Rule  
Law Enforcement - Strip Search Training  
Mandatory Child Abuse Reporting Laws  
Nevada Aversive Interventions  
Nevada Ethics in Government  
Open Meeting Law  
Robert's Rules of Order  
Students in Transition

### **SAFETY:**

Active Shooter On Site: What Every Employee Should Do  
Active Shooter Response for Schools K-12  
Confined Spaces - Review Quiz  
Defensive Driving  
Due Process  
Earthquake Preparedness - What to Do if You're Near a Desk  
Earthquake Safety - If There's No Sturdy Desk or Table  
Earthquake Safety - Mobility Disabilities  
Fire Extinguisher Safety Training  
Food Safety Series - Food Inspections  
Food Safety Series - Food Service Safety  
Food Safety Series - Kitchen Safety  
Food Safety Series - Preventing Food Contamination  
Food Safety Series - Safe Temperatures for Food Storage  
Food Safety Series - Sanitation Safety  
Food Safety Series - Service Storage  
Lock Out, Tag Out  
MRSA Awareness for Correctional Employees  
Office Ergonomics  
OSHA Rights and Responsibilities - English Version  
POOL/PACT - Pool Chemical Safety  
Prevencion de contaminacion de los alimentos  
Slips, Trips and Falls  
Surviving an Active Shooter - caution: violent and graphic  
Teaching Science Safely  
Transporting Students with Special Needs  
Working in Confined Spaces  
Workplace Violence Awareness





**Partnership at Work®**

# **POOL/PACT Annual Meeting**

## ***Asset Allocation & Investment Update***



April 17, 2020

## Enterprise Based Asset Allocation (EBAA)

- Process Overview
- Risk Decomposition
- Results
  - POOL / PRM
  - PACT / PCM

## POOL/PACT Portfolio Update

- Investment Income
- Portfolio Comparison
- Stress Testing (incl. COVID-19 Scenario)

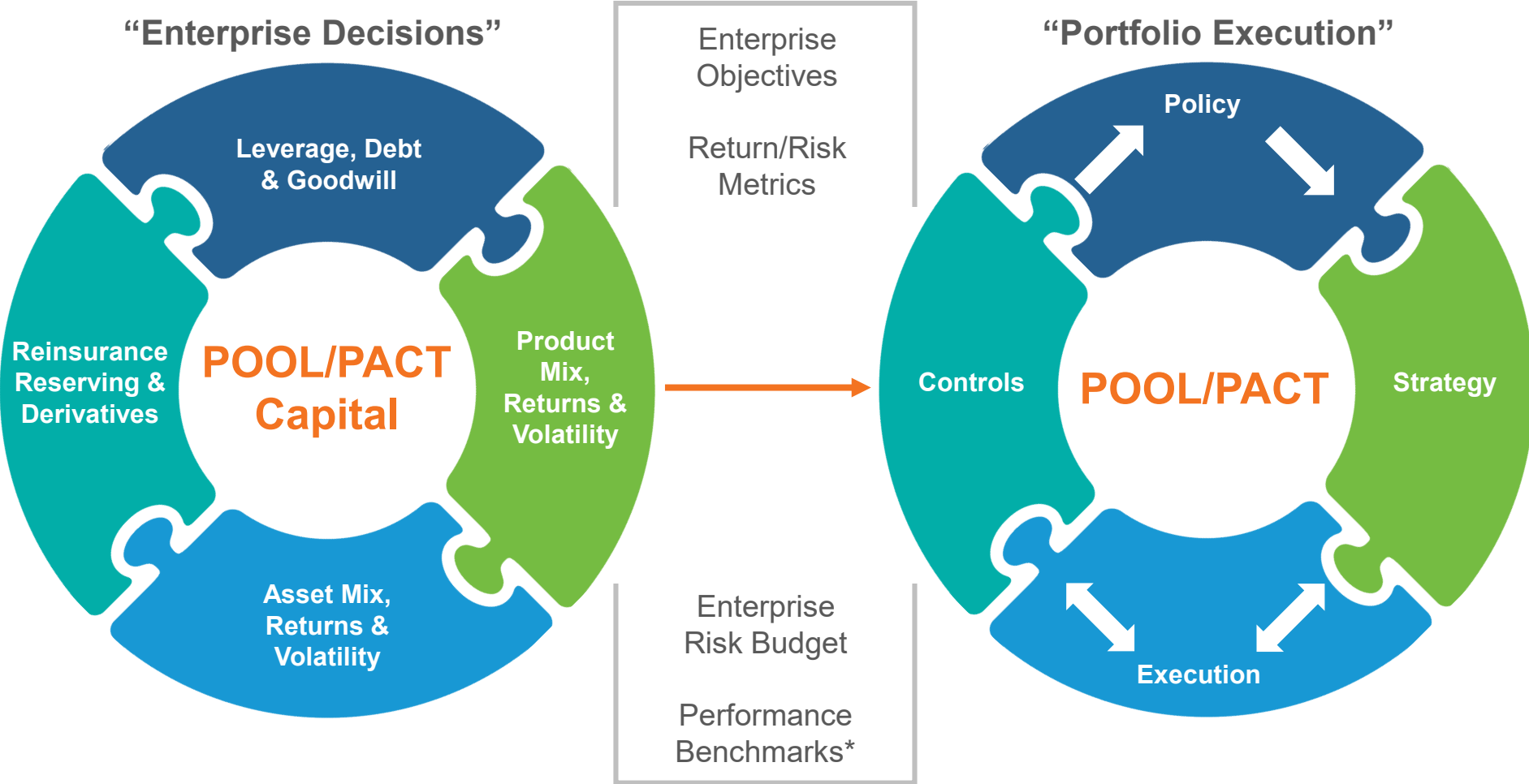
## Appendix

- Supplemental EBAA Materials
  - EBAA Process, Assumptions, Risk Decomposition, & Glossary



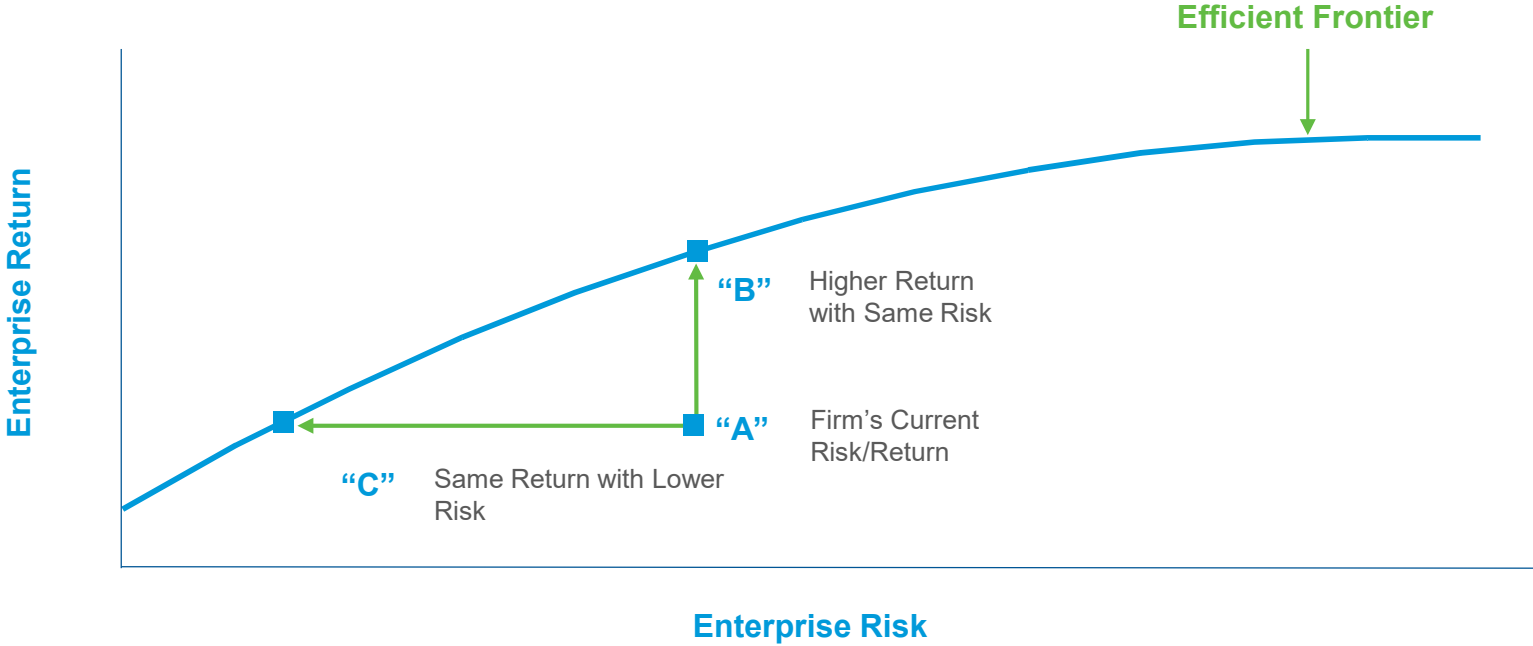
**Enterprise Based Asset  
Allocation (EBAA)**

# Investment Philosophy: *An Integrated Approach*



\* Customization to Investment Policy Statement constraints and portfolio cash flows.

# Enterprise Based Asset Allocation™ Efficient Frontier

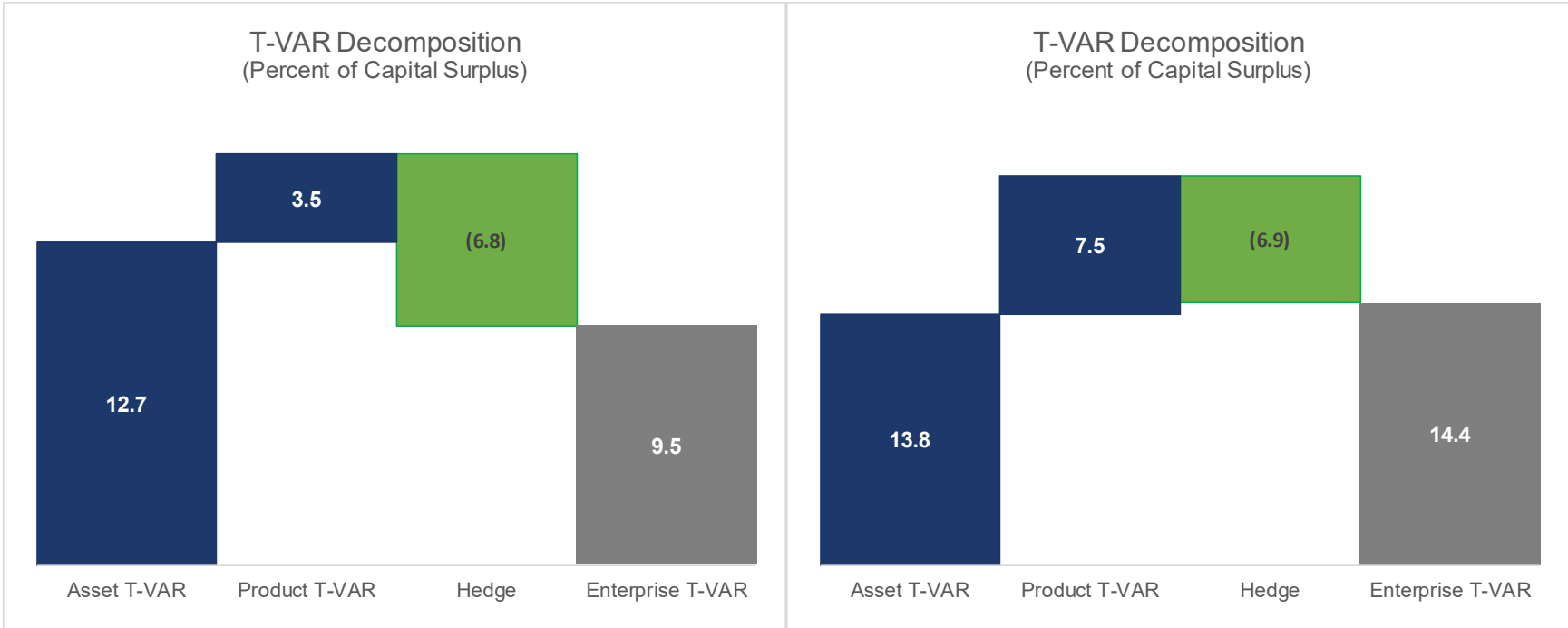


# Enterprise Risk (T-VAR\*) Decomposition: Asset vs. Product



## POOL/PRM

## PACT/PCM



➤ Enterprise risk driven by asset, both for POOL/PRM and PACT/PCM groups

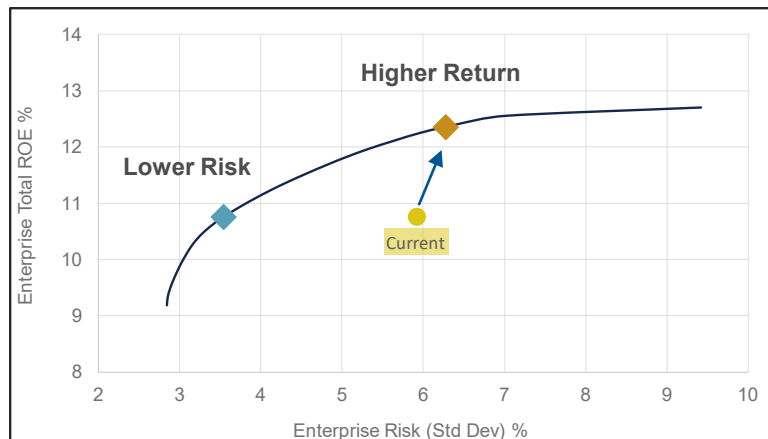
**Footnote:** \*VAR.% Capital VaR stands for Value-at-Risk. VaR represents the amount of loss not to be exceeded within a specified period of time at a given confidence interval. VaR is expressed as a percent of beginning capital. T-VAR Capital Tail-Value-at-Risk is the expected amount of loss if the VaR loss limit is exceeded during the time period.

Source: NEAM Analytics

# POOL/PRM: Incremental Return Opportunities Driven by Structured Securities and Equities



Enterprise Efficient Frontier



Optimization reflects POOL's government/agency regulatory investments requirements.

### Key Observations (Higher Return vs. Current):

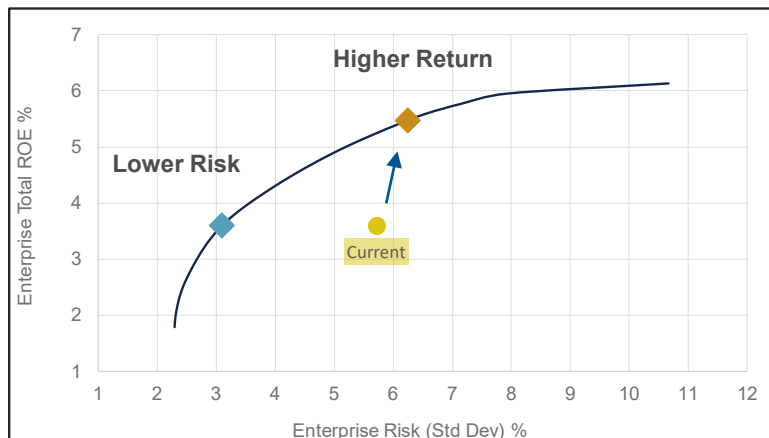
1. Potential pre-tax total return on assets (\$) improvement of \$900K (\$2.1MM to \$3.1MM)
2. Potential book yield pick-up of 9 bps (2.80% to 2.89%)
3. Fixed income duration extended; average credit rating up by 1 notch, default loss unchanged
4. Incremental income/return driven by:
  - Structured securities
  - Equities
5. Risk assets capped at ~50% of captive's (PRM) capital

Results	Current	Lower Risk	Higher Return	Hghr Rtrn vs Crnt
<b>Enterprise Statistics</b>				
Total Return on Equity	10.8	10.8	12.4	1.6
Earnings Risk (Std Dev)	5.9	3.5	6.3	
99.50 T-VAR % Capital	9.5	3.6	9.5	
Total Return on Assets	2.9	2.9	4.2	1.3
<b>Add. Return/Risk Metrics</b>				
Total Return on Assets(\$)	2.1	2.1	3.1	0.9
Income Return on Assets(\$)	2.0	2.0	2.2	0.2
Book Yield	2.80	2.69	2.89	0.09
Market Yield (OAY)	2.51	2.62	2.86	0.35
Duration (OAD)	4.3	2.3	4.7	0.4
Default Loss (\$)	0.1	0.1	0.1	(0.0)
Average Rating	AA-	AA	AA	1 Ntch Up
BBB (%)	5.4	0.3	0.1	(5.3)
<BBB (%)	4.1	6.6	3.6	(0.5)
Non-FI (%)	16.7	9.0	26.4	9.7
<b>Sector Distribution</b>				
ST/Govt/Agency	9.4	15.0	5.4	(4.0)
Invest Grd US Corp	23.9	10.0	10.0	(13.9)
Muni-Tax	8.3	5.0	5.0	(3.3)
Structured Sec.	37.7	54.4	49.6	11.9
High Yield / Bank Loans	4.1	6.6	3.6	(0.5)
<u>Equity (US &amp; Intl)</u>	<u>16.7</u>	<u>9.0</u>	<u>26.4</u>	<u>9.7</u>
Total	100.0	100.0	100.0	0.0
Risk Assets % of IA	20.8	15.6	30.0	9.2
Risk Asset % Captive Cptl	34.8	26.0	50.1	15.3

# PACT/PCM: Incremental Return Opportunities Driven by Structured Securities, High Yield, Bank Loans and Equities



Enterprise Efficient Frontier



Optimization reflects PACT's government/agency regulatory investments requirements.

## Key Observations (Higher Return vs. Current):

1. Potential pre-tax total return on assets (\$) improvement of \$1.7MM (\$3.9MM to \$5.6MM)
2. Potential book yield pick-up of 28 bps (2.68% to 2.96%)
3. Fixed income duration extended; average credit rating remained at AA-
4. Incremental income/return driven by:
  - Structured securities
  - High Yield / Bank loans
  - Equities
5. Risk assets capped at 50% of captive's (PCM) capital

Results	Current	Lower Risk	Higher Return	Hghr Rtrn vs Crnt
<b>Enterprise Statistics</b>				
Total Return on Equity	3.6	3.6	5.5	1.9
Earnings Risk (Std Dev)	5.7	3.1	6.3	
99.50 T-VAR % Capital	14.4	6.4	14.4	
Total Return on Assets	2.8	2.8	4.0	1.2
<b>Add. Return/Risk Metrics</b>				
Total Return on Assets(\$)	3.9	3.9	5.6	1.7
Income Return on Assets(\$)	3.6	3.8	4.2	0.6
Book Yield	2.68	2.69	2.96	0.28
Market Yield (OAY)	2.42	2.66	2.95	0.53
Duration (OAD)	4.2	2.4	4.6	0.5
Default Loss (\$)	0.2	0.2	0.2	0.0
Average Rating	AA-	AA	AA-	Same
BBB (%)	6.3	0.0	5.2	(1.1)
<BBB (%)	2.3	8.2	6.1	3.8
Non-FI (%)	14.7	6.0	21.9	7.2
<b>Sector Distribution</b>				
ST/Govt/Agncy	12.9	15.0	4.8	(8.1)
Invest Grd US Corp	25.4	10.0	10.1	(15.3)
Muni-Tax	8.3	5.0	5.0	(3.3)
Structured Sec.	36.4	55.7	52.2	15.8
High Yield / Bank Loans	2.3	8.2	6.1	3.8
Equity (US & Intl)	14.7	6.0	21.9	7.2
Total	100.0	100.0	100.0	0.0
Risk Assets % of IA	17.1	14.3	28.0	11.0
Risk Asset % Captive Cptl	21.5	18.0	35.3	13.8



# Summary and Next Steps

---

## Prospective returns within enterprise risk limits offer some return opportunities

### POOL/PRM

- Potential total return on assets (\$) improvement of \$900K (\$2.1MM to \$3.1MM);
- Potential book yield pick-up of 9 bps (2.80% to 2.89%)

### PACT/PCM

- Potential total return on assets (\$) improvement of \$1.7MM (\$3.9MM to \$5.6MM)
- Potential book yield pick-up of 28 bps (2.68% to 2.96%)
- Potential combined total return pick-up of \$2.6MM
- Optimizations reflect POOL's and PACT's regulatory government/agency investment requirements

## Incremental return opportunities are driven by

- Increased allocations to structured securities, high yield, bank loans, and equities

### Impact upon risk metrics:

- T-VaR maintained at current levels
- Duration extended slightly

### Next Steps

- Understand results and implications
- Update EBAA analysis to reflect additional considerations

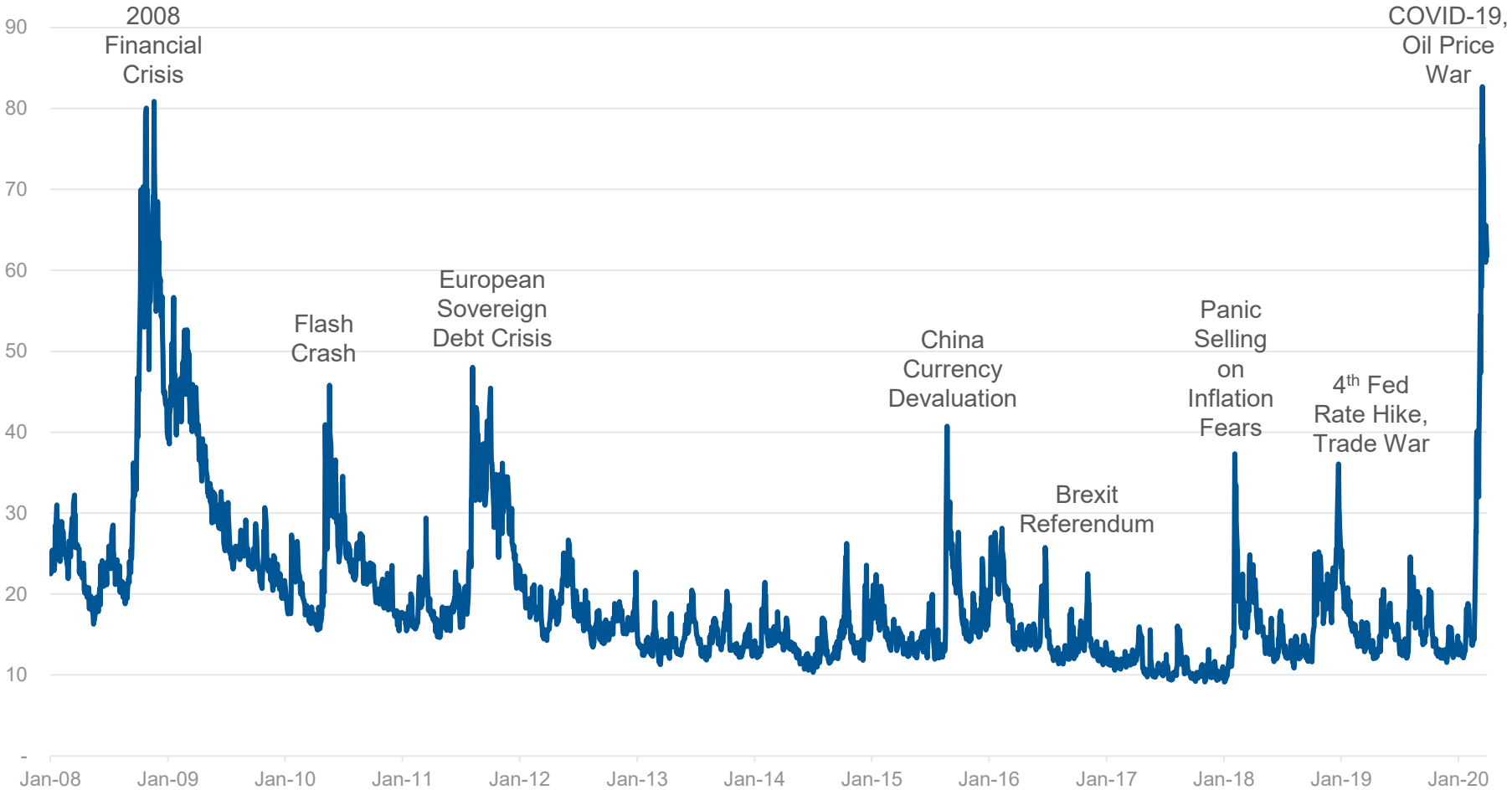


**POOL/PACT Portfolio  
Update**

# Significant Increase in Volatility Recently



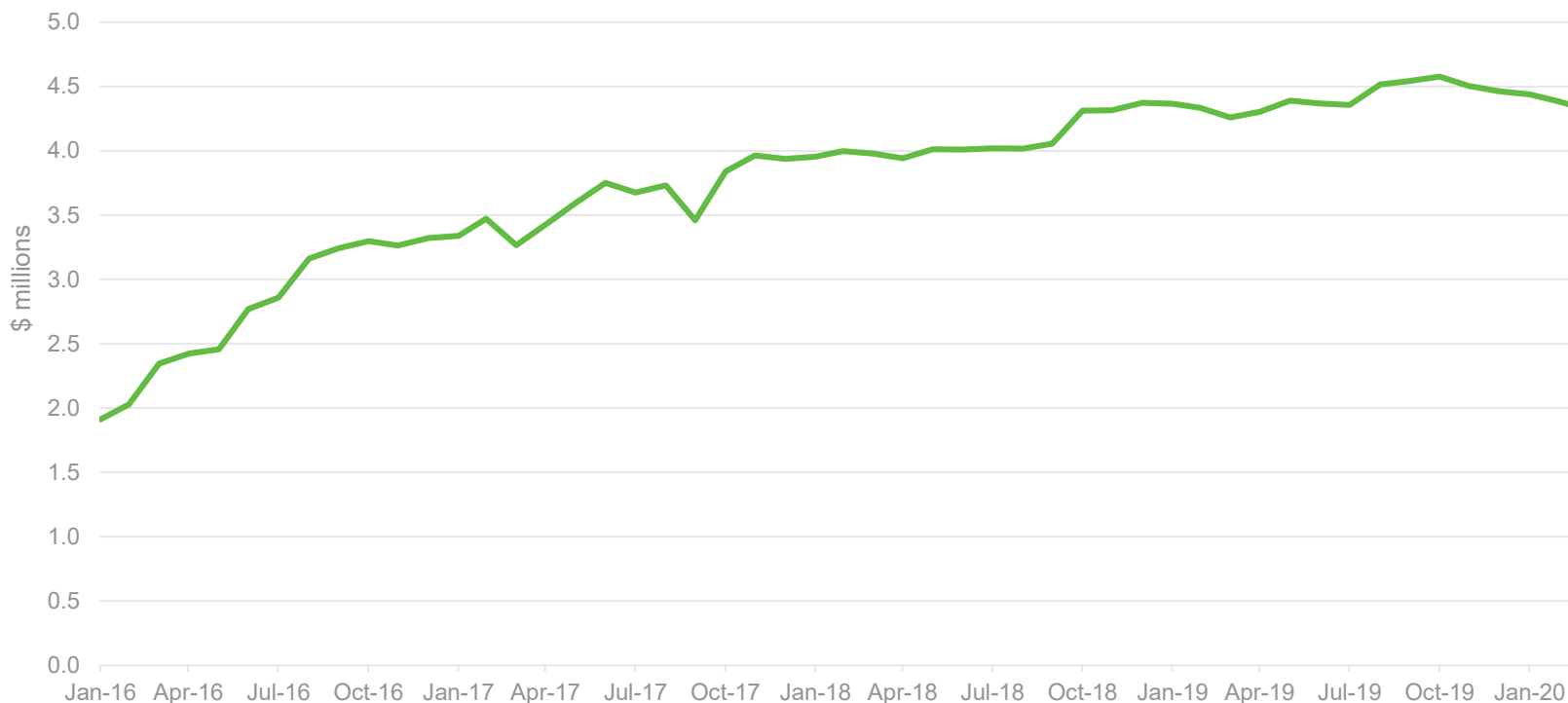
### Volatility Index (VIX)



Source: Bloomberg, NEAM

# Stability of Portfolio Income Generation

**POOL/PACT Fixed Income Portfolios**  
Annualized Investment Income (\$ millions)



- **POOL/PACT's investment objective emphasizes the importance of investment income**
- **The portfolios have been structured to produce stable and rising levels of investment income while generating competitive rates of total return over time**

Source: NEAM Analytics.

# POOL/PACT Consolidated Portfolio Comparison



	Total	PACT	POOL	PCM	PRM	PRI	NRP
<b>Portfolio Overview (000's Omitted)</b>							
Book Value	205,365	59,027	22,848	79,932	42,006	1,179	373
Book Value (% of Total)		28.7%	11.1%	38.9%	20.5%	0.6%	0.2%
Market Value	207,658	60,876	23,637	79,740	41,915	1,131	358
Market Value (% of Total)		29.3%	11.4%	38.4%	20.2%	0.5%	0.2%
Total Unrealized Gain/Loss	2,293	1,849	789	(192)	(91)	(48)	(15)
Gross Gains	6,028	1,917	813	2,153	1,141	4	1
Gross Losses	(3,736)	(67)	(23)	(2,344)	(1,232)	(52)	(16)
Fixed Income Unrealized Gain/Loss	4,897	1,849	789	1,443	815	-	-
Gross Gains	5,370	1,917	813	1,730	910	-	-
Gross Losses	(473)	(67)	(23)	(287)	(95)	-	-
Equity Unrealized Gain/Loss	(2,604)	-	-	(1,635)	(906)	(48)	(15)
Gross Gains	659	-	-	422	231	4	1
Gross Losses	(3,263)	-	-	(2,057)	(1,137)	(52)	(16)
Annualized Book Income	5,482	1,332	565	2,311	1,246	20	6
<b>Asset Types</b>							
Cash / Cash Equivalents	3.6%	7.8%	1.0%	2.2%	0.5%	37.7%	40.3%
Taxable Fixed Income	79.9%	92.2%	99.0%	71.1%	71.0%	-	-
Common Stock	16.5%	-	-	26.8%	28.5%	62.3%	59.7%
<b>Portfolio Yields</b>							
Book Yield	2.67%	2.26%	2.47%	2.89%	2.97%	1.72%	1.70%
Market Yield	2.17%	1.44%	1.70%	2.61%	2.66%	1.56%	1.52%
<b>Fixed Income Analytics</b>							
Average OAD	4.46	3.60	3.81	5.16	5.41	0.08	0.08
Average Life	5.46	4.38	4.75	6.34	6.61	0.09	0.09
Average OAC	(33.91)	(68.49)	(120.15)	9.42	19.27	0.05	0.05
Average Quality	AA	AA+	AA	AA-	AA-	AAA	AAA
Floaters	0.25%	-	-	0.37%	0.57%	-	-
5 Year US Govt On The Run	0.38%	0.38%	0.38%	0.38%	0.38%	0.38%	0.38%
<b>Sector</b>							
Short Term	4%	8%	1%	3%	1%	100%	100%
Sovereign	8%	18%	15%	-	-	-	-
Quasi Government	2%	6%	1%	-	-	-	-
Corporate	32%	17%	16%	44%	45%	-	-
MBS	24%	38%	42%	12%	9%	-	-
CMO / RMBS	6%	8%	14%	2%	1%	-	-
ABS	2%	1%	2%	2%	5%	-	-
CMBS	12%	4%	9%	17%	20%	-	-
Municipal	10%	-	-	20%	19%	-	-

Source: NEAM Analytics. Holdings as of 3/31/2020.

# POOL/PACT Consolidated Portfolio Comparison



	Total	PACT	POOL	PCM	PRM	PRI	NRP
<b>Duration</b>							
< 1 Year	10%	15%	5%	7%	9%	100%	100%
1-3 Years	20%	23%	25%	18%	17%	-	-
3-5 Years	29%	36%	51%	21%	16%	-	-
5-10 Years	39%	26%	19%	50%	54%	-	-
10+ Years	2%	-	-	4%	4%	-	-
Average Duration	4.46	3.60	3.81	5.16	5.41	0.08	0.08
<b>Quality</b>							
AAA	16%	10%	1%	23%	25%	100%	100%
AA	52%	75%	83%	28%	29%	-	-
A	25%	15%	16%	34%	34%	-	-
BBB	7%	-	-	14%	12%	-	-
BB	< 1%	-	-	1%	< 1%	-	-
Average Quality	AA	AA+	AA	AA-	AA-	AAA	AAA

Source: NEAM Analytics. Holdings as of 3/31/2020.



# Stress Testing

# Covid-19 vs. Historical Stresses: Peak-to-Trough Magnitude



## PACT/PCM

Portfolio Profile	Duration	Avg Rating	Asset Allocation (%)	Cash/ST	Govt / Agency	IG Corp	Muni -Tax	Structured	BIG	Equity/Alts
12/31/2019	4.2	AA-		3.2	9.7	25.4	8.3	36.4	2.3	14.7

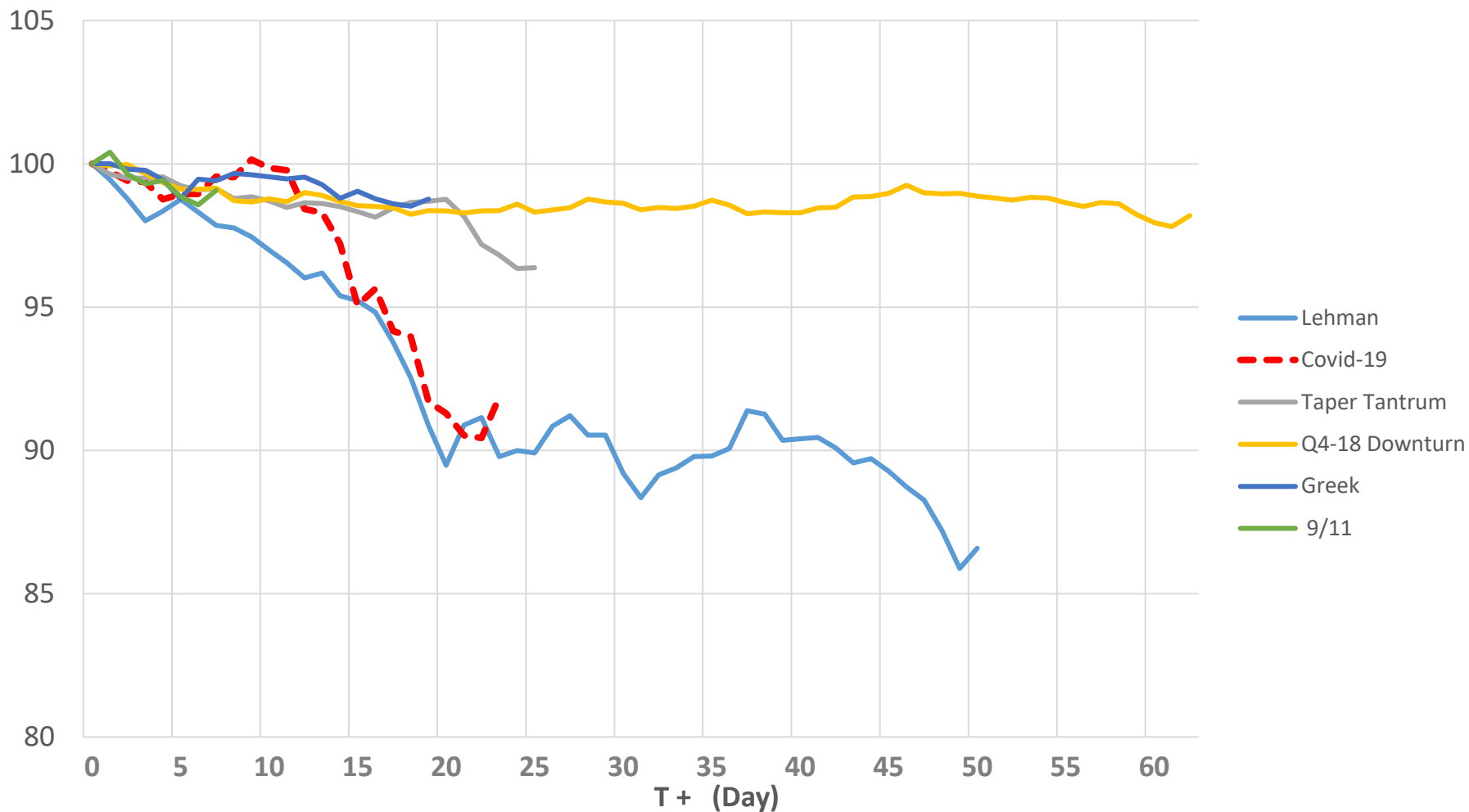
	Lehman	Covid-19	Taper	Q4-18	Greek	9/11
<b>Start Date</b>	2008-09-12	2020-02-21	2013-05-21	2018-09-30	2010-04-30	2001-09-10
<b>End Date</b>	2008-11-20	2020-03-23	2013-06-24	2018-12-24	2010-05-26	2001-09-21
<b>No. of Trading Days</b>	50	23	25	62	19	7
<b>Drawdown (%)</b>	<b>-14.1</b>	<b>-9.6</b>	<b>-3.7</b>	<b>-2.2</b>	<b>-1.5</b>	<b>-1.4</b>
- Fixed Income (%)	-8.2	-4.5	-2.7	0.6	0.1	0.3
- Non-Fixed Income (%)	-6.0	-5.1	-0.9	-2.8	-1.6	-1.8
<b>Starting Interest Rate (bps)</b>	328	151	115	301	253	457
<b>End Interest Rate (bps)</b>	245	62	173	275	216	418
<b>Interest Rate Movements</b>	<b>▼82</b>	<b>▼88</b>	<b>▲58</b>	<b>▼27</b>	<b>▼37</b>	<b>▼39</b>
<b>Starting Spread (bps)</b>	239	66	92	67	104	134
<b>End Spread (bps)</b>	544	256	111	93	128	150
<b>Spread Movements</b>	<b>▲305</b>	<b>▲190</b>	<b>▲20</b>	<b>▲26</b>	<b>▲24</b>	<b>▲16</b>

- By mapping the holdings at year-end 2019 into appropriate indices, we are able to assess how the portfolio would have fared in other volatile market episodes (i.e. the drawdown numbers reflect constant asset allocation per Dec-2019).
- Note we chose 21-Feb as the beginning of the recent episode as this was the day before the market starts to react to Covid-19 crisis in Europe, which coincided in timing of the dramatic movement in oil price.



# Covid-19 vs. Historical Stresses: Peak-to-Trough Length

## PACT/PCM

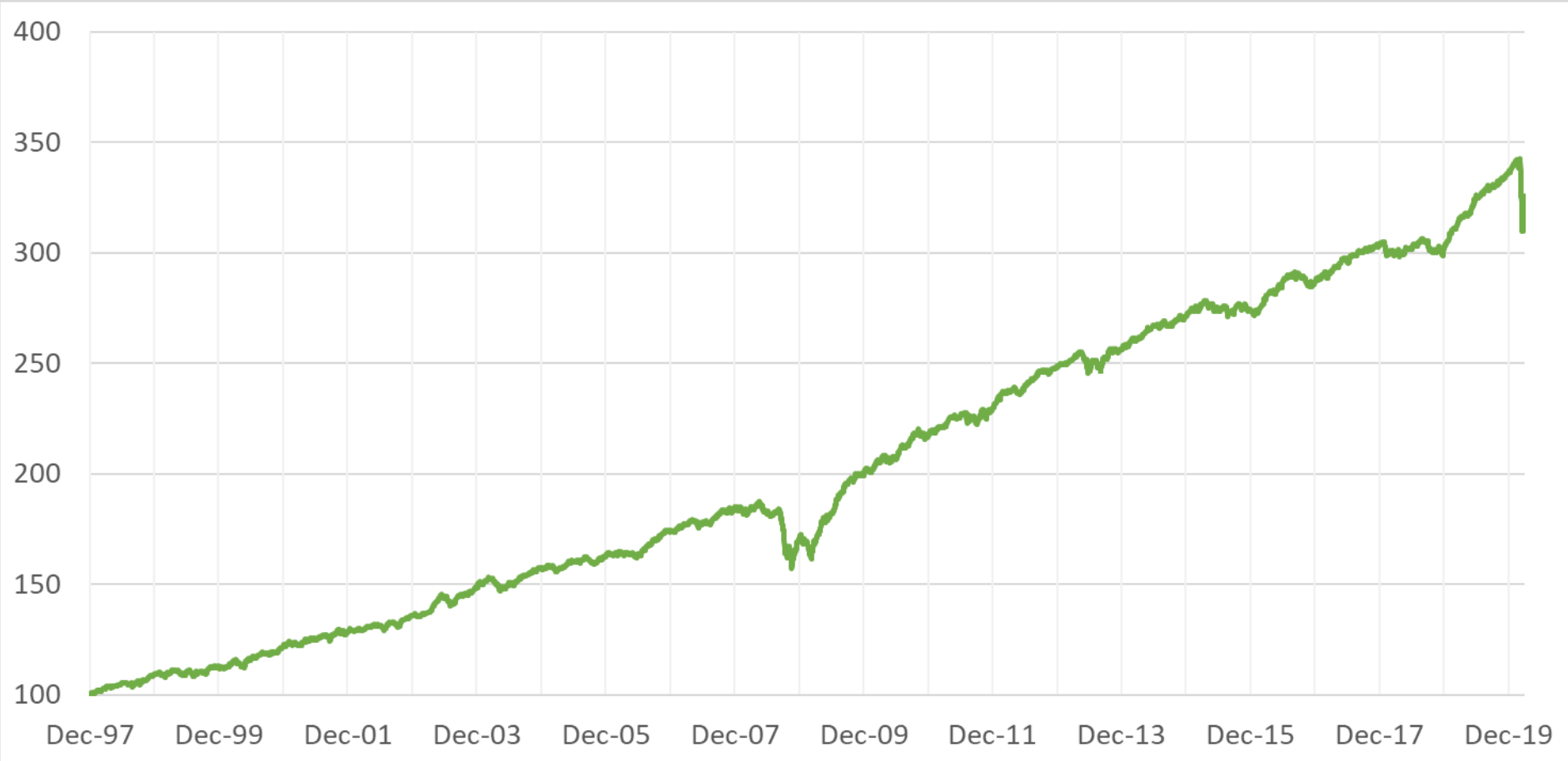


- Note the drawdown numbers reflect constant asset allocation per Dec-2019 and the historical movements of indices.

# Historical return time series (rebased to Dec-1997)



## PACT/PCM



• Note the above reflects constant asset allocation per Dec-2019 and the historical movements of indices.

# Covid-19 vs. Historical Stresses: Peak-to-Trough Magnitude



## POOL/PRM

Portfolio Profile	Duration	Avg Rating	Asset Allocation (%)	Cash/ST	Govt / Agency	IG Corp	Muni -Tax	Structured	BIG	Equity/Alts
12/31/2019	4.3	AA-		1.4	8.0	23.8	8.3	37.7	4.1	16.7

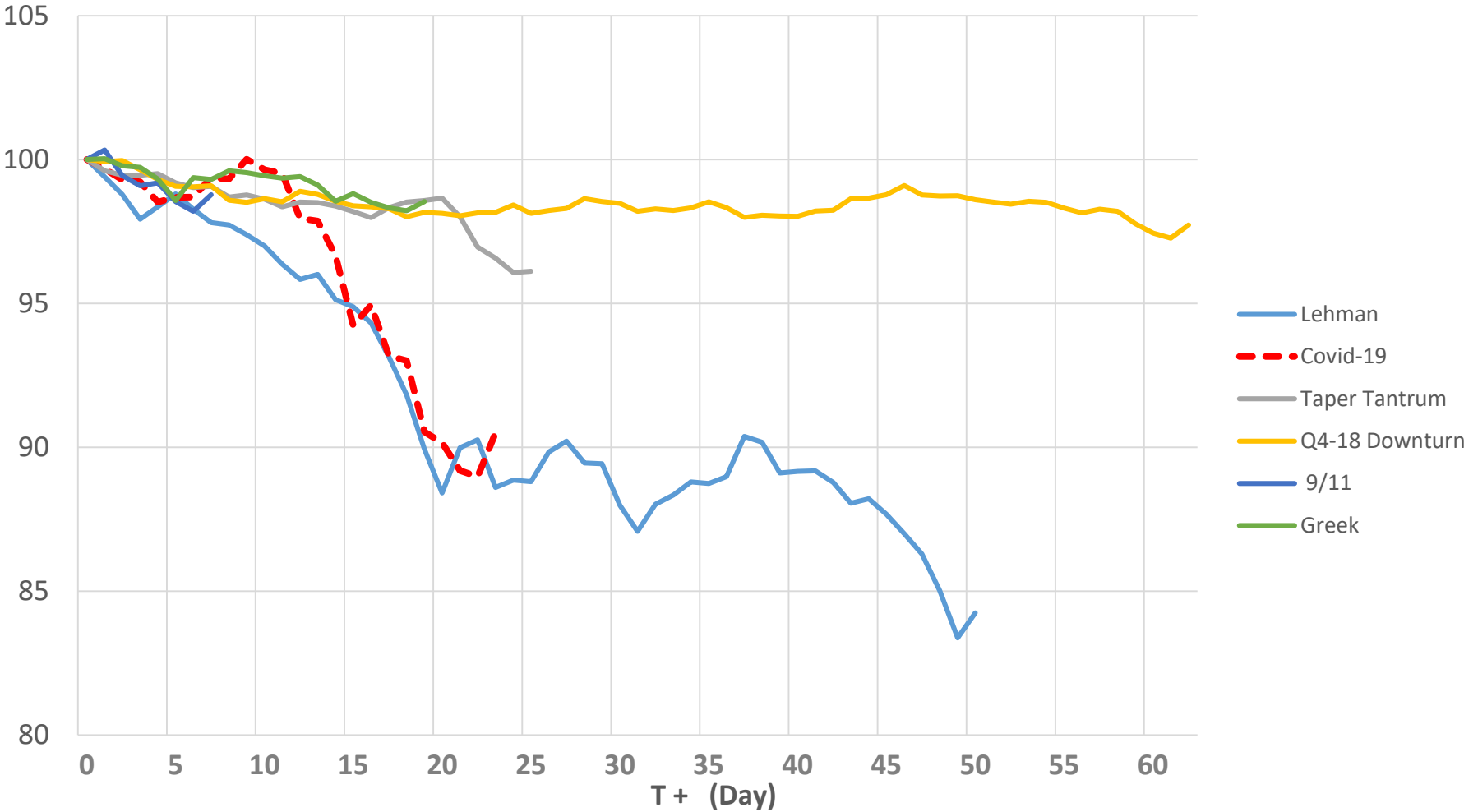
	Lehman	Covid-19	Taper Tantrum	Q4-18 Downturn	9/11	Greek
<b>Start Date</b>	2008-09-12	2020-02-21	2013-05-21	2018-09-30	2001-09-10	2010-04-30
<b>End Date</b>	2008-11-20	2020-03-23	2013-06-24	2018-12-24	2001-09-21	2010-05-26
<b>No. of Trading Days</b>	50	23	25	62	7	19
<b>Drawdown (%)</b>	<b>-16.6</b>	<b>-11.0</b>	<b>-3.9</b>	<b>-2.7</b>	<b>-1.8</b>	<b>-1.8</b>
- Fixed Income (%)	-9.8	-5.3	-2.9	0.5	0.2	0.0
- Non-Fixed Income (%)	-6.8	-5.8	-1.1	-3.2	-2.0	-1.8
<b>Starting Interest Rate (bps)</b>	331	149	118	303	461	262
<b>End Interest Rate (bps)</b>	250	63	178	274	425	226
<b>Interest Rate Movements</b>	<b>▼82</b>	<b>▼86</b>	<b>▲59</b>	<b>▼28</b>	<b>▼37</b>	<b>▼37</b>
<b>Starting Spread (bps)</b>	266	80	105	78	169	123
<b>End Spread (bps)</b>	643	298	128	110	191	152
<b>Spread Movements</b>	<b>▲377</b>	<b>▲218</b>	<b>▲23</b>	<b>▲32</b>	<b>▲22</b>	<b>▲29</b>

- By mapping the holdings at year-end 2019 into appropriate indices, we are able to assess how the portfolio would have fared in other volatile market episodes (i.e. the drawdown numbers reflect constant asset allocation per Dec-2019).
- Note we chose 21-Feb as the beginning of the recent episode as this was the day before the market starts to react to Covid-19 crisis in Europe, which coincided in timing of the dramatic movement in oil price.

# Covid-19 vs. Historical Stresses: Peak-to-Trough Length



## POOL/PRM

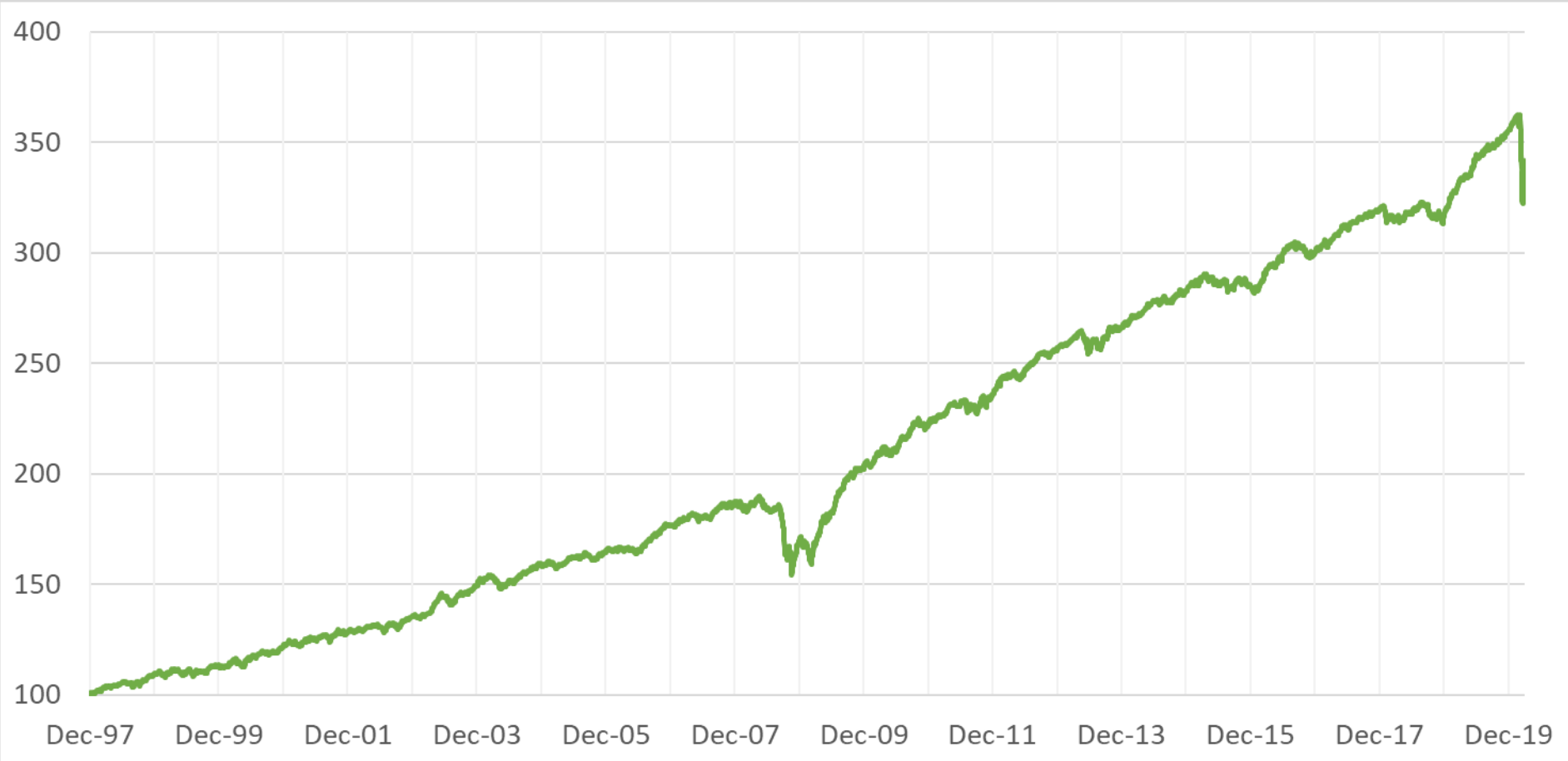


• Note the drawdown numbers reflect constant asset allocation per Dec-2019 and the historical movements of indices.

# Historical return time series (rebased to Dec-1997)



## POOL/PRM



• Note the above reflects constant asset allocation per Dec-2019 and the historical movements of indices.

A decorative graphic consisting of two overlapping, wavy, curved shapes. The left shape is dark blue and the right shape is green. They meet at a central point where the word 'Appendix' is located.

# Appendix

# Sources of Enterprise Return and Risk

## DuPont Framework

$$\text{Return on Equity} = \frac{\text{Earnings}}{\text{Equity}} = \left[ \text{Premium Leverage} \times \text{Underwriting Margin} \right] + \left[ \text{Investment Leverage} \times \text{Investment Returns} \right]$$

### DuPont Facilitates Optimal Investment Portfolio Allocation

- Enterprise viewed as a stream of probabilistic cash flows with contingent calls occasioned by taxes
- Insight of interdependencies of opportunities, risk and leverage across the balance sheet
- Tailored assumptions to align with current view of the world
- Supports maximization of long-term return on equity capital

# Enterprise Based Asset Allocation™ (EBAA™) Process

## What is it?

Investment portfolio optimization analysis within an enterprise framework

- Considers liability profile and cash flow sensitivity
- Enables holistic economic, rating agency and regulatory impact assessment

## How Does it Work?

### Input

#### Client Operating Information

- Prospective underwriting results and volatility
- Additional financial statement information

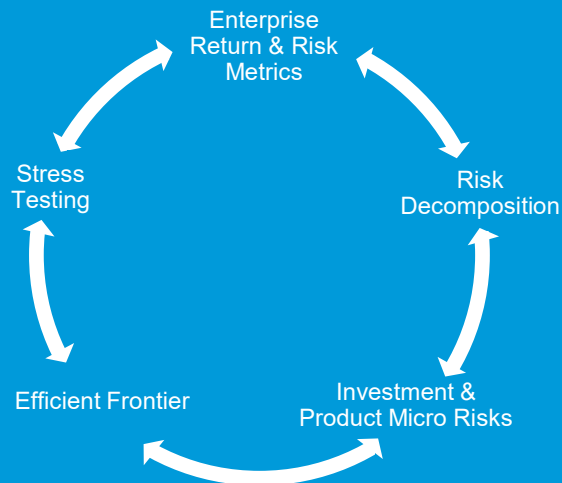


#### NEAM Provided Information

- Prospective investment returns and volatility
- Additional return and risk metrics

### Evaluation

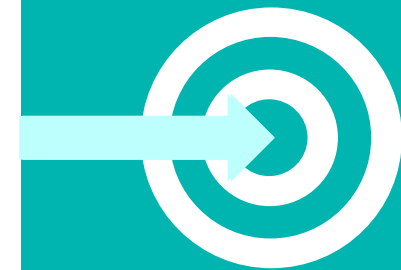
#### Iterative Process



### Output

#### Recommendations for:

- Asset Allocations
- Investment Guidelines
- Benchmarks



## What's the Potential Benefit?

Enhanced Risk-Adjusted Return Profile



# POOL/PRM: Assumptions

## Company Supplied Underwriting Parameters

- Combined ratios per 2020 plan; volatility provided by actuarial consultant
- Correlations estimated from US P&C industry reported statutory results

Insurance Product	Premium %	Combined Ratio	Volatility	Premium Leverage	Investment Leverage
NPAIP PR/PRM	55.1	50.5	12.95	0.40	1.20
NPAIP GL/PRM	44.9	100.7	12.95	0.19	1.28
<b>Total</b>	<b>100.0</b>	<b>73.0</b>	<b>10.75</b>	<b>0.26</b>	<b>1.25</b>

**Notes: Total volatility includes correlation effects. Leverage reflects weighted capital allocation**

## Product and Investment Leverage @ 12/31/2019 Reported Financials (Asset and Capital) and 2020 Plan (NWP)

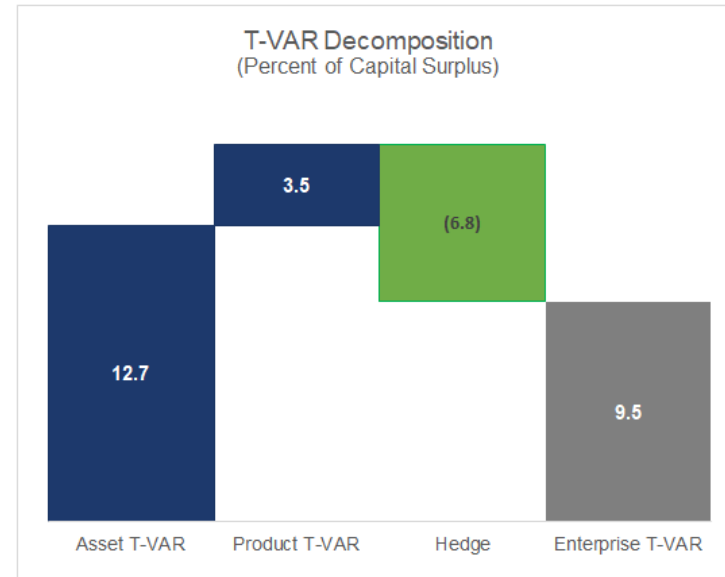
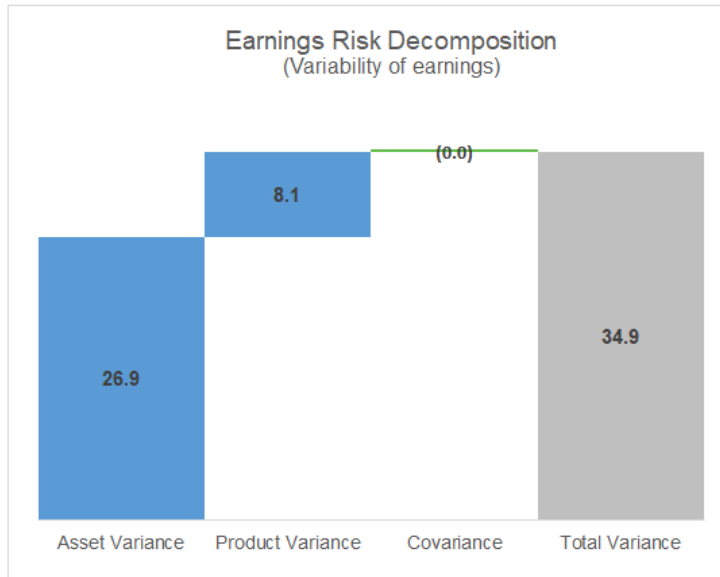
- Product leverage of 0.26 (NWP \$15.5MM / Capital \$58.5MM)
- Investment leverage of 1.25 (Invested Asset of \$73.1MM / Capital \$58.5MM)

## 12/31/2019 Portfolio Holdings Book Yields(Current) / Market Yields (Opportunity Set) Returns and Volatilities Asset Correlations @ 1997 - 2019

# POOL/PRM: Enterprise Risk (Budget) Decomposition into Asset and Product Components

$$\text{Return on Equity} = \frac{\text{Earnings}}{\text{Equity}} = \left( \text{Premium Leverage} \times \frac{\text{U}}{\text{W Margin}} \right) + \left( \text{Investment Leverage} \times \text{Investment Returns} \right)$$

Return Composition	Value	Volatility Unlevered	Value	Risk Composition	Value
Return on Equity %	10.8	Asset Risk (StDev)	4.1	Asset Variance	26.9
Return on Assets %	2.9	Liability Risk (StDev)	10.7	Product Variance	8.1
Product Margin %	27.0	Enterprise Correlation	-0.05	Covariance	0.0
Investment Leverage	1.3			Earnings Variance	34.9
Product Leverage	0.3			Earnings Risk (StDev)	5.9



Source: NEAM Analytics

## Company Supplied Underwriting Parameters

- Combined ratios per 2020 plan; volatility provided by actuarial consultant
- Correlations estimated from US P&C industry reported statutory results

Insurance Product	Premium %	Combined Ratio	Volatility	Premium Leverage	Investment Leverage
Comp	100.0	104.6	14.95	0.15	1.55
<b>Total</b>	<b>100.0</b>	<b>104.6</b>	<b>14.95</b>	<b>0.15</b>	<b>1.55</b>
<b>Notes: Total volatility includes correlation effects. Leverage reflects weighted capital allocation</b>					

## Product and Investment Leverage @ 12/31/2019 Reported Financials (Asset and Capital) and 2020 Plan (NWP)

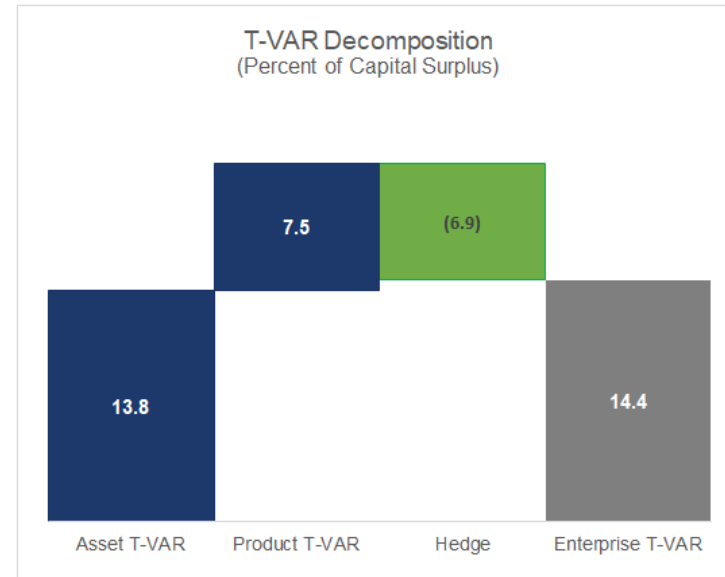
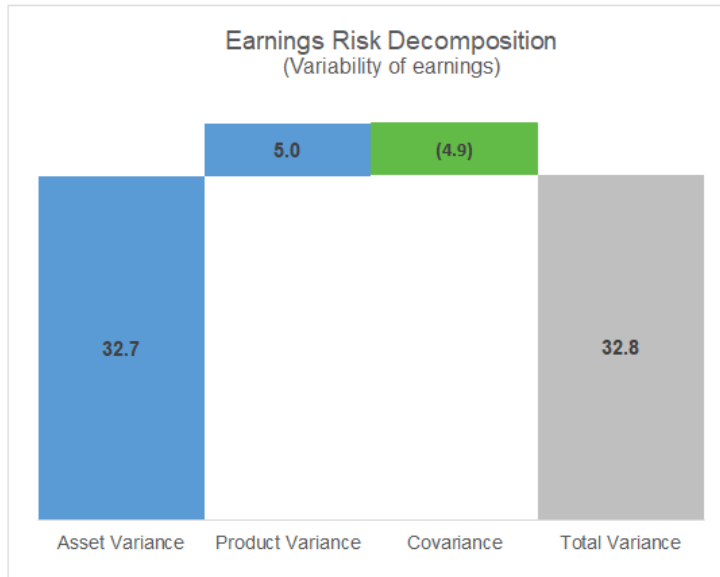
- Product leverage of 0.15 (NWP \$13.5MM / Capital \$90.2MM)
- Investment leverage of 1.55 (Invested Asset of \$140MM / Capital \$90.2MM)

## 12/31/2019 Portfolio Holdings Book Yields(Current) / Market Yields (Opportunity Set) Returns and Volatilities Asset Correlations @ 1997 - 2019

# PACT/PCM: Enterprise Risk (Budget) Decomposition into Asset and Product Components

$$\text{Return on Equity} = \frac{\text{Earnings}}{\text{Equity}} = \left( \text{Premium Leverage} \times \text{U / W Margin} \right) + \left( \text{Investment Leverage} \times \text{Investment Returns} \right)$$

Return Composition	Value	Volatility Unlevered	Value	Risk Composition	Value
Return on Equity %	3.6	Asset Risk (StDev)	3.7	Asset Variance	32.7
Return on Assets %	2.8	Liability Risk (StDev)	15.0	Product Variance	5.0
Product Margin %	-4.6	Enterprise Correlation	-0.17	Covariance	-4.9
Investment Leverage	1.6			Earnings Variance	32.8
Product Leverage	0.1			Earnings Risk (StDev)	5.7



Source: NEAM Analytics

# Glossary of Selective Terms

- **Capital Risk -10%Var, t=1** The probability that the loss of capital will exceed 10 percent any time within one year due to any combination of insurance or investment results.
- **Earnings Risk** The standard deviation of total return on equity. The standard deviation measures the dispersion of observations from their average, or expected value. The standard deviation of total return is expressed in the same units as total return itself. The square of the standard deviation is the variance, another common measure of dispersion.
- **99.50 VAR % Capital VaR** stands for Value-at-Risk. VaR represents the amount of loss not to be exceeded within a specified period of time at a given confidence interval. VaR is expressed as a percent of beginning capital.
- **99.50 T-VAR Capital Tail-Value-at-Risk** is the expected amount of loss if the VaR loss limit is exceeded during the time period.
- **Marginal VaR/T-VaR** Splits Portfolio VaR/T-VaR Across Individual Asset Classes, Rating or Maturity Tiers and Estimates Hedge Effects from Consolidation. Calculated on Asset Class Level.
- **Incremental VAR/TVAR** Measures Portfolio Sensitivity to Small Changes in Asset Allocation: % Point Change in Portfolio VaR/T-VaR From a Marginal Investment (Equal to 1% of Invested Assets) into the Respective Asset Class at Current Portfolio Allocation. Calculated on Asset Class Level.
- **Portfolio Risk** Either the Standard Deviation of Total Returns, VaR or T-VaR of the Entire Investment Portfolio, or the Option Adjusted Credit/Duration of the Fixed Income Portfolio.
- **Units used in Risk Partition table** The units are the sums of the (co)variances of the assets and the products. The square root of the variance is the standard deviation. Covariance is a measure of how much two variables (co-vary) change with another. The correlation of two variables is simply the normalization of their covariance. It is another measure of the extent to which two variable move together with lower and upper bounds of -1 and +1, respectively. Perfect positive correlation implies identical movement in the same direction and no diversification benefits. Perfect negative correlation implies identical movement in the opposite direction and maximum diversification benefits. Risk partitioning is used to identify the sources of enterprise risk and the magnitude of change as either (or both) the asset portfolio or insurance portfolio changes.
- **Correlation Assets Off Diagonal** Measures the weighted correlation among assets.
- **Correlation Product Off Diagonal** Measures the weighted correlation among products.
- **Correlation Assets Products Off Diagonal** Measures the weighted correlation among assets and products.
- **Dynamic Scaling** NEAM's proprietary method of estimating prospective fixed income total returns and their distribution. This was not discussed in any detail at the meeting.
- **MRTR and FI-MRTR** Measures the mean reverting total return of fixed income assets if the asset reverts to its mean spread within a specified period of time assuming a static reference curve. It accounts for price change, curve roll and coupon. The value of these metrics is to determine whether the prospective return (using these measures) is moving in the same direction as the book yield of the portfolio as the asset allocation changes.
- **RBC \$MM** This is the sum of the NAIC Risk Based Capital investment charges of individual assets. It excludes the correlation effect among fixed income and equities.
- **BCAR \$MM** This is the sum of the AMBest Risk Based Capital investment charges of individual assets. It excludes the correlation effect among fixed income and equities.
- **Asymmetry** Measures the skewness of a variable's distribution. Negatively skewed assets tend toward having the majority of their returns to the left of the mean expected return. A normal distribution has zero skewness.
- **Acct/Lqty** These are short hand abbreviations for accounting and liquidity risk of assets. All assets are scored 1 to 4 based on an assessment of these risks. For example, a six-month treasury bill would be scored at 1 indicating low likelihood of either accounting or liquidity risk. A 10 year triple-B rated homed home equity security would be scored at 4 indicating both accounting risk (from impairment) and liquidity risk. The value of the metric in optimization is to determine whether the portfolio is becoming more or less susceptible to these risks as the asset allocation changes.



# Investment Program Review As of December 31<sup>st</sup>, 2019

**April 15, 2020**

**Dan Smereck**

**Managing Director**



**STRATEGIC ASSET ALLIANCE**  
THE INSURANCE INVESTMENT SPECIALIST

# Investments Support the POOL/PACT Mission

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Member Contributions (\$)



Investment Portfolio (\$)  
INVEST & PROTECT

FLOAT



Claims Payments (\$)



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**PERFORMANCE REVIEW – YEAR 2019**





	<u>2018</u>	<u>2019</u>
● POOL	+1.00%	+4.97%
● PRM	-2.02%	+13.71%
● TOTAL	-1.04%	+10.53%



	<u>2018</u>	<u>2019</u>
● PACT	+1.17%	+5.32%
● PCM	-1.65%	+13.03%
● TOTAL	-0.46%	+9.75%



2018

2019

● RETURN

-0.68%

+9.98%

● TOTAL INCOME

-0.92M



+19.02M

● REAL INCOME

+5.56M

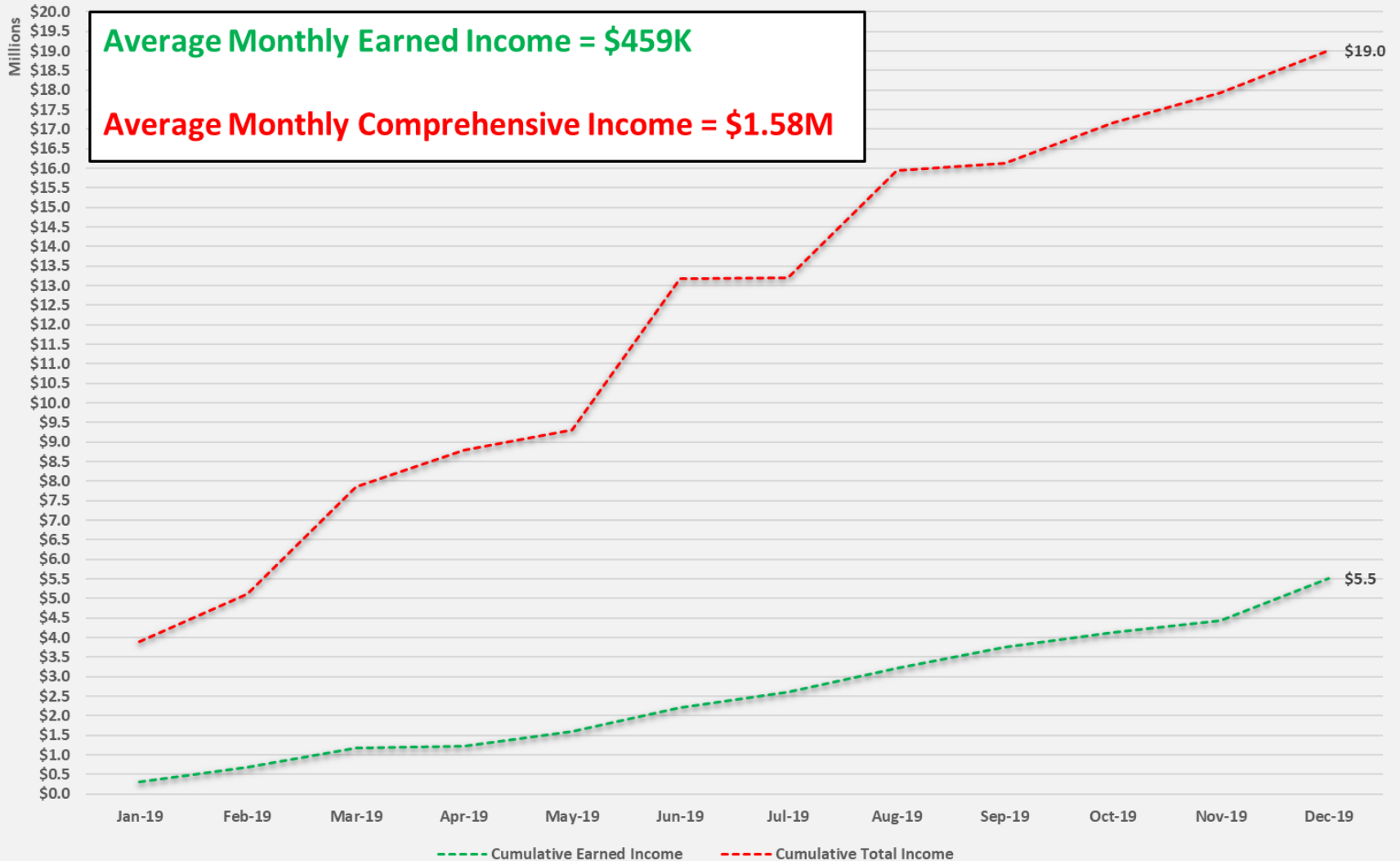


+5.50M



# CONSOLIDATED – ALL PROGRAMS

POOL/PACT/PCM/PRM Consolidated Investment Income



# Looking Ahead - US Financial Condition Index



The Bloomberg U.S. Financial Conditions Index tracks the overall level of financial stress in the U.S. money, bond, and equity markets to help assess the availability and cost of credit. A positive value indicates accommodative financial conditions, while a negative value indicates tighter financial conditions relative to pre-crisis norms.

All of the indicators included in the composite BFCIUS index are normalized by subtracting the mean and dividing by the standard deviation for each series. The mean and standard deviation are calculated from observations during the pre-crisis period, which is defined as the period from 1994 to July 1, 2008. The normalized values are then combined into the composite BFCIUS index, which is itself normalized relative to its pre-crisis values. As such, the BFCIUS index is a Z-Score that indicates the number of standard deviations by which current financial conditions deviate from normal (pre-crisis) levels.



# 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; and
- 4) liquidity to meet operating obligations.

D. The investment strategy will conform to state statutes governing investment of public funds per NRS 355.170 & 355.171.

#### **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. Acceptable credit ratings for securities shall be AAA, AA, or A as rated by a Nationally Recognized Statistically Rating Organization (“NRSRO”) pursuant to statutory limitations. 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) U.S. Corporate Bonds (rated A or better; maturity not more than 5 years)
- 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. Corporate bond allocation cannot exceed 20% of the total par value of the portfolio.

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.

B. Maximum Duration. 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 that have a weighted average life of more than ten (10) years from the date of purchase, except as permitted by law. The average duration of the portfolio will not exceed +/- 20% of the benchmark duration.

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.

E. After consultation with the investment advisor(s), periodic variance waivers may be granted by the Chief Operations Officer or Chief Financial Officer with the concurrence of the Executive Director for allocation percentage and credit rating variances. The PACT Executive Committee will be notified of any waiver(s) granted at the next regular meeting.

## 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 PACT.

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  
 Revised 5/1/2015  
 Revised 2/23/2018  
 Revised 4/17/2020

# NEVADA PUBLIC AGENCY INSURANCE POOL

## INVESTMENT GUIDELINES

### 1. Scope

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

### 2. Statement of Purpose

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

### 3. Investment Strategy

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

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

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

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

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

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

D. The investment strategy will conform to state statutes governing investment of public funds per NRS 377.170 & 377.171.

#### 4. Investment Risk

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

1. Credit Risk - is the risk that the issuer of a security will default on the principal and interest. POOL will not assume significant credit risk in an attempt to enhance return. Acceptable credit ratings for securities shall be AAA, AA, or A as rated by a Nationally Recognized Statistically Rating Organization ("NRSRO") pursuant to statutory limitations. In addition, POOL will diversify the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

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

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

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

## **5. Investment Responsibility**

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

## **6. Authorized Investments**

- A. The following types of securities are eligible investments subject to asset allocation:
  - 1) U.S. Treasury Securities;

- 2) Federal Agency Securities;
- 3) Federal Funds;
- 4) Bank Certificates of Deposit insured;
- 5) Savings and Loan Certificates of Deposit insured;
- 6) Repurchase Agreements;
- 7) Money Market Mutual Funds
- 8) U.S. Corporate Bonds (rated A or better; maturity not more than 5 years)
- 9) Such other securities as authorized under Nevada laws applicable to the POOL.

Not more than ten percent (10%) of the fixed income portfolio should be to any one issuer, other than securities of the U.S. government or agencies. Corporate bond allocation cannot exceed 20% of the total par value of the portfolio.

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

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

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

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

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

## 8. Investment Guidelines and Limitations

- A. **Diversity.** There will be sufficient diversity in the authorized instruments to allow for variety in the makeup of the portfolio. The Board of Directors will review investment activity reports to assure appropriate diversity exists. The POOL will diversify its investments by maturity, security type and issuer. Maturities selected shall provide for stability of income and reasonable liquidity. For cash management funds, the following guidelines shall apply: Liquidity shall be assured through practices ensuring that the next disbursement date is covered through maturing investments or marketable U.S. Treasury bills
- Risks of market price volatility shall be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.
- B. **Maximum Duration.** To the extent possible, the POOL will attempt to match its investments with anticipated cash flow requirements. The Pool will not directly invest in securities that have a weighted average life of more than ten (10) years from the date of purchase, except as permitted by law. The average duration of the portfolio will not exceed +/- 20% of the benchmark duration.
- C. **Return on Investment.** The POOL's investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the POOL's investment risk constraints and the cash flow characteristics of the portfolio.
- D. **Performance Standards.** The investment portfolio results will be compared to reasonably comparable indexes reflective of the investment goals listed below:
1. Goal - to outperform over a 4-5 year period the risk free return from short-term U.S. Treasury bills by at least 100 to 200 basis points per year.
  2. Goal - to outperform the Consumer Price Index over a 4 to 5 year period by at least 200 basis points per year.
  3. Goal - to perform in line with the iShares Lehman 1-3 Year Treasury Bond Fund (currently trading as SHY) over a 4 to 5 year period.
- E. **After consultation with the investment advisor(s), periodic variance waivers may be granted by the Chief Operations Officer or Chief Financial Officer with the concurrence of the Executive Director for allocation percentage and credit rating variances. The POOL Executive Committee will be notified of any waiver(s) granted at the next regular meeting.**

## 9. Safekeeping and Custody

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



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

## **10. Collateralization**

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

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

The right of collateral substitution is granted.

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

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

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

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

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

- Investment performance that significantly is less than anticipated given the discipline employed and the risk parameters established or unacceptable justification of poor results.

- Failure to adhere to any aspect of this investment policy statement including communication and reporting requirements.’
- Significant qualitative changes to the investment management organization.

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

## **12. Reporting**

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

## **12. Investment Policy Adoption**

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

**Adopted 9/91**  
**Revised 10/95**  
**Revised 4/98**  
**Revised 5/1/2000**  
**Revised 9/13/2006**  
**Revised 5/1/2009**  
**Revised 5/1/2015**  
**Revised 2/23/2018**  
**Revised 4/17/2020**

## **EAP Services Review 2020**

### **Overview:**

Employee Assistance Plan (EAP) utilization appears to continue to decline and remains below 3% typically. POOL/PACT HR has promoted the EAP heavily in their trainings, service reviews, and on the website. In light of the low utilization and costs, staff submitted concerns to the POOL/PACT HR Oversight Committee for discussion. Refer to the minutes of the committee December 13, 2019, for more details. As a result of those discussions, staff reviewed the State of Nevada's EAP provider services and costs for comparison.

### **Current Provider: Aetna Resources for Living (ARFL)**

The contract with ARFL expires on June 30, 2020, after ARFL invoked a two-year extension in the existing contract. The contract requires notification by April 1, 2020, should POOL/PACT desire to enter into a new agreement with RSL. Current costs are \$39,479.70 per quarter based upon an estimated employee count of 12,415 for an annual cost of \$157,918.80 or a rate of \$1.06 per employee per month (PEPM) at 2.1%-3% utilization. ARFL's representative contacted us about renewing the contract, but we have not yet responded.

### **State of Nevada Provider: KEYSTONE Peer Review Organization (KEPRO)**

The EAP provider for the State of Nevada is KEPRO effective July 1, 2019, for a two-year term with an option to extend. Based upon their employee count of 19,792, the contract is not to exceed \$200,889 per year or a rate of \$0.66 PEPM plus Critical Incident Stress Management (CISM) costs at \$275/hour. This rate is 38% lower than ARFL's PEPM.

POOL/PACT confirmed that it may as a group utilize the State's KEPRO contract provisions or individual local government members may contract directly. KEPRO sent a proposal confirming the \$0.66 PEPM rate would apply to POOL/PACT as a group plan. They indicated that they would not offer the same for individual entities; however, our understanding is that their contract with the State requires that they also honor those terms with any local government. Their preference may be for a group deal, but that does not preclude individual deals.

ARFL and KEPRO have comparable extensive website services. KEPRO allows up to four visits per issue per year vs. three sessions in a rolling six month period for ARFL for mental health referrals. KEPRO indicated that their national utilization rates typically are 3%-5%. This is similar to other data found from a general search. Thus, it appears that the EAP industry generally garners low utilization rates regardless of provider. It is not clear whether an extension of EAP type benefits in conjunction with or under a group health plan has a better utilization rate or not.

### **Network Comparison: ARFL vs. KEPRO**

Based upon a search of their respective website listing of providers and discussion with KEPRO representatives, there are differences in available contracted provider lists although KEPRO asserts they are willing to expand providers in areas where we may have a need.

Sample mental health network providers around the state were identified for both providers for comparison.

<b>City/County</b>	<b>ARFL</b>	<b>KEPRO</b>
Battle Mountain	0	0
Caliente (2)	0	0
Carson/Douglas	13	9
Clark	50	20
Elko	3	0
Ely	1	1
Eureka	0	0
Fallon	3	0
Fernley	0	0
Gardnerville	2	2
Hawthorne	0	0
Lovelock	0	0
Minden	3	2
Pahrump	5	1
Pioche	0	0
Tonopah (3)	0	0
Washoe County	25	20
Winnemucca	1	0
Yerington (1)	0	0

ARFL Notes:

(1) see Gardnerville

(2) 24 in Utah

(3) 7 in Bishop, CA

KEPRO Notes:

Clark County serves Caliente, Pahrump

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**CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR**  
A Contract Between the State of Nevada  
Acting by and Through its

Agency Name:	<b>Department of Administration Human Resource Management</b>
Address:	<b>100 North Stewart Street, Suite 200</b>
City, State, Zip Code:	<b>Carson City, Nevada 89701</b>
Contact:	<b>Carrie Hughes</b>
Phone:	<b>(775) 684-0111</b>
Fax:	<b>(775) 684-0118</b>
Email:	<b>cphughes@admin.nv.gov</b>

Contractor Name:	<b>KEPRO Acquisitions, Inc.</b>
Address:	<b>777 East Park Drive</b>
City, State, Zip Code:	<b>Harrisburg, Pennsylvania 17111</b>
Contact:	<b>Susan Baker</b>
Phone:	<b>(800) 305-3720</b>
Fax:	<b>(866) 480-8341</b>
Email:	<b>smbaker@kepro.com</b>

WHEREAS, NRS 333.700 authorizes officers, departments, institutions, boards, commissions, and other agencies in the Executive Department of the State Government which derive their support from public money in whole or in part to engage, subject to the approval of the Board of Examiners (BOE), services of persons as independent contractors; and

WHEREAS, it is deemed that the service of Contractor is both necessary and in the best interests of the State of Nevada.

NOW, THEREFORE, in consideration of the aforesaid premises, the parties mutually agree as follows:

1. **REQUIRED APPROVAL.** This Contract shall not become effective until and unless approved by the Nevada State Board of Examiners.
2. **DEFINITIONS.**
  - A. "State" – means the State of Nevada and any State agency identified herein, its officers, employees and immune contractors as defined in NRS 41.0307.
  - B. "Contracting Agency" – means the State agency identified above.
  - C. "Contractor" – means the person or entity identified above that performs services and/or provides goods for the State under the terms and conditions set forth in this Contract.
  - D. "Fiscal Year" – means the period beginning July 1st and ending June 30th of the following year.
  - E. "Contract" – Unless the context otherwise requires, "Contract" means this document entitled Contract for Services of Independent Contractor and all Attachments or Incorporated Documents.
  - F. "Contract for Independent Contractor" – means this document entitled Contract for Services of Independent Contractor exclusive of any Attachments or Incorporated Documents.

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3. **CONTRACT TERM.** This Contract shall be effective as noted below, unless sooner terminated by either party as specified in *Section 10, Contract Termination*. Contract is subject to Board of Examiners' approval (anticipated to be Date June 11, 2019).

Effective from:	July 1, 2019	To:	June 30, 2021
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4. **NOTICE.** All communications, including notices, required or permitted to be given under this Contract shall be in writing and directed to the parties at the addresses stated above. Notices may be given: (i) by delivery in person; (ii) by a nationally recognized next day courier service, return receipt requested; or (iii) by certified mail, return receipt requested. If specifically requested by the party to be notified, valid notice may be given by facsimile transmission or electronic mail to the address(es) such party has specified in writing.

5. **INCORPORATED DOCUMENTS.** The parties agree that this Contract, inclusive of the following attachments, specifically describes the scope of work. This Contract incorporates the following attachments in descending order of constructive precedence:

ATTACHMENT AA:	STATE SOLICITATION OR RFP # and AMENDMENTS #
ATTACHMENT BB:	INSURANCE SCHEDULE
ATTACHMENT CC:	CONTRACTOR'S RESPONSE

Any provision, term or condition of an Attachment that contradicts the terms of this Contract for Independent Contractor, or that would change the obligations of the State under this Contract for Independent Contractor, shall be void and unenforceable.

6. **CONSIDERATION.** The parties agree that Contractor will provide the services specified in *Section 5, Incorporated Documents* at a cost as noted below:

\$0.66	per	Employee per month (all components as listed in Attachment CC)
\$275.00		Hour – On-site Critical Incident Stress Debriefings beyond the bank of hours listed in Attachment CC
\$250.00		Hour – Additional Training beyond the bank of hours listed in attachment CC

Total Contract or installments payable at:	As invoiced by vendor and accepted by the State
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Total Contract Not to Exceed:	\$401,778.00
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The State does not agree to reimburse Contractor for expenses unless otherwise specified in the incorporated attachments. Any intervening end to a biennial appropriation period shall be deemed an automatic renewal (not changing the overall Contract term) or a termination as the result of legislative appropriation may require.

7. **ASSENT.** The parties agree that the terms and conditions listed on incorporated attachments of this Contract are also specifically a part of this Contract and are limited only by their respective order of precedence and any limitations specified.

8. **BILLING SUBMISSION: TIMELINESS.** The parties agree that timeliness of billing is of the essence to the Contract and recognize that the State is on a Fiscal Year. All billings for dates of service prior to July 1 must be submitted to the state no later than the first Friday in August of the same calendar year. A billing submitted after the first Friday in August, which forces the State to process the billing as a stale claim pursuant to NRS 353.097, will subject Contractor to an administrative fee not to exceed one hundred dollars (\$100.00). The parties hereby agree this is a reasonable estimate of

the additional costs to the state of processing the billing as a stale claim and that this amount will be deducted from the stale claim payment due to Contractor.

9. **INSPECTION & AUDIT.**

- A. Books and Records. Contractor agrees to keep and maintain under generally accepted accounting principles (GAAP) full, true and complete records, contracts, books, and documents as are necessary to fully disclose to the State or United States Government, or their authorized representatives, upon audits or reviews, sufficient information to determine compliance with all State and federal regulations and statutes.
- B. Inspection & Audit. Contractor agrees that the relevant books, records (written, electronic, computer related or otherwise), including, without limitation, relevant accounting procedures and practices of Contractor or its subcontractors, financial statements and supporting documentation, and documentation related to the work product shall be subject, at any reasonable time, to inspection, examination, review, audit, and copying at any office or location of Contractor where such records may be found, with or without notice by the State Auditor, the relevant State agency or its contracted examiners, the department of Administration, Budget Division, the Nevada State Attorney General's Office or its Fraud Control Units, the state Legislative Auditor, and with regard to any federal funding, the relevant federal agency, the Comptroller General, the General Accounting Office, the Office of the Inspector General, or any of their authorized representatives. All subcontracts shall reflect requirements of this Section.
- C. Period of Retention. All books, records, reports, and statements relevant to this Contract must be retained a minimum three (3) years, and for five (5) years if any federal funds are used pursuant to the Contract. The retention period runs from the date of payment for the relevant goods or services by the state, or from the date of termination of the Contract, whichever is later. Retention time shall be extended when an audit is scheduled or in progress for a period reasonably necessary to complete an audit and/or to complete any administrative and judicial litigation which may ensue.

10. **CONTRACT TERMINATION.**

- A. Termination Without Cause. Regardless of any terms to the contrary, this Contract may be terminated upon written notice by mutual consent of both parties. The State unilaterally may terminate this contract without cause by giving not less than thirty (30) days' notice in the manner specified in *Section 4, Notice*. If this Contract is unilaterally terminated by the State, Contractor shall use its best efforts to minimize cost to the State and Contractor will not be paid for any cost that Contractor could have avoided.
- B. State Termination for Non-Appropriation. The continuation of this Contract beyond the current biennium is subject to and contingent upon sufficient funds being appropriated, budgeted, and otherwise made available by the State Legislature and/or federal sources. The State may terminate this Contract, and Contractor waives any and all claims(s) for damages, effective immediately upon receipt of written notice (or any date specified therein) if for any reason the contracting Agency's funding from State and/or federal sources is not appropriated or is withdrawn, limited, or impaired.
- C. Termination with Cause for Breach. A breach may be declared with or without termination. A notice of breach and termination shall specify the date of termination of the Contract, which shall not be sooner than the expiration of the Time to Correct, if applicable, allowed under subsection 10D. This Contract may be terminated by either party upon written notice of breach to the other party on the following grounds:
- 1) If Contractor fails to provide or satisfactorily perform any of the conditions, work, deliverables, goods, or services called for by this Contract within the time requirements specified in this Contract or within any granted extension of those time requirements; or
  - 2) If any state, county, city, or federal license, authorization, waiver, permit, qualification or certification required by statute, ordinance, law, or regulation to be held by Contractor to provide the goods or services required by this Contract is for any reason denied, revoked, debarred, excluded, terminated, suspended, lapsed, or not renewed; or

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- 3) If Contractor becomes insolvent, subject to receivership, or becomes voluntarily or involuntarily subject to the jurisdiction of the Bankruptcy Court; or
- 4) If the State materially breaches any material duty under this Contract and any such breach impairs Contractor's ability to perform; or
- 5) If it is found by the State that any quid pro quo or gratuities in the form of money, services, entertainment, gifts, or otherwise were offered or given by Contractor, or any agent or representative of Contractor, to any officer or employee of the State of Nevada with a view toward securing a contract or securing favorable treatment with respect to awarding, extending, amending, or making any determination with respect to the performing of such contract; or
- 6) If it is found by the State that Contractor has failed to disclose any material conflict of interest relative to the performance of this Contract.

D. Time to Correct. Unless the breach is not curable, or unless circumstances do not permit an opportunity to cure, termination upon declared breach may be exercised only after service of formal written notice as specified in *Section 4, Notice*, and the subsequent failure of the breaching party within fifteen (15) calendar days of receipt of that notice to provide evidence, satisfactory to the aggrieved party, showing that the declared breach has been corrected. Upon a notice of breach, the time to correct and the time for termination of the contract upon breach under subsection 10C, above, shall run concurrently, unless the notice expressly states otherwise.

E. Winding Up Affairs Upon Termination. In the event of termination of this Contract for any reason, the parties agree that the provisions of this Section survive termination:

- 1) The parties shall account for and properly present to each other all claims for fees and expenses and pay those which are undisputed and otherwise not subject to set off under this Contract. Neither party may withhold performance of winding up provisions solely based on nonpayment of fees or expenses accrued up to the time of termination;
- 2) Contractor shall satisfactorily complete work in progress at the agreed rate (or a pro rata basis if necessary) if so requested by the Contracting Agency;
- 3) Contractor shall execute any documents and take any actions necessary to effectuate an assignment of this Contract if so requested by the Contracting Agency;
- 4) Contractor shall preserve, protect and promptly deliver into State possession all proprietary information in accordance with *Section 21, State Ownership of Proprietary Information*.

11. **REMEDIES.** Except as otherwise provided for by law or this Contract, the rights and remedies of the parties shall not be exclusive and are in addition to any other rights and remedies provided by law or equity, including, without limitation, actual damages, and to a prevailing party reasonable attorneys' fees and costs. For purposes of an award of attorneys' fees to either party, the parties stipulate and agree that a reasonable hourly rate of attorneys' fees shall be one hundred and fifty dollars (\$150.00) per hour. The State may set off consideration against any unpaid obligation of Contractor to any State agency in accordance with NRS 353C.190. In the event that Contractor voluntarily or involuntarily becomes subject to the jurisdiction of the Bankruptcy Court, the State may set off consideration against any unpaid obligation of Contractor to the State or its agencies, to the extent allowed by bankruptcy law, without regard to whether the procedures of NRS 353C.190 have been utilized.

12. **LIMITED LIABILITY.** The State will not waive and intends to assert available NRS Chapter 41 liability limitations in all cases. Contract liability of both parties shall not be subject to punitive damages. Damages for any State breach shall never exceed the amount of funds appropriated for payment under this Contract, but not yet paid to Contractor, for the Fiscal Year budget in existence at the time of the breach. Contractor's tort liability shall not be limited.

13. **FORCE MAJEURE.** Neither party shall be deemed to be in violation of this Contract if it is prevented from performing any of its obligations hereunder due to strikes, failure of public transportation, civil or military authority, act of public enemy, accidents, fires, explosions, or acts of God, including without limitation, earthquakes, floods, winds, or storms. In



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such an event the intervening cause must not be through the fault of the party asserting such an excuse, and the excused party is obligated to promptly perform in accordance with the terms of the Contract after the intervening cause ceases.

14. **INDEMNIFICATION AND DEFENSE.** To the fullest extent permitted by law, Contractor shall indemnify, hold harmless and defend, not excluding the State's right to participate, the State from and against all liability, claims, actions, damages, losses, and expenses, including, without limitation, reasonable attorneys' fees and costs, arising out of any breach of the obligations of Contractor under this contract, or any alleged negligent or willful acts or omissions of Contractor, its officers, employees and agents. Contractor's obligation to indemnify the State shall apply in all cases except for claims arising solely from the State's own negligence or willful misconduct. Contractor waives any rights of subrogation against the State. Contractor's duty to defend begins when the State requests defense of any claim arising from this Contract.
15. **REPRESENTATIONS REGARDING INDEPENDENT CONTRACTOR STATUS.** Contractor represents that it is an independent contractor, as defined in NRS 333.700(2) and 616A.255, warrants that it will perform all work under this contract as an independent contractor, and warrants that the State of Nevada will not incur any employment liability by reason of this Contract or the work to be performed under this Contract. To the extent the State incurs any employment liability for the work under this Contract; Contractor will reimburse the State for that liability.
16. **INSURANCE SCHEDULE.** Unless expressly waived in writing by the State, Contractor must carry policies of insurance and pay all taxes and fees incident hereunto. Policies shall meet the terms and conditions as specified within this Contract along with the additional limits and provisions as described in *Attachment BB*, incorporated hereto by attachment. The State shall have no liability except as specifically provided in the Contract.

Contractor shall not commence work before Contractor has provided the required evidence of insurance to the Contracting Agency. The State's approval of any changes to insurance coverage during the course of performance shall constitute an ongoing condition subsequent to this Contract. Any failure of the State to timely approve shall not constitute a waiver of the condition.

A. Insurance Coverage. Contractor shall, at Contractor's sole expense, procure, maintain and keep in force for the duration of the Contract insurance conforming to the minimum limits as specified in *Attachment BB*, incorporated hereto by attachment. Unless specifically stated herein or otherwise agreed to by the State, the required insurance shall be in effect prior to the commencement of work by Contractor and shall continue in force as appropriate until:

- 1) Final acceptance by the State of the completion of this Contract; or
- 2) Such time as the insurance is no longer required by the State under the terms of this Contract; whichever occurs later.

Any insurance or self-insurance available to the State shall be in excess of and non-contributing with, any insurance required from Contractor. Contractor's insurance policies shall apply on a primary basis. Until such time as the insurance is no longer required by the State, Contractor shall provide the State with renewal or replacement evidence of insurance no less than thirty (30) days before the expiration or replacement of the required insurance. If at any time during the period when insurance is required by the Contract, an insurer or surety shall fail to comply with the requirements of this Contract, as soon as Contractor has knowledge of any such failure, Contractor shall immediately notify the State and immediately replace such insurance or bond with an insurer meeting the requirements.

B. General Requirements.

- 1) Additional Insured: By endorsement to the general liability insurance policy, the State of Nevada, its officers, employees and immune contractors as defined in NRS 41.0307 shall be named as additional insureds for all liability arising from the Contract.
- 2) Waiver of Subrogation: Each insurance policy shall provide for a waiver of subrogation against the State of Nevada, its officers, employees and immune contractors as defined in NRS 41.0307 for losses arising from work/materials/equipment performed or provided by or on behalf of Contractor.
- 3) Cross Liability: All required liability policies shall provide cross-liability coverage as would be achieved under the standard ISO separation of insureds clause.

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- 4) Deductibles and Self-Insured Retentions: Insurance maintained by Contractor shall apply on a first dollar basis without application of a deductible or self-insured retention unless otherwise specifically agreed to by the State. Such approval shall not relieve Contractor from the obligation to pay any deductible or self-insured retention. Any deductible or self-insured retention shall not exceed fifty thousand dollars (\$50,000.00) per occurrence, unless otherwise approved by the Risk Management Division.
- 5) Policy Cancellation: Except for ten (10) days notice for non-payment of premiums, each insurance policy shall be endorsed to state that without thirty (30) days prior written notice to the State of Nevada, c/o Contracting Agency, the policy shall not be canceled, non-renewed or coverage and/or limits reduced or materially altered, and shall provide that notices required by this Section shall be sent by certified mail to the address shown on page one (1) of this contract.
- 6) Approved Insurer: Each insurance policy shall be:
  - a) Issued by insurance companies authorized to do business in the State of Nevada or eligible surplus lines insurers acceptable to the State and having agents in Nevada upon whom service of process may be made; and
  - b) Currently rated by A.M. Best as "A-VII" or better.

C. Evidence of Insurance.

Prior to the start of any work, Contractor must provide the following documents to the contracting State agency:

- 1) Certificate of Insurance: The Acord 25 Certificate of Insurance form or a form substantially similar must be submitted to the State to evidence the insurance policies and coverages required of Contractor. The certificate must name the State of Nevada, its officers, employees and immune contractors as defined in NRS 41.0307 as the certificate holder. The certificate should be signed by a person authorized by the insurer to bind coverage on its behalf. The State project/Contract number; description and Contract effective dates shall be noted on the certificate, and upon renewal of the policies listed, Contractor shall furnish the State with replacement certificates as described within *Section 16A, Insurance Coverage*.

**Mail all required insurance documents to the State Contracting Agency identified on Page one of the Contract.**

- 2) Additional Insured Endorsement: An Additional Insured Endorsement (CG 20 10 11 85 or CG 20 26 11 85), signed by an authorized insurance company representative, must be submitted to the State to evidence the endorsement of the State as an additional insured per *Section 16B, General Requirements*.
- 3) Schedule of Underlying Insurance Policies: If Umbrella or Excess policy is evidenced to comply with minimum limits, a copy of the underlying Schedule from the Umbrella or Excess insurance policy may be required.
- 4) Review and Approval: Documents specified above must be submitted for review and approval by the State prior to the commencement of work by Contractor. Neither approval by the State nor failure to disapprove the insurance furnished by Contractor shall relieve Contractor of Contractor's full responsibility to provide the insurance required by this Contract. Compliance with the insurance requirements of this Contract shall not limit the liability of Contractor or its subcontractors, employees or agents to the State or others, and shall be in addition to and not in lieu of any other remedy available to the State under this Contract or otherwise. The State reserves the right to request and review a copy of any required insurance policy or endorsement to assure compliance with these requirements.

17. **COMPLIANCE WITH LEGAL OBLIGATIONS.** Contractor shall procure and maintain for the duration of this Contract any state, county, city or federal license, authorization, waiver, permit qualification or certification required by statute, ordinance, law, or regulation to be held by Contractor to provide the goods or services required by this Contract. Contractor shall provide proof of its compliance upon request of the Contracting Agency. Contractor will be responsible to pay all taxes, assessments, fees, premiums, permits, and licenses required by law. Real property and personal property

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taxes are the responsibility of Contractor in accordance with NRS 361.157 and NRS 361.159. Contractor agrees to be responsible for payment of any such government obligations not paid by its subcontractors during performance of this Contract.

18. **WAIVER OF BREACH.** Failure to declare a breach or the actual waiver of any particular breach of the Contract or its material or nonmaterial terms by either party shall not operate as a waiver by such party of any of its rights or remedies as to any other breach.
19. **SEVERABILITY.** If any provision contained in this Contract is held to be unenforceable by a court of law or equity, this Contract shall be construed as if such provision did not exist and the non-enforceability of such provision shall not be held to render any other provision or provisions of this Contract unenforceable.
20. **ASSIGNMENT/DELEGATION.** To the extent that any assignment of any right under this Contract changes the duty of either party, increases the burden or risk involved, impairs the chances of obtaining the performance of this Contract, attempts to operate as a novation, or includes a waiver or abrogation of any defense to payment by State, such offending portion of the assignment shall be void, and shall be a breach of this Contract. Contractor shall neither assign, transfer nor delegate any rights, obligations nor duties under this Contract without the prior written consent of the State.
21. **STATE OWNERSHIP OF PROPRIETARY INFORMATION.** Any data or information provided by the State to Contractor and any documents or materials provided by the State to Contractor in the course of this Contract (“State Materials”) shall be and remain the exclusive property of the State and all such State Materials shall be delivered into State possession by Contractor upon completion, termination, or cancellation of this Contract.
22. **PUBLIC RECORDS.** Pursuant to NRS 239.010, information or documents received from Contractor may be open to public inspection and copying. The State has a legal obligation to disclose such information unless a particular record is made confidential by law or a common law balancing of interests. Contractor may label specific parts of an individual document as a “trade secret” or “confidential” in accordance with NRS 333.333, provided that Contractor thereby agrees to indemnify and defend the State for honoring such a designation. The failure to so label any document that is released by the State shall constitute a complete waiver of any and all claims for damages caused by any release of the records.
23. **CONFIDENTIALITY.** Contractor shall keep confidential all information, in whatever form, produced, prepared, observed or received by Contractor to the extent that such information is confidential by law or otherwise required by this Contract.
24. **FEDERAL FUNDING.** In the event federal funds are used for payment of all or part of this Contract, Contractor agrees to comply with all applicable federal laws, regulations and executive orders, including, without limitation the following:
  - A. Contractor certifies, by signing this Contract, that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in this transaction by any federal department or agency. This certification is made pursuant to Executive Orders 12549 and 12689 and Federal Acquisition Regulation subpart 9.4, and any relevant program-specific regulations. This provision shall be required of every subcontractor receiving any payment in whole or in part from federal funds.
  - B. Contractor and its subcontracts shall comply with all terms, conditions, and requirements of the Americans with Disabilities Act of 1990 (P.L. 101-136), 42 U.S.C. 12101, as amended, and regulations adopted thereunder, including 28 C.F.R. Section 35, inclusive, and any relevant program-specific regulations.
  - C. Contractor and its subcontractors shall comply with the requirements of the Civil Rights Act of 1964 (P.L. 88-352), as amended, the Rehabilitation Act of 1973 (P.L. 93-112), as amended, and any relevant program-specific regulations, and shall not discriminate against any employee or offeror for employment because of race, national origin, creed, color, sex, religion, age, disability or handicap condition (including AIDS and AIDS-related conditions.)
25. **LOBBYING.** The parties agree, whether expressly prohibited by federal law, or otherwise, that no funding associated with this Contract will be used for any purpose associated with or related to lobbying or influencing or attempting to lobby or influence for any purpose the following:
  - A. Any federal, state, county or local agency, legislature, commission, council or board;

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- B. Any federal, state, county or local legislator, commission member, council member, board member, or other elected official; or
  - C. Any officer or employee of any federal, state, county or local agency; legislature, commission, council or board.
26. **GENERAL WARRANTY.** Contractor warrants that all services, deliverables, and/or work products under this Contract shall be completed in a workmanlike manner consistent with standards in the trade, profession, or industry; shall conform to or exceed the specifications set forth in the incorporated attachments; and shall be fit for ordinary use, of good quality, with no material defects.
27. **PROPER AUTHORITY.** The parties hereto represent and warrant that the person executing this Contract on behalf of each party has full power and authority to enter into this Contract. Contractor acknowledges that as required by statute or regulation this Contract is effective only after approval by the State Board of Examiners and only for the period of time specified in the Contract. Any services performed by Contractor before this Contract is effective or after it ceases to be effective are performed at the sole risk of Contractor.
28. **DISCLOSURES REGARDING CURRENT OR FORMER STATE EMPLOYEES.** For the purpose of State compliance with NRS 333.705, Contractor represents and warrants that if Contractor, or any employee of Contractor who will be performing services under this Contract, is a current employee of the State or was employed by the State within the preceding 24 months, Contractor has disclosed the identity of such persons, and the services that each such person will perform, to the Contracting Agency.
29. **ASSIGNMENT OF ANTITRUST CLAIMS.** Contractor irrevocably assigns to the State any claim for relief or cause of action which Contractor now has or which may accrue to Contractor in the future by reason of any violation of State of Nevada or federal antitrust laws in connection with any goods or services provided under this Contract.
30. **GOVERNING LAW: JURISDICTION.** This Contract and the rights and obligations of the parties hereto shall be governed by, and construed according to, the laws of the State of Nevada, without giving effect to any principle of conflict-of-law that would require the application of the law of any other jurisdiction. The parties consent to the exclusive jurisdiction of and venue in the First Judicial District Court, Carson City, Nevada for enforcement of this Contract, and consent to personal jurisdiction in such court for any action or proceeding arising out of this Contract.
31. **ENTIRE CONTRACT AND MODIFICATION.** This Contract and its integrated attachment(s) constitute the entire agreement of the parties and as such are intended to be the complete and exclusive statement of the promises, representations, negotiations, discussions, and other agreements that may have been made in connection with the subject matter hereof. Unless an integrated attachment to this Contract specifically displays a mutual intent to amend a particular part of this Contract, general conflicts in language between any such attachment and this Contract shall be construed consistent with the terms of this Contract. Unless otherwise expressly authorized by the terms of this Contract, no modification or amendment to this Contract shall be binding upon the parties unless the same is in writing and signed by the respective parties hereto and approved by the Office of the Attorney General and the State Board of Examiners. This Contract, and any amendments, may be executed in counterparts.

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IN WITNESS WHEREOF, the parties hereto have caused this Contract to be signed and intend to be legally bound thereby.

*Susan T. Weaver*

Apr 26, 2019

Susan T. Weaver, MD, FACP President

Independent Contractor's Signature

Date

Independent Contractor's Title

*Patricia Long*

5/7/19

*Administrator, DHRM*

State of Nevada Authorized Signature

Date

Title

State of Nevada Authorized Signature

Date

Title

*Kevin D. Doty*

5/7/19

*Acting Administrator*

State of Nevada Authorized Signature

Date

Title

*Susan C. Bon*

APPROVED BY BOARD OF EXAMINERS

Signature - Board of Examiners

On:

6-13-19

Date

Approved as to form by:

On:

7 May 19

Deputy Attorney General for Attorney General

Date

**ATTACHMENT BB**  
**INSURANCE SCHEDULE**

ATTACHMENT BB  
INSURANCE SCHEDULE

**INDEMNIFICATION CLAUSE:**

Contractor shall indemnify, hold harmless and, not excluding the State's right to participate, defend the State, its officers, officials, agents, and employees (hereinafter referred to as "Indemnitee") from and against all liabilities, claims, actions, damages, losses, and expenses including without limitation reasonable attorneys' fees and costs, (hereinafter referred to collectively as "claims") for bodily injury or personal injury including death, or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Contractor or any of its owners, officers, directors, agents, employees or subcontractors. This indemnity includes any claim or amount arising out of or recovered under the Workers' Compensation Law or arising out of the failure of such contractor to conform to any federal, state or local law, statute, ordinance, rule, regulation or court decree. It is the specific intention of the parties that the Indemnitee shall, in all instances, except for claims arising solely from the negligent or willful acts or omissions of the Indemnitee, be indemnified by Contractor from and against any and all claims. It is agreed that Contractor will be responsible for primary loss investigation, defense and judgment costs where this indemnification is applicable. In consideration of the award of this contract, the Contractor agrees to waive all rights of subrogation against the State, its officers, officials, agents and employees for losses arising from the work performed by the Contractor for the State.

**INSURANCE REQUIREMENTS:**

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, his agents, representatives, employees or subcontractors and Contractor is free to purchase additional insurance as may be determined necessary.

A. **MINIMUM SCOPE AND LIMITS OF INSURANCE:** Contractor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a "following form" basis.

1. **Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage and broad form contractual liability coverage.

- General Aggregate \$2,000,000
- Products – Completed Operations Aggregate \$1,000,000
- Personal and Advertising Injury \$1,000,000
- Each Occurrence \$1,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor".

2. **Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract.

Combined Single Limit (CSL) \$1,000,000

a. The policy shall be endorsed to include the following additional insured language: "The State of Nevada shall be named as an additional insured with respect to liability arising out of the activities

performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor".

3. **Worker's Compensation and Employers' Liability**

Workers' Compensation	Statutory
Employers' Liability	
Each Accident	\$100,000
Disease – Each Employee	\$100,000
Disease – Policy Limit	\$500,000

- a. Policy shall contain a waiver of subrogation against the State of Nevada.
- b. This requirement shall not apply when a contractor or subcontractor is exempt under N.R.S., AND when such contractor or subcontractor executes the appropriate sole proprietor waiver form.

4. **Professional Liability (Errors and Omissions Liability)**

The policy shall cover professional misconduct or lack of ordinary skill for those positions defined in the Scope of Services of this contract.

Each Claim	\$1,000,000
Annual Aggregate	\$3,000,000

- a. In the event that the professional liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.

B. **ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

- 1. On insurance policies where the State of Nevada, Department (Division) of Personnel is named as an additional insured, the State of Nevada shall be an additional insured to the full limits of liability purchased by the Contractor even if those limits of liability are in excess of those required by this Contract.
- 2. The Contractor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

C. **NOTICE OF CANCELLATION:** Each insurance policy required by the insurance provisions of this Contract shall provide the required coverage and shall not be suspended, voided or canceled except after thirty (30) days prior written notice has been given to the State, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given. Such notice shall be sent directly to **Human Resource Management (Employee & Management Services), Attn: Carrie P. Hughes, 100 N. Stewart St., Ste 200, Carson City, NV 89701.** .

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Nevada and with an "A.M. Best" rating of not less than A-VII. The State in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State with certificates of insurance (ACORD form or equivalent approved by the State) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and any required endorsements are to be received and approved by the State before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract or to provide evidence of renewal is a material breach of contract.



All certificates required by this Contract shall be sent directly to **Human Resource Management (Employee & Management Services), Attn: Carrie P. Hughes, 100 N. Stewart St., Ste 200, Carson City, NV 89701.** The State project/contract number and project description shall be noted on the certificate of insurance. The State reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time.

- F. **SUBCONTRACTORS:** Contractors' certificate(s) shall include all subcontractors as additional insureds under its policies or Contractor shall furnish to the State separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.
  
- G. **APPROVAL:** Any modification or variation from the insurance requirements in this Contract shall be made by the Risk Management Division or the Attorney General's Office, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be signed and intend to be legally bound thereby.

_____	_____	_____
Independent Contractor's Signature	Date	Independent's Contractor's Title
_____	_____	_____
Signature- State of Nevada	Date	Title

**STATE OF NEVADA,  
DEPARTMENT OF ADMINISTRATION  
PARTICIPATION AGREEMENT  
EMPLOYEE ASSISTANCE PROGRAM**

WHEREAS, the State of Nevada, Department of Administration (“State”) contracted with KEPRO Acquisitions, Inc. (“KAI”) through the issuance of RFP 08DOA-S551 entitled Employee Assistance Program, to deliver the Employee Assistance Program services to participating state agencies, and the awarded contract effective as of July 1, 2019 (hereinafter, “EAP Agreement”);

WHEREAS, authority has been granted by the State of Nevada for third party beneficiaries to join the EAP Agreement and to contract with KAI for Employee Assistance Program services (“Participation Agreement”).

WHEREAS, Nevada Public Agency Insurance Pool and the Public Agency Compensation Trust (collectively “POOL/PACT” or “Participating Entities”) desire to participate and receive services from KAI under the EAP Agreement.

NOW, THEREFORE, in consideration of the following mutual covenants and agreements contained herein, it is understood and agreed by and between the Parties as follows:

**1. THIRD PARTY BENEFICIARY.** Pursuant to Section 10.2.5. of the RFP:

Local governments (as defined in NRS 332.015) are intended third party beneficiaries of any contract resulting from this RFP and any local government may join or use any contract resulting from this RFP subject to all terms and conditions thereof pursuant to NRS 332.195. The State is not liable for the obligations of any local government which joins or uses any contract resulting from this RFP.

Participating Entities agree to receive services from KAI subject to all terms and conditions of this Participation Agreement and EAP Agreement, attached hereto as Exhibit 1. As a third-party beneficiary to the EAP Agreement, POOL/PACT shall be responsible for all costs and liabilities associated with services provided under this Agreement. The State of Nevada shall not be liable for the obligations of POOL/PACT or any other entity which joins or uses services provided under the EAP Agreement.

**2. TERM.** The initial term (“Initial Term”) of the Agreement shall commence on July 1, 2020 (“Effective Date”), and shall remain in full force and effect until the earlier of (i) the period of one (1) year from the Effective Date or (ii) the date upon which the EAP Agreement is terminated.

**3. RENEWAL.** Unless this Participation Agreement is earlier terminated, the Participation Agreement may be renewed by mutual written agreement of KEPRO and POOL/PACT for two (2) renewal terms (each a “Renewal Term”) of no longer than one (1) year each. Any such renewal is limited to the term of the then current EAP Agreement between the State of Nevada and KAI.

**4. SERVICES PROVIDED.** KAI shall provide the following Employee Assistance Program services.

<b>Employee Overview</b>	
Total Employee Count	12,000
Employee per month	\$0.66 per employee per month
<b>Critical Incident Stress Debriefings</b>	
Critical Incident Stress Debriefings	12 hours allocated
Fee-for-service: Critical Incident Stress Debriefings, in excess of allocated hours	\$275.00 per hour
<b>On-Site Services</b>	
On-site services	24 hours allocated
Fee-for-service: On-site services, in excess of allotted hours	\$250.00 per hour

5. **NOTICE.** All communications, including notices, required or permitted to be given under this Participation Agreement shall be in writing and directed to the parties at the addresses stated below. Notices may be given: (i) by delivery in person; (ii) by a nationally recognized next day courier service, return receipt requested; or (iii) by certified mail, return receipt request. If specifically requested by the party to be notified, valid notice may be given by facsimile transmission or electronic mail to the address(es) such party has specified in writing.

**To KAI:**

Keystone Peer Review Organization, Inc.  
 Attn: Contracts Director  
 777 East Park Drive  
 Harrisburg, PA 17111

**To POOL/PACT:**

Wayne Carlson, Executive Director  
 201 S. Roop Street, Suite 103  
 Carson City, NV 89701  
[waynecarlson@poolpact.com](mailto:waynecarlson@poolpact.com)

With copy sent to: [contracts@kepro.com](mailto:contracts@kepro.com)

6. **SUCCESSORS AND ASSIGNS.** This Participation Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the Parties hereto.
7. **ENTIRE AGREEMENT.** This Participation Agreement and the EAP Agreement, collectively, are the complete agreement of the Parties and supersede any prior agreements or representations, whether oral or written, with respect to the provision of employee assistance program services.

*Remainder of page intentionally left blank*

IN WITNESS WHEREOF, each party has caused this Participation Agreement to be duly executed by its authorized representative.

**KEPRO ACQUISITIONS, INC. (“KAI”)**

**NEVADA PUBLIC AGENCY INSURANCE POOL (“POOL”)**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: Meghan Harris

Name: Cash Minor

Title: EVP, Chief Operations Officer

Title: Chair

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**PUBLIC AGENCY COMPENSATION TRUST (“PACT”)**

By: \_\_\_\_\_

Name: Paul Johnson

Title: Chair

Date: \_\_\_\_\_

**EXHIBIT A**

*Placeholder for State of Nevada contract*

## **EXHIBIT B**

### **Business Associate Agreement**

**THIS BUSINESS ASSOCIATE AGREEMENT** (“Agreement”), effective **July 1, 2020** (“Effective Date”) is made by and between Nevada Public Agency Insurance Pool and the Public Agency Compensation Trust (hereinafter referred to as “Plan Sponsor” or “POOL/PACT”) on behalf of the **POOL/PACT EAP Services Plan** (hereinafter referred to as “the Plan”) and **KEPRO Acquisitions, Inc.** (hereinafter referred to as “Business Associate”) (collectively the “Parties”). in order to comply with the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191, as amended and its implementing privacy, security and breach notification regulations (“HIPAA”), including as amended by Subtitle D of the Health Information Technology for Economic and Clinical Health Act in Public Law 111-5, 42 U.S.C. § 17921-54 and its implementing regulations, each as amended (collectively, the “HITECH Act”), and any other applicable state and federal confidentiality laws, as they may be amended from time to time.

**WHEREAS**, the parties to this Agreement desire to establish the terms under which Business Associate may use or disclose Protected Health Information (as defined herein) such that the Plan may comply with applicable requirements of the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations (45 C.F.R. Parts 160-164) (“HIPAA Privacy Regulation” and/or “HIPAA Security Regulation”) and the requirements of the Health Information Technology for Economic and Clinical Health Act, as incorporated in the American Recovery and Reinvestment Act of 2009 (the “HITECH Act”), that are applicable to business associates, along with any guidance and/or regulations issued by the U.S. Department of Health and Human Services.

**WHEREAS**, Plan Sponsor has established and maintains an EAP service plan of health care benefits which is an employee welfare benefit plan as defined by Section 3(1) of the Employee Retirement Income Security Act of 1974 (“ERISA”), and, therefore, a health plan under HIPAA;

**WHEREAS**, Plan Sponsor has contracted with Business Associate to provide certain EAP services with respect to the Plan which are described and set forth in the Employee Assistance Program Agreement (“EAP Agreement”), as amended from time to time;

**WHEREAS**, Plan Sponsor is authorized to enter into this agreement on behalf of Plan;

**NOW, THEREFORE**, in consideration of the following mutual covenants and agreements contained herein, it is understood and agreed by and between the Parties as follows:

#### **ARTICLE 1 DEFINITIONS**

Terms used herein, but not otherwise defined, shall have meaning ascribed by Title 45, Parts 160 and 164, of the United States Code of Federal Regulations, as amended from time to time. Should any term set forth in 45 CFR Parts 160 or 164 conflict with any defined term herein, the definition found in 45 CFR Parts 160 or 164 shall prevail.

1.1 Breach. “Breach” means the acquisition, access, use, or disclosure of PHI in a manner not permitted which compromises the security or privacy of such information as defined and subject to the exceptions set forth in 45 CFR § 164.402.

1.2 Breach Notification Rule. “Breach Notification Rule” means the HIPAA Regulations pertaining to breaches of unsecured PHI as codified in 45 CFR Parts 160 and 164.

1.3 Designated Record Set. “Designated Record Set” means a group of records maintained by or for a covered entity, as defined by the HITECH Act, that is: (i) the medical records and billing records about Individuals maintained by or for a covered health care provider; (ii) the enrollment, payment, claims adjudication, and case or medical management record systems maintained by or for a health plan; or (iii) used, in whole or in part, by or for the covered entity to make decisions about Individuals. For purposes of this definition, the term “record” means any item, collection, or grouping of information that includes protected health information and is maintained, collected, used, or disseminated by or for a covered entity.

1.4 Electronic PHI. “Electronic PHI” or “E PHI” means PHI that is transmitted by or maintained in electronic media as defined by the Security Rule.

1.5 Individual. “Individual” means the same 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).

1.6 Law. “Law” means all applicable federal and state statutes and all relevant regulations.

1.7 Privacy Rule. “Privacy Rule” means the Standards for Privacy of Individually Identifiable Health Information at 45 CFR parts 160 and 164, subparts A and E.

1.8 Protected Health Information (“PHI”). “Protected Health Information” or PHI has the same meaning as the term “Protected Health Information” in 45 CFR § 160.103, limited to the information created or received by Business Associate from or on behalf of the Plan.

1.9 Secretary. “Secretary” means the Secretary of the Department of Health and Human Services or his or her designee.

1.10 Security Incident. “Security Incident” shall have the meaning set out in the Security Rule. Generally, a “Security Incident” shall mean any attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or systems operations in an electronic information system.

1.11 Security Rule. “Security Rule” means the Security Standards and Implementation Specifications at 45 CFR parts 160 and 164, subparts A and C, as they may be amended from time to time.

1.12 Unsecured PHI. “Unsecured PHI” means PHI that is not rendered unusable, unreadable, or indecipherable to unauthorized individuals through the use of either the encryption method or the destruction method, as defined in Department of Health and Human Services (“HHS”) guidance published on April 27, 2009 (74 FR 19006) and modified by guidance published on August 24, 2009 (74 FR 42740), as amended. Unsecured PHI can include information in any form or medium, including electronic, paper or oral.

## **ARTICLE 2 BUSINESS ASSOCIATE OBLIGATIONS**

Business Associate agrees to comply with applicable federal and state confidentiality and security laws, specifically the provisions of the HITECH Act applicable to business associates (as defined by the HITECH Act), including:

2.1 Use and Disclosure of PHI. Except as otherwise permitted by this Agreement or applicable law, Business Associate shall not use, maintain, transmit or disclose PHI except as necessary to provide services to or on behalf of the Plan and except as required by Law. Business Associate may use and disclose PHI as necessary for the proper management and administration of Business Associate, or to carry out its legal responsibilities. Business Associate shall in such cases:

2.1.1 provide information to members of its workforce using or disclosing PHI regarding the confidentiality requirements in the HITECH Act and this Agreement;

2.1.2 obtain reasonable assurances from the person or entity to whom the PHI is disclosed that: (i) the PHI will be held confidential and further used and disclosed only as required by Law or for the purpose for which it was disclosed to the person or entity; and (ii) the person or entity will notify Business Associate of any instances of which it is aware in which confidentiality of the PHI has been breached;

2.1.3 agree to notify the Plan of any instances of which it is aware in which the PHI is used or disclosed for a purpose that is not otherwise provided for in this Agreement or for a purpose not expressly permitted by the HITECH Act.

2.2 Disclosure to Business Associate's Agents and Subcontractors. If Business Associate discloses PHI to agents, including a subcontractor, Business Associate shall require the agent or subcontractor to agree to the same restrictions and conditions as apply to Business Associate under this Agreement and to comply with the applicable requirements of the Privacy Rule, Security Rule, HITECH Act, Breach Notification Rule and other Law with respect to such information. Business Associate shall ensure that any agent, including a subcontractor, agrees to implement reasonable and appropriate safeguards to protect the confidentiality, integrity, and availability of the EPHI that it creates, receives, maintains, stores, uses or transmits on behalf of the Plan in accordance with Law. Business Associate shall be liable to the Plan for any acts, failures or omissions of the agent or subcontractor in providing the services as if they were Business Associate's own acts, failures or omissions, to the extent permitted by law. Business Associate further expressly warrants that its agents or subcontractors will be specifically advised of, and will comply in all respects with, the terms of this Agreement.

2.3 Disclosure to Plan and Plan Sponsor (and their Subcontractors). Other than disclosures permitted by Section 2.1 above, Business Associate will not disclose Individuals' Protected Health Information to the Plan, its Plan Sponsor, or any business associate or subcontractor of such parties except as set forth in Section 2.11.

2.4 Data Aggregation. In the event that Business Associate works for more than one covered entity, Business Associate is permitted to use and disclose PHI for data aggregation purposes, subject to the requirements of HIPAA and the HITECH Act.

2.5 Withdrawal of Authorization. If the use or disclosure of PHI in this Agreement is based upon an Individual's specific authorization for the use or disclosure of his or her PHI, and the Individual revokes such authorization, the effective date of such authorization has expired, or such authorization is found to be defective in any manner that renders it invalid, Business Associate shall, if it has notice of such revocation, expiration or invalidity, cease the use and disclosure of the Individual's PHI except to the extent it has relied on such use or disclosure, or if an exception under the HITECH Act expressly applies.

2.6 Safeguards. Business Associate agrees to maintain appropriate safeguards as required by Law, including without limitation, a written security program that contains the necessary administrative, physical and technical safeguards to ensure that PHI or EPHI is not used, maintained, transmitted or



disclosed other than as provided by this Agreement or as required by Law. Business Associate shall implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of any EPHI it creates, receives, maintains, stores, uses, transmits or discloses on behalf of the Plan in accordance with Law.

Business Associate shall ensure, at a minimum, that:

2.6.1 PHI or EPHI will be maintained in locked and secured areas when PHI or EPHI is not in use;

2.6.2 Facsimile machines receiving EPHI shall not be located in a public area;

2.6.3 EPHI stored electronically shall be password protected;

2.6.4 PHI and EPHI will not be shared with outside organizations; and

2.6.5 PHI and EPHI will be used internally on a need to know basis only.

## 2.7 Individual Rights

2.7.1 Business Associate shall document such disclosures of PHI and information related to such disclosures as would be required for the Plan to respond to a request by an Individual for an accounting of disclosures of PHI as required by and in accordance with 45 CFR § 164.528 as amended by the HITECH Act and its implementing regulations. Business Associate, in accordance with 45 CFR § 164.528, does not need to document disclosures of PHI that are for treatment, payment or healthcare operations or disclosures that are incidental to another permissible disclosure. If Business Associate or its agents or subcontractors uses or maintains PHI in an electronic record of health-related information created, gathered or maintained or consulted by authorized health care clinicians and staff, then Business Associate and its agents and subcontractors shall document and make available to the Plan the information required to provide an accounting of disclosures to enable the Plan to fulfill its obligations under the HITECH Act as of the date compliance is required under the HITECH Act or its implementing regulations, including disclosures and uses relating to treatment, payment and health care operations.

2.7.2 Business Associate agrees to provide to the Plan, within thirty days of the request, in a mutually agreed upon form, information collected in accordance with 2.7.1 above to the extent required to permit the Plan to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 CFR § 164.528, as amended by the HITECH Act. The Plan shall provide to Business Associate within 30 days of the effective date of this Agreement, a written explanation of the Plan's requirements under this section (b) in sufficient detail to enable the Plan to comply with such requirements. The Plan agrees to respond promptly to requests from Business Associate for clarification of such requirements, and Business Associate may rely on such responses. The Parties agree to work together in good faith to resolve any disagreement over the requirements of 45 CFR § 164.528, as amended by the HITECH Act. The Plan will be responsible for the reasonable costs incurred by Business Associate to respond to a request for an accounting of disclosures. The Plan, rather than Business Associate, will directly handle all requests for accounting from an Individual. Business Associate shall promptly forward all requests for accounting it receives from Individuals to the Plan.

2.7.3 Business Associate shall, at the request of the Plan, provide PHI maintained in a Designated Record Set to the Plan or, as directed by the Plan, to an Individual in order to meet

the requirements of an Individual's right of access and requests for access to his or her PHI. An Individual's right of access to PHI includes the right to access EPHI contained in an electronic health record. The Plan will be responsible for the reasonable costs incurred by Business Associate to respond to a request for access. The provision of access to the Individual's PHI or EPHI and any denials of access to PHI or EPHI shall be the sole responsibility of the Plan. If Business Associate or its agents or subcontractors maintains or uses PHI, then promptly after receipt of a request from the Plan, Business Associate shall make a copy of such PHI available to the Plan in an electronic format in order to enable the Plan to fulfill its obligations under the HITECH Act and the Privacy Rule.

2.8 De-identified Information. Business Associate may use and disclose de-identified health information if (i) the use is disclosed to the Plan and permitted by law and (ii) the de-identification is in compliance with 45 CFR §164.502(d) and (iii) the de-identified health information meets the standard and implementation specifications for de-identification under 45 CFR §164.514(a) and (b).

2.9 Minimum Necessary. Business Associate shall attempt to ensure that all uses and disclosures of PHI are subject to the principle of "minimum necessary use and disclosure," i.e., that only PHI that is the minimum necessary to accomplish the intended purpose of the use, disclosure or request is used or disclosed.

2.10 Notice of Privacy Practices. Business Associate shall abide by the limitations of the Plan's notice of privacy practices ("Notice of Privacy Practices") of which it has knowledge. Any use or disclosure permitted by this Agreement may be amended by changes to the Plan's Notice of Privacy Practices; provided, however, that the amended Notice of Privacy Practices shall not affect permitted uses and disclosures on which Business Associate relied prior to receiving notice of such amended Notice of Privacy Practices.

2.11 Disclosures of Protected Health Information. The following provisions apply to disclosures of Protected Health Information to the Plan, Plan Sponsor and other business associates of the Plan.

2.11.1 Disclosure to Plan. Unless otherwise provided by this Section 2.11, all communications of Protected Health Information by Business Associate shall be directed to the Plan.

2.11.2 Disclosure to Plan Sponsor. Business Associate may provide Summary Health Information regarding the Individuals in the Plan to Plan Sponsor upon Plan Sponsor's written request for the purpose either (a) to obtain premium bids for providing health insurance coverage for the Plan, or (b) to modify, amend or terminate the Plan. Business Associate may provide information to Plan Sponsor on whether an individual is participating in the Plan or is enrolled in or has disenrolled from any insurance coverage offered by the Plan.

2.11.3 Disclosure to Other Business Associates and Subcontractors. Business Associate may disclose Individuals' Protected Health Information to other entities or business associates of the Plan if the Plan authorizes Business Associate in writing to disclose Individuals' Protected Health Information to such entity or business associate. The Plan shall be solely responsible for ensuring that any contractual relationships with these entities or business associates and subcontractors comply with the requirements of 45 Code of Federal Regulations § 164.504(e) and § 164.504(f).

2.12 Security Incident / Unauthorized Disclosure of PHI.

2.12.1 Business Associate shall report to the Plan any instances, including Security Incidents, of which it is aware in which PHI or EPHI is used or disclosed for a purpose that is not otherwise

provided for in this Agreement. In the event that Business Associate knows of: (i) any suspected Breach of any individual PHI or EPHI; (ii) a Security Incident (i.e. PHI was inappropriately used, disclosed, released or obtained) or (iii) a Breach of Unsecured PHI, Business Associate shall notify the Plan in writing within five (5) calendar days of such Breach. Notification shall include detailed information about the Breach, including, but not limited to, the nature and circumstances of such Breach, the means by which PHI or EPHI was or may have been breached (e.g. stolen laptop; breach of security protocols; unauthorized access to computer systems, etc.), the names and contact information of all individuals affected or reasonably believed by the Business Associate to be affected, and such other information as the Plan may reasonably request. Any delay in notification must include evidence demonstrating the necessity of the delay. The notice shall also set forth the remedial action taken or proposed to be taken with respect to such prohibited use or disclosure. Business Associate and the Plan agree to act together in good faith to take reasonable steps to investigate and mitigate any harm caused by such unauthorized use or successful Security Incident. The Party responsible for the breach shall bear the cost of any required notifications and corrective actions (e.g. credit monitoring services). The Business Associate will provide the Plan with any reasonable information known by Business Associate that the Plan needs for the required notifications under the Breach Notification Rule. The Plan shall have responsibility for determining that an incident is a Breach, including the requirement to perform a risk assessment. However, the Business Associate is expected to perform a risk assessment and provide such assessment to the Plan. Further, Business Associate shall provide and pay for required notifications to Individuals, HHS and/or the media, as requested by the Plan.

2.12.2 Business Associate shall mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI or EPHI by Business Associate in violation of the requirements of this Agreement.

2.13 Prohibited Actions. With respect to PHI and EPHI, Business Associate agrees to:

2.13.1 not directly or indirectly receive remuneration in exchange for any PHI as prohibited by, and subject to the exceptions under the HITECH Act, Privacy Rule, and state law as of their respective compliance dates.

2.13.2 not make or cause to be made any communication about a product or service that encourages recipients of the communication to purchase or use the product or service as prohibited by, and subject to the exceptions under the HITECH Act and the Privacy Rule, as of their respective compliance dates. Business Associate agrees to comply with applicable federal and state Law regarding marketing communications involving the use of disclosure of PHI; and

2.12.3 not make or cause to be made any written fundraising communications that is a Health Care Operation without provision, in a clear and conspicuous manner, of an opportunity for the recipient to elect not to receive further fundraising communications in accordance with the HITECH Act and the Privacy Rule as of their respective compliance dates. Business Associate further agrees to comply with all applicable Law regarding the use of PHI for fundraising communications.

### **ARTICLE 3 THE PLAN'S OBLIGATIONS**

3.1 If applicable to the Plan under the Law, the Plan shall:

3.1.1 provide Business Associate a copy of its Notice of Privacy Practices produced by the Plan in accordance with 45 CFR 164.520 as well as any changes to such notice;

3.1.2 provide Business Associate with any changes in, or revocation of, authorizations by Individuals relating to the use and/or disclosure of PHI, if such changes affect Business Associate's permitted or required uses and/or disclosures;

3.1.3 notify Business Associate of any restriction to the use and/or disclosure of PHI to which the Plan has agreed in accordance with 45 CFR 164.522;

3.1.4 notify Business Associate of any amendment to PHI to which the Plan has agreed that affects a Designated Record Set maintained by Business Associate; and

3.1.5 if Business Associate maintains a Designated Record Set, provide Business Associate with a copy of its policies and procedures related to an Individual's right to: access PHI; request an amendment to PHI; request confidential communications of PHI; or request an accounting of disclosures of PHI.

#### **ARTICLE 4 MUTUAL OBLIGATIONS**

4.1 Confidential Information. Both Parties acknowledge that in the course of performing under this Agreement, each Party may learn or receive confidential, trade secret or other proprietary information ("Confidential Business Information") concerning the other Party, or third parties to whom the other Party has an obligation of confidentiality. Each Party shall take all necessary steps to provide the maximum protection to the other Party's Confidential Business Information and records. Each Party agrees to take at least such precautions to protect the other Party's Confidential Business Information as it takes to protect its own Confidential Business Information, but shall in no instance less than a reasonable degree of care. Such information shall not be disclosed to third parties without the express written consent of the Party to whom the information belongs. The Parties shall not utilize any Confidential Business Information belonging to the other Party other than as expressly permitted by this Agreement or otherwise in writing. Each Party shall retain sole ownership of its own Confidential Business Information.

4.2 Electronic Transactions and Code Sets. Both Parties understand and agree that they are required to comply with the HIPAA Standards for Electronic Transactions, 45 CFR Parts 160 and 162 (HIPAA Electronic Transaction Law) as amended from time to time. The HIPAA Electronic Transaction Law requires Business Associate to conduct certain transactions as "standard transactions" using defined medical data code sets. Business Associate agrees that it will require its subcontractors, vendors, and independent contractors to comply with HIPAA Electronic Transaction Law as applicable. Business Associate agrees that it will not:

4.2.1 change the definition, data condition, or use of a data element or segment in a standard;

4.2.2 add any data elements or segments to the maximum defined data set;

4.2.3 use any code or data elements that are either marked "not used" or not included in the standard's implementation specification(s); or

4.2.4 change the meaning or intent of the standard's implementation specification(s).

4.3 Upon the enactment after the date of this Agreement of any Law or regulation affecting the use or disclosure of PHI, or the publication after the date of this Agreement of any decision of a court of the United States relating to any such Law, or the publication after the date of this Agreement of any interpretive policy or

opinion of any governmental agency charged with the enforcement of any such Law or regulation, the Plan and Business Associate shall jointly agree to negotiate in good faith to amend this Agreement in such manner as necessary to comply with such Law or regulation. If the Plan and Business Associate cannot come to an agreement within thirty (30) calendar days following the initial amendment discussion between the Plan and Business Associate, this Agreement will terminate upon written notice to the other Party.

## **ARTICLE 5 TERM AND TERMINATION**

5.1 This Agreement will continue in full force and effect for as long as the EAP Agreement remains in full force and effect. This Agreement will terminate upon the cancellation, termination, expiration or other conclusion of the EAP Agreement.

5.2 Termination for Breach. Either Party may terminate this Agreement in the event of material breach by the other Party, upon thirty (30) days' prior written notice, unless the breach is cured during the notice period

5.3 Effect of Termination. Upon termination of this Agreement for any reason, Business Associate agrees to return or destroy all PHI maintained by Business Associate in any form. If Business Associate determines that the return or destruction of PHI is not feasible, Business Associate shall inform the Plan in writing of the reason thereof, and shall agree to extend the protections of this Agreement to such PHI and limit further uses and disclosures of the PHI to those purposes that make the return or destruction of the PHI not feasible for so long as Business Associate retains the PHI.

## **ARTICLE 6 MISCELLANEOUS**

6.1 Rights of Proprietary Information. The Plan retains any and all rights to the proprietary information, confidential information, and PHI it releases to Business Associate.

6.2 Survival. The respective rights and obligations of Business Associate with regard to the return of records to the Plan shall survive the termination of the Agreement.

6.3 Notices. Any notices pertaining to this Agreement shall be given in writing and shall be deemed duly given when personally delivered to a Party or a Party's authorized representative at the respective address indicated herein or sent by means of a reputable overnight carrier or certified mail, return receipt requested, postage prepaid. A notice sent by certified mail shall be deemed given on the date of receipt or refusal of receipt.

6.4 Amendments. This Agreement may not be changed or modified in any manner except by an instrument in writing signed by a duly authorized officer of each of the Parties hereto. Amendments as determined by the Plan to be necessary to effect compliance with legislative, regulatory, or other legal authority do not require the consent of Business Associate and shall be effective immediately upon Business Associate's receipt from the Plan of notice of amendment.

6.5 Choice of Law. This Agreement and the rights and the obligations of the Parties hereunder shall be governed by and construed under the laws of the Commonwealth of Pennsylvania, without regard to applicable conflict of laws principles.

6.6 Assignment of Rights and Delegation of Duties. This Agreement is binding upon and inures to the benefit of the Parties hereto and their respective successors and permitted assigns. However, neither

Party may assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. Notwithstanding any provisions to the contrary, however, the Plan retains the right to assign or delegate any of its rights or obligations hereunder to any of its wholly owned subsidiaries, affiliates, or successor companies. Assignments made in violation of this provision are null and void.

6.7 Nature of Agreement. Nothing in this Agreement shall be construed to create (i) a partnership, joint venture or other joint business relationship between the Parties or any of their affiliates, (ii) any fiduciary duty owed by one Party to another Party or any of its affiliates, or (iii) a relationship of Plan Sponsor and employee between the Parties.

6.8 No Waiver. Failure or delay on the part of either Party to exercise any right, power, privilege, or remedy hereunder shall not constitute a waiver thereof. No provision of this Agreement may be waived by either Party except by a writing signed by an authorized officer of the Party making the waiver.

6.9 Severability. The provisions of this Agreement shall be severable, and if any provision of this Agreement shall be held or declared to be illegal, invalid or unenforceable, the remainder of this Agreement shall continue in full force and effect as though such illegal, invalid or unenforceable provision had not been contained herein.

6.10 No Third Party Beneficiaries. Nothing in this Agreement shall be considered or construed as conferring any right or benefit on a person not Party to this Agreement nor imposing any obligations on either Party hereto to persons not a Party to this Agreement.

6.11 Headings. The descriptive headings of the articles, sections, subsections, exhibits, and schedules of this Agreement are inserted for convenience only, do not constitute a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement. All pronouns and any variations thereof are deemed to refer to the masculine, feminine, neuter, singular, or plural as the identity of the person or persons may require.

6.12 Entire Agreement. This Agreement, together with all the exhibits, riders and amendments, if applicable, which are fully completed and signed by authorized persons on behalf of both Parties from time to time while this Agreement is in effect, constitutes the entire Agreement between the Parties hereto with respect to the subject matter hereof and supersedes all previous or contemporaneous written or oral understandings, agreements, negotiations, commitments, and any other writing and communication by or between the Parties with respect to the subject matter hereof. In the event of any inconsistencies between any provisions of this Agreement in any provisions of the Exhibits or Riders, the provisions of this Agreement shall control.

6.13 Regulatory References. A citation in this Agreement to the Code of Federal Regulations means the cited section as that section may be amended from time to time.

6.14 Interpretation. Any ambiguity in this Agreement shall be resolved in favor of a meaning that permits the Plan to comply with the HITECH Act. The provisions of this Agreement shall prevail over the provisions of any other agreement that exists between the Parties that may conflict with, or appear inconsistent with, any provision of this Agreement or the HITECH Act.

**KEPRO ACQUISITIONS, INC. (“KAI”)**

**NEVADA PUBLIC AGENCY INSURANCE  
POOL (“POOL”)**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: Meghan Harris

Name: Cash Minor

Title: EVP, Chief Operations Officer

Title: Chair

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**PUBLIC AGENCY COMPENSATION  
TRUST (“PACT”)**

By: \_\_\_\_\_

Name: Paul Johnson

Title: Chair

Date: \_\_\_\_\_



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

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

Grant No.: P/P 2020  
Effective Date: July 1, 2020

**Grantee:** Pooling Resources, Inc.  
201 S. Roop St., Suite 103  
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: \$ 6,890,834**

### **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, 2020” attached to this grant.
- 2. Term:** The term of this Grant commences on July 1, 2020 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 2020-2021: \$1,297,920  
Year 2021-2022: \$1,336,858  
Year 2022-2023: \$1,376,963  
Year 2023-2024: \$1,418,272  
Year 2024-2025: \$1,460,820

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**

**Grantee Acceptance of Grant**

\_\_\_\_\_  
Cash Minor  
Chair  
Nevada Public Agency Insurance Pool

\_\_\_\_\_  
Stacy Norbeck  
General Manager  
Pooling Resources, Inc.

\_\_\_\_\_  
Paul Johnson  
Chair  
Public Agency Compensation Trust

## Exhibit A

# Services to be Provided Effective July 1, 2020

***Goal: Partners with member entities to reduce employment liability by providing the resources and education for members to build strong foundations for effective Human Resources practices within their organizations.***

<b>Service</b>	<b>Description</b>
<b>Service Plans</b>	Meet with HR contact(s) and/or key management representatives to develop Service Plans for the upcoming fiscal year based upon the organization's HR needs.
<b>Coaching and Problem Solving</b>	Provide consultation with members to manage and resolve critical employment-related issues to include identifying options, providing step-by-step guidance, monitoring progress, and answering questions.  Notify claims management (Davies) in the event that a complaint would likely result in legal action against a member.
<b>Training Development</b>	Review annually and update as needed the most frequently presented instructor-led and on-line courses.  Develop two new instructor-led or on-line training courses annually.  Update and revise three instructor-led training or on-line courses annually.  Periodically review underutilized courses and update or remove as appropriate.  Develop new and update existing HR Briefings as necessary to be consistent with changes in law, regulations, and/or policies.  Research and implement methods and tools to enhance online training capabilities.
<b>Training Delivery</b>	Deliver on-site trainings to members as needed or requested via service plan.  Offer six regional trainings to be selected and scheduled prior to member Service Plan meetings.  Provide regional workshops utilizing outside resources as appropriate.  Present HR Briefings as requested.  Host a minimum of three webinars per year.
<b>Annual Conference</b>	Host an annual HR Conference for members which includes speakers on a variety of relevant HR topics, networking opportunities, and round table discussions.

**Exhibit A**  
**Services to be Provided Effective July 1, 2020**

<b>Sample HR Policies and Forms</b>	<p>Maintain sample personnel policies for school districts, large organizations, small organizations, and drug/alcohol policies for CDL holders.</p> <p>Review and update sample personnel policies and related forms annually and as needed, with immediate changes made if law or court decision necessitates.</p> <p>Maintain and review a sample job description template.</p> <p>Assist members in adopting and implementing personnel policies, forms, and job descriptions.</p>
<b>Communication</b>	<p>Publish HR Alerts on significant HR-related law or practice changes on an as-needed basis. Publications will be distributed by e-mail link to the POOL/PACT website and 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>Maintain annual training catalog with descriptions of certificate programs, facilitator-led courses, on-line courses, and HR Briefings.</p> <p>Facilitate round table discussions with member management, as requested, to discuss current issues and best practices.</p> <p>Promote on-line services including e-learning, webinars, and HR Resource Library.</p>
<b>Website Tools</b>	<p>Maintain HR Resource Library on POOL/PACT HR's website to include sample personnel policies, forms, job description template, Alerts, HR Briefings, Member Salary Schedules, and legislative tracking and summary.</p> <p>Post regional HR trainings on POOL/PACT website calendar.</p>
<b>HR Assessments</b>	<p>Conduct HR Compliance Assessment Program, Phase I to interested and committed members to assess core HR practices.</p> <p>Conduct HR Compliance Assessment Program, Phase II to interested and committed members who have successfully completed Phase I to assess compensation and benefit practices.</p>
<b>Biennial Member Survey</b>	<p>Conduct a biennial survey with members on services provided, quality of services, and potential needs.</p>
<b>Legislative Tracking</b>	<p>Track all HR-related legislation related to POOL/PACT members during each legislative session.</p> <p>Provide comprehensive summary of HR-related legislation.</p>
<b>Other Services</b>	<p>Provide HR Scholarships to assist members in attaining nationally recognized HR certifications as approved by the HR Oversight Committee.</p> <p>Work with certifying agencies to attain Continuing Education Credits.</p>

## 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.



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

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

**Virtual Only**

Please click this URL to view meeting documents.

<https://zoom.us/j/458609986?pwd=em8zZUlVMTVscVAyZ1BMZmNDemg4dz09>

Password: 930859

## **ALL AUDIO WILL BE TELEPHONE ONLY**

DIAL:

US: +1 346 248 7799 or +1 669 900 6833 or +1 312 626 6799 or +1 929 205 6099 or +1 253 215 8782 or  
+1 301 715 8592

**MEETING ID: 458 609 986**

**Date: April 17, 2020**

**Time: upon adjournment of Joint Board and Executive Committee Meeting  
which starts at 8:30am**

### **AGENDA**

**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 Meetings of April 17, 2019**
- b. Acceptance of Interim Financial Statements**
- c. Actuarial Overview**



4. **For Possible Action: Acceptance of Audit for June 30, 2019**
5. **For Possible Action: Approval of Accounting Policy Expensing All Transfer of Net Contribution Surplus to PCM in the Year of Transfer**
6. **For Possible Action: Approval of PACT Retention Options and Renewal Reinsurance Proposals and Options**
7. **For Possible Action: Approval of Budget for 2020-2021**
8. **For Possible Action: Approval of Extension of Willis Pooling Service Contract to Expire July 1, 2026**
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 2020-2022
 
  - a. One Representative from Counties and/or Cities with less than 35,000 Population
  - b. One Representative of School Districts
  - c. One Representative of Special Districts/Towns**
11. **For Possible Action: Election of Chair and Vice Chair**
12. **Public Comment**
13. **For Possible Action: Adjournment**

This Agenda was posted at the following locations and on the State Website [notice.nv.gov](http://notice.nv.gov):

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

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**Minutes of the Meeting of  
the Board of Directors and of the Executive Committee of  
Public Agency Compensation Trust  
Place: Whitney Peak Hotel, 255 N. Virginia Street, Reno, Nevada  
Time: 9:00 a.m. or  
Upon adjournment of Joint Board Meeting  
Date: April 17, 2019**

**April 17, 2019**

**1. Introductions and Roll**

Gerry Eick served as chair of the meeting. A quorum being present, he called the meeting to order at 8:52 a.m.

**2. Public Comment**

Chair Eick 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 Board Meetings:
  - 1) Board Meeting April 20, 2018
- b. 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, 2018**

Alan Kalt reviewed highlights of the audit results. He provided key performance ratios and commented on how these were important to PACT's long-term success. He explained that the audit reflects transfers of capital to PCM, PACT's captive, resulted in a decrease of surplus in order to enhance PCM's risk bearing capacity.

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

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

- a. Large Loss Report
- b. Legislative Report

- a. Mike Livermore, workers compensation claims supervisor at ASC, reviewed large losses over \$300,000 taking particular note of the impact of heart claims which often were over \$1.5 million in incurred costs. He indicated that some of these claims were from former members. He discussed trends in frequency and severity for these types of claims. Mike indicated that

member participation in the various risk management programs would lessen claims and encouraged members to participate in the programs, particularly heart/lung programs.

- b. Wayne Carlson reviewed several workers compensation bills some of which had failed first house committee deadlines which avoids some adverse impact to PACT. He highlighted key provisions of bills that had been passed out of the committee, often with amendments which make the less adverse, but still a significant fiscal impact if passed and signed into law.

**6. For Possible Action: Acceptance of PACT Retention Options and Renewal Reinsurance Proposals and Options**

Mary Wray presented the Willis Pooling Re stewardship report which showed their team involved with supporting the pools' programs and services. She then highlighted changes over the previous year and how they approach markets to obtain optimal program design for each year.

Stephen Romero presented the results of the reinsurance marketing efforts for the renewal. He showed that CRL reduced their rates due to improved loss experience at their layer and SNCC renewed with no change in rate. PCM increased its program costs due to losses within its retention and the PACT loss fund was relatively flat. Overall, this portion of the program costs increase by about 1.4% excluding program expenses. It was noted that the rate increase would be approximately 10% plus changes in exposure.

On motion and second to accept the renewal proposal as presented, the motion carried.

**7. For Possible Action: Acceptance of Budget for 2019-2020**

Alan Kalt reviewed the proposed budget highlighting the key revenue and expense categories. He noted that the loss fund was based upon an actuarial 70% confidence level although a 75% confidence level was evaluated. He also noted that the public safety heart rate would be increase by \$1.00 to allocate some of the wellness program costs and in anticipation of pending legislation having some impact on costs. He commented that an additional revenue item reflects a contribution from PCM to PACT to support the risk management program services. He noted that while an increase was occurring, the budget net income was for a very thin margin of 4.1% to help mitigate needed increases due to losses and expense allocations.

On motion and second to accept the budget at 75% confidence level, the motion carried.

**8. 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**

Wayne Carlson commented that Alan Kalt had contacted the Department of Taxation regarding whether any members were on their fiscal watch list and learned that none were. Included in the board packet was the comparative five-year loss experience report by type of member and noted that no member's experience was excessive.

On motion and second to note for the record that this reviewed occurred in conformance with regulation, the motion carried.

- 9. For Possible Action: Election of Executive Committee for Two Year Terms 2019-2021**
- a. Two Representatives from Counties and/or Cities with 35,000 or more Population**
  - b. One Representative from Counties and/or Cities with less than 35,000 Population**
  - c. One Representative of School Districts**
  - d. One Representative of Special Districts/Towns**

Chair Eick reviewed the list of positions up for election noting that the incumbents all indicated willingness to continue to serve. He asked whether there were any other candidates and hearing none, called for a motion to reelect the incumbents.

On motion and second to elect the incumbents for two-year terms from 2019-2021, the motion carried.

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

Chair Eick indicated that current Chair Paul Johnson and Vice Chair Cash Minor both expressed interest in continuing to serve.

On motion and second to reelect the current Chair and Vice Chair to their respective positions, the motion carried.

**11. Public Comment**

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

**12. For Possible Action: Adjournment**

On motion and second to adjourn, the meeting adjourned at 10:17 a.m.

**The Agenda was posted at the following locations and on the State Website [notice.nv.gov](http://notice.nv.gov):**

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

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

**PUBLIC AGENCY COMPENSATION TRUST**  
**Statement of Assets, Liabilities and Equity**  
**February 29, 2020**

	<b>Operating Fund (Unrestricted)</b>	<b>Trust Fund (Restricted)</b>	<b>TOTAL FUNDS</b>
<b>ASSETS</b>			
Cash and Equivalents	682,947.98	3,533,092.06	4,216,040.04
Pledged Account Cash Equivalents		795,625.83	795,625.83
Investments	11,941,700.27	38,369,575.72	50,311,275.99
Investments - State of Nevada		4,169,155.73	4,169,155.73
Investments Interest Receivable	46,079.85	177,205.85	223,285.70
Member Assessments Receivable	553,660.36		553,660.36
Interfund Account	(611.24)	611.24	-
Interfund Account - Heart/Lung			-
Public Compensation Mutual Investment	8,450,000.00	45,250,939.00	53,700,939.00
PCM Amortization	(3,696,663.00)	(29,860,362.00)	(33,557,025.00)
Specific Recoverable		851,537.84	851,537.84
Prepaid Expenses	158,125.76	1,090,742.50	1,248,868.26
	<b>18,135,239.98</b>	<b>64,378,123.77</b>	<b>82,513,363.75</b>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payable For Risk Management Grants	89,953.72		89,953.72
Specific Recoverable		851,537.84	851,537.84
Loss Reserves		123,595,641.86	123,595,641.86
Loss Reserves - Heart/Lung		26,756,864.70	26,756,864.70
Claims Payments		(101,562,778.74)	(101,562,778.74)
Claims Payments - Heart/Lung		(493,110.23)	(493,110.23)
Voucher Payments		2,423,865.50	2,423,865.50
Fund Balances:			
Fund Balance	18,045,286.26	12,806,102.84	30,851,389.10
	<b>18,135,239.98</b>	<b>64,378,123.77</b>	<b>82,513,363.75</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>			

Unaudited Report for Management and Insurance Division Use Only

# PUBLIC AGENCY COMPENSATION TRUST

## Income Statement

For the Eight Months Ending February 29, 2020

	<u>Operating Fund (Unrestricted)</u>	<u>Trust Fund (Restricted)</u>	<u>TOTAL FUNDS</u>
<b>REVENUES</b>			
Assessments	1,570,701.51	4,712,104.49	6,282,806.00
Heart Lung Fund		751,014.00	751,014.00
Agent Compensation	115,147.00		115,147.00
PCM Risk Mitigation Services	287,500.00		287,500.00
Investment Interest Income	227,550.51	796,830.52	1,024,381.03
Bank Interest Income		1,511.94	1,511.94
Investment Realized Gains/(Losses)	21,998.83	9,217.75	31,216.58
Investment Unrealized Gains/(Losses)	295,468.34	1,065,923.33	1,361,391.67
Premium/Discount Investments	(40,015.08)	(160,537.84)	(200,552.92)
Total Revenues	<u>2,478,351.11</u>	<u>7,176,064.19</u>	<u>9,654,415.30</u>
<b>LOSS RESERVES &amp; INSURANCE EXPENSES</b>			
Claims and Adjustment Expenses	-	3,957,654.33	3,957,654.33
Heart Lung Loss Reserves Expenses	-	751,014.00	751,014.00
Excess Insurance Premiums	-	279,035.00	279,035.00
Reinsurance Premium (PCM)	-	1,382,626.00	1,382,626.00
Total Loss Reserves & Insurance Expenses	<u>-</u>	<u>6,370,329.33</u>	<u>6,370,329.33</u>
<b>PROGRAM EXPENSES</b>			
Member Education and Services	248,283.18	-	248,283.18
PRI Grant	291,200.00		291,200.00
Spec. Health-Cardiac Wellness	365,634.52		365,634.52
Loss Control Expense (Willis Pooling)	258,363.00		258,363.00
Risk Management Grants	(11,906.25)		(11,906.25)
Claims TPA Fees (ASC)	-	583,041.55	583,041.55
Underwriting Fees (Willis Pooling)	-	19,089.00	19,089.00
Specialty Health MCO Contract	-	40,600.00	40,600.00
Total Loss Fund and Program Costs	<u>1,151,574.45</u>	<u>642,730.55</u>	<u>1,794,305.00</u>
<b>ADMINISTRATION EXPENSES</b>			
Sponsorship Fees	6,023.53		6,023.53
Travel	16,640.84	-	16,640.84
Casualty Insurance	20,968.00	-	20,968.00
Dues & Seminar Fees	9,621.79		9,621.79
Audit Expense	33,807.10		33,807.10
Printing & Copying Expense	6,461.99	-	6,461.99
Postage	788.47		788.47
Office Supplies	986.93	-	986.93
Telephone Expense	187.72		187.72
Legal Expense	468.00		468.00
Board & Committee Meetings	4,009.32	-	4,009.32
Actuary Expense	15,020.00		15,020.00
Bank Service Charges	9,589.95		9,589.95
NRP Grant	450,000.00	-	450,000.00
Agent Compensation	115,130.00		115,130.00
Insurance Division Fees	740,817.68	-	740,817.68
Nevada Insolvency Fund	-	20,900.00	20,900.00
Amortization Expense	463,329.00	2,126,728.00	2,590,057.00
Investment Expense	51,768.75	-	51,768.75
Total Administrative Expenses	<u>1,945,619.07</u>	<u>2,147,628.00</u>	<u>4,093,247.07</u>
<b>REVENUES OVER EXPENSES</b>	<u><b>(618,842.41)</b></u>	<u><b>(1,984,623.69)</b></u>	<u><b>(2,603,466.10)</b></u>

Unaudited Report for Management and Insurance Division Use Only



PACT  
ACTUARIAL REVIEW  
OF SELF-INSURED  
WORKERS'  
COMPENSATION  
PROGRAM

Presented by Alan Kalt

# BICKMORE ACTUARIAL STUDY

- Derek Burkhalter, ACAS, MAAA Senior Manager, Bickmore Actuarial
- Outstanding Liabilities as of June 30, 2019
- Data used to calculate the reserves for PACT Audited Financial Statements
- Report Format
  - Conclusions & Recommendations
  - Liability for Outstanding Claims as of 6-30-2019
  - Program Funding: Goals & Objectives
  - Historical Trends
  - Comparison with Previous Results
  - Data Provided for the Analysis
- Report complies with GASB #10 and #30



# CONCLUSIONS & RECOMMENDATIONS

- Best Estimate of PACT's Outstanding Claims Liabilities for **Workers' Compensation** as of June 30, 2019

## Confidence

Levels	Expected	70%	<b>75%</b>	85%	90%
Discounted	\$47.742M	\$49.850M	<b>\$50.782M</b>	\$53.222M	\$54.997M
Undiscounted	\$49.440M	\$51.709M	<b>\$52.712M</b>	\$55.339M	\$57.250M

PACT Uses 75% Confidence Level

PACT Discount Factor 1.5%

# PROGRAM FUNDING



A liability for unpaid claim cost, included all loss adjustment expenses, should be accrued at the time the self-insured events occur. IBNR included.



GASB #10 and #30 do not address funding requirements, rather, a range of funded amounts to be recognized as a funding margin for unexpectedly adverse loss experience. May use discounting for investment income.



The uncertainty in any estimate of outstanding liability should take into account funding policy to have adequate reserves for unexpected adverse loss experience.



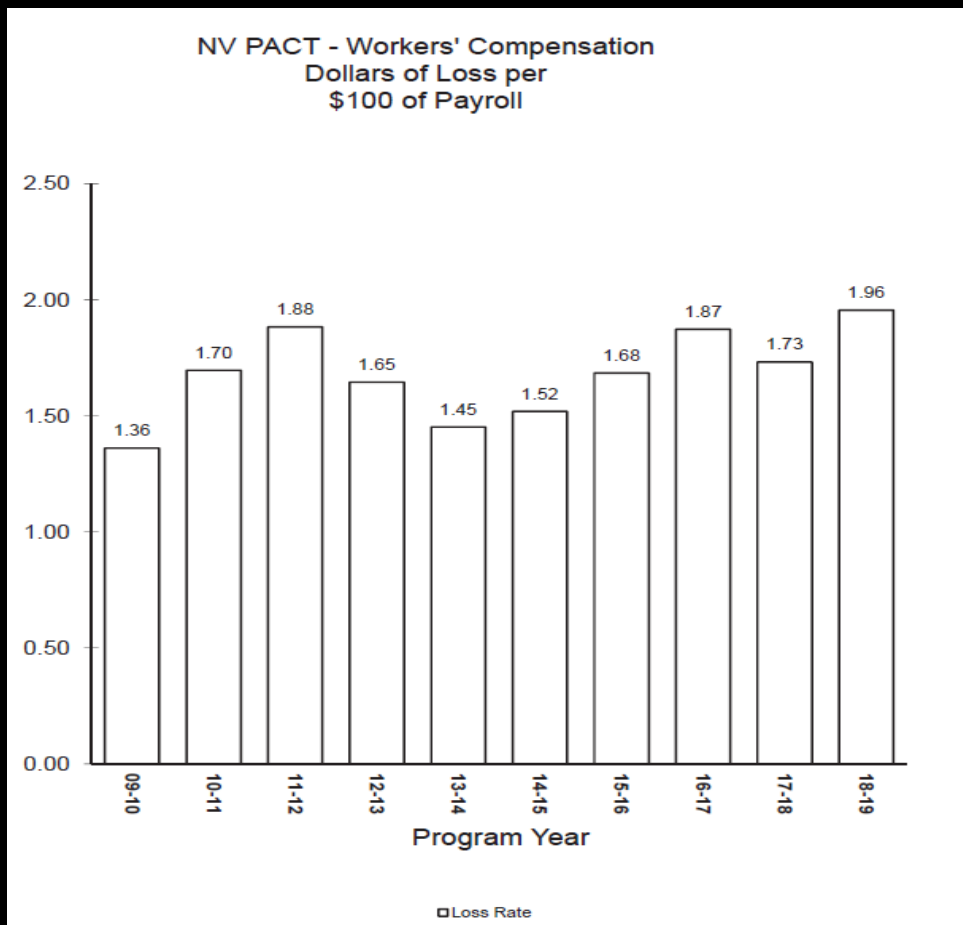
Key Factor in Funding Policy: Degree of Stability in level of Contributions  
Higher the Confidence Level less likely to need additional contributions should adverse claim development occur in past years as well as current yr.

# FUNDING GOALS & OBJECTIVES

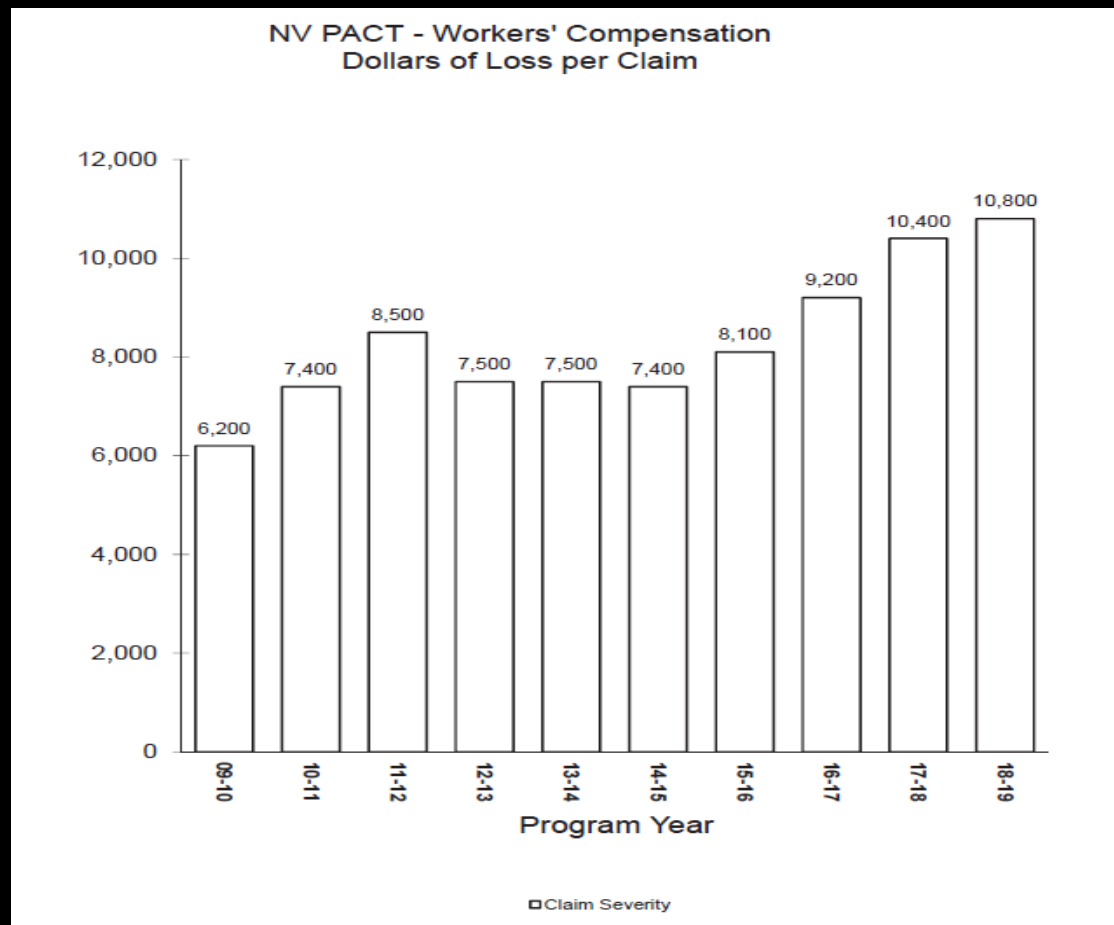
- Bickmore recommends program funding at the 80% CL after recognition of investment income, with a recommended range of the 75% to 80% CL
- They recommend this as the resulting funding will be sufficient to meet claim liabilities, yet not too large to have the entity experience undue \$ hardship.
- Need to fund each year's claims cost in that year.
- When surpluses or deficiencies have developed and funding adjustments are necessary, these should be clearly identified.
- Recommend that you reduce surplus funding more slowly than you would accumulate funding to make up a deficiency.

# HISTORICAL TRENDS

## Dollars of Loss Per \$100 of Payroll 10 Year Trend

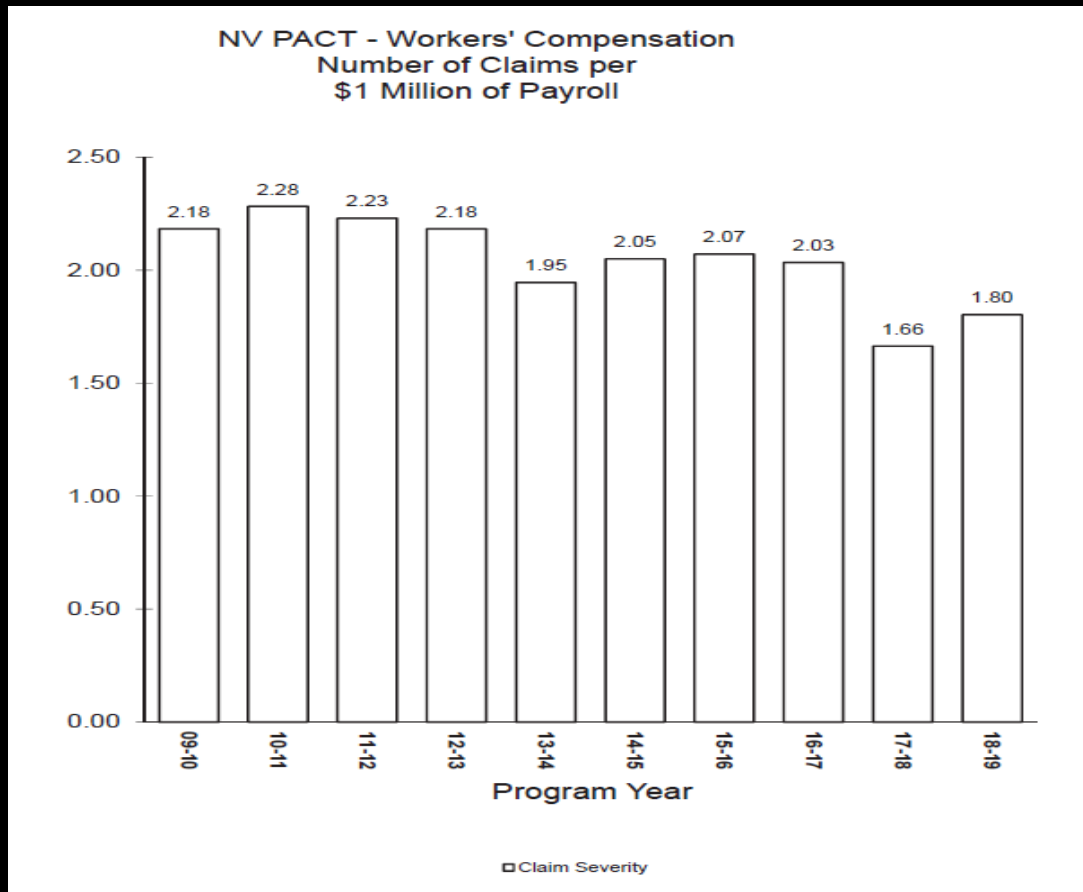


## Dollars of Loss per Claim 10 Year Trend



## Number of Claims per \$1 Million of Payroll

# HISTORICAL TRENDS



## Summary of Key Trends

- Dollar of Loss per \$100 of Payroll is INCREASING 😞
- Dollars of Loss per Claim is INCREASING 😞
- Number of Claims per \$1M Payroll is DECREASING 😊

# COMPARISON WITH PREVIOUS RESULTS

## ACTUAL VS. EXPECTED INCURRED LOSS AND ALAE DEVELOPMENT

Prior Year Report 9-13-2018

Current Year Claim  
Development 9 -12- 2019 Report

### Actual Versus Expected Incurred Loss and ALAE Development

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
1995-1999	\$5,000	(\$6,000)	(\$11,000)
1999-2000	5,000	0	(5,000)
2000-2001	4,000	76,000	72,000
2001-2002	3,000	0	(3,000)
2002-2003	6,000	0	(6,000)
2003-2004	8,000	(9,000)	(17,000)
2004-2005	2,000	(5,000)	(7,000)
2005-2006	8,000	0	(8,000)
2006-2007	8,000	(16,000)	(24,000)
2007-2008	13,000	(13,000)	(26,000)
2008-2009	12,000	0	(12,000)
2009-2010	14,000	13,000	(1,000)
2010-2011	15,000	307,000	292,000
2011-2012	87,000	277,000	190,000
2012-2013	90,000	146,000	56,000
2013-2014	154,000	(4,000)	(158,000)
2014-2015	283,000	148,000	(135,000)
2015-2016	474,000	233,000	(241,000)
2016-2017	623,000	492,000	(131,000)
2017-2018	1,173,000	775,000	(398,000)
2018-2019	2,960,000	4,183,000	1,223,000
<b>Total</b>	<b>\$5,947,000</b>	<b>\$6,597,000</b>	<b>\$650,000</b>

### Actual Versus Expected Paid Loss and ALAE Development

Accident Year	Expected Paid Development	Actual Paid Development	Actual Minus Expected
1995-1999	\$20,000	\$21,000	\$1,000
1999-2000	9,000	6,000	(3,000)
2000-2001	27,000	74,000	47,000
2001-2002	6,000	2,000	(4,000)
2002-2003	17,000	12,000	(5,000)
2003-2004	186,000	(30,000)	(216,000)
2004-2005	24,000	51,000	27,000
2005-2006	9,000	1,000	(8,000)
2006-2007	75,000	209,000	134,000
2007-2008	33,000	14,000	(19,000)
2008-2009	84,000	191,000	107,000
2009-2010	197,000	105,000	(92,000)
2010-2011	192,000	153,000	(39,000)
2011-2012	204,000	56,000	(148,000)
2012-2013	128,000	84,000	(44,000)
2013-2014	212,000	74,000	(138,000)
2014-2015	255,000	74,000	(181,000)
2015-2016	447,000	424,000	(23,000)
2016-2017	727,000	909,000	182,000
2017-2018	1,753,000	1,998,000	245,000
2018-2019	1,528,000	2,245,000	717,000
<b>Total</b>	<b>\$6,133,000</b>	<b>\$6,673,000</b>	<b>\$540,000</b>

# OUTSTANDING CLAIM LIABILITY FOR LOSS AND LAE

## Outstanding Claim Liabilities for Loss and LAE

	Prior Report at June 30, 2018	Current Report at June 30, 2019	Change
(A) Case Reserves:	\$10,540,000	\$10,463,000	(\$77,000)
(B) IBNR Reserves:	9,396,000	9,480,000	84,000
(C) Corridor Deductible Reserves:	2,947,000	2,842,000	(105,000)
(D) Heart and Lung Reserves:	24,053,000	25,555,000	1,502,000
(E) Claims Administration Reserves:	1,087,000	1,101,000	14,000
(F) Total Reserves:	\$48,023,000	\$49,441,000	\$1,418,000
(G) Offset for Investment Income:	(3,234,000)	(1,698,000)	1,536,000
(H) Total Outstanding Claim Liabilities:	\$44,789,000	\$47,742,000	\$2,954,000

# COMPARATIVE SCHEDULE OF CLAIMS DEVELOPMENT

## 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,

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Required Contributions & Investment Income:										
Earned	\$16,856,499	\$14,187,888	\$16,229,877	\$14,049,941	\$16,420,666	\$17,557,830	\$18,508,907	\$14,573,896	\$11,270,837	\$15,890,773
Ceded	1,019,746	760,706	821,229	1,196,334	1,178,052	1,626,286	1,621,360	1,770,677	2,457,932	2,144,133
Net earned	\$15,836,753	\$13,427,182	\$15,408,648	\$12,853,607	\$15,242,614	\$15,931,544	\$16,887,547	\$12,803,219	\$8,812,905	\$13,746,640
Unallocated Expenses	4,372,365	5,196,331	6,075,535	6,580,620	6,167,162	6,114,625	6,114,625	7,370,873	8,345,504	9,336,538
Estimated Incurred Claims & Expense End of Policy Year:										
Incurred	7,604,904	7,226,000	8,393,000	8,503,886	8,561,944	8,324,685	8,809,127	8,905,595	8,020,826	8,054,118
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	7,604,904	7,226,000	8,393,000	8,503,886	8,561,944	8,324,685	8,809,127	8,905,595	8,020,826	8,054,118
Net Paid (cumulative) as of:										
End of policy year	1,576,283	1,627,122	1,875,562	1,861,690	1,564,723	1,512,648	1,581,898	1,788,670	1,734,359	2,245,351
One Year Later	3,121,442	3,604,503	3,460,736	3,221,497	2,848,563	2,901,684	3,378,486	4,153,214	3,738,335	
Two Years Later	4,039,612	4,245,842	4,582,100	3,754,301	3,434,826	3,545,887	4,117,819	5,062,121		
Three Years Later	4,357,378	5,004,699	5,268,006	4,110,874	3,859,081	3,855,565	4,541,756			
Four Years Later	4,448,046	5,153,264	5,447,815	4,169,758	3,989,877	3,929,559				
Five Years Later	4,558,563	5,490,173	5,654,308	4,189,790	4,064,157					
Six Years Later	4,654,519	5,746,369	5,754,247	4,274,071						
Seven Years Later	4,572,533	5,981,875	5,810,088							
Eight Years Later	4,851,262	6,134,733								
Nine Years Later	4,955,929									
Re-estimated ceded claims & Expenses	-	-	-	-	-	-	-	-	-	-
Re-estimated Claims & Expense										
End of policy year	7,604,904	7,226,000	8,393,000	8,503,886	8,561,944	8,324,685	8,809,127	8,905,595	8,020,826	8,054,118
One Year Later	7,767,000	8,156,000	8,599,083	8,064,886	8,461,944	8,035,685	8,841,127	9,105,595	7,561,826	
Two Years Later	8,507,000	8,204,000	8,412,083	7,583,886	8,171,944	7,702,685	8,772,127	9,116,595		
Three Years Later	7,930,000	8,855,000	8,590,083	7,436,886	7,991,944	7,702,685	8,638,127			
Four Years Later	7,826,904	8,367,000	8,416,083	7,138,886	7,754,944	7,570,685				
Five Years Later	7,903,000	8,626,000	8,594,083	6,984,886	7,637,944					
Six Years Later	7,928,904	8,678,000	8,412,083	6,986,886						
Seven Years Later	7,831,904	8,855,000	8,554,083							
Eight Years Later	7,826,904	9,148,000								
Nine Years Later	7,818,904									
Increase(Decrease) in Estimated Incurred Claims & Expenses from End of Policy Year:	\$214,000	\$1,922,000	\$161,083	(\$1,517,000)	(\$924,000)	(\$754,000)	(\$171,000)	\$211,000	(\$459,000)	-

This information is required by the Governmental Accounting Standards Board



# ASSUMPTIONS & LIMITATIONS

- Based on loss experience, exposure data and info provided by PACT
- Relied on statistics and historical loss development patterns of PACT
- Assumed PACT's historical development patterns form a reasonable basis to predict PACT's Future Loss Development
- Cannot predict impact of future law changes and court rulings on WC Claim Costs... reasonable now but perhaps not in the future
- Assumed loss rate trend with claim cost increases at 2.5% per year. Claim severity increases at 3.5% per year and claim frequency decreases 1.0% per year. Based in part on PACT data and recent study by the National Council on Compensation Insurance (NCCI)
- Assumed assets held for investment generate 1.5% annual return
- Does NOT include provisions for catastrophic events: earthquakes, flooding, mass civil disorder or mass occupational disease.
- Assumes all excess insurance is valid and collectible.

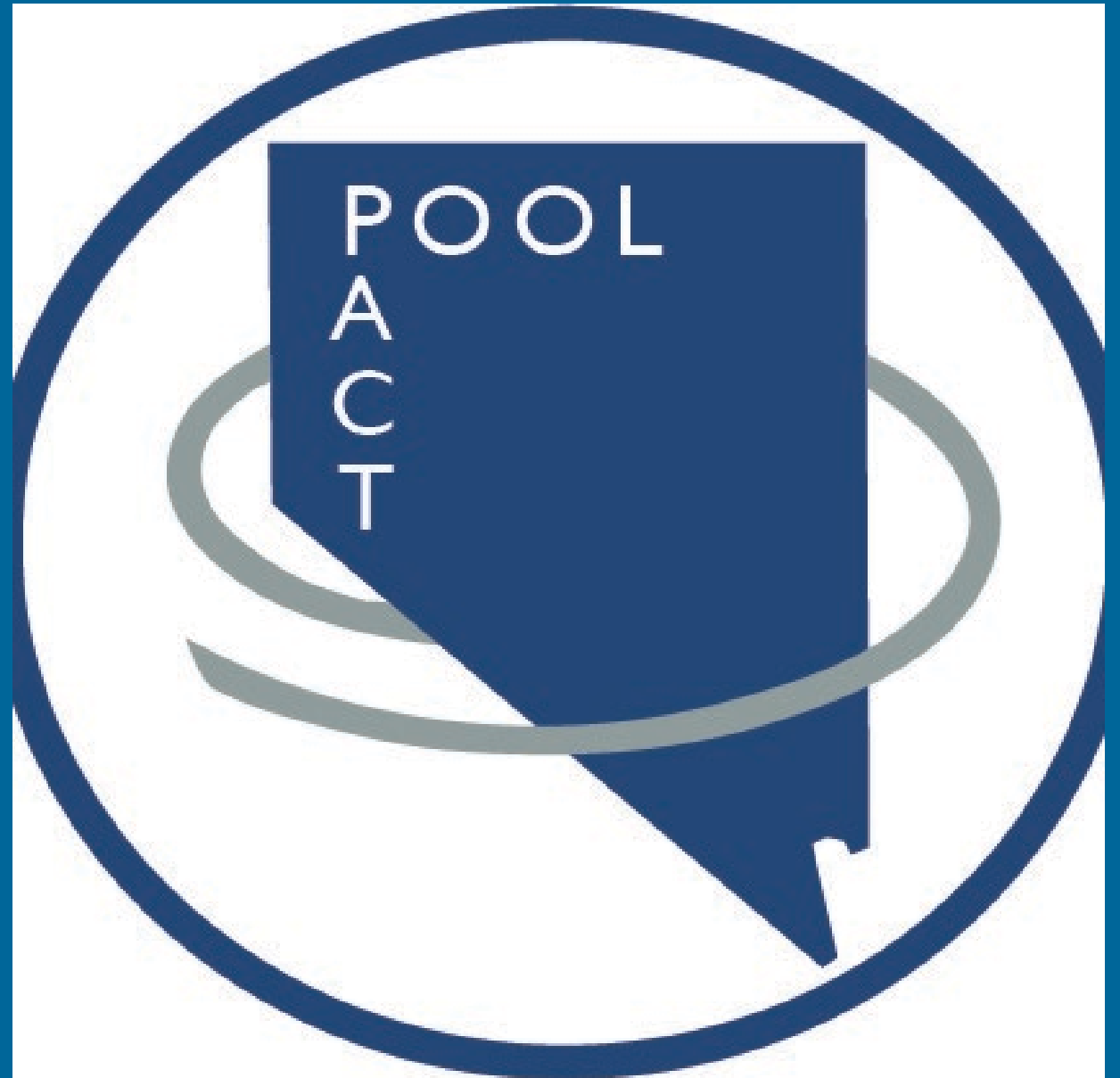
# QUESTIONS & REFLECTIONS

*Working Together We Achieve Superior Results*

The background features a dark, almost black, gradient. In the lower half, there are dynamic, flowing shapes. On the left, there are vibrant red, curved forms that resemble liquid or fabric. On the right, there are bright blue and cyan curved forms, also appearing to flow. The overall effect is one of movement and energy.

# PACT AUDIT OVERVIEW

Fiscal Year Ending  
June 30, 2019



# KEY PLAYERS

Wayne Carlson,  
Executive Director  
POOL/PACT

Mike Rebaleati,  
Captive President,  
COO

Alan Kalt, CFO

Deb Connally,  
Controller

Cash Minor, Chair  
NPAIP, Chair PRM

Paul Johnson,  
Chair PACT, Chair  
PCM

Josh Foli, Audit  
Committee  
Member

Gerry Eick, Audit  
Committee  
Member

Michael Bertrand:  
Bertrand &  
Associates: Audit  
Firm

Steve Balkenbush,  
General Counsel

Donna Squires,  
ASC, Claims  
Management

Derek Burkhalter,  
Actuary



# KEY SECTIONS OF THE AUDIT REPORT

Executive Director's Letter

Management Discussion and Analysis

Independent Auditors Report

Financial Statements:

Statement of Net Position

Statements of Revenues, Expenses and Changes

in Net Position

Statements of Cash Flows

Supplemental Schedule on Unpaid Loss Liabilities

Comparative Schedule of Claim Development



# PUBLIC AGENCY COMPENSATION TRUST



## PUBLIC AGENCY COMPENSATION TRUST STATEMENTS OF NET POSITION June 30, 2019 and 2018

ASSETS	2019	2018
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,646,579	\$ 1,960,467
Investments	51,640,578	49,996,097
Investment income receivable	196,908	209,396
Member assessments receivable	3,879,593	3,421,951
Specific recoverable	519,192	186,908
Commissions receivable	60,208	56,800
Receivable from State of Nevada	-	102,976
Prepaid expenses	-	-
Total current assets	57,943,058	55,934,595
<b>Noncurrent assets:</b>		
Pledged investments	4,827,144	4,561,006
Contributed surplus PCM, net	22,733,971	27,055,732
Total noncurrent assets	27,561,115	31,616,738
<b>TOTAL ASSETS</b>	<b>85,504,173</b>	<b>87,551,333</b>
 <b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	542,772	149,389
Commissions payable	65,639	56,800
Specific recoverable	519,191	186,908
Risk Management Grants payable	140,149	154,577
Current portion of reserve for claims losses	6,125,301	6,261,137
Total current liabilities	7,393,052	6,808,811
<b>Noncurrent liabilities:</b>		
Reserve for Worker's Compensation claims losses	19,101,699	17,315,863
Reserve for Heart & Lung claims losses	25,554,567	24,052,539
Total noncurrent liabilities	44,656,266	41,368,402
<b>TOTAL LIABILITIES</b>	<b>52,049,318</b>	<b>48,177,213</b>
 <b>NET POSITION - unrestricted</b>		
Net position -unrestricted	28,627,711	34,813,114
Net position -restricted for pledged securities	4,827,144	4,561,006
<b>TOTAL NET POSITION</b>	<b>\$ 33,454,855</b>	<b>\$ 39,374,120</b>

# PUBLIC AGENCY COMPENSATION TRUST



Public Agency Compensation Trust								
Statement of Net Position								
Fiscal Years Ending June 30th								
Description	2012	2013	2014	2015	2016	2017	2018	2019
<b>ASSETS</b>								
<i>Current Assets:</i>								
Cash and cash equivalents	917,127	3,430,664	3,704,609	1,626,906	2,176,248	2,663,598	1,960,467	1,646,579
Investments	51,135,355	52,244,259	56,655,983	66,074,207	72,142,773	60,688,478	49,996,097	51,640,578
Investment income receivable	372,481	319,298	297,836	336,155	362,590	264,696	209,396	196,908
Members assessments receivable	3,427,253	3,274,179	4,287,129	4,425,271	4,464,347	3,848,709	3,421,951	3,879,593
Specific recoverables	84,625	86,328	49,148	127,624	57,378	97,495	186,908	519,192
Commissions receivable	-	59,671	61,661	63,821	63,962	64,381	56,800	60,208
Receivable from State of Nevada	-	-	301,166	-	485,603	-	102,976	-
Prepaid expenses	68,062	45,548	32,364	46,358	33,970	30,647	-	-
<b>Total Current Assets</b>	<b>56,004,903</b>	<b>59,459,947</b>	<b>65,389,896</b>	<b>72,700,342</b>	<b>79,786,871</b>	<b>67,658,004</b>	<b>55,934,595</b>	<b>57,943,058</b>
<i>Noncurrent assets:</i>								
Pledged investments	4,229,358	4,466,575	4,516,692	4,551,292	4,586,046	4,538,815	4,561,006	4,827,144
Contributed surplus PCM, net	19,136,640	16,420,695	13,704,751	11,418,373	9,741,754	21,629,160	27,055,732	22,733,971
<b>Total noncurrent assets</b>	<b>23,365,998</b>	<b>20,887,270</b>	<b>18,221,443</b>	<b>15,969,665</b>	<b>14,327,800</b>	<b>26,167,975</b>	<b>31,616,738</b>	<b>27,561,115</b>
<b>TOTAL ASSETS</b>	<b>79,370,901</b>	<b>80,347,217</b>	<b>83,611,339</b>	<b>88,670,007</b>	<b>94,114,671</b>	<b>93,825,979</b>	<b>87,551,333</b>	<b>85,504,173</b>
<b>LIABILITIES</b>								
<i>Current Liabilities:</i>								
Accounts Payable	82,382	116,245	160,789	208,800	107,029	153,261	149,389	542,772
Commissions payable	-	59,671	-	61,621	62,632	59,990	56,800	65,639
Specific recoverable	84,625	86,328	49,148	127,624	57,378	97,495	186,908	519,191
Risk Management Grant payable	-	-	-	-	-	293,164	154,577	140,149
Current portion of reserve for claims losses	6,474,150	6,342,238	6,294,103	6,125,004	6,151,608	6,371,948	6,261,137	6,125,301
<b>Total Current Liabilities</b>	<b>6,641,157</b>	<b>6,604,482</b>	<b>6,504,040</b>	<b>6,523,049</b>	<b>6,378,647</b>	<b>6,975,858</b>	<b>6,808,811</b>	<b>7,393,052</b>
<i>Noncurrent liabilities:</i>								
Reserve for Worker Comp claims losses	14,696,850	15,674,762	16,011,897	16,488,996	17,245,392	17,377,052	17,315,863	19,101,699
Reserve for Heart Lung claim losses	11,486,208	13,360,780	15,491,724	17,867,764	20,570,890	22,684,485	24,052,539	25,554,567
<b>Total Noncurrent liabilities</b>	<b>26,183,058</b>	<b>29,035,542</b>	<b>31,503,621</b>	<b>34,356,760</b>	<b>37,816,282</b>	<b>40,061,537</b>	<b>41,368,402</b>	<b>44,656,266</b>
<b>TOTAL LIABILITIES</b>	<b>32,824,215</b>	<b>35,640,024</b>	<b>38,007,661</b>	<b>40,879,809</b>	<b>44,194,929</b>	<b>47,037,395</b>	<b>48,177,213</b>	<b>52,049,318</b>
<b>NET POSITION</b>								
Net position-unrestricted	46,546,686	44,707,193	45,603,678	47,790,198	45,333,696	42,249,769	34,813,114	28,627,711
Net position-restricted for pledged securities	-	-	-	-	4,586,046	4,538,815	4,561,006	4,827,144
<b>TOTAL NET POSITION</b>	<b>46,546,686</b>	<b>44,707,193</b>	<b>45,603,678</b>	<b>47,790,198</b>	<b>49,919,742</b>	<b>46,788,584</b>	<b>39,374,120</b>	<b>33,454,855</b>

# PUBLIC AGENCY COMPENSATION TRUST



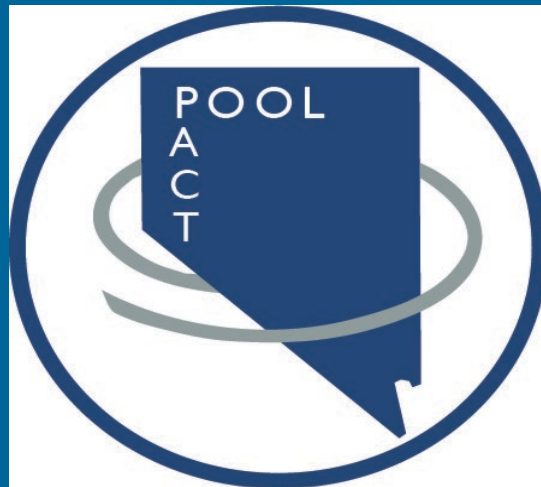
## PUBLIC AGENCY COMPENSATION TRUST STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years ended June 30, 2019 and 2018

REVENUES	<u>2019</u>	<u>2018</u>
Assessments for workers compensation	\$ 11,792,275	\$ 10,083,799
Assessments for heart and lung	1,109,118	1,104,106
Total Revenues	<u>12,901,393</u>	<u>11,187,905</u>
<b>LOSS FUND AND PROGRAM EXPENSES</b>		
Claims and adjustment expenses	8,822,730	6,431,493
Heart and Lung loss expenses	1,506,637	1,450,372
Excess insurance premium	537,133	526,516
Re-insurance premium	1,607,000	1,931,416
Member education and services	652,803	629,804
Loss control expense	406,000	406,000
Underwriting and claims processing	1,011,041	863,769
Total loss fund and program expenses	<u>14,543,344</u>	<u>12,239,370</u>
<b>ADMINISTRATION EXPENSES</b>		
Management fees	821,488	513,174
Professional services	107,961	110,407
Administrative and overhead	984,475	659,562
Risk management grants	314,076	186,174
Insurance Division fees	696,933	484,186
Nevada insolvency fund and related expenses	20,000	19,000
Amortization expense	4,321,761	4,473,428
Total administration expenses	<u>7,266,694</u>	<u>6,445,931</u>
<b>Decrease in operating net position</b>	<b>(8,908,645)</b>	<b>(7,497,396)</b>
Non-operating net investment income	2,989,380	82,932
<b>Decrease in net position</b>	<b>(5,919,265)</b>	<b>(7,414,464)</b>
Net position, beginning of year	39,374,120	46,788,584
<b>Net position, end of year</b>	<b><u>\$ 33,454,855</u></b>	<b><u>\$ 39,374,120</u></b>





# PUBLIC AGENCY COMPENSATION TRUST



**PUBLIC AGENCY COMPENSATION TRUST**  
**STATEMENTS OF CASH FLOWS**  
For Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Assessments and other revenues	\$ 12,440,343	\$ 13,472,244
Payment for claims	(7,177,339)	(6,685,811)
Payment to vendors	(6,771,117)	(6,445,010)
Payment to Douglas County for settlement	-	(1,850,000)
Net cash (used) provided from operating activities	<u>(1,508,113)</u>	<u>(1,508,577)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributed surplus to Public Compensation Mutual	-	(9,900,000)
Net cash used for capital and related financing activities	-	(9,900,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and net realized investment income	1,583,310	1,457,200
Sale of investments	8,955,900	76,921,005
Purchases of investments	(9,344,985)	(67,672,759)
Net cash provided for investing activities	<u>1,194,225</u>	<u>10,705,446</u>
(Decrease) in cash and cash equivalents	(313,888)	(703,131)
Cash and cash equivalents, beginning of fiscal year	1,960,467	2,663,598
Cash and cash equivalents, year ended June 30	<u>1,646,579</u>	<u>1,960,467</u>
<b>RECONCILIATION FOR OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating net loss	(8,908,645)	(7,497,396)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>		
(Increase) decrease in member assessments receivable	(457,642)	426,758
(Increase) in specific recoverable	(332,284)	(89,413)
Decrease in prepaid expenses	-	30,647
(Increase) decrease in agent compensation receivable	(3,408)	7,581
Increase (decrease) in accounts payable	393,383	(3,872)
Increase (decrease) in agent compensation payable	8,839	(3,190)
Increase in specific recoverable	332,283	89,413
(Decrease) in Risk Management Grants payable	(14,428)	(138,587)
Increase in amortization of contributed surplus	4,321,761	4,473,428
Increase loss reserves	3,152,028	1,196,054
Net cash (used) provided by operating activities	<u>\$ (1,508,113)</u>	<u>\$ (1,508,577)</u>

Total Capital Contributions to PCM	\$53,700,939
Net Contributed Surplus PCM	\$22,733,971
Investment Balance at 6-30-2019	\$51,640,578
Total Assets at 6-30-2019	\$85,504,173
Reserves for claim losses WC	\$25,227,000
Reserves for claim losses Heart Lung	\$25,554,567
Net Investment Income for 2019	\$ 2,989,380
Net Position June 30, 2019	\$33,454,855
Total Assessment Revenues FY 2019	\$12,901,393
Member education and services	\$ 652,803
Total Loss Fund and program expenses	\$14,543,344
Total Administration Expenses	\$ 7,266,694*

\* Includes Amortization on PCM Contribution \$4,321,761

See detailed financial statements and notes for more details.

## PUBLIC AGENCY COMPENSATION TRUST

## KEY FINANCIAL FIGURES



## Mission Statement Financial Items:

Financial Strength, security, and durability  
Cost Effective risk sharing and financing  
Stewards of Public Assets

## Vision Statement:

To sustain financial strength to meet our commitment to  
Members

Net Position to SIR (Target 20:1)	66.91 to 1.0
SIR To Net Position	0.01 to 1.0
Cash/Investments to Current Liabilities	7.2 to 1.0
Total Assets/Total Liabilities	1.64 to 1.0
Revenues to Net Position	0.39 to 1.0
Loss Reserves to Net Position	1.51 to 1.0

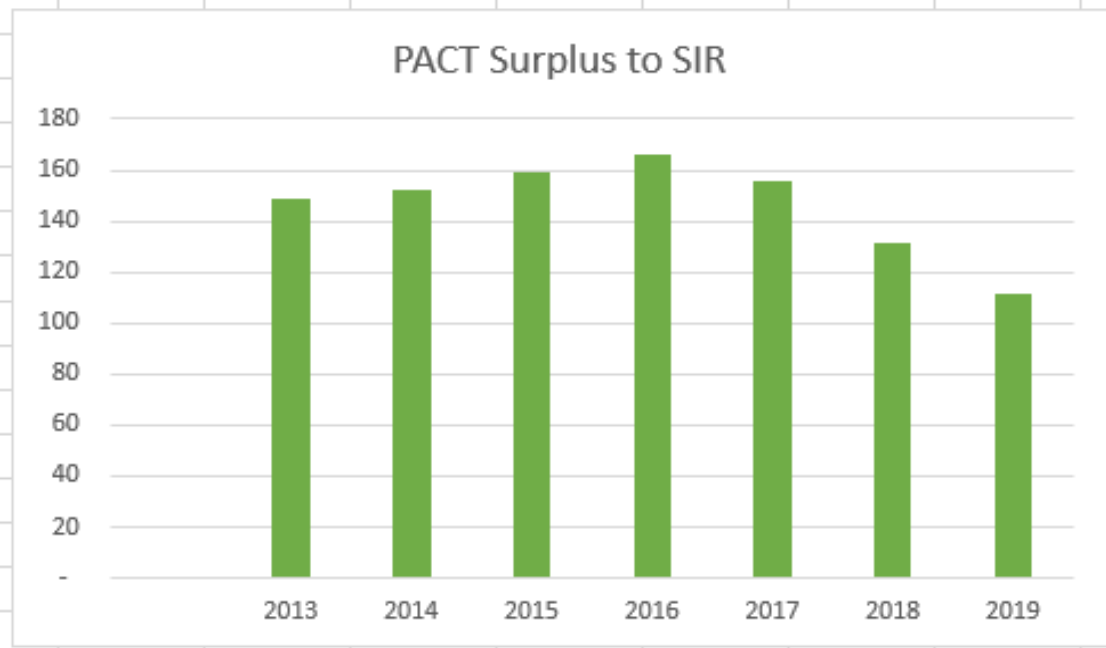
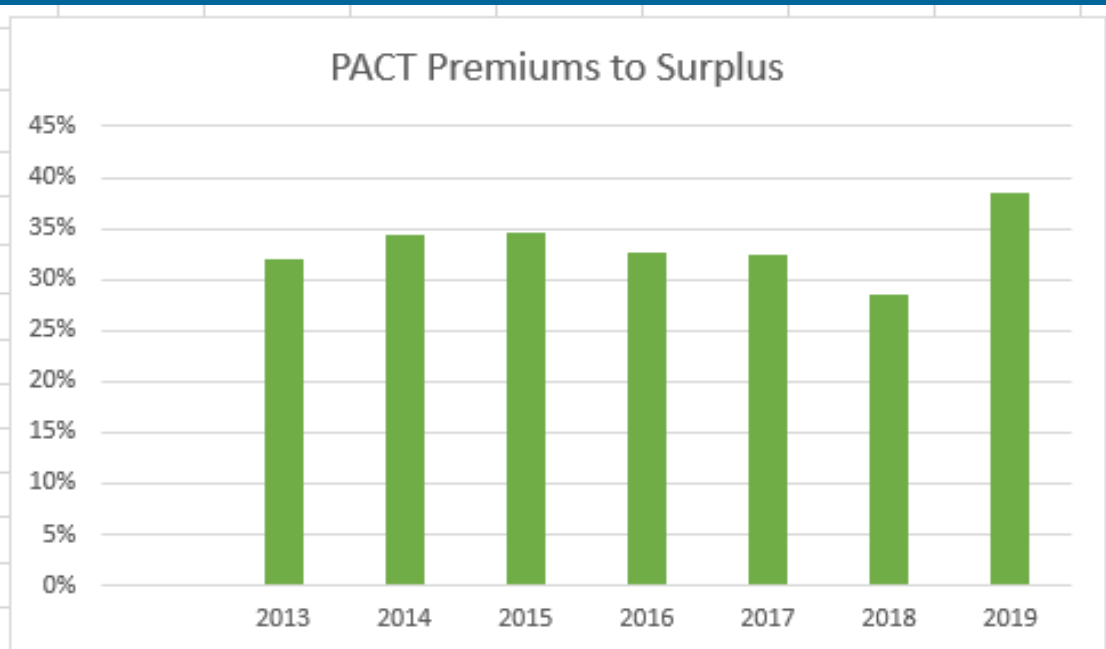
See detailed financial statements and notes for more details.

## PUBLIC AGENCY COMPENSATION TRUST

## KEY FINANCIAL BENCHMARK FIGURES

<b>Bench Mark Data Analysis</b>							
<b>PACT</b>	2013	2014	2015	2016	2017	2018	2019
PACT Premiums to Surplus	32.03%	34.43%	34.50%	32.73%	32.38%	28.41%	38.56%
PACT Surplus to SIR	149.02	152.01	159.30	166.40	155.96	131.25	111.52
PACT Pure Loss and Loss Adjustment Ratio	56.65%	52.09%	45.55%	52.81%	56.53%	70.45%	80.06%
PACT Program Expense Ratio including Reinsurance	21.14%	18.94%	21.97%	21.44%	23.77%	38.95%	32.66%
PACT Admin Expense Ratio (Excluding Depreciation/Amort)	14.20%	10.54%	9.12%	9.05%	15.37%	17.63%	22.83%



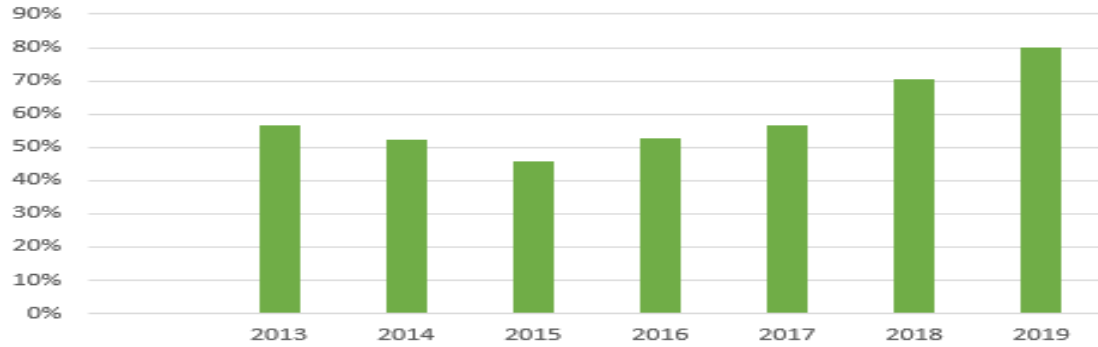


# PUBLIC AGENCY COMPENSATION TRUST

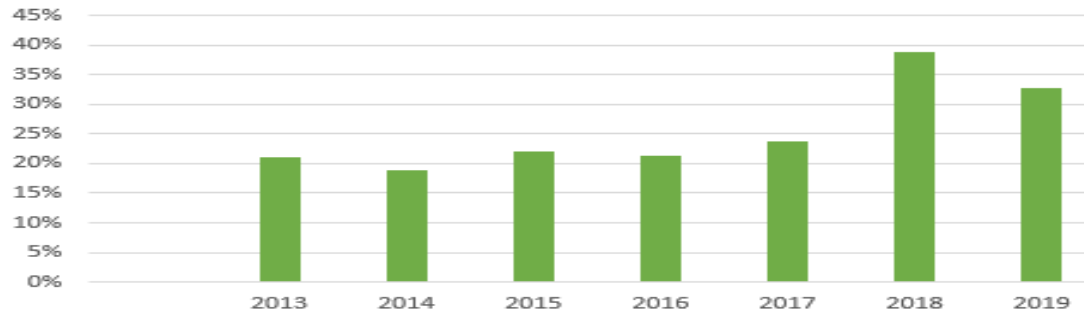
# KEY FINANCIAL BENCHMARK FIGURES



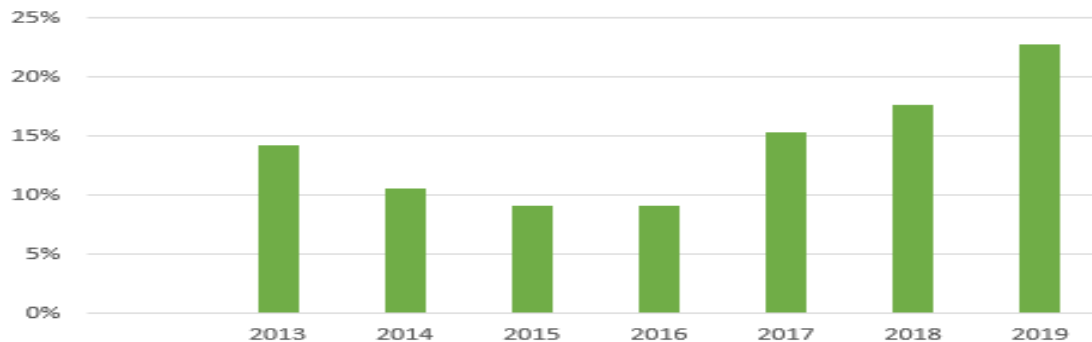
PACT Pure Loss and Loss Adjustment Ratio



PACT Program Expense Ratio including Reinsurance



PACT Admin Expense Ratio (Excluding Depreciation/Amort)



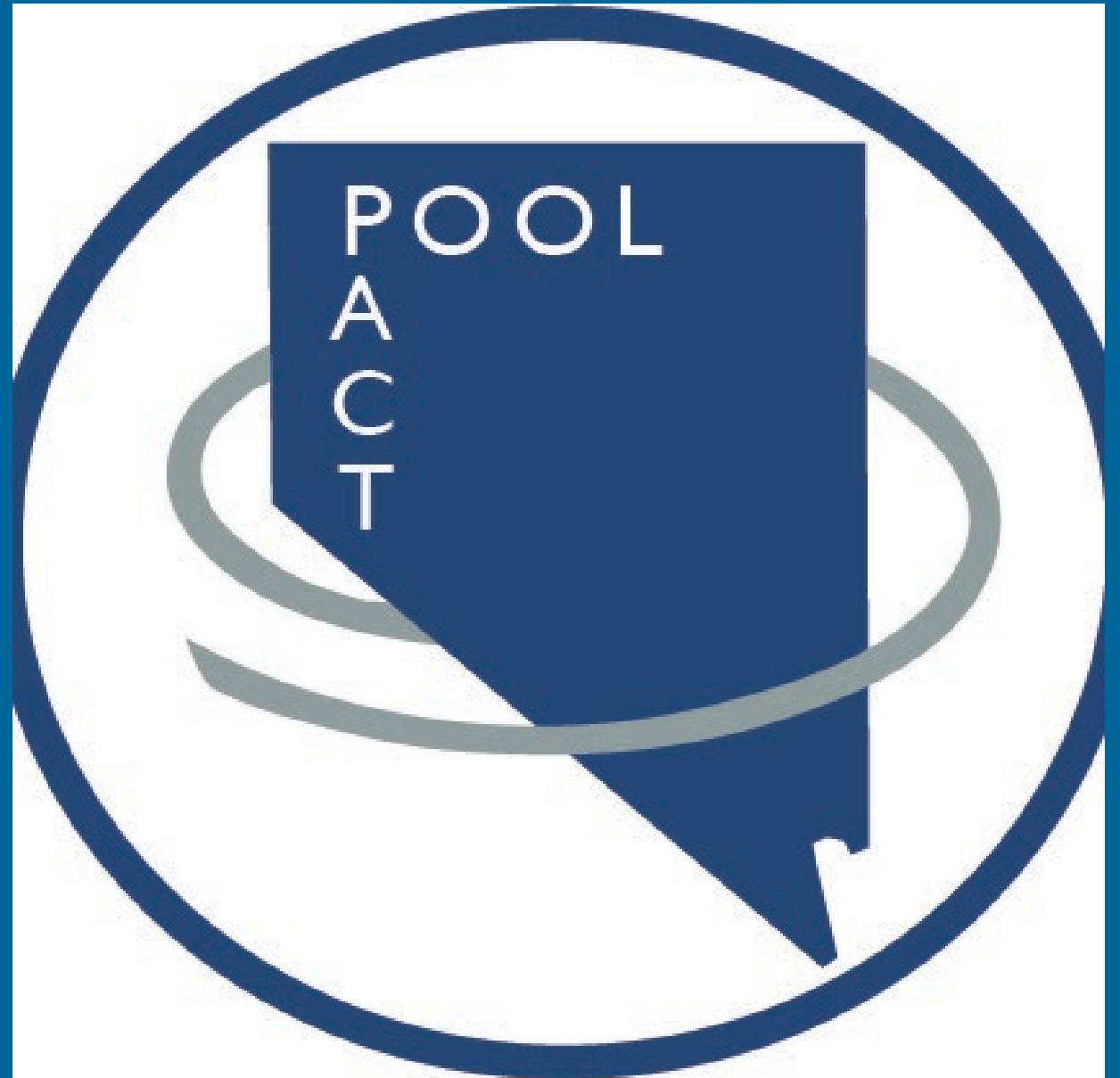
# PUBLIC AGENCY COMPENSATION TRUST

# KEY FINANCIAL BENCHMARK FIGURES



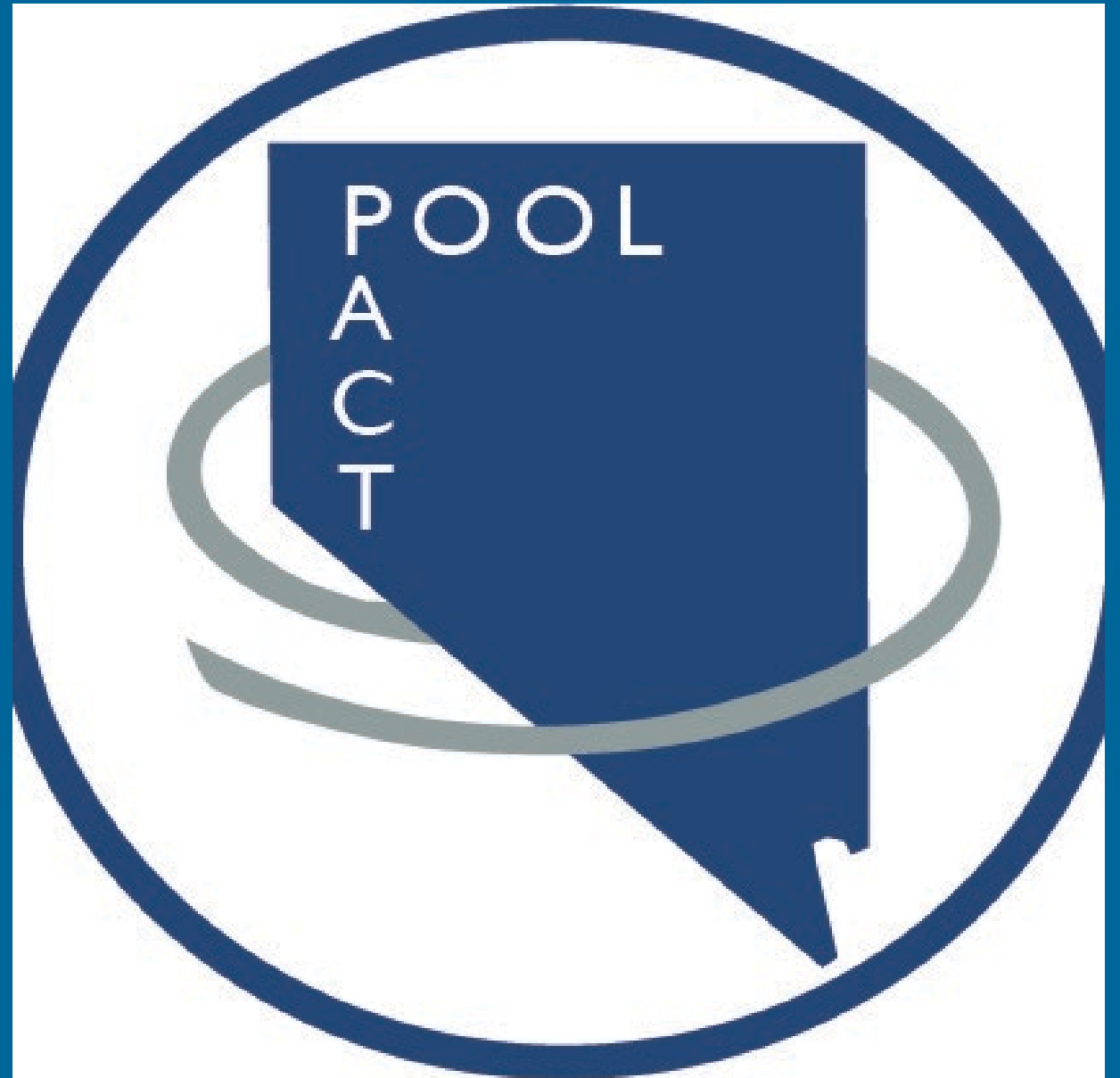
# PACT AUDIT QUESTIONS & ANSWERS

Fiscal Year Ending  
June 30, 2019



THANK YOU FOR  
YOUR FINANCIAL  
LEADERSHIP

*Working Together  
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**PUBLIC AGENCY COMPENSATION TRUST**  
**FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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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, 2019 and 2018 and the related statements of revenues and expenses and changes in net position, and statements 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 controls 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 controls 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 controls. 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, 2019 and 2018 and the respective revenues and expenses and 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 30, 2019  
Carson City, Nevada

## EXECUTIVE DIRECTOR'S LETTER

Members of Public Agency Compensation Trust;

As the Executive Director, I am pleased to present the PACT Annual Audited Financial Statements for the year ended June 30, 2019, the conclusion of our 22<sup>nd</sup> full year of operations. As noted in part of PACT's Mission Statement, we excel in financial strength, security, and durability and cost-effective risk sharing and financing. This financial report will demonstrate our commitment to our Mission Statement.

In addition to the preparation of the audited financial statements in accordance with GASB pronouncements and other financial standards, this report includes a required Management Discussion and Analysis of the financial results during the years.

Over the years, the Board adopted fiscally responsible policies to retain net position to achieve long-term, stable financial results for members. In 2016, they adopted a Net Assets policy to target net position at a minimum of twenty times the highest self-insured retention. With a Net Position of \$33,454,855, we have significantly exceeded that goal for this year (66.9:1) and for the comparison year (78.8: 1) shown in the audit. Net position decreased during the year because of an increase in claim reserves for both the worker's compensation and heart lung claims as calculated by our independent actuary by \$1,785,836 and \$1,502,028 respectively. The increase is due in part to a reduction in the discounting factor from 3% to 1.5% in the reserve calculation.. Additionally, claims adjustment expenses increased from \$6,431,493 to \$8,822,730 in Fiscal Year 2018/2019. This is an increase of \$2,391,237 or 37.2% over the prior year. Since Fiscal Year 2007, PACT has contributed \$53,700,939 to the PCM captive to serve as one of the workers compensation reinsurers for PACT. The benefits of the captive are reduced administrative costs, reinsurance opportunities and a broader investment portfolio including risk assets. As PCM grows in financial strength, additional member services and program costs can be directly funded through the captive. See the separate annual audited financial statements of PCM for more details.

Through the oversight of the Audit Committee, Executive Committee and the Board of Trustees, coupled with the Nevada Division of Insurance regulatory review, PACT Members can be assured that PACT will remain financially sound. Members should be proud of the success we have achieved together.

PACT has been serving its membership for over 22 years. We are government risk experts with a passion for risk management services. We provide coverage and risk management solutions that are comprehensive and uncomplicated for our members. As the risk management arm for our members, PACT manages claims and provides a broad array of in-depth loss control services, training, and risk consultation. With services such as POOL/PACT Human Resources, our extensive support system for human resources issues, members receive support services no one else offers. Our interactive loss control programs and resources guide our members' efforts toward reducing the probability of losses and the effect of losses that do occur.

Other factors that set PACT apart include the following:

- 1) Alternative Services Concepts' (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) Specialty Health, the managed care organization, and MCMC, the bill reviewer, for PACT helped the adjusters manage claims and costs effectively;
- 3) Loss control efforts of the Willis Re Pooling team and staff risk manager have proven effective and further initiatives are being implemented under the oversight of the Members' Loss Control Committee;
- 4) The continuing Cardiac Wellness Program should help reduce potential heart claims.

Workers compensation self-funded programs experience significant volatility particularly when the retention levels per loss are high. 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. The captive continues to enjoy financial success as a reinsurance option for PACT.

The table below shows some key financial ratios tracked by management and the board to benchmark PACT's financial condition and risk retention strategies:

Financial Ratios	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Total Revenue	\$ 16,486,613	\$ 16,337,985	\$ 15,149,782	\$ 11,187,905	\$ 12,901,393
Revenue over (under) Expenses	\$ 2,306,508	\$ 2,129,544	\$ (3,131,158)	\$ (7,414,464)	\$ (5,919,265)
Operating Net Position	\$ 1,235,291	\$ (41,378)	\$ (2,556,342)	\$ (7,497,396)	\$ (8,908,645)
Non-operating Net Investment Income	\$ 1,071,217	\$ 2,170,922	\$ (574,816)	\$ 82,932	\$ 2,989,380
Total Assets	\$88,670,007	\$94,114,671	\$93,825,979	\$ 87,551,333	\$ 85,504,173
Total Liabilities	\$40,759,841	\$44,194,929	\$47,037,395	\$ 48,177,213	\$ 52,049,318
Net Position	\$47,910,186	\$49,919,742	\$46,788,584	\$ 39,374,120	\$ 33,454,855
<b>Net Position to SIR (Board Target 20:1); Benchmark &gt;5:1</b>	95.82	99.84	93.58	78.75	66.91
<b>SIR to Net Position (Benchmark: captives &lt;.10; group captives &lt;.25)</b>	0.01	0.01	0.01	0.01	0.01
<b>% Assets attributable to Net Position</b>	54.0%	53.0%	49.9%	45.0%	39.1%
<b>Total assets/total liabilities</b>	2.18	2.13	1.99	1.82	1.64
<b>Revenues to Net Assets (Benchmark: &lt;2.5:1 and &gt;0</b>	0.34	0.33	0.32	0.28	0.39
<b>Loss Reserves to Net Position (discounted): Benchmark &lt;3:1 and &gt;0</b>	0.46	0.47	0.50	0.55	1.33
<b>Total liabilities to liquid assets: Benchmark &lt;100%</b>	60%	59%	74%	86%	90%
<b>Change in members' Net Position: &gt;- 10%</b>	5.1%	4.2%	-6.3%	-15.8%	-15.0%
<b>Return on Net Position: Net Operating Income/Net Position</b>	2.6%	-0.1%	-5.5%	-19.0%	-26.6%
<b>Return on Net Position: Total Income/Net Position</b>	4.8%	4.3%	-6.7%	-18.8%	-17.7%

We continue to provide stability in the mist of uncertainty, allowing members to focus on serving their communities. We will continue to provide reliability and stability in a risky workers compensation world.

### Economic Factors:

For fiscal year ending June 30, 2019, economic conditions showed signs of 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. While Nevada retains a fee schedule to limit cost increases, recent reviews of the fee schedule components resulted in increases in the last few years. Wage inflation generally is low in the public sector, which keeps disability costs down. A legislative change in 2003 resulted in adoption of the 5<sup>th</sup> Edition of the AMA guide to rating impairments, which increased costs overall. The 2009 Legislature fixed the 5<sup>th</sup> Edition into statute rather than having the most current edition be implemented by regulation. The 6<sup>th</sup> edition would have reduced costs in several key ratings of impairments due to recognition of improved medical outcomes.

The Nevada Supreme Court reached a decision in 1998 interpreting the special provisions for heart and lung coverage for qualifying police officers and firefighters that concluded that once these persons meet the five years of continuous service eligibility for benefits, those benefits are available for life regardless of any connection to actual work at the time the claims are 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. Because 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 eighty million, again depending upon the assumptions made about claims manifestation.

A legislative change in the 2017 session may increase disability claims costs for heart and lung claims because a bill eliminated the disablement time frame for public safety for such claims. Another element may impact the employer's process for reviewing physical examinations potentially impeding the cardiac wellness program efforts. Another 2017 change in legislation called for regulatory adoption of updated actuarial disability rating schedules. While the regulation change was not adopted until after the close of fiscal year end June 30, 2018, it will have a future affect on disability claims valuations for all types of claims beginning in fiscal year ending June 30, 2019.

In the 2019 Legislative session, several bills will impact PACT's future financial picture. For firefighters, a bill expanding the list of cancers that are reasonably associated with employment also added language to include substances reasonably anticipated to be a human carcinogen. Further it extends coverage for up to lifetime similar to the heart-lung provisions. Another bill expanded vocational rehabilitation programs which will increase costs. Post traumatic stress disability claims coverage was expanded to include all first responders including dispatchers related to mass casualty events directly witnessed or heard. Two bills added an inflationary increase in the PTD benefits for open claims and for new claims after July 1, 2019. PACT is discussing the actuarial rate implications of these bills for funding beginning July 1, 2020. PACT increased the heart lung rate by \$1.00 and reduced the rate discount by half in anticipation of earlier impact of these legislative changes.

The heart/lung assessments collected for fiscal year ended June 30, 2019 totaled \$1,109,118 compared to June 30, 2018 \$1,104,106 based upon a reduction in the manual rate assessment with a relatively flat change in payroll basis because of the accumulation exceeding the target minimum assessments.

Even though PACT faces possible increases due to heart lung claims for law enforcement and firefighters, PACT supports the brave efforts of these professionals serving our communities. It is the mission of PACT to minimize heart lung claims through strong risk management practice so our professionals stay healthy during and after their service.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff. The staff includes Wayne Carlson, Executive Director, Mike Rebaleati, Chief Operations Officer, Marshall Smith, Chief Risk Officer, Alan Kalt, Chief Financial Officer, Debbie Connally, Controller, Melissia Mack, Administrative Technician, Zaria Hanses, Administrative Assistant and Mike Van Houten, e-learning Manager and Webmaster. Thanks also to the dedicated professional staff from Bertrand & Associates, LLC, our independent auditors, for their contribution and support throughout the audit process. Special thanks to the Executive Committee, Audit Committee and Board of Directors for their keen interest and support in the planning and conducting of the financial operations of PACT in a responsible and progressive manner.

Thank you for your participation in PACT and for having confidence in our ongoing ability to meet the Mission, Vision and Motto you set for our member services consortium. We welcome your comments and suggestions to further strengthen PACT's financial position, to provide you with additional information and to enhance Member services. I am honored to serve as Executive Director. Thank you for your continued active participation as a Member of PACT.

Sincerely,

*Wayne Carlson*  
PACT Executive Director

PUBLIC AGENCY COMPENSATION TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019 AND 2018

Public Agency Compensation Trust's (PACT) discussion and analysis is designed to, (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the entity's financial activities, (c) identify changes in PACT's financial position (its ability to address next and subsequent years challenges), and (d) identify any material deviations from the financial plan.

We encourage readers to read this information in conjunction with the Executive Director's transmittal letter, financial statements and notes to gain a more complete understanding of the information presented.

**Organization Overview**

Public Agency Compensation Trust was formed by local governments for the purpose of organizing an association of self-insured public agencies providing workers' compensation coverage. The Trust began operations in April 1, 1996. The Trust's objective is to provide 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 to be assessed and collected.

**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, 2019 and June 30, 2018 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, capital and related financing activities and investing activities. 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**

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

The auditor's report offers an unmodified opinion on the financial statements, the best opinion that can be attained.

### **Critical Accounting Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the accounting period. Actual results could differ from these estimates.

PACT has identified the estimates inherent in the valuation of investments and loss reserves (including reserves for incurred but not reported claims- IBNR) as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability. In developing these estimates, management makes subjective and complex judgements that are inherently uncertain and subject to material change as facts and circumstances develop. Although variability is inherent in these estimates, management believes the amounts provided are appropriate and conservative based upon the facts available as of the date of the financial statements. PACT uses the assistance of an independent outside actuarial firm in relation to the IBNR and overall loss reserve adequacy.

### **Investments**

One significant estimate inherent in the valuation of investments is the evaluation of fair value. Investments consist predominantly 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 net position. Nevada Revised Statutes and the Board approved Investment Policy outlines the restrictions on the types of allowed investments. 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 corporate backed securities. PACT is authorized to purchase negotiable certificates of deposits issued by commercial banks or insured savings and loan associations.

Cash and investments of \$53,287,157 are available to meet current liabilities, including reserves for loss and loss adjustment expenses of \$7,393,052. Total current liabilities include accounts payable, risk management grants payable, specific recoverable and current portion of reserves for worker's compensation claims losses. This is a conservative measure of cash and investments available to pay current obligations. PACT's cash ratio is 7.2, meaning that it has 7.2 times the unrestricted cash and investments on hand to meet its obligations. Last year's cash ratio was 7.6. The reduction in the cash ratio is due primarily to the increase in Accounts Payable in the current year due to the timing of payments.

Investment balances as of June 30, 2019 were \$51,640,578 compared to the prior year amount of \$49,996,097. This represents an increase of \$1,644,481 or 3.3%. The increase is due additional funds available for investments. As noted in Note 3, the following is a summary of the fair value investments as of June 30, 2019:

### Investment Allocations

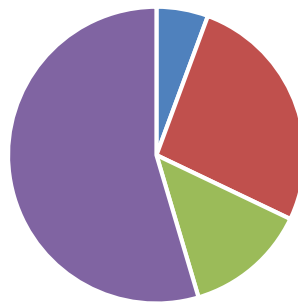


- US Treasuries
- US Government & Agencies
- US Mortgage-backed securities
- US Government backed securities
- Corporate backed securities

### Investment Descriptions

Investment Descriptions	Fair Value 6-30-2019	Fair Value 6-30-2018
U.S. Treasuries	\$ 7,412,268	\$ 6,153,373
U.S. Government & Agencies	408,581	751,602
U.S. Mortgage backed securities	34,300,347	33,332,588
U.S. Government backed securities	6,084,246	7,685,066
Corporate backed securities	7,852,655	6,476,829
Less pledged investments	<u>(4,417,519)</u>	<u>(4,403,361)</u>
Total investments	<u>\$51,640,578</u>	<u>\$49,996,097</u>

### 2019 Maturities



- 1 Yr or Less
- 1-5 Years
- 5-10 Years
- Over 10 Years

### Investment Income Receivable

The investment income receivable at June 30, 2019 is \$196,908 compared to \$209,396 in 2018. This is a change of \$12,488 or 6.0%. This is due primarily to the increase in investment balances at year end off set by lower investment yields as well as the timing of the payment of accrued interest on the investments.

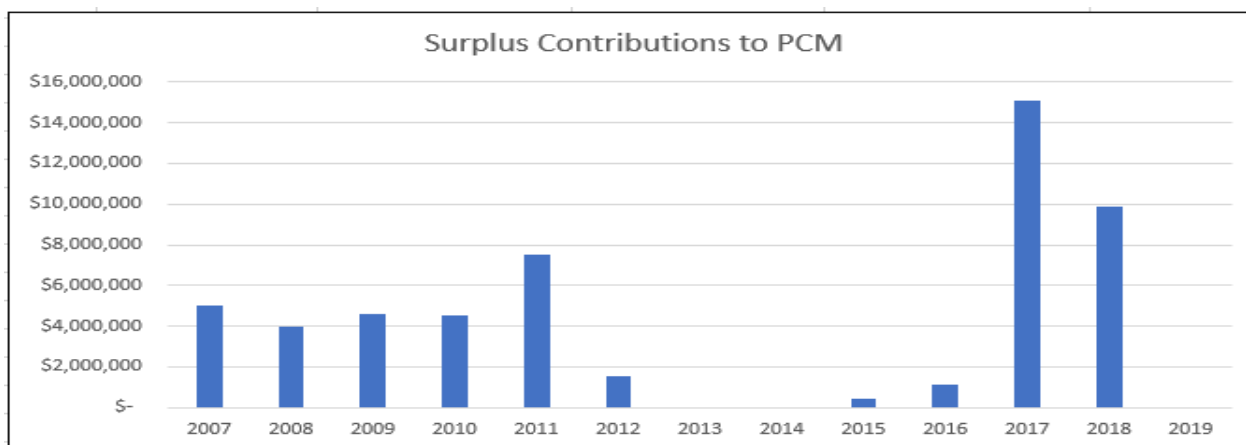
### Pledged Investments

Pledged investments at June 30, 2019 is \$4,827,144 compared to \$4,561,006 in 2018. Restricted investments are those investments pledged to the Insurance Commission for future claims as required by statutes. The amount pledged exceeds the statutory requirement.

### Contributed Surplus Public Compensation Mutual

In May of 2007, PACT’s board of directors authorized the startup of a member-owned nonprofit captive mutual insurance company and contributed surplus to the company. The company, named Public Compensation Mutual, (“PCM”) is domiciled in Nevada. PCM subsequently converted from an association captive to a pure captive form owned by PACT. PCM is one of the workers compensation reinsurers for PACT. The benefits of the captive are reduced administrative costs, reinsurance opportunities and a broader investment portfolio which can include risk assets. Management considers the contribution surplus costs a development cost that can provide lower operating costs in the future and estimates that the savings in reinsurance cost to PACT will recoup the contributed capital. As such, PACT’s contributed surplus to PCM will be amortized over ten years. The net contributed surplus to PCM for fiscal year ending June 30, 2019 is \$22,733,971 compared to \$27,055,732 reflecting a decrease of \$4,321,761 or 16.0%. During the current year, there was no capital contributions and amortization expense of \$4,321,761. See note 13 for more details. The following chart indicates PACT’s surplus contributions and related amortization to PCM since inception:

Fiscal Year	Contributions	Amortization	Net Contributions
2007	\$ 5,000,000	\$ -	\$ 5,000,000
2008	\$ 4,000,000	\$ 566,667	\$ 8,433,333
2009	\$ 4,600,000	\$1,024,158	\$12,009,175
2010	\$ 4,500,000	\$1,530,700	\$14,978,475
2011	\$ 7,517,375	\$2,235,177	\$20,260,673
2012	\$ 1,542,062	\$2,666,095	\$19,136,640
2013	-	\$2,715,945	\$16,420,695
2014	-	\$2,715,944	\$13,704,751
2015	\$ 448,242	\$2,734,620	\$11,418,373
2016	\$ 1,093,260	\$2,769,879	\$ 9,741,754
2017	\$15,100,000	\$3,212,594	\$21,629,160
2018	\$ 9,900,000	\$4,473,428	\$27,055,732
2019	-	\$4,321,761	\$22,733,971



As noted above, PACT has contributed \$53,700,939 to PCM in accordance with PACT’s Capitalization Strategy Policy which allows PACT’s Executive Committee to distribute a portion of the Net Assets to provide additional capitalization of PCM to reduce reliance on other excess or reinsurance providers. PCM has increased its reinsurance capacity and thereby reduced PACT’s retention as a result of the additional contributions to surplus.

### Reserves for Claim Losses

Loss reserves are estimates of losses and loss development and as such will differ from the ultimate results. Therefore, one of the critical accounting estimates is the proper amount of reserves to be set aside to meet future

liabilities of the current in-force business. Changes in or deviations from the assumptions used to develop the loss reserves can significantly affect PACT's reserve levels and related future operations. Assumptions include company methodology for underwriting and claims handling and current estimates of the legal, inflation rate, and social environments. Annually, PACT retains an outside independent actuary to provide a loss reserve opinion and establish a range for PACT's loss reserves. PACT's policy is to book reserves at the 75% confidence level as recommended by the actuary. Management has elected to discount the reserves using a 1.5% interest rate for anticipated investment income compared to prior year rate of 3%. The actuarial analysis for the current fiscal year revealed an overall increase in case reserves and IBNR reserves over prior years estimated incurred losses for Worker's Compensation and Heart Lung. See Note 11 Unpaid Loss Liabilities and the Supplemental Schedule on Unpaid Loss Liabilities for Worker Compensation and Heart Lung in the financial statements for more details.

Reserves for current portion of claim losses decreased from \$6,261,137 to \$6,125,301 in fiscal year ending June 30, 2019. The noncurrent reserve for worker's compensation claims losses increased from \$17,315,863 to \$19,101,699 in 2019. This is an increase of \$1,785,836 or 10.3%. There was an increase in the reserve for heart & lung claims loss from \$24,052,539 to \$25,554,567. This is an increase of \$1,502,028 or 6.2% during the year. These reserves are set at 100% of the heart lung assessments by board policy due to the uncertainty of the claims potential. The development schedule included in the financial statement provides the history of the claims reserve changes each year over 10 years included in the financial statements for more details.

### Change in Net Position

PACT's Total Net Position decreased from \$39,374,120 to \$33,454,855 during the fiscal year ending June 30, 2019 a decrease of \$5,919,265 or 15.0%. This decrease is primarily due to the increase in loss reserves and the increase in loss expense during the year.

The following is the comparative Statements of Net Position for PACT as of June 30, 2019 and 2018.

### CONDENSED STATEMENTS OF NET POSITION

	<u>2019</u>	<u>2018</u>
Cash and investments	\$ 53,287,157	\$ 51,956,564
Receivables	4,655,901	3,978,031
<b>Total current assets</b>	<u>57,943,058</u>	<u>55,934,595</u>
Pledged investments	4,827,144	4,561,006
Contributed surplus PCM, net	22,733,971	27,055,732
<b>Total noncurrent assets</b>	<u>27,561,115</u>	<u>31,616,738</u>
<b>Total assets</b>	<u><b>85,504,173</b></u>	<u><b>87,551,333</b></u>
Payables	1,267,751	547,674
Current portion of reserve for claims losses	6,125,301	6,261,137
<b>Total current liabilities</b>	<u>7,393,052</u>	<u>6,808,811</u>
Reserve for Worker's Compensation claims	19,101,699	17,315,863
Reserve for Heart & Lung claims	25,554,567	24,052,539
<b>Total noncurrent liabilities</b>	<u>44,656,266</u>	<u>41,368,402</u>
<b>Total liabilities</b>	<u><b>52,049,318</b></u>	<u><b>48,177,213</b></u>
Net position -unrestricted	28,627,711	34,813,114
Net position -restricted for pledged securities	4,827,144	4,561,006
<b>Total net position</b>	<u><b>\$ 33,454,855</b></u>	<u><b>\$ 39,374,120</b></u>

### **Total Assessment Revenues**

PACT's primary revenue source comes from Member assessments for workers compensation and assessments for heart lung. The assessments for workers compensation increased from \$10,083,799 to \$11,792,275 during fiscal year ending June 30, 2019. This is an increase of \$1,708,476 or 16.9% due to an increased in members' assessment payroll and increase in manual rates.

During fiscal year 2019, the heart lung assessments increased from \$1,104,106 to \$1,109,118 during the year. The increase of \$5,012 or 0.5% was due to increase in members' assessment payroll as the assessment rate remained the same.

### **Loss Fund and Program Expenses**

Overall Loss and Program expenses increased from \$12,239,370 to \$14,543,344 in FY 2019 an increase of \$2,303,974 or 18.8%. This increase is primarily due to an increase in the claims and adjustment expense of \$2,391,237 due to adverse claim development during the year. Heart and Lung loss expenses increased from \$1,450,372 to \$1,506,637 due to increases in covered member payroll. Per board policy, that reserves assume 100% of the assessment revenues will be spent in the future. The reinsurance premiums decreased \$324,416 from \$1,931,416 to \$1,607,000 because of favorable risk transfers in the PCM and CRL reinsurance layer of coverage. PACT continues to increase the investment in Member education and services as \$652,803 was expensed in Fiscal Year 2019 compared to \$629,804 in Fiscal Year 2018. Loss control expenses and underwriting and claims processing expenses remained within a relevant range during the two fiscal years.

### **Administration Expenses**

Total administrative expenses were \$7,266,694 in Fiscal Year ending June 30, 2019 compared to \$6,445,931 in FY 2018. This represents an increase of \$820,763 or 12.7%. There was an increase of \$308,315 in the management fees. During the fiscal year 2019, there was a complete year of expenses compared to a partial the FY 2018 related to the Chief Financial Officer and the e-Learning Manager as provided for in the approved management contract. Furthermore, there was \$250,000 management fee expense to set up Nevada Risk Pooling, Inc. There was an increase of \$127,902 in risk management grants provided to the members during the year. There were increases in the Insurance Division fees of \$212,747 and Insolvency fund and related expenses increased by \$1,000 as there were significant increases in the three-year claims average used to calculate those related expenses. Administrative and overhead expenses increased from \$659,562 to \$984,475 due to increased volume of services provided by Specialty Health supporting the cardiac wellness program.

### **Non-operating Net Investment Income**

Investments are marked to market value at the time of the financial statements, which may result in a negative or positive overall result. 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. Non-operating net investment income was \$2,989,380 for Fiscal Year end June 30, 2019 compared to \$82,932 in 2018. The investment income was bolstered by book yields exceeding market yields and the impact of the mark to market value adjustment because of decreasing interest rates in fiscal year 2019. See Note 3 Investment Securities for more details.

**Revenues, Expenses and Changes in Net Position:**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<u>2019</u>	<u>2018</u>
Assessments revenues	\$ 12,901,393	\$ 11,187,905
Loss fund provision program expenses	14,543,344	12,239,370
Administration expenses	7,266,694	6,445,931
Total expenses	21,810,038	18,685,301
<b>(Decrease) in operating net position</b>	<b>(8,908,645)</b>	<b>(7,497,396)</b>
Non-operating net investment income	2,989,380	82,932
<b>(Decrease) in net position</b>	<b>\$ (5,919,265)</b>	<b>\$ (7,414,464)</b>

**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.

**Subsequent Events:**

There were no subsequent events that would affect the financial statements for the current fiscal year.

**Requests for Information:**

While the purpose of this discussion and financial report is to provide a general overview of PACT's financial position, requests for additional financial information should be addressed to Wayne Carlson, Executive Director, 201 S. Roop St., Suite 102, Carson City, NV 89701-4790.

**PUBLIC AGENCY COMPENSATION TRUST**  
**STATEMENTS OF NET POSITION**  
**June 30, 2019 and 2018**

<b>ASSETS</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,646,579	\$ 1,960,467
Investments	51,640,578	49,996,097
Investment income receivable	196,908	209,396
Member assessments receivable	3,879,593	3,421,951
Specific recoverable	519,192	186,908
Commissions receivable	60,208	56,800
Receivable from State of Nevada	-	102,976
Prepaid expenses	-	-
Total current assets	<u>57,943,058</u>	<u>55,934,595</u>
<b>Noncurrent assets:</b>		
Pledged investments	4,827,144	4,561,006
Contributed surplus PCM, net	22,733,971	27,055,732
Total noncurrent assets	<u>27,561,115</u>	<u>31,616,738</u>
<b>TOTAL ASSETS</b>	<b><u>85,504,173</u></b>	<b><u>87,551,333</u></b>
 <b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	542,772	149,389
Commissions payable	65,639	56,800
Specific recoverable	519,191	186,908
Risk Management Grants payable	140,149	154,577
Current portion of reserve for claims losses	6,125,301	6,261,137
Total current liabilities	<u>7,393,052</u>	<u>6,808,811</u>
<b>Noncurrent liabilities:</b>		
Reserve for Worker's Compensation claims losses	19,101,699	17,315,863
Reserve for Heart & Lung claims losses	25,554,567	24,052,539
Total noncurrent liabilities	<u>44,656,266</u>	<u>41,368,402</u>
<b>TOTAL LIABILITIES</b>	<b><u>52,049,318</u></b>	<b><u>48,177,213</u></b>
 <b>NET POSITION - unrestricted</b>		
Net position -unrestricted	28,627,711	34,813,114
Net position -restricted for pledged securities	4,827,144	4,561,006
<b>TOTAL NET POSITION</b>	<b><u>\$ 33,454,855</u></b>	<b><u>\$ 39,374,120</u></b>

See accompanying notes

**PUBLIC AGENCY COMPENSATION TRUST**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Years ended June 30, 2019 and 2018**

<b>REVENUES</b>	<b>2019</b>	<b>2018</b>
Assessments for workers compensation	\$ 11,792,275	\$ 10,083,799
Assessments for heart and lung	<u>1,109,118</u>	<u>1,104,106</u>
Total Revenues	<u>12,901,393</u>	<u>11,187,905</u>
 <b>LOSS FUND AND PROGRAM EXPENSES</b>		
Claims and adjustment expenses	8,822,730	6,431,493
Heart and Lung loss expenses	1,506,637	1,450,372
Excess insurance premium	537,133	526,516
Re-insurance premium	1,607,000	1,931,416
Member education and services	652,803	629,804
Loss control expense	406,000	406,000
Underwriting and claims processing	<u>1,011,041</u>	<u>863,769</u>
Total loss fund and program expenses	14,543,344	12,239,370
 <b>ADMINISTRATION EXPENSES</b>		
Management fees	821,488	513,174
Professional services	107,961	110,407
Administrative and overhead	984,475	659,562
Risk management grants	314,076	186,174
Insurance Division fees	696,933	484,186
Nevada insolvency fund and related expenses	20,000	19,000
Amortization expense	<u>4,321,761</u>	<u>4,473,428</u>
Total administration expenses	7,266,694	6,445,931
<b>Decrease in operating net position</b>	<b><u>(8,908,645)</u></b>	<b><u>(7,497,396)</u></b>
Non-operating net investment income	<u>2,989,380</u>	<u>82,932</u>
<b>Decrease in net position</b>	<b><u>(5,919,265)</u></b>	<b><u>(7,414,464)</u></b>
Net position, beginning of year	39,374,120	46,788,584
<b>Net position, end of year</b>	<b><u>\$ 33,454,855</u></b>	<b><u>\$ 39,374,120</u></b>

See accompanying notes



**PUBLIC AGENCY COMPENSATION TRUST  
STATEMENTS OF CASH FLOWS  
For Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Assessments and other revenues	\$ 12,440,343	\$ 13,472,244
Payment for claims	(7,177,339)	(6,685,811)
Payment to vendors	(6,771,117)	(6,445,010)
Payment to Douglas County for settlement	-	(1,850,000)
Net cash (used) provided from operating activities	<u>(1,508,113)</u>	<u>(1,508,577)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributed surplus to Public Compensation Mutual	-	(9,900,000)
Net cash used for capital and related financing activities	<u>-</u>	<u>(9,900,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and net realized investment income	1,583,310	1,457,200
Sale of investments	8,955,900	76,921,005
Purchases of investments	(9,344,985)	(67,672,759)
Net cash provided for investing activities	<u>1,194,225</u>	<u>10,705,446</u>
(Decrease) in cash and cash equivalents	(313,888)	(703,131)
Cash and cash equivalents, beginning of fiscal year	1,960,467	2,663,598
<b>Cash and cash equivalents, year ended June 30</b>	<u><b>1,646,579</b></u>	<u><b>1,960,467</b></u>
<b>RECONCILIATION FOR OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating net loss	(8,908,645)	(7,497,396)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>		
(Increase) decrease in member assessments receivable	(457,642)	426,758
(Increase) in specific recoverable	(332,284)	(89,413)
Decrease in prepaid expenses	-	30,647
(Increase) decrease in agent compensation receivable	(3,408)	7,581
Increase (decrease) in accounts payable	393,383	(3,872)
Increase (decrease) in agent compensation payable	8,839	(3,190)
Increase in specific recoverable	332,283	89,413
(Decrease) in Risk Management Grants payable	(14,428)	(138,587)
Increase in amortization of contributed surplus	4,321,761	4,473,428
Increase loss reserves	3,152,028	1,196,054
<b>Net cash (used) provided by operating activities</b>	<u><b>\$ (1,508,113)</b></u>	<u><b>\$ (1,508,577)</b></u>

See accompanying notes

**PUBLIC AGENCY COMPENSATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of program

Public Agency Compensation Trust (PACT) was formed by local governments for the purpose of organizing a self-insured workers' compensation group. The Trust began operations April 1, 1996. The trust's objective is to provide members with a lower cost alternative achieved through enhanced claims management, program administration, and member services that will reduce the cost of claims. PACT provides workers' compensation coverage to member governmental entities and hospitals pursuant to state statutes. The program is fully funded by member entities and is governed by a Board of Trustees comprised of representatives of each member. Any member may withdraw from the program by giving 120 days' notice. PACT's independent actuary, who is an approved Rate Service Organization, develops PACT rates.

Principles of presentation

PACT has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. PACT prepares its financial statements on the accrual method of accounting recognizing income when earned and expenses when incurred. PACT has implemented Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and GASB Statement 38, *Certain Financial Statement Note Disclosures*.

The financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises, where applicable, which may differ from the basis of accounting followed in statutory reporting. Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Measurement focus and basis of accounting

The financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Expenditures are recorded when the related fund liability is incurred.

Cash and cash equivalents

The Operating Fund has a checking account, money market investment account, and an investment account for long-term investments. For the purposes of the Statement of Cash Flows, the PACT considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. The Claims Fund has two checking accounts, one for payment of claims and the other for claims related expenses as required by Nevada Revised Statute 616B.368.

Investments and investment income

Investments consist predominantly 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 net position. 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 corporate backed 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.

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.

**PUBLIC AGENCY COMPENSATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budget

Budgetary to actual results is not presented as there are no legal budgetary requirements.

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 increasing 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 using a 75% confidence level. 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 1.5% in 2019 and 3% in 2018, the expected investment rate, to show the present value of those reserves.

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.

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, 2019 and 2018**

**NOTE 2 – CASH & EQUIVALENTS**

The carrying amount of PACT's deposits with financial institutions at June 30, 2019 and 2018 are \$1,646,579 and \$1,960,467 respectively. The financial institution balances were \$1,956,424 and \$2,280,356 respectively. The difference between the carrying amounts and financial institution balances results from outstanding checks and deposits not yet reflected in the bank's records.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Amounts insured by FDIC	\$ 250,000	\$ 250,000
Amounts collateralized	789,089	753,238
Cash equivalents at brokerage firm	<u>917,335</u>	<u>1,277,118</u>
Total deposits at financial institutions	<u>\$ 1,956,424</u>	<u>\$ 2,280,356</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, 2019 is as follows:

	<u>Fair Value</u>	<b>Investment Maturities in Years</b>			
		<u>1 year or less</u>	<u>1-5</u>	<u>5-10</u>	<u>Over 10</u>
U.S. Treasuries	\$ 7,412,268	\$ 752,227	\$ 3,517,791	\$ 3,142,250	\$ -
U.S. Government & Agencies	408,581	-	408,581	-	-
U.S. Mortgage-backed securities	34,300,347	2,633	759,388	3,026,124	30,512,202
U.S. Government backed securities	6,084,246	1,400,402	3,444,731	717,661	521,452
Corporate backed securities	7,852,655	1,508,124	6,344,531	-	-
Less pledged investments	<u>(4,417,519)</u>	<u>(752,227)</u>	<u>(815,094)</u>	<u>-</u>	<u>(2,850,198)</u>
Total investments	<u>\$ 51,640,578</u>	<u>\$ 2,911,159</u>	<u>\$ 13,659,928</u>	<u>\$ 6,886,035</u>	<u>\$ 28,183,456</u>

A summary of investments as of June 30, 2018 is as follows:

	<u>Fair Value</u>	<b>Investment Maturities in Years</b>			
		<u>1 year or less</u>	<u>1-5</u>	<u>5-10</u>	<u>Over 10</u>
U.S. Treasuries	\$ 6,153,373	\$ 601,524	\$ 3,079,119	\$ 2,472,730	\$ -
U.S. Government & Agencies	751,602	180,177	571,425	-	-
U.S. Mortgage-backed securities	33,332,588	1,033,529	1,466,205	3,889,565	26,943,289
U.S. Government backed securities	7,685,066	1,217,136	4,974,919	894,488	598,523
Corporate backed securities	6,476,829	-	-	6,476,829	-
Less pledged investments	<u>(4,403,361)</u>	<u>(601,524)</u>	<u>(748,065)</u>	<u>-</u>	<u>(3,053,772)</u>
Total investments	<u>\$ 49,996,097</u>	<u>\$ 2,430,842</u>	<u>\$ 9,343,603</u>	<u>\$ 13,733,612</u>	<u>\$ 24,488,040</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. Restricted investments are those investments pledged to the Insurance Commission. Corporate securities have bond ratings from A- to AA.

**PUBLIC AGENCY COMPENSATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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**NOTE 3 – INVESTMENT SECURITIES (continued)**

PACT categorizes fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

PACT has the following recurring fair value measurements as of June 30:

1. U.S. Treasuries and U.S. Government guaranteed securities of \$7,412,267 and of \$4,803,784 for years ended June 30, 2019 and 2018 respectively are valued using quoted market prices (Level 1 inputs).
2. U.S. Government Agencies, U.S. back securities and Corporate Bonds of \$44,228,311 and \$45,192,313 for years ended June 30, 2019 and 2018 respectively are valued using a matrix pricing model (Level 2 inputs).

**NOTE 4 – MEMBER ASSESSMENTS RECEIVABLE**

Member assessments receivable were \$3,879,593 and \$3,421,951 for the years ended June 30, 2019 and 2018. 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 Re 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 \$700,000 excess of PACT's \$300,000 specific retention plus 25% of \$2,000,000 excess of PACT's \$1,000,000 retention and through County Reinsurance, Ltd., which bears 75% of \$2,000,000 excess of PACT's \$1,000,000 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 \$9,587,731 and \$9,366,330 for years ended June 30, 2019 and 2018 respectively. 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 nonprofit captive insurance companies in which PACT has a financial interest.

**PUBLIC AGENCY COMPENSATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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**NOTE 7 - RELATED PARTY TRANSACTIONS**

Public Agency Risk Management Services, Inc. (PARMS) is presently contracting with PACT to provide management services from July 1, 2014 through June 30, 2019. PARMS serves as the Executive Director/Administrator. PARMS is a service corporation wholly owned by Mr. Wayne Carlson. Contract fees paid for years ended June 30, 2019 and 2018 were \$571,488 and \$513,174 respectively.

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. PACT is the sole policy holder of Public Compensation Mutual Company which was formed as a captive insurance company.

PACT jointly with Nevada Public Agency Insurance Pool (NPAIP) provided a grant with Pooling Resources, Inc. (PRI), a nonprofit organization formed by the executive director of PACT, Wayne Carlson. PRI pays PARMS a management fee to provide operational and financial oversight of PRI. The PARMS payment to NPAIP includes the technological needs of PACT as well as PRM and PCM. This arrangement was approved in an effort to simplify the technology usage fees paid to NPAIP.

Effective July 1, 2019, Public Agency Compensation Trust (PACT) jointly with Nevada Public Agency Insurance Pool (NPAIP) provided a five year grant to Nevada Risk Pooling, Inc. (NRP), a nonprofit organization formed by the executive director of NPAIP, Wayne Carlson, and whose directors are Gerry Eick, Josh Foli, Chris Mulherns, Cash Minor, and Paul Johnson. The cost of this grant is \$1,200,000 for the first year and \$1,242,000 in Fiscal Year 2020-2021, \$1,285,470 in Fiscal Year 2021-2022, \$1,330,461 for Fiscal Year 2022-2023 and \$1,377,028 in Fiscal Year 2023-2024. NRP will manage all administrative and risk management duties for NPAIP and PACT. The NRP contract allocation is for POOL to pay 43.75% and PACT 56.25%.

**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, 2019 and 2018 were \$4,827,144 and \$4,561,006. 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 deposits for years ended June 30, 2019 and 2018 was \$4,000,000 for both years. Management does not intend to withdraw available funds; however, a withdrawal 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, 2019</u>	<u>June 30, 2018</u>
Cash equivalents	\$ 390,764	\$ 137,577
Investments	4,417,518	4,403,361
Investment income receivable	18,862	20,068
Total	<u>\$ 4,827,144</u>	<u>\$ 4,561,006</u>

**PUBLIC AGENCY COMPENSATION TRUST  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018**

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**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 2019 and 2018 is \$25,554,567 and \$24,052,539 respectively.

**NOTE 10 – ALLOCATION AND RETURN 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.

PACT uncovered an inadvertent error in calculating the experience modification factor for Douglas County entities between fiscal years 2005-2006 and 2015-2016. To correct this error for Douglas County entailed a \$1,850,000 return of assessments to Douglas County. This payment was made in fiscal year 2017-2018 based upon a negotiated resolution between Douglas County and PACT and was approved by both parties.

**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:

The current portion of the long-term loss reserve for 2019 and 2018 is \$6,125,301 and \$6,261,137 with the long-term portion for 2019 and 2018 being \$44,656,266 and \$40,061,537 respectively. Incurred losses and loss adjustment expenses are comprised of two significant factors. Provisions for events of the current year increased from \$7,881,865 for 2018 to \$10,329,367 for 2019. The increase in the provision for insured events of prior fiscal years for 2018 and 2019 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 position. In other words, a decrease in reserves results in an increase in net position, while an increase in reserves reduces net position. 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:

**PUBLIC AGENCY COMPENSATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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**NOTE 11 – UNPAID LOSS LIABILITIES (continued)**

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:

	<u>2019</u>	<u>2018</u>
Unpaid losses and loss adjustment expenses at beginning of year or period	<u>\$ 47,629,539</u>	<u>\$ 46,433,485</u>
Incurred losses and loss adjustment expenses:		
Provision for insured events of current year	9,637,367	8,445,372
Increase (decrease) in provision for insured events of prior fiscal years	<u>692,000</u>	<u>(563,507)</u>
Total incurred losses and loss adjustment	10,329,367	7,881,865
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year/period	(2,249,609)	(1,823,734)
Claims and claims adjustment expenses attributable to insured events of prior years	<u>(4,927,730)</u>	<u>(4,862,077)</u>
Total Payments	(7,177,339)	(6,685,811)
<b>Unpaid claims and claims adjustment expenses at end of fiscal year</b>	<u><u>\$ 50,781,567</u></u>	<u><u>\$ 47,629,539</u></u>

**NOTE 12 – POOLING RESOURCES, INC. GRANT**

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 PACT, Wayne Carlson and whose directors are Cash Minor, Paul Johnson and Curtis Calder. The cost of this grant was \$428,050 and 419,650 for June 30, 2019 and 2018 respectively. The grant was renewed for five years beginning July 1, 2015 and amended July 1, 2018 with future costs being \$436,800 for the year beginning July 1, 2019.

PRI provides human resources management services to PACT members. PRI pays PARMS a management fee to provide operational and financial oversight of PRI.



**PUBLIC AGENCY COMPENSATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

**NOTE 13 – SURPLUS CONTRIBUTION TO PUBLIC COMPENSATION MUTUAL COMPANY**

In May of 2007, PACT’s board of directors authorized the startup 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, 2019 was \$53,700,939 with accumulated amortization of \$30,966,968 for a net amount of \$22,733,971. Capitalization at June 30, 2018 was \$53,700,939 with accumulated amortization of \$26,645,207 for a net amount of \$27,055,732. Amortization expense for 2019 and 2018 was \$4,321,761 and \$4,473,428 respectively.

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 2019, 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 provision of 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. The financial statements of PCM are audited annually by an independent auditing firm.

Since the creation of the captive PCM, all transfers from PACT to PCM have been amortized. PACT’s investment advisor, Strategic Asset Alliance, and PACT’s money manager, New England Asset Management, developed an orderly transfer plan based on the appropriate selling and purchasing points for the designated assets. This helped accomplish the goals of providing PACT with profits of the sales and PCM with the purchase of more suitable investment assets. This enabled PACT and PCM to maintain the appropriate Net Position for their respective risk retention amounts. Contributions to the captive and amortization are as follows:

<b>Fiscal Year</b>	<b>Contribution</b>	<b>Total Capitalization</b>	<b>Amortization</b>	<b>Net Contributions</b>	<b>Accumulated Amortization</b>
2007	\$5,000,000	\$5,000,000	\$0	\$5,000,000	\$0
2008	4,000,000	9,000,000	566,667	8,433,333	566,667
2009	4,600,000	13,600,000	1,024,158	12,009,175	1,590,825
2010	4,500,000	18,100,000	1,530,700	14,978,475	3,121,525
2011	7,517,375	25,617,375	2,235,177	20,260,673	5,356,702
2012	1,542,062	27,159,437	2,666,095	19,136,640	8,022,797
2013	-	27,159,437	2,715,945	16,420,695	10,738,742
2014	-	27,159,437	2,715,944	13,704,751	13,454,686
2015	448,242	27,607,679	2,734,620	11,418,373	16,189,306
2016	1,093,260	28,700,939	2,769,879	9,741,754	18,959,185
2017	15,100,000	43,800,939	3,212,594	21,629,160	22,171,779
2018	9,900,000	53,700,939	4,473,428	27,055,732	26,645,207
2019	-	53,700,939	4,321,761	22,733,971	30,966,968

**PUBLIC AGENCY COMPENSATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019 and 2018**

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**NOTE 14 –SUBSEQUENT EVENTS**

Management has evaluated the activities and transactions subsequent to June 30, 2019 to determine the need for any adjustments to and disclosure within the financial statements for the year ended June 30, 2019. Management has evaluated subsequent events through September 30, 2019 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, 2019 and 2018:

	2019			2018		
	Workers Compensation	Heart & Lung	Total	Workers Compensation	Heart & Lung	Total
Unpaid losses and loss adjustment expenses at beginning of the year	\$ 23,577,000	\$ 24,052,539	\$ 47,629,539	\$ 23,749,000	\$ 22,684,485	\$46,433,485
Incurred losses and loss adjustment expenses:						
Provision for insured events of current year	8,130,730	1,506,637	9,637,367	6,995,000	1,450,372	8,445,372
Increase (decrease) in provision for insured events of prior fiscal year	692,000	-	692,000	(563,507)	-	(563,507)
Total incurred losses and loss adjustments	8,822,730	1,506,637	10,329,367	6,431,493	1,450,372	7,881,865
Payments:						
Claims and claim adjustment expense attributable to insured events of current year	(2,245,000)	(4,609)	(2,249,609)	(1,741,000)	(82,318)	(1,823,318)
Claims and claims adjustment expense Attributable to insured events of a prior period	(4,927,730)	-	(4,927,730)	(4,862,493)	-	(4,862,493)
Total payments	(7,172,730)	(4,609)	(7,177,339)	(6,603,493)	(82,318)	(6,685,811)
<b>Unpaid claims and claims adjustments expenses at end of fiscal year</b>	<b>\$25,227,000</b>	<b>\$25,554,567</b>	<b>\$50,781,567</b>	<b>\$23,577,000</b>	<b>\$24,052,539</b>	<b>\$47,629,539</b>

**PUBLIC AGENCY COMPENSATION TRUST**

**COMPARATIVE SCHEDULE OF CLAIM DEVELOPMENT FOR WORKERS COMP AND HEART & LUNG – UNDISCOUNTED - (UNAUDITED)**

**EARNED ASSESSMENTS AND ALLOCATED EXPENSES FOR TEN-YEAR PERIOD - YEAR ENDED JUNE 30,**

Required Contributions & Investment Income:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Earned	\$16,856,499	\$14,187,888	\$16,229,877	\$14,049,941	\$16,420,666	\$17,557,830	\$18,508,907	\$14,573,896	\$11,270,837	\$15,890,773
Ceded	1,019,746	760,706	821,229	1,196,334	1,178,052	1,626,286	1,621,360	1,770,677	2,457,932	2,144,133
Net earned	\$15,836,753	\$13,427,182	\$15,408,648	\$12,853,607	\$15,242,614	\$15,931,544	\$16,887,547	\$12,803,219	\$8,812,905	\$13,746,640
Unallocated Expenses	4,372,365	5,196,331	6,075,535	6,580,620	6,167,162	6,114,625	6,114,625	7,370,873	8,345,504	9,336,538
Estimated Incurred Claims & Expense End of Policy Year:										
Incurred	7,604,904	7,226,000	8,393,000	8,503,886	8,561,944	8,324,685	8,809,127	8,905,595	8,020,826	8,054,118
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	7,604,904	7,226,000	8,393,000	8,503,886	8,561,944	8,324,685	8,809,127	8,905,595	8,020,826	8,054,118
Net Paid (cumulative) as of:										
End of policy year	1,576,283	1,627,122	1,875,562	1,861,690	1,564,723	1,512,648	1,581,898	1,788,670	1,734,359	2,245,351
One Year Later	3,121,442	3,604,503	3,460,736	3,221,497	2,848,563	2,901,684	3,378,486	4,153,214	3,738,335	
Two Years Later	4,039,612	4,245,842	4,582,100	3,754,301	3,434,826	3,545,887	4,117,819	5,062,121		
Three Years Later	4,357,378	5,004,699	5,268,006	4,110,874	3,859,081	3,855,565	4,541,756			
Four Years Later	4,448,046	5,153,264	5,447,815	4,169,758	3,989,877	3,929,559				
Five Years Later	4,558,563	5,490,173	5,654,308	4,189,790	4,064,157					
Six Years Later	4,654,519	5,746,369	5,754,247	4,274,071						
Seven Years Later	4,572,533	5,981,875	5,810,088							
Eight Years Later	4,851,262	6,134,733								
Nine Years Later	4,955,929									
Re-estimated ceded claims & Expenses	-	-	-	-	-	-	-	-	-	-
Re-estimated Claims & Expense										
End of policy year	7,604,904	7,226,000	8,393,000	8,503,886	8,561,944	8,324,685	8,809,127	8,905,595	8,020,826	8,054,118
One Year Later	7,767,000	8,156,000	8,599,083	8,064,886	8,461,944	8,035,685	8,841,127	9,105,595	7,561,826	
Two Years Later	8,507,000	8,204,000	8,412,083	7,583,886	8,171,944	7,702,685	8,772,127	9,116,595		
Three Years Later	7,930,000	8,855,000	8,590,083	7,436,886	7,991,944	7,702,685	8,638,127			
Four Years Later	7,826,904	8,367,000	8,416,083	7,138,886	7,754,944	7,570,685				
Five Years Later	7,903,000	8,626,000	8,594,083	6,984,886	7,637,944					
Six Years Later	7,928,904	8,678,000	8,412,083	6,986,886						
Seven Years Later	7,831,904	8,855,000	8,554,083							
Eight Years Later	7,826,904	9,148,000								
Nine Years Later	7,818,904									
Increase(Decrease) in Estimated Incurred Claims & Expenses from End of Policy Year:	<b>\$214,000</b>	<b>\$1,922,000</b>	<b>\$161,083</b>	<b>(\$1,517,000)</b>	<b>(\$924,000)</b>	<b>(\$754,000)</b>	<b>(\$171,000)</b>	<b>\$211,000</b>	<b>(\$459,000)</b>	<b>-</b>

This information is required by the Governmental Accounting Standards Board



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## **Proposed Change in Amortization of Capitalization of Funds to the Captives March 2020**

### **Purpose:**

NPAIP and PACT have formed member-owned nonprofit captive mutual insurance companies and have contributed to the surplus of the company and became excess insurer for NPAIP and PACT. The captives were formed to reduce the cost of insurance, to obtain direct access to reinsurance, to provide broader coverage for policyholders, to broaden investment opportunities and to build equity to enable provision of coverage not obtainable elsewhere.

As a condition of providing surplus contributions, but without any expectation that the funds will be returned, NPAIP and PACT required that prior to any distributions, the contributed surplus must be repaid to NPAIP and PACT. Management considers the contributed surplus costs a development cost than can provide lower operating costs in the future and estimates that the savings in reinsurance costs to NPAIP and PACT will recoup the startup capital. ***Therefore, it has been the policy to amortize the transfer of contributed surplus to PRM and PCM over a 10-year period. (emphasis added)***

This 10-year amortization period has created net decrease in net position from operations due to the annual amortization amounts. For example, in FYE 6-30-2019, NPAIP and PACT amortization amounts were \$2,295,226 and \$4,321,761 respectively. NPAIP and PACT Net Position decreased by \$1,558,723 and \$5,919,265 in FYE 6-30-2019. This accounting has created confusion with the members and those who do not understanding the accounting treatment of the transfer of surplus capital. Accounting standards allow entities to expense 100% in the year of the transfer or amortize over a period of years.

### **Proposal:**

Based on discussions with our independent auditor, it is recommended to change the amortization policy from 10 years to expensing 100% of the amount of the contributed surplus to the captives in the year of the transfer. This will increase the expense in the year of the transfer and eliminate the other asset: Contributed Surplus PRM and PCM net on the NPAIP and PACT financial statements. This change will have an impact on our financial benchmarks and make us more comparable with our peers in years without a transfer.

## Fiscal Impacts:

**Public Risk Mutual:** Contributed surplus from NPAIP since September 1, 2004 is \$29,477,263.

As of June 30, 2019, NPAIP had amortized \$18,125,819 of the transfer for a Net Contributed Surplus to PRM of \$11,351,444 on the Statement of Net Position. See Note 9 of the June 30, 2019 Financial Statements for more details. The Total Surplus for PRM as of December 31, 2019 is \$41,702,381 which exceeds the NPAIP contributions by \$12,225,118. See audits for more details.

**Public Compensation Mutual:** Contributed surplus from PACT since May 2007 is \$53,700,939.

As of June 30, 2019, PACT had amortized \$30,966,968 of the transfer for a Net Contribution Surplus to PCM of \$22,733,971 on the Statement of Net Position. See Note 13 of the PACT Financial Statements for more details. The Total Surplus for PCM as of December 31, 2019 is \$77,854,824 which exceeds the PACT contributions by \$24,153,885. See audits for more details.

## Recommended Board Action:

A motion to change the accounting policy relating to transfer of surplus capital to the PRM and PCM captives providing for 100% expense in the year of transfer effective retroactively to July 1, 2018 noting that the unamortized balances will be noted in the beginning balances.

**Public Agency Compensation Trust**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For Years Ended June 30th**

Description	Existing Policy		New Policy		\$ Difference	
	2018 Audit	2019 Audit	2018	2019	2018	2019
<b>REVENUES</b>						
Assessments for Worker Comp	10,083,799	11,792,275	10,083,799	11,792,275	-	-
Assessments for Heart Lung	1,104,106	1,109,118	1,104,106	1,109,118	-	-
<b>Total Revenues</b>	<b>11,187,905</b>	<b>12,901,393</b>	<b>11,187,905</b>	<b>12,901,393</b>	-	-
					-	-
<b>LOSS FUND AND PROGRAM EXPENSES</b>						
Claims and adjustment expenses	6,431,493	8,822,730	6,431,493	8,822,730	-	-
Heart Lung Loss expenses	1,450,372	1,506,637	1,450,372	1,506,637	-	-
Excess Insurance premium	526,516	537,133	526,516	537,133	-	-
Re-insurance Premium	1,931,416	1,607,000	1,931,416	1,607,000	-	-
Member education and services	629,804	652,803	629,804	652,803	-	-
Loss Control expenses	406,000	406,000	406,000	406,000	-	-
<b>PCM Contribution Expense</b>	<b>-</b>	<b>-</b>	<b>9,900,000</b>	<b>-</b>	<b>9,900,000</b>	<b>-</b>
Underwriting and claims processing	863,769	1,011,041	863,769	1,011,041	-	-
<b>Total Loss Fund and Program Expenses</b>	<b>12,239,370</b>	<b>14,543,344</b>	<b>22,139,370</b>	<b>14,543,344</b>	<b>9,900,000</b>	<b>-</b>
					-	-
<b>ADMINISTRATION EXPENSES</b>						
Management Fees	513,174	821,488	513,174	821,488	-	-
Professional services	110,407	107,961	110,407	107,961	-	-
Administrative and Overhead	639,562	984,475	639,562	984,475	-	-
Risk Management Grants	186,174	314,076	186,174	314,076	-	-
Insurance Division Fees	469,353	696,933	469,353	696,933	-	-
Insolvency fund and related expenses	33,833	20,000	33,833	20,000	-	-
Amortization expense	4,473,428	4,321,761			(4,473,428)	(4,321,761)
<b>Total Administration Expenses</b>	<b>6,445,931</b>	<b>7,266,694</b>	<b>1,972,503</b>	<b>2,944,933</b>	<b>(4,473,428)</b>	<b>(4,321,761)</b>
<b>Decrease in operating net position</b>	<b>(7,497,396)</b>	<b>(8,908,645)</b>	<b>(12,923,968)</b>	<b>(4,586,884)</b>	<b>(5,426,572)</b>	<b>4,321,761</b>
<b>Non-operating net investment income</b>	<b>82,932</b>	<b>2,989,380</b>	<b>82,932</b>	<b>2,989,380</b>	<b>-</b>	<b>-</b>
<b>(Decrease) Increase in net position</b>	<b>(7,414,464)</b>	<b>(5,919,265)</b>	<b>(12,841,036)</b>	<b>(1,597,504)</b>	<b>(5,426,572)</b>	<b>4,321,761</b>
<b>Net Position, beginning of year</b>	<b>\$ 46,788,584</b>	<b>\$ 39,374,120</b>	<b>25,159,424</b>	<b>12,318,388</b>	<b>(21,629,160)</b>	<b>(27,055,732)</b>
<b>Net Position, end of year</b>	<b>\$ 39,374,120</b>	<b>\$ 33,454,855</b>	<b>12,318,388</b>	<b>10,720,884</b>	<b>(27,055,732)</b>	<b>(22,733,971)</b>

Public Agency Compensation Trust  
Statement of Net Position  
Fiscal Years Ending June 30th

Description	Existing Policy		New Policy		\$ Difference	
	2018 Audit	2019 Audit	2018	2019	2018	2019
<b>ASSETS</b>						
<i>Current Assets:</i>						
Cash and cash equivalents	1,960,467	1,646,579	1,960,467	1,646,579	-	-
Investments	49,996,097	51,640,578	49,996,097	51,640,578	-	-
Investment income receivable	209,396	196,908	209,396	196,908	-	-
Members assessments receivable	3,421,951	3,879,593	3,421,951	3,879,593	-	-
Specific recoverables	186,908	519,192	186,908	519,192	-	-
Commissions receivable	56,800	60,208	56,800	60,208	-	-
Receivable from State of Nevada	102,976	-	102,976	-	-	-
Prepaid expenses	-	-	-	-	-	-
<i>Total Current Assets</i>	<i>55,934,595</i>	<i>57,943,058</i>	<i>55,934,595</i>	<i>57,943,058</i>	-	-
<i>Noncurrent assets:</i>						
Pledged investments	4,561,006	4,827,144	4,561,006	4,827,144	-	-
Contributed surplus PCM, net	27,055,732	22,733,971			(27,055,732)	(22,733,971)
<i>Total noncurrent assets</i>	<i>31,616,738</i>	<i>27,561,115</i>	<i>4,561,006</i>	<i>4,827,144</i>	<i>(27,055,732)</i>	<i>(22,733,971)</i>
<b>TOTAL ASSETS</b>	<b>87,551,333</b>	<b>85,504,173</b>	<b>60,495,601</b>	<b>62,770,202</b>	<b>(27,055,732)</b>	<b>(22,733,971)</b>
<b>LIABILITIES</b>						
<i>Current Liabilities:</i>						
Accounts Payable	149,389	542,772	149,389	542,772	-	-
Commissions payable	56,800	65,639	56,800	65,639	-	-
Specific recoverable	186,908	519,191	186,908	519,191	-	-
Risk Management Grant payable	154,577	140,149	154,577	140,149	-	-
Current portion of reserve for claims losses	6,261,137	6,125,301	6,261,137	6,125,301	-	-
<i>Total Current Liabilities</i>	<i>6,808,811</i>	<i>7,393,052</i>	<i>6,808,811</i>	<i>7,393,052</i>	-	-
<i>Noncurrent liabilities:</i>						
Reserve for Worker Comp claims losses	17,315,863	19,101,699	17,315,863	19,101,699	-	-
Reserve for Heart Lung claim losses	24,052,539	25,554,567	24,052,539	25,554,567	-	-
<i>Total Noncurrent liabilities</i>	<i>41,368,402</i>	<i>44,656,266</i>	<i>41,368,402</i>	<i>44,656,266</i>	-	-
<b>TOTAL LIABILITIES</b>	<b>48,177,213</b>	<b>52,049,318</b>	<b>48,177,213</b>	<b>52,049,318</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>						
Net position-unrestricted	34,813,114	28,627,711	7,757,382	5,893,740	27,055,732	22,733,971
Net position-restricted for pledged securities	4,561,006	4,827,144	4,561,006	4,827,144	-	-
<b>TOTAL NET POSITION</b>	<b>39,374,120</b>	<b>33,454,855</b>	<b>12,318,388</b>	<b>10,720,884</b>	<b>27,055,732</b>	<b>22,733,971</b>
Proof total: Difference	-	-	-	536,044	-	(536,044)
PACT SIR, Blended if Necessary	300,000	300,000	300,000	300,000		
Net Position /SIR Ratio Policy >20:1	131.2	111.5	41.1	35.7		



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## **Proposed Change in Amortization of Capitalization of Funds to the Captives March 2020**

### **Purpose:**

NPAIP and PACT have formed member-owned nonprofit captive mutual insurance companies and have contributed to the surplus of the company and became excess insurer for NPAIP and PACT. The captives were formed to reduce the cost of insurance, to obtain direct access to reinsurance, to provide broader coverage for policyholders, to broaden investment opportunities and to build equity to enable provision of coverage not obtainable elsewhere.

As a condition of providing surplus contributions, but without any expectation that the funds will be returned, NPAIP and PACT required that prior to any distributions, the contributed surplus must be repaid to NPAIP and PACT. Management considers the contributed surplus costs a development cost than can provide lower operating costs in the future and estimates that the savings in reinsurance costs to NPAIP and PACT will recoup the startup capital. ***Therefore, it has been the policy to amortize the transfer of contributed surplus to PRM and PCM over a 10-year period. (emphasis added)***

This 10-year amortization period has created net decrease in net position from operations due to the annual amortization amounts. For example, in FYE 6-30-2019, NPAIP and PACT amortization amounts were \$2,295,226 and \$4,321,761 respectively. NPAIP and PACT Net Position decreased by \$1,558,723 and \$5,919,265 in FYE 6-30-2019. This accounting has created confusion with the members and those who do not understanding the accounting treatment of the transfer of surplus capital. Accounting standards allow entities to expense 100% in the year of the transfer or amortize over a period of years.

### **Proposal:**

Based on discussions with our independent auditor, it is recommended to change the amortization policy from 10 years to expensing 100% of the amount of the contributed surplus to the captives in the year of the transfer. This will increase the expense in the year of the transfer and eliminate the other asset: Contributed Surplus PRM and PCM net on the NPAIP and PACT financial statements. This change will have an impact on our financial benchmarks and make us more comparable with our peers in years without a transfer.



## Fiscal Impacts:

**Public Risk Mutual:** Contributed surplus from NPAIP since September 1, 2004 is \$29,477,263.

As of June 30, 2019, NPAIP had amortized \$18,125,819 of the transfer for a Net Contributed Surplus to PRM of \$11,351,444 on the Statement of Net Position. See Note 9 of the June 30, 2019 Financial Statements for more details. The Total Surplus for PRM as of December 31, 2019 is \$41,702,381 which exceeds the NPAIP contributions by \$12,225,118. See audits for more details.

**Public Compensation Mutual:** Contributed surplus from PACT since May 2007 is \$53,700,939.

As of June 30, 2019, PACT had amortized \$30,966,968 of the transfer for a Net Contribution Surplus to PCM of \$22,733,971 on the Statement of Net Position. See Note 13 of the PACT Financial Statements for more details. The Total Surplus for PCM as of December 31, 2019 is \$77,854,824 which exceeds the PACT contributions by \$24,153,885. See audits for more details.

## Recommended Board Action:

A motion to change the accounting policy relating to transfer of surplus capital to the PRM and PCM captives providing for 100% expense in the year of transfer effective retroactively to July 1, 2018 noting that the unamortized balances will be noted in the beginning balances.

**Public Agency Compensation Trust**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For Years Ended June 30th**

Description	Existing Policy		New Policy		\$ Difference	
	2018 Audit	2019 Audit	2018	2019	2018	2019
<b>REVENUES</b>						
Assessments for Worker Comp	10,083,799	11,792,275	10,083,799	11,792,275	-	-
Assessments for Heart Lung	1,104,106	1,109,118	1,104,106	1,109,118	-	-
<b>Total Revenues</b>	<b>11,187,905</b>	<b>12,901,393</b>	<b>11,187,905</b>	<b>12,901,393</b>	-	-
					-	-
<b>LOSS FUND AND PROGRAM EXPENSES</b>						
Claims and adjustment expenses	6,431,493	8,822,730	6,431,493	8,822,730	-	-
Heart Lung Loss expenses	1,450,372	1,506,637	1,450,372	1,506,637	-	-
Excess Insurance premium	526,516	537,133	526,516	537,133	-	-
Re-insurance Premium	1,931,416	1,607,000	1,931,416	1,607,000	-	-
Member education and services	629,804	652,803	629,804	652,803	-	-
Loss Control expenses	406,000	406,000	406,000	406,000	-	-
<b>PCM Contribution Expense</b>	-	-	9,900,000	-	9,900,000	-
Underwriting and claims processing	863,769	1,011,041	863,769	1,011,041	-	-
<b>Total Loss Fund and Program Expenses</b>	<b>12,239,370</b>	<b>14,543,344</b>	<b>22,139,370</b>	<b>14,543,344</b>	<b>9,900,000</b>	-
					-	-
<b>ADMINISTRATION EXPENSES</b>						
Management Fees	513,174	821,488	513,174	821,488	-	-
Professional services	110,407	107,961	110,407	107,961	-	-
Administrative and Overhead	639,562	984,475	639,562	984,475	-	-
Risk Management Grants	186,174	314,076	186,174	314,076	-	-
Insurance Division Fees	469,353	696,933	469,353	696,933	-	-
Insolvency fund and related expenses	33,833	20,000	33,833	20,000	-	-
Amortization expense	4,473,428	4,321,761	-	-	(4,473,428)	(4,321,761)
<b>Total Administration Expenses</b>	<b>6,445,931</b>	<b>7,266,694</b>	<b>1,972,503</b>	<b>2,944,933</b>	<b>(4,473,428)</b>	<b>(4,321,761)</b>
<b>Decrease in operating net position</b>	<b>(7,497,396)</b>	<b>(8,908,645)</b>	<b>(12,923,968)</b>	<b>(4,586,884)</b>	<b>(5,426,572)</b>	<b>4,321,761</b>
<b>Non-operating net investment income</b>	<b>82,932</b>	<b>2,989,380</b>	<b>82,932</b>	<b>2,989,380</b>	-	-
<b>(Decrease) Increase in net position</b>	<b>(7,414,464)</b>	<b>(5,919,265)</b>	<b>(12,841,036)</b>	<b>(1,597,504)</b>	<b>(5,426,572)</b>	<b>4,321,761</b>
<b>Net Position, beginning of year</b>	<b>\$ 46,788,584</b>	<b>\$ 39,374,120</b>	<b>25,159,424</b>	<b>12,318,388</b>	<b>(21,629,160)</b>	<b>(27,055,732)</b>
<b>Net Position, end of year</b>	<b>\$ 39,374,120</b>	<b>\$ 33,454,855</b>	<b>12,318,388</b>	<b>10,720,884</b>	<b>(27,055,732)</b>	<b>(22,733,971)</b>

Public Agency Compensation Trust  
Statement of Net Position  
Fiscal Years Ending June 30th

Description	Existing Policy		New Policy		\$ Difference	
	2018 Audit	2019 Audit	2018	2019	2018	2019
<b>ASSETS</b>						
<i>Current Assets:</i>						
Cash and cash equivalents	1,960,467	1,646,579	1,960,467	1,646,579	-	-
Investments	49,996,097	51,640,578	49,996,097	51,640,578	-	-
Investment income receivable	209,396	196,908	209,396	196,908	-	-
Members assessments receivable	3,421,951	3,879,593	3,421,951	3,879,593	-	-
Specific recoverables	186,908	519,192	186,908	519,192	-	-
Commissions receivable	56,800	60,208	56,800	60,208	-	-
Receivable from State of Nevada	102,976	-	102,976	-	-	-
Prepaid expenses	-	-	-	-	-	-
<i>Total Current Assets</i>	<i>55,934,595</i>	<i>57,943,058</i>	<i>55,934,595</i>	<i>57,943,058</i>	-	-
<i>Noncurrent assets:</i>						
Pledged investments	4,561,006	4,827,144	4,561,006	4,827,144	-	-
Contributed surplus PCM, net	27,055,732	22,733,971			(27,055,732)	(22,733,971)
<i>Total noncurrent assets</i>	<i>31,616,738</i>	<i>27,561,115</i>	<i>4,561,006</i>	<i>4,827,144</i>	<i>(27,055,732)</i>	<i>(22,733,971)</i>
<b>TOTAL ASSETS</b>	<b>87,551,333</b>	<b>85,504,173</b>	<b>60,495,601</b>	<b>62,770,202</b>	<b>(27,055,732)</b>	<b>(22,733,971)</b>
<b>LIABILITIES</b>						
<i>Current Liabilities:</i>						
Accounts Payable	149,389	542,772	149,389	542,772	-	-
Commissions payable	56,800	65,639	56,800	65,639	-	-
Specific recoverable	186,908	519,191	186,908	519,191	-	-
Risk Management Grant payable	154,577	140,149	154,577	140,149	-	-
Current portion of reserve for claims losses	6,261,137	6,125,301	6,261,137	6,125,301	-	-
<i>Total Current Liabilities</i>	<i>6,808,811</i>	<i>7,393,052</i>	<i>6,808,811</i>	<i>7,393,052</i>	-	-
<i>Noncurrent liabilities:</i>						
Reserve for Worker Comp claims losses	17,315,863	19,101,699	17,315,863	19,101,699	-	-
Reserve for Heart Lung claim losses	24,052,539	25,554,567	24,052,539	25,554,567	-	-
<i>Total Noncurrent liabilities</i>	<i>41,368,402</i>	<i>44,656,266</i>	<i>41,368,402</i>	<i>44,656,266</i>	-	-
<b>TOTAL LIABILITIES</b>	<b>48,177,213</b>	<b>52,049,318</b>	<b>48,177,213</b>	<b>52,049,318</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>						
Net position-unrestricted	34,813,114	28,627,711	7,757,382	5,893,740	27,055,732	22,733,971
Net position-restricted for pledged securities	4,561,006	4,827,144	4,561,006	4,827,144	-	-
<b>TOTAL NET POSITION</b>	<b>39,374,120</b>	<b>33,454,855</b>	<b>12,318,388</b>	<b>10,720,884</b>	<b>27,055,732</b>	<b>22,733,971</b>
Proof total: Difference	-	-	-	536,044	-	(536,044)
PACT SIR, Blended if Necessary	300,000	300,000	300,000	300,000		
Net Position /SIR Ratio Policy >20:1	131.2	111.5	41.1	35.7		

**Public Agency Compensation Trust**  
**Statement of Net Position**  
**Fiscal Years Ending June 30th**

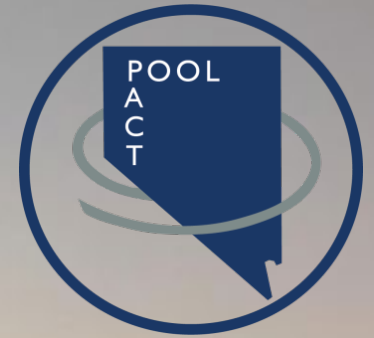
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Prepaid expenses		-		-	-	-
<i>Total Current Assets</i>	<i>55,934,595</i>	<i>57,943,058</i>	<i>55,934,595</i>	<i>57,943,058</i>	-	-
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**Public Agency Compensation Trust**  
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<b>LOSS FUND AND PROGRAM EXPENSES</b>						
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<b>ADMINISTRATION EXPENSES</b>						
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Net Position, beginning of year	\$ 46,788,584	\$ 39,374,120	25,159,424	12,318,388	(21,629,160)	(27,055,732)
Net Position, end of year	\$ 39,374,120	\$ 33,454,855	12,318,388	10,720,884	(27,055,732)	(22,733,971)

# Public Agency Compensation Trust Renewal Presentation 2020-2021

April 17, 2020

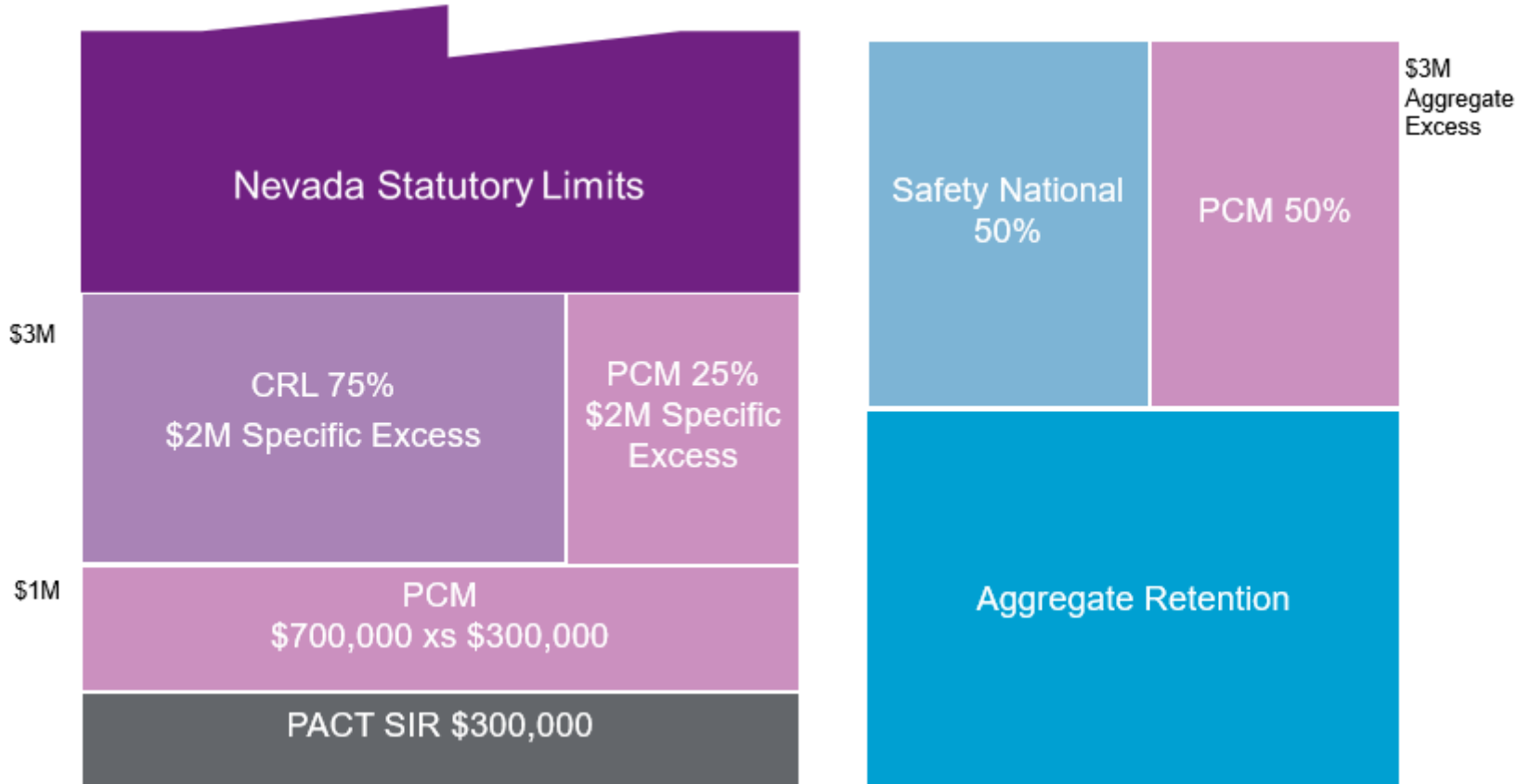


# State of the Market

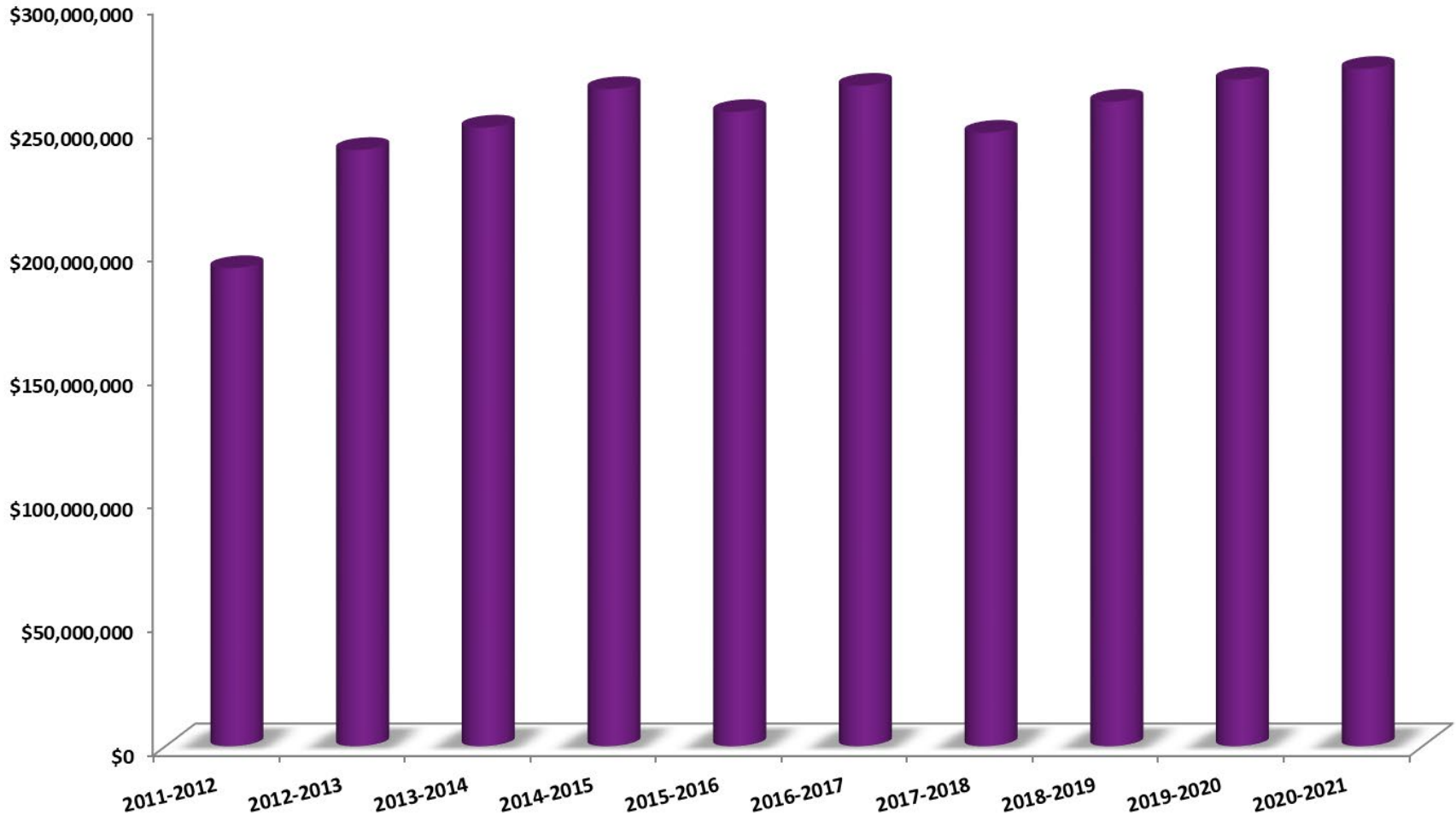
## Workers Compensation

- Near-term workers compensation pricing should remain soft amid an insurance marketplace with excess capacity, a rising exposure base and three years of underwriting profitability. This is largely supported by combined ratios below 100.
- Improvements in medical care and adoption of return-to-work programs have led to a decrease in lost-time claims.
- Advancements in medical technology have contributed to workers compensation “mega claims”, which are defined by the NCCI as workers compensation claims in excess of \$10M. These claims have become more frequent in recent years, with 70% of mega claims arising from motor vehicle accidents and falls from elevation.
- NCCI reports that 2018 average indemnity claim severity increased by 3% year on year, while medical lost-time claim severity increased by 1%. If loss costs continue to rise, premium rate will see upward pressure.
- Workers’ Compensation and Excess Workers’ Compensation for qualified self-insureds continue to present challenges due to limited availability of markets.

# PACT 2019-2020 *and* 2020-2021 Program Structure



# PACT Historical Payroll

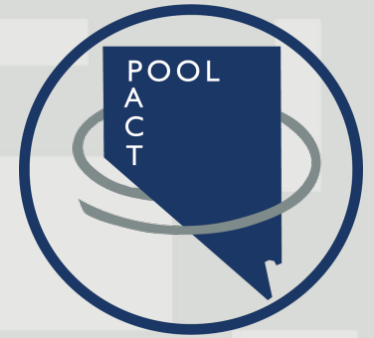




## 2020-2021 PACT Renewal Quotations

2020 - 2021 PACT Renewal Quotations				
	Premium with 2019 Rates applied to 2020 Exposures	Premium with 2020 Rates and 2020 Exposures		
Insurance Market	CRL/Safety National	CRL/Safety National		
	\$300,000 Retention PACT, \$700,000 xs \$300,000 PCM, 75/25 Quota Share with CRL up to \$3M with Safety National attaching at \$3M and aggregate split 50/50 between Safety National and PCM	\$300,000 Retention PACT, \$700,000 xs \$300,000 PCM, 75/25 Quota Share with CRL up to \$3M with Safety National attaching at \$3M and aggregate split 50/50 between Safety National and PCM	% Change	\$ Change
Premium				
PCM	\$2,264,810.67	\$2,522,875	11.39%	\$258,064
CRL	\$313,784.78	\$307,487	-2.01%	-\$6,298
Safety National	\$156,070.98	\$156,071	0.00%	\$0
<b>Total Premium</b>	<b>\$2,734,666</b>	<b>\$2,986,433</b>	<b>9.21%</b>	<b>\$251,767</b>
Program Limits				
PACT SIR	\$300,000	\$300,000	No Change	No Change
PCM Primary Layer	\$700k xs \$300k	\$700k xs \$300k	No Change	No Change
PCM 25% \$2M Specific Excess	\$2M xs \$1M	\$2M xs \$1M	No Change	No Change
CRL 75% \$2M Specific Excess	\$2M xs \$1M	\$2M xs \$1M	No Change	No Change
Excess of \$3M	Statutory	Statutory	No Change	No Change
PCM 50% Aggregate Limit	\$3,000,000	\$3,000,000	No Change	No Change
CRL 50% Aggregate Limit	\$3,000,000	\$3,000,000	No Change	No Change
Payroll	\$269,503,461	\$273,808,682	1.60%	\$4,305,221
				<b>as of 4.7.20</b>

# Thank you!



**2020 - 2021 NPAIP Renewal Quotations**

	Premium with 2019 Rates applied to 2020 Exposures	Premium with 2020 Rates applied to 2020 Exposures		
<b>Coverages</b>	<b>\$300 Million Property and \$150 Million Flood and Quake, EXCEPT \$25 Million Flood Zone A, \$100 Million Equipment Breakdown, \$2.5M xs \$500K UE Casualty 100% (Schools), 70% CRL &amp; 30% PRM (Non-Schools), \$7M xs \$3M GEM 35%, BRIT 40%, PRM 25%</b>	<b>Renewal \$300 Million Property and \$150 Million Flood and Quake, EXCEPT \$25 Million Flood Zone A, \$100 Million Equipment Breakdown, \$2.5M xs \$500K UE Casualty 100% (Schools), 70% CRL &amp; 30% PRM (Non-Schools), \$7M xs \$3M GEM 35%, BRIT 40%, PRM 25%</b>	<b>% Change</b>	<b>\$ Change</b>
CRL - Casualty w/o Schools	\$634,764	\$692,257	9.06%	\$57,493
United Educators - Casualty Schools 100%	\$321,427	\$378,416	17.73%	\$56,989
PRM Casualty	\$528,412	\$664,963	25.84%	\$136,551
GEM	\$247,414	\$256,796	3.79%	\$9,382
Brit	\$239,581	\$264,717	10.49%	\$25,136
Lloyds of London/Property	\$3,151,725	\$3,600,000	14.22%	\$448,275
Lloyds of London/Property Possible Additional	N/A	\$150,000	N/A	\$150,000
PRM Property	\$905,409	\$909,963	0.50%	\$4,554
Travelers Boiler Re	\$143,526	\$143,526	0.00%	\$0
<b>Total</b>	<b>\$6,172,258</b>	<b>\$7,060,638</b>	<b>14.39%</b>	<b>\$888,380</b>
<b>Joint Purchase Insurance Programs</b>				
Terrorism Property - Retention \$200K	\$139,452	\$139,452	0.00%	\$0
Terrorism Liability Retention \$250K	\$44,000	\$44,000	0.00%	\$0
Student Accident - \$25,000 Limit	\$195,590	\$195,590	0.00%	\$0
Environmental Liability \$250k Ded.	\$283,938	\$290,474	2.30%	\$6,536
<b>Total</b>	<b>\$662,980</b>	<b>\$669,516</b>	<b>0.99%</b>	<b>\$6,536</b>
<b>Grand Total</b>	<b>\$6,835,238</b>	<b>\$7,730,154</b>	<b>13.09%</b>	<b>\$894,916</b>
<b>Retentions</b>				
Property - NPAIP and PRM	\$500,000	\$500,000		
Casualty - NPAIP Only	\$500,000	\$500,000		
<b>Participation in NPAIP Structure</b>				
CRL Casualty w/o school exposure	70% of \$2.5M xs \$500K	70% of \$2.5M xs \$500K		
PRM Casualty w/o school exposure	30% of \$2.5M xs \$500K	30% of \$2.5M xs \$500K		
United Educators - Casualty Schools Only	100% of \$2.5M xs \$500K	100% of \$2.5M xs \$500K		
PRM Casualty w/o school exposure	25% of \$7M xs \$3M	25% of \$7M xs \$3M		
GEM Casualty	35% of \$7M xs \$3M	35% of \$7M xs \$3M		
Brit Casualty	40% of \$7M xs \$3M	40% of \$7M xs \$3M		
Boiler Re (Equipment Breakdown Limits)	\$100,000,000	\$100,000,000		
PRM Property	\$300K xs \$200K	\$300K xs \$200K		
Lloyds Property	\$300,000,000 xs \$500k	\$300,000,000 xs \$500k		
Lloyds Property - Flood Zone A Limits	\$25,000,000	\$25,000,000		

## 2020 - 2021 PACT Renewal Quotations

	Premium with 2019 Rates applied to 2020 Exposures	Premium with 2020 Rates and 2020 Exposures		
Insurance Market	CRL/Safety National	CRL/Safety National		
	\$300,000 Retention PACT, \$700,000 xs \$300,000 PCM, 75/25 Quota Share with CRL up to \$3M with Safety National attaching at \$3M and aggregate split 50/50 between Safety National and PCM	\$300,000 Retention PACT, \$700,000 xs \$300,000 PCM, 75/25 Quota Share with CRL up to \$3M with Safety National attaching at \$3M and aggregate split 50/50 between Safety National and PCM	% Change	\$ Change
<b>Premium</b>				
<b>PCM</b>	\$2,264,810.67	\$2,522,875	11.39%	\$258,064
<b>CRL</b>	\$313,784.78	\$307,487	-2.01%	-\$6,298
<b>Safety National</b>	\$156,070.98	\$156,071	0.00%	\$0
<b>Total Premium</b>	\$2,734,666	\$2,986,433	9.21%	\$251,767
<b>Program Limits</b>				
<b>PACT SIR</b>	\$300,000	\$300,000	No Change	No Change
<b>PCM Primary Layer</b>	\$700k xs \$300k	\$700k xs \$300k	No Change	No Change
<b>PCM 25% \$2M Specific Excess</b>	\$2M xs \$1M	\$2M xs \$1M	No Change	No Change
<b>CRL 75% \$2M Specific Excess</b>	\$2M xs \$1M	\$2M xs \$1M	No Change	No Change
<b>Excess of \$3M</b>	Statutory	Statutory	No Change	No Change
<b>PCM 50% Aggregate Limit</b>	\$3,000,000	\$3,000,000	No Change	No Change
<b>CRL 50% Aggregate Limit</b>	\$3,000,000	\$3,000,000	No Change	No Change
<b>Payroll</b>	\$269,503,461	\$273,808,682	1.60%	\$4,305,221
				<b>as of 4.1.20</b>

## PACT BUDGET 2020-2021

Presented at Executive Committee March 11 & April 6 To Be Adopted at Annual Meeting April 17, 2020	<i>FY 2019-2020 Budget</i>	<i>FY 2020-2021 Budget</i>	<i>Dollar Change</i>	<i>Percentage Change</i>	<i>% of Total Revenues</i>	<i>Notes</i>
<b>Revenues</b>						
Assessments	\$ 13,574,420	\$ 15,166,836	\$ 1,592,416	11.73%	85.2%	Increase based on 70% CL and Costs
Assessments for Heart Lung	1,496,524	2,056,385	\$ 559,861	37.41%	11.6%	Rate to Include Cardiac Wellness Program
PCM Risk Management Fee	575,000	575,000	\$ -	0.00%	3.2%	Fixed Amount from PCM
<b>Total Revenues</b>	<b>\$ 15,645,944</b>	<b>\$ 17,798,221</b>	<b>\$ 2,152,277</b>	<b>13.76%</b>	<b>100.0%</b>	
<b>Loss Fund &amp; Insurance Expense</b>						
Claims and Adjustment Expenses	\$ 6,285,000	\$ 7,768,000	\$ 1,483,000	23.60%	43.6%	Actuarial amount at 70% Confidence Interval
Heart Lung Loss Reserves Expenses	2,006,637	2,056,385	\$ 49,748	2.48%	11.6%	Includes Cardiac Wellness Program Charges
Excess Insurance Premiums	462,468	463,558	\$ 1,090	0.24%	2.6%	Carrier Renewal rates plus additional exposures
Reinsurance Premium (PCM)	2,237,200	2,522,875	\$ 285,675	12.77%	14.2%	PCM Rate at 75% CL + Admin Expenses
<b>Total Loss Fund and Insurance Expenses</b>	<b>\$ 10,991,305</b>	<b>\$ 12,810,818</b>	<b>\$ 1,819,513</b>	<b>16.55%</b>	<b>72.0%</b>	
<b>Program Expenses</b>						
Member Education and services	\$ 704,300	\$ 699,272	\$ (5,028)	-0.71%	3.9%	PRI, Target Solution, 24/7/365, EAP, MSDS On-line, E-learning
Loss control expenses	406,000	406,000	\$ -	0.00%	2.3%	Willis Loss Control Services, Inspections, trainings
Underwriting and claims processing	885,363	1,026,207	\$ 140,844	15.91%	5.8%	Third Party Administrator, ASC Claims Processing
<b>Total Program Expenses</b>	<b>\$ 1,995,663</b>	<b>\$ 2,131,479</b>	<b>\$ 135,816</b>	<b>6.81%</b>	<b>12.0%</b>	
<b>Administration Expenses</b>						
Management Services	\$ 675,000	\$ 698,625	\$ 23,625	3.50%	3.9%	Nevada Risk Pooling Management Team
Professional Fees	112,819	112,819	\$ 0	0.00%	0.6%	Independent Audit, Payroll Audits
Administrative and Overhead	689,242	689,242	\$ 0	0.00%	3.9%	Rent, Utilities, Copier, Phone, Training, Technology, Support
Insurance Division Fees	515,658	759,338	\$ 243,680	47.26%	4.3%	State of Nevada mandated fees
Nevada Insolvency Fund and related expenses	19,855	20,900	\$ 1,045	5.26%	0.1%	State of Nevada mandated fees
<b>Total Administrative Expenses</b>	<b>\$ 2,012,574</b>	<b>\$ 2,280,925</b>	<b>\$ 268,351</b>	<b>13.33%</b>	<b>12.8%</b>	
<b>Operating Income (Loss)</b>	<b>\$ 646,402</b>	<b>\$ 575,000</b>	<b>\$ (71,402)</b>	<b>-11.05%</b>	<b>3.2%</b>	Thin margins to mitigate rate increase to membership
Investment Income	1,369,121	1,254,950	\$ (114,171)	-8.34%	7.1%	Earnings from Investment Portfolio managed by NEAM, SAA
<b>Net Gain (Loss)</b>	<b>\$ 2,015,523</b>	<b>\$ 1,829,950</b>	<b>\$ (185,573)</b>	<b>-9.21%</b>	<b>10.3%</b>	
<b>Net Gain (Loss) After Loss Control Grants</b>	<b>\$ 1,515,523</b>	<b>\$ 1,329,950</b>	<b>\$ (185,573)</b>	<b>-12.24%</b>		
Other Expenses: Loss Control Grants: Paid from Surplus	\$ 500,000	\$ 500,000				Stryker Grant \$250,000 designated in Loss Control Grants 20-21.

NOTES:



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

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## **PACT/PCM Renewal Considerations 2020-2021 Budget Overview April 17, 2020**

The following is a summary of the proposed Fiscal Year 2020-21 Budget for the Public Agency Compensation Trust (PACT) and Public Compensation Mutual (PCM Captive). This is the result of input from staff, actuaries, auditors, regulators, strategic business partners, executive committee members and members. The tentative budget was discussed at the March 11<sup>th</sup> Executive Committee and finalized at the April 6<sup>th</sup> Executive Committee meeting to bring to the Annual Meeting as a recommendation for the full Board.

### ***PACT Assessments***

The projected PACT assessments will increase by 11.73%. The actual increases that the entities will experience will depend on their experience modification factor and covered payroll during the year. The assessment increase is based on funding losses at a 70% Confidence Level (CL) and the related PACT administration cost. The assessment for Heart Lung will include the projected \$500,000 cost of the Cardiac Wellness Program. This reflects an increase of 37% for the affected class of police/fire employees. There is NO ASSESSMENT CHARGE related to the COVID-19 virus built into these rates.

### ***PACT: Claims and Claims Adjustment Expense*** (43.6% of Revenues)

- 1.** Increase PACT's Loss Fund Contribution from 70% Confidence Level to 75% Confidence Level for Worker's Compensation Coverage. **Fiscal Impact:** = +\$289,000

**Discussion:** PACT has been using the 70% Confidence Level (Marginally Acceptable) from the Bickmore Actuarial Reports. This means that 70% of the time, it will result in adequate funding and 30% of the time it would be underfunded. To improve underwriting reserves, an increase to 75% CL would provide additional funds to pay claims. The Worker's Compensation Funding would increase to \$8,057,000 from \$7,768,000 or \$289,000 more to move to the 75% CL. Note that the increase from the current year 70% CL to FY 21 70% CL is \$1,483,000. No discounting in the actuarial numbers.

**Recommendation:** Due to the financial situation of our members it is not recommended to increase Confidence Level at this time.

**Board Direction:** This was confirmed by the Executive Committee on April 6<sup>th</sup>

**Reinsurance Options / PCM** (14.2% of Revenues)

2. Keep 75% Confidence Level at PCM **Fiscal Impact:** = +\$281,000  
WC Rates Only 70% \$2,382,500 75% \$2,519,500 Difference \$137,000

**Discussion:** The higher the confidence level the more likely the reserve is adequate to for the actual claim results. A higher CL could result in an Underwriting Gain. Lower rate could result in an Underwriting Loss for the year. As noted by our Auditor, we have experienced underwriting losses in some of the previous years. FY 20 75% CL was \$1,980,000 compared to \$2,261,000 in FY 21 and increase of \$281,000. The increase in cost calculated by the actuary is due to large claims hitting this level of coverage.

**Recommendation:** 75% Confidence Level at the Captive Layer. It is a difficult to cut the Confidence Level during a period of time where claims are hitting the PCM level.

**Board Direction:** This recommendation was confirmed by the Executive Committee on April 6<sup>th</sup>.

**Other Budget Items**

3. **Program Expenses** (12% of Revenues) **Fiscal Impact:** +\$135,819 over Current Year

**Discussion:** Underwriting and claims processing projected increase is due to the number of claims being processed by the TPA. Member Education and services showed a slight decrease as the result of changing the EAP provider at a lower rate.

4. **Administration Expenses** (12.8% of Revenues) **Fiscal Impact:** +\$268,351 over CY

**Discussion:** PACT has to pay fees to support the Insurance Division and the Nevada Insolvency Fund as required by statutes. Our fee is formula based primarily on the expenditures for claims paid during the year. Since our PACT claims have increased so has our Insurance Division assessment increased. This accounts for \$243,680 of the projected increase. As our claims go down, so will the assessment fees. The NRP management contract has increased 3.5% or \$23,625 as per the contract agreement.

5. **Operating Income (Loss)** (3.2% of Revenues) **Fiscal Impact:** \$575,000

**Discussion:** PACT is projected to have operating income of \$575,000 which equals the PCM Risk Management Services Fee provided to PACT to support member services. This assumes that covered payroll will be as projected. However, it is very likely that entity payroll will be reduced as a result of the economic reality the entities are facing.

**Investment Income:** **Fiscal Impact:** \$1,254,950

**Discussion:** This reflects a market rate of slightly over 2.50% on our investments. Given the volatility of the market, it is likely to come in less than budgeted. This would reduce any possible underwriting losses incurred during the year.

**Loss Control Grants:** Paid from Surplus

**Fiscal Impact:** \$500,000

**Discussion:** These are grants provided to members for loss control measures to improve their organization's safety and wellness. Loss Control Committee earmarked \$250,000 for the Stryker Program during Fiscal Year 2020-21. These are service/project dividends awarded to members to improve their Safety and Loss Prevention Programs.



**Addendum 1**

**Service Contract Between Public Agency Compensation Trust and Willis Pooling**

**Contract Term**

It is mutually agreed by both parties that Section 3, Term, is revised as follows:

**Term:** Agreement shall be extended for a period of five (5) years, effective July 1, 2020 and extend the Agreement through June 30, 2025, subject to the Termination provision of this Agreement.

The remainder of the contract remains unchanged.

IN WITNESS THEREOF the parties hereto have caused this Agreement to be executed as of the date first above written.

**Public Agency Compensation Trust**

By \_\_\_\_\_  
Paul Johnson  
Chairman, Board of Directors

Attest \_\_\_\_\_

**Willis Administrative Services Corporation**

By \_\_\_\_\_  
Mary Wray  
Senior Vice President

Attest \_\_\_\_\_

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
	7/1/14- 6/30/15	7/1/14- 6/30/15	7/1/15- 6/30/16	7/1/15- 6/30/16	7/1/16- 6/30/17	7/1/16- 6/30/17	7/1/17- 6/30/18	7/1/17- 6/30/18	7/1/18- 6/30/19	7/1/18- 6/30/19	2014/2015- 2018/2019	2014/2015- 2018/2019	2014/2015- 2018/2019	2016/2017- 2018/2019
CARSON CITY (No Longer Member)	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
CHURCHILL COUNTY	6	\$ 31,810	11	\$ 135,187	11	\$ 73,196	34	\$ 70,871	26	\$ 63,247	88	\$ 374,310	\$ 74,862	\$ 69,105
DOUGLAS COUNTY (No Longer Membe	81	\$ 419,673	121	\$ 271,942	119	\$ 348,865	1	\$ 6,011	0	\$ -	322	\$ 1,046,491	\$ 209,298	\$ 118,292
ELKO COUNTY	45	\$ 186,971	56	\$ 105,152	36	\$ 142,377	46	\$ 152,724	55	\$ 223,923	238	\$ 811,146	\$ 162,229	\$ 173,008
ESMERALDA COUNTY	4	\$ 20,835	2	\$ 7,766	3	\$ 161,505	6	\$ 10,085	3	\$ 1,639	18	\$ 201,830	\$ 40,366	\$ 57,743
EUREKA COUNTY	2	\$ 197,931	5	\$ 7,885	9	\$ 20,392	6	\$ 2,413	6	\$ 2,273	28	\$ 230,893	\$ 46,179	\$ 8,359
HUMBOLDT COUNTY	18	\$ 150,804	19	\$ 162,612	14	\$ 72,569	15	\$ 131,183	12	\$ 157,457	78	\$ 674,625	\$ 134,925	\$ 120,403
LANDER COUNTY	5	\$ 157,121	10	\$ 40,997	13	\$ 95,089	9	\$ 98,749	14	\$ 835,565	51	\$ 1,227,520	\$ 245,504	\$ 343,134
LINCOLN COUNTY	3	\$ 53,931	3	\$ 1,100	1	\$ 231	4	\$ 3,711	5	\$ 9,056	16	\$ 68,029	\$ 13,606	\$ 4,333
LYON COUNTY	31	\$ 214,730	34	\$ 291,505	28	\$ 226,918	35	\$ 191,624	72	\$ 404,400	200	\$ 1,329,178	\$ 265,836	\$ 274,314
MINERAL COUNTY	20	\$ 15,940	16	\$ 131,990	10	\$ 63,147	6	\$ 18,547	6	\$ 8,045	58	\$ 237,668	\$ 47,534	\$ 29,913
<b>NYE COUNTY</b>	<b>110</b>	<b>\$ 694,883</b>	<b>112</b>	<b>\$ 890,978</b>	<b>147</b>	<b>\$ 899,838</b>	<b>108</b>	<b>\$ 1,329,150</b>	<b>111</b>	<b>\$ 444,481</b>	<b>588</b>	<b>\$ 4,259,330</b>	<b>\$ 851,866</b>	<b>\$ 891,156</b>
PERSHING COUNTY	6	\$ 59,072	7	\$ 45,015	3	\$ 15,430	3	\$ 2,903	2	\$ 29,254	21	\$ 151,673	\$ 30,335	\$ 15,862
STOREY COUNTY	12	\$ 27,617	11	\$ 162,782	10	\$ 18,572	8	\$ 39,373	3	\$ 5,992	44	\$ 254,336	\$ 50,867	\$ 21,312
WHITE PINE COUNTY	15	\$ 118,300	35	\$ 139,241	22	\$ 55,104	29	\$ 83,720	13	\$ 11,060	114	\$ 407,425	\$ 81,485	\$ 49,961
<b>TOTAL</b>	<b>358</b>	<b>\$ 2,349,618</b>	<b>442</b>	<b>\$ 2,394,149</b>	<b>426</b>	<b>\$ 2,193,232</b>	<b>310</b>	<b>\$ 2,141,062</b>	<b>328</b>	<b>\$ 2,196,391</b>	<b>1,864</b>	<b>\$ 11,274,453</b>	<b>\$ 2,254,891</b>	<b>\$ 2,176,895</b>

PACT Cities

Member Name	Claims		Claims		Claims		Claims		Claims		TOTAL		Average	Average
	Frequency	Claims Costs	Frequency	Claims Costs	Frequency	Claims Costs	Frequency	Claims Costs	Frequency	Claims Costs	Claims	TOTAL	Annual Cost 5	Annual Cost
	7/1/14- 6/30/15	7/1/14- 6/30/15	7/1/15- 6/30/16	7/1/15- 6/30/16	7/1/16- 6/30/17	7/1/16- 6/30/17	7/1/17- 6/30/18	7/1/17- 6/30/18	7/1/18- 6/30/19	7/1/18- 6/30/19	2014/2015- 2018/2019	2014/2015- 2018/2019	years 2014/2015- 2018/2019	3 years 2016/2017- 2018/2019
BOULDER CITY	29	\$ 197,327	29	\$ 85,207	19	\$ 281,071	17	\$ 19,128	34	\$ 401,765	128	\$ 984,498	\$ 196,900	\$ 233,988
CALIENTE	1	\$ 12,286	1	\$ 820	1	\$ 356	0	\$ -	1	\$ 30,657	4	\$ 44,121	\$ 8,824	\$ 10,338
CARLIN CITY	6	\$ 17,409	6	\$ 11,776	3	\$ 5,404	5	\$ 1,288	1	\$ 27,655	21	\$ 63,531	\$ 12,706	\$ 11,449
CITY OF ELKO	30	\$ 6,342	38	\$ 9,179	37	\$ 347,098	33	\$ 215,177	48	\$ 131,059	186	\$ 708,854	\$ 141,771	\$ 231,111
ELY CITY	5	\$ 145,182	11	\$ 299,433	5	\$ 25,016	4	\$ 16,869	10	\$ 42,084	35	\$ 528,583	\$ 105,717	\$ 27,989
CITY OF FALLON (No Longer a Member)	11	\$ 7,953	0	\$ -	0	\$ -	0	\$ -	0	\$ -	11	\$ 7,953	\$ 1,591	\$ -
CITY OF FERNLEY	3	\$ 1,473	5	\$ 4,368	4	\$ 2,165	3	\$ 6,125	2	\$ 150	17	\$ 14,281	\$ 2,856	\$ 2,814
CITY OF LOVELOCK	2	\$ 9,602	3	\$ 502	7	\$ 6,097	3	\$ 1,071	6	\$ 4,616	21	\$ 21,888	\$ 4,378	\$ 3,928
MESQUITE CITY (No Longer a Member)	35	\$ 62,055	15	\$ 39,330	0	\$ -	0	\$ -	0	\$ -	50	\$ 101,385	\$ 20,277	\$ -
WELLS CITY	3	\$ 892	2	\$ 349	2	\$ 605	3	\$ 11,504	4	\$ 1,500	14	\$ 14,850	\$ 2,970	\$ 4,536
CITY OF WEST WENDOVER	7	\$ 200,883	5	\$ 2,854	4	\$ 34,348	5	\$ 7,752	6	\$ 10,761	27	\$ 256,599	\$ 51,320	\$ 17,621
CITY OF WINNEMUCCA	6	\$ 5,061	7	\$ 159,267	8	\$ 7,100	10	\$ 42,231	4	\$ 53,524	35	\$ 267,183	\$ 53,437	\$ 34,285
CITY OF YERINGTON	3	\$ 2,375	6	\$ 32,797	8	\$ 36,038	5	\$ 43,737	0	\$ -	22	\$ 114,946	\$ 22,989	\$ 26,592
<b>TOTAL</b>	<b>141</b>	<b>\$ 668,839</b>	<b>128</b>	<b>\$ 645,883</b>	<b>98</b>	<b>\$ 745,298</b>	<b>88</b>	<b>\$ 364,882</b>	<b>116</b>	<b>\$ 703,771</b>	<b>571</b>	<b>\$ 3,128,672</b>	<b>\$ 625,734</b>	<b>\$ 604,650</b>

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
	7/1/14- 6/30/15	7/1/14- 6/30/15	7/1/15- 6/30/16	7/1/15- 6/30/16	7/1/16- 6/30/17	7/1/16- 6/30/17	7/1/17- 6/30/18	7/1/17- 6/30/18	7/1/18- 6/30/19	7/1/18- 6/30/19	2014/2015- 2018/2019	2014/2015- 2018/2019	2014/2015- 2018/2019	2016/2017- 2018/2019
ESMERALDA COUNTY SCHOOL DISTRICT	3	\$ 433	3	\$ -	1	\$ -	1	\$ -	3	\$ 4,975	11	\$ 5,408	\$ 1,082	\$ 1,658
EUREKA COUNTY SCHOOL DISTRICT	3	\$ 8,214	1	\$ 1,328	2	\$ 40,668	2	\$ 14,469	1	\$ 42,840	9	\$ 107,518	\$ 21,504	\$ 32,659
HUMBOLDT COUNTY SCHOOL DISTRICT(No longer	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
LANDER COUNTY SCHOOL DISTRICT	3	\$ 26,457	5	\$ 22,673	2	\$ 10,480	4	\$ 34,581	7	\$ 48,535	21	\$ 142,726	\$ 28,545	\$ 31,199
LINCOLN COUNTY SCHOOL DISTRICT	5	\$ 4,651	20	\$ 48,383	5	\$ -	13	\$ 1,773	9	\$ 17,953	52	\$ 72,760	\$ 14,552	\$ 6,575
MINERAL COUNTY SCHOOL DISTRICT	16	\$ 3,457	23	\$ 7,170	8	\$ 229	12	\$ 29,913	28	\$ 4,241	87	\$ 45,010	\$ 9,002	\$ 11,461
NYE COUNTY SCHOOL DIST (No longer member)	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
PERSHING COUNTY SCHOOL DISTRICT	6	\$ 7,693	5	\$ 14,417	2	\$ 881	4	\$ 16,156	8	\$ 111,600	25	\$ 150,746	\$ 30,149	\$ 42,879
WHITE PINE COUNTY SCHOOL DISTRICT	16	\$ 21,349	6	\$ 8,985	14	\$ 51,821	9	\$ 30,251	8	\$ 25,983	53	\$ 138,389	\$ 27,678	\$ 36,018
<b>TOTAL</b>	<b>52</b>	<b>\$ 72,254</b>	<b>63</b>	<b>\$ 102,957</b>	<b>34</b>	<b>\$ 104,078</b>	<b>45</b>	<b>\$ 127,142</b>	<b>64</b>	<b>\$ 256,126</b>	<b>258</b>	<b>\$ 662,558</b>	<b>\$ 132,512</b>	<b>\$ 162,449</b>

PACT Hospitals

Member Name	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	TOTAL Claims	TOTAL	Average	Average
	Frequency 7/1/14- 6/30/15	Costs 7/1/14- 6/30/15	Frequency 7/1/15- 6/30/16	Costs 7/1/15- 6/30/16	Frequency 7/1/16- 6/30/17	Costs 7/1/16- 6/30/17	Frequency 7/1/17- 6/30/18	Costs 7/1/17- 6/30/18	Frequency 7/1/18- 6/30/19	Costs 7/1/18- 6/30/19	Frequency 2014/2015- 2018/2019	Claims Costs 2014/2015- 2018/2019	Annual Cost 5 years 2014/2015- 2018/2019	Annual Cost 3 years 2016/2017- 2018/2019
BATTLE MOUNTAIN GENERAL HOSPITAL	8	\$ 8,152	9	\$ 20,110	11	\$ 11,712	12	\$ 88,727	3	\$ 34,659	43	\$ 163,360	\$ 32,672	\$ 45,033
BOULDER CITY HOSPITAL (No longer member)	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
CARSON TAHOE HOSPITAL (No longer member)	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
GROVER C. DILS MEDICAL CENTER	1	\$ 89	6	\$ 7,338	11	\$ 7,375	16	\$ 59,003	7	\$ 12,517	41	\$ 86,321	\$ 17,264	\$ 26,298
HUMBOLDT GENERAL HOSPITAL	19	\$ 127,067	19	\$ 209,830	19	\$ 112,971	9	\$ 31,098	13	\$ 24,619	79	\$ 505,585	\$ 101,117	\$ 56,229
MT. GRANT GENERAL HOSPITAL	15	\$ 29,459	10	\$ 17,193	7	\$ 39,553	11	\$ 11,712	5	\$ 5,352	48	\$ 103,268	\$ 20,654	\$ 18,872
PERSHING GENERAL HOSPITAL	6	\$ 11,758	5	\$ 16,636	11	\$ 70,342	11	\$ 13,532	4	\$ 8,061	37	\$ 120,329	\$ 24,066	\$ 30,645
SO. LYON MEDICAL CENTER (No longer member)	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
SOUTHERN NEVADA HEALTH DISTRICT	0	\$ -	12	\$ 34,045	15	\$ 18,525	10	\$ 30,463	13	\$ 25,157	50	\$ 108,190	\$ 27,047	\$ 24,715
<b>TOTAL</b>	<b>49</b>	<b>\$ 176,524</b>	<b>61</b>	<b>\$ 305,153</b>	<b>74</b>	<b>\$ 260,478</b>	<b>69</b>	<b>\$ 234,535</b>	<b>45</b>	<b>\$ 110,364</b>	<b>298</b>	<b>\$ 1,087,053</b>	<b>\$ 222,820</b>	<b>\$ 201,792</b>

PACT Special Districts and Towns

Member Name	Claims		Claims		Claims		Claims		Claims		TOTAL	TOTAL	Average	Average
	Frequency	Claims Costs	Frequency	Claims Costs	Frequency	Claims Costs	Frequency	Claims Costs	Frequency	Claims Costs	Frequency	Claims Costs	Annual Cost 5	Annual Cost
	7/1/14-6/30/15	7/1/14-6/30/15	7/1/15-6/30/16	7/1/15-6/30/16	7/1/16-6/30/17	7/1/16-6/30/17	7/1/17-6/30/18	7/1/17-6/30/18	7/1/18-6/30/19	7/1/18-6/30/19	2014/2015-2018/2019	2014/2015-2018/2019	2014/2015-2018/2019	2016/2017-2018/2019
<b>CARSON CITY:</b>														
NEVADA ASSOCIATION OF COUNTIES	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
NEVADA LEAGUE OF CITIES	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
NEVADA RURAL HOUSING AUTHORITY	0	\$ -	0	\$ -	5	\$ 14,595	1	\$ 777	1	\$ 4,500	7	\$ 19,871	\$ 3,974	\$ 6,624
<b>CLARK COUNTY:</b>														
MOUNT CHARLESTON FIRE PROTECTION DISTRICT	0	\$ -	1	\$ -	1	\$ -	2	\$ -	1	\$ -	5	\$ -	\$ -	\$ -
VIRGIN VALLEY WATER DISTRICT (No Longer Member)	1	\$ 1,778	1	\$ 33,553	0	\$ -	0	\$ -	0	\$ -	2	\$ 35,331	\$ 7,066	\$ -
<b>CHURCHILL COUNTY:</b>														
CC COMMUNICATIONS	1	\$ 166	1	\$ 2,437	2	\$ 2,338	2	\$ 641	1	\$ 12,015	7	\$ 17,597	\$ 3,519	\$ 4,998
CHURCHILL COUNTY MOSQUITO & ABATEMENT DISTRICT	0	\$ -	1	\$ 2,886	0	\$ -	0	\$ -	0	\$ -	1	\$ 2,886	\$ 577	\$ -
<b>DOUGLAS COUNTY:</b>														
DOUGLAS CO. MOSQUITO CONTROL DISTRICT	1	\$ 610	0	\$ -	0	\$ -	0	\$ -	1	\$ 1,333	2	\$ 1,943	\$ 389	\$ 444
DOUGLAS COUNTY SEWER IMPROVEMENT DISTRICT	1	\$ 241	1	\$ 367	0	\$ -	0	\$ -	2	\$ 2,736	4	\$ 3,344	\$ 669	\$ 912
EAST FORK FIRE & PARAMEDIC DISTRICT	33	\$ 68,345	21	\$ 106,838	29	\$ 608,132	26	\$ 721,164	25	\$ 286,024	134	\$ 1,790,504	\$ 358,101	\$ 538,440
EAST FORK SWIMMING POOL DISTRICT	10	\$ 12,969	6	\$ 2,282	6	\$ 13,953	4	\$ 3,213	4	\$ 5,946	30	\$ 38,363	\$ 7,673	\$ 7,704
GARDNERVILLE, TOWN OF (No Longer Member)	2	\$ 6,125	1	\$ 219	1	\$ 68,871	0	\$ -	0	\$ -	4	\$ 75,215	\$ 15,043	\$ 22,957
GENOA, TOWN OF (No Longer Member)	1	\$ -	1	\$ 2,814	0	\$ -	0	\$ -	0	\$ -	2	\$ 2,814	\$ 563	\$ -
INDIAN HILLS GENERAL IMPROVEMENT DISTRICT	0	\$ -	0	\$ -	1	\$ 617	1	\$ -	0	\$ -	2	\$ 617	\$ 123	\$ 206
LAKERIDGE GENERAL IMPROVEMENT DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
MARLA BAY GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
MINDEN, TOWN OF (No Longer Member)	16	\$ 6,763	3	\$ 1,510	2	\$ 1,824	0	\$ -	0	\$ -	21	\$ 10,097	\$ 2,019	\$ 608
MINDEN GARDNERVILLE SANITATION DISTRICT	0	\$ -	0	\$ -	2	\$ 519	0	\$ -	1	\$ 652	3	\$ 1,171	\$ 234	\$ 390
NV TAHOE CONSERVATION DISTRICT	0	\$ -	0	\$ -	-	\$ -	1	\$ 484	0	\$ -	1	\$ 484	\$ 97	\$ 161
TAHOE DOUGLAS FIRE PROTECTION DISTRICT	15	\$ 138,510	18	\$ 319,112	13	\$ 37,897	12	\$ 162,403	11	\$ 53,436	69	\$ 711,357	\$ 142,271	\$ 84,578
TAHOE TRANSPORTATION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ 27,900	1	\$ 27,900	\$ 5,580	\$ 9,300
TOPZA RANCH ESTATES GENERAL IMPROVEMENT DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ 4,500	1	\$ 4,500	\$ 900	\$ 1,500
<b>ELKO COUNTY:</b>														
ELKO CENTRAL DISPATCH	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
ELKO CONVENTION & VISITORS AUTHORITY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>ESMERALDA COUNTY:</b>														
GOLDFIELD TOWN	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
SILVER PEAK TOWN	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>LANDER COUNTY:</b>														
AUSTIN, TOWN OF	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
AUSTIN VOL FIRE DEPT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
BATTLE MOUNTAIN, TOWN OF	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
BATTLE MOUNTAIN VOL FIRE	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
KINGSTON TOWN	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
KINGSTON VOL FIRE DEPT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>LINCOLN COUNTY:</b>														
ALAMO SEWER & WATER GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
LINCOLN COUNTY WATER DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
NEVADA ASSOCIATION OF CONSERVATION DISTRICTS	0	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ 2,381	-	\$ -	\$ -	\$ -
PAHRANAGAT VALLEY FIRE DISTRICT	0	\$ -	1	\$ -	0	\$ -	0	\$ -	5	\$ 1,455	6	\$ 1,455	\$ 291	\$ 485
PANACA VOLUNTEER FIRE DEPT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
PIOCHE, TOWN OF	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
PIOCHE VOLUNTEER FIRE DEPT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>LYON COUNTY:</b>														
CENTRAL LYON COUNTY FIRE PROTECT	11	\$ 18,037	3	\$ 3,383	11	\$ 194,388	6	\$ 172,809	5	\$ 14,617	36	\$ 403,234	\$ 80,647	\$ 127,271
FERNLEY SWIMMING POOL DISTRICT	2	\$ 1,422	0	\$ -	0	\$ -	0	\$ -	0	\$ -	2	\$ 1,422	\$ 284	\$ -
MASON VALLEY FIRE PROTECTION DISTRICT	2	\$ 6,162	5	\$ 1,211	0	\$ -	2	\$ 40,485	0	\$ -	9	\$ 47,857	\$ 9,571	\$ 13,495
MASON VALLEY SWIMMING POOL DISTRICT	0	\$ -	0	\$ -	0	\$ -	1	\$ -	0	\$ -	1	\$ -	\$ -	\$ -
NORTH LYON COUNTY FIRE PROTECTION DISTRICT	1	\$ 242	8	\$ 33,507	1	\$ 10,332	2	\$ 1,734	2	\$ 2,225	14	\$ 48,041	\$ 9,608	\$ 4,764
SILVER SPRINGS STAGECOACH HOSPITAL DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
SMITH VALLEY FIRE PROTECTION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>MINERAL COUNTY:</b>														
HAWTHORNE FIRE & VOL FIRE	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
HAWTHORNE UTILITIES	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
MINERAL CO. CARE & SHARE	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>NYE COUNTY:</b>														
BEATTY WATER & SANITATION DISTRICT	1	\$ 723	0	\$ -	1	\$ 10,043	0	\$ -	0	\$ -	2	\$ 10,765	\$ 2,153	\$ 3,348
PAHRUMP, TOWN OF	8	\$ 237,760	19	\$ 32,606	23	\$ 353,034	23	\$ 25,973	30	\$ 167,807	103	\$ 817,180	\$ 163,436	\$ 182,272
ROUND MOUNTAIN, TOWN OF	0	\$ -	0	\$ -	1	\$ 150	0	\$ -	2	\$ 2,371	3	\$ 2,521	\$ 504	\$ 840
TONOPAH, TOWN OF	0	\$ -	0	\$ -	2	\$ 19,866	0	\$ -	3	\$ 74,997	5	\$ 94,863	\$ 18,973	\$ 31,621
<b>PERSHING COUNTY:</b>														
PERSHING COUNTY WATER CONSERVATION DISTRICT	3	\$ 73,407	2	\$ 37,043	1	\$ 4,241	0	\$ -	3	\$ 20,361	9	\$ 135,052	\$ 27,010	\$ 8,201
<b>STOREY COUNTY:</b>														
CANYON GENERAL IMPROVEMENT DISTRICT	0	\$ -	1	\$ 2,230	0	\$ -	0	\$ -	0	\$ -	1	\$ 2,230	\$ 446	\$ -
<b>WASHOE COUNTY:</b>														
INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT	31	\$ 53,264	36	\$ 128,440	54	\$ 426,847	39	\$ 282,160	42	\$ 276,775	202	\$ 1,167,486	\$ 233,497	\$ 328,594

PACT Special Districts and Towns

NORTH LAKE TAHOE FIRE PROTECTION DISTRICT	35	\$ 200,053	21	\$ 118,721	36	\$ 77,449	31	\$ 944,401	26	\$ 126,632	149	\$ 1,467,256	\$ 293,451	\$ 382,827
PALOMINO VALLEY GENERAL IMPROVEMENT DISTRICT	0	\$ -	0	\$ -	0	\$ -	1	\$ -	1	\$ 908	2	\$ 908	\$ 182	\$ 303
RTC OF WASHOE COUNTY	0	\$ -	0	\$ -	1	\$ 1,021	0	\$ -	1	\$ 1,773	2	\$ 2,794	\$ 559	\$ 931
SIERRA FIRE PROTECTION DISTRICT (No Longer a Member)	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
SUN VALLEY GENERAL IMPROVEMENT DIST (No longer member)	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
TRUCKEE MEADOWS FIRE PROTECTION DISTRICT (No Longer Membe	23	\$ 351,092	28	\$ 650,856	27	\$ 550,201	0	\$ -	0	\$ -	78	\$ 1,552,148	\$ 310,430	\$ 183,400
TRUCKEE MEADOWS REGIONAL PLANNING AUTHORITY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
WASHOE FIRE SUPPRESSION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>WHITE PINE COUNTY:</b>														
MCGILL RUTH CONSOLIDATED SEWER & WATER GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
NEVADA NORTHERN RAILWAY FOUNDATION	1	\$ 66	2	\$ 15,624	2	\$ 13,735	3	\$ 6,371	1	\$ 1,536	9	\$ 37,332	\$ 7,466	\$ 7,214
WHITE PINE COUNTY FIRE PROTECTION DISTRICT	3	\$ 5,095	7	\$ 10,409	1	\$ 562	1	\$ 1,516	3	\$ 1,255	15	\$ 18,838	\$ 3,768	\$ 1,111
WHITE PINE COUNTY TOURISM & RECREATION BOARD	0	\$ -	1	\$ 11,988	0	\$ -	0	\$ -	0	\$ -	1	\$ 11,988	\$ 2,398	\$ -
<b>TOTAL</b>	<b>202</b>	<b>\$ 1,182,829</b>	<b>189</b>	<b>\$ 1,518,037</b>	<b>223</b>	<b>\$ 2,410,613</b>	<b>158</b>	<b>\$ 2,364,131</b>	<b>174</b>	<b>\$ 1,094,134</b>	<b>945</b>	<b>\$ 8,567,364</b>	<b>\$ 1,713,473</b>	<b>\$ 1,956,293</b>

PACT Summary of All Claims  
as of 6/30/19

Claims Frequency	Claims Costs	Claims Frequency	Claims Costs	Claims Frequency	Claims Costs	Claims Frequency	Claims Costs	Claims Frequency	Claims Costs	TOTAL Claims Frequency	TOTAL Claims Costs	Average Annual Cost 5 years	Average Annual Cost 3
7/1/14- 6/30/15	7/1/14-6/30/15	7/1/15- 6/30/16	7/1/15-6/30/16	7/1/16- 6/30/17	7/1/16-6/30/17	7/1/17- 6/30/18	7/1/17-6/30/18	7/1/18- 6/30/19	7/1/18-6/30/19	2014/2015- 2018/2019	2014/2015- 2018/2019	2014/2015- 2018/2019	2016/2017- 2018/2019
802	\$ 4,450,065	883	\$ 4,966,179	855	\$ 5,713,699	670	\$ 5,231,752	727	\$ 4,360,787	3,937	\$ 24,722,481	\$ 4,944,496	\$ 5,102,079



**PACT Executive Committee**

	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)
Mike Giles	2019-2021	City of Lovelock		X				
Josh Foli	2019-2021	Lyon County	Fiscal Officer		X			
Cash Minor	2019-2021	Elko County	Vice Chair		X			
Chris Mulkerns	2019-2021	Town of Tonopah					X	
Cindy Hixenbaugh	2020-2022	Pershing General Hospital						X
Elizabeth Frances	2020-2022	White Pine County		X				
Paul Johnson	2020-2022	White Pine Co. School District	Chair			X		

**Voting Special Districts/Towns:**

Tod Carlini	East Fork Fire Protection District	X
Gerry Eick	Incline Village GID	X
Chris Mulkerns	Town of Tonopah	X
Amy Hagan-Martin	Southern Nevada Health District	X
Scott Baker	Tahoe Douglas Fire Protection District	X

**Voting Hospitals:**

Marla Sam or James Matheus	Battle Mountain General Hospital	X
Missie Rowe	Grover C Dils Hospital	X
Sandi Lehman or Rose Marie Green	Humboldt General Hospital	X
Jonalee Roberts or Hunter Balanos	Mt Grant General Hospital	X
Cindy Hixenbaugh or Lynn Broyles	Pershing General Hospital	X



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**

**Date: April 17, 2020**

**Virtual Only**

Please click this URL to view meeting documents.

<https://zoom.us/j/458609986?pwd=em8zZUlVMTVscVAyZ1BMZmNDemg4dz09>

Password: 930859

## **ALL AUDIO WILL BE TELEPHONE ONLY**

DIAL:

US: +1 346 248 7799 or +1 669 900 6833 or +1 312 626 6799 or +1 929 205 6099 or +1 253 215 8782 or  
+1 301 715 8592

**MEETING ID: 458 609 986**

**Date: April 17, 2020**

**Time: upon adjournment of Joint Board and Executive Committee Meeting,  
which starts at 8:30am, and the Public Agency Compensation Trust meeting.**

### **AGENDA**

**April 17, 2019**

**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 Meeting of April 17, 2019**
- b. Acceptance of Interim Financial Statements**

**c. Actuarial Overview**

4. **For Possible Action: Acceptance of Audit for June 30, 2019**
5. **For Possible Action: Approval of Accounting Policy Expensing All Transfer of Net Contribution Surplus to PRM in the Year of Transfer**
6. **For Possible Action: Approval of Renewal Reinsurance and Insurance Proposals and Options**
7. **For Possible Action: Approval of Extension of Willis Pooling Service Contract to Expire July 1, 2026**
8. **For Possible Action: Approval of Budget for 2020-2021**
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: Approval of Changes to POOL Form 2020-2021 and Adoption of POOL Cyber Form 2020-2021**
11. **For Possible Action: Election of Executive Committee for Two Year Terms from 2020-2021**
  - a. **One Representative from Special Districts**
  - b. **One Representative from Counties and/or Cities with less than 35,000 Population**
  - c. **One Representative of School Districts**
12. **For Possible Action: Election of Chair and Vice Chair**
13. **Public Comment**
14. **For Possible Action: Adjournment**

**This Agenda was posted at the following locations and on the State's Website [notice.nv.gov](http://notice.nv.gov):**

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

**Carson City Courthouse  
885 E. Musser Street**

**Carson City, NV 89701**

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

**Carson City, NV 89701**

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

**NOTICE TO PERSONS WITH DISABILITIES**

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



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

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**Minutes of the Meeting of  
the Board of Directors and of the Executive Committee of  
Nevada Public Agency Insurance Pool  
Place: Whitney Peak Hotel, 255 N. Virginia Street, Reno, Nevada  
Time: 10:30 a.m. or  
Upon adjournment of PACT Board Meeting  
Date: April 17, 2019**

**1. Introductions and Roll**

On confirmation of a quorum being present, Josh Foli, meeting chair, called the meeting to order.

**2. Public Comment**

Chair Foli 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 Board and Committee Meetings:**
  - i. Board Meeting April 20, 2018**
  - ii. Acceptance of Interim Financial Statements**

Chair Foli asked whether any item should be removed from the consent agenda and hearing none called for a motion to approve as a whole.

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

**4. For Possible Action: Acceptance of Audit for June 30, 2018**

Alan Kalt reviewed highlights of the audit results. He provided key performance ratios and commented on how these were important to POOL's long-term success. He explained that the audit reflects transfers of capital to PRM, POOL's captive, resulted in a decrease of surplus in order to enhance PRM's risk bearing capacity. It was noted that there was an operating loss during the fiscal year.

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

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

- a. Large Loss Report**
- b. Legislative Report**

Donna Squires reviewed large losses over \$300,000 noting that in December 2018 several large settlements occurred some from old claims and others from recent claims. These settlements

resulted in payouts over \$8 million dollars. The claims included a special education claim, jail custody death claim and public administrator claim. She provided summary information about other claims as well.

Wayne Carlson provided a legislation update noting bills that did not pass the first house committee and others that were voted out of the committees. He noted some bills had a significant fiscal impact that was mitigated somewhat through amendments, but still were active in the process. He responded to questions.

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

Mary Wray presented an overview of the marketing efforts that led to this year's results. She noted specifically the difficulty in the property reinsurance market. For the POOL property program, the current lead underwriter demanded a 10% increase even for their best accounts of which the POOL is one. As a consequence, an alternative lead underwriter was sought from a current participant on the program. Thus, we switched leads to keep the pricing down to a 5% increase. However, this diminished available capacity that she believes will be filled, although it is possible that PRM may need to fill out some of the high limit layer – less than a \$3 million dollar share of the layer. She then reviewed the liability program rate changes noting that some went up a significant amount due to loss experience and others increased modestly. Staff had recommended to have PRM not take any of the school district layer above the SIR and to have United Educators take 100% in lieu of 75%. The overall reinsurance program cost rose by about 5% compared to the current year. The overall increase will be larger due in part to increases in the loss fund contribution as determined by the actuary and member services program cost during the year. Stephen Romero noted that the special programs pricing remained flat, although there may be some increase in the airports liability program since that is still being marketed after a three-year policy. She responded to questions.

On motion and second to accept the renewal based upon staff recommendations and to authorize staff to approve the sliver of property reinsurance if necessary, the motion carried.

**7. For Possible Action: Acceptance of Budget for 2019-2020**

Alan Kalt reviewed the proposed budget highlighting the key revenue and expense categories. He noted that the loss fund was based upon an actuarial 75% confidence level. He commented that an additional revenue item reflects a contribution from PRM to POOL to support the risk management program services. He noted that while an 11.3% increase was occurring, the budget net income was for no margin to mitigate needed increases due to losses and expense allocations. He noted a net operating loss will occur primarily due to the amortization of capital transferred to PRM; otherwise, neutral after investment income.

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

**8. 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**

Wayne Carlson commented that Alan Kalt had contacted the Department of Taxation regarding whether any members were on their fiscal watch list and learned that none were. Included in the board packet was the comparative five-year loss experience report by type of member and noted that no member's experience was excessive.

On motion and second to note for the record that this reviewed occurred, the motion carried.

**9. For Possible Action: Approval of Changes to POOL Form**

Wayne Carlson noted that the only substantive change proposed was to eliminate the \$500,000 sublimit under the Data Security Liability coverage for Privacy Response so that the full \$3 million limit is available for liability and privacy response events. He noted that CRL changed their reinsurance coverage as well. Other changes were to the POOL Form coverage period.

On motion and second to approve the POOL Form changes, the motion carried.

**10. For Possible Action: Election of Executive Committee for Two Year Terms from 2019-2021**

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

Chair Foli opened this item and Wayne Carlson commented that Dan Corona, who represented counties and cities with less than 35,000 population was not seeking reelection. He commented that Geof Stark from Churchill County was the only declared candidate for this position. He said that Dan Murphy had been appointed to fill a vacancy and was willing to serve for a full term representing school districts. Chair Foli asked whether there were any other candidates and hearing none, called for a motion.

On motion and second to elect the incumbents Dan Murphy, Cash Minor, Josh Foli and to elect Geof Stark for two-year terms from 2019 to 2021, the motion carried.

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

Chair Foli (Vice Chair) indicated that both he and Cash Minor (current Chair) were willing to continue to serve. He asked if there were any others interested and hearing none, called for a motion.

On motion and second to elect Cash Minor as Chair and Josh Foli as Vice Chair, the motion carried.

**12. Public Comment**

Chair Foli opened the public comment period. Gerry Eick thanked the attendees for their participation and staff's efforts in preparing for this meeting. He felt that the sessions on the previous day were very well received and helpful to the attendees. Mike Rebaleati announced that the Joint Executive Committee should save November 4, 2019 as the next meeting date. Carol Ingalls asked for recap/clarification of overall rate increases for both POOL and PACT. Chair Foli commented that POOL was an 11.6% increase and PACT was a 10% rate increase plus exposure changes and a \$1.00 increase in the public safety heart rate.

No other comments being heard, Chair Foli closed the comment period.

**13. For Possible Action: Adjournment**

On motion and second to adjourn, the meeting was adjourned at 11:45 a.m.

**The Agenda was posted at the following locations and on the State's Website [notice.nv.gov](http://notice.nv.gov):**

**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 Administration  
155 North Taylor Street  
Fallon, NV 89406**

**DRAFT**



## NEVADA PUBLIC AGENCY INSURANCE POOL

Balance Sheet  
February 29, 2020

## ASSETS

Current Assets	
Coinbase Inc.	\$ 1,499.48
Cash - Claims - Wells Fargo	(7,567.82)
Cash - Admin. - Wells Fargo	353,768.85
A/R PARMS	47.00
Building Accounts Receivable	<u>189.00</u>
Total Current Assets	347,936.51
Property and Equipment	
Land - 2nd & Roop Streets	466,653.05
Building - 2nd & Roop Streets	1,783,715.41
Building Depreciation	(768,747.66)
Equipment	71,510.74
Equip Accumulated Depreciation	(105,464.16)
Building Equipment	58,066.13
Building Equipment Acc. Depr.	(1,155.00)
Building Fixtures	182,791.00
Building Furniture	<u>4,359.75</u>
Total Property and Equipment	1,691,729.26
Other Assets	
Investment Cash Equivalents	225,870.86
Investments	24,356,965.31
Public Risk Mutual- Investment	29,477,263.00
PRM Amortization	(19,590,548.54)
Investment Income Receivable	88,916.92
Assessments Receivable	120,689.36
Specific Recoverable	2,408,069.28
Maintenance Deductibles	810,162.12
Prepaid Reinsurance	2,465,773.46
Prepaid Commission - Current	388,149.45
Prepaid Willis Pooling	85,000.00
Prepaid ASC	70,615.95
Prepaid Loss Control Fees	83,336.00
Prepaid Schools Security Program	56,035.00
Other Prepaid	636.00
Prepaid Casualty Insurance	<u>19,062.95</u>
Total Other Assets	<u>41,065,997.12</u>
Total Assets	<u>\$ 43,105,662.89</u>

## LIABILITIES AND CAPITAL

Current Liabilities	
Accounts Payable	(\$ 13,856.38)
Payable For Risk Mmgt Grants	\$ 78,543.73
Loss Fund	83,470,477.25
Loss Reserves - LAE	71,014.11
Loss Payments	(102,281,651.23)
Loss Payments - LAE	(41,935,500.02)
Specific Recoverable	42,612,902.97
Aggregate Recoverable	765,730.03
Deductible Reimbursement	18,533,721.21
Vouchers Within Deductible	11,059,648.70
Unearned Assessment Reserve	<u>5,731,474.49</u>
Total Current Liabilities	18,092,504.86
Long-Term Liabilities	
Total Long-Term Liabilities	<u>0.00</u>
Total Liabilities	18,092,504.86
Capital	
Retained Earnings	25,420,233.12
Net Income	<u>(407,075.09)</u>
Total Capital	<u>25,013,158.03</u>
Total Liabilities & Capital	<u>\$ 43,105,662.89</u>

NEVADA PUBLIC AGENCY INSURANCE POOL  
Income Statement  
For the Eight Months Ending February 29, 2020

	Current Month		Year to Date	
<b>Revenues</b>				
PRM Risk Mitigation Services	\$ 0.00	0.00	\$ 237,500.00	1.84
Building Supplies Reimbursement	0.00	0.00	574.12	0.00
Copier Paper Reimbursement	108.30	0.01	645.93	0.00
Rental Income	14,645.00	0.83	162,700.36	1.26
Equipment Lease Reimbursement	0.00	0.00	4,405.51	0.03
Bldg Equip Maint Reimbursement	1,896.77	0.11	8,635.85	0.07
Phone Charges Reimbursement	27.78	0.00	187.72	0.00
Postage Reimbursement	101.25	0.01	938.62	0.01
Technology Services Reimbursement	12,795.36	0.72	67,066.72	0.52
Assessments Written	0.00	0.00	17,191,122.49	132.97
Taxes Written	0.00	0.00	6,927.05	0.05
Change in Unearned Assessments	1,432,866.00	80.73	(5,731,474.49)	(44.33)
Investment Interest Income	58,559.57	3.30	467,829.16	3.62
Investment Discount/Premium	(7,799.71)	(0.44)	(103,215.97)	(0.80)
Realized Gain/(Loss) Investments	887.23	0.05	23,617.40	0.18
Invest. Unrealized Gain/(Loss)	260,714.13	14.69	544,618.92	4.21
Other Income	0.00	0.00	46,397.06	0.36
<b>Total Revenues</b>	<u>1,774,801.68</u>	<u>100.00</u>	<u>12,928,476.45</u>	<u>100.00</u>
<b>Cost of Sales</b>				
Reinsurance Ceded	560,639.00	31.59	4,346,708.00	33.62
Aiport Liability Program	0.00	0.00	1,943.46	0.02
Loss Fund Expense	489,119.00	27.56	3,911,327.00	30.25
Commission Expense - Current	80,311.00	4.53	735,924.00	5.69
Willis Pooling Fees	21,250.00	1.20	170,000.00	1.31
ASC Claims Admin. Fees	70,613.00	3.98	491,611.58	3.80
Loss Control Fees	20,833.00	1.17	166,664.00	1.29
<b>Total Cost of Sales</b>	<u>1,242,765.00</u>	<u>70.02</u>	<u>9,824,178.04</u>	<u>75.99</u>
<b>Gross Profit</b>	<u>532,036.68</u>	<u>29.98</u>	<u>3,104,298.41</u>	<u>24.01</u>
<b>Expenses</b>				
Sponsorship Fees	0.00	0.00	8,523.52	0.07
Counsel Opinions	0.00	0.00	7,585.00	0.06
Travel	746.29	0.04	20,619.10	0.16
Casualty Insurance	3,997.00	0.23	31,976.00	0.25
Dues & Seminar Fees	(108.00)	(0.01)	6,012.80	0.05
Audit Expense	0.00	0.00	15,300.00	0.12
Printing/Copying/Subscriptions	0.00	0.00	6,890.76	0.05
Postage	17.89	0.00	79.55	0.00
Office Supplies	(5,626.81)	(0.32)	(982.98)	(0.01)
Communications Expense	55.56	0.00	431.00	0.00
Legal Expense	0.00	0.00	5,242.50	0.04
Board & Committee Meetings	0.00	0.00	3,989.69	0.03
Actuary Expense	0.00	0.00	9,390.00	0.07
Member Education & Services	59,177.13	3.33	421,494.65	3.26
Consultants Appraisals	61,152.00	3.45	68,652.00	0.53
Bad Debt Expense	0.00	0.00	2,039.76	0.02
PRI Grant	67,600.00	3.81	540,800.00	4.18
Loss Control Grants	8,938.03	0.50	159,638.37	1.23
Technology Services	7,030.40	0.40	108,954.26	0.84
Cyber/Data Project	5,625.00	0.32	139,586.18	1.08
NRP Grant	43,750.00	2.47	350,000.00	2.71
PRM Amortization Expense	181,407.00	10.22	1,464,730.00	11.33
Investment Expense	11,198.63	0.63	26,769.78	0.21
Building Maintenance & Repairs	1,165.00	0.07	21,883.57	0.17
Conference Room Expense	0.00	0.00	140.60	0.00
Custodial Services	2,313.09	0.13	16,132.37	0.12
Building Depreciation Expense	3,716.00	0.21	29,728.00	0.23
Bldg. Equipment Maintenance	143.17	0.01	10,960.62	0.08
Bldg Equipment Lease	1,347.74	0.08	6,599.50	0.05
Building Copier Paper	122.97	0.01	795.23	0.01
Building Insurance Expense	765.00	0.04	6,120.00	0.05
Building Office Supplies	0.00	0.00	734.88	0.01
Building Tax Expense	0.00	0.00	4,517.15	0.03
Postage for Meter	0.00	0.00	550.00	0.00
Building Utilities	2,845.95	0.16	15,489.64	0.12
<b>Total Expenses</b>	<u>457,379.04</u>	<u>25.77</u>	<u>3,511,373.50</u>	<u>27.16</u>
<b>Net Income</b>	<u>\$ 74,657.64</u>	<u>4.21</u>	<u>(\$ 407,075.09)</u>	<u>(3.15)</u>

The background of the slide is a vibrant red color. On the right side, there are several overlapping, semi-transparent, curved shapes in shades of red and orange, creating a dynamic, layered effect. The text is centered on the left side of the slide.

# POOL ACTUARIAL REVIEW OF SELF-INSURED LIABILITY & PROPERTY PROGRAMS

Presented by Alan Kalt

# BICKMORE ACTUARIAL STUDY

- Derek Burkhalter, ACAS, MAAA Senior Manager, Bickmore Actuarial
- Outstanding Liabilities as of June 30, 2019
- Data used to calculate the reserves for PACT Audited Financial Statements
- Report Format
  - Conclusions & Recommendations
  - Liability for Outstanding Claims as of 6-30-2019
  - Program Funding: Goals & Objectives
  - Historical Trends
  - Comparison with Previous Results
  - Data Provided for the Analysis
- Report complies with GASB #10 and #30

# CONCLUSIONS & RECOMMENDATIONS

- Best Estimate of POOL's Outstanding Claims Liabilities for **Liability and Property** as of June 30, 2019

## Confidence

Levels	Expected	70%	75%	85%	90%
Undiscounted	\$9.055M	\$10.199M	\$10.705M	\$12.047M	\$13.039M

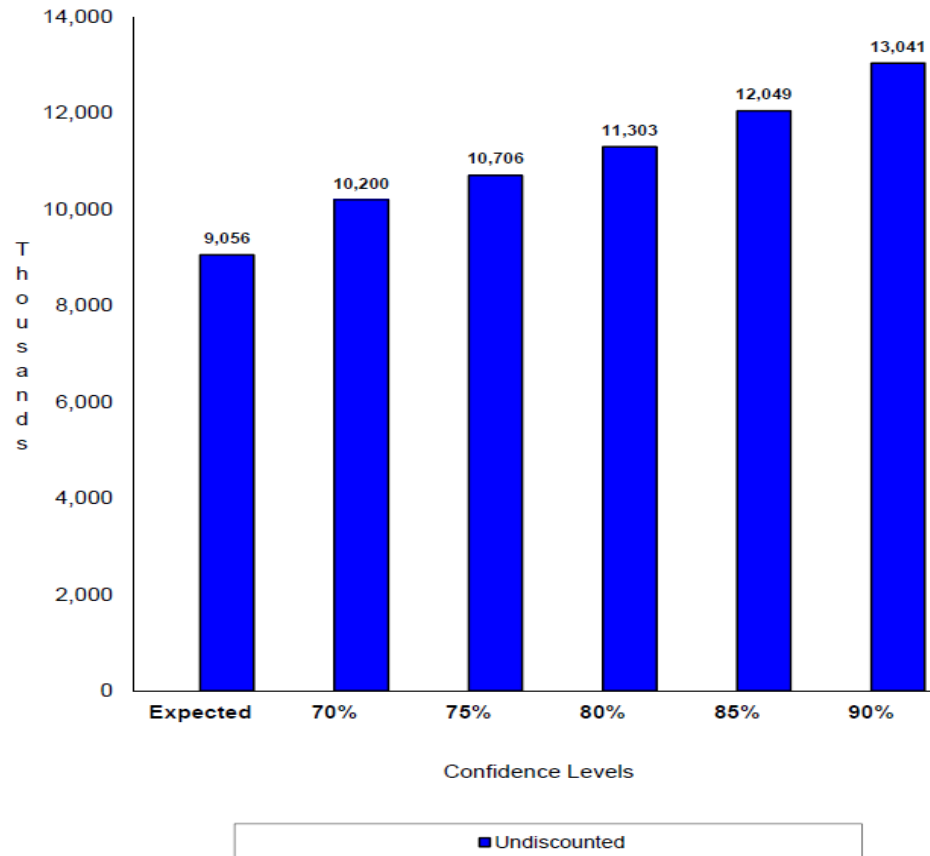
POOL Uses 75% Confidence Level

# ESTIMATED EXPECTED LIABILITY

6-30-2019

Graph 1

NPAIP- Liability & Property  
Outstanding Liability (\$000's)  
at June 30, 2019



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, 2019, before recognition of investment income.

NPAIP  
Self-Insured Liability & Property Program  
Estimated Liability for Unpaid Loss and ALAE at June 30, 2019

Year	Case Reserves	IBNR Reserves	Total Outstanding
Prior	\$0	\$0	\$0
2006-07	100,000	0	100,000
2007-08	0	0	0
2008-09	0	0	0
2009-10	0	0	0
2010-11	0	0	0
2011-12	0	0	0
2012-13	136,841	11,099	147,940
2013-14	104,060	64,029	168,089
2014-15	518,986	60,338	579,324
2015-16	695,677	64,088	759,765
2016-17	912,010	363,420	1,275,430
2017-18	746,754	1,186,847	1,933,601
2018-19	1,719,473	2,372,023	4,091,496
<b>Loss and ALAE</b>	<b>\$4,933,801</b>	<b>\$4,121,843</b>	<b>\$9,055,644</b>

# PROGRAM FUNDING



A liability for unpaid claim cost, included all loss adjustment expenses, should be accrued at the time the self-insured events occur. IBNR included.



GASB #10 and #30 do not address funding requirements, rather, a range of funded amounts to be recognized as a funding margin for unexpectedly adverse loss experience. May use discounting for investment income.



The uncertainty in any estimate of outstanding liability should take into account funding policy to have adequate reserves for unexpected adverse loss experience.



Key Factor in Funding Policy: Degree of Stability in level of Contributions  
Higher the Confidence Level less likely to need additional contributions should adverse claim development occur in past years as well as current yr.

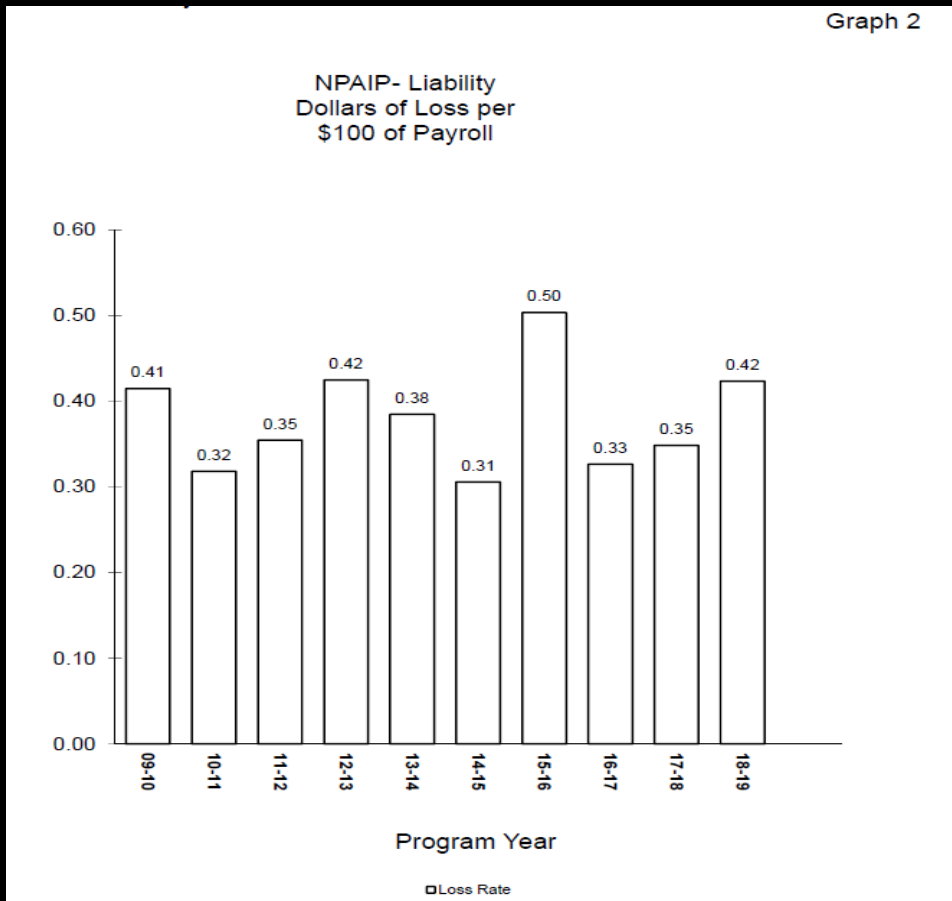
# FUNDING GOALS & OBJECTIVES

- Bickmore recommends program funding at the 80% CL after recognition of investment income, with a recommended range of the 75% to 80% CL
- They recommend this as the resulting funding will be sufficient to meet claim liabilities, yet not too large to have the entity experience undue \$ hardship.
- Need to fund each year's claims cost in that year.
- When surpluses or deficiencies have developed and funding adjustments are necessary, these should be clearly identified.
- Recommend that you reduce surplus funding more slowly than you would accumulate funding to make up a deficiency.

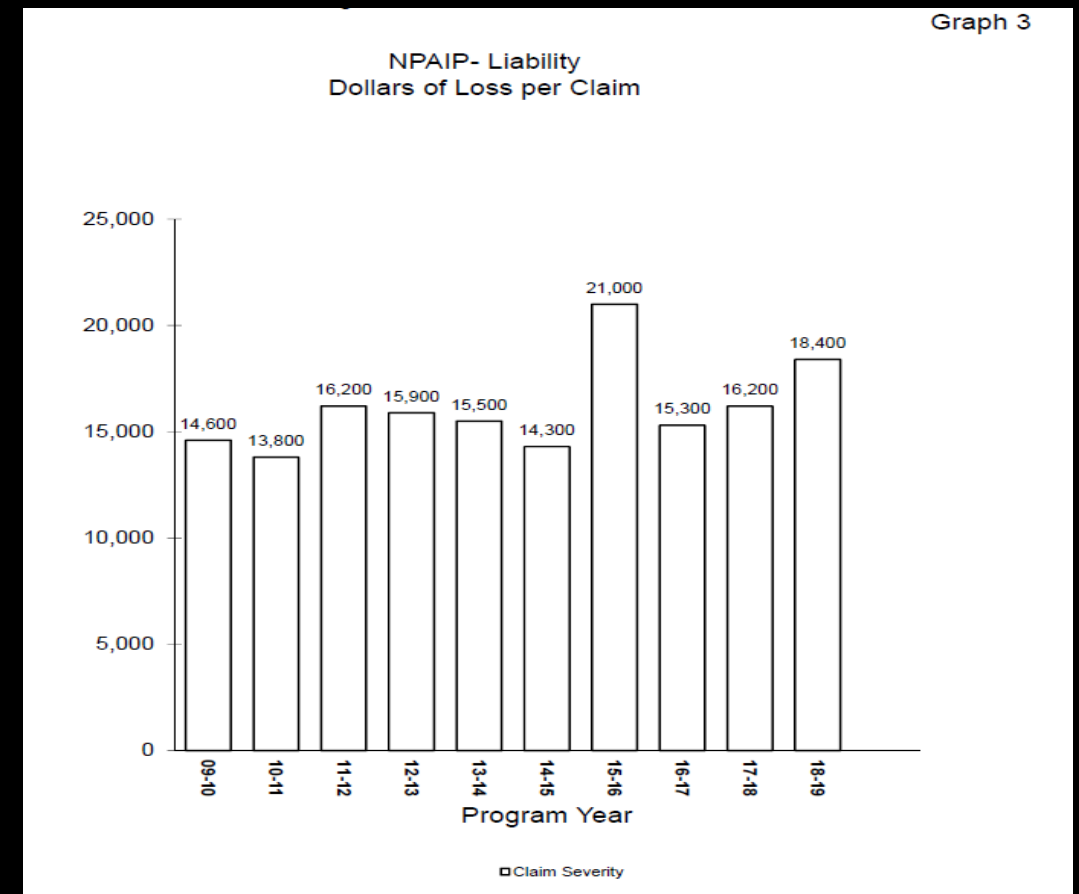


# HISTORICAL TRENDS: LIABILITY

Dollars of Loss Per \$100 of Payroll 10 Year Trend

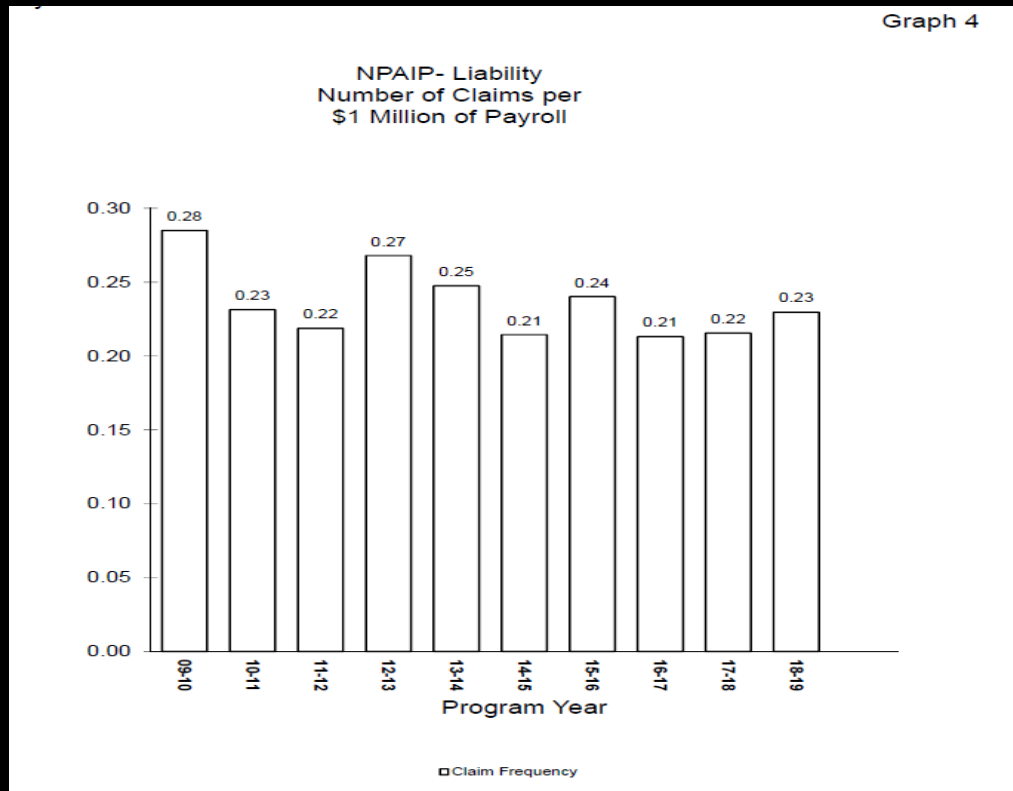


Dollars of Loss per Claim  
10 Year Trend



# HISTORICAL TRENDS: LIABILITY

## Number of Claims per \$1 Million of Payroll



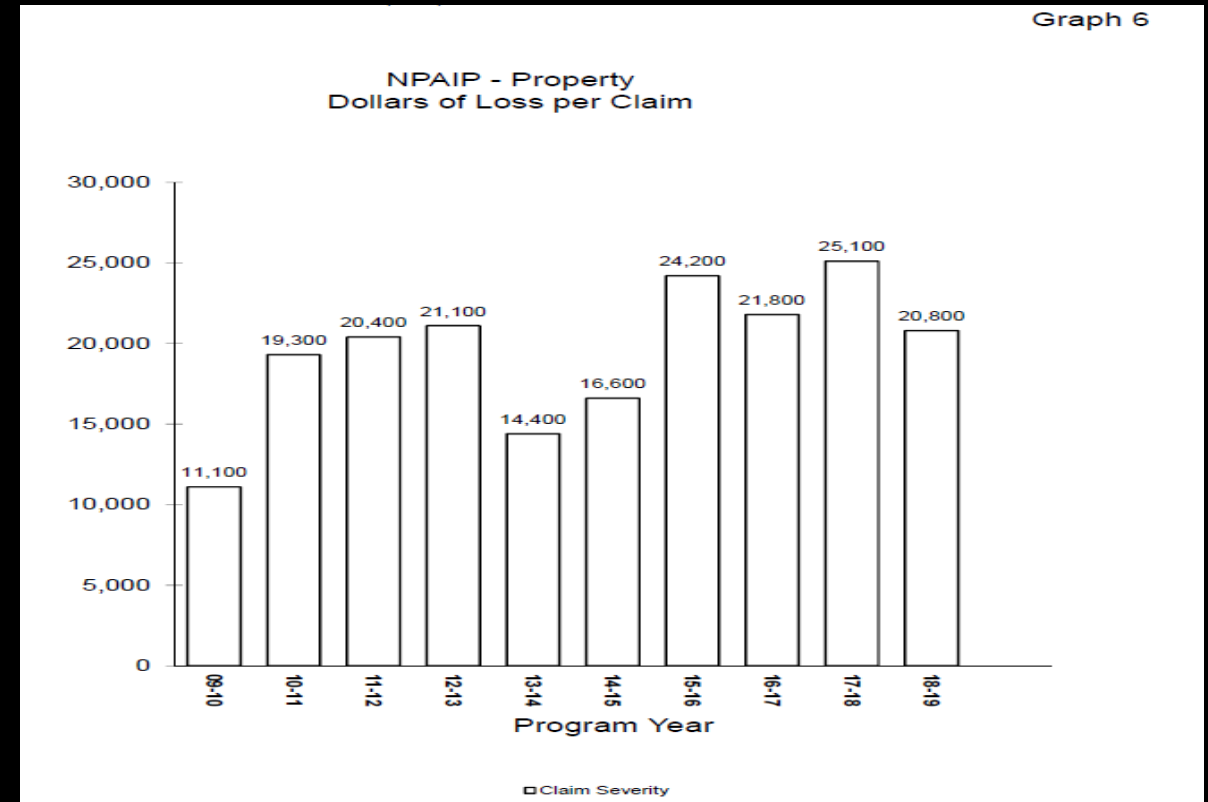
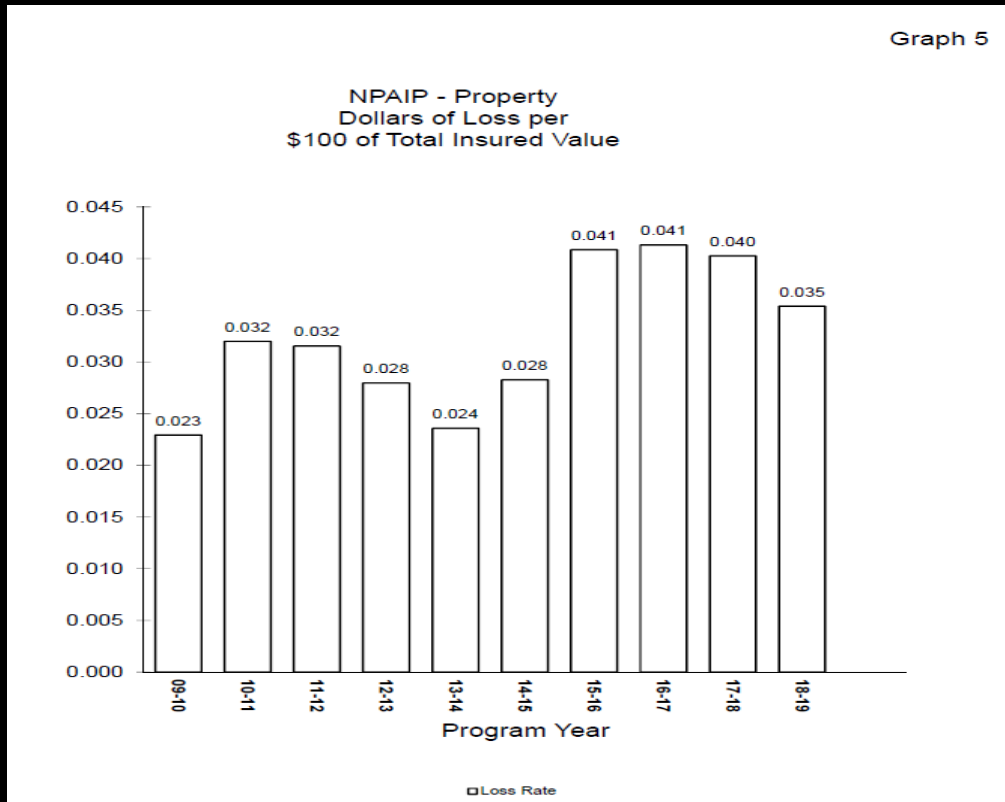
## Summary of Key Liability Trends

- Dollar of Loss per \$100 of Payroll is **INCREASING** over past 3 years 😞
- Dollars of Loss per Claim is **INCREASING** over past 3 years 😞
- Number of Claims per \$1M Payroll is **DECREASING** since 2010 😊

# HISTORICAL TRENDS: PROPERTY

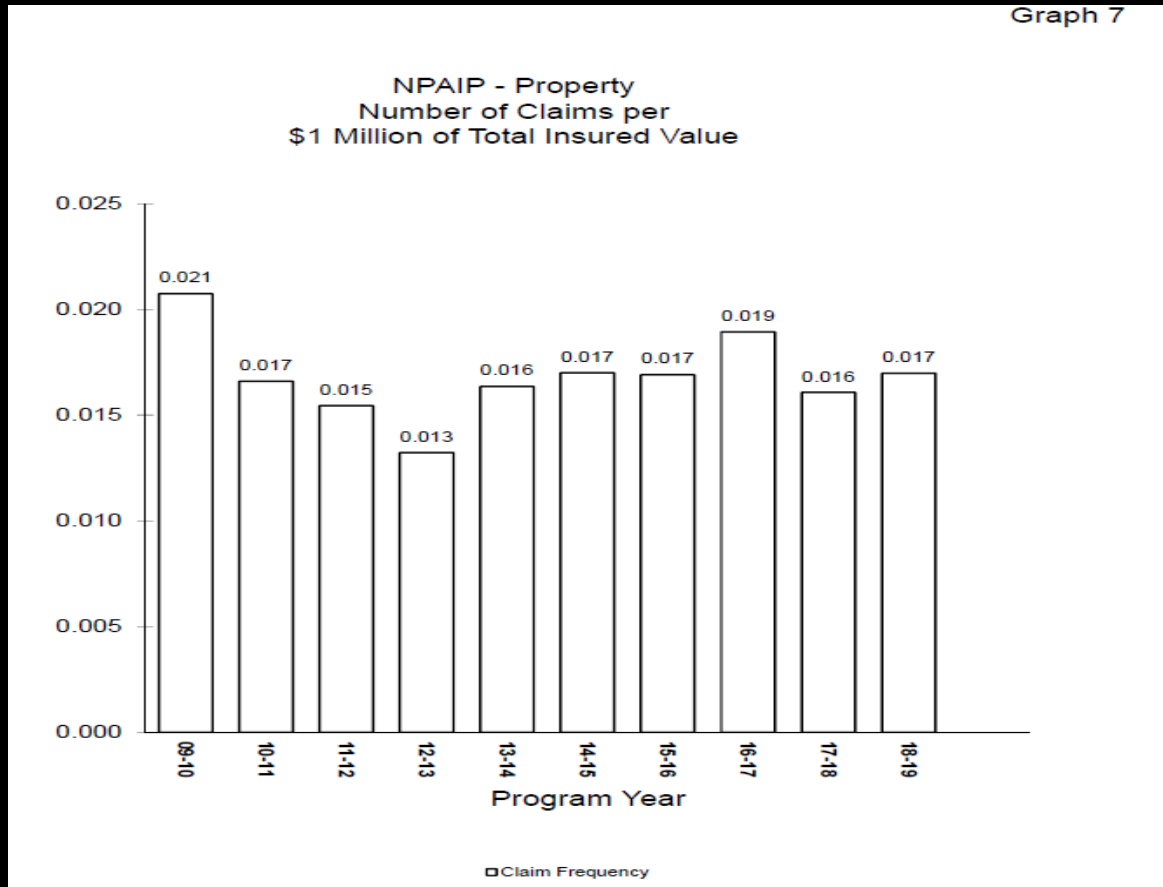
Dollars of Loss Per \$100 of Payroll 10 Year Trend

Dollars of Loss per Claim 10 Year Trend



# HISTORICAL TRENDS: PROPERTY

## Number of Claims per \$1 Million of Payroll



## Summary of Key Property Trends

- Dollar of Loss per \$100 of Payroll is VARIED over past 10 years 😊
- Dollars of Loss per Claim is INCREASING over the 10 years 😞
- Number of Claims per \$1M Payroll is FLAT 😊

# COMPARISON WITH PREVIOUS RESULTS

## ACTUAL VS. EXPECTED INCURRED LOSS AND ALAE DEVELOPMENT

Prior Year Report 9-27-2018

Current Year Claim  
Development 9 -26- 2019 Report

### Actual Versus Expected Incurred Loss and ALAE Development

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
Prior	\$0	\$0	\$0
2006-07	0	0	0
2007-08	0	(25,000)	(25,000)
2008-09	0	4,000	4,000
2009-10	0	1,000	1,000
2010-11	0	2,000	2,000
2011-12	13,000	31,000	18,000
2012-13	30,000	(41,000)	(71,000)
2013-14	65,000	0	(65,000)
2014-15	120,000	183,000	63,000
2015-16	214,000	(152,000)	(366,000)
2016-17	711,000	563,000	(148,000)
2017-18	916,000	790,000	(126,000)
2018-19	3,127,000	3,383,000	256,000
<b>Total</b>	<b>\$5,196,000</b>	<b>\$4,739,000</b>	<b>(\$457,000)</b>

### Actual Versus Expected Paid Loss and ALAE Development

Accident Year	Expected Paid Development	Actual Paid Development	Actual Minus Expected
Prior	\$0	\$0	\$0
2006-07	100,000	0	(100,000)
2007-08	0	(25,000)	(25,000)
2008-09	0	4,000	4,000
2009-10	0	1,000	1,000
2010-11	200,000	202,000	2,000
2011-12	82,000	171,000	89,000
2012-13	126,000	75,000	(51,000)
2013-14	96,000	31,000	(65,000)
2014-15	360,000	265,000	(95,000)
2015-16	971,000	813,000	(158,000)
2016-17	887,000	1,146,000	259,000
2017-18	1,881,000	2,004,000	123,000
2018-19	1,312,000	1,663,000	351,000
<b>Total</b>	<b>\$6,015,000</b>	<b>\$6,350,000</b>	<b>\$335,000</b>

# OUTSTANDING CLAIM LIABILITY FOR LOSS AND LAE

## Outstanding Claim Liabilities for Loss and ALAE

	Prior Report at June 30, 2018	Current Report at June 30, 2019	Change
(A) Case Reserves:	\$6,689,000	\$4,934,000	(\$1,755,000)
(B) IBNR Reserves:	3,215,000	4,122,000	907,000
(C) Total Reserves:	\$9,904,000	\$9,056,000	(\$848,000)

# COMPARATIVE SCHEDULE OF CLAIMS DEVELOPMENT

NEVADA PUBLIC AGENCY INSURANCE POOL										
COMPARATIVE SCHEDULE OF CLAIMS DEVELOPMENT (UNAUDITED)										
EARNED ASSESSMENTS AND ALLOCATED EXPENSES FOR TEN-YEAR PERIOD - YEAR ENDED JUNE 30,										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Required Contributions & Investment Income:										
Earned	\$15,721,731	\$14,964,155	\$16,331,984	\$16,331,984	\$14,843,453	\$15,129,697	\$15,659,967	\$13,926,199	\$14,701,651	\$17,193,234
Ceded	(4,388,536)	(4,642,512)	(5,019,808)	(5,019,808)	(4,812,711)	(5,253,026)	(5,044,561)	(5,633,992)	(5,794,600)	(5,960,178)
Net earned	11,333,195	10,321,643	11,312,176	11,312,176	10,030,742	9,876,671	10,615,406	8,292,207	8,907,051	11,233,056
Unallocated Expenses	4,521,913	4,968,874	5,659,813	5,485,380	5,485,380	5,755,797	6,213,405	6,213,405	7,157,245	7,591,756
Estimated Incurred Claims & Expense End of Policy Year:										
Incurred	6,036,000	5,938,000	5,471,000	5,370,000	4,851,000	4,317,000	5,168,000	5,635,000	5,738,000	5,997,000
Ceded	-	-	-	-	-	-	(87,500)	(1,427,141)	(201,000)	(145,102)
Net Incurred	6,036,000	5,938,000	5,471,000	5,370,000	4,851,000	4,317,000	5,080,500	4,207,859	5,537,000	5,851,898
Paid (cumulative) as of:										
End of policy year	417,000	833,000	722,000	652,000	788,000	551,000	485,000	988,000	1,232,000	1,160,000
One Year Later	1,546,000	1,736,000	1,538,000	1,670,000	1,538,000	1,681,000	2,291,000	2,367,000	2,984,000	
Two Years Later	2,386,000	2,083,000	2,331,000	1,937,000	2,142,000	2,061,000	3,272,000	3,253,000		
Three Years Later	2,827,000	3,053,000	2,601,000	2,548,000	2,656,000	2,277,000	3,939,000			
Four Years Later	3,401,000	3,306,000	2,723,000	2,797,000	2,797,000	2,973,000				
Five Years Later	3,799,000	3,324,000	3,003,000	2,894,000	2,997,000					
Six Years Later	3,632,000	3,370,000	3,078,000	2,944,000						
Seven Years Later	3,638,000	3,627,000	3,249,000							
Eight Years Later	3,638,000	3,974,000								
Nine Years Later	3,640,000									
Re-estimated ceded claims & Expenses	725,387	2,536,444	769,211	529,625	2,117,813	591,978	2,414,563	5,409,345	1,727,210	145,102
Re-estimated Claims & Expense										
End of policy year	6,036,000	5,938,000	5,471,000	5,370,000	4,851,000	4,317,000	5,080,500	4,207,859	5,537,000	5,851,898
One Year Later	4,953,000	4,973,000	4,461,000	4,425,000	4,159,000	3,864,000	4,769,000	5,269,000	5,269,000	
Two Years Later	4,185,000	4,827,000	3,780,000	3,650,000	3,713,000	3,134,000	5,406,000	4,761,000		
Three Years Later	3,618,000	4,051,000	3,297,000	3,137,000	3,285,000	3,140,000	4,838,000			
Four Years Later	3,712,000	4,048,000	3,265,000	3,350,000	3,229,000	3,080,000				
Five Years Later	3,925,000	3,972,000	3,308,000	3,235,000	3,196,000					
Six Years Later	3,743,000	3,491,000	3,262,000	3,119,000						
Seven Years Later	3,638,000	4,036,000	3,249,000							
Eight Years Later	3,638,000	3,974,000								
Nine Years Later	3,640,000									
Increase (Decrease) in Estimated Incurred Claims & Expenses from End of Policy Year	(2,396,000)	(1,964,000)	(2,222,000)	(2,251,000)	(1,655,000)	(1,237,000)	(242,500)	553,141	(268,000)	-

This information is required by the Governmental Accounting Standards Board

# ASSUMPTIONS & LIMITATIONS

- Based on loss experience, exposure data and info provided by POOL
- Relied on statistics and historical loss development patterns of POOL
- Assumed POOL's historical development patterns form a reasonable basis to predict POOL's Future Loss Development
- Cannot predict impact of future law changes and court rulings on Claim Costs... reasonable now but perhaps not in the future
- Assumed loss rate trend with **liability** claim cost increases at **2.0%** per year. Claim severity increases at **2.0%** per year. Assumed **property claims** are increasing by **2.5%** annually and average claim size increases at **2.5%** per year and average frequency remains unchanged.
- Assumed that payroll and other inflation-sensitive exposure measures increase 2.5% annually due to inflation.
- Does NOT include provisions for catastrophic events: earthquakes, flooding, mass civil disorder or mass occupational disease.
- Assumes all excess insurance is valid and collectible.



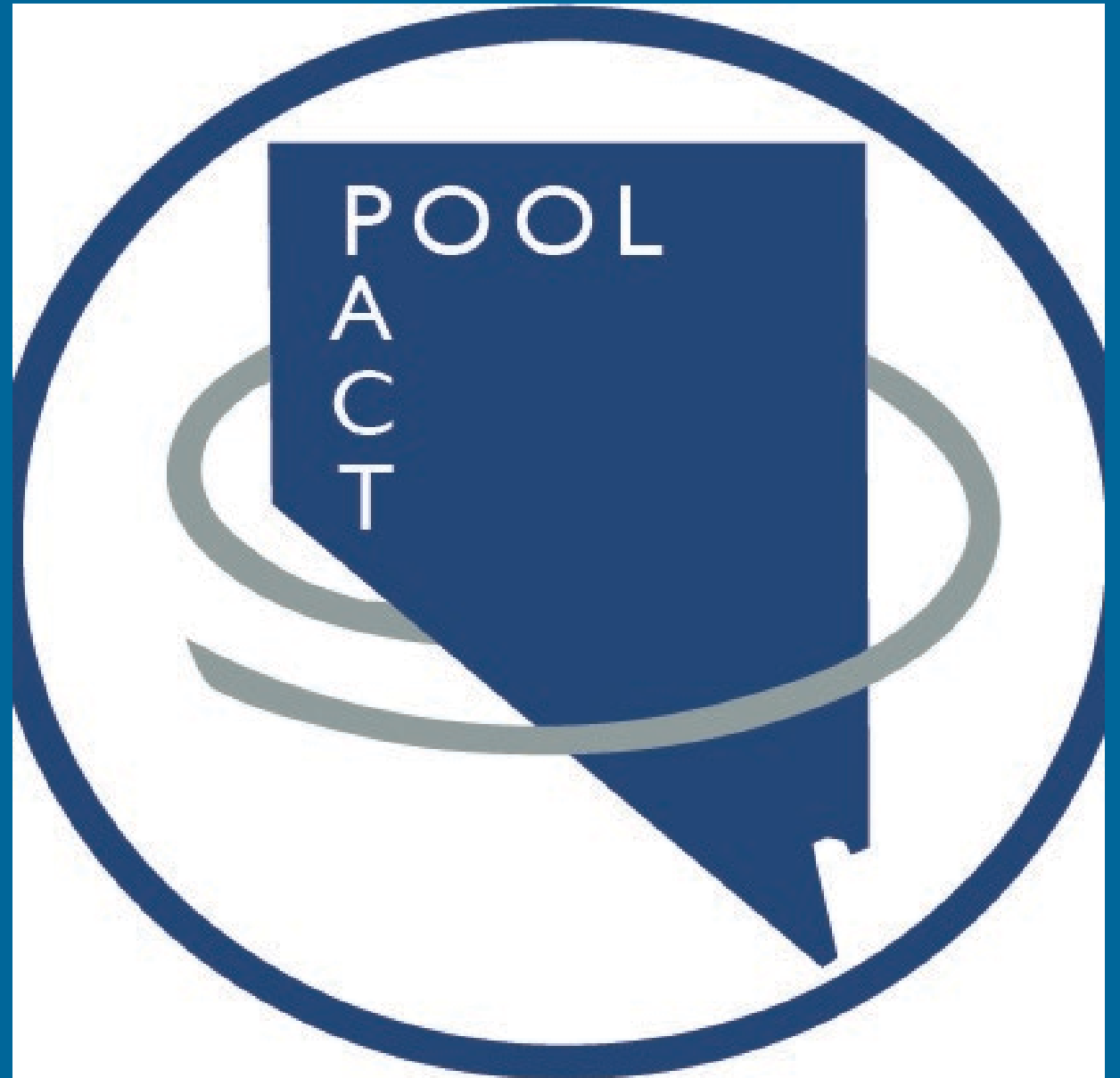
# QUESTIONS & REFLECTIONS

*Working Together We Achieve Superior Results*

The background features a dark, almost black, gradient. In the lower portion, there are dynamic, flowing shapes. On the left, there are vibrant red, curved forms that resemble liquid or fabric. On the right, there are bright blue and cyan waves that flow from the bottom right towards the center, creating a sense of movement and depth.

# POOL AUDIT OVERVIEW

Fiscal Year Ending  
June 30, 2019



# KEY PLAYERS

Wayne Carlson,  
Executive Director  
POOL/PACT

Mike Rebaleati,  
Captive President,  
COO

Alan Kalt, CFO

Deb Connally,  
Controller

Cash Minor, Chair  
NPAIP, Chair PRM

Paul Johnson,  
Chair PACT, Chair  
PCM

Josh Foli, Audit  
Committee  
Member

Gerry Eick, Audit  
Committee  
Member

Michael Bertrand:  
Bertrand &  
Associates: Audit  
Firm

Steve Balkenbush,  
General Counsel

Donna Squires,  
ASC, Claims  
Management

Derek Burkhalter,  
Actuary



# KEY SECTIONS OF THE AUDIT REPORT

Executive Director's Letter

Management Discussion and Analysis

Independent Auditors Report

Financial Statements:

Statement of Net Position

Statements of Revenues, Expenses and Changes

in Net Position

Statements of Cash Flows

Supplemental Schedule on Unpaid Loss Liabilities

Comparative Schedule of Claim Development



# NEVADA PUBLIC AGENCY INSURANCE POOL



## NEVADA PUBLIC AGENCY INSURANCE POOL Statements of Net Position June 30, 2019 and 2018

<b>ASSETS</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 969,204	\$ 2,254,893
Investments	18,411,809	18,107,946
Accrued interest	68,263	63,847
Deductibles receivable	644,786	336,162
Assessments receivable	18,426	10,520
Other Receivables	47	47
Specific and aggregate recoverables	3,321,360	2,794,407
Prepaid expense	225,108	220,453
<b>Total current assets</b>	<b><u>23,659,003</u></b>	<b><u>23,788,275</u></b>
<b>Capital assets:</b>		
Land, building & equipment, net	1,529,006	1,579,483
<b>Other assets:</b>		
Construction in progress	22,894	-
Contributed Surplus Public Risk Mutual, net	11,351,444	13,646,670
<b>Total Assets</b>	<b><u><u>36,562,347</u></u></b>	<b><u><u>39,014,428</u></u></b>
<b>LIABILITIES</b>		
<b>Other current liabilities:</b>		
Accounts payable	300,320	124,741
Risk Management Grants payable	136,794	196,731
Deferred inflows of resources	-	-
Current portion of reserve for claims and claims adjustment expenses	4,332,222	5,047,158
<b>Total current liabilities</b>	<b><u>4,769,336</u></b>	<b><u>5,368,630</u></b>
<b>Noncurrent liabilities:</b>		
Reserve for claims and claims adjustment expenses	6,372,778	6,666,842
<b>Total non-current liabilities:</b>	<b><u>6,372,778</u></b>	<b><u>6,666,842</u></b>
<b>Total Liabilities</b>	<b><u><u>11,142,114</u></u></b>	<b><u><u>12,035,472</u></u></b>
<b>NET POSITION</b>		
Net Position, unrestricted	23,891,227	25,399,473
Net Position, invested in capital assets	1,529,006	1,579,483
<b>Total Net Position</b>	<b><u><u>\$ 25,420,233</u></u></b>	<b><u><u>\$ 26,978,956</u></u></b>

# NEVADA PUBLIC AGENCY INSURANCE POOL



Nevada Public Agency Insurance Pool										
Statement of Net Position										
Fiscal Years Ending June 30th										
Description	2012	2013	2014	2015	2016	2017	2018	2019	\$ Diff	% Diff
<b>ASSETS</b>										
<i>Current Assets:</i>										
Cash and cash equivalents	814,553	2,163,709	2,000,714	1,096,020	419,052	625,884	2,254,893	969,204	(1,285,689)	-57.0%
Investments	27,128,610	27,905,067	29,313,204	31,146,128	33,121,767	26,229,345	18,107,946	18,411,809	303,863	1.7%
Accrued interest			159,855	192,530	172,145	134,765	63,847	68,263	4,416	6.9%
Deductibles receivables	501,241	233,348	113,516	382,734	260,779	146,244	336,162	644,786	308,624	91.8%
Assessments receivables	-	75,855	6,101	3,241	15,607	26,170	10,520	18,426	7,906	75.2%
Other Receivables	3,507	9,716	136,689	47	50	72,522	47	47	-	0.0%
Specific and aggregate recoverables	300,032	383,132	166,396	1,450,078	1,792,924	2,712,750	2,794,407	3,321,360	526,953	18.9%
Prepaid expense	44,436	18,692	71,434	27,095	21,673	83,691	220,453	225,108	4,655	2.1%
<b>Total Current Assets</b>	<b>28,792,379</b>	<b>30,789,519</b>	<b>31,967,909</b>	<b>34,297,873</b>	<b>35,803,997</b>	<b>30,031,371</b>	<b>23,788,275</b>	<b>23,659,003</b>	<b>(129,272)</b>	<b>-0.5%</b>
<i>Capital Assets:</i>										
Land, building & equipment	1,823,470	1,778,877	1,734,284	1,689,691	1,645,098	1,622,469	1,579,483	1,551,900	(27,583)	-1.7%
<i>Other Assets:</i>										
Contribution Surplus to PRM, net	10,733,420	10,342,773	10,056,419	8,357,565	8,067,123	10,420,230	13,646,670	11,351,444	(2,295,226)	-16.8%
<b>TOTAL ASSETS</b>	<b>41,349,269</b>	<b>42,911,169</b>	<b>43,758,612</b>	<b>44,345,129</b>	<b>45,516,218</b>	<b>42,074,070</b>	<b>39,014,428</b>	<b>36,562,347</b>	<b>(2,452,081)</b>	<b>-5.8%</b>
<b>LIABILITIES</b>										
<i>Other current liabilities:</i>										
Accounts Payable	56,864	64,724	61,456	41,067	87,831	165,724	124,741	300,320	175,579	140.8%
Risk Management Grants payable	50,000	-	586,235		-	157,564	196,731	136,794	(59,937)	-30.5%
Deferred inflows of resources	-	21,776	20,005	16,938		5,104	-	-	-	
Current portion of reserve for claims & claims adjustment expenses	4,586,498	4,811,009	4,336,045	4,280,866	4,552,056	4,581,556	5,047,158	4,332,222	(714,936)	-14.2%
<b>Total current liabilities</b>	<b>4,693,362</b>	<b>4,897,509</b>	<b>5,003,741</b>	<b>4,338,871</b>	<b>4,639,887</b>	<b>4,909,948</b>	<b>5,368,630</b>	<b>4,769,336</b>	<b>(599,294)</b>	<b>-11.2%</b>
<i>Non-current liabilities:</i>										
Reserve for claims and claims adjustment expenses	6,886,502	6,827,991	5,816,955	5,843,134	6,013,944	5,423,444	6,666,842	6,372,778	(294,064)	-4.4%
<b>Total non-current liabilities</b>	<b>6,886,502</b>	<b>6,827,991</b>	<b>5,816,955</b>	<b>5,843,134</b>	<b>6,013,944</b>	<b>5,423,444</b>	<b>6,666,842</b>	<b>6,372,778</b>	<b>(294,064)</b>	<b>-4.4%</b>
<b>TOTAL LIABILITIES</b>	<b>11,579,864</b>	<b>11,725,500</b>	<b>10,820,696</b>	<b>10,182,005</b>	<b>10,653,831</b>	<b>10,333,392</b>	<b>12,035,472</b>	<b>11,142,114</b>	<b>(893,358)</b>	<b>-7.4%</b>
<b>NET POSITION</b>										
Net Position, unrestricted	27,945,935	29,406,792	31,203,632	32,473,433	33,217,289	30,118,209	25,399,473	23,891,227	(1,508,246)	-5.9%
Net Position, invested in capital assets	1,823,470	1,778,877	1,734,284	1,689,691	1,645,098	1,622,469	1,579,483	1,529,006	(50,477)	-3.2%
<b>TOTAL NET POSITION</b>	<b>29,769,405</b>	<b>31,185,669</b>	<b>32,937,916</b>	<b>34,163,124</b>	<b>34,862,387</b>	<b>31,740,678</b>	<b>26,978,956</b>	<b>25,420,233</b>	<b>(1,558,723)</b>	<b>-5.8%</b>

# NEVADA PUBLIC AGENCY INSURANCE POOL



## NEVADA PUBLIC AGENCY INSURANCE POOL Statements of Revenues, Expenses and Changes in Net Position For Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Premiums written	\$ 15,678,937	\$ 14,390,787
Rental income	266,582	261,643
Other Income	53,460	50,174
Total revenues	<u>15,998,979</u>	<u>14,702,604</u>
<b>PROGRAM EXPENSES</b>		
Losses and loss adjustment expenses	5,154,084	6,461,215
Excess insurance premiums	5,960,178	5,309,446
Special insurance programs	-	485,154
Pooling and loss control fees	505,000	505,000
Third party administrator fees	726,947	710,655
Member education and training	396,565	240,525
Loss control awards and grants	1,199,910	1,177,977
Agent commissions	1,024,640	955,653
Taxes written	18,656	18,443
Total program expenses	<u>14,985,980</u>	<u>15,864,068</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Management fees	821,488	513,174
Building maintenance and utilities	93,485	93,190
Depreciation	50,477	49,317
Amortization	2,295,226	2,473,560
Travel	59,994	54,981
Casualty insurance	47,970	31,075
Operating expenses	143,979	189,723
Legal expenses	16,775	45,788
Consultant appraisals	83,860	85,700
Technology services	106,783	12,483
Total pool administration expenses	<u>3,720,037</u>	<u>3,548,991</u>
Total program and administration expenses	<u>18,706,017</u>	<u>19,413,059</u>
<b>Decrease in operating net position</b>	<b>(2,707,038)</b>	<b>(4,710,455)</b>
Increase in non-operating net investment income	1,148,315	(51,267)
<b>(Decrease) increase in net position</b>	<b>(1,558,723)</b>	<b>(4,761,722)</b>
Net position, beginning of year	26,978,956	31,740,678
<b>Net position, end of year</b>	<b>\$ 25,420,233</b>	<b>\$ 26,978,956</b>





# NEVADA PUBLIC AGENCY INSURANCE POOL



## NEVADA PUBLIC AGENCY INSURANCE POOL Statements of Cash Flows For Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Premiums written	\$ 14,835,454	\$ 14,211,415
Rental income	266,582	261,643
Other revenues	53,460	50,174
Payment for claims	(6,163,084)	(4,752,215)
Payment to vendors	(11,099,660)	(10,505,811)
Net Cash Used from Operating Activities	<u>(2,107,248)</u>	<u>(734,794)</u>
<b>Cash flows from investing activities:</b>		
Interest and dividend income, net of expenses	518,640	600,085
Purchases of investments	(31,745,904)	(17,538,308)
Proceeds from sales of investments	32,071,717	25,008,356
Net Cash Provided from Investing Activities	<u>844,453</u>	<u>8,070,133</u>
<b>Cash flows from capital activities:</b>		
Increase in capitalization of PRM	-	(5,700,000)
Equipment purchases	-	(6,330)
Construction in progress	(22,894)	-
Net Cash Used for Capital Activities	<u>(22,894)</u>	<u>(5,706,330)</u>
Increase in Cash and Cash Equivalents	(1,285,689)	1,629,009
Cash and Cash Equivalents, beginning of fiscal year	2,254,893	625,884
Cash and Cash Equivalents, year ended June 30	<u>969,204</u>	<u>2,254,893</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating net loss	(2,707,038)	(4,710,455)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	50,477	49,317
Amortization expense	2,295,226	2,473,560
(Increase) in deductibles and assessments receivables	(316,530)	(174,268)
(Increase) in prepaid expense	(4,655)	(136,762)
Decrease in other receivables	-	72,474
(Increase) in recoverables	(526,953)	(81,657)
(Increase) decrease in accrued interest	(4,416)	70,917
Increase (decrease) increase in accounts payable	175,579	(40,983)
(Decrease) increase in Risk Management Grants liability	(59,937)	39,167
(Decrease) in deferred inflows of resources	-	(5,104)
(Decrease) increase in reserve for claims and loss adjustments	(1,009,000)	1,709,000
Net Cash Used by Operating Activities	<u>\$ (2,107,247)</u>	<u>\$ (734,794)</u>

Total Capital Contributions to PRM	\$29,477,263
Net Contributed Surplus PRM	\$11,351,444
Investment Balance at 6-30-2019	\$18,411,809
Total Assets at 6-30-2019	\$36,562,347
Reserves for claim losses	\$10,705,000
Net Investment Income for 2019	\$ 1,148,315
Net Position June 30, 2019	\$25,420,233
Total Premiums Revenues FY 2019	\$15,678,937
Member education and services	\$ 1,199,910
Total Loss Fund and program expenses	\$14,985,980
Total Administration Expenses	\$ 3,720,037*

\* Includes Amortization on PRM Contribution \$2,295,226

See detailed financial statements and notes for more details.

## NEVADA PUBLIC AGENCY INSURANCE POOL

## KEY FINANCIAL FIGURES



## Mission Statement Financial Items:

*Financial Strength, security, and durability  
Cost Effective risk sharing and financing  
Stewards of Public Assets*

## Vision Statement:

*To sustain financial strength to meet our commitment to  
Members*

Net Position to SIR (Target 20:1) 50.8 to 1.0

SIR To Net Position 0.02 to 1.0

Cash/Investments to Current Liabilities 4.1 to 1.0

Total Assets/Total Liabilities 3.28 to 1.0

Revenues to Net Position 0.63 to 1.0

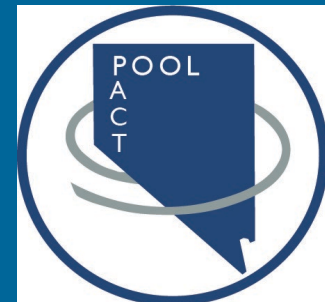
Loss Reserves to Net Position 0.42 to 1.0

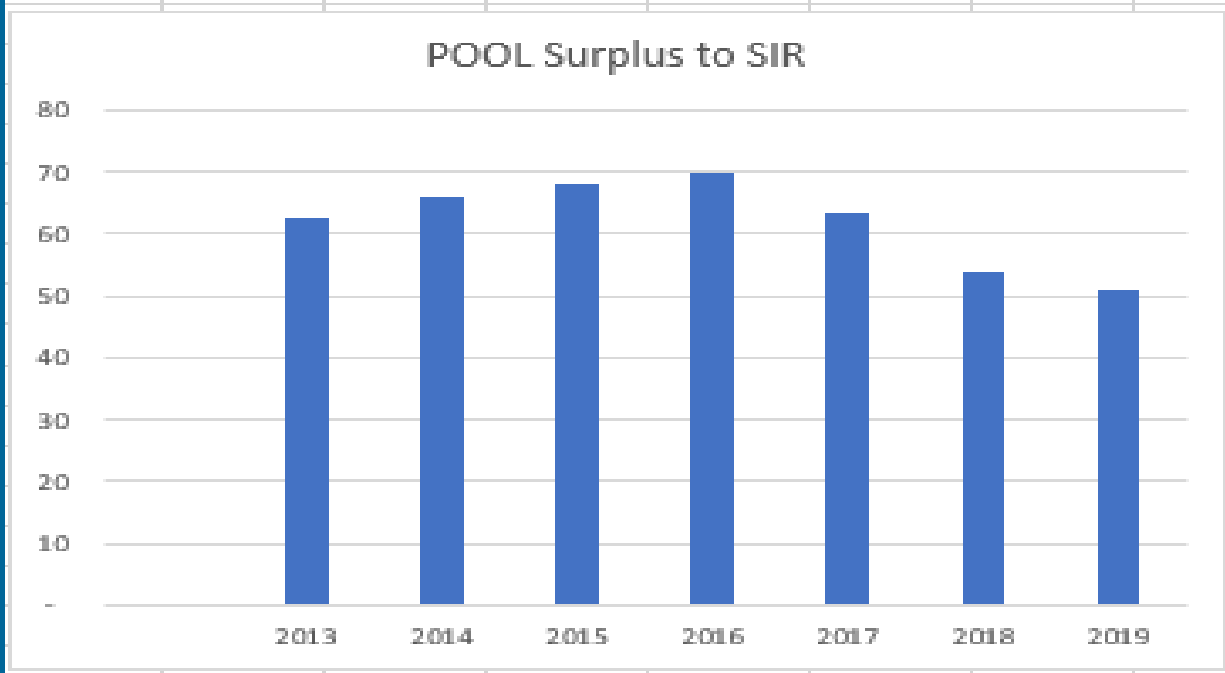
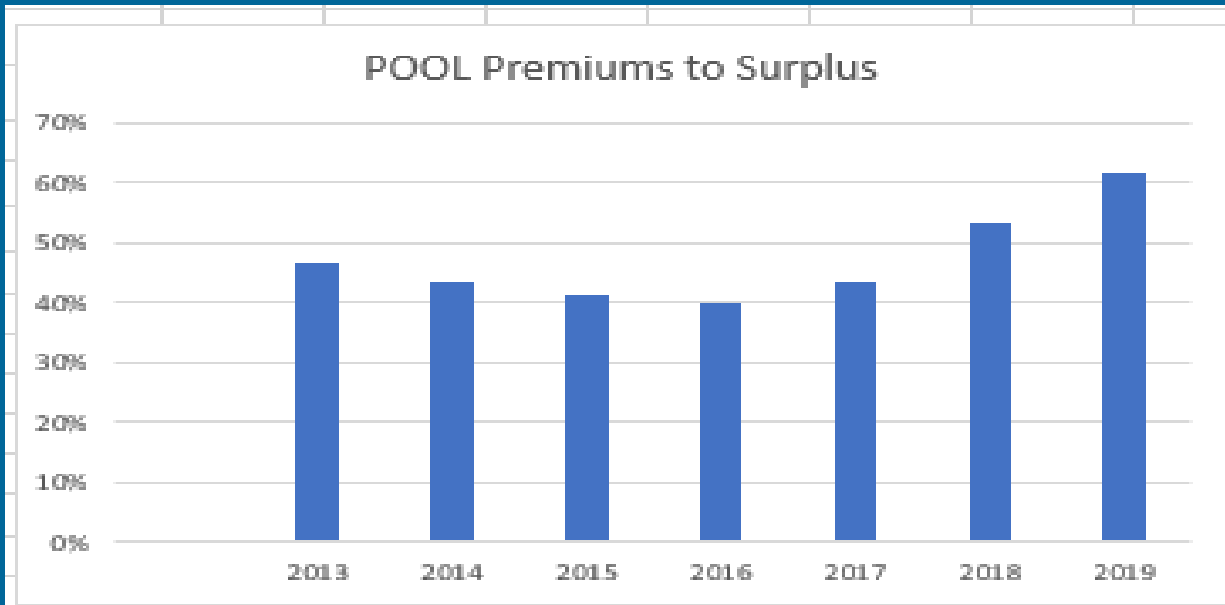
See detailed financial statements and notes for more details.

# NEVADA PUBLIC AGENCY INSURANCE POOL

## KEY FINANCIAL BENCHMARK FIGURES

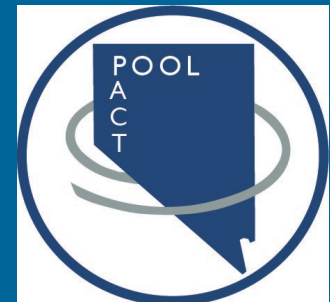
<b>Bench Mark Data Analysis</b>								
<b>POOL</b>								
	2013	2014	2015	2016	2017	2018	2019	
POOL Premiums to Surplus	46.66%	43.57%	41.28%	39.98%	43.58%	53.34%	61.68%	
POOL Surplus to SIR	62.37	65.88	68.33	69.72	63.48	53.96	50.84	
POOL Pure Loss and Loss Adjustment Ratio	20.58%	19.18%	19.98%	26.04%	32.89%	44.90%	32.87%	
POOL Program Expense Ratio including Reinsurance	52.26%	53.80%	58.00%	58.25%	65.94%	63.95%	61.45%	
POOL Admin Expense Ratio (Excluding Depreciation/Amort)	5.89%	6.16%	6.51%	7.37%	7.81%	6.98%	8.59%	





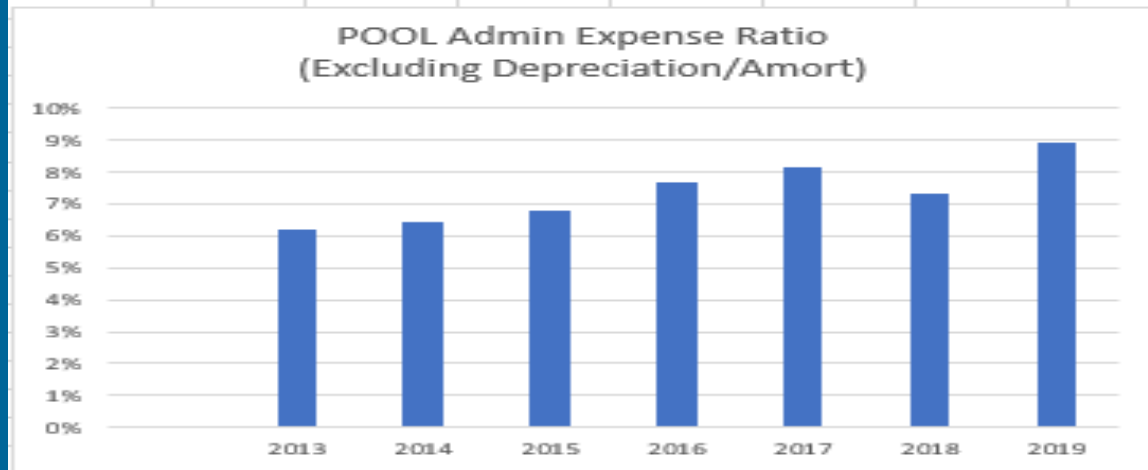
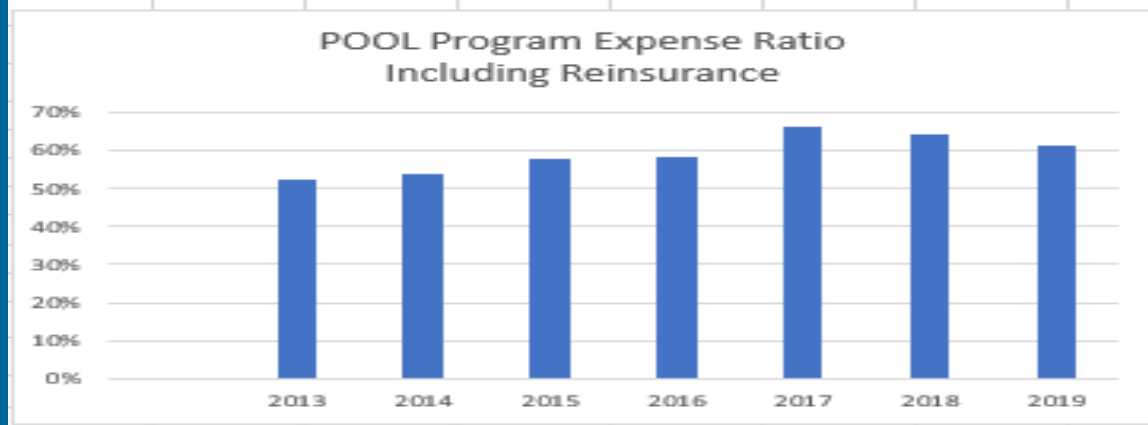
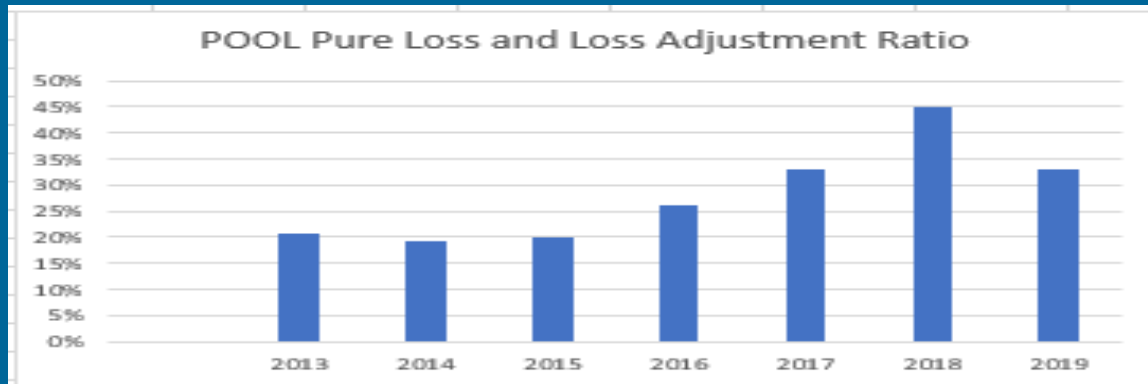
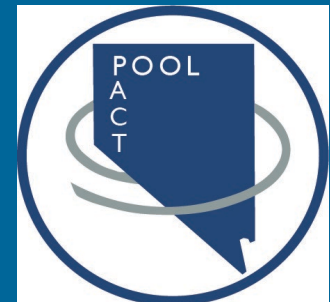
# NEVADA PUBLIC AGENCY INSURANCE POOL

## KEY FINANCIAL BENCHMARK FIGURES



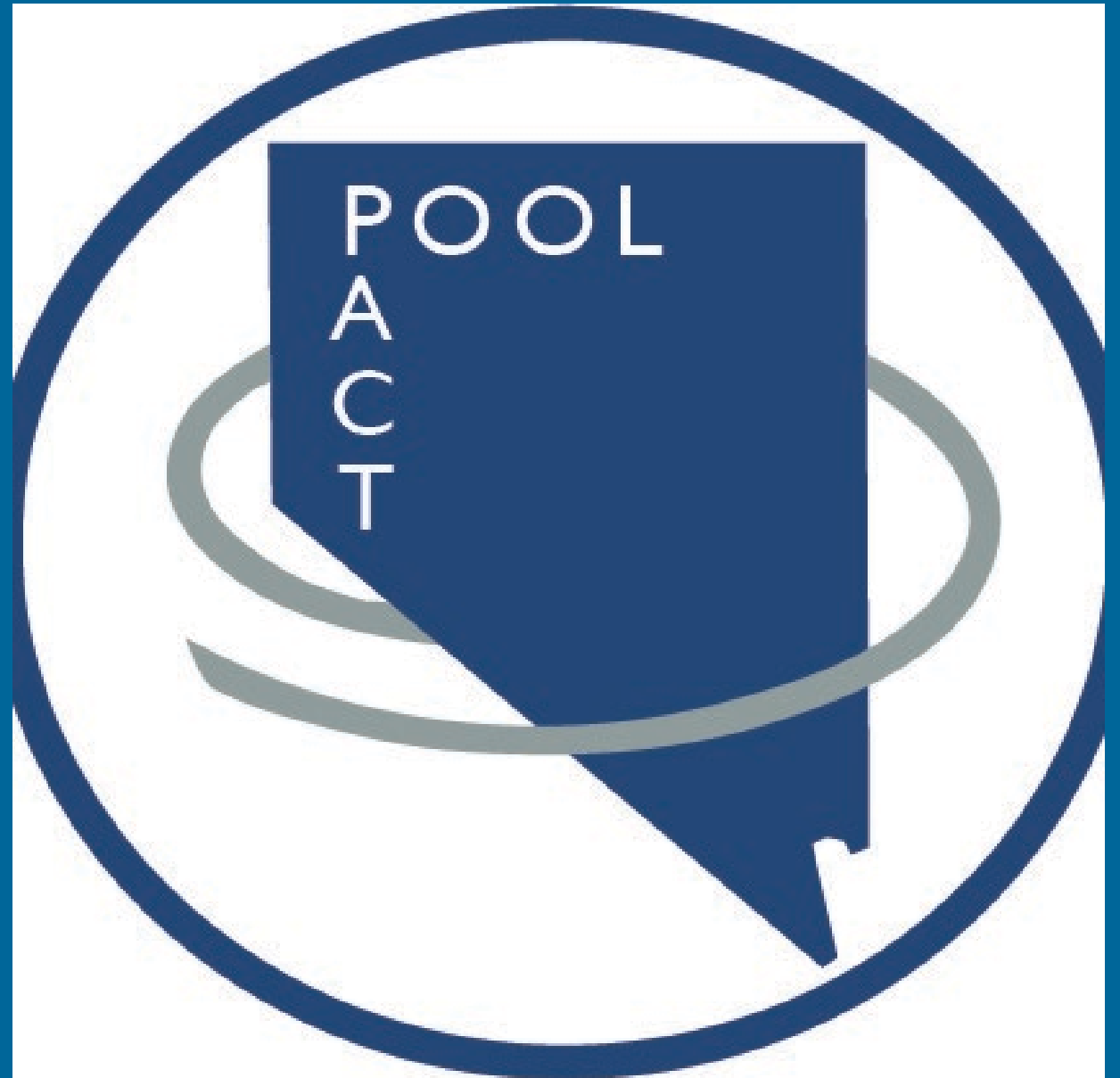
# NEVADA PUBLIC AGENCY INSURANCE POOL

## KEY FINANCIAL BENCHMARK FIGURES



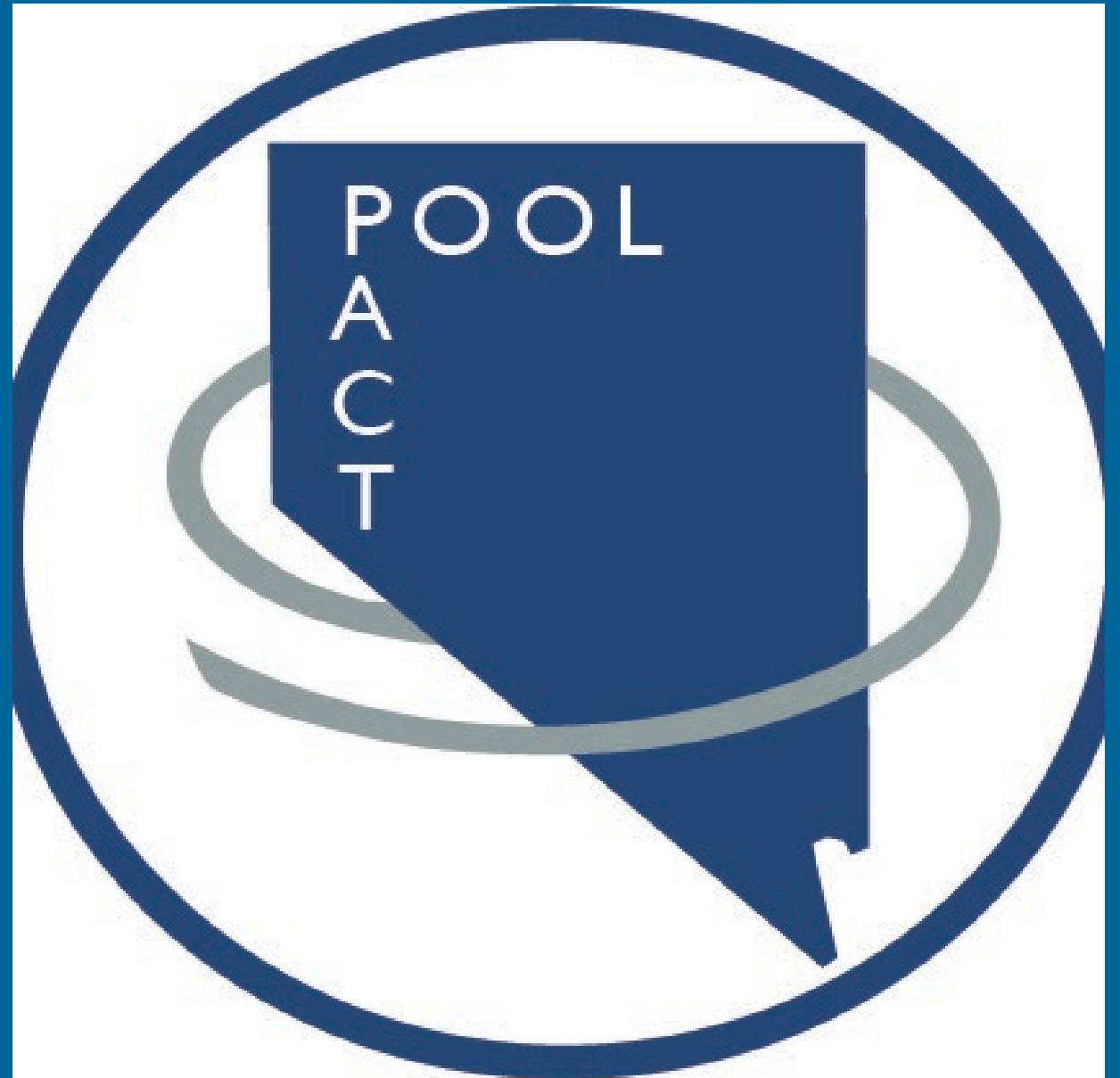
POOL AUDIT  
QUESTIONS &  
ANSWERS

Fiscal Year Ending  
June 30, 2019



THANK YOU FOR  
YOUR FINANCIAL  
LEADERSHIP

*Working Together  
We Achieve Superior Results*



**NEVADA PUBLIC AGENCY INSURANCE POOL**

**FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**



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## **BERTRAND & ASSOCIATES LLC**

### **CERTIFIED PUBLIC ACCOUNTANTS**

Member American Institute of Certified Public Accountants

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Carson City, NV 89701  
Tel 775.882.8892  
Fax 775.562.2667  
E-mail: michael@bertrandcpa.com

## **INDEPENDENT AUDITOR'S REPORT**

To the Executive Director and the Board of Directors  
Nevada Public Agency Insurance Pool  
Carson City, Nevada

### **Report on the Financial Statements**

We have audited the accompanying Statements of Net Position of the Nevada Public Agency Insurance Pool as of June 30, 2019, and 2018 and the related Statements of Revenues and Expenses and Changes in Net Position and Statements 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 controls 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 controls 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 controls. 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, 2019 and 2018 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 8 and the 10-year claims development schedule on page 28 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, which 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  
October 11, 2019

## EXECUTIVE DIRECTOR'S LETTER

Members of Nevada Public Agency Insurance Pool

As the Executive Director, I am pleased to present the NPAIP Annual Audited Financial Statements for the year ended June 30, 2019, the conclusion of our 32<sup>nd</sup> full year of operations. As noted in part of NPAIP's Mission Statement, we excel in financial strength, security, and durability and cost-effective risk sharing and financing. This financial report will demonstrate our commitment to our Mission Statement.

In addition to the preparation of the audited financial statements in accordance with GASB pronouncements and other financial standards, this report includes a required Management Discussion and Analysis of the financial results during the years.

Over the years, the Board adopted fiscally responsible policies to retain net position to achieve long-term, stable financial results for members. In 2016, they adopted a Net Assets policy to target net position at a minimum of twenty times the highest self-insured retention. With a Net Position of \$25,420,233, we have significantly exceeded that goal for this year (50.8:1) and for the comparison year (54.0: 1) shown in the audit. Net position decreased during the year primarily because of amortization of approved transfers to the Public Risk Mutual captive (PRM) and an increase in the reserve for claims and claims adjustment expenses. Since Fiscal Year 2004, NPAIP has contributed \$29,477,263 to the PRM captive to serve as one of the reinsurers for NPAIP for certain property and liability coverage during the year. The benefits of the captive are reduced administrative costs, reinsurance opportunities and a broader investment portfolio including risk assets. As PRM grows in financial strength, additional member services and program costs can be directly funded through the captive. See the separate annual audited financial statements of PRM for more details.

Through the oversight of the Audit Committee, Executive Committee and the Board of Trustees, coupled with the Nevada Division of Insurance regulatory review, NPAIP Members can be assured that NPAIP will remain financially sound. Members should be proud of the success we have achieved together.

NPAIP has been serving its membership for over 32 years. We are government risk experts with a passion for risk management services. We provide coverage and risk management solutions that are comprehensive and uncomplicated for our members. As the risk management arm for our members, NPAIP manages claims and provides a broad array of in-depth loss control services, training, and risk consultation. With services such as POOL/PACT Human Resources, our extensive support system for human resources issues, members receive support services no one else offers. Our interactive loss control programs and resources guide our members' efforts toward reducing the probability of losses and the effect of losses that do occur.

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. Consistent with NPAIP board policy, funding at a 75% actuarial confidence level for pricing is 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. As described earlier in the Changes in Net Position discussion, Net Position is affected by amortization of transfers of funds to PRM consistent with the board's policy on Capitalization. NPAIP maintains an interest in PRM as its sole policyholder and is entitled to a return of those capital contributions before any other distributions can be made by PRM. The captive continues to enjoy financial success as a reinsurance option for NPAIP.

NPAIP continued its membership in the following reinsurers in which it has a financial interest:

- ❖ Public Risk Mutual, its own pure 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

The table below shows some key financial ratios tracked by management and the board to benchmark NPAIP's financial condition and risk retention strategies:

In order to enhance analysis, comparative information is provided to facilitate management's analysis and understanding of the financial results. Other performance indicators used by insurance companies but are not necessarily useful comparative indicators for risk pools.					
Financial Ratios	POOL	POOL	POOL	POOL	POOL
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Total Revenue	\$ 14,364,004	\$ 14,377,529	\$ 14,159,528	\$ 14,702,604	\$ 15,998,979
Total Net Income	\$ 1,225,208	\$ 699,263	\$ (3,121,709)	\$ (4,761,722)	\$ (1,558,723)
Net Operating Income	\$ 537,007	\$ (510,082)	\$ (2,824,698)	\$ (4,710,455)	\$ (2,707,038)
Net Investment Income	\$ 688,201	\$ 1,209,345	\$ (297,011)	\$ (51,267)	\$ 1,148,315
Total Assets	\$ 44,345,129	\$ 45,516,218	\$ 42,074,070	\$ 39,014,428	\$ 36,562,347
Total Liabilities	\$ 10,182,005	\$ 10,653,831	\$ 10,333,392	\$ 12,035,472	\$ 11,142,114
Net Position	\$ 34,163,123	\$ 34,862,387	\$ 31,740,678	\$ 26,978,956	\$ 25,420,233
Net Position to SIR (Board target: 20:1)	68.3	69.7	63.5	54.0	50.8
SIR to Net Position (Benchmark: captives <.10; group captives <.25)	0.015	0.014	0.016	0.019	0.020
% Assets attributable to Net Position	77.0%	76.6%	75.4%	69.2%	69.5%
Total assets/total liabilities	4.36	4.27	4.07	3.24	3.28
Revenues to Net Position (Benchmark: <2.5:1 and >0)	0.42	0.41	0.45	0.54	0.63
Loss Reserves to Net Position (discounted): Benchmark <3:1 and >0	0.34	0.33	0.36	0.43	0.45
Total liabilities to liquid assets: Benchmark <100%	32%	32%	38%	59%	59%
Change in Net Position: >-10%	3.7%	2.0%	-9.0%	-15.0%	-5.8%
Return on Net Position: Net Operating Income/Net Position	1.6%	-1.5%	-8.9%	-17.5%	-10.6%
Return on Net Position: Total Income/Net Position	3.6%	2.0%	-9.8%	-17.6%	-6.1%

We continue to provide stability in the mist of uncertainty, allowing members to focus on serving their communities. We will continue to be reliability and stability in a risky property and casualty world.

### Economic Factors:

For fiscal year ending June 30, 2019, economic conditions showed continued 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. 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.

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, 2019 evidenced stable insurance market

conditions for property and liability reinsurance. Rates in property coverage were stable with slight increases as were liability rates.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire PARMs staff. The staff includes Mike Rebaleati, Chief Operations Officer, Marshall Smith, Chief Risk Officer, Alan Kalt, Chief Financial Officer, Debbie Connally, Controller, Melissia Melissa Mack, Administrative Technician, Zaria Hanses, Administrative Assistant and Mike Van Houten, e-learning Manager and Webmaster. Thanks also to the dedicated professional staff from Bertrand & Associates, LLC, our independent auditors, for their contribution and support throughout the audit process. Special thanks to the Executive Committee, Audit Committee and Board of Directors for their keen interest and support in the planning and conducting of the financial operations of NPAIP in a responsible and progressive manner.

Thank you for your participation in NPAIP and for having confidence in our ongoing ability to meet the Mission, Vision and Motto you set for our member services consortium. We welcome your comments and suggestions to further strengthen NPAIP's financial position, to provide you with additional information and to enhance Member services. I am honored to serve as Executive Director. Thank you for your continued active participation as a Member of NPAIP.

Sincerely,

**Wayne Carlson**

NPAIP Executive Director

NEVADA PUBLIC AGENCY INSURANCE POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019 AND 2018

Nevada Public Agency Insurance Pool's (NPAIP) discussion and analysis is designed to, (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the entity's financial activities, (c) identify changes in NPAIP's financial position (its ability to address next and subsequent years challenges), and (d) identify any material deviations from the financial plan.

We encourage readers to read this information in conjunction with the Executive Director's letter, financial statements and notes to gain a more complete understanding of the information presented.

**Organization Overview**

Nevada Public Agency 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 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 reinsurance insurance protection, the program provides risk management services with emphasis on loss control, claims administration, and management support services. NPAIP is fully funded by member participants. Members file claims with Alternative Services Concepts, LL (ASC) which has been contracted to perform claims management services for NPAIP.

NPAIP provides property and casualty coverage to member governmental entities pursuant to state statutes. The program is fully funded by member entities and is governed by a Board of Directors composed of representatives of each member. Any member may withdraw from the program by giving 120 days' notice. NPAIP's independent actuary develops required NPAIP contributions needed to be assessed and collected.

**Background:**

NPAIP 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*. NPAIP's financial information must be accompanied by enhanced analysis, both short and long term, and explanations of significant financial statement elements. Since NPAIP 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 NPAIP using accounting methods similar to those used by private sector organizations, these statements offer short- and long-term financial information about NPAIP's activity. The financial statements show a comparison of two audited years ending June 30, 2019 and June 30, 2018 to facilitate understanding of changes in the financial position over time.

The Statement of Net Position includes all 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 solvency, 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 NPAIP's operations for the fiscal year compared to the previous fiscal year and can be used as a measure of 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 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, capital and related financing activities and investing activities. 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**

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, including the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

The auditor's report offers an unmodified opinion on the financial statements, the best opinion that can be attained.

### **Critical Accounting Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the accounting period. Actual results could differ from these estimates.

NPAIP has identified the estimates inherent in the valuation of investments and loss reserves (including reserves for incurred but not reported claims- IBNR) as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability. In developing these estimates, management makes subjective and complex judgments that are inherently uncertain and subject to material change as facts and circumstances develop. Although variability is inherent in these estimates, management believes the amounts provided are appropriate and conservative based upon the facts available as of the date of the financial statements. NPAIP uses the assistance of an independent outside actuarial firm in relation to the IBNR and overall loss reserve adequacy.

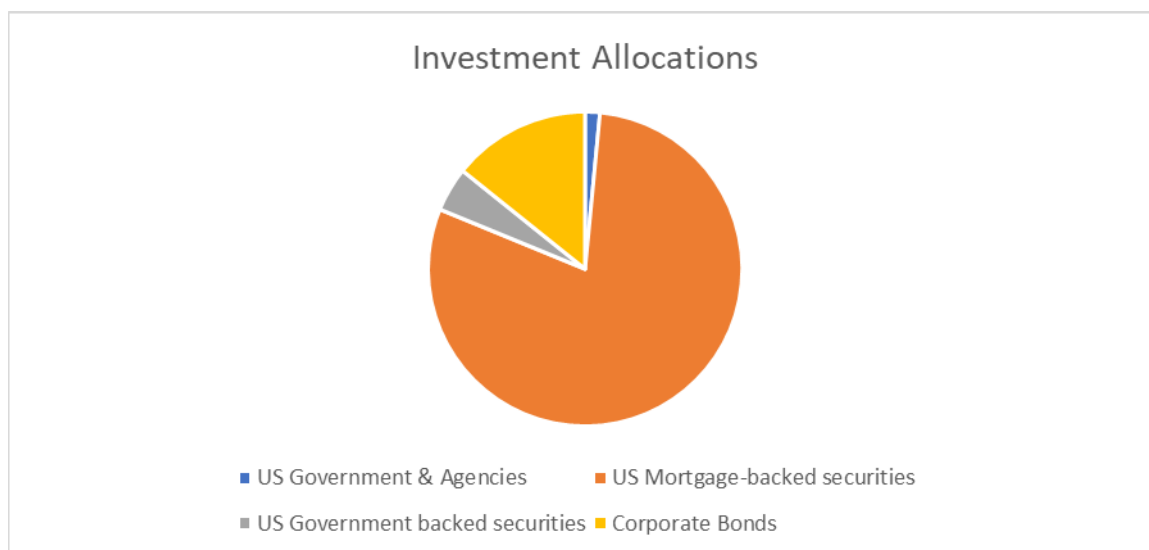
### **Investments**

One significant estimate inherent in the valuation of investments is the evaluation of fair value. Investments consist predominantly of government and government backed securities and are reported at their fair value in the Statement of Net 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 Revenue, Expenses and Changes in Net Position. Nevada Revised Statutes and the Board approved Investment Policy outlines the restrictions on the types of allowed investments. NPAIP 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 corporate backed securities. NPAIP is authorized to purchase negotiable certificates of deposits issued by commercial banks or insured savings and loan associations.

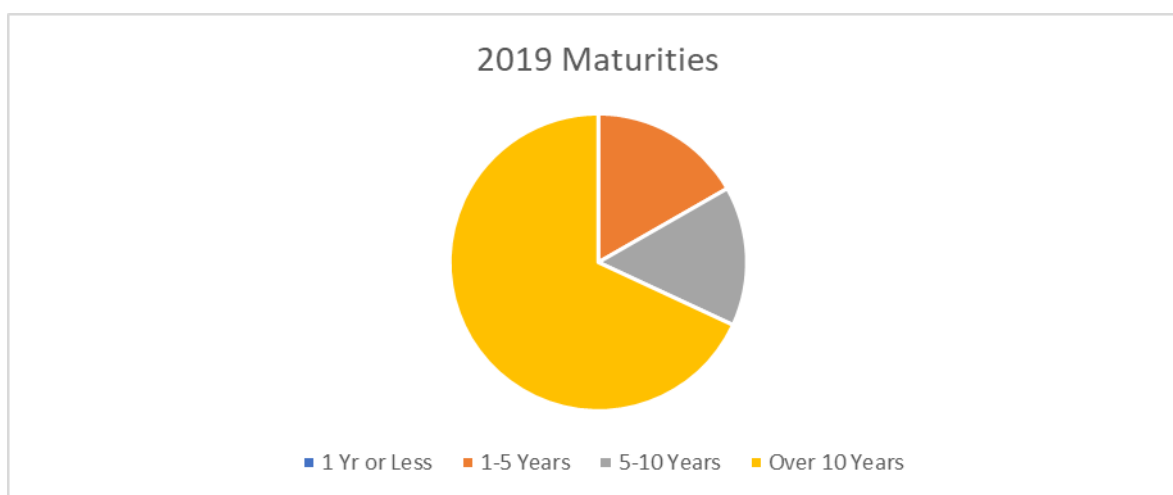
Cash and investments of \$19,381,013 are available to meet current liabilities, including reserves for loss and loss adjustment expenses of \$4,769,336. Total current liabilities include accounts payable, risk management grants payable, specific recoverable and current portion of reserves for claims. This is a conservative measure of cash and investments available to pay current obligations. NPAIP's cash ratio is 4.1, meaning that the it has 4.1 times the unrestricted cash and investments on hand to meet its obligations. Last year's cash ratio was 3.8. The increase in the cash ratio is due primarily to the reduction in the current portion of reserve for claims and claims adjustment expenses which were \$4,332,222 in FY19 compared to \$5,047,158 a reduction of \$714,936. This is offset by the reduction in cash and investment balance at fiscal year-end.



Investment balances as of June 30, 2019 were \$18,411,809 compared to the prior year amount of \$18,107,946. This represents an increase of \$303,863 or 1.7%. The increase is due primarily to the investment income and operations during the year. As noted in Note 3, the following is a summary of the fair value of investments as of June 30, 2019:



<b>Investment Descriptions</b>	<b>Fair Value 6-30-2019</b>	<b>Fair Value 6-30-2018</b>
U.S. Government & Agencies	278,673	449,799
U.S. Mortgage backed securities	14,670,959	16,307,593
U.S. Government backed securities	838,640	1,350,554
Corporate bonds	<u>2,623,537</u>	<u>-</u>
<b>Total investments</b>	<b><u>\$18,411,809</u></b>	<b><u>\$18,107,946</u></b>



**Accrued Interest**

The investment income receivable at June 30, 2019 is \$68,263 compared to \$63,847 in 2018. This is a change of \$4,416 or 6.9%. This is due primarily to the increase in investment balances at year end and the timing of the payment of accrued interest on the investments.

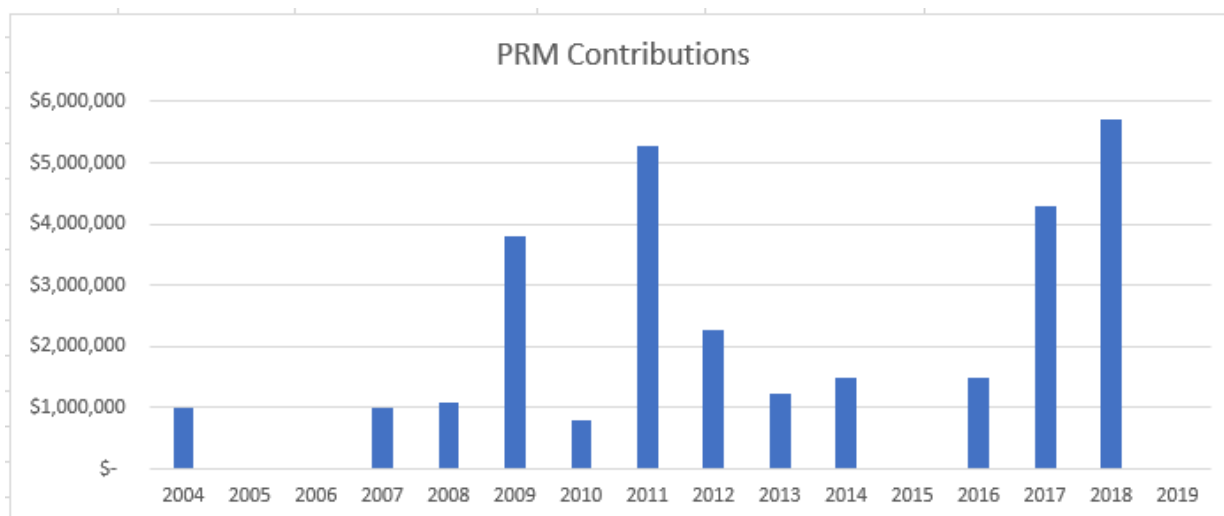
### Specific and Aggregate Recoverables

Specific and aggregate recoverables at June 30, 2019 are \$3,321,360, compared to \$2,794,407 in 2018. This is an increase of \$526,953 or 18.8% due to increased settlements during the fiscal year.

### Contributed Surplus Public Risk Mutual

In May of 2004, NPAIP’s board of directors authorized the startup of a member-owned nonprofit captive mutual insurance company and contributed surplus to the company. The company, named Public Risk Mutual, (“PRM”) is domiciled in Nevada. PRM subsequently converted from an association captive to a pure captive form owned by NPAIP. PRM is one of the reinsurers for NPAIP. The benefits of the captive are reduced administrative costs, reinsurance opportunities, a broader investment portfolio which can include risk assets, and build equity to enable provision of coverage not obtainable elsewhere. 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 cost to NPAIP will recoup the contributed capital. As such, NPAIP’s contributed surplus to PRM will be amortized over ten years. The net contributed surplus to PRM for fiscal year ending June 30, 2019 is \$11,351,444 compared to \$13,646,670 reflecting a decrease of \$2,295,226 due to current year amortization. See note 9 for more details. The following chart indicates NPAIP’s surplus contributions and related amortization to PRM since inception:

Fiscal Year	Contributions	Amortization	Net Contributions
2004	\$ 1,000,000	\$ -	\$ 1,000,000
2005	\$ -	\$ 100,000	\$ 900,000
2006	\$ -	\$ 100,000	\$ 800,000
2007	\$ 1,000,000	\$ 100,000	\$ 1,700,000
2008	\$ 1,100,000	\$ 291,667	\$ 2,508,333
2009	\$ 3,800,000	\$ 644,166	\$ 5,664,167
2010	\$ 808,416	\$ 757,368	\$ 5,715,215
2011	\$ 5,265,924	\$1,018,305	\$ 9,962,834
2012	\$ 2,276,619	\$1,506,033	\$10,733,420
2013	\$ 1,237,581	\$1,628,228	\$10,342,773
2014	\$ 1,500,000	\$1,786,354	\$10,056,419
2015	\$ -	\$1,698,854	\$ 8,357,565
2016	\$ 1,488,723	\$1,779,165	\$ 8,067,123
2017	\$ 4,300,000	\$1,946,893	\$10,420,230
2018	\$ 5,700,000	\$2,473,560	\$13,646,670
2019	\$ -	\$2,295,226	\$11,351,444



As noted above, NPAIP has contributed \$29,477,263 to PRM in accordance with NPAIP's Capitalization Strategy Policy which allows NPAIP's Executive Committee to distribute a portion of the Net Assets to provide additional capitalization of PRM to reduce reliance on other excess or reinsurance providers. PRM has increased its reinsurance capacity and thereby reduced NPAIP's retention as a result of the additional contributions to PRM's surplus.

### Reserves for Claim Losses

Loss reserves are estimates of losses and loss development and as such will differ from the ultimate results. Therefore, one of the critical accounting estimates is the proper amount of reserves to be set aside to meet future liabilities of the current in-force business. Changes in or deviations from the assumptions used to develop the loss reserves can significantly affect NPAIP's reserve levels and related future operations. Assumptions include company methodology for underwriting and claims handling and current estimates of the legal, inflation rate, and social environment. Annually, NPAIP retains an outside independent actuary to provide a loss reserve opinion and establish a range for NPAIP's loss reserves. NPAIP's policy is to book reserves at the 75% confidence level as recommended by the actuary. The actuarial analysis for the current fiscal year revealed an overall increase in case reserves and IBNR reserves over prior years estimated incurred losses. See Note 6 Unpaid Claim Liabilities and the Supplemental Schedule of Claim Development in the financial statements for more details.

Reserves for current portion of claims decreased from \$5,047,158 to \$4,332,222 in fiscal year ending June 30, 2019. The noncurrent reserve for claims and claims loss adjustment expenses decreased from \$6,666,842 to \$6,372,778 in 2019. Total reserves decreased to \$10,705,000 from \$11,714,000 a decrease of \$1,009,000 or 8.6% based on claim payments and decreased claims costs and development as calculated by the actuary. The development schedule included in the financial statement provides the history of the claims reserve changes each year over 10 years included in the financial statements for more details.

### Change in Net Position

NPAIP's Total Net Position decreased from \$26,978,956 to \$25,420,233 during the fiscal year ending June 30, 2019, a decrease of \$1,558,723 or 5.8%. This decrease primarily is due to the amortization of \$2,295,226 of the transfer to PRM, a net overall decrease in operating net position increased by net investment income of \$1,148,315 for fiscal year 2019.

The following is the comparative Statements of Net Position for NPAIP as of June 30, 2019 and 2018.

#### CONDENSED STATEMENTS OF NET POSITION

	<u>2019</u>	<u>2018</u>
Cash and investments	\$ 19,381,013	\$ 20,362,839
Accrued interest	68,263	63,847
Receivables	3,984,619	3,141,136
Other assets	248,002	220,453
Capital assets, net	1,529,006	1,579,483
Contributed surplus PRM, net	11,351,444	13,646,670
<b>Total assets</b>	<b><u>36,562,347</u></b>	<b><u>39,014,428</u></b>
Accounts payable	300,320	124,741
Other liabilities and deferred revenues	136,794	196,731
Reserve for claims and claims related expense	10,705,000	11,714,000
<b>Total liabilities</b>	<b><u>11,142,114</u></b>	<b><u>12,035,472</u></b>
Net position -unrestricted	23,891,227	25,399,473
Net position -invested in capital assets	1,529,006	1,579,483
<b>Total net position</b>	<b><u>\$ 25,420,233</u></b>	<b><u>\$ 26,978,956</u></b>

### Total Operating Revenues

NPAIP's primary revenue source comes from premiums written. Premium written increased from \$14,390,787 to \$15,678,937 during fiscal year ending June 30, 2019. This is an increase of \$1,288,150 or 9.0%. This increase is attributable to a rate increase needed to fund increased claims, allocation of special insurance programs into the rates, changes in members deductible options and operating programs.

### Program Expenses

Total program expenses decreased to \$14,985,980 from \$15,864,068 in Fiscal Year 2018. This reflects a decrease of \$878,088 or 5.5% in the current year. Losses and loss adjustment expenses decreased \$1,307,131 due to adverse development during the prior year. The reinsurance/excess insurance premiums increased \$650,732 from \$5,309,446 to \$5,960,178 because of increased losses and loss adjustments in the prior year. Special insurance programs expenses were \$485,154 in Fiscal Year 2018 as the Board approved paying for the pollution coverage and the student accident coverage for the members directly without charging additional premiums. This cost was absorbed into the premium rates in 2019. There was an increase of \$156,040 in risk management grants to the members during the year. Slight increases were noted in Third party administrator fees of \$16,292 due to increase in claims processing cost, an increase of \$21,933 in member education and training from \$1,177,977 to \$1,199,910, an increase of \$68,987 in agent commissions and \$213 increase in taxes written .

### Administration Expenses

Total administrative expenses were \$3,720,037 in Fiscal Year ending June 30, 2019 compared to \$3,548,991 in FY 2018. This represents an increase of \$171,046 or 4.8%. There was a decrease of \$178,334 in the amortization expense related to the Surplus Contribution to Public Risk Mutual. This decrease is due to the amortization of the contributions to PRM over a ten-year period. The management fees went from \$513,174 to \$821,488 an increase of \$308,314. The Board of Directors approved \$250,000 in management grant to start Nevada Risk Pooling, Inc to serve as the new management company effective July 1, 2019. The remaining increase was budgeted and included in the approved management contract. Technology services increased to \$106,783 from \$12,483 due to the purchase of additional technology and support services during the year.

### Non-operating Net Investment Income

Investments are marked to market value at the time of the financial statements, which may result in a negative or positive overall result. Restrictions imposed by law on the types of investments NPAIP 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 NPAIP's investments are anticipated to be held to maturity. Non-operating net investment income was \$1,148,315 for Fiscal Year end June 30, 2019 compared to (\$51,267) in 2018. The investment income was positive for NPAIP as a result of the mark to market value adjustment because of decreasing interest rates in fiscal year 2019. See Note 3 Investment Securities for more details.

### Revenues, Expenses and Changes in Net Position:

#### CONDENSED STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>
Assessments revenues	<u>\$ 15,998,979</u>	<u>\$ 14,702,604</u>
Loss fund provision and program expenses	14,985,980	15,864,068
Administration expenses	<u>3,720,037</u>	<u>3,548,991</u>
Total expenses	<u>18,706,017</u>	<u>19,413,059</u>
(Decrease) in operating net position	<u>(2,707,038)</u>	<u>(4,710,455)</u>
Non-operating net investment income	<u>1,148,315</u>	<u>(51,267)</u>
(Decrease) increase in net position	<u><u>\$ (1,558,723)</u></u>	<u><u>\$ (4,761,722)</u></u>

**Capital Assets and Debt Administration:**

NPAIP has land and the office building as the only physical assets and no borrowed funds. The capital assets of land, building and equipment net is \$1,529,006 as of June 30, 2019. This represents 4.2% of the total assets. This building generates rental income and diversifies NPAIP's investments. NPAIP remains debt free.

**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 NPAIP'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.

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Statements of Net Position**  
**June 30, 2019 and 2018**

<b>ASSETS</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Current assets:		
Cash and cash equivalents	\$ 969,204	\$ 2,254,893
Investments	18,411,809	18,107,946
Accrued interest	68,263	63,847
Deductibles receivable	644,786	336,162
Assessments receivable	18,426	10,520
Other Receivables	47	47
Specific and aggregate recoverables	3,321,360	2,794,407
Prepaid expense	225,108	220,453
Total current assets	<u>23,659,003</u>	<u>23,788,275</u>
Capital assets:		
Land, building & equipment, net	1,529,006	1,579,483
Other assets:		
Construction in progress	22,894	-
Contributed Surplus Public Risk Mutual, net	11,351,444	13,646,670
<b>Total Assets</b>	<b><u><u>36,562,347</u></u></b>	<b><u><u>39,014,428</u></u></b>
 <b>LIABILITIES</b>		
Other current liabilities:		
Accounts payable	300,320	124,741
Risk Management Grants payable	136,794	196,731
Deferred inflows of resources	-	-
Current portion of reserve for claims and claims adjustment expenses	4,332,222	5,047,158
Total current liabilities	<u>4,769,336</u>	<u>5,368,630</u>
Noncurrent liabilities:		
Reserve for claims and claims adjustment expenses	6,372,778	6,666,842
Total non-current liabilities:	<u>6,372,778</u>	<u>6,666,842</u>
<b>Total Liabilities</b>	<b><u><u>11,142,114</u></u></b>	<b><u><u>12,035,472</u></u></b>
 <b>NET POSITION</b>		
Net Position, unrestricted	23,891,227	25,399,473
Net Position, invested in capital assets	1,529,006	1,579,483
<b>Total Net Position</b>	<b><u><u>\$ 25,420,233</u></u></b>	<b><u><u>\$ 26,978,956</u></u></b>

See accompanying notes

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For Years Ended June 30, 2019 and 2018**

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	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Premiums written	\$ 15,678,937	\$ 14,390,787
Rental income	266,582	261,643
Other Income	53,460	50,174
Total revenues	<u>15,998,979</u>	<u>14,702,604</u>
<b>PROGRAM EXPENSES</b>		
Losses and loss adjustment expenses	5,154,084	6,461,215
Excess insurance premiums	5,960,178	5,309,446
Special insurance programs	-	485,154
Pooling and loss control fees	505,000	505,000
Third party administrator fees	726,947	710,655
Member education and training	396,565	240,525
Loss control awards and grants	1,199,910	1,177,977
Agent commissions	1,024,640	955,653
Taxes written	18,656	18,443
Total program expenses	<u>14,985,980</u>	<u>15,864,068</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Management fees	821,488	513,174
Building maintenance and utilities	93,485	93,190
Depreciation	50,477	49,317
Amortization	2,295,226	2,473,560
Travel	59,994	54,981
Casualty insurance	47,970	31,075
Operating expenses	143,979	189,723
Legal expenses	16,775	45,788
Consultant appraisals	83,860	85,700
Technology services	106,783	12,483
Total pool administration expenses	<u>3,720,037</u>	<u>3,548,991</u>
Total program and administration expenses	<u>18,706,017</u>	<u>19,413,059</u>
<b>Decrease in operating net position</b>	<b>(2,707,038)</b>	<b>(4,710,455)</b>
Increase in non-operating net investment income	1,148,315	(51,267)
<b>(Decrease) increase in net position</b>	<b>(1,558,723)</b>	<b>(4,761,722)</b>
Net position, beginning of year	26,978,956	31,740,678
<b>Net position, end of year</b>	<b><u>\$ 25,420,233</u></b>	<b><u>\$ 26,978,956</u></b>

See accompanying notes

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Statements of Cash Flows**  
**For Years Ended June 30, 2019 and 2018**

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	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Premiums written	\$ 14,835,454	\$ 14,211,415
Rental income	266,582	261,643
Other revenues	53,460	50,174
Payment for claims	(6,163,084)	(4,752,215)
Payment to vendors	(11,099,660)	(10,505,811)
Net Cash Used from Operating Activities	<u>(2,107,248)</u>	<u>(734,794)</u>
<b>Cash flows from investing activities:</b>		
Interest and dividend income, net of expenses	518,640	600,085
Purchases of investments	(31,745,904)	(17,538,308)
Proceeds from sales of investments	32,071,717	25,008,356
Net Cash Provided from Investing Activities	<u>844,453</u>	<u>8,070,133</u>
<b>Cash flows from capital activities:</b>		
Increase in capitalization of PRM	-	(5,700,000)
Equipment purchases	-	(6,330)
Construction in progress	(22,894)	-
Net Cash Used for Capital Activities	<u>(22,894)</u>	<u>(5,706,330)</u>
Increase in Cash and Cash Equivalents	(1,285,689)	1,629,009
Cash and Cash Equivalents, beginning of fiscal year	2,254,893	625,884
<b>Cash and Cash Equivalents, year ended June 30</b>	<b><u>969,204</u></b>	<b><u>2,254,893</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating net loss	(2,707,038)	(4,710,455)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	50,477	49,317
Amortization expense	2,295,226	2,473,560
(Increase) in deductibles and assessments receivables	(316,530)	(174,268)
(Increase) in prepaid expense	(4,655)	(136,762)
Decrease in other receivables	-	72,474
(Increase) in recoverables	(526,953)	(81,657)
(Increase) decrease in accrued interest	(4,416)	70,917
Increase (decrease) increase in accounts payable	175,579	(40,983)
(Decrease) increase in Risk Management Grants liability	(59,937)	39,167
(Decrease) in deferred inflows of resources	-	(5,104)
(Decrease) increase in reserve for claims and loss adjustments	(1,009,000)	1,709,000
<b>Net Cash Used by Operating Activities</b>	<b><u>\$ (2,107,247)</u></b>	<b><u>\$ (734,794)</u></b>

See accompanying notes



**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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**NOTE 1 - NATURE OF ORGANIZATION**

The Nevada Public Agency Insurance Pool (NPAIP) is a quasi-governmental entity formed by an intergovernmental agreement between political subdivisions of the state of Nevada and organized to operate as a group self-insurer. The purpose of the organization is to seek the prevention or lessening of casualty losses to its members and injuries to persons, which might result in claims being made against such members. In addition to self-funding and excess insurance protection, the program provides risk management services with emphasis on loss control, claims administration, and management support services. The NPAIP is fully funded by member participants. Members file claims with Alternative Service Concepts, LLC (ASC), which has been contracted to perform claims adjustments for the NPAIP.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Presentation

The Nevada Public Agency Insurance Pool has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. NPAIP has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments*.

The financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises, where applicable, which may differ from the basis of accounting followed in statutory reporting.

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Measurement Focus, Basis of Accounting

The financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Expenditures are recorded when the related fund liability is incurred.

Cash Equivalents:

For purposes of the statement of cash flows, the NPAIP considers investments with original maturity dates less than 90 days to be cash equivalents.

Investment and Interest Income:

Investments are recorded at fair market value. Interest income, and 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 except as permitted by law. 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, 2019 and 2018**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Concentration of Credit Risk:

NPAIP limits investments in fixed income securities to 10% of the total fixed income portfolio to any one issuer. No more than 15% of the total investment pool will be invested in any one class of security, industry or company. NPAIP will not directly invest in securities maturing more than ten (10) years from the date of purchase, except as permitted by law. The policy does not place a limit on the purchase of U.S. Government and government backed securities.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. NPAIP will, to the extent possible, minimize this risk by matching investment maturities to liability due dates. This allows NPAIP to hold investments to maturity thus mitigating losses from the sale of investments prior to their maturity date.

Deductibles 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 7 years. The capitalization policy allows for the recording as an asset and depreciation for amounts of and in excess of \$5,000. 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 based on an evaluation prepared by management and an independent consulting actuary using a 75% confidence level. Although such estimates are 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 Claims Development Schedule reports claims on a reported year basis.

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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**NOTE 3 – CASH AND INVESTMENTS**

The carrying amount of NPAIP’s deposits with financial institutions at June 30, 2019 and 2018 was \$969,204 and \$2,254,893.

The financial institution balance at June 30, 2019 and 2018 was \$1,500,745 and \$2,855,774 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>2019</u>	<u>2018</u>
Amounts insured by FDIC	\$ 250,000	\$ 250,000
Amounts collateralized	721,913	1,301,011
Cash equivalents at brokerage firm	<u>528,832</u>	<u>1,304,763</u>
Total deposits at financial institutions	<u>\$ 1,500,745</u>	<u>\$ 2,855,774</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, 2019 is as follows:

	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>1 year or less</u>	<u>1-5</u>	<u>5-10</u>	<u>Over 10</u>
U.S. Government & Agencies	\$ 278,673	\$ -	\$ 278,673	\$ -	\$ -
U.S. Mortgage-backed securities	14,670,959	138	177,301	2,310,184	12,183,336
U.S. Government backed securities	838,640	-	-	488,492	350,148
Corporate bonds	<u>2,623,537</u>	-	<u>2,623,537</u>	-	-
Total cash and investments	<u>\$ 18,411,809</u>	<u>\$ 138</u>	<u>\$ 3,079,511</u>	<u>\$ 2,798,676</u>	<u>\$ 12,533,484</u>

A summary of investments as of June 30, 2018 is as follows:

	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>1 year or less</u>	<u>1-5</u>	<u>5-10</u>	<u>Over 10</u>
U.S. Government & Agencies	\$ 449,799	\$ 60,058	\$ 389,741	\$ -	\$ -
U.S. Mortgage-backed securities	16,307,593	-	330,410	2,709,509	13,267,674
U.S. Government backed securities	<u>1,350,554</u>	-	<u>339,801</u>	<u>608,853</u>	<u>401,900</u>
Total cash and investments	<u>\$ 18,107,946</u>	<u>\$ 60,058</u>	<u>\$ 1,059,952</u>	<u>\$ 3,318,362</u>	<u>\$ 13,669,574</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. NPAIP categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NPAIP has the following recurring fair value measurements as of year-end June 30:

1. U.S. Government, government back securities and corporate bonds of \$18,411,809 and \$18,107,946 for years ended June 30, 2019 and 2018 respectively are valued using a matrix pricing model (Level 2 inputs).

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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**NOTE 4 – LAND, BUILDING AND EQUIPMENT**

Building and equipment are reported at cost less accumulated depreciation and land at cost.. 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 years ended June 30, 2019 and 2018 was as follows:

Property and equipment activity for the year ended June 30, 2019 was as follows:

	<b>Estimated</b>					
	<b>Useful Life</b>	<b>June 30, 2018</b>	<b>Additions</b>	<b>Dispositions</b>		<b>June 30, 2019</b>
Land	-	\$ 466,652	\$ -	\$ -	\$ -	466,652
Building	40	1,783,716	-	-	-	1,783,716
Equipment, furniture, fixtures & vehicles	5-7	124,278	-	-	-	124,278
		<u>2,374,646</u>	-	-	-	<u>2,374,646</u>
Less accumulated depreciation		(795,163)	(50,477)	-	-	(845,640)
Capital assets net accumulated depreciation		<u>\$ 1,579,483</u>	<u>\$ (50,477)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,529,006</u>

Property and equipment activity for the year ended June 30, 2018 was as follows:

	<b>Estimated</b>					
	<b>Useful Life</b>	<b>June 30, 2017</b>	<b>Additions</b>	<b>Dispositions</b>		<b>June 30, 2018</b>
Land	-	\$ 466,652	\$ -	\$ -	\$ -	466,652
Building	40	1,783,716	-	-	-	1,783,716
Equipment, furniture, fixtures & vehicles	5-7	117,947	6,331	-	-	124,278
		<u>2,368,315</u>	<u>6,331</u>	-	-	<u>2,374,646</u>
Less accumulated depreciation		(745,846)	(49,317)	-	-	(795,163)
Capital assets net accumulated depreciation		<u>\$ 1,622,469</u>	<u>\$ (42,986)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,579,483</u>

Construction in progress for 2019 and 2108 was \$22,894 and \$0 respectively.

**NOTE 5 – RETENTION**

Nevada Public Agency Insurance Pool retains a portion of claims prior to the application of coverage provided by its excess or reinsurance contracts. The coverage limits provided by the NPAIP within its retention amounts are as follows:

<b><u>NPAIP Limits:</u></b>	<b><u>2018-2019</u></b>	<b><u>2017-2018</u></b>
Property blanket limit	\$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

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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**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 2, 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>2019</u>	<u>2018</u>
Unpaid losses and loss adjustment expenses at beginning of year or period	<u>\$ 11,714,000</u>	<u>\$ 10,005,000</u>
Incurred losses and loss adjustment expenses:		
Provision for insured events of current year	5,997,000	5,738,000
Increase (decrease) in provision for insured events of prior fiscal years	<u>(842,916)</u>	<u>723,215</u>
Total incurred losses and loss adjustment	5,154,084	6,461,215
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year/period	(1,160,000)	(1,232,000)
Claims and claims adjustment expenses attributable to insured events of prior	<u>(5,003,084)</u>	<u>(3,520,215)</u>
Total Payments	(6,163,084)	(4,752,215)
<b>Unpaid claims and claims adjustment expenses</b> <b>At end of fiscal year</b>	<u><u>\$ 10,705,000</u></u>	<u><u>\$ 11,714,000</u></u>

In 2019 the current portion of the reserve, cash expected to be paid within 12 months, is \$4,332,222 and the long-term portion is \$6,372,778. At the end of 2018 the current portion was \$5,047,158 and the long-term portion was \$6,666,842.

At June 30, 2019 and 2018, NPAIP recorded the liability for losses and loss adjustment expenses based on an estimate by its independent consulting actuary. The reserve balances were developed by an independent actuary and are management’s best estimate of reserves at June 30, 2019 and 2018.

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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**NOTE 7 - RELATED PARTY TRANSACTIONS**

Public Agency Risk Management Services, Inc. (PARMS) is presently contracting with the NPAIP to provide management services from July 1, 2014 through June 30, 2019. PARMS serves as the Executive Director/Administrator. PARMS is a service corporation wholly owned by Mr. Wayne Carlson. Contract fees paid for years ended June 30, 2019 and 2018 were \$571,488 and \$513,174 respectively.

PARMS leases office space at 201 S. Roop St. in Carson City, Nevada from the Nevada Public Agency Insurance Pool through a separate lease agreement that coincides with the term of the management contract. Payments received in 2019 and 2018 were \$72,627 and \$71,196. The contract dated July 1, 2013 was for a five year lease period and includes a 2% per annum increase in the lease expenses which began on July 1, 2014 and was extended for one year until July 1, 2019 under the same terms.

Effective July 1, 2019, Nevada Public Agency Insurance Pool (NPAIP) jointly with Public Agency Compensation Trust (PACT) provided a five year grant to Nevada Risk Pooling, Inc. (NRP), a nonprofit organization formed by the executive director of NPAIP, Wayne Carlson, and whose directors are Gerry Eick, Josh Foli, Chris Mulkerns, Cash Minor, and Paul Johnson. The cost of this grant is \$1,200,000 for the first year, \$1,242,000 in Fiscal Year 2020-2021, \$1,285,470 in Fiscal Year 2021-2022, \$1,330,461 for Fiscal Year 2022-2023 and \$1,377,028 in Fiscal Year 2023-2024. NRP will manage all administrative and risk management duties for NPAIP and PACT. The NRP contract allocation is for POOL to pay 43.75% and PACT 56.25%.

NRP leases office space at 201 S. Roop St. in Carson City, Nevada from the Nevada Public Agency Insurance Pool through a separate lease agreement that coincides with the term of the grant agreement. The contract dated July 1, 2019 is for a five year lease period for a monthly amount of \$4,311 per month and is adjusted annually thereafter by 2%.

Effective July 1, 2006, Nevada Public Agency Insurance Pool (NPAIP) jointly with Public Agency Compensation Trust (PACT) provided a grant to Pooling Resources, Inc. (PRI), a nonprofit organization formed by the executive director of NPAIP, Wayne Carlson, and whose directors are Cash Minor, Paul Johnson and Curtis Calder. The cost of this grant was \$794,950 and \$779,350 for the years ended June 30, 2019 and 2018 respectively. PRI provides human resources management services to NPAIP members. PRI pays PARMS a management fee to provide operational and financial oversight of PRI. In 2016, PRI's contract allocation was changed for POOL to pay 65% and PACT 35%.

NPAIP is the sole policy holder of Public Risk Mutual Company which was formed as a non-profit captive mutual insurance company.

On July 1, 2017, NPAIP assumed ownership from PARMS of the server and computers and absorbed all costs related to the maintenance, replacement and improvements for all technological needs of NPAIP, PACT, PRM, (Public Risk Management), PCM (Public Compensation Mutual), and PRI (Public Resources, Inc). The PARMS payment is made to NPAIP, the sole policy holder of Public Risk Mutual Company, which was formed as a non-profit captive mutual insurance company.

**NOTE 8 – POOLING RESOURCES, INC. GRANT**

Effective July 1, 2006, Nevada Public Agency Insurance Pool (NPAIP) jointly with Public Agency Compensation Trust provided a grant with Pooling Resources, Inc. (PRI), a nonprofit organization formed by the executive director of NPAIP Wayne Carlson and whose directors are Cash Minor, Paul Johnson and Curtis Calder. The cost of this grant was \$794,950 and \$779,350 for June 30, 2019 and 2018 respectively. The grant was renewed for five years beginning July 1, 2015 through June 30, 2020. The final year cost is \$811,200.

PRI provides human resources management services to PACT members. PRI pays PARMS a management fee to provide operational and financial oversight of PRI.

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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**NOTE 9 –CONTRIBUTED SURPLUS TO PUBLIC RISK MUTUAL**

In May 2004, NPAIP’s board of directors authorized the startup 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 \$29,477,263 as of years ended June 30, 2019 and 2018. 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 provision of coverage not obtainable elsewhere.

Since the creation of the captive PRM, all transfers from NPAIP to PRM have been amortized. Therefore, the initial \$4,300,000 asset transfer has been accounted for in the amortization schedule that continually accounts for the NPAIP capital surplus contributions to PRM. NPAIP’s investment advisor, Strategic Asset Alliance, and NPAIP’s money manager, New England Asset Management, have developed an orderly transfer plan based on the appropriate selling and purchasing points for the designated assets. This helps accomplish the goals of providing NPAIP with profits of the sales and PRM with the purchase of more suitable investment assets. This enables NPAIP and PRM to maintain the appropriate Net Position for their respective risk retention amounts.

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 \$2,295,226 and \$2,473,560 for fiscal years ended 2019 and 2018.

	<b>June 30, 2018</b>	<b>Additions</b>	<b>June 30, 2019</b>
Contributed surplus to Public Risk Mutual	\$ 29,477,263	\$ -	\$ 29,477,263
Accumulated amortization	(15,830,593)	(2,295,226)	(18,125,819)
Contributed Surplus net of accumulated amortization	<u>\$ 13,646,670</u>	<u>\$ (2,295,226)</u>	<u>\$ 11,351,444</u>
	<b>June 30, 2017</b>	<b>Additions</b>	<b>June 30, 2018</b>
Contributed surplus to Public Risk Mutual	\$ 23,777,263	\$ 5,700,000	\$ 29,477,263
Accumulated amortization	(13,357,033)	(2,473,560)	(15,830,593)
Contributed Surplus net of accumulated amortization	<u>\$ 10,420,230</u>	<u>\$ 3,226,440</u>	<u>\$ 13,646,670</u>

Since the creation of the captive PRM, all transfers from NPAIP to PRM have been amortized. NPAIP’s investment advisor, Strategic Asset Alliance, and POOL’S money manager, New England Asset Management, developed an orderly transfer plan based on the appropriate selling and purchasing points for the designated assets. This helped accomplish the goals of providing NPAIP with profits of the sales and PRM with the purchase of more suitable investment assets. This enabled NPAIP and PRM to maintain the appropriate Net Position for their respective risk retention amounts.

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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**NOTE 9 – CONTRIBUTED SURPLUS TO PUBLIC RISK MUTUAL (continued)**

Contributions to the captive and amortization are as follows:

<i>Fiscal Year</i>	<i>Contributions</i>	<i>Total Capitalization</i>	<i>Amortization</i>	<i>Net Contributions</i>	<i>Accumulated Amortization</i>
2004	\$ 1,000,000	\$ 1,000,000		\$ 1,000,000	\$ -
2005	-	1,000,000	100,000	900,000	100,000
2006	-	1,000,000	100,000	800,000	200,000
2007	1,000,000	2,000,000	100,000	1,700,000	300,000
2008	1,100,000	3,100,000	291,667	2,508,333	591,667
2009	3,800,000	6,900,000	644,166	5,664,167	1,235,833
2010	808,416	7,708,416	757,368	5,715,215	1,993,201
2011	5,265,924	12,974,340	1,018,305	9,962,834	3,011,506
2012	2,276,619	15,250,959	1,506,033	10,733,420	4,517,539
2013	1,237,581	16,488,540	1,628,228	10,342,773	6,145,767
2014	1,500,000	17,988,540	1,786,354	10,056,419	7,932,121
2015	-	17,988,540	1,698,854	8,357,565	9,630,975
2016	1,488,723	19,477,263	1,779,165	8,067,123	11,410,140
2017	4,300,000	23,777,263	1,946,893	10,420,230	13,357,033
2018	5,700,000	29,477,263	2,473,560	13,646,670	15,830,593
2019	-	29,477,263	2,295,226	11,351,444	18,125,819

**NOTE 10 – 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.

	<u>2018 -2019</u>	<u>2017 - 2018</u>
<b><u>Property limits:</u></b>		
Blanket limit per loss:	\$300,000,000	\$300,000,000
Earthquake Aggregate Sub-limit:	150,000,000	150,000,000
Flood Aggregate Sub-limit:	150,000,000	150,000,000
Equipment Breakdown Sub-limit:	100,000,000	100,000,000
Money & Securities (including Employee Dishonesty) Sub-limit:	500,000	500,000
<b><u>Liability limits:</u></b>		
Each and Every Per Event Limit:	10,000,000	10,000,000
Products/Completed Operations (per member)	Included	Included
Wrongful Acts (per member)	Included	Included
Law Enforcement (per member)	Included	Included
Emergency Response to Pollution Aggregate Sub-limit:	1,000,000	1,000,000
Sexual Abuse Sub-limit	2,500,000	2,500,000
<b><u>Aggregate Limits:</u></b>		
General Aggregate (per member)	10,000,000	10,000,000
Sexual abuse Sub-limit	2,500,000	2,500,000
<b><u>Cyber-Security Event Liability and Privacy Response Cover Limits:</u></b>		
Cyber Security Event Liability	3,000,000	2,000,000
Privacy Response Expense	500,000	500,000



**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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**NOTE 10 – EXCESS INSURANCE OR REINSURANCE (continued)**

NPAIP reinsurance is as follows:

Property 2018-2019: The property limits shown above excess of NPAIP's retentions as follows:

Retention \$200,000 per event

Public Risk Mutual: \$300,000 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 \$500,000 per occurrence except no reinsurance for Equipment breakdown or money and securities

Liability 2018-2019: The liability limits shown above excess of NPAIP's retention of \$500,000 with:

- a) Public Risk Mutual 30% of \$2,500,000, excluding school districts, plus 25% of \$7,000,000 excess of \$3,000,000
- b) County Reinsurance, ltd. 70% of \$2,500,000, excluding school districts, plus \$2,000,000 excess of \$250,000 per cyber liability event
- c) United Educators \$2,500,000 for school districts only, plus \$1,500,000 per cyber liability event for school districts only
- d) Government Entities Mutual, Inc., 35% quota share of \$7,000,000 excess of \$3,000,000
- e) Lloyds of London Brit Syndicates, Ltd., 40% quota share of \$7,000,000 excess of \$3,000,000
- f) Public Risk Mutual \$1,000,000 excess of \$1,000,000 per cyber event plus \$250,000 excess \$250,000 each school district

Property 2017-2018 The property limits shown above excess of NPAIP's retentions as follows:

Retention \$200,000 per event

Public Risk Mutual: \$300,000 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 \$500,000 per occurrence except no reinsurance for Equipment breakdown or money and securities

Liability 2017-2018: The liability limits shown above excess of NPAIP's retention of \$500,000 with:

- a. Public Risk Mutual 30% of \$2,500,000, excluding school districts, plus 25% of \$7,000,000 excess of \$3,000,000
- b. County Reinsurance, ltd. 70% of \$2,500,000, excluding school districts, plus \$750,000 excess of \$250,000 per cyber liability event
- c. United Educators \$2,500,000 for school districts only, plus \$1,500,000 per cyber liability event for school districts only
- d. Government Entities Mutual, Inc., 35% quota share of \$7,000,000 excess of \$3,000,000
- e. Lloyds of London Brit Syndicates, Ltd., 40% quota share of \$7,000,000 excess of \$3,000,000
- f. Public Risk Mutual \$1,000,000 excess of \$1,000,000 per cyber event plus \$250,000 excess \$250,000 each school district

**NEVADA PUBLIC AGENCY INSURANCE POOL**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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**NOTE 11 – LEASES**

On April 6, 2019 NPAIP entered into a lease agreement with Sierra Office Solutions for a high-speed copy machine. The lease is classified as an operating lease with minimum monthly payments of \$631 for 60 months.

NPAIP entered a lease for a postage machine with Mailfinance in July 2019. The lease is an operating lease with minimum monthly payments of \$87.50 for 60 months.

Minimum lease payments for leases are as follows for the following years ended June 30,

Minimum lease payments:		
2020	\$	8,622
2021		8,622
2022		8,622
2023		6,729
Total minimum lease payments	\$	<u>32,595</u>

**NOTE 12 –SUBSEQUENT EVENTS**

Management has evaluated the activities and transactions subsequent to June 30, 2019 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended June 30, 2019. Management has evaluated subsequent events through October 11, 2019 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Required Contributions & Investment Income:										
Earned	\$15,721,731	\$14,964,155	\$16,331,984	\$16,331,984	\$14,843,453	\$15,129,697	\$15,659,967	\$13,926,199	\$14,701,651	\$17,193,234
Ceded	(4,388,536)	(4,642,512)	(5,019,808)	(5,019,808)	(4,812,711)	(5,253,026)	(5,044,561)	(5,633,992)	(5,794,600)	(5,960,178)
Net earned	11,333,195	10,321,643	11,312,176	11,312,176	10,030,742	9,876,671	10,615,406	8,292,207	8,907,051	11,233,056
Unallocated Expenses	4,521,913	4,968,874	5,659,813	5,485,380	5,485,380	5,755,797	6,213,405	6,213,405	7,157,245	7,591,756
Estimated Incurred Claims & Expense End of Policy Year:										
Incurred	6,036,000	5,938,000	5,471,000	5,370,000	4,851,000	4,317,000	5,168,000	5,635,000	5,738,000	5,997,000
Ceded	-	-	-	-	-	-	(87,500)	(1,427,141)	(201,000)	(145,102)
Net Incurred	6,036,000	5,938,000	5,471,000	5,370,000	4,851,000	4,317,000	5,080,500	4,207,859	5,537,000	5,851,898
Paid (cumulative) as of:										
End of policy year	417,000	833,000	722,000	652,000	788,000	551,000	485,000	988,000	1,232,000	1,160,000
One Year Later	1,546,000	1,736,000	1,538,000	1,670,000	1,538,000	1,681,000	2,291,000	2,367,000	2,984,000	
Two Years Later	2,386,000	2,083,000	2,331,000	1,937,000	2,142,000	2,061,000	3,272,000	3,253,000		
Three Years Later	2,827,000	3,053,000	2,601,000	2,548,000	2,656,000	2,277,000	3,939,000			
Four Years Later	3,401,000	3,306,000	2,723,000	2,797,000	2,973,000	2,395,000				
Five Years Later	3,799,000	3,324,000	3,003,000	2,894,000	2,997,000					
Six Years Later	3,632,000	3,370,000	3,078,000	2,944,000						
Seven Years Later	3,638,000	3,627,000	3,249,000							
Eight Years Later	3,638,000	3,974,000								
Nine Years Later	3,640,000									
Re-estimated ceded claims & Expenses	725,387	2,536,444	769,211	529,625	2,117,813	591,978	2,414,563	5,409,345	1,727,210	145,102
Re-estimated Claims & Expense										
End of policy year	6,036,000	5,938,000	5,471,000	5,370,000	4,851,000	4,317,000	5,080,500	4,207,859	5,537,000	5,851,898
One Year Later	4,953,000	4,973,000	4,461,000	4,425,000	4,159,000	3,864,000	4,769,000	5,269,000	5,269,000	
Two Years Later	4,185,000	4,827,000	3,780,000	3,650,000	3,713,000	3,134,000	5,406,000	4,761,000		
Three Years Later	3,618,000	4,051,000	3,297,000	3,137,000	3,285,000	3,140,000	4,838,000			
Four Years Later	3,712,000	4,048,000	3,265,000	3,350,000	3,229,000	3,080,000				
Five Years Later	3,925,000	3,972,000	3,308,000	3,235,000	3,196,000					
Six Years Later	3,743,000	3,491,000	3,262,000	3,119,000						
Seven Years Later	3,638,000	4,036,000	3,249,000							
Eight Years Later	3,638,000	3,974,000								
Nine Years Later	3,640,000									
Increase (Decrease) in Estimated Incurred Claims & Expenses from End of Policy Year	(2,396,000)	(1,964,000)	(2,222,000)	(2,251,000)	(1,655,000)	(1,237,000)	(242,500)	553,141	(268,000)	-

This information is required by the Governmental Accounting Standards Board



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

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## **Proposed Change in Amortization of Capitalization of Funds to the Captives March 2020**

### **Purpose:**

NPAIP and PACT have formed member-owned nonprofit captive mutual insurance companies and have contributed to the surplus of the company and became excess insurer for NPAIP and PACT. The captives were formed to reduce the cost of insurance, to obtain direct access to reinsurance, to provide broader coverage for policyholders, to broaden investment opportunities and to build equity to enable provision of coverage not obtainable elsewhere.

As a condition of providing surplus contributions, but without any expectation that the funds will be returned, NPAIP and PACT required that prior to any distributions, the contributed surplus must be repaid to NPAIP and PACT. Management considers the contributed surplus costs a development cost than can provide lower operating costs in the future and estimates that the savings in reinsurance costs to NPAIP and PACT will recoup the startup capital. ***Therefore, it has been the policy to amortize the transfer of contributed surplus to PRM and PCM over a 10-year period. (emphasis added)***

This 10-year amortization period has created net decrease in net position from operations due to the annual amortization amounts. For example, in FYE 6-30-2019, NPAIP and PACT amortization amounts were \$2,295,226 and \$4,321,761 respectively. NPAIP and PACT Net Position decreased by \$1,558,723 and \$5,919,265 in FYE 6-30-2019. This accounting has created confusion with the members and those who do not understanding the accounting treatment of the transfer of surplus capital. Accounting standards allow entities to expense 100% in the year of the transfer or amortize over a period of years.

### **Proposal:**

Based on discussions with our independent auditor, it is recommended to change the amortization policy from 10 years to expensing 100% of the amount of the contributed surplus to the captives in the year of the transfer. This will increase the expense in the year of the transfer and eliminate the other asset: Contributed Surplus PRM and PCM net on the NPAIP and PACT financial statements. This change will have an impact on our financial benchmarks and make us more comparable with our peers in years without a transfer.

## Fiscal Impacts:

**Public Risk Mutual:** Contributed surplus from NPAIP since September 1, 2004 is \$29,477,263.

As of June 30, 2019, NPAIP had amortized \$18,125,819 of the transfer for a Net Contributed Surplus to PRM of \$11,351,444 on the Statement of Net Position. See Note 9 of the June 30, 2019 Financial Statements for more details. The Total Surplus for PRM as of December 31, 2019 is \$41,702,381 which exceeds the NPAIP contributions by \$12,225,118. See audits for more details.

**Public Compensation Mutual:** Contributed surplus from PACT since May 2007 is \$53,700,939.

As of June 30, 2019, PACT had amortized \$30,966,968 of the transfer for a Net Contribution Surplus to PCM of \$22,733,971 on the Statement of Net Position. See Note 13 of the PACT Financial Statements for more details. The Total Surplus for PCM as of December 31, 2019 is \$77,854,824 which exceeds the PACT contributions by \$24,153,885. See audits for more details.

## Recommended Board Action:

A motion to change the accounting policy relating to transfer of surplus capital to the PRM and PCM captives providing for 100% expense in the year of transfer effective retroactively to July 1, 2018 noting that the unamortized balances will be noted in the beginning balances.

Description	Existing Policy		New Policy		\$ Difference	
	2018 Audit	2019 Audit	2018	2019	2018	2019
<b>REVENUES</b>						
Premiums written	14,390,787	15,678,937	14,390,787	15,678,937	-	-
Rental income	261,643	266,582	261,643	266,582	-	-
Other Income	50,174	53,460	50,174	53,460	-	-
<i>Total Revenues</i>	<i>14,702,604</i>	<i>15,998,979</i>	<i>14,702,604</i>	<i>15,998,979</i>	-	-
<b>PROGRAM EXPENSES</b>						
Loss and loss adjustment expense	6,461,215	5,154,084	6,461,215	5,154,084	-	-
Excess insurance premiums	5,309,446	5,960,178	5,309,446	5,960,178	-	-
Special insurance programs	485,154	-	485,154	-	-	-
Pooling and loss control fees	505,000	505,000	505,000	505,000	-	-
Third Party administrator fees	710,655	726,947	710,655	726,947	-	-
Member education & training	1,177,977	1,199,910	1,177,977	1,199,910	-	-
Loss control awards & grants	240,525	396,565	240,525	396,565	-	-
Amortization/PRM Contribution Expense	-	-	5,700,000	-	5,700,000	-
Agent commissions	955,653	1,024,640	955,653	1,024,640	-	-
Taxes written	18,443	18,656	18,443	18,656	-	-
<i>Total Program Expenses</i>	<i>15,864,068</i>	<i>14,985,980</i>	<i>21,564,068</i>	<i>14,985,980</i>	<i>5,700,000</i>	<i>-</i>
<b>ADMINISTRATIVE EXPENSES</b>						
Management fees	513,174	821,488	513,174	821,488	-	-
Building maintenance and utilities	93,190	93,485	93,190	93,485	-	-
Depreciation	49,317	50,477	49,317	50,477	-	-
Amortization	2,473,560	2,295,226	-	-	(2,473,560)	(2,295,226)
Travel	54,981	59,994	54,981	59,994	-	-
Casualty insurance	31,075	47,970	31,075	47,970	-	-
Operating expenses	189,723	143,979	189,723	143,979	-	-
Legal expenses	45,788	16,775	45,788	16,775	-	-
Consultant appraisals	85,700	83,860	85,700	83,860	-	-
Environmental consultation	-	-	-	-	-	-
Technology services	12,483	106,783	12,483	106,783	-	-
<i>Total Administrative Expenses</i>	<i>3,548,991</i>	<i>3,720,037</i>	<i>1,075,431</i>	<i>1,424,811</i>	<i>(2,473,560)</i>	<i>(2,295,226)</i>
<i>Total Program and Administrative Expenses</i>	<i>19,413,059</i>	<i>18,706,017</i>	<i>22,639,499</i>	<i>16,410,791</i>	<i>3,226,440</i>	<i>(2,295,226)</i>
<b>Decrease in operating net position</b>	<b>(4,710,455)</b>	<b>(2,707,038)</b>	<b>(7,936,895)</b>	<b>(411,812)</b>	<b>(3,226,440)</b>	<b>2,295,226</b>
Increase in non-operating net investment income	(51,267)	1,148,315	(51,267)	1,148,315	-	-
(Decrease) increase in net position	(4,761,722)	(1,558,723)	(7,988,162)	736,503	(3,226,440)	2,295,226
<b>Net Position, beginning of year</b>	<b>31,740,678</b>	<b>26,978,956</b>	<b>21,320,448</b>	<b>13,332,286</b>	<b>(10,420,230)</b>	<b>(13,646,670)</b>
<b>Net Position, end of year</b>	<b>26,978,956</b>	<b>25,420,233</b>	<b>13,332,286</b>	<b>14,068,789</b>	<b>(13,646,670)</b>	<b>(11,351,444)</b>

Fiscal Years Ending June 30th

Description	Existing Policy		New Policy		\$ Difference	
	2018 Audit	2019 Audit	2018	2019	2018	2019
<b>ASSETS</b>						
<i>Current Assets:</i>						
Cash and cash equivalents	2,254,893	969,204	2,254,893	969,204	-	-
Investments	18,107,946	18,411,809	18,107,946	18,411,809	-	-
Accrued interest	63,847	68,263	63,847	68,263	-	-
Deductibles receivables	336,162	644,786	336,162	644,786	-	-
Assessments receivables	10,520	18,426	10,520	18,426	-	-
Other Receivables	47	47	47	47	-	-
Specific and aggregate recoverables	2,794,407	3,321,360	2,794,407	3,321,360	-	-
Prepaid expense	220,453	225,108	220,453	225,108	-	-
<b>Total Current Assets</b>	<b>23,788,275</b>	<b>23,659,003</b>	<b>23,788,275</b>	<b>23,659,003</b>	-	-
<i>Capital Assets:</i>						
Land, building & equipment	1,579,483	1,551,900	1,579,483	1,551,900	-	-
<i>Other Assets:</i>						
Contributions Surplus to PRM, net	13,646,670	11,351,444			(13,646,670)	(11,351,444)
<b>TOTAL ASSETS</b>	<b>39,014,428</b>	<b>36,562,347</b>	<b>25,367,758</b>	<b>25,210,903</b>	<b>(13,646,670)</b>	<b>(11,351,444)</b>
<b>LIABILITIES</b>						
<i>Other current liabilities:</i>						
Accounts Payable	124,741	300,320	124,741	300,320	-	-
Risk Management Grants payable	196,731	136,794	196,731	136,794	-	-
Deferred inflows of resources	-	-	-	-	-	-
Current portion of reserve for claims & claims adjustment expenses	5,047,158	4,332,222	5,047,158	4,332,222	-	-
<b>Total current liabilities</b>	<b>5,368,630</b>	<b>4,769,336</b>	<b>5,368,630</b>	<b>4,769,336</b>	-	-
<i>Non-current liabilities:</i>						
Reserve for claims and claims adjustment expenses	6,666,842	6,372,778	6,666,842	6,372,778	-	-
<b>Total non-current liabilities</b>	<b>6,666,842</b>	<b>6,372,778</b>	<b>6,666,842</b>	<b>6,372,778</b>	-	-
<b>TOTAL LIABILITIES</b>	<b>12,035,472</b>	<b>11,142,114</b>	<b>12,035,472</b>	<b>11,142,114</b>	-	-
<b>NET POSITION</b>						
Net Position, unrestricted	25,399,473	23,891,227	11,752,803	12,539,783	(13,646,670)	(11,351,444)
Net Position, invested in capital assets	1,579,483	1,529,006	1,579,483	1,529,006	-	-
<b>TOTAL NET POSITION</b>	<b>26,978,956</b>	<b>25,420,233</b>	<b>13,332,286</b>	<b>14,068,789</b>	<b>(13,646,670)</b>	<b>(11,351,444)</b>
Proof Total : Difference	\$ -	\$ -	\$ -	\$ -	-	-
POOL SIR, Blended if Necessary	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000		
Net Position /SIR Ratio Policy >20:1	53.96	50.84	26.7	28.1		

**Nevada Public Agency Insurance Pool**  
**Statement of Net Position**  
**Fiscal Years Ending June 30th**

Description	Existing Policy		New Policy		\$ Difference	
	2018 Audit	2019 Audit	2018	2019	2018	2019
<b>ASSETS</b>						
<i>Current Assets:</i>						
Cash and cash equivalents	2,254,893	969,204	2,254,893	969,204	-	-
Investments	18,107,946	18,411,809	18,107,946	18,411,809	-	-
Accrued interest	63,847	68,263	63,847	68,263	-	-
Deductibles receivables	336,162	644,786	336,162	644,786	-	-
Assessments receivables	10,520	18,426	10,520	18,426	-	-
Other Receivables	47	47	47	47	-	-
Specific and aggregate recoverables	2,794,407	3,321,360	2,794,407	3,321,360	-	-
Prepaid expense	220,453	225,108	220,453	225,108	-	-
<i>Total Current Assets</i>	<i>23,788,275</i>	<i>23,659,003</i>	<i>23,788,275</i>	<i>23,659,003</i>	-	-
<i>Capital Assets:</i>						
Land, building & equipment	1,579,483	1,551,900	1,579,483	1,551,900	-	-
<i>Other Assets:</i>						
Contributiond Surplus to PRM, net	13,646,670	11,351,444			(13,646,670)	(11,351,444)
<b>TOTAL ASSETS</b>	<b>39,014,428</b>	<b>36,562,347</b>	<b>25,367,758</b>	<b>25,210,903</b>	(13,646,670)	(11,351,444)
<b>LIABILITIES</b>						
<i>Other current liabilities:</i>						
Accounts Payable	124,741	300,320	124,741	300,320	-	-
Risk Management Grants payable	196,731	136,794	196,731	136,794	-	-
Deferred inflows of resources	-	-	-	-	-	-
Current portion of reserve for claims & claims adjustment expenses	5,047,158	4,332,222	5,047,158	4,332,222	-	-
<i>Total current liabilities</i>	<i>5,368,630</i>	<i>4,769,336</i>	<i>5,368,630</i>	<i>4,769,336</i>	-	-
<i>Non-current liabilities:</i>						
Reserve for claims and claims adjustment expenses	6,666,842	6,372,778	6,666,842	6,372,778	-	-
<i>Total non-current liabilities</i>	<i>6,666,842</i>	<i>6,372,778</i>	<i>6,666,842</i>	<i>6,372,778</i>	-	-
<b>TOTAL LIABILITIES</b>	<b>12,035,472</b>	<b>11,142,114</b>	<b>12,035,472</b>	<b>11,142,114</b>	-	-
<b>NET POSITION</b>						
Net Position, unrestricted	25,399,473	23,891,227	11,752,803	12,539,783	(13,646,670)	(11,351,444)
Net Position, invested in capital assets	1,579,483	1,529,006	1,579,483	1,529,006	-	-
<b>TOTAL NET POSITION</b>	<b>26,978,956</b>	<b>25,420,233</b>	<b>13,332,286</b>	<b>14,068,789</b>	<b>(13,646,670)</b>	<b>(11,351,444)</b>
Proof Total : Difference	\$ -	\$ -	\$ -	\$ -	-	-
POOL SIR, Blended if Necessary	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000		
Net Position /SIR Ratio Policy >20:1	53.96	50.84	<b>26.7</b>	<b>28.1</b>		

**Nevada Public Agency Insurance Pool**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For Years Ended June 30th**

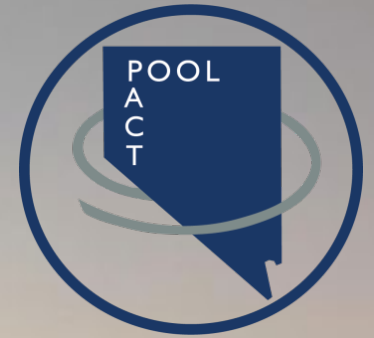
Description	Existing Policy		New Policy		\\$ Difference	
	2018 Audit	2019 Audit	2018	2019	2018	2019
<b>REVENUES</b>						
Premiums written	14,390,787	15,678,937	14,390,787	15,678,937	-	-
Rental income	261,643	266,582	261,643	266,582	-	-
Other Income	50,174	53,460	50,174	53,460	-	-
<i>Total Revenues</i>	<i>14,702,604</i>	<i>15,998,979</i>	<i>14,702,604</i>	<i>15,998,979</i>	-	-
<b>PROGRAM EXPENSES</b>						
Loss and loss adjustment expense	6,461,215	5,154,084	6,461,215	5,154,084	-	-
Excess insurance premiums	5,309,446	5,960,178	5,309,446	5,960,178	-	-
Special insurance programs	485,154	-	485,154	-	-	-
Pooling and loss control fees	505,000	505,000	505,000	505,000	-	-
Third Party administrator fees	710,655	726,947	710,655	726,947	-	-
Member education & training	1,177,977	1,199,910	1,177,977	1,199,910	-	-
Loss control awards & grants	240,525	396,565	240,525	396,565	-	-
Amortization/PRM Contribution Expense	-	-	5,700,000	-	5,700,000	-
Agent commissions	955,653	1,024,640	955,653	1,024,640	-	-
Taxes written	18,443	18,656	18,443	18,656	-	-
<i>Total Program Expenses</i>	<i>15,864,068</i>	<i>14,985,980</i>	<i>21,564,068</i>	<i>14,985,980</i>	<i>5,700,000</i>	-
<b>ADMINISTRATIVE EXPENSES</b>						
Management fees	513,174	821,488	513,174	821,488	-	-
Building maintenance and utilities	93,190	93,485	93,190	93,485	-	-
Depreciation	49,317	50,477	49,317	50,477	-	-
Amortization	2,473,560	2,295,226	-	-	(2,473,560)	(2,295,226)
Travel	54,981	59,994	54,981	59,994	-	-
Casualty Insurance	31,075	47,970	31,075	47,970	-	-
Operating expenses	189,723	143,979	189,723	143,979	-	-
Legal expenses	45,788	16,775	45,788	16,775	-	-
Consultant appraisals	85,700	83,860	85,700	83,860	-	-
Environmental consultation	-	-	-	-	-	-
Technology services	12,483	106,783	12,483	106,783	-	-
<i>Total Administrative Expenses</i>	<i>3,548,991</i>	<i>3,720,037</i>	<i>1,075,431</i>	<i>1,424,811</i>	<i>(2,473,560)</i>	<i>(2,295,226)</i>
<i>Total Program and Administrative Expenses</i>	<i>19,413,059</i>	<i>18,706,017</i>	<i>22,639,499</i>	<i>16,410,791</i>	<i>3,226,440</i>	<i>(2,295,226)</i>
<b>Decrease in operating net position</b>	<b>(4,710,455)</b>	<b>(2,707,038)</b>	<b>(7,936,895)</b>	<b>(411,812)</b>	<b>(3,226,440)</b>	<b>2,295,226</b>
Increase in non-operating net investment income	(51,267)	1,148,315	(51,267)	1,148,315	-	-
(Decrease) increase in net position	(4,761,722)	(1,558,723)	(7,988,162)	736,503	(3,226,440)	2,295,226
Net Position, beginning of year	31,740,678	26,978,956	21,320,448	13,332,286	(10,420,230)	(13,646,670)
Net Position, end of year	26,978,956	25,420,233	13,332,286	14,068,789	(13,646,670)	(11,351,444)



# Nevada Public Agency Insurance Pool

## Renewal Presentation 2020-2021

April 17, 2020



## State of the Market

Call it what you will: a firming market, a challenging market, a seller's market, a disciplined market, an unconventional hard market — North American insurance buyers are paying more. We are predicting increases, many sizeable, for more lines of insurance than we've experienced in recent memory. We predict that rate hikes and capacity constrictions will continue throughout 2020 and likely into 2021.

There is also much speculation globally around the impact of losses related to COVID-19 as well as the impact of investment losses in the equities market. While property claims are sure to be submitted for business interruption, it is unclear how (or if) direct damage will be triggered. Workers' Compensation is likely to see activity, particularly for health care workers and first responders. Liability is perceived as having very limited, if any, coverage, but is highly dependent on the specifics of each policies terms; Pollution, fungi and bacterial exclusions will likely come into play.

And it's far too early to predict the economic losses that (re)insurers' investments will incur, but it is certain that the profitability being sought by the market will have a trickle-down affect to insurance buyers.

### Property

Two years of combined loss ratios exceeding 100%, along with the previous prolonged soft market, have driven the market correction and insurers' push to return to profitability.

As property conditions continue to harden, insurers are overwhelmed with submission activity. Increased volume allows for greater scrutiny and a more selective approach to renewals.

The market is hardening and rate increases are accelerating with each succeeding month. Underwriters continue to take a more critical look at exposures, restricting many coverage terms previously offered in the soft market.

If we get through the next hurricane season without a major U.S. landfall one might expect that the good news for insurers would, as in the past, push the supply and demand curve eventually in the buyer's favor.

We also expect that rate increases and capacity deployment will become more predictable by the end of 2020 as most of the re-underwriting by major property insurers should be completed.

# State of the Market

## Casualty

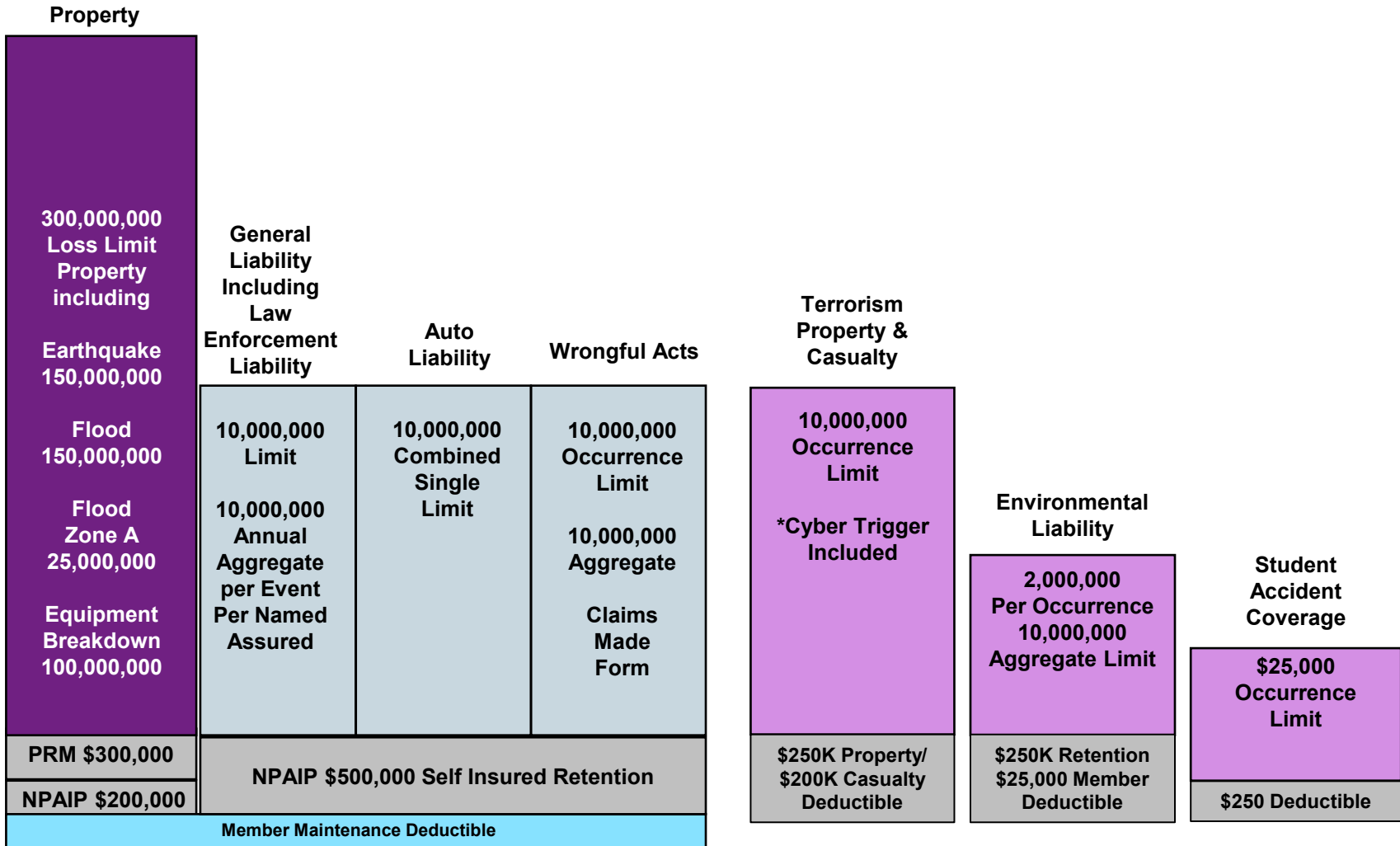
- The median settlement of the top 50 U.S. verdicts nearly doubled over the last four years (\$54M in 2018 vs. \$28M in 2014).
- Reviver statutes that are aimed at abuse create a specter of unending litigation, legitimate and spurious, for schools, health care institutions and non-profits when statutes of limitations are abandoned or extended. Combine these considerations with juries that are numb to monetary values in the days of nine-figure incomes for CEOs, sports stars and celebrities. Fear of the jury verdict wheel of fortune is also driving higher settlements.
- Reinsurer feedback in the public entity sector largely concerns sexual abuse and molestation claims (SAM) as well as law enforcement and jail liability. Of note are exceedingly high demands and awards across the country, forcing underwriters to reevaluate both their limit and coverage offerings in risks where these exposures exist. □

## Cyber

With ransomware incidents increasing dramatically across all industries in frequency and magnitude, including some high-profile breaches, we are starting to see an uptick in premiums and a cautious deployment of capacity across the global marketplace.

- Primary and excess cyber renewals are now averaging premium increases in the 5% to 10% range, though flat renewals may be possible for some buyers.
- Increases have largely been driven by the explosion of ransomware losses during the second half of 2019, when the average loss jumped from \$500,000 to well over \$1,000,000.
- Carriers have been reevaluating their positions in large towers and looking more closely at rates in perceived burn layers.
- The human element continues to be the leading cause of cyber loss.
- Certain carriers are adjusting their ransomware coverage appetites and considering sublimits and co-insurance alternatives.

# NPAIP 2019-2020 *and* 2020-2021 Program Structure



# 2020-2021 NPAIP Renewal Submission

## Markets Approached

### Property

- Lloyd's of London
- Public Risk Mutual (PRM)

### Casualty

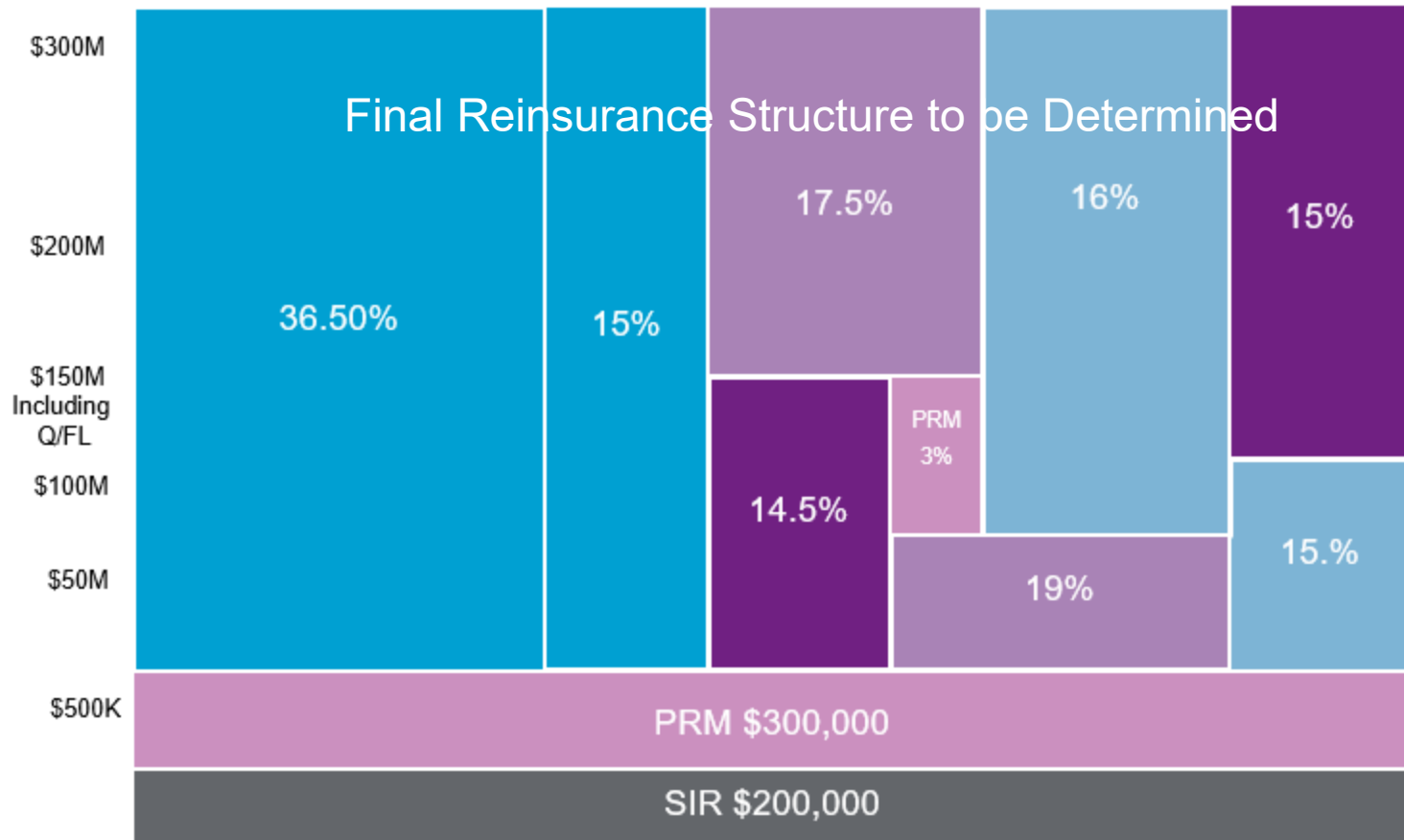
- United Educators– Schools Only
- CRL – Not Including Schools
- Brit – All Members
- GEM – All Members
- Public Risk Mutual (PRM) – All Members

### Joint Purchase Insurance Programs

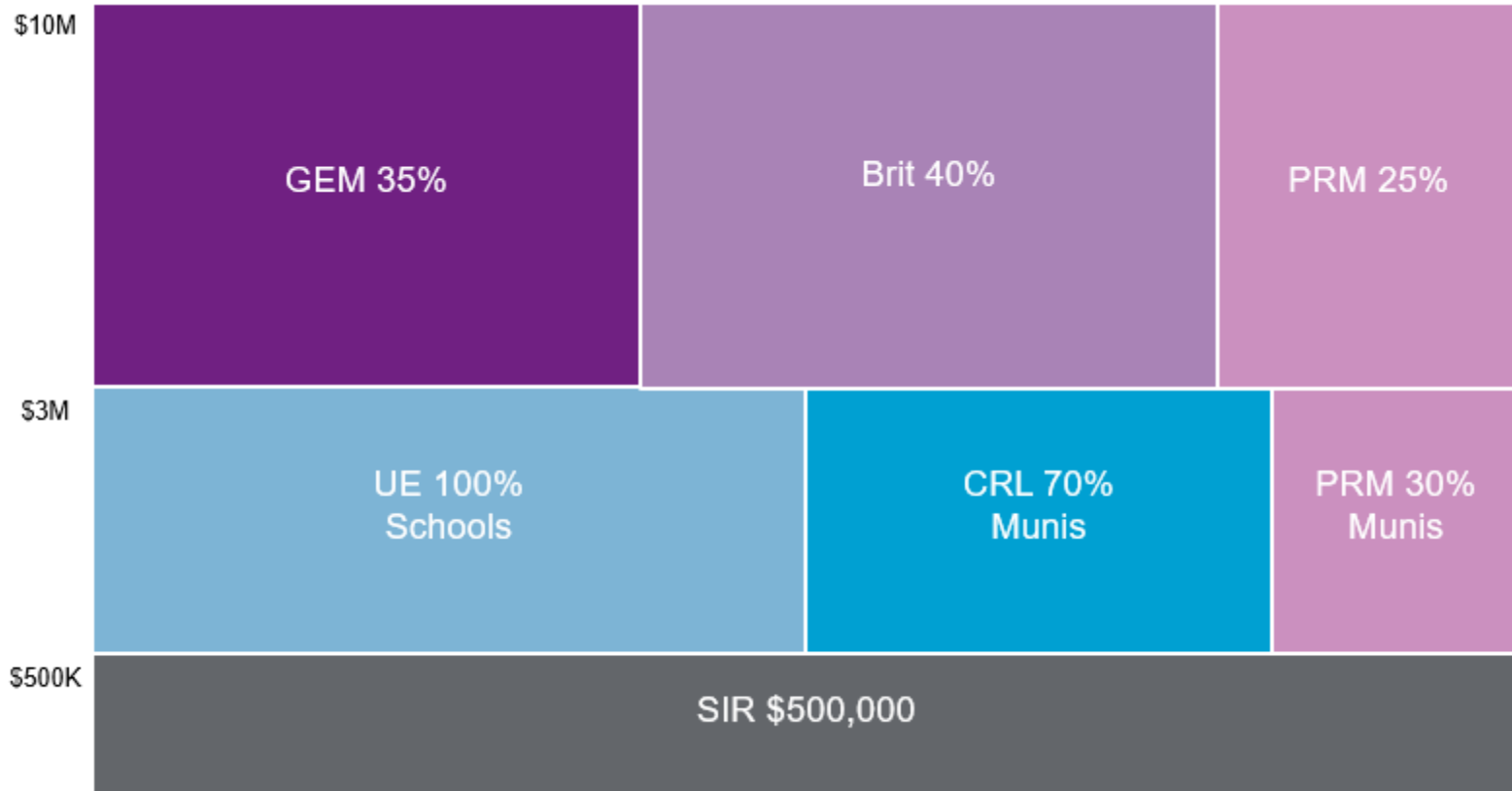
- Travelers Boiler Re – Equipment Breakdown
- Gerber - Student Accident
- Ironshore – Environmental Liability
- Lloyd's of London – Property and Casualty Terrorism

# 2020 NPAIP Property Structure

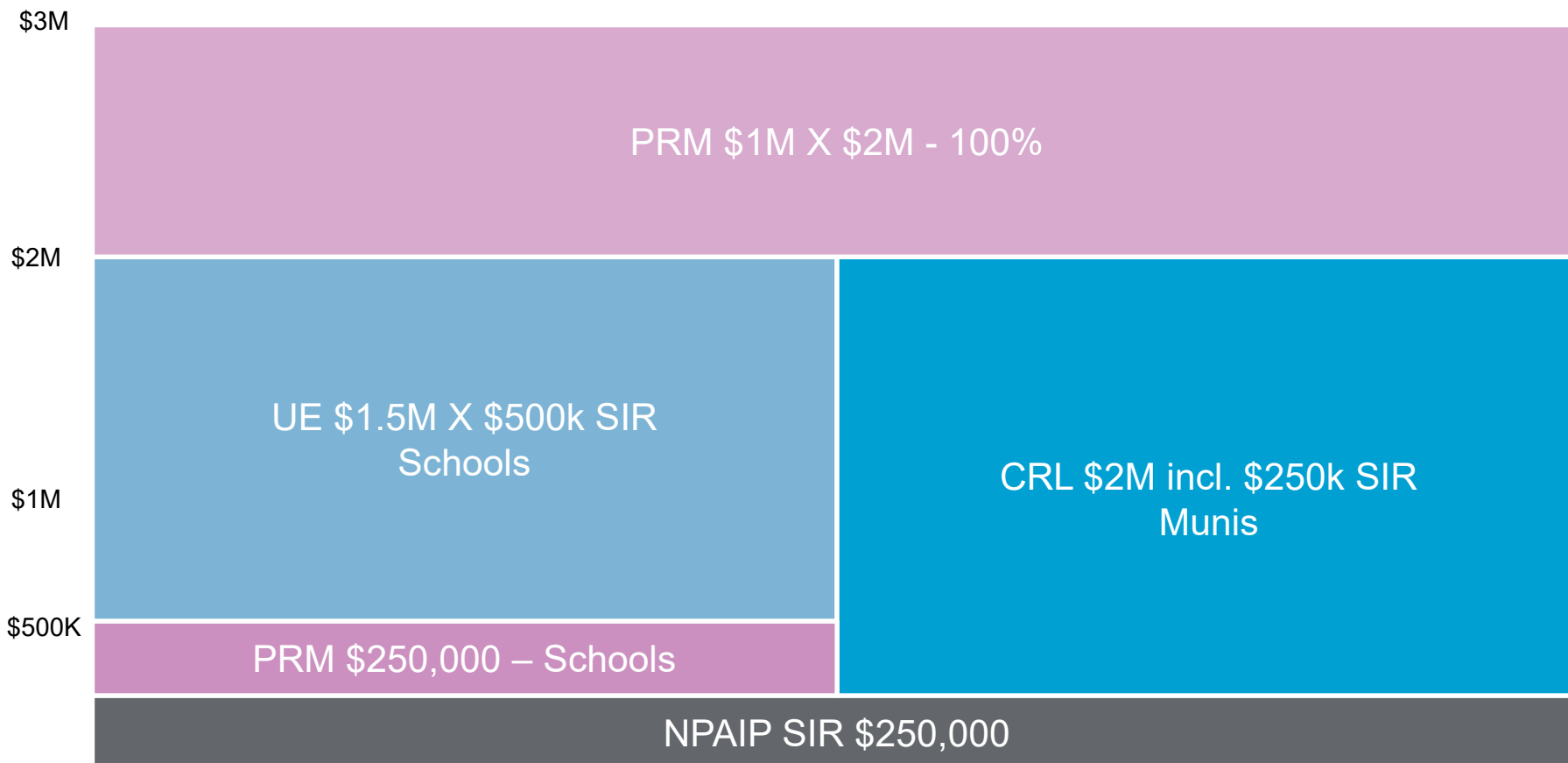
Lloyd's of London



# 2020 NPAIP Liability Structure



# 2020 NPAIP Cyber Structure





# NPAIP 2020-2021 Additional Coverages

## Equipment Breakdown

- \$100M Limit
- \$50,000 Retention

## Student Accident

- \$25,000 Limit
- \$250 Deductible

## Environmental Liability

- \$2M Per Claim, \$10M Aggregate
- \$250k Retention, \$25,000 Member Deductible

## Terrorism

- Liability - \$10M Limit / \$250,000 Retention
- Property - \$10M limits / \$200,000 Retention
- Includes Cyber Trigger

## Proposed Coverage

### Tenant Users Liability Insurance Policy (TULIP)

- Low cost General Liability insurance for third party facility users
- Limit of \$1,000,000
- No cost to NPAIP or Member

# NPAIP 2020-2021 Renewal Quotations

2020 - 2021 NPAIP Renewal Quotations					
	Premium with 2019 Rates applied to 2020 Exposures	Premium with 2020 Rates applied to 2020 Exposures			
Coverages	\$300 Million Property and \$150 Million Flood and Quake, EXCEPT \$25 Million Flood Zone A, \$100 Million Equipment Breakdown, \$2.5M xs \$500K UE Casualty 100% (Schools), 70% CRL & 30% PRM (Non-Schools), \$7M xs \$3M GEM 35%, BRIT 40%, PRM 25%	Renewal \$300 Million Property and \$150 Million Flood and Quake, EXCEPT \$25 Million Flood Zone A, \$100 Million Equipment Breakdown, \$2.5M xs \$500K UE Casualty 100% (Schools), 70% CRL & 30% PRM (Non-Schools), \$7M xs \$3M GEM 35%, BRIT 40%, PRM 25%	% Change	\$ Change	
CRL - Casualty w/o Schools	\$634,764	\$692,257	9.06%	\$57,493	
United Educators - Casualty Schools 100%	\$321,427	\$378,416	17.73%	\$56,989	
PRM Casualty	\$528,412	\$664,963	25.84%	\$136,551	
GEM	\$247,414	\$256,796	3.79%	\$9,382	
Brit	\$239,581	\$264,717	10.49%	\$25,136	
Lloyds of London/Property	\$3,151,725	\$3,600,000	14.22%	\$448,275	
Lloyds of London/Property Possible Additional PRM Property	N/A	\$150,000	N/A	\$150,000	
Travelers Boiler Re	\$905,409	\$909,963	0.50%	\$4,554	
	\$143,526	\$143,526	0.00%	\$0	
<b>Total</b>	<b>\$6,172,258</b>	<b>\$7,060,638</b>	<b>14.39%</b>	<b>\$888,380</b>	
Joint Purchase Insurance Programs					
Terrorism Property - Retention \$200K	\$133,500	\$133,500	0.00%	\$0	
Terrorism Liability Retention \$250K	\$44,000	\$44,000	0.00%	\$0	
Student Accident - \$25,000 Limit	\$195,590	\$195,590	0.00%	\$0	
Environmental Liability \$250k Ded.	\$283,938	\$290,474	2.30%	\$6,536	
<b>Total</b>	<b>\$657,028</b>	<b>\$663,564</b>	<b>0.99%</b>	<b>\$6,536</b>	
<b>Grand Total</b>	<b>\$6,829,286</b>	<b>\$7,724,202</b>	<b>13.10%</b>	<b>\$894,916</b>	
Retentions					
Property - NPAIP and PRM	\$500,000	\$500,000			
Casualty - NPAIP Only	\$500,000	\$500,000			
Participation in NPAIP Structure					
CRL Casualty w/o school exposure	70% of \$2.5M xs \$500K	70% of \$2.5M xs \$500K			
PRM Casualty w/o school exposure	30% of \$2.5M xs \$500K	30% of \$2.5M xs \$500K			
United Educators - Casualty Schools Only	100% of \$2.5M xs \$500K	100% of \$2.5M xs \$500K			
PRM Casualty w/o school exposure	25% of \$7M xs \$3M	25% of \$7M xs \$3M			
GEM Casualty	35% of \$7M xs \$3M	35% of \$7M xs \$3M			
Brit Casualty	40% of \$7M xs \$3M	40% of \$7M xs \$3M			
Boiler Re (Equipment Breakdown Limits)	\$100,000,000	\$100,000,000			
PRM Property	\$300K xs \$200K	\$300K xs \$200K			
Lloyds Property	\$300,000,000 xs \$500k	\$300,000,000 xs \$500k			
Lloyds Property - Flood Zone A Limits	\$25,000,000	\$25,000,000			
					as of 4.7.20

# Thank you!



**2020 - 2021 NPAIP Renewal Quotations**

	Premium with 2019 Rates applied to 2020 Exposures	Premium with 2020 Rates applied to 2020 Exposures		
<b>Coverages</b>	<b>\$300 Million Property and \$150 Million Flood and Quake, EXCEPT \$25 Million Flood Zone A, \$100 Million Equipment Breakdown, \$2.5M xs \$500K UE Casualty 100% (Schools), 70% CRL &amp; 30% PRM (Non-Schools), \$7M xs \$3M GEM 35%, BRIT 40%, PRM 25%</b>	<b>Renewal \$300 Million Property and \$150 Million Flood and Quake, EXCEPT \$25 Million Flood Zone A, \$100 Million Equipment Breakdown, \$2.5M xs \$500K UE Casualty 100% (Schools), 70% CRL &amp; 30% PRM (Non-Schools), \$7M xs \$3M GEM 35%, BRIT 40%, PRM 25%</b>	<b>% Change</b>	<b>\$ Change</b>
CRL - Casualty w/o Schools	\$634,764	\$692,257	9.06%	\$57,493
United Educators - Casualty Schools 100%	\$321,427	\$378,416	17.73%	\$56,989
PRM Casualty	\$528,412	\$664,963	25.84%	\$136,551
GEM	\$247,414	\$256,796	3.79%	\$9,382
Brit	\$239,581	\$264,717	10.49%	\$25,136
Lloyds of London/Property	\$3,151,725	\$3,600,000	14.22%	\$448,275
Lloyds of London/Property Possible Additional	N/A	\$150,000	N/A	\$150,000
PRM Property	\$905,409	\$909,963	0.50%	\$4,554
Travelers Boiler Re	\$143,526	\$143,526	0.00%	\$0
<b>Total</b>	<b>\$6,172,258</b>	<b>\$7,060,638</b>	<b>14.39%</b>	<b>\$888,380</b>
<b>Joint Purchase Insurance Programs</b>				
Terrorism Property - Retention \$200K	\$139,452	\$139,452	0.00%	\$0
Terrorism Liability Retention \$250K	\$44,000	\$44,000	0.00%	\$0
Student Accident - \$25,000 Limit	\$195,590	\$195,590	0.00%	\$0
Environmental Liability \$250k Ded.	\$283,938	\$290,474	2.30%	\$6,536
<b>Total</b>	<b>\$662,980</b>	<b>\$669,516</b>	<b>0.99%</b>	<b>\$6,536</b>
<b>Grand Total</b>	<b>\$6,835,238</b>	<b>\$7,730,154</b>	<b>13.09%</b>	<b>\$894,916</b>
<b>Retentions</b>				
Property - NPAIP and PRM	\$500,000	\$500,000		
Casualty - NPAIP Only	\$500,000	\$500,000		
<b>Participation in NPAIP Structure</b>				
CRL Casualty w/o school exposure	70% of \$2.5M xs \$500K	70% of \$2.5M xs \$500K		
PRM Casualty w/o school exposure	30% of \$2.5M xs \$500K	30% of \$2.5M xs \$500K		
United Educators - Casualty Schools Only	100% of \$2.5M xs \$500K	100% of \$2.5M xs \$500K		
PRM Casualty w/o school exposure	25% of \$7M xs \$3M	25% of \$7M xs \$3M		
GEM Casualty	35% of \$7M xs \$3M	35% of \$7M xs \$3M		
Brit Casualty	40% of \$7M xs \$3M	40% of \$7M xs \$3M		
Boiler Re (Equipment Breakdown Limits)	\$100,000,000	\$100,000,000		
PRM Property	\$300K xs \$200K	\$300K xs \$200K		
Lloyds Property	\$300,000,000 xs \$500k	\$300,000,000 xs \$500k		
Lloyds Property - Flood Zone A Limits	\$25,000,000	\$25,000,000		

## 2020 - 2021 PACT Renewal Quotations

	Premium with 2019 Rates applied to 2020 Exposures	Premium with 2020 Rates and 2020 Exposures		
Insurance Market	CRL/Safety National	CRL/Safety National		
	\$300,000 Retention PACT, \$700,000 xs \$300,000 PCM, 75/25 Quota Share with CRL up to \$3M with Safety National attaching at \$3M and aggregate split 50/50 between Safety National and PCM	\$300,000 Retention PACT, \$700,000 xs \$300,000 PCM, 75/25 Quota Share with CRL up to \$3M with Safety National attaching at \$3M and aggregate split 50/50 between Safety National and PCM	% Change	\$ Change
<b>Premium</b>				
<b>PCM</b>	\$2,264,810.67	\$2,522,875	11.39%	\$258,064
<b>CRL</b>	\$313,784.78	\$307,487	-2.01%	-\$6,298
<b>Safety National</b>	\$156,070.98	\$156,071	0.00%	\$0
<b>Total Premium</b>	\$2,734,666	\$2,986,433	9.21%	\$251,767
<b>Program Limits</b>				
<b>PACT SIR</b>	\$300,000	\$300,000	No Change	No Change
<b>PCM Primary Layer</b>	\$700k xs \$300k	\$700k xs \$300k	No Change	No Change
<b>PCM 25% \$2M Specific Excess</b>	\$2M xs \$1M	\$2M xs \$1M	No Change	No Change
<b>CRL 75% \$2M Specific Excess</b>	\$2M xs \$1M	\$2M xs \$1M	No Change	No Change
<b>Excess of \$3M</b>	Statutory	Statutory	No Change	No Change
<b>PCM 50% Aggregate Limit</b>	\$3,000,000	\$3,000,000	No Change	No Change
<b>CRL 50% Aggregate Limit</b>	\$3,000,000	\$3,000,000	No Change	No Change
<b>Payroll</b>	\$269,503,461	\$273,808,682	1.60%	\$4,305,221
				<b>as of 4.1.20</b>

**Addendum 1**

**Service Contract Between Nevada Public Agency Insurance Pool and Willis Pooling**

**Contract Term**

It is mutually agreed by both parties that Section 3, Term, is revised as follows:

**Term:** Agreement shall be extended for a period of five (5) years, effective July 1, 2020 and extend the Agreement through June 30, 2025, subject to the Termination provision of this Agreement.

The remainder of the contract remains unchanged.

IN WITNESS THEREOF the parties hereto have caused this Agreement to be executed as of the date first above written.

**Nevada Public Agency Insurance Pool**

By \_\_\_\_\_  
Cash Minor  
Chairman, Board of Directors

Attest \_\_\_\_\_

**Willis Administrative Services Corporation**

By \_\_\_\_\_  
Mary Wray  
Senior Vice President

Attest \_\_\_\_\_

## POOL BUDGET 2020-2021

Presented at Executive Committee March 11, 2020 April 6th To Be Finalized & Adopted at Annual Meeting April 17, 2020	<b>FY 2019-2020 Budget</b>	<b>FY 2020-2021 Budget</b>	<b>Dollar Difference</b>	<b>Percentage Change</b>	<b>% of Total Revenues</b>	<b>Notes</b>
<b>Revenues</b>						
Premiums Written	\$ 17,178,217	\$ 18,552,474	\$ 1,374,257	8.0%	95.7%	<b>Flat Rate % Increase</b>
Other Income	\$ 75,000	\$ 121,075	\$ 46,075	61.4%	0.6%	Technology reimbursement
Rental Income	\$ 231,815	\$ 238,769	\$ 6,954	3.0%		Rent for building offices, FMV
PRM Risk Management Services Payment	\$ 475,000	\$ 475,000	\$ -	0.0%	2.5%	Fixed Amount from PRM
<b>Total Revenues</b>	<b>\$ 17,960,032</b>	<b>\$ 19,387,319</b>	<b>\$ 1,427,287</b>	<b>7.9%</b>	<b>100.0%</b>	
<b>Loss Fund and Insurance Expenses</b>						
Losses and loss adjustment expenses	\$ 5,857,000	\$ 6,176,000	\$ 319,000	5.4%	31.9%	Actuarial Amount at 70% CL
Excess Insurance Premiums	\$ 6,328,385	7,338,139	\$ 1,009,754	16.0%	37.9%	Property, Liability Insurance
Special Insurance programs	\$ 498,662	505,023	\$ 6,361	1.3%	2.6%	Environmental & Student Accident
Agent Commissions & Taxes Written	\$ 1,252,969	1,318,262	\$ 65,293	5.2%	6.8%	Board Policy ... State Tax Regs
<b>Total Loss Fund and Insurance Costs</b>	<b>\$ 13,937,016</b>	<b>\$ 15,337,423</b>	<b>\$ 1,400,407</b>	<b>10.0%</b>	<b>79.1%</b>	
<b>Program Expenses</b>						
Pooling and loss control fees	\$ 505,000	\$ 505,000	\$ -	0.0%	2.6%	Willis Pooling Broker & LC Services
Third party administrator fees	\$ 730,000	\$ 730,000	\$ -	0.0%	3.8%	Davies Claims Administration
Member education and training	\$ 1,544,200	\$ 1,584,148	\$ 39,948	2.6%	8.2%	Members Services Dividend
<b>Total Program Expenses</b>	<b>\$ 2,779,200</b>	<b>\$ 2,819,148</b>	<b>\$ 39,948</b>	<b>1.4%</b>	<b>14.5%</b>	
<b>Administrative Expenses</b>						
Management Services	\$ 525,000	\$ 543,375	\$ 18,375	3.5%	2.8%	Nevada Risk Pooling Management Team
Casualty Insurance, Travel, Technology Services	\$ 102,000	183,362	\$ 81,362	79.8%	0.9%	Insurance, Travel, Technology support
Operating expenses	\$ 150,000	151,178	\$ 1,178	0.8%	0.8%	Copier, phones, utilities, meeting costs
Legal Expenses, Consultant appraisals	\$ 160,000	135,553	\$ (24,447)	-15.3%	0.7%	Coverage Counsel, Asset Works Appraisals
<b>Total pool administration expenses</b>	<b>\$ 937,000</b>	<b>\$ 1,013,468</b>	<b>\$ 76,468</b>	<b>8.2%</b>	<b>5.2%</b>	
<b>Total Loss Fund, Program and Administration Expenses</b>	<b>\$ 17,653,216</b>	<b>\$ 19,170,039</b>	<b>\$ 1,516,823</b>	<b>8.6%</b>	<b>98.9%</b>	
<b>Net Operating Income (Loss)</b>	<b>\$ 306,816</b>	<b>\$ 217,280</b>	<b>\$ (89,536)</b>	<b>-29.2%</b>	<b>1.1%</b>	
Non-Operating Investment Income	\$ 650,000	596,875	\$ (53,125)	-8.2%	3.1%	Earnings from investment portfolio
<b>Net Gain (Loss)</b>	<b>\$ 956,816</b>	<b>\$ 814,155</b>	<b>\$ (142,661)</b>	<b>-14.9%</b>	<b>4.2%</b>	
<b>Net Gain (Loss) including Loss Control Grants</b>	<b>\$ 456,816</b>	<b>\$ 439,155</b>			<b>2.3%</b>	Net Margin for Contingencies/Loss Development
Other Expenses: Loss Control Grants Paid From Surplus	\$ 500,000	\$ 375,000				Board Policy: \$500K less \$125K Jail Audits

<b>Other : Building Ownership</b>						
Rental Income	\$ 231,815	\$ 238,769	\$ 6,954	3.0%		Fair Market Value of Office Rents in Carson
<b>Total Building Income</b>	<b>\$ 231,815</b>	<b>\$ 238,769</b>				
Building Utilities and Maintenance	\$ 100,000	98,159	\$ (1,841)	-1.8%		Janitorial, utilities, maintenance, landscaping
Building Roof Repairs or Extraordinary Repairs	\$ 200,000	-	\$ (200,000)	-100.0%		None anticipated in FY 2021
Depreciation	\$ 50,000	55,525	\$ 5,525	11.0%		Non-cash item based on life of building
<b>Total Building Expenses</b>	<b>\$ 350,000</b>	<b>\$ 153,684</b>	<b>\$ (196,316)</b>	<b>-56.1%</b>		
Net Building Income (Loss)	\$ (118,185)	\$ 85,086	\$ 203,271	-172.0%		



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

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## **NPAIP/PRM Renewal Considerations 2020-2021 Budget Overview April 17, 2020**

The following is a summary of the proposed Fiscal Year 2020-21 Budget for the Nevada Public Agency Insurance Pool (NPAIP or POOL) and Public Risk Mutual (PRM Captive). This is the result of input from staff, actuaries, auditors, regulators, strategic business partners, executive committee members and members. The tentative budget was discussed at the March 11<sup>th</sup> Executive Committee and finalized at the April 6<sup>th</sup> Executive Committee meeting to bring to the Annual Meeting as a recommendation for the full Board.

### ***POOL Written Contributions***

The projected POOL Written Contributions will increase by 8% on an aggregate basis. The actual increase will be depending on each entity's exposures, payroll and ratings. This assessment is based on a 70% Confidence Level (CL) funding for losses and loss adjustment expenses determined by our actuary. Other rate factors include the increases in Loss Fund and Insurance expenses, program, and administrative expenses. See notes below:

### ***Loss Fund and Insurance Options*** (79.2% of Revenues) **Fiscal Impact:** +\$1,412,413 +10.1%

1. Increase POOL's Loss Fund Contribution from 70% Confidence Level to 75% Confidence Level for Property and Liability Coverage. **Fiscal Impact:** = +\$727,000  
**Discussion:** The POOL has been using the 70% Confidence Level (Marginally Acceptable) from the Bickmore Actuarial Reports. This means that 70% of the time, it will result in adequate funding and 30% of the time it would be underfunded. In an effort to improve underwriting reserves, an increase to 75% CL would provide additional funds to pay claims.

The **Liability Funding** at 70% CL would be \$3,586,000 compared to the current year amount of \$3,303,000. This represents an increase of \$283,000 or 8.56% over expiring rate. The 75% CL funding rate would be \$3,824,000 or an increase of \$238,000 to move to the 75% CL. This would be an overall increase of \$521,000 over expiring rate.

The **Property Funding** at 70% CL would be \$2,590,000 compared to the current year about of \$2,554,000 or an increase of \$36,000 or 1.4%. The 75% CL funding rate would be \$2,760,000 or an increase of \$170,000 over the 70%CL or \$206,0000 or 8.0% higher than the expiring rate.



The **Combined Increase** at the 70% CL would be \$319,000 or 5.45% increase over the expiring rate. If both programs were funded at the 75% CL, the increase would be \$727,000 or 12.4% over the expiring rate. If Liability was funded at 70% CL and Property at 75% CL, the increase over expiring rates would be \$489,000 or 8.34%.

**Recommendation:** 70% Confidence Level. It is a difficult renewal with price increases so the timing of raising the CL to 75% may create a financial hardship to members. Goal would be to work towards the 75% Confidence Level in the near future.

**Board Direction:** This was confirmed by the Executive Committee on April 6<sup>th</sup>

2. **Cyber Loss Fund Contribution**

**Fiscal Impact:** \$250,000

**Discussion:** We are seeing an increase in the number of Cyber incidents with our membership. Some of these incidents have resulted in claims payment. Currently, there is no Loss Fund Contribution to pay for the cyber claims so all payments are coming from POOL's net position.

**Recommendation:** Given the increase in frequency of these cyber claims and more members working remotely, a loss fund contribution of \$250,000 would assist in funding these claims.

**Board Direction:** This was confirmed by the Executive Committee on April 6<sup>th</sup>

**Reinsurance Options / PRM**

3. Maintain 75% Confidence Level for Captive **Fiscal Impact:** +\$148,250 over expiring

**Discussion:** The higher the confidence level the more likely the reserve is adequate to for the actual claim results. A higher CL could result in an Underwriting Gain. Lower rate could result in an Underwriting Loss for the year. As noted by our Auditor, we have experienced losses in the PRM layer of coverage.

**Recommendation:** Maintain 75% Confidence Level for Captive coverage

**Board Direction:** This was confirmed by the Executive Committee on April 6<sup>th</sup>

4. **Property Quotation:** **Fiscal Impact:** \$3,600,000 plus \$150,000 to complete if necessary

**Discussion:** Property is a Seller's market and there is upward pressure on pricing. Due to our favorable relationship and lower claim losses a projected increase of 14% versus 25% to 35% increases on other accounts. Steve Firman is continuing to work hard to secure the upper layers of the coverage. PRM may need to take a small portion of this additional layer.

**Program Expenses** (14.5% of Revenues)

**Fiscal Impact** +\$39,948 +1.4%

**Focused Risk Management Programs:** PRI contract, Jail Audits, Cyber, School HVA, e-learning, Law Enforcement/Fire training, and EAP.

**Discussion:** RM Programs to mitigate claim losses. Important programs for members with group pricing provided through POOL. Estimated program cost: Jails \$125K per year or 3 years. Cyber - finalize passive assessments \$225K; School HVA - updates \$100K per year.

**Recommendation:** Looking at moving EAP to KEPRO at a reduced rate. Reduce Loss Control Grant program has \$125,000 reserved for Jail audits.

**Board Direction:** Executive Committee confirmed recommendation at April 6<sup>th</sup> meeting.

**Administrative Expenses** (5.2% of Revenues)

**Fiscal Impact:** +\$76,468 or 8.2%

**Discussion:** Increase primarily due to casualty insurance, travel and technology expenses increasing by \$81,362. Technology costs are paid by NPAIP and reimbursed by the other entities as Other Income noted in the revenue section. See related \$46,075 increase in Other Income.

**Operating Income** (1.1% of Revenues)

**Fiscal Impact:** \$205,274 -33.1%

**Discussion:** The current year budget had a projected Net Operating Income of \$306,816. Thus, the Fiscal Year 2020-21 budget has a razor thin margin built in as it is 33.1% less than the current budget given the financial difficulties.

**Non-operating Investment Income**

**Fiscal Impact:** \$596,875 -8.2%

**Discussion:** Given the reduction in the interest rate environment and in the markets, it is anticipated that our investment income will decrease slightly during the year.

**Building Ownership**

**Fiscal Impact:** +\$85,086

**Discussion:** The POOL owns the building located at 201 S. Roop Street in Carson City. The building is rented at the Fair Market Rate to POOL related and non-related entities. No major extraordinary repairs are anticipated in FY 2020-21 budget. See related rental income of \$238,769 in the revenue section of the Budget.

**General Budget Observations**

A special thanks to all who have assisted in developing a **“Very Basic Budget”** that addresses the needs of the POOL and members for the upcoming year. The budget increase reflects the realities of the insurance hardening marketplace. The POOL and PRM has taken on more risk over the years to smooth out the rates overtime to benefit the membership.

This year the marketplace has indicated a rate increase of 13.1% on the coverages whereas we are proposing an average premium rate increase of 8%. The Loss Fund contribution rate is based on a 70% CL which is not likely sustainable over a long period of time.

The POOL’s commitment to membership services and education programs has been a hallmark of our program to assist members to more effectively serve their organization, employees and citizens. This budget continues to provide for these services as well as the Loss Control Grant program to assist our members in making a difference in their organization and community. We encourage members to take advantage of these programs and services. We appreciate your support, input and involvement in the POOL/PACT program. Working Together Everyone Achieves More!

Please reach out to the POOL/PACT staff or the POOL/PACT website for more information about our programs and services. WE ARE POOL/PACT!

POOL Counties

Member Name	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	TOTAL	TOTAL	5 Year Ave	3 Year Ave	
	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency			Costs	Costs	Costs
	7/1/14- 6/30/15	7/1/14- 6/30/15	7/1/15- 6/30/16	7/1/15- 6/30/16	7/1/16- 6/30/17	7/1/16- 6/30/17	7/1/17- 6/30/18	7/1/17- 6/30/18	7/1/18- 6/30/19	7/1/18- 6/30/19	2014/2015- 2018/2019			2016/2017- 2018/2019		
CARSON CITY (No Long	1	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ -	\$ -	\$ -	\$ -	
CHURCHILL COUNTY	2	\$ 3,646	6	\$ 24,048	1	\$ -	6	\$ 29,137	6	\$ 98,350	21	\$ 155,181	\$ 31,036	\$ 42,496		
DOUGLAS COUNTY	70	\$ 973,469	50	\$ 1,248,861	33	\$ 656,867	18	\$ 23,284	18	\$ 82,040	189	\$ 2,984,521	\$ 596,904	\$ 254,064		
ELKO COUNTY	12	\$ 109,730	17	\$ 43,411	35	\$ 57,127	16	\$ 45,040	16	\$ 82,031	96	\$ 337,338	\$ 67,468	\$ 61,399		
ESMERALDA COUNTY	2	\$ 34,075	3	\$ 52,539	6	\$ 25,701	9	\$ 469,055	5	\$ 58,440	25	\$ 639,809	\$ 127,962	\$ 184,398		
EUREKA COUNTY	8	\$ 45,957	13	\$ 1,111	9	\$ 35,883	7	\$ 124,545	9	\$ 94,864	46	\$ 302,360	\$ 60,472	\$ 85,097		
HUMBOLDT COUNTY	14	\$ 65,461	8	\$ 646,617	7	\$ 29,420	9	\$ 96,780	10	\$ 76,008	48	\$ 914,286	\$ 182,857	\$ 67,403		
LANDER COUNTY	1	\$ 3,636	11	\$ 273,030	9	\$ 118,230	2	\$ 19,294	3	\$ 9,086	26	\$ 423,276	\$ 84,655	\$ 48,870		
LINCOLN COUNTY	3	\$ 10,973	3	\$ 79,919	7	\$ 38,380	6	\$ 26,941	2	\$ 131,950	21	\$ 288,163	\$ 57,633	\$ 65,757		
LYON COUNTY	18	\$ 221,666	17	\$ 442,784	12	\$ 250,726	16	\$ 146,868	6	\$ 22,514	69	\$ 1,084,558	\$ 216,912	\$ 140,036		
MINERAL COUNTY	11	\$ 126,807	10	\$ 115,319	11	\$ 391,865	5	\$ 2,076,331	3	\$ 45,000	40	\$ 2,755,322	\$ 551,064	\$ 837,732		
NYE COUNTY	39	\$ 809,600	40	\$ 738,925	73	\$ 669,981	48	\$ 275,648	58	\$ 459,601	258	\$ 2,953,755	\$ 590,751	\$ 468,410		
PERSHING COUNTY	6	\$ 52,161	2	\$ 2,864	7	\$ 55,605	6	\$ 50,115	4	\$ 21,431	25	\$ 182,177	\$ 36,435	\$ 42,384		
STOREY COUNTY	5	\$ 28,179	9	\$ 276,401	15	\$ 1,088,722	8	\$ 153,663	12	\$ 99,299	49	\$ 1,646,264	\$ 329,253	\$ 447,228		
WHITE PINE COUNTY	15	\$ 46,244	16	\$ 83,328	16	\$ 45,452	3	\$ 5,514	7	\$ 18,400	57	\$ 198,939	\$ 39,788	\$ 23,122		
<b>TOTAL</b>	207	\$ 2,531,605	205	\$ 4,029,156	241	\$ 3,463,960	159	\$ 3,542,214	159	\$ 1,299,014	971	\$ 14,865,949	\$ 2,973,190	\$ 2,768,396		

POOL Cities

Member Name	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	TOTAL	TOTAL	5 Year Ave Costs 2014/2015- 2018/2019	3 Year Ave Costs 2016/2017- 2018/2019	
	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency					Costs
	7/1/14- 6/30/15	7/1/14- 6/30/15	7/1/15- 6/30/16	7/1/15- 6/30/16	7/1/16- 6/30/17	7/1/16- 6/30/17	7/1/17- 6/30/18	7/1/17- 6/30/18	7/1/18- 6/30/19	7/1/18- 6/30/19						
BOULDER CITY	31	\$ 95,310	30	\$ 136,941	18	\$ 31,188	16	\$ 9,304	19	\$ 68,906	114	\$ 341,650	\$ 68,330	\$ 36,466		
CALIENTE	2	\$ 8,560	4	\$ 22,448	3	\$ -	0	\$ -	2	\$ 4,500	11	\$ 35,508	\$ 7,102	\$ 1,500		
CARLIN CITY	4	\$ 7,783	3	\$ 34,296	0	\$ -	3	\$ 42,000	1	\$ 255	11	\$ 84,335	\$ 16,867	\$ 14,085		
CITY OF ELKO	26	\$ 65,679	17	\$ 106,162	28	\$ 1,208,394	14	\$ 23,764	22	\$ 86,576	107	\$ 1,490,575	\$ 298,115	\$ 439,578		
ELY CITY	5	\$ 47,847	9	\$ 15,340	6	\$ 18,732	6	\$ 2,690	9	\$ 51,954	35	\$ 136,563	\$ 27,313	\$ 24,459		
CITY OF FERNLEY	8	\$ 29,821	6	\$ 55,172	3	\$ 15,239	5	\$ 53,091	8	\$ 180,250	30	\$ 333,572	\$ 66,714	\$ 82,860		
CITY OF LOVELOCK	3	\$ 10,010	0	\$ -	1	\$ -	1	\$ 14,989	0	\$ -	5	\$ 24,999	\$ 5,000	\$ 4,996		
MESQUITE CITY (No Long	13	\$ 7,275	13	\$ 32,855	0	\$ -	0	\$ -	0	\$ -	26	\$ 40,129	\$ 8,026	\$ -		
WELLS CITY	2	\$ 9,834	1	\$ 3,786	3	\$ 6,854	0	\$ -	2	\$ -	8	\$ 20,474	\$ 4,095	\$ 2,285		
WEST WENDOVER	3	\$ -	15	\$ 120,848	7	\$ 11,724	8	\$ 16,125	10	\$ 47,385	43	\$ 196,082	\$ 39,216	\$ 25,078		
CITY OF WINNEMUCCA	5	\$ 7,917	6	\$ 23,998	2	\$ 10,591	4	\$ 29,608			17	\$ 72,114	\$ 14,423	\$ 13,400		
CITY OF YERINGTON	2	\$ 3,189	1	\$ -	0	\$ -	3	\$ 97,066			6	\$ 100,256	\$ 20,051	\$ 32,355		
<b>TOTAL</b>	<b>104</b>	<b>\$ 293,224</b>	<b>105</b>	<b>\$ 551,847</b>	<b>71</b>	<b>\$ 1,302,723</b>	<b>60</b>	<b>\$ 288,637</b>	<b>73</b>	<b>\$ 439,826</b>	<b>413</b>	<b>\$ 2,876,256</b>	<b>\$ 575,251</b>	<b>\$ 677,062</b>		

POOL School Districts

Member Name	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	Claims	5 Year Ave	3 Year Ave	
	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency	Costs	Frequency			Costs
	7/1/14- 6/30/15	7/1/14- 6/30/15	7/1/15- 6/30/16	7/1/15- 6/30/16	7/1/16- 6/30/17	7/1/16- 6/30/17	7/1/17- 6/30/18	7/1/17- 6/30/18	7/1/18- 6/30/19	7/1/18- 6/30/19	TOTAL	TOTAL	2014/2015- 2018/2019	2016/2017- 2018/2019
CARSON CITY SCHOOL DISTRICT	11	\$ 272,015	11	\$ 91,541	16	\$2,372,540	6	\$ 13,921	4	\$ 36,192	48	\$ 2,786,208	\$ 557,242	\$ 807,551
CHURCHILL COUNTY SCHOOL DISTRICT	8	\$ 173,110	2	\$ 100,055	3	\$ 1,387	1	\$ 6,787	3	\$ 30,844	17	\$ 312,183	\$ 62,437	\$ 13,006
DOUGLAS COUNTY SCHOOL DISTRICT	45	\$ 125,456	37	\$ 22,647	219	\$ 242,683	192	\$ 206,745	154	\$ 58,876	647	\$ 656,406	\$ 131,281	\$ 169,434
ELKO COUNTY SCHOOL DISTRICT	14	\$ 42,600	34	\$ 142,227	37	\$ 504,577	13	\$ 270,189	19	\$ 83,620	117	\$ 1,043,214	\$ 208,643	\$ 286,129
ESMERALDA COUNTY SCHOOL DISTRICT	3	\$ 5,636	0	\$ -	0	\$ -	2	\$ 26,703	0	\$ -	5	\$ 32,338	\$ 6,468	\$ 8,901
EUREKA COUNTY SCHOOL DISTRICT	0	\$ -	0	\$ -	1	\$ 212,327	0	\$ -	0	\$ -	1	\$ 212,327	\$ 42,465	\$ 70,776
HUMBOLDT COUNTY SCHOOL DISTRICT	7	\$ 211,843	10	\$ 151,271	5	\$ 71,528	15	\$ 225,166	6	\$ 45,364	43	\$ 705,172	\$ 141,034	\$ 114,019
LANDER COUNTY SCHOOL DISTRICT	0	\$ -	10	\$ 49,332	27	\$ 61,448	21	\$ 36,516	24	\$ -	82	\$ 147,296	\$ 29,459	\$ 32,655
LINCOLN COUNTY SCHOOL DISTRICT	1	\$ 10	11	\$ 759,823	2	\$ 25,865	4	\$ 135,638	3	\$ 141,276	21	\$ 1,062,613	\$ 212,523	\$ 100,926
LYON COUNTY SCHOOL DISTRICT	16	\$ 57,575	15	\$ 169,494	6	\$ 88,808	16	\$ 421,159	17	\$ 426,840	70	\$ 1,163,875	\$ 232,775	\$ 312,269
MINERAL COUNTY SCHOOL DISTRICT	4	\$ 288,854	5	\$ 45,778	9	\$ 457,558	4	\$ 21,383	1	\$ 21,473	23	\$ 835,046	\$ 167,009	\$ 166,805
NYE COUNTY SCHOOL DISTRICT	7	\$ 68,961	6	\$ 308,502	14	\$ 50,733	16	\$ 184,286	13	\$ 147,620	56	\$ 760,102	\$ 152,020	\$ 127,546
PERSHING COUNTY SCHOOL DISTRICT	1	\$ 2,787	1	\$ 2,136	2	\$ 1,032	0	\$ -	1	\$ 35,000	5	\$ 40,956	\$ 8,191	\$ 12,011
STOREY COUNTY SCHOOL DISTRICT	0	\$ -	2	\$ -	7	\$ 74,684	7	\$ 43,780	4	\$ 10,861	20	\$ 129,325	\$ 25,865	\$ 43,108
WHITE PINE COUNTY SCHOOL DISTRICT	2	\$ 5,055	4	\$ 265,768	3	\$ 28,694	5	\$ 14,015	4	\$ 55,366	18	\$ 368,898	\$ 73,780	\$ 32,691
<b>TOTAL</b>	<b>119</b>	<b>\$ 1,253,901</b>	<b>148</b>	<b>\$ 2,108,575</b>	<b>351</b>	<b>\$ 4,193,865</b>	<b>302</b>	<b>\$ 1,606,287</b>	<b>253</b>	<b>\$ 1,093,331</b>	<b>1130</b>	<b>\$ 9,716,780</b>	<b>\$ 2,051,192</b>	<b>\$ 2,297,828</b>

POOL Special Districts, Towns Others

Member Name	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
	7/1/14-6/30/15	7/1/14-6/30/15	7/1/15-6/30/16	7/1/15-6/30/16	7/1/16-6/30/17	7/1/16-6/30/17	7/1/17-6/30/18	7/1/17-6/30/18	7/1/18-6/30/19	7/1/18-6/30/19	TOTAL	TOTAL	2014/2015-2018/2019	2016/2017-2018/2019
<b>CARSON CITY:</b>														
CARSON WATER SUBCONSERVANCY DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
NEVADA ASSN OF COUNTIES	1	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ -	\$ -	\$ -
NEVADA COMMISSION FOR RECONSTRUCTION OF V&T	0	\$ -	2	\$ 7,151	3	\$ 634	0	\$ -	0	\$ -	5	\$ 7,785	\$ 1,557	\$ 211
NEVADA LEAGUE OF CITIES	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
NEVADA RURAL HOUSING AUTHORITY	3	\$ 102,781	2	\$ 5,604	2	\$ 2,778	5	\$ 3,847	2	\$ -	14	\$ 115,011	\$ 23,002	\$ 2,209
NEVADA PUBLIC AGENCY INSURANCE POOL	0	\$ -	1	\$ 30,172	0	\$ -	0	\$ -	1	\$ 415	2	\$ 30,587	\$ 6,117	\$ 138
WESTERN NEVADA DEVELOPMENT DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>CLARK COUNTY:</b>														
MOAPA VALLEY WATER DISTRICT	1	\$ 18,492	1	\$ -	0	\$ -	0	\$ -	2	\$ 8,246	4	\$ 26,738	\$ 5,348	\$ 2,749
MOUNT CHARLESTON FIRE PROTECTION DISTRICT	0	\$ -	0	\$ -	1	\$ 73,348	0	\$ -	0	\$ -	1	\$ 73,348	\$ 14,670	\$ 24,449
SOUTHERN NEVADA AREA COMMUNICATIONS COUNCIL	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
SOUTHERN NEVADA HEALTH DISTRICT	0	\$ -	0	\$ -	3	\$ 106,262	4	\$ 24,743	9	\$ 87,618	16	\$ 218,622	\$ 43,724	\$ 72,874
VIRGIN VALLEY WATER DISTRICT (No Longer Member)	2	\$ 69,218	1	\$ 423,949	0	\$ -	0	\$ -	0	\$ -	3	\$ 493,166	\$ 98,633	\$ -
<b>CHURCHILL COUNTY:</b>														
CHURCHILL CO. MOSQUITO & WEED ABATEMENT DIST.	0	\$ -	0	\$ -	1	\$ 211	0	\$ 1	1	\$ 4,430	2	\$ 4,642	\$ 928	\$ 1,547
<b>DOUGLAS COUNTY:</b>														
DOUGLAS CO. MOSQUITO ABATEMENT DISTRICT	0	\$ -	1	\$ 8,046	0	\$ -	0	\$ -	1	\$ 2,767	2	\$ 10,813	\$ 2,163	\$ 922
DOUGLAS CO. REDEVELOPMENT AGENCY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
DOUGLAS COUNTY SEWER DISTRICT	0	\$ -	0	\$ -	1	\$ -	3	\$ -	0	\$ -	4	\$ -	\$ -	\$ -
EAST FORK SWIMMING POOL DISTRICT	0	\$ -	0	\$ -	1	\$ 5,395	0	\$ -	0	\$ -	1	\$ 5,395	\$ 1,079	\$ 1,798
TOWN OF GARDNERVILLE	1	\$ 3,184	4	\$ 325	0	\$ -	1	\$ 1,357	3	\$ 29,780	9	\$ 34,646	\$ 6,929	\$ 10,379
GARDNERVILLE RANCHOS GID	0	\$ -	0	\$ -	1	\$ 6,696	0	\$ -	2	\$ 20,340	3	\$ 27,036	\$ 5,407	\$ 9,012
TOWN OF GENOA	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
INDIAN HILLS GID	1	\$ -	0	\$ -	1	\$ -	0	\$ -	2	\$ 34,796	4	\$ 34,796	\$ 6,959	\$ 11,599
KINGSBURY GID	0	\$ -	1	\$ -	0	\$ -	5	\$ 33,129	2	\$ 10,000	8	\$ 43,129	\$ 8,626	\$ 14,376
LAKERIDGE GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	2	\$ 1	2	\$ 1	\$ 0	\$ 0
LOGAN CREEK ESTATES GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
MARLA BAY GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
TOWN OF MINDEN	9	\$ 303,656	3	\$ 24,020	3	\$ 85,696	2	\$ 48,925	1	\$ 18,000	18	\$ 480,297	\$ 96,059	\$ 50,874
MINDEN GARDNERVILLE SANITATION DISTRICT	2	\$ 2,664	1	\$ 1,176,754	2	\$ 1,157	0	\$ -	0	\$ -	5	\$ 1,180,575	\$ 236,115	\$ 386
NEVADA TAHOE CONSERVATION DISTRICT	0	\$ -	0	\$ -	0	\$ -	5	\$ 5,342	0	\$ -	5	\$ 5,342	\$ 1,068	\$ 1,781
ROUND HILL GID (No Longer a Member)	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
SIERRA ESTATES GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
SKYLAND GID	1	\$ 5	0	\$ -	3	\$ 6,680	0	\$ -	0	\$ -	4	\$ 6,685	\$ 1,337	\$ 2,227
TAHOE DOUGLAS DISTRICT	2	\$ 4,507	1	\$ -	1	\$ 11,648	0	\$ -	0	\$ -	4	\$ 16,154	\$ 3,231	\$ 3,883
TAHOE DOUGLAS FIRE PROTECTION DIST	0	\$ -	1	\$ 415	1	\$ -	0	\$ -	2	\$ 7,520	4	\$ 7,935	\$ 1,587	\$ 2,507
<b>ELKO COUNTY:</b>														
ELKO CENTRAL DISPATCH ADMINISTRATION	0	\$ -	1	\$ 3,718	0	\$ -	0	\$ -	0	\$ -	1	\$ 3,718	\$ 744	\$ -
ELKO CO. AGRICULTURAL ASSOCIATION	0	\$ -	0	\$ -	0	\$ -	1	\$ 9,402	0	\$ -	1	\$ 9,402	\$ 1,880	\$ 3,134
ELKO CONVENTION & VISITORS AUTHORITY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
ELKO TV DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
WENDOVER ADMINISTRATIVE AUTHORITY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
WEST WENDOVER RECREATION	1	\$ -	4	\$ 187,229	3	\$ 6,422	1	\$ -	2	\$ 5,000	11	\$ 198,651	\$ 39,730	\$ 3,807
<b>ESMERALDA COUNTY:</b>														
<b>EUREKA COUNTY:</b>														
COUNTY FISCAL OFFICERS ASSOCIATION	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
CENTRAL NEVADA REGIONAL WATER AUTHORITY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>HUMBOLDT COUNTY:</b>														
HUMBOLDT RIVER BASIN WATER AUTHORITY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>LANDER COUNTY:</b>														
<b>LINCOLN COUNTY:</b>														
ALAMO SEWER AND WATER DISTRICT	1	\$ 34,040	0	\$ -	0	\$ -	2	\$ 46,123	0	\$ -	3	\$ 80,163	\$ 16,033	\$ 15,374
COYOTE SPRINGS GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
LINCOLN COUNTY WATER DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
PAHRANAGAT VALLEY FIRE DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
<b>LYON COUNTY:</b>														
FERNLEY SWIMMING POOL DISTRICT	1	\$ 1,725	0	\$ -	1	\$ 1,935	0	\$ -	0	\$ -	2	\$ 3,660	\$ 732	\$ 645
MASON VALLEY SWIMMING POOL DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -
NORTH LYON FIRE PROTECTION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	3	\$ 6,550	3	\$ 6,550	\$ 1,310	\$ 2,183

POOL Special Districts, Towns Others

SILVER SPRINGS GID	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
SILVER SPRINGS STAGECOACH HOSPITAL DISTRICT	0	\$ -	1	\$ 3,330	0	\$ -	0	\$ -	0	\$ -	1	\$ 3,330	\$ 666	\$ -	\$ -
STAGECOACH GID	0	\$ -	0	\$ -	1	\$ 23,396	0	\$ -	1	\$ -	2	\$ 23,396	\$ 4,679	\$ 7,799	\$ -
US BOARD OF WATER COMMISSIONERS	1	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ -	\$ -	\$ -	\$ -
WALKER BASIN CONSERVANCY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	4	\$ 14,818	4	\$ 14,818	\$ 2,964	\$ 4,939	\$ -
WALKER RIVER IRRIGATION DISTRICT	0	\$ -	0	\$ -	0	\$ -	1	\$ -	2	\$ 2,500	3	\$ 2,500	\$ 500	\$ 833	\$ -
WESTERN NEVADA REGIONAL YOUTH CENTER	1	\$ 2,795	0	\$ -	1	\$ 3,226	1	\$ -	2	\$ 77,145	5	\$ 83,167	\$ 16,633	\$ 26,791	\$ -
<b>NYE COUNTY:</b>															
AMARGOSA VALLEY LIBRARY DISTRICT	0	\$ -	0	\$ -	0	\$ -	1	\$ 2,143	0	\$ -	1	\$ 2,143	\$ 429	\$ 714	\$ -
BEATTY LIBRARY DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
BEATTY WATER & SANITATION	2	\$ 18,880	0	\$ -	2	\$ 26,745	1	\$ -	0	\$ -	5	\$ 45,625	\$ 9,125	\$ 8,915	\$ -
TOWN OF PAHRUMP	5	\$ 769	3	\$ 1,100	4	\$ 38,775	1	\$ 2,872	0	\$ -	13	\$ 43,516	\$ 8,703	\$ 13,882	\$ -
PAHRUMP LIBRARY DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ 14,554	1	\$ 14,554	\$ 2,911	\$ 4,851	\$ -
PRIME CARE NEVADA (No Longer a Member)	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
ROUND MOUNTAIN TOWN	0	\$ -	1	\$ 2,442	0	\$ -	0	\$ -	0	\$ -	1	\$ 2,442	\$ 488	\$ -	\$ -
SMOKY VALLEY LIBRARY DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
TOWN OF TONOPAH	4	\$ 1,620	1	\$ -	0	\$ -	1	\$ 11,070	2	\$ 16,475	8	\$ 29,165	\$ 5,833	\$ 9,182	\$ -
TONOPAH LIBRARY DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
<b>PERSHING COUNTY:</b>															
LOVELOCK MEADOWS WATER DISTRICT	2	\$ 4,292	0	\$ -	0	\$ -	0	\$ -	0	\$ -	2	\$ 4,292	\$ 858	\$ -	\$ -
PERSHING CO. TOURISM AUTHORITY (No Longer a Membe	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
PERSHING CO WATER CONSERVATION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
<b>STOREY COUNTY:</b>															
CANYON GID	0	\$ -	0	\$ -	1	\$ 878,503	0	\$ -	0	\$ -	1	\$ 878,503	\$ 175,701	\$ 292,834	\$ -
STOREY RTC (No Longer a Member)	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
TAHOE RENO INDUSTRIAL GID	0	\$ -	0	\$ -	0	\$ -	3	\$ 129,857	1	\$ 500	4	\$ 130,357	\$ 26,071	\$ 43,452	\$ -
VIRGINIA CITY CONVENTION & TOURISM	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
<b>WASHOE COUNTY:</b>															
CARSON TRUCKEE WATER CONSERVANCY DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
GERLACH GENERAL IMPROVEMENT DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
INCLINE VILLAGE GID	9	\$ 7,001	10	\$ 34,431	29	\$ 415,218	5	\$ 32,305	19	\$ 434,681	72	\$ 923,636	\$ 184,727	\$ 294,068	\$ -
NORTH LAKE TAHOE FIRE PROTECTION DISTRICT	0	\$ -	1	\$ 85,659	6	\$ 68,357	1	\$ 44	0	\$ -	8	\$ 154,060	\$ 30,812	\$ 22,800	\$ -
PALOMINO VALLEY GENERAL IMPROVEMENT DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	3	\$ 9,500	3	\$ 9,500	\$ 1,900	\$ 3,167	\$ -
RTC OF WASHOE COUNTY	0	\$ -	0	\$ -	0	\$ -	3	\$ 402,728	2	\$ 35,173	5	\$ 437,901	\$ 87,580	\$ 145,967	\$ -
SIERRA FIRE PROTECTION DISTRICT	0	\$ -	1	\$ -	0	\$ -	0	\$ -	0	\$ -	1	\$ -	\$ -	\$ -	\$ -
SUN VALLEY GID	2	\$ 1,550	2	\$ -	1	\$ -	2	\$ 4,324	1	\$ -	8	\$ 5,874	\$ 1,175	\$ 1,441	\$ -
TRUCKEE MEADOWS FIRE PROTECTION DISTRICT	1	\$ 11,027	6	\$ 81,048	10	\$ 165,393	0	\$ -	0	\$ -	17	\$ 257,469	\$ 51,494	\$ 55,131	\$ -
TRUCKEE MEADOWS REGIONAL PLANNING AGENCY	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
WASHOE COUNTY FIRE SUPPRESSION	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
WASHOE CO. WATER CONSERVATION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
<b>WHITE PINE COUNTY</b>															
WHITE PINE CO. FIRE PROTECTION DISTRICT	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
WHITE PINE CO. TOURISM & RECREATION BOARD	0	\$ -	1	\$ 1,403	0	\$ -	1	\$ 582	0	\$ -	2	\$ 1,985	\$ 397	\$ 194	\$ -
WILLIAM BEE RIRIE HOSPITAL (No Longer a Member)	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -
<b>TOTAL</b>	<b>53</b>	<b>\$588,204</b>	<b>51</b>	<b>\$2,076,797</b>	<b>83</b>	<b>\$1,928,473</b>	<b>50</b>	<b>\$ 758,793</b>	<b>73</b>	<b>\$ 840,810</b>	<b>310</b>	<b>\$6,193,077</b>	<b>\$1,238,615</b>	<b>\$1,176,025</b>	<b>\$ -</b>

POOL Summary of All Claims  
as of 6/30/18

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
7/1/14- 6/30/15	7/1/14-6/30/15	7/1/15- 6/30/16	7/1/15-6/30/16	7/1/16- 6/30/17	7/1/16-6/30/17	7/1/17- 6/30/18	7/1/17-6/30/18	7/1/18- 6/30/19	7/1/18-6/30/19	TOTAL	TOTAL	2014/2015- 2018/2019	2016/2017- 2018/2019
483	\$ 4,666,934	509	\$ 8,766,375	746	\$ 10,889,020	571	\$ 6,195,931	558	\$ 3,672,981	2,867	\$ 34,191,242	\$ 6,838,248	\$ 6,919,311



# NEVADA PUBLIC AGENCY INSURANCE POOL (POOL)

## CYBER RISK COVERAGE FORM DECLARATIONS

FORM NUMBER	COVERAGE PERIOD	NAMED ASSURED	MAINTENANCE DEDUCTIBLE
CRCF 202021	07/01/2020 – 07/01/2021 Standard Time	Per Attachment A	none

SECURITY RISK COVERAGE LIMITS	Limit per Named Assured Per PRIVACY OR SECURITY EVENT	Annual Aggregate Limit Per Named Assured
PART TWO: Privacy or Security Liability Limits	3,000,000	3,000,000
<b><i>The following sublimits are a part of and not in addition to the Limits of Liability:</i></b>		
PART THREE: Security Failure/Privacy Event Management Coverage	\$100,000	
PART FOUR: Network Interruption Coverage	\$250,000	Waiting Hours Period: 12 hours
PART FOUR: Proof of Loss Preparation Costs	\$50,000	
Retroactive Date		July 1, 2013

*This Declarations Page, together with the Nevada Public Agency Insurance Pool (hereinafter referred to as POOL) Cyber Risk Coverage Form, edition 2020-2021, outlines the coverage provided by POOL. In accepting coverage, the **Named Assured** agrees to pay an annual contribution, as determined by POOL.*

Countersigned:



Authorized Representative

Date: July 1, 2020

**(PROPOSED) POOL CYBER-RISK COVERAGE FORM**

**TABLE OF COVERAGE FOR CYBER RISK COVERAGE FORM**

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## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

### **PART ONE: COMMON TERMS & CONDITIONS:**

All terms or phrases in **bold print** in the body of this Coverage Form are defined terms.

**Named Assured:** The **Named Assured** means each member listed on Attachment A of this Coverage Form and all Boards, Departments, Divisions, Commissions, and Authorities under the supervision or control of the **Named Assured** whether now or hereafter constituted.

It is agreed that the unqualified word **Assured** wherever used within this coverage includes not only the **Named Assured** but also:

1. any official, trustee, director, officer, volunteer or employee of the **Named Assured** while acting within the course and scope of their duties as such, and
2. the interest of the **Named Assured** in any joint venture or interlocal cooperation agreement to which the **Named Assured** is a party and any activities under the supervision or control of the **Named Assured** whether now or hereafter constituted, provided no separate independent legal entity is formed and subject to the Other Insurance or Coverage provisions contained herein.

### **1. LIMIT OF LIABILITY**

The Limit of Liability shown in the Declarations is the POOL'S maximum liability for all **claims** under all Coverage Sections of this Cyber Risk Coverage Form combined and the POOL shall not be responsible to pay any Loss upon exhaustion of the Limit of Liability.

If a Sublimit of Liability is stated in the Declarations with respect to a Coverage Section of this Coverage Form, then such Sublimit of Liability shall be the POOL'S maximum liability for all Loss with respect to such Coverage Section and the POOL shall not be responsible to pay any Loss under such Coverage Section upon exhaustion of such Sublimit of Liability. Each Sublimit of Liability shall be part of and not in addition to the Limit of Liability and shall in no way serve to increase the Limit of Liability.

***Explanation:** This section articulates the maximum coverage a POOL **Named Assured** will receive following covered cyber security event and notes that the POOL is not obligated to provide coverage after the maximum amount has been exhausted. This section also bars a POOL **Named Assured** from attempting to increase their maximum coverage under this form by combining a Sublimit with another liability limit.*

### **2. NOTICE AND AUTHORITY**

Except for the giving of a notice of Claim, which shall be governed by the provisions of the NOTICE OF CLAIM OR EVENT Section of these Common Terms and Conditions, all notices required under this Coverage Form to be given by a **Named Assured** to the POOL shall be given in writing to the POOL at the address stated in the Declarations.

It is agreed that any **Named Assured** shown on Attachment A shall act on behalf of all of its Assureds with respect to the giving of notice of a **Claim**, the giving and receiving of notice of cancellation and nonrenewal, the payment of contributions and the receiving of

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## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

any return contributions that may become due under this Coverage Form, the receipt and acceptance of any endorsements issued to form a part of this Coverage Form, the exercising or declining of the right to tender the defense of a Claim to the POOL and the exercising or declining to exercise any right to a Discovery Period.

### 3. NOTICE OF CLAIM OR EVENT

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- a) The **Named Assured** shall, as a condition precedent to the obligations of the POOL under this Coverage Form, give written notice to the POOL of any Claim made against the **Named Assured** or a First Party Event immediately after:
- i. any personnel in the office of any **Named Assured** first becomes aware of the Claim; or
  - ii. any First Party Event commences or, solely with respect to a Discovery Coverage Section, is discovered.

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Notwithstanding the foregoing and regardless of whether any personnel described in (1) above has become aware, in all events each Claim under a Claims-Made and Reported Coverage Section must be reported no later than either:

- iii. sixty (60) days after the end of the Coverage period; or
  - iv. the end of any applicable Discovery Period.
- b) If written notice of a Claim or a First Party Event has been given to the POOL pursuant to Clause a) above, then:
- i. any subsequent Claim made against any Assured; or
  - ii. any subsequent First Party Event;

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arising out of, based upon or attributable to the facts giving rise to such Claim or First Party Event for which such notice has been given, or alleging any related act thereto, shall be considered made at the time such notice was given; and

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- c) Solely with respect to any **Claims made** and reported coverage section, if during the coverage period or during the Discovery Period (if applicable), a **Named Assured** shall become aware of any circumstances which may reasonably be expected to give rise to a **Claim** being made, the **Named Assured** shall give written notice to the POOL of such circumstances, the Third Party Events, allegations anticipated and the reasons for anticipating such a **Claim**, with full particulars as to dates, persons and entities involved, then any **Claim** which subsequently is made against an Named Assured and reported to the POOL alleging, arising out of, based upon or attributable to such circumstances or alleging any related act to that alleged or contained in such circumstances, shall be considered made at the time such written notice of circumstances was given.
- d) Notice as described herein shall be given in writing to the POOL Claims Service organization.

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Any notice must reference the Coverage Form Number set forth in the Declarations and the Coverage Section(s) under which a **Named Assured** is providing notice.

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## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

If mailed or transmitted by electronic mail, the date of such mailing or transmission shall constitute the date that such notice was given and proof of mailing or transmission shall be sufficient proof of notice.

***Explanation:** This section requires a POOL Named Assured to promptly notify the POOL of any claim or potential claim. This prompt Notice requirement allows the POOL to retain the appropriate personnel to investigate and properly respond to each and every claim.*

### 4. NAMED ASSURED'S OBLIGATIONS

In connection with all **Claims** under this Coverage Form, each **Named Assured** shall:

- a) send the POOL copies of all demands, suit papers, other related legal documents and invoices for Defense Costs received by such **Named Assured**, as soon as practicable;
- b) immediately record the specifics of any **Claim** and the date such **Named Assured** first received such **Claim**;
- c) cooperate with and help the POOL and/or any counsel or representative appointed pursuant to the terms of this Coverage Form, including, without limitation, as follows:
  - i. by not admitting liability;
  - ii. in making settlements;
  - iii. in enforcing any legal rights any **Named Assured** may have against anyone who may be liable to any **Named Assured**;
  - iv. by attending depositions, hearings and trials;
  - v. by securing and giving evidence, and obtaining the attendance of witnesses;
  - vi. by preserving and furnishing any and all documentation, Computer Systems, Electronic Data, or any other item, within the possession, custody or control of such **Named Assured** that may be required; and
  - vii. by taking such actions that such **Named Assured** and the POOL agree are necessary and practicable to prevent or limit loss arising from any **Claim**.
- d) unless required to do so by law, **Named Assured's** shall not, without the POOL'S prior written consent:
  - i. assume any financial obligation or incur any cost unless specifically allowed to settle any **Claim** on behalf of the POOL pursuant to the Coverage Sections under this Coverage Form.
  - ii. take any action, or fail to take any required action which prejudices the POOL'S rights under this Coverage Form.

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## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

- iii. fail to comply with all terms and conditions in all sections of this Cyber Risk Coverage Form.
- iv. destroy, dispose, compromise, or discard any Computer System, Electronic Data, or other item relevant to the Claim.
- v. waive any immunities granted to local governments.

**Explanation:** *This section requires a POOL Named Assured not to admit liability and fully cooperate with the POOL's cyber event response team following a cyber event. This section ensures a uniform cyber event response by POOL Named Assured's and prevents POOL Named Assured's from assuming financial obligations on behalf of the POOL without the POOL'S evaluation and approval.*

### 5. DISCOVERY

This Clause applies solely to **Claims** made and reported coverage Sections of this Coverage Form, but shall not apply in the event of cancellation for non-payment of contribution:

- a) Automatic Discovery Period: If the **Named Assured** or the POOL shall cancel or refuse to renew this Coverage Form the **Named Assured** shall have the right following the effective date of such cancellation or nonrenewal to a period of sixty (60) days (the "Automatic Discovery Period") in which to give written notice to the POOL of **Claims** first made against a **Named Assured** during the Automatic Discovery Period for **Claims** occurring prior to the end of the Coverage period and otherwise covered by this Coverage Form. The Automatic Discovery Period shall not apply where an Optional Discovery Period has been purchased or to **Claims** that are covered under any subsequent coverage a **Named Assured** purchases or that is purchased for a **Named Assured**'s benefit, or that would be covered by any subsequent coverage but for the exhaustion of the amount of coverage applicable to such **Claims** or any applicable retention amount.
- b) Optional Discovery Period: Except as indicated below, if the **Named Assured** or the POOL shall cancel or refuse to renew this Coverage Form or in the event of Bankruptcy (as that term is defined in Clause 10. below), the **Named Assured** shall have the right to a period of up to three (3) years following the effective date of such cancellation or nonrenewal (an "Optional Discovery Period"), upon payment of an additional contribution amount of up to:
  - i. one hundred percent (100%) of the full annual contribution, for a period of one (1) year,
  - ii. one hundred and seventy-five percent (175%) of the full annual contribution, for a period of two (2) years, or
  - iii. two hundred percent (200%) of the full annual contribution, for a period of three (3) years,

in which to give written notice to the POOL of **Claims** first made against a **Named Assured** during the Optional Discovery Period for any Third Party Events occurring

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## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

prior to the end of the Coverage period and otherwise covered by this Coverage Form.

If the **Named Assured** exercises its right to purchase an Optional Discovery Period, that period incepts at the end of the Coverage period and there shall be no Automatic Discovery Period.

As used herein, "full annual contribution" means the contribution amount charged to the **Named Assured**, plus an additional contribution charged for any endorsements to this Coverage Form.

The right to purchase an Optional Discovery Period shall terminate unless written notice of election, together with any additional contribution due, is received by the POOL no later than thirty (30) days after the effective date of the cancellation, nonrenewal or transaction.

Any Discovery Period cannot be canceled and any additional contribution charged for an Optional Discovery Period shall be fully earned at inception. The Discovery Period shall not apply to any cancellation resulting from non-payment of contribution.

### 6. SUBROGATION

A **Named Assured** may be able to recover all or part of a **claim** from someone other than the POOL. Such **Named Assured** must do all that is possible after **claim** to preserve any, and all, rights of recovery. As a condition of any payment by the POOL under this Coverage Form, a **Named Assured's** rights to recovery will be transferred to the POOL. Each **Named Assured** will do whatever is necessary, including signing documents, to help the POOL obtain that recovery.

### 7. OTHER COVERAGE

Coverage as is provided by this Coverage Form shall apply only in the event of a **Privacy or Security Event** unless coverage is expressly excluded. **Privacy or Security Event** coverage, where appropriate, under this Coverage Form is available up to the applicable liability limit or Sublimit, but not both. There is absolutely no coverage under this Coverage Form if coverage or indemnity coverage is available from other sources. There is absolutely no coverage if provided under this Coverage Form beyond the applicable liability limit or Sublimit.

***Explanation:** This section bars coverage for POOL **Named Assureds** under this coverage form if a POOL **Named Assured** has coverage from other sources that would pay for a cyber event related claim or loss in addition to the instant coverage form. The purposes of this limitation is to ensure that all other available coverage sources are exhausted following a cyber event before a POOL **Named Assured** receives coverage under this form.*

### 8. ASSIGNMENT

This Coverage Form and any and all rights hereunder are not assignable without the prior written consent of the POOL, which consent shall be in the sole and absolute discretion of the POOL.

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Except for the giving of a notice of **Claim**, which shall be governed by the provisions of the NOTICE OF CLAIM OR EVENT Sections of these Common Terms and Conditions, all notices required under this Coverage Form to be given by a **Named Assured** to the POOL shall be given in writing to the POOL at the address stated in Item 2(a) of the Declarations. ¶

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It is agreed that any **Named Assured** shown on Attachment A shall act on behalf of all of its Assureds with respect to the giving of notice of a **Claim**, the giving and receiving of notice of cancellation and nonrenewal, the payment of contributions and the receiving of any return contributions that may become due under this Coverage Form, the receipt and acceptance of any endorsements issued to form a part of this Coverage Form, the exercising or declining of the right to tender the defense of a **Claim** to the POOL and the exercising or declining to exercise any right to a Discovery Period. ¶

## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

### 9. ACTION AGAINST POOL

LIMITATION ON RIGHT TO SUE. An **Assured** shall not sue or maintain any litigation or lawsuit for damages against POOL. By acceptance of this coverage, the **Assured** specifically agrees to waive any right to sue or maintain any litigation or lawsuit for damages against POOL. However, this Section does not prohibit any declaratory relief action seeking to interpret wording of this Coverage Form. Carson City County, Nevada shall be the sole venue for any and all disputes or declaratory relief litigation brought by an **Assured** relating to this Coverage Form or the POOL.

*Explanation: This section prohibits any POOL Named Assured from initiating a legal proceeding against the POOL, except for declaratory relief.*

### 10. BANKRUPTCY

Bankruptcy or insolvency of any **Named Assured** or of its **Assureds** shall not relieve the POOL of any of its obligations hereunder.

### 11. WORLDWIDE TERRITORY

Where legally permissible, this Coverage Form shall apply to **Claims** occurring or suffered anywhere in the world.

*Explanation: This section provides coverage to POOL Named Assureds for claims arising from cyber events anywhere. The all-inclusive area covered is essential given the nature of cyber events (they can originate anywhere in the world).*

### 12. HEADINGS

The descriptions in the headings of this Coverage Form are solely for convenience, and are not a part of the terms and conditions of coverage.

### 13. LAW ENFORCEMENT COOPERATION

A **Named Assured** may receive a request from a law enforcement authority to keep confidential certain information about an actual or possible First Party **Claim** or Third Party **Claim** (including, without limitation, a **Privacy or Security Event**). In such circumstances, a notice of such First Party **Claim**, or of a **Claim** relating to or arising out of such Third Party **Claim**, shall be considered timely under the Coverage Form if:

- a) Immediately after receipt such request, a **Named Assured** or employee of the **Named Assured** requests permission to share such information with the POOL;
- b) The **Named Assured** only withholds from the POOL that portion of the information that it has been instructed not to share with the POOL as may be required by law; and
- c) The **Named Assured** provides full notice of such **Claim** to the POOL as soon as legally permitted.

In addition, to the extent the procedure set forth above is followed in connection with an authorized law enforcement request, any failure or delay in providing information to the POOL shall not be the basis for denial of coverage for a **Claim** or First Party Claim under

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## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

the Coverage Form on the basis of a **Named Assured's** failure to provide documentation and otherwise cooperate, as required by the Common Terms and Conditions.

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Notwithstanding the above, no coverage shall be afforded for any **Claim** or First Party **Claim** if the information withheld relating to such First Party **Claim** or Third Party **Claim** was: (i) known to the **Named Assured**, or prior to the inception date of the first POOL Coverage Form (or any other coverage agreement or insurance providing substantively identical coverage) provided through the POOL (or an insurance company affiliate of the POOL) to the **Named Assured** and continually renewed by the POOL (or an affiliate) until the inception date of this Coverage Form, and (ii) not disclosed in the Application.

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***Explanation:** This section provides coverage in the rare situations where law enforcement (usually FBI) directs POOL **Named Assured** s not to take any action or otherwise keep law enforcement's involvement or discovery of the cyber event confidential. This situation typically arises when law enforcement is tracking a cyber network of illegal actors as part of a "sting" operation.*

### 14. DEFINITIONS

The following definitions are common to all sections in this Coverage Form:

**"Bodily Injury"** means physical injury, sickness or disease sustained by any person, including death resulting from these at any time. Bodily Injury also means mental illness, mental anguish or emotional distress, pain or suffering or shock sustained by any person, whether or not resulting from physical injury, sickness, disease or death of any person.

**"Business Income" Loss** means the sum of the following incurred during the **Period of Indemnity** and the **Extended Period of Indemnity** (if any):

- a. net profits that would have been earned but for the **Material Interruption** (after charges and expenses, but not including any capital receipts, outlays properly chargeable to capital, and deductions for taxes and profits); and
- b. charges and expenses which necessarily continue (including ordinary payroll).

If there would have been no net profit, **Business Income Loss** means the charges and expenses which necessarily continue less any loss from business operations that would have been sustained had there been no **Material Interruption**.

**"Claim"** means any demand, **Suit** for damages, **Regulatory Action** or PCI-DSS Assessment resulting from a **Privacy or Security Event**. All Claims because of a single **Privacy or Security Event** will be deemed to be a single Claim and to have been made at the time the first such Claim is made against any **Named Assured**, regardless of the number of individuals or entities making such Claims or the time period over which such Claims are made, even if subsequent Claims are made after the Coverage period or any Extended Reporting Period.

**"Claim Expenses"** means

- a. Reasonable and necessary fees charged by attorneys designated by the POOL to assist with the investigation, adjustment, negotiation, arbitration, defense or appeal of a **Claim**;

**(PROPOSED) POOL CYBER-RISK COVERAGE FORM**

- b. All other reasonable and necessary fees, costs and expenses resulting from the investigation, adjustment, negotiation, arbitration, defense or appeal of a **Claim** and incurred by the POOL or by the **Named Assured** with the POOL'S prior consent; and
- c. Contributions on appeal bonds, attachment bonds or similar bonds; however, the POOL is not obligated to apply for or furnish any such bond;

Provided, however, **Claim Expenses** do not include:

- a. any internal salary, administrative, overhead or other related expenses of any **Named Assured** or any charges by a **Named Assured** for time spent cooperating with the investigation and defense of any **Claim**;
- b. **Privacy Response Expenses**; or
- c. **PCI-DSS Assessments**.

**"Computer System"** means computers and associated input and output devices, data storage devices, networking equipment and backup facilities:

- a. operated by and either owned by or leased to the **Named Assured**; or
- b. operated by a third party service provider and used to provide hosted computer application services to the **Named Assured**, or for processing, maintaining, hosting or storing the **Named Assured's** electronic data pursuant to a written contract with the **Named Assured** for such services.

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**"Cyber Security Threat Expenses"** means all reasonable and necessary costs and expenses which a **Named Assured** incurs as a direct result of a **Cyber Security Threat**, other than **Cyber Security Threat Monies**.

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**"Cyber Security Threat Monies"** means any funds, including any cryptocurrency, which the **Named Assured** pays, with the prior written consent of the POOL, for the purpose of terminating the **Cyber Security Threat**.

**"Cyber Security Threat"** means a credible threat or series of related credible threats, including, but not limited to, a demand for **Cyber Security Threat Monies**, directed at a **Named Assured** to:

1. Release, divulge, disseminate, destroy or use confidential information taken from the **Named Assured** as a result of a **Privacy or Security Event**;
2. Introduce malicious code into a Computer System;
3. Corrupt, damage or destroy a Computer System;
4. Restrict or hinder access to a Computer System;

**"Electronic Data"** means any software or electronic data stored electronically on a **Computer System**, including without limitation **Personal Information**.

## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

“**Expenses to Reduce Loss**” means expenses incurred by the **Named Assured** during the Period of Indemnity, over and above normal operating expenses, for the purpose of reducing Business Income Loss or shortening the **Period of Indemnity**.

“**Extra Expenses**” means expenses incurred by the **Named Assured** during the **Period of Indemnity** or the Extended **Period of Indemnity** (if any), other than Expenses to Reduce Loss, that would not have been incurred but for a **Material Interruption**.

“**Material Interruption**” means the actual and measurable interruption or suspension of a **Named Assured’s** business directly caused by a **Privacy or Security Event**.

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“**PCI-DSS Assessment**” means any monetary penalty owed by a **Named Assured** due to the **Named Assured’s** noncompliance with Payment Card Industry Data Security Standards under an agreement between the **Named Assured** and a financial institution or other person enabling the **Named Assured** to accept credit cards, debit cards, prepaid cards, or other payment cards.

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“**Personal Information**” means an individual’s name in combination with one or more of the following:

- a. information concerning the individual that constitutes “nonpublic personal information” as defined in the Gramm-Leach Bliley Act of 1999, as amended, and implementing regulations;
- b. medical or health care information concerning the individual, including without limitation “protected health information” as defined in the Health Insurance Portability and Accountability Act of 1996, as amended, and implementing regulations;
- c. the individual’s Social Security number, driver’s license or state identification number, credit, debit, or other financial account numbers and associated security codes, access codes, passwords or personal identification numbers that allow access to the individual’s financial account information; or
- d. other nonpublic personally identifiable information, including confidential corporate information, as protected under any local, state, federal or foreign law;

Provided, however, **Personal Information** does not include information that is lawfully available to the public, including without limitation information lawfully available from any **Named Assured** or any local, state, federal or foreign governmental entity.

“**Privacy or Security Event**” means:

- a. the actual or reasonably suspected theft, loss or unauthorized disclosure of or access to **Personal Information** in the care, custody or control of the **Named Assured** or for which the **Named Assured** is legally responsible including information that is entrusted to a third party for storage, regardless of whether such **Personal Information** is maintained in electronic, paper or any other format; or
- b. a violation or failure of the security of a **Computer System**, including but not limited to unauthorized access, unauthorized use, a denial of service attack or receipt or transmission of malicious code.

## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

Any **Privacy or Security Event** that is continuous or part of a series of repeated or related **Privacy or Security Events** will be considered to be a single **Privacy or Security Event** and will be considered to have commenced when the first such **Privacy or Security Event** commenced regardless of:

- a. The number of individuals or entities engaged in such **Privacy or Security Events**;
- b. The number of individuals or entities affected by such **Privacy or Security Events**;
- c. The number of locations where such **Privacy or Security Events** occurred; or
- d. The number of such **Privacy or Security Events** occurring or period of time over which they occur, even if subsequent **Privacy or Security Events** take place after the Coverage period.

**"Privacy Response Expenses"** means the following reasonable and necessary costs incurred by the **Named Assured** within one year of the discovery of a **Privacy or Security Event** that results in the actual or reasonably suspected theft, loss or unauthorized disclosure of or access to electronic **Personal Information** in the care, custody or control of the **Named Assured** or for which the **Named Assured** is legally responsible:

- a. For the services of a security expert designated by the POOL to determine the scope and cause of a **Privacy or Security Event** and the extent to which **Personal Information** was disclosed to or accessed by unauthorized persons;
- b. For the services of consultants or attorneys designated by the POOL to determine the **Named Assured's** obligations, if any, under applicable law to give notice to affected individuals;
- c. To notify affected individuals if required by applicable law or if the **Named Assured** voluntarily elects to give such notice, and for the services of a contractor designated by the POOL to assist with providing such notice and responding to questions and concerns raised by individuals who are notified;
- d. For the services of a contractor designated by the POOL to provide identity theft protection services to affected individuals if the **Named Assured** elects to provide such services; and
- e. For the services of a public relations consultant designated by the POOL to avert or mitigate damage to the **Named Assured's** reputation as a result of the **Privacy or Security Event**;

**f. Computer Systems and Electronic Data Damage.**

Provided, however, **Privacy Response Expenses** do not include:

- a. any internal salary, administrative, overhead or other related expenses of any **Named Assured** or any charges by a **Named Assured** for time spent cooperating with the investigation and response to any **Privacy or Security Event**;
- b. **Claim Expenses**;

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## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

c. PCI-DSS Assessments;

d. Network Interruption Costs;

e. Cyber Security Threat Expenses; or

f. Cyber Security Threat Monies.

“**Proof of Loss Preparation Costs**” means fees and expenses incurred by a **Named Assured** for the services of a third-party forensic accounting firm to establish and prove the amount of loss, including those costs in connection with preparing a proof of loss. **Proof of Loss Preparation Costs** does not include any fees or expenses for consultation on coverage or negotiation of claims.

“**Property Damage**” means damage to, loss of use of, or destruction of any tangible property; however, **Property Damage** does not include the loss of use or damage of electronic equipment and Computer System caused by the reprogramming of the software (including the firmware) of such electronic equipment and Computer System rendering it useless for its intended purpose. For purposes of this definition, “tangible property” shall not include **Electronic Data**.

“**Regulatory Penalties**” means any civil fine or civil monetary penalty imposed in a **Regulatory Action** payable by a **Named Assured** to the governmental entity bringing the **Regulatory Action** and any sum of money that a **Named Assured** is legally obligated to deposit in a fund as equitable relief for the payment of consumer claims due to an adverse judgment or settlement of a **Regulatory Action**.

“**Regulatory Action**” means a request for information, civil investigative demand, **Suit**, civil investigation or civil proceeding commenced by or on behalf any local, state, federal or foreign governmental entity in the entity’s regulatory or official capacity.

“**Suit**” means a civil proceeding arising out of a **Privacy or Security Event** and includes an arbitration proceeding or other alternative dispute resolution proceeding including requests to toll or waive statute of limitations and to which the **Named Assured** must submit or does submit with the consent of the POOL.

“**Waiting Hours Period**” means the number of hours set forth in the Declarations that must elapse once a **Material Interruption** has begun.

### 15. DUTIES OF THE NAMED ASSURED IN THE EVENT OF A CLAIM

The following duties of the **Named Assured** are common to all sections in this Coverage Form:

After a situation that results in, or may result in, a **claim** under this Coverage Form, is discovered, the **Named Assured** must notify the POOL in writing immediately the date first discovered and cooperate with the POOL in the investigation and settlement of the **claim**. Additionally, the **Named Assured** must:

a) Submit to an examination under oath at the POOL’S request and provide a signed statement of any written questions the POOL may provide;

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- b) Immediately record the specifics of the **claim** and the date discovered;
- c) Immediately send the POOL copies of any demands, notices, summonses, or legal papers received in connection with the **claim**;
- d) Authorize the POOL to obtain records and other information if the POOL requests;
- e) Assist the POOL, upon the POOL's request, in the enforcement of any right against any person or organization which may be liable to the **Named Assured** because of a **claim** which this Coverage Form may provide coverage.

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The **Named Assured** will not, except at its own costs, voluntarily make any payment, assume any obligation, or incur any expense without the POOL'S express prior written consent.

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***Explanation:** This section requires a **Named Assured** to promptly notify the POOL of a cyber event following its discovery and provide all known information about the cyber event's nature and severity. This is because time is of the essence when responding to a cyber event as relevant information regarding identity of the actor behind the cyber event (and nature and severity of the event) can be overwritten or destroyed a short period after the event.*

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### 16. COMMON EXCLUSIONS

The following Exclusions are common to all sections in this Coverage Form. This Coverage Form shall not cover any loss in connection with a **Claim** made against a **Named Assured**:

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- a) alleging, arising out of, based upon or attributable to any dishonest, fraudulent, criminal or malicious act, error or omission, or any intentional or knowing violation of the law, if committed by any:
  - i. past or present directors, officers, trustees, general or managing partners or principals (or the equivalent positions) of a **Named Assured** occurring at a time when such **Assured** served in such capacity, whether acting alone or in collusion with other persons; or
  - ii. past or present employee or independent contractor employed by a **Named Assured** if any person referenced in Sub-paragraph (i) above knew or had reason to know prior to the act of, participated in, approved of or acquiesced to the dishonest, fraudulent, malicious, or criminal act committed by such employee or independent contractor that caused a direct loss to a **Named Assured** or any other person.
- b) alleging, arising out of, based upon or attributable to any (i) misappropriation of a trade secret by any **Named Assured** on behalf of or to the benefit of any **Named Assured** or (ii) infringement of patent.
- c) alleging, arising out of, based upon or attributable to any **Bodily Injury** or **Property Damage**, **except emotional distress as a result of a Privacy Event**,
- d) alleging, arising out of, based upon or attributable to any:

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- i. fire, smoke, explosion, lightning, wind, water, flood, earthquake, volcanic eruption, tidal wave, landslide, hail, act of God or any other physical event, however caused;
  - ii. war (whether war is declared or not), invasion, use of military force, civil war, popular or military uprising, rebellion, revolution, or any action taken to hinder or defend against any of these events;
  - iii. electrical or mechanical failures of infrastructure not under the control of a **Named Assured**, including any electrical power interruption, surge, brownout or blackout; provided, however, this Sub-paragraph (iii) shall not apply to a **Privacy or Security Event** that is caused by such electrical or mechanical failure;
  - iv. failure of telephone lines, data transmission lines or other telecommunications or networking infrastructure not under the control of a **Named Assured**; provided, however, this Sub-paragraph (iv) shall not apply to a **Privacy or Security Event** that is caused by such failure of telephone lines, data transmission lines or other telecommunication or networking infrastructure; or
  - v. satellite failure.
- e) arising out of, based upon or attributable to any seizure, confiscation, nationalization, or destruction of a **Computer System** by order of any governmental or public authority.

f) for any profit or advantage to which any **Named Assured** is not legally entitled.

### **PART TWO: SECURITY AND PRIVACY LIABILITY COVERAGE:**

THIS IS A CLAIMS MADE AND REPORTED COVERAGE SECTION AND A THIRD PARTY COVERAGE SECTION

All terms or phrases in **bold print** in the body of this Coverage Form are defined terms.

#### **1. COVERAGE AGREEMENT**

With respect to the SECURITY AND PRIVACY LIABILITY COVERAGE AGREEMENT, the POOL'S DISCRETIONARY DEFENSE provisions and the SETTLEMENT provisions of this Clause, solely with respect to Claims first made against a **Named Assured** during the coverage period or the **Discovery Period** (if applicable) and reported to the POOL pursuant to the terms of this Coverage Form, this Security and Privacy Liability Coverage Section affords the following coverage:

- a) **SECURITY AND PRIVACY LIABILITY COVERAGE AGREEMENT:** The POOL shall pay on a **Named Assured's** behalf all loss that such **Named Assured** is legally obligated to pay resulting from a **Claim** alleging a **Privacy or Security Event** up to the Limit of Liability set forth in the Declarations.
- b) **DISCRETIONARY DEFENSE:**

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## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

- i. The POOL has the option and sole discretion to defend a **Suit or Regulatory Action** alleging a **Privacy or Security Event**, even if the **Suit or Regulatory Action** is groundless, false or fraudulent.
- ii. The POOL has the sole right to investigate and settle any **Claim**.
- iii. The POOL will withdraw any defense it undertakes after the applicable Limit of Liability shown in the Declarations is exhausted in the payment of judgements or settlements, **Regulatory Penalties, Claims Expenses, Privacy Response Expenses, PCI-DSS Assessments, Electronic Equipment and Electronic Data Damage, Network Interruption Costs, Cyber Security Threat Expenses, and Cyber Security Threat Monies.**

### c) SETTLEMENT:

- i. The POOL has the right to settle any **Claim** if the POOL believes that it is proper.
- ii. A **Named Assured** may not settle any **Claim** to which this coverage applies and which are subject without the prior written consent of the POOL.

***Explanation:** This section provides coverage to POOL **Named Assured's** for third party claims arising from cyber security events. A typical example of a covered claim under this Part is a cyber event wherein a "hacker" obtains personal financial information of a third-party from a POOL **Named Assured** and disseminates or otherwise improperly/illegally utilizes the third party's personal information for the hacker's gain (e.g. identify theft). This section also notes the POOL'S right to investigate and settle any claim it deems appropriate as well as the POOL 'S discretion to defend any legal proceeding arising from a cyber event.*

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## 2. TERRITORY

This Coverage Form provides coverage for **Privacy or Security Events** anywhere in the world resulting in a **claim** against **an Assured**. **Suits**, however, must be brought in the **United States of America** against a POOL **Assured**.

***Explanation:** This section provides coverage to POOL **Named Assured's** for claims arising from cyber events occurring anywhere in the world. **Lawsuits (or legal proceedings)** must be brought within the **United States of America**.*

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## 3. EXCLUSIONS

In addition to the Common Exclusions, the POOL shall not be liable to make any payment in connection with a **Claim** made against a **Named Assured**:

- a) alleging, arising out of, based upon or attributable to any:
  - i. purchase, sale, or offer or solicitation of an offer to purchase or sell securities;
  - ii. violation of any securities law, including the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or any



## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

regulation promulgated under the foregoing statutes, or any federal, state or local laws similar to the foregoing statutes (including "Blue Sky" laws), whether such law is statutory, regulatory or common law; provided, however, this exclusion does not apply to a **Claim** alleging a **Privacy Event** in violation of Regulation S-P (17 C.F.R. § 248); provided further, however, this exclusion does not apply to a **Claim** alleging a failure to disclose a **Security Failure** or **Privacy Event** in violation of any Security Breach Notice Law; or

- iii. violation of the Organized Crime Control Act of 1970 (commonly known as Racketeer Influenced and Corrupt Organizations Act, or "RICO"), as amended, or any regulation promulgated thereunder or any federal, state or local law similar to the foregoing, whether such law is statutory, regulatory or common law;
- b) alleging, arising out of, based upon or attributable to a **Named Assured's** employment of any individual or any of a **Named Assured's** employment practices (including, without limitation, wrongful dismissal, discharge or termination, discrimination, harassment, retaliation or other employment-related claim); provided, however, this exclusion shall not apply to any **Claim** by an individual to the extent such individual is alleging (1) a **Privacy or Security Event** in connection with such individual's employment or application for employment with a **Named Assured**, or (2) a failure to disclose a **Privacy or Security Event** in violation of any Security Breach Notice Law.
- c) alleging, arising out of, based upon or attributable to antitrust, unfair competition, restraint of trade, including, without limitation, violations of any local, state or federal law regulating such conduct, or that is brought by or on behalf of the Federal Trade Commission ("FTC") or any other federal, state or local government agency, or foreign government agency; provided, however, solely with respect to unfair competition, this Paragraph (h) shall not apply to any **Claim** arising out of a covered **Regulatory Action**.
- d) brought by or on behalf of any Assured.
- e) for any of the following:
  - i. the return of a **Named Assured's** fees or compensation;
  - ii. any profit or advantage to which a **Named Assured** is not legally entitled;
  - iii. a **Named Assured's** expenses or charges, including employee compensation and benefits, overhead, over-charges or cost over-runs;
  - iv. a **Named Assured's** cost of providing, correcting, re-performing or completing any services;
  - v. civil or criminal fines or penalties imposed by law against a **Named Assured** and any matters deemed uninsurable under the law pursuant to which this Coverage Form shall be construed; provided, however, this Sub-paragraph (v) shall not apply to (a) any monetary amounts a **Named Assured** is required by law or has agreed to by settlement to deposit into a consumer redress fund, or (b) any civil fine or penalty imposed by a governmental agency arising from a **Regulatory Action**, unless the civil fine or penalty imposed is uninsurable under the law of the jurisdiction imposing such fine or penalty;

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¶ <#>any parent company, subsidiary, successor or assignee of a **Named Assured** , or any person or entity affiliated with a **Named Assured** .¶

¶ provided, however, this exclusion shall not apply to (i) a **Named Assured** as described in Sub-paragraph (3) of the definition of **Named Assured** ; or (ii) a **Named Assured** as described in Sub-paragraph (2) of the definition of **Named Assured** but only to the extent such **Named Assured** is alleging a **Privacy or Security Event** or failure to disclose a **Privacy or Security Event** in violation of any Security Breach Notice Law.¶

## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

- vi. A **Named Assured**'s costs and expenses of complying with any injunctive or other form of equitable relief;
  - vii. taxes incurred by a **Named Assured**;
  - viii. the amounts for which a **Named Assured** is not financially liable or which are without legal recourse to any **Named Assured**;
  - ix. amounts a **Named Assured** agrees to pay pursuant to a contract, including without limitation, liquidated damages, setoffs or penalties; provided, however, this exclusion shall not apply to any **PCI-DSS Assessment**.
- f) alleging, arising out of, based upon or attributable to any obligation a **Named Assured** has under contract; provided, however, this exclusion shall not apply to:
- i. the obligation to prevent a **Privacy or Security Event**, including without limitation, whether same is in violation of an implied or statutory standard of care;
  - ii. liability a **Named Assured** would have in the absence of such contract or agreement;
  - iii. the obligation to comply with **PCI Data Security** standards or to indemnify an Acquiring Bank or Payment Processor for amounts owed in connection with a **PCI-DSS Assessment**; or
  - iv. with respect to a **Privacy or Security Event**, any liability or obligation under the confidentiality or non-disclosure provisions of any agreement;
- g) alleging, arising out of, based upon or attributable to any **Security or Privacy Event**, or any Related Acts thereto, alleged or contained in any **Claim** which has been reported, or in any circumstances of which notice has been given, under any Coverage Form or policy of which this POOL Coverage Form is a renewal or replacement or which it may succeed in time.
- h) alleging, arising out of, based upon or attributable to any **Privacy or Security Event** occurring prior to the retroactive date or any related acts thereto, regardless of when such related act occurs.
- i) alleging, arising out of, based upon or attributable to any **Privacy or Security Event** occurring prior to the continuity date, or any related act thereto (regardless of when such related act occurs), if, as of the continuity date, any personnel in the office of a **Named Assured** knew or could have reasonably foreseen that such **Privacy or Security Event** did or would result in a **Claim** against a **Named Assured**.
- j) alleging, arising out of, based upon or attributable to any seizure, confiscation, nationalization, or destruction of a **Computer System** by order of any governmental or public authority.
- k) for (1) the theft of money or securities from a **Named Assured**; or (2) the transfer or loss of money or securities from or to a **Named Assured**'s accounts or accounts under a **Named Assured**'s control, including customer accounts. For purposes of this

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Sub-paragraph (k), the term “accounts” shall include, but are not limited to, deposit, credit, debit, prepaid and securities brokerage accounts.

### PART THREE: SECURITY FAILURE/PRIVACY EVENT MANAGEMENT COVERAGE:

THIS IS A DISCOVERY COVERAGE SECTION AND A FIRST PARTY COVERAGE SECTION

All terms or phrases in **bold print** in the body of this Coverage Form are defined terms.

#### 1. COVERAGE AGREEMENT

With respect to the Security Failure/Privacy Event Management Coverage of this Clause, solely with respect to a **Privacy or Security Event** first discovered during the Coverage period and reported to the POOL pursuant to the terms of this Coverage Form, the POOL affords the following coverage under this Section:

a) **EVENT MANAGEMENT COVERAGE AGREEMENT:** The POOL shall pay all **Claims** that a **Named Assured** incurs solely as a result of an alleged **Privacy or Security Event** that has actually occurred or is reasonably believed by such **Named Assured** and the POOL to have occurred up to the Limit of Liability shown in the Declarations.

b) SETTLEMENT

The POOL has the sole right to settle any Claim if the POOL deems that it is proper.

***Explanation:** This section provides coverage to POOL Named Assured's for harm a POOL Named Assured sustains as a result of a cyber event. The typical example of coverage under this Part involves security threat expense payments made following a security event attack.*

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#### 2. DUTIES OF THE NAMED ASSURED IN THE EVENT OF A CYBER SECURITY THREAT

In addition to the Duties of the **Named Assured** common to all parts of this Coverage Form in Part I Section 15 of the Common Terms and Conditions of this Coverage Form, under this Part Three of the Coverage Agreement when responding to an **cyber security threat** or suspected **cyber security threat** the **Named Assured** must:

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- i. Determine that the **cyber security threat** has actually occurred;
- ii. With respect to an **cyber security threat** make every reasonable effort to access your **electric data** from backups, if any, and remediate the cause of the **cyber security threat**;
- iii. Make every reasonable effort to immediately notify the POOL before making any payment based upon the **cyber security threat**;
- iv. Fully cooperate with the POOL'S **Privacy and Security Event** investigative response team, including, but not limited to any **cyber security advisor**, public relations or legal representative, if deployed to evaluate and assist the **Named Assured** as it relates to the **cyber security threat**; and

## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

- v. Receive express written POOL approval before any payment based upon the **cyber security threat** is made.

The **Named Assured** will not, except at its own costs, voluntarily make any payment, assume any obligation or incur any expense without the POOL'S express prior written consent.

***Explanation:** This section requires POOL **Named Assureds** to properly investigate and take all steps to restore data that has been stolen and encrypted as part of a **cyber security event**. This includes notifying the POOL and fully cooperating with the POOL'S response team (if dispatched). This section also requires POOL **Named Assured s** to receive the POOL'S written consent before paying any **security threat expense** in response to a **cyber security event**. Compliance with this section will ensure a uniform response to cyber events.*

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### 3. CONFIDENTIALITY

To the extent allowed by law, the **Named Assured** shall make every reasonable effort to keep confidential and to not divulge the existence of coverage for **cyber security threats** and amounts paid.

***Explanation:** This section requires POOL **Named Assureds** not to disclose "ransom payments" made in response to ransomware or similar cyber events.*

### 4. NOTICE OF PRIVACY OR SECURITY EVENT CLAIM

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In addition to the applicable items of the Common Terms and Conditions, and before coverage will apply for a claim under this Coverage Section, each **Named Assured** must also:

- a) complete and sign a written, detailed and affirmed proof of loss immediately after the discovery of any loss (unless such period has been extended by the POOL in writing) which shall include, among any other pertinent information:
  - i. a full description of such **Privacy or Security Event** and the circumstances surrounding a claim or potential claim, which shall include, among any other necessary information, the time, place and cause of the **Privacy or Security Event**;
  - ii. a detailed calculation of any **claim** or potential **claim**; and
  - iii. all underlying documents and materials that reasonably relate to or from any part of the proof of such **claim** or potential **claim**.
- b) upon the POOL'S request, submit to an examination under oath.
- c) immediately record the specifics of any **Privacy or Security Event** and the date such **Named Assured** first became aware of such **Privacy or Security Event**.
- d) provide the POOL with any cooperation and assistance that the POOL may request, including assisting the POOL in:

## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

- i. public relations management including not making any public statements without the POOL'S prior written approval and cooperating with the POOL'S public relations or legal representative, if deployed in response to a **Privacy or Security Event**;
- ii. any investigation of the circumstances arising from or relating to a **Privacy or Security Event** regardless whether it gives rise to a **claim** or potential **claim**;
- iii. enforcing any legal rights a **Named Assured** may have against anyone who may be liable to the **Named Assured** or POOL;
- iv. executing any documents that the POOL deems necessary to secure its rights under this Coverage Form **and**

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All adjusted **claims** shall be due and payable thirty (30) days after the presentation and written acceptance by the POOL of satisfactory proof of claim to the address set forth in the Common Terms and Conditions. The costs and expenses of establishing or proving a **Named Assured**'s claim under this Coverage Section, including, without limitation, those connected with preparing a proof of loss, shall be such **Named Assured**'s obligation, and are not covered under this Coverage Form.

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***Explanation:** This section requires a POOL **Named Assured** to promptly notify the POOL of a cyber event following its discovery and provide all known information about the cyber event's nature and severity. This is because time is of the essence when responding to a cyber event as relevant information regarding the identity of the actor behind the cyber event (and nature and severity of the event) can be overwritten or destroyed a short period after the event. Determining the identify of the actor is critical when responding to a cyber event as certain actors have known behaviors and use certain code that can directly dictate what will be the best response to the cyber event.*

### 5. EXCLUSIONS

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In addition to the Common Exclusions, the POOL shall not be liable to make any payment for any **claim**:

- a) arising out of, based upon or attributable to any **Security or Privacy Event**, or any related acts thereto, which has been reported, or in any circumstances of which notice has been given, under any Coverage Form of which this Section is a renewal or replacement or which it may succeed in time.
- b) arising out of, based upon or attributable to any amounts for: (i) the original creation of; (ii) diminution of value of; (iii) lost profits of; (iv) or loss of use of, a trade secret, patent, copyright, trademark, trade dress or any other intellectual property,

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- c) arising out of, based upon or attributable to any amounts for improvements and/or upgrades of any type or kind to the system, hardware, software, or media.

### PART FOUR: NETWORK INTERRUPTION COVERAGE:

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## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

THIS IS AN OCCURRENCE COVERAGE SECTION AND A FIRST PARTY COVERAGE SECTION

All terms or phrases in **bold print** in the body of this Coverage Form are defined terms.

### 1. COVERAGE AGREEMENT

With respect to the NETWORK INTERRUPTION COVERAGE AGREEMENT of this Clause, solely with respect to a **Security Failure** or **System Failure** first occurring during the Coverage period and reported to the POOL pursuant to the terms of this Coverage Form, this Network Interruption Coverage Section affords the following coverage:

- a) NETWORK INTERRUPTION COVERAGE AGREEMENT: The POOL shall pay all **claims** that a **Named Assured** incurs after the **Waiting Hours Period** and solely as a result of a **Privacy or Security Event** resulting in a **Security Failure** or **System Failure** up to the applicable Network Interruption Sublimit shown in the Declaration.
- b) The maximum liability of the POOL for all Proof of Loss Preparation Costs is the Proof of Loss Preparation Costs Sublimit set forth in the Declarations.

Each of the Sublimits set forth herein is part of and not in addition to the Limit of Liability and the Sublimit of Liability for this Coverage Part Four as set forth in the Declarations.

*Explanation: This section provides coverage for POOL **Named Assured**'s resulting from network failures caused by cyber events. This section would provide coverage for a POOL **Named Assured** that provides internet services that would be unable to provide these services due to a cyber event.*

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### 2. DEFINITIONS

In addition to the common terms applicable to all sections of this Coverage Form, the following definitions apply to this coverage section:

**"IT Service Provider"** means an entity, other than a **Named Assured**, that:

- i. provides "cloud computing" or other hosted computer resources to a **Named Assured**; or
- ii. provides information technology services required by a **Named Assured** to operate a **Computer System** under its ownership, operation or control;

in each case pursuant to a written contract with a **Named Assured**.

**"Non-IT Service Provider"** means an entity, other than a **Named Assured**, that provides goods or services to a **Named Assured** pursuant to a written contract; provided, however, under no circumstances shall an entity be considered a **Non-IT Provider** with respect to services provided as an **IT Provider**.

**"Outsource Provider"** means:

- i. an **IT Service Provider**,
- ii. a **Non-IT Service Provider**, or

## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

- iii. any other entity that is not a **Named Assured** and that a **Named Assured** depends on to conduct its business including, without limitation, any entity providing services as:
- (a) a public utility (including, without limitation, a provider of electricity, gas, water or telecommunication services);
  - (b) an internet service provider (including any provider of internet connectivity), or
  - (c) a securities exchange or market.

**Period of Indemnity** means the period of time beginning at the inception of the **Material Interruption** and ending 180 days thereafter:

- i. with respect to a **Security Failure** or **Voluntary Shutdown** of a **Computer System** under the ownership, operation or control of, or leased by, a Company, at the time the **Named Assured** restores access to the **Computer System** to the same or similar conditions that existed prior to the time of the **Material Interruption**; or
- ii. with respect to a **Security Failure** or System Failure of a **Computer System** under the ownership, operation or control of an **Outsource Provider**, the earlier of:
  - (a) the time the **Named Assured** restores its business to the same or similar conditions that existed prior to the time of the **Material Interruption**; or
  - (b) the time such **Outsource Provider** restores access to the **Computer System** to the same or similar conditions that existed prior to the time of the **Material Interruption**.

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The **Period of Indemnity** shall not be cut short by the end of the coverage period.

“**Security Failure**” means a failure or violation of the security of a **Computer System**, including, without limitation, that which results in or fails to mitigate any unauthorized access, unauthorized use, denial of service attack or receipt or transmission of a malicious code. “**Security Failure**” includes any such failure or violation resulting from the theft of a password or access code from a **Named Assured**’s premises, a **Named Assured**’s **Computer System**, or an employee of a **Named Assured** by non-electronic means.

“**Security Failure**” also means the loss of use of all or part of a **Computer System** caused by the unauthorized reprogramming of software (including firmware) which renders such **Computer System**, or any component thereof, nonfunctional or useless for its intended purpose.

“**Security Failure**” also includes any such failure or violation resulting from Cyberterrorism.

“**System Failure**” means any unintentional and unplanned outage of a **Computer System** that is not part of or caused by a **Security Failure**.

## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

**Voluntary Shutdown** means the voluntary and intentional shutdown or impairment of a **Computer System** under the ownership, operation or control of a **Named Assured**, by or at the direction of a **Named Assured** after the discovery of a **Security Failure** or **Privacy or Security Event** or suspected **Privacy or Security Event**, with the reasonable belief that such shutdown would limit the Loss that would otherwise be incurred as the result of such **Security Failure** or **Privacy or Security Event**.

### 3. NOTICE OF NETWORK INTERRUPTION CLAIM

In addition to the applicable items of the Common Terms and Conditions, and before coverage will apply for a claim under this Coverage Section, each **Named Assured** must also:

a) complete and sign a written, detailed and affirmed proof of loss immediately after the discovery of any loss (unless such period has been extended by the POOL in writing) which shall include, among any other pertinent information:

i) a full description of such **Privacy or Security Event** and the circumstances surrounding a claim or potential claim, which shall include, among any other necessary information, the time, place and cause of the **Privacy or Security Event**;

ii) a detailed calculation of any **claim** or potential **claim**; and

iii) all underlying documents and materials that reasonably relate to or from any part of the proof of such **claim** or potential **claim**.

b) upon the POOL'S request, submit to an examination under oath.

c) Immediately record the specifics of any **Privacy or Security Event** and the date such **Named Assured** first became aware of such **Privacy or Security Event**.

d) provide the POOL with any cooperation and assistance that the POOL may request, including assisting the POOL in:

iv) any investigation of the circumstances arising from or relating to a **Privacy or Security Event** regardless whether it gives rise to a **claim** or potential **claim**;

v) enforcing any legal rights a **Named Assured** may have against anyone who may be liable to the **Named Assured** or POOL;

vi) executing any documents that the POOL deems necessary to secure its rights under this Coverage Form; and

vii) any calculation or appraisal conducted by or on behalf of the POOL pursuant to this Network Interruption Coverage Section.

All adjusted **claims** shall be due and payable thirty (30) days after the presentation and written acceptance by the POOL of satisfactory proof of claim to the address set forth in the Common Terms and Conditions. The costs and expenses of establishing or proving a **Named Assured**'s claim under this Coverage Section, including, without limitation, those connected with preparing a proof of loss, shall be such **Named Assured**'s obligation, and are not covered under this Coverage Form.

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## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

### 4. NETWORK INTERRUPTION CONDITIONS

- a) For purposes of this Coverage Section, no entity shall be considered an **IT Service Provider** or a **Non-IT Service Provider** with respect to services it provides as a:
- i. a public utility (including, without limitation, a provider of electricity, gas, water or telecommunication services); or
  - ii. an internet service provider (including any provider of internet connectivity).
- b) Any amount recovered under any other Coverage Section of this Coverage Form will not be considered as part of a claim under this Coverage Section.
- c) When calculating **Business Income Loss**, due consideration shall be given to:
- i. the experience of the business before the date of the **Material Interruption** and the probable experience thereafter during the **Period of Indemnity** had no **Material Interruption** occurred;
  - ii. the continuation of only those necessary charges and expenses that would have existed had no **Material Interruption** occurred; and
  - iii. **Business Income Loss** which is made up during the Extended **Period of Indemnity** (if any) or within a reasonable period of time (no less than one year) after the expiration of the **Period of Indemnity** and the Extended **Period of Indemnity** (if any).
- d) Each **Named Assured** agrees, as soon as practicable, to use overtime, extra time and any other resource owned or controlled by such **Named Assured**, or obtainable by such **Named Assured** from other sources (including any other **Named Assured**), in order to continue its business and reduce its loss.
- e) Each **Named Assured** must act with due diligence and dispatch to repair or restore the **Computer System** to the same or equivalent operating conditions that existed prior to the damage in order to continue its business and to reduce loss.
- f) No loss or part of loss shall be paid hereunder to the extent a **Named Assured** has collected such loss or part of loss from an **Outsource Provider** or any other third party.

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### 5. APPRAISAL

If any **Named Assured** and the POOL disagree on the amount of a **claim**, either may make a written demand for an appraisal of such a **claim**. If such demand is made, each party will select a competent and impartial appraiser. The appraisers will then jointly select an umpire. If the appraisers cannot agree on an umpire, they may request that selection be made by a judge of a court having jurisdiction. Each appraiser will separately state the amount of a claim. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two of these three will be binding.

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Such **Named Assured** and the POOL will:

- a) pay their respective chosen appraiser; and

## (PROPOSED) POOL CYBER-RISK COVERAGE FORM

b) bear the expenses of the umpire equally.

Any appraisal of a **claim** shall be calculated in accordance with all terms, conditions and exclusions of this Coverage Form.

### 6. EXCLUSIONS

In addition to the Common Exclusions, The POOL shall not be liable to make any payment:

- a) arising out of, based upon or attributable to any **System Failure, Security Failure** or related act thereto which has been reported, or in any circumstances of which notice has been given, under any Coverage Form of which this Network Interruption Coverage Section is a renewal or replacement or which it may succeed in time.
- b) arising out of, based upon or attributable to: (1) any liability to third-parties for whatever reason; (2) legal costs or legal expenses of any type; (3) unfavorable business conditions.
- c) arising out of, based upon or attributable to a **System Failure** caused by or resulting from electrical or mechanical failure of infrastructure; provided, however, for purposes of this exclusion a **Computer System** shall not be considered infrastructure.
- d) for any: (1) contractual penalties or consequential damages; (2) updating, upgrading, enhancing or replacing any **Computer System** to a level beyond that which existed prior to sustaining Loss; or (3) removal of software program errors or vulnerabilities.

## NEVADA PUBLIC AGENCY INSURANCE POOL (POOL) COVERAGE FORM

All terms or phrases in **bold print** in the body of the Coverage Form are defined terms.

**Section I. Named Assured:** The **Named Assured** means each member listed on Attachment A of this Coverage Form and all Boards, Departments, Divisions, Commissions, and Authorities under the supervision or control of the **Named Assured** whether now or hereafter constituted.

It is agreed that the unqualified word **Assured** wherever used within this coverage includes not only the **Named Assured** but also:

1. (a) any official, trustee, director, officer, volunteer or employee of the **Named Assured** while acting within the course and scope of their duties as such, and  
  
(b) unless otherwise excluded under this Coverage Form, any person, organization, trustee or estate to whom the **Named Assured** is obligated by written contract or agreement to provide insurance or coverage such as is offered by this coverage, but only with respect to operations by or on behalf of the **Named Assured**; such coverage does not apply to any **Event** that takes place prior to the execution of such contract or agreement,
2. as respects Section VI. Liability Coverage and subject to the Definitions and Conditions therein, any person or organization specified in a written contract or agreement to be named an additional assured and who leases equipment to the **Named Assured** or whose land or premises is used by the **Named Assured**, but only with respect to liability for the use of the leased equipment, land or premises by the **Named Assured**, and not to exceed the limits of liability required in the written contract or agreement nor in any case to exceed the sublimit shown in the Declarations per **Event**, such sublimit applying as part of and not in addition to the Section VI Limits of Liability available to the **Named Assured**.  
  
Such coverage does not apply:
  - (a) to any **Event** that takes place prior to the execution of such contract or agreement,
  - (b) to any **Event** which takes place after the equipment lease expires or use of the land or premises ceases;
  - (c) to any **Wrongful Act** or **Law Enforcement Activities**;
  - (d) to any **Event** arising out of the sole negligence of such person or organization;
  - (e) to structural alterations or new construction performed by or on behalf of such person or organization;
3. any person while using an owned **automobile** or a hired **automobile**, and any person or organization legally responsible for the use thereof, provided the actual use of the **automobile** is by the **Named Assured** or with its permission, and any **Assured** with respect to the use of non-owned **automobiles** in the business of the **Named Assured**. This Coverage with respect to any person or organization other than the **Named Assured** does not apply:
  - (a) to any person or organization, or to any agent or employee thereof, operating an **automobile** sales agency, repair shop, service station, storage garage or public parking place, with respect to any accident arising out of the operation thereof;
  - (b) to any employee with respect to injury to or sickness, disease or death of another employee of the same employer injured while such employment in an accident arising out of the maintenance or use of the **automobile** in the business of such employer;
  - (c) with respect to any hired **automobile**, to the owner or a lessor thereof, other than the **Named Assured**, nor to any agent or employee of such owner or lessor;
4. the interest of the **Named Assured** in any joint venture or interlocal cooperation agreement to which the **Named Assured** is a party and any activities under the supervision or control of the **Named Assured** whether now or hereafter constituted, provided no separate independent legal entity is formed and subject to the Other Insurance or Coverage provisions contained herein.

## Section II. Property Limits, Liability Limits and Maintenance Deductible

### 1. PROPERTY LIMITS

- A. The Limit per Loss shown in the Declarations applies to all Covered Property of all Assureds combined as described in the Schedule of Locations.
- B. POOL's maximum Limit per Loss for direct physical loss or damage to Covered Property resulting from any one loss shall not exceed the Limit per Loss set forth in the Property Declarations, subject to any coverage extensions, sublimits, exclusions, restrictions or limitations.
- C. All sublimits apply as part of and not in addition to the Limit per Loss.

### 2. LIABILITY LIMITS

- A. The Limit of Liability applies separately to each **Named Assured** listed on Attachment A.
- B. POOL's maximum Limit of Liability for all loss resulting from any one **Event** shall not exceed the Per **Event** Limit of Liability set forth in the Liability Declarations nor the Annual Aggregate Limit of Liability, regardless of the number of persons, Boards, Departments, Divisions, Commissions, and Authorities under the supervision or control of the **Named Assured**.
- C. The inclusion hereunder of more than one **Assured** shall not operate to increase the Pool's Limit of Liability for the **Named Assured**.
- D. All sublimits apply as part of and not in addition to the Limit of Liability
- E. All expenses including related medical and legal costs are included when calculating appropriate deductible amounts and limits of liability within this coverage section.
- F. All defense costs, including attorney's fees, incurred by NPAIP in defense of an Assured reduce the deductible amounts and limits of liability within this coverage section.

### 3. MAINTENANCE DEDUCTIBLE

Pool will not be liable for loss or damage in any one loss/**Event** until the amount of loss or damage exceeds the Maintenance Deductible amount shown on the declarations page of this Coverage Form. If two or more Maintenance Deductibles apply to a single loss/**Event**, then the largest Maintenance Deductible amount will apply. However, this Coverage Form allows for application of (a) separate and distinct Maintenance Deductibles; and (b) Maintenance Deductibles for specific loss categories; as shown in the Declarations.

## Section III. General Conditions – All Sections

- 1. **SALVAGE AND RECOVERY CLAUSE:** All salvages, recoveries and payments recovered or received subsequent to a loss settlement under this coverage shall be applied as if recovered or received prior to the settlement and all necessary adjustments shall be made by the parties hereto.
- 2. **CANCELLATION/NONRENEWAL:** If the **Assured** fails to pay the Contribution by the date specified by the POOL in its written invoice, 30 days written notice of cancellation will be given. This Coverage is otherwise cancelable only at the end of a coverage period. Either of the parties may cancel by giving written notice to the other party, provided notice is issued at least 120 days prior to the end of the current coverage period.
- 3. **BANKRUPTCY AND INSOLVENCY:** In case of bankruptcy or insolvency of the **Assured** or any entity comprising the **Assured**, POOL shall not be relieved of the payment of any claim to the

**Assured** or its liquidator, receiver or statutory successor under this Coverage Form without diminution because of the insolvency of the **Assured**.

4. OTHER INSURANCE OR COVERAGE: If any other coverage, bond or insurance is available that covers a loss covered herein, except for coverage, bond or insurance purchased to apply specifically in excess of this coverage, then this coverage will apply in excess of the other valid and collectable coverage, bond or insurance. When this coverage is excess over other coverage, bond or insurance, POOL will pay only the amount of loss, if any, that exceeds the sum of all deductibles (and self-funded amounts) and the amount all such other coverage, bond or insurance would pay for the loss in the absence of this coverage.
5. MORTGAGE CLAUSE: The interest of any creditor, lien holder or mortgagor on property covered hereunder is included as if a separate endorsement were attached hereto to the extent of the amount of the debt, lien or mortgage as of the date of loss subject to the limits of liability set forth in this coverage.
6. SUBROGATION AND RECOVERIES: POOL shall be subrogated to all rights which the **Assured** has against any person or other entity in respect to any claim or payment made under this coverage, and the **Assured** shall cooperate with POOL to secure the rights of POOL. In case any reimbursement is obtained or recovery made, the net amount of such reimbursement or recovery, after deducting the actual cost incurred by the **Assured** and/or POOL in obtaining or making the same, shall be applied in the following order: (a) to reduce the amount of loss which exceeds the applicable limit of liability; (b) to reduce POOL loss until POOL is fully reimbursed; (c) to reduce the **Assured**'s loss because of the application of the deductible.
7. WAIVER OF SUBROGATION: This coverage shall not be invalidated if the **Assured** by written agreement has waived or shall waive its right of recovery from any party for loss or damage covered hereunder; provided that any such waiver is made prior to the occurrence of said loss or damage.
8. ASSIGNMENT/TRANSFER OF RIGHTS AND DUTIES: The **Assured**'s rights, interests, benefits and/or duties (both pre-loss and post loss) under this Coverage Form may not be transferred or assigned without POOL's prior written consent. Any such transfer or assignment without POOL's prior written consent is void and invalid.
9. CHANGES: By acceptance of this coverage, the **Assured** agrees that it embodies all agreements existing between the **Assured** and POOL relating to this coverage. None of the provisions, conditions or other terms of this coverage shall be waived or altered except by written endorsement; nor shall notice to any agent or knowledge possessed by any agent or other person be held to be a waiver or change in any part of this coverage.
10. CONCEALMENT, MISREPRESENTATION OR FRAUD: POOL will not pay for any loss or damage in any case of intentional concealment or misrepresentation or fraud committed by the **Assured** at any time and relating to a claim under this coverage.
11. LIMITATION ON RIGHT TO SUE. An **Assured** shall not sue or maintain any litigation or lawsuit for damages against POOL. By acceptance of this coverage, the **Assured** specifically agrees to waive any right to sue or maintain any litigation or lawsuit for damages against POOL. However, this Section does not prohibit any declaratory relief action seeking to interpret wording of this Coverage Form. Carson City County, Nevada shall be the sole venue for any and all disputes or declaratory relief litigation brought by an **Assured** relating to this Coverage Form or the POOL.

## Section IV. General Exclusions – All Sections

1. WAR AND TERRORISM EXCLUSION: Coverage does not apply herein for loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any of the following regardless of any other cause or event contributing concurrently or in any other sequence to the loss:
  - (A) war, invasion, acts of foreign enemies, hostilities or warlike operations, (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power; or
  - (B) any act of terrorism.

For the purpose of this exclusion an act of terrorism means an act, including but not limited to an act by any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s), government(s), power(s), authority(ies) or military force(s),

- (i) that:
  - a. involves the use of force or violence and/or the threat thereof against human life or property;
  - b. is dangerous to human life or property; or
  - c. interferes with or disrupts an electronic or communication system; and
- (ii) the purpose or effect of which is to
  - a. intimidate, coerce or harm a government or the civilian population of a country, state or community;
  - b. disrupt the economy of a country, state or community; or
  - c. influence or affect the policy or conduct of the government of a country, state or community.

An act of terrorism includes but is not limited to an “act of terrorism” as defined by the Terrorism Risk Insurance Act of 2002, as amended, (“TRIA”) or any law enacted to reauthorize or succeed TRIA.

Coverage does not apply to loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to (A.) and/or (B.) above.

2. NUCLEAR INCIDENT EXCLUSION:

DEFINITIONS - As used in this exclusion, “hazardous properties” include radioactive, toxic or explosive properties; “nuclear material” means source material, special nuclear material or by-product material; “source material”, “special nuclear material”, and “by-product material” have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof; “spent fuel” means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor; “waste” means any waste material (1) containing by-product material and (2) resulting from the operation by any person or organization of any nuclear facility included within the definition of nuclear facility; “nuclear facility” means (a) any nuclear reactor, (b) any equipment or device designed or used for separating the isotopes of uranium or plutonium, processing or utilizing spent fuel, or handling, processing or packaging waste, (c) any equipment or device used for the processing, fabrication or alloying of special nuclear material if at any time the total amount of such material in the custody of the **Assured** at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235, or (d) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste, and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations; “nuclear reactor” means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material.

PROPERTY- This coverage does not apply to any loss or damage arising directly or indirectly from nuclear reaction, nuclear radiation or radioactive contamination however caused. But

if Fire is covered and a Fire arises directly or indirectly from nuclear reaction, nuclear radiation or radioactive contamination any loss or damage arising directly from that Fire shall (subject to the provisions of this Coverage Form) be covered. LIABILITY- This coverage does not apply under any Liability Coverage, to injury, sickness, disease, death or destruction:

- (A) with respect to which an **Assured** under the coverage is also an **Assured** under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an **Assured** under any such policy but for its termination upon exhaustion of its limit of liability; or
- (B) resulting from the hazardous properties of nuclear material and with respect to which (1) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (2) the **Assured** is, or had this coverage not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization; or
- (C) resulting from the hazardous properties of nuclear material if
  - (1) the nuclear material (a) is at any nuclear facility owned by, or operated by or on behalf of, an **Assured** or (b) has been discharged or dispersed therefrom;
  - (2) the nuclear material is contained in spent fuel or waste at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an **Assured**; or
  - (3) the injury, sickness, disease, death or destruction arises out of the furnishing by an **Assured** of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility, but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion- 2 (C) (3) - applies only to injury to or destruction of property at such nuclear facility.

With respect to injury to or destruction of property, the words "injury" or "destruction" include all forms of radioactive contamination of property.

3. POLLUTION HAZARD - It is agreed that this coverage does not apply to:

- A) any loss or damages which would not have occurred in whole or in part but for the actual, alleged or threatened existence, discharge, dispersal, seepage, migration, release or escape of pollutants, irritants or hazardous substances at any time; "Pollutant" means any solid, liquid, gaseous or thermal irritant, corrosive or contaminant, including but not limited to smoke, vapors, soot, fumes, acids or alkalis, chemicals, metals and waste. Waste also includes materials to be recycled, reconditioned or reclaimed.
- B) any loss, cost or expense arising out of any:
  - (1) request, demand or order that any **Assured** or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize or in any other way respond to, or assess the effects of pollutants; or
  - (2) claim or suit by or on behalf of a governmental authority or others for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to or assessing the effects of pollutants.

However, coverage does apply to any loss or damage arising out of:

- i) Heat, smoke or fumes from a hostile fire;
- ii) Backup or overflow of any sewer;
- iii) Use of teargas, mace, or similar substance by any public safety officer within the scope of employment for the **Named Assured**;
- iv) Collision, upset or overturn of any vehicle;
- v) Loss or damage caused by an employee or official of the **Named Assured** (but only while acting within the scope of duty and on behalf of the **Named Assured**)

and where property or persons are in danger because of sudden and unexpected discharge, dispersal, release or escape of any pollutant. The onset of the discharge, dispersal, release or escape of pollutants must have occurred no more than 72 hours prior to any **Assured's** arrival at the site or location of the **Event**. POOL's Limit of Liability for all such loss will not exceed the sublimit shown in the Declarations for any one **Event** or in the aggregate annually.

- vi) Water intended for sale or use by an **Assured**, provided the damages arise out of pollution that was accidental, demonstrated as having commenced during the term of the Coverage Form, became known to the **Assured** within 120 hours, was reported by the **Named Assured** within 14 calendar days from the start of the **Event**, and efforts to terminate the **Event** were expended as soon as reasonably possible;
- vii) Use of chemicals approved by the U.S. Environmental Protection Agency to disinfect or purify a swimming pool owned or operated by the **Assured**;
- viii) Cost of cleanup at the premises of the **Assured** made necessary as a result of covered loss or damage to Covered Property.
- ix) Weed spraying operations by or on behalf of any **Assured**; coverage is extended only for **Property Damage** liability; damage must manifest itself and be reported to POOL within 180 days of the spraying; POOL's Limit of Liability for all such loss will not exceed the limit of liability shown in the Declarations page for any one **Event** or in the aggregate annually.

- 4. **LEAD:** This coverage does not apply to: any loss or damages arising out of lead or the hazardous properties of lead; any loss or damages for remedial investigations or feasibility studies or the costs of testing, monitoring, abatement, mitigation, cleaning, removal or disposal of lead or any item(s) containing lead; any loss or damages arising out of any supervision, instructions, recommendations, warnings or advice given or which should have been given in connection with the above; or any obligation to share damages with or repay someone else who must pay damages in connection with the above.
- 5. **SILICA DUST OR ASBESTOS:** This coverage does not apply to any loss or damages arising out of Asbestosis, Silicosis, Mesothelioma, Emphysema, Pneumoconiosis, Pulmonary Fibrosis, Pleuritis, Endothelioma or any lung disease or any ailment caused by or aggravated by asbestos in any form or by silica dust; any loss or damages arising out of the existence of asbestos in any form or of silica dust, including the costs of investigations or feasibility studies, or to the costs of testing, monitoring, abatement, mitigation, cleaning, removal or disposal of any property or substance; any loss or damages arising out of any supervision, instructions, recommendations, warnings or advice given or which should have been given in connection with the above; or any obligation to share damages with or repay someone else who must pay damages in connection with the above.
- 6. **MOLD, MILDEW AND FUNGUS CLAUSE AND MICROORGANISM EXCLUSION (MAP)**  
**(Time Limit and Sublimit)**
  - A) This Coverage Form only cover physical loss or damage to **Assured** property by mold, mildew or fungus when directly caused by a peril covered by this Coverage Form occurring during the policy period.

This coverage is subject to all limitations in the Coverage Form and, in addition, to each of the following specific limitations:

- (1) Said property must otherwise be covered under this Coverage Form for physical loss or damage by that peril.
- (2) The **Assured** must report to the Pool the existence and cost of the physical loss or damage by mold, mildew or fungus as soon as practicable, but no later than twelve (12) months after the peril first caused any physical loss or damage to covered property during the coverage period. This Coverage Form does not cover any physical loss or damage by mold, mildew or fungus first reported to the Pool after that twelve (12) month period.



Regardless of circumstance or other Coverage Form provisions, the maximum amount covered and payable under this Coverage Form for all mold, mildew or fungus caused by or resulting from such peril is the sublimit shown in the Declarations for all parts of any claim and in total (the aggregate sublimit) for the Coverage period. This sublimit applies to all sections or extensions of the Coverage Form combined under which any claim arises or is made.

- B) Except as set forth in the foregoing Section A, this Coverage Form does not cover any loss, damage, claim, cost, expense or other sum directly or indirectly arising out of or relating to:

mold, mildew, fungus, spores or other microorganism of any type, nature, or description, including but not limited to any substance whose presence poses an actual or potential threat to human health.

This exclusion applies regardless whether there is (i) any physical loss or damage to covered property; (ii) any covered peril or cause, whether or not contributing concurrently or in any sequence; (iii) any loss of use, occupancy, or functionality; or (iv) any action required, including but not limited to repair, replacement, removal, cleanup, abatement, disposal, relocation, or steps taken to address medical or legal concerns.

#### 7. COMMUNICABLE DISEASE EXCLUSION

This Coverage Form, subject to all applicable terms, conditions and exclusions, covers losses attributable to direct physical loss or physical damage occurring during the period of coverage. Consequently and notwithstanding any other provision of this Coverage Form to the contrary, this Coverage Form does not insure any loss, damage, claim, cost, expense or other sum, directly or indirectly arising out of, attributable to, or occurring concurrently or in any sequence with a Communicable Disease or the fear or threat (whether actual or perceived) of a Communicable Disease.

1. For the purposes of this endorsement, loss, damage, claim, cost, expense or other sum, includes, but is not limited to, any cost to clean-up, detoxify, remove, monitor or test:

2.1. for a Communicable Disease, or

2.2. any property covered hereunder that is affected by such Communicable Disease.

2. As used herein, a Communicable Disease means any disease which can be transmitted by means of any substance or agent from any organism to another organism where:

3.1. the substance or agent includes, but is not limited to, a virus, bacterium, parasite or other organism or any variation thereof, whether deemed living or not, and

3.2. the method of transmission, whether direct or indirect, includes but is not limited to, airborne transmission, bodily fluid transmission, transmission from or to any surface or object, solid, liquid or gas or between organisms, and

3.3. the disease, substance or agent can cause or threaten damage to human health or human welfare or can cause or threaten damage to, deterioration of, loss of value of, marketability of or loss of use of property covered hereunder.

3. This exclusion applies to all coverage extensions, additional coverages, exceptions to any exclusion and other coverage grant(s).

#### 8. PROPERTY CYBER AND DATA EXCLUSION

1. Notwithstanding any provision to the contrary within this Coverage Form or any endorsement thereto this Coverage Form excludes any:

1.1 **Cyber Loss**, unless subject to the provisions of paragraph 2;

1.2 loss, damage, liability, claim, cost, expense of whatsoever nature directly or indirectly caused by, contributed to by, resulting from, arising out of or in connection with any loss of use, reduction in functionality, repair, replacement,

restoration or reproduction of any **Data**, including any amount pertaining to the value of such **Data**, unless subject to the provisions of paragraph 3; regardless of any cause or event contributing concurrently or in any other sequence thereto.

2. Subject to all the terms, conditions, limitations and exclusions of this Coverage Form or any endorsement thereto, this Coverage Form covers physical loss or physical damage to property covered under this Coverage Form caused by any ensuing fire or explosion which directly results from a **Cyber Incident**, unless that **Cyber Incident** is caused by, contributed to by, resulting from, arising out of or in connection with a **Cyber Act** including, but not limited to, any action taken in controlling, preventing, suppressing or remediating any **Cyber Act**.
3. Subject to all the terms, conditions, limitations and exclusions of this Coverage Form or any endorsement thereto, should **Data Processing Media** owned or operated by the **Assured** suffer physical loss or physical damage covered by this Coverage Form then this Coverage Form will cover the cost to repair or replace the **Data Processing Media** itself plus the costs of copying the **Data** from back-up or from originals of a previous generation. These costs will not include research and engineering nor any costs of recreating, gathering or assembling the **Data**. If such media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank **Data Processing Media**. However, this Coverage Form excludes any amount pertaining to the value of such **Data**, to the **Assured** or any other party, even if such **Data** cannot be recreated, gathered or assembled.
4. In the event any portion of this exclusion is found to be invalid or unenforceable, the remainder shall remain in full force and effect.
5. This exclusion supersedes and, if in conflict with any other wording in the Coverage Form or any endorsement thereto having a bearing on **Cyber Loss**, **Data** or **Data Processing Media**, replaces that wording.

#### Definitions

6. **Cyber Loss** means any loss, damage, liability, claim, cost or expense of whatsoever nature directly or indirectly caused by, contributed to by, resulting from, arising out of or in connection with any **Cyber Act** or **Cyber Incident** including, but not limited to, any action taken in controlling, preventing, suppressing or remediating any **Cyber Act** or **Cyber Incident**.
7. **Cyber Act** means an unauthorized, malicious or criminal act or series of related unauthorized, malicious or criminal acts, regardless of time and place, or the threat or hoax thereof involving access to, processing of, use of or operation of any **Computer System**.
8. **Cyber Incident** means:
  - 8.1. any error or omission or series of related errors or omissions involving access to, processing of, use of or operation of any **Computer System**; or
  - 8.2. any partial or total unavailability or failure or series of related partial or total unavailability or failures to access, process, use or operate any **Computer System**.
9. **Computer System** means:
  - 9.1. any computer, hardware, software, communications system, electronic device (including, but not limited to, smart phone, laptop, tablet, wearable device), server, cloud or microcontroller including any similar system or any configuration

of the aforementioned and including any associated input, output, data storage device, networking equipment or back up facility, owned or operated by the **Assured** or any other party.

10. **Data** means information, facts, concepts, code or any other information of any kind that is recorded or transmitted in a form to be used, accessed, processed, transmitted or stored by a **Computer System**.

11. **Data Processing Media** means any property covered by this Coverage Form on which **Data** can be stored but not the **Data** itself.

9. ALL COVERAGE FOR CYBER RISK IS EXCLUDED.

All cyber risk coverage is excluded from this Coverage Form. Any cyber risk coverage is exclusively contained within the separate Pool Cyber Risk Coverage Form and is specifically and entirely excluded from this Coverage Form.

## Section V. PROPERTY COVERAGE

### A. Property Coverage Agreement

POOL agrees subject to the limits, exclusions, conditions and other terms of this Coverage Form to pay on behalf of the **Assured** for direct physical loss or damage to Covered Property except as excluded or limited in this Coverage Form.

### B. Covered Property

This Property Coverage Section covers property, unless excluded, as described in the Schedule of Locations, wherever located, agreed to and kept on file by POOL or its designees that the **Assured**:

Owns;  
Operates;  
Controls;  
or Contractually agrees to cover for physical loss or damage, to the extent of such contractual obligation.

Covered Property shall also include:

1. New construction, including property while in the course of construction;
2. Additions under construction;
3. Alterations and repairs to any building or structure;
4. Improvements and Betterments in which the **Assured** has a legal interest;
5. Materials, equipment and supplies for new construction, additions, buildings or structures;
6. Temporary structures;
7. **Electronic Data Processing Equipment** as defined in this Coverage Form;
8. Machinery, equipment, and fixtures that are permanently attached to the building;
9. **Automobiles** and mobile equipment as per schedule agreed to and kept on file by POOL or its designees;
10. Covered Property in transit;
11. Personal property of officers and employees of the **Named Assured**, while at a location described in the Schedule of Locations;
12. The **Assured's** interest in and legal liability for property of others, while at a location described in the Schedule of Locations; and
13. **Valuable Papers and Records** as defined in this Coverage Form.

### C. Coverage Extensions

This Property Coverage Section includes the following Coverage:

- i. are subject to the applicable limit of liability;
- ii. will not increase the POOL limit of liability; and
- iii. are subject to POOL coverage provisions, including applicable exclusions, definitions and deductibles, all as shown in this section and elsewhere in the POOL Coverage Form.

### 1. Accounts Receivable

This Coverage Form is extended to cover all amounts due the **Named Assured** from customers, which the **Named Assured** is unable to collect, as a result of direct physical loss or damage to accounts receivable records up to the sublimit of liability shown in the Property Declarations.

Coverage includes:

- a. Interest charges on any loan to offset impaired collections pending repayment of sums that cannot be collected.
- b. Collection expenses in excess of normal collection costs.
- c. Other reasonable expenses incurred by the **Named Assured** in recreating records of accounts receivable.

However, there shall be no coverage under this extension for bookkeeping, accounting, or billing error or omission; or alteration, falsification, manipulation, concealment, destruction or disposal of accounts or records of accounts receivable committed to conceal the wrongful giving, taking, obtaining or withholding of money, **securities** or other property.

### 2. Arson Reward

This Coverage Form is extended to cover payment of any reward offered on the **Named Assured's** behalf for information that leads to conviction of the perpetrator(s) of arson or vandalism to Covered Property that sustains direct physical loss or damage covered by this agreement.

POOL's total liability for any one award is ten percent (10%) of the physical loss or damage to Covered Property up to the sublimit of liability shown in the Property Declarations.

POOL's payment of this reward will not increase regardless of the number of informants providing information that leads to a conviction.

### 3. Debris Removal:

POOL shall pay for the reasonable and necessary expense incurred to remove debris from a described location that remains as a result of direct physical loss or damage to Covered Property for which there is coverage under this Property Coverage Section. Subject to the Debris Removal – Mold/Asbestos sublimit shown in the Property Declarations, Debris Removal shall also include removal of mold and asbestos containing materials necessitated as a result of direct physical loss or damage to Covered Property caused by a covered loss including the costs of an environmental consultant.

### 4. Earthquake and Flood:

**Earthquake** and **Flood** are covered perils, as defined in this Coverage Form subject to the sublimits shown in the Property Declarations.

### 5. Equipment Breakdown

A. Under Section V. F. Perils Excluded, items 4, 5 and 6 are deleted in their entirety with respect to Covered Property. However, there shall be no coverage under this extension for any of the following:

- 1. Insulating or refractory material; footing, foundation, mounting pad or settings, or piling.

2. Vessel or vessel part not under pressure of its contents or under vacuum.
3. Sewer piping, fire protection piping, or water piping; except piping solely supplying boiler feed water or boiler condensate.
4. **Automobiles**, dragline, excavation or construction equipment.
5. Products manufactured by the **Named Assured** unless permanently installed.
6. Pressure vessels and piping that are buried below ground and require the excavation of materials to inspect, remove, repair or replace.
7. Malfunction including but not limited to adjustment, alignment, calibration, cleaning or modification.
8. Leakage at any valve, fitting, shaft seal, gland packing, joint or connection.
9. The functioning of any safety or protective device.
10. The cracking of any part on an internal combustion gas turbine exposed to the products of combustion.
11. Any loss or damage to any boiler, fired vessel, electric steam generator, or electrical or electronic equipment while undergoing a test which subjects such equipment to greater than maximum allowable operating conditions as identified by the manufacturer of such equipment.

B. Under Section V. F. Perils Excluded, items 5 and 14 are deleted in their entirety with respect to **Electronic Data Processing Equipment, Electronic Data Processing Media and Electronic Data Processing Data.**

C. The following is added to Section V. G. Property Conditions, item 4 Basis of Valuation:

New Generation:

If Covered Property damaged under this coverage extension is valued at replacement cost, cannot be repaired and requires replacement, the damaged Covered Property may be replaced with newer generation Covered Property of the same capacity which improves the environment, increases efficiency or enhances safety. POOL will pay up to an additional 50% of the damage amount for the Covered Property. This additional amount is included in, not in addition to, the applicable Equipment Breakdown coverage limit.

D. This Coverage Extension is subject to the following limitations of coverage and sublimits shown in the Property Declarations:

1. Loss of Income and Extra Expense:

Coverage is extended to pay for actual **Loss of Income** and **Extra Expense** as defined in this Coverage Form sustained due to a loss covered by this coverage extension.

2. Hazardous Substance Coverage:

Coverage is extended to clean, repair, replace, or dispose of Covered Property that is damaged, contaminated or polluted by a substance declared to be hazardous by a governmental agency as a result of direct physical loss or damage covered by this extension of coverage. The coverage provided by this extension of coverage does not include loss to perishable goods due to contamination from the release of a refrigerant, including but not limited to ammonia.

3. Spoilage Coverage:

Coverage is provided for covered perishable goods due to spoilage resulting from direct physical loss or damage covered by this coverage extension, including damage to perishable goods due to contamination from the release of refrigerant, including but not limited to ammonia. Perishable goods are defined as Covered Property that is subject to deterioration or impairment as a result of a change of conditions, including but not limited to temperature, humidity or pressure.

4. Cost to Restore **Electronic Data Processing Data** and any **Electronic Data Processing Media**:

Coverage is extended to pay for the **Named Assured**'s reasonable and necessary cost to research, replace or restore lost **Electronic Data Processing Data** and any **Electronic Data Processing Media** upon which it is stored. However, there shall be no coverage for a loss to media or data that results from any error in machine programming or machine instructions. media or data that results from any error in machine programming or machine instructions.

5. Electrical Risk Improvements:

When Covered Property sustains direct physical loss or damage under this coverage extension resulting from artificially generated electrical current (including arcing) that necessitates its repair or replacement, POOL will pay up to an additional 10% of the amount actually paid for all loss or damage covered by this coverage extension, not to exceed the sublimit shown in the Property Declarations, for costs the **Named Assured** incurs to make material improvements to the electrical system at the location of the loss.

This coverage extension does not pay for:

- a. Stock, work in process, raw materials, finished goods or merchandise.
- b. Any personal property of the **Named Assured**'s employees or officers.
- c. Any Covered Property that is repaired or replaced due to direct physical loss or damage as covered by this coverage extension.
- d. Any **Loss of Income** or **Extra Expense**.

These expenses must be reported in writing within 180 days of direct physical loss or damage covered by this coverage extension.

6. Expediting Expenses:

Subject to the sublimits shown in the Property Declarations, POOL shall pay for reasonable and necessary extra costs to expedite:

- a. Temporary repairs to; and
- b. Permanent repairs to or replacement of;

Covered Property sustaining direct physical loss or damage covered by this Coverage Section.

Expediting Expenses do not include:

- 1) Expenses payable elsewhere in the Property Coverage Section.
- 2) The cost of permanent repair or replacement.

7. **Unintentional Errors and Omissions:**

POOL will accept that property and/or location as being covered subject to the applicable sublimit shown in the Property Declarations for each loss, provided the property and/or location is the same in form and substance as other real and personal property which are scheduled.

The **Named Assured** agrees to report such errors or omissions as soon as reasonably possible after discovery of such, and to schedule the proper locations and values then and thereafter.

8. **Money and Securities**

**Money** and **securities** of the **Named Assured** only are Covered Property with respect to this coverage extension subject to the sublimits shown in the Property Declarations.

Under Section V. F., Perils Excluded, item 2 is deleted in its entirety but only for this coverage extension. This coverage extension shall apply to direct physical loss or damage resulting from:

- a. Dishonest or fraudulent acts including theft and forgery committed by an official, trustee, director, officer, volunteer or employee of the **Named Assured** acting alone or in collusion with others while in the **Named Assured's** service and who the **Named Assured** compensates directly with salary, wages or commissions; or who are furnished to the **Named Assured** by an employment agency or service and under the **Named Assured's** direct control while performing such services in substituting for a permanent employee on leave, or meeting seasonal or short-term workload conditions.

For purposes of this extension, direct physical loss or damage means loss or damage to tangible property, and does not include consequential, detrimental economic impact or a diminution of value to covered property. Tangible property means property that has physical form and characteristics.

- b. The actual destruction or disappearance of such property.
- c. A peril covered by this Property Coverage Section.

The following are added to Section V. F., Perils Excluded, but only for this coverage extension:

17. Misappropriation, conversion, infidelity, dishonest or fraudulent acts committed by any:

- a. Agent, broker, consignee, independent contractor, subcontractor or similar representatives;
- b. Employee of the **Named Assured** who has previously committed dishonest or fraudulent acts resulting in direct physical loss or damage to **money and securities**; or
- c. Person (excluding employees) to whom the property may be entrusted; Whether committed alone or in collusion with others at any time, on the part of the **Named Assured** or any additional interest.

18. The **Named Assured's** inability to realize income that would have been earned had there been no loss of **money or securities**; Loss or damage when the only proof of such loss or damage is an inventory computation, or a profit and loss computation.

19. Loss or damage to **money or securities** while in transit or at an unnamed location except for:

- a) Robbery while such property is in the care and custody of an employee of the **Named Assured**, or
- b) Actual destruction or disappearance while at a banking institution or similar safe depository.

20. Accounting or arithmetical errors or omissions.

#### **9. Protection and Preservation of Property:**

POOL shall pay for the reasonable and necessary costs incurred to temporarily protect or preserve Covered Property at a described location in order to avoid or prevent immediately impending physical loss or damage from a peril covered by this Property Coverage Section.

#### **10. Ordinance or Law:**

If at the time of direct physical loss or damage covered by this Coverage Form, there is in force any law or ordinance regulating the demolition, construction, repair, replacement or use of buildings or structures, POOL shall pay for increased costs that are the result of enforcement of such law or ordinance as a direct result of such loss or damage, including:

- a.) the cost to demolish any physically undamaged portion of the buildings or structures and:

- b.) the cost incurred to actually rebuild the physically damaged and the demolished portions of such buildings or structures with materials and in a manner to comply with the law or ordinance, or
- c) at the Member's option, the cost to repair, replace or reconstruct such damaged or destroyed property with material of like kind and quality that qualifies under the Leadership in Energy and Environmental Design (LEED) Green Building Rating System of the U.S, but only up to the sublimits shown in the Property Declarations.

#### **11. Loss of Income and Extra Expense:**

POOL shall pay for actual **Loss of Income** and **Extra Expense** sustained by the **Named Assured** due to the necessary suspension of the **Named Assured's** operations during the **Period of Restoration** as defined in this Coverage Form. The suspension must be caused by direct physical loss of or damage to Covered Property at premises that are described in the Schedule of Locations agreed to and kept on file by POOL or its designees, such loss being caused by a covered peril.

Coverage shall also be provided for actual **Loss of Income** sustained and **Extra Expense** caused when access to the described location is prohibited by order of civil authority. This order must be given as a direct result of physical loss or damage from a peril of the type covered by this Property Coverage Section. POOL will be liable for the actual amount of loss sustained at such location for a period of up to 30 consecutive days from the date of this action.

In order to determine any **Loss of Income** and/or **Extra Expense** loss payable, POOL shall give consideration to the experience of the **Named Assured** before and the probable experience after the **Period of Restoration** and continuation of only those normal charges and expenses that would have existed had no interruption of or suspension of business operations or services occurred.

POOL will not be liable for any loss payable under this coverage extension to the extent that it can be reduced by the **Named Assured** through use of any suitable property or service owned or controlled by the **Named Assured**, or obtainable from other sources.

Any salvage value of such property remaining at the end of the period of interruption for property obtained above will be taken into consideration in the adjustment of any loss.

For purposes of determining the loss payable under this Coverage Extension, **Loss of Income** and **Extra Expense** will not include:

- a. Any loss during any period in which goods would not have been produced.
- b. Any loss during any period in which business operations or services would not have been maintained.
- c. Any increase in loss due to the suspension, cancellation, or lapse of any lease, contract, license, or order.
- d. Any loss due to:
  - 1.) Fines or damages for breach of contract.
  - 2.) Late or non-compliance of orders or penalties of any nature whatsoever.
  - 3.) Any other consequential or remote loss.
- e. Any loss resulting from physical loss or damage to property in transit.

#### **12. Transmission Facilities:**

This Coverage Form is extended to cover direct physical loss or damage covered by this Property Coverage Section to electrical and telecommunication equipment; electrical, telecommunication, fuel, water, steam, and refrigeration transmission lines; all situated on or within 1000 feet of the described location.

Coverage is excluded for loss resulting from:

- a) The lack of incoming services described above; or
- b) Physical loss or damage to transmission facilities providing these services; that occurs beyond 1000 feet of the described location.



## D. Property Definitions

**Actual Cash Value** is the replacement value of the property, at the time and place of the loss or damage, less proper deduction for depreciation.

**Automobile** means any land motor vehicle or trailer/semi-trailer) or mobile equipment owned by the **Named Assured** or for which the **Assured** has an obligation to provide coverage.

**Earthquake** shall mean earthquake, volcanic eruption, subterranean fire, landslide, subsidence, earth sinking, rising, shifting or any such convulsion of nature including a resulting tsunami. If more than one earthquake shock shall occur within one hundred sixty-eight (168) hours during the term of this coverage, such shocks shall be deemed to be a single earthquake.

**Electronic Data Processing Data** is defined as all information stored on media devices, including facts, concepts, or computer programs converted to a form usable in a data processing operation, which are legally required to be stored.

**Electronic Data Processing Equipment** is defined as data processing systems, component parts and related peripheral equipment including air conditioning and fire protection equipment used solely for data processing operations. Electronic data processing equipment does not include electronic systems that control production machinery or the production machinery itself or any memory bank attached to the production machinery. Electronic data processing equipment does not mean property in the course of manufacture or property you hold for sale or demonstration.

**Electronic Data Processing Media** is defined as all materials on which data is recorded including magnetic tapes, disc packs, paper tapes, and cards used in data processing equipment. **Electronic Data Processing Media** does not include any memory bank attached to production machinery or any property you hold for sale or demonstration.

**Extra Expense** means necessary expenses incurred by the **Named Assured** during the **Period of Restoration** that would not have incurred if there had been no direct physical loss or damage to property caused by or resulting from a covered loss.

**Flood** shall mean surface waters, tide and tidal water, the rising, overflowing or breaking of boundaries of natural or man-made bodies of water or spray, whether wind driven or not, from any of the foregoing or by water which backs up through sewers or drains; or mudslide.

**Loss of Income** means the Net Income (net profit or loss before income taxes) that would have been earned or incurred and continuing normal operating expenses incurred, including payroll.

**Money** means physically tangible currency and coin used by the United States of America government.

**Period of Restoration** is defined as the period from the time of direct physical damage covered by this Property Coverage Section to the time when, with due diligence and dispatch, physically damaged property could be repaired or replaced and made ready for operations under the same or equivalent physical and operating conditions that existed prior to such damage.

**Securities** mean physically tangible negotiable and nonnegotiable instruments representing money.

**Total Loss** means complete physical destruction of the tangible property and/or its function.

**Valuable Papers and Records** are inscribed, printed or written: documents; manuscripts or records including abstracts; and, books, deeds, drawings, films, maps, or mortgages. Valuable Papers are not: money, securities and stamps; converted data programs or instructions used in the **Named Assured's** data processing operations; or, materials on which data is recorded.

## E. Property Excluded

There shall be no coverage for loss or damage to the following property unless coverage is specifically included in Section V. C. Coverage Extensions, or elsewhere in this Property Coverage Section:

1. Land, water, or any substance in or on land, pavement and roadways, trees, shrubs, plants and lawns, growing crops or standing timber, and animals.
2. Underground mines and mining property located below the surface of the ground.
3. Bridges and tunnels used for vehicular traffic, reservoirs, canals and dams.
4. Docks, piers, and wharves which are not a structural part of the building.
5. Furs and fur garments, jewels, jewelry, watches, pearls, precious and semi-precious stones, gold, silver, platinum and other precious metals and alloys for loss caused by theft.

6. **Money, securities**, accounts, bills, tickets, tokens, evidences of debt, **Electronic Data Processing Media and Data**.

7. Satellites, property undergoing insulation tests, aircraft, and watercraft over fifty (50) feet in length. For purposes of this exclusion, "aircraft" includes but is not limited to both manned aircraft and unmanned aerial vehicles. "Unmanned aerial vehicle" means an aircraft that is not designed, manufactured or modified to be controlled directly by a person from within or on the aircraft, including drones. This exclusion does not apply to "unmanned aerial vehicles" under 55 pounds in weight as equipped and as per the schedule agreed to and kept on file by POOL.

8. Personal property in the custody of the **Assured** acting as a warehouseman, bailee for hire, or carrier for hire.

#### **F. Perils Excluded**

There shall be no coverage for loss or damage caused by any of the following perils, unless coverage is specifically included in **Section V. C. Coverage Extensions**, or elsewhere in this Property Coverage Section; however, if loss or damage not excluded results, then that resulting loss or damage is covered.

1. Loss of market; loss of use; damage or deterioration arising from any delay, whether such delay is caused by a covered peril or otherwise; loss caused by any legal proceeding.
2. Misappropriation, conversion, infidelity or any dishonest act; whether committed alone or in collusion with others at any time, on the part of the **Assured** or any additional interest, employees, directors, officers, or agents of the **Assured**, or any person to whom the property may be entrusted (bailees for hire excepted). A willful act of destruction committed by employees of the **Assured**, without the knowledge of the **Assured**, resulting in physical damage, is covered.
3. Unexplained loss, mysterious disappearance, or loss or shortage disclosed on taking inventory; except that this exclusion will not apply to property while in the custody of any bailee. There will be no coverage for the voluntary parting with title or possession of property if induced by any fraudulent act or by false pretense.
4. Explosion, rupture, bursting, cracking, burning or bulging of steam boilers, steam turbines, gas turbines and steam engines; rupture, bursting, cracking, burning or, bulging of: pressure vessels, or piping or apparatus; attached to any steam boilers, steam turbines, gas turbines and steam engines; while all such property is owned, operated or controlled by the **Assured** or under the **Assured's** obligation to cover. This Coverage Form will cover physical loss or damage resulting from: the explosion of accumulated combustible gases or unconsumed fuel within the furnace of a boiler or pressure vessel, other than combustion gas turbines; or within the flues or passages which conduct the gases of combustion therefrom. Loss by fire ensuing from any of the above is covered by this Property Coverage Section.
5. Centrifugal force on rotating or moving parts of machinery; electrical, mechanical, or structural breakdown of machinery or equipment, including moving or stationary parts within or forming an integral part of such machinery or equipment.
6. The lack of power or other incoming service supplied from off the described location, however caused. If physical loss or damage covered herein results to Covered Property at a location described in the Schedule of Locations, the resulting damage is covered.
7. **Earthquake** as defined in this Property Coverage Section.
8. **Flood** as defined in this Property Coverage Section.
9. Wear and tear, gradual deterioration, inherent vice, latent defect, vermin or insects.

10. Defects in materials, faulty workmanship (whether the product or process), faulty construction or faulty design.

11. Dampness or dryness of atmosphere; changes of temperature; freezing, except damage to fire protective equipment caused by freezing; heating; shrinkage; evaporation; depletion; erosion; loss of weight; change in color, flavor, texture or finish; rust; corrosion.

12. Settling, cracking, shrinkage, bulging, or expansion of foundations, walls, floors, roofs, or ceilings. This exclusion will not apply to loss or damage resulting from collapse of a building or structure or of a material part of a building or structure.

13. Exposure to rain, sleet, snow, sand or dust to personal property in the open.

14. Electronic or magnetic injury or disturbance of any kind.

15. Loss arising from errors in machine or systems programming or instructions to machines or systems, unless physical damage not excluded by this coverage results, and then only for direct loss or damage caused by such covered peril.

16. Direct physical loss or damage to tangible Covered Property resulting from seizure or destruction of property by order of governmental authority

### G. Property Conditions

1. Notice to POOL:

The **Assured** will:

- a) give immediate notice to the POOL of any loss involving Covered Property via the POOL's designated claims service organization.
- b) protect the property from further loss or damage
- c) promptly separate the damaged and undamaged property; put it in the best possible order; and furnish a complete inventory of the lost, destroyed, damaged and undamaged property showing in detail the quantities, costs, **Actual Cash Value**, replacement value and amount of loss claimed.
- d) as often as may be reasonably required, permit the POOL to inspect the property proving the loss or damage and examine the books and records of the **Assured**.
- e) cooperate as requested by POOL in the POOL's investigation, adjustment, and valuation of any claim for loss or damage to Covered Property.

2. No Benefit to Bailee:

No person or organization, other than the **Assured**, having custody of **Assured** property will benefit from this coverage.

3. Vacant and Unoccupied Locations:

Permission is given to cease operations and for locations to be vacant or unoccupied for:

- a. Sixty (60) consecutive days; or
- b. Up to (120) consecutive days for seasonally operated facilities; or
- c. More than sixty (60) consecutive days with the written consent of POOL;

Provided that the **Assured** maintains the same degree of:

- 1) Fire protection; and
- 2) Watch and alarm service;
- 3) Winterizing measures;

as existed prior to the discontinuance of operations. POOL shall reduce the loss payable by 15% on any vacant or unoccupied building. Buildings under construction or renovation are not considered vacant.

4. Loss Payment:

POOL has the sole right to adjust, value, evaluate and pay claims for loss or damage to covered property on behalf of the **Assured**.

a. In the event of loss or damage to Covered Property, POOL, at its option, will either:

- 1) Pay the value of lost or damaged property;
- 2) Pay the cost of repairing or replacing the lost or damaged property;
- 3) Take all or any part of the property at an agreed or appraised value; or
- 4) Repair, rebuild or replace the property with other property of like kind and quality.

POOL will determine the value of lost or damaged property, or the cost of repair or replacement, in accordance with the applicable terms of paragraph 4, entitled "Basis of Valuation" or any applicable provision of this Coverage Form which amends or supersedes these valuation conditions.

b. POOL will give notice under paragraph 3.a within a reasonable time after receiving written notice of loss from the **Assured**.

5. Basis of Valuation:

Adjustment of loss amount(s) under this Property Coverage Section will be determined based on the cost of repairing or replacing (whichever is the lesser), at the time of loss, with materials or equipment of like kind and quality without deduction for depreciation, except as provided in this valuation section.

The following property, unless endorsed, will be valued at the time of loss as follows:

- a. On property of others: the amount for which the **Assured** is legally liable, but not exceeding the replacement cost.
- b. Fine Arts are valued at the lesser of:
- 1.) The cost to repair or restore the article to the condition that existed immediately prior to the loss;
  - 2.) The cost to replace the article; or
  - 3.) The value designated for the article on the schedule of fine arts on file with POOL.
- In case of physical loss or damage to an article that is part of a pair or a set, POOL will pay the full amount of the value of such pair or set only if the damaged article cannot be repaired or restored to its condition before the loss and the **Assured** surrenders the remaining article or articles of the pair or set to POOL.
- c. Accounts receivable is valued at the sum due which the **Assured** is unable to collect from customers, and includes:
- 1.) Interest charges on any loan to offset impaired collections pending repayment of such sums that cannot be collected;
  - 2.) Collection expenses in excess of normal collection cost; and
  - 3.) Other reasonable expenses incurred by the **Assured** in recreating records of accounts receivable.

If the **Assured** is unable to accurately determine the amount of outstanding accounts receivable at the time of loss, the following method will be used:

- i. Determine the total average monthly amounts of accounts receivable for the 12 months immediately preceding the month in which loss occurs; and
- ii. Adjust that total for any fluctuations in the month in which loss occurs, or for any demonstrated variance for that month.

Unearned interest charges and service charges on deferred payment accounts and normal credit losses on bad debts will be deducted. After payment of loss by POOL, all amounts recovered by the **Assured** on accounts receivable for which the **Assured** has been indemnified will belong to and be paid to the POOL by the **Assured** up to the total amount of loss paid by the POOL. All recoveries in excess of such amounts will belong to the **Assured**.

- d. **Automobiles** and mobile equipment are valued at the cost to repair or the market value for like kind and quality at the time of loss.
- e. **Specialized Operations Vehicles (Fire, Ambulance, School Buses or other Specialized Vehicles):** If such vehicles are listed on the schedule of vehicles on file with the POOL with an Agreed Value and:

- 1) at the time of loss, a vehicle is determined to be a **Total Loss**, or
  - 2) a physically damaged vehicle is inspected and cannot be certified by a professional mechanic, certified in evaluating emergency vehicles, to be in safe operating condition as an emergency vehicle, then the **Assured** will be paid the Agreed Value.
- f. **Valuable Papers and Records** is valued at: the cost to replace or restore the property with other of like kind and quality including the cost of researching, gathering and/or assembling information. If the information is not replaced or restored with other of like kind or quality, POOL will pay the blank value of such **Valuable Papers and Records**.
- g.. Property while in transit is valued as follows:
- 1) For property shipped to or for account of the **Assured**: the actual invoice to the **Assured**, together with such costs and charges (including the commission of the **Assured** as selling agent) as may have accrued and become legally due on such property.
  - 2) For property that has been sold by the **Assured** and shipped to or for account of the purchaser (if covered by this Property Coverage Section): the amount of the **Assured's** selling invoice, including prepaid or advanced freight.
  - 3) For property not under invoice: the actual cash market value at point of destination on the date of disaster, less any charges saved which would have become due and payable upon delivery at destination.
- h. **Money** and **Securities** are valued as follows:  
**Money** is valued in United States of America currency for all locations, unless specified otherwise. **Money** issued in currencies other than United States of America currency will be valued in United States dollar equivalent determined by the last rate of exchange quoted in the Wall Street Journal on the date of loss.  
**Securities** are valued at:
- 1) The cost to replace or restore the security with other of like kind or quality including the cost of issuing duplicate **securities**, if replaced; or
  - 2) The value of each security as of the close of business on the date of loss, if the **securities** cannot be replaced or restored with other of like kind or quality; provided the **Assured** must assign all rights, titles, and interest in such **securities** to POOL.
- i. Property in Transit is valued as follows:
- 1) Property in transit; Actual invoice value, plus costs and charges (including commission as selling agent) which have accrued and are legally due.
  - 2) Property shipped to or for the account of the **Assured**; selling invoice value, including prepaid or advanced freight, for property which has been sold by the **Assured**.
  - 3) Property shipped to or for the account of the purchaser; **Actual Cash Value** at the point of destination on the date of loss or damage, less any charges saved which would have become due and payable upon delivery at destination for property not under invoice.
- k. The **Named Assured** may:
- 1) Rebuild or have the property rebuilt at another site, provided that such rebuilding does not increase the amount of loss or damage which would otherwise be payable to rebuild at the current site.
  - 2) Give notice of claim to be calculated on **Actual Cash Value** of the property lost or damaged until repair or replacement has been completed.
- l. Replacement cost is subject to all the terms, conditions and limitations of the POOL Coverage Form (including any endorsements) and the following additional provisions:
- 1) In no event will payment exceed the actual repairs, replacement, or the limit of liability stated in this Coverage Form, whichever is the lesser.
  - 2) If during the term of this Coverage Form, any **Assured** real property is offered for sale, the value of loss or damage will not exceed the lesser of:
    - a. The price of the offer for sale while the property is offered for sale (with proper deduction for the value of any land); or

b. The cost to repair or replace. If the **Assured** fails to comply with any of the valuation provisions or does not elect replacement cost within two (2) years from the date of loss, the basis of valuation will be limited to the **Actual Cash Value** as defined in this Coverage Form.

m. Scheduled Property with an Agreed Value:

The POOL will pay the Agreed Value for property listed on the **Assured's** Agreed Value Schedule of Property, as agreed upon by the Assured and POOL, in the event of a **Total Loss** of the property which cannot be repaired or replaced. If the property can be repaired or replaced, the maximum liability shall not exceed the least of:

1. the cost to repair or restore the property to the condition that existed immediately before the loss; or
2. the cost to replace the property; or
3. the Agreed Value.

6. Appraisal:

If the **Assured** and POOL are unable to agree as to the amount necessary to rebuild, repair or replace the damaged or destroyed property or the actual value of loss, each party shall name a competent and disinterested appraiser and the two so chosen shall, before proceeding further, appoint a competent and disinterested umpire. The appraisers together shall obtain repair or replacement estimates, calculate the value of loss, and failing to agree shall submit their differences to the umpire. The award, in writing, duly verified by any two shall determine the points in question. Both parties shall pay the cost of their own appraisers and equally pro rate the cost of the umpire.

7. Suspension:

Upon discovery of a dangerous condition, POOL may immediately suspend the coverage with respect to any Covered Property by giving written notice to the **Assured**. The coverage that is suspended may be reinstated by POOL. If coverage is suspended, it will also be immediately suspended for any mortgagee, lender or additional named interest by written notice of suspension.

8. Conditions Applicable to Property Extension 8. Monies and Securities:

a. Cancellation as to Any Employee

1). This coverage is cancelled as to act of any employee immediately upon notice to or discovery by the **Named Assured** or any official or employee of the **Named Assured** authorized to manage, govern or control employees (who is not in collusion with the employee) of theft or any other dishonest act committed by that employee whether before or after becoming employed by the **Named Assured**.

b. Discovery

1) Coverage applies for **loss** sustained through acts committed or events occurring at any time and discovered by the **Named Assured**

- a) during the coverage period; or
- b) one year after the date of cancellation, termination or expiration of this coverage period.

2) Discovery of loss occurs when the **Named Assured** or any official or employee of the **Named Assured** authorized to manage, govern or control employees (who is not in collusion with the employee) first becomes aware of facts from which a reasonable person would know or should know that a loss covered by this coverage has been or will be incurred even though the exact amount or details of loss may not then be known. Discovery also occurs when the **Named Assured** or any official or employee of the **Named Assured** authorized to manage, govern or control employees (who is not in collusion with the employee) receives notice of an actual or potential claim against the **Named Assured** alleging facts that if true would constitute a covered loss under this Coverage Form.

## Section VI. LIABILITY COVERAGE

### A. Liability Coverage Agreement (Note: Claims-Made for Wrongful Acts)

In consideration of the payment of the Contribution and subject to the Limits of Liability, exclusions, conditions and other terms of coverage, POOL agrees with the **Assured** to pay on behalf of the **Assured** the total sum of damages which the **Assured** becomes legally obligated to pay as damages resulting from an **Event**, such sum (including related medical and legal costs) being reached either through adjudication or compromise after proper deductions for all recoveries and salvages.

Coverage applies to damages due to an **Event** taking place anywhere in the world, provided that the **Assured's** responsibility to pay damages arising out of such **Event** is determined in a suit on the merits in the United States of America or in a settlement of such suit agreed to by the POOL.

## **B. Liability Definitions**

1. **Automobile** means any land motor vehicle, mobile equipment, trailer/semi-trailer, and attached equipment.
2. **Bodily Injury** means physical injury to any person, including death, sickness, disease or any mental anguish, shock or disability associated with or arising from such physical injury.
3. **Employment-based Benefit Plan Administration** means giving counsel or coverage interpretation to active or prospective benefit plan participants, handling of related records, or effecting enrollment, notification, revision, termination or cancellation of coverage under any employment-based benefit plan. Employment-based benefit plan includes life insurance, accident or health insurance, profit sharing plans, pension plans, stock subscription plans, workers' compensation, unemployment insurance, social security, disability benefits, vacation plans and any other similar employment-based benefit plans.
4. **Event** means one or more of the following:
  - a. an accident that causes **Bodily Injury** or **Property Damage** during this coverage period, excluding consequential **Bodily Injury** that arises out of a **Personal Injury**;
  - b. **Personal Injury** caused by an offense committed during this coverage period;
  - c. **Law Enforcement Activities** during this coverage period which cause **Bodily Injury**, **Property Damage**, **Personal Injury** or the violation of civil rights; however, any damages arising out of employment practices of the **Named Assured** (including discrimination related to recruitment, hiring, evaluation, training, promotion, demotion, discipline or termination of an employee) will be considered a **Wrongful Act** herein;
  - d. any injury caused by errors or omissions arising out of **Employment-based Benefit Plan Administration** committed during this coverage period;
  - e. a **Wrongful Act** taking place during this coverage period or on or after the retroactive date shown in the declarations page of this Coverage Form and reported to POOL during this coverage period or reported to POOL during any extended reporting period added to this coverage by endorsement, but a **Wrongful Act** does not include damages arising out of an **Event** as defined in a., b., c. or d. above.
5. **Law Enforcement Activities** means performance while acting within the scope of duty, including policy making, supervisory and executive functions relating to law enforcement, (a) as a law enforcement officer or reserve officer, (b) as an officer of a jail, (c) as any **Assured** representing a law enforcement agency, and (d) including activities performed for other than the **Named Assured** which are approved in advance by an authorized representative of the **Named Assured**.
6. **Personal Injury** means injury, including consequential **Bodily Injury**, arising out of one or more of the following offenses: False arrest, detention, or imprisonment; malicious prosecution; false or

improper service of process; publication or utterance of libel or slander or disparaging material or a publication or utterance in violation of an individual's right to privacy; violation of right of public occupancy; wrongful eviction, wrongful entry, or invasion of premises; assault and/or battery; discrimination; piracy and infringement of copyright of property.

7. **Property Damage** means physical injury to or loss of use of tangible property of others including damage to structures or portions thereof rented to or leased to the **Assured**, including fixtures permanently attached thereto.
8. **Wrongful Act** means any actual or alleged error or misstatement, omission, act of neglect or breach of duty including misfeasance, malfeasance, and nonfeasance by the **Assured**. **Wrongful Act** includes actual or alleged violations of the United States Constitution or any State constitution, or any law affording protection for civil rights, provided coverage is otherwise afforded hereunder for such **Wrongful Act**.
9. The term **Sexual Abuse** as used hereunder shall mean any actual, attempted or alleged sexual conduct towards or to another person or persons, whether intentional, expected or unintentional, which causes physical and/or mental injuries. **Sexual Abuse** includes, but is not limited to, sexual molestation, sexual assault, sexual contact or touching and/or sexual exploitation or sexual injury.

**Sexual Abuse** does NOT include **Sexual Harassment** as defined in this Coverage Form.

10. The term **Sexual Harassment** as used hereunder shall mean any actual, attempted or alleged unwelcome sexual advances, requests for sexual favors or other conduct of a sexual nature towards or to another person or persons, which causes physical and/or mental injuries. **Sexual Harassment** includes:
  - a. The above conduct when submission to or rejection of such conduct is made either explicitly or implicitly a condition of a person's employment, or a basis for employment decisions affecting a person; or
  - b. The above conduct when such conduct has the purpose or effect of unreasonably interfering with a person's work performance or creating an intimidating, hostile or offensive work environment.

**Sexual Harassment** does NOT include **Sexual Abuse** as defined in this Coverage Form.

### **C. Liability Exclusions**

1. Coverage does not apply to any claim for damages, whether direct or consequential, which is covered under any other Section of this Coverage Form. Coverage does not apply to property owned by the **Assured**, or to loss of use of tangible property owned by the **Assured**.
2. Coverage does not apply to any claim brought about or contributed to by acts intended or expected by the **Assured** to cause **Bodily Injury** or **Property Damage**. Any act of any one **Assured** will not be imputed to any other **Assured** for the purpose of determining the application of this exclusion.
3. Coverage does not apply to any claim made against any **Assured** flowing from or originating out of the **Assured** gaining any profit or advantage to which they were not legally entitled including, but not limited to, any wrongful or erroneous collection of taxes, fees or other charges, by whatever name called.
4. Coverage does not apply to any claim arising out of any criminal, dishonest, fraudulent or malicious act, error or omission of any **Assured**, committed with actual, criminal, dishonest, fraudulent or malicious purpose or intent. However, notwithstanding the foregoing, the **Assured** will be reimbursed up to the aggregate limit shown in the Liability Declarations for reasonable attorney fees and costs when incurred in the defense of any criminal proceeding arising out of what would otherwise be within the scope of the **Assured's** employment, provided the **Assured** is exonerated from all charges or all charges are subsequently withdrawn or dismissed. When an **Assured** is a



defendant represented by the same attorney or law firm representing other defendants in the same criminal proceeding who are not an **Assured** under this Coverage Form, payment hereunder shall be limited to the **Assured's** proportionate share of the total of the reasonable attorney fees.

If the **Named Assured** is required by law to provide for an employee's legal defense in a criminal proceeding, this coverage will reimburse the **Assured** in accordance with such law.

Whenever coverage under this Coverage Form would be excluded, suspended or lost because of any exclusion relating to criminal, dishonest, fraudulent or malicious conduct by any person covered hereunder, it is agreed that coverage as would otherwise be afforded herein shall be applicable with respect to an **Assured** who did not personally participate or personally acquiesce in or remain passive (including failure to give timely notice) after having knowledge of such conduct.

5. Coverage does not apply to liability arising out of the ownership, maintenance, loading or unloading, use, operation or entrustment to others of any aircraft, airfields, runways, hangars, buildings, or other properties in connection with aviation activities. For purposes of this exclusion, "aircraft" includes but is not limited to both manned aircraft and any "unmanned aerial vehicles." "Unmanned aerial vehicle" means an aircraft that is not designed, manufactured or modified to be controlled directly by a person from within or on the aircraft including drones.

However, this exclusion does not apply to liability arising out of the use of **automobiles** of the **Assured** used in connection with the operation of an airport and on the premises of an airport owned, maintained, or operated by the **Assured**.

Also, this exclusion does not apply to **Wrongful Acts** arising out of airport ownership.

This exclusion does not apply to "unmanned aerial vehicles" under 55 pounds in weight as equipped and as per the schedule agreed to and kept on file by POOL.

6. Coverage does not apply to any obligation for which the **Assured** may be held liable: (a) to any employee under the Fair Labor Standards Act (FLSA) or under any similar laws, however, coverage is extended for costs of defense of actions alleging violation of such laws; (b) under any workers' compensation, unemployment compensation, disability benefits, uninsured or underinsured motorists law, or under any similar laws; or (c) for bodily injuries to any employee of an **Assured** arising out of and in the course of employment by the **Assured** or arising out of performing duties related to the conduct of the **Assured's** business or **Bodily Injury** to any family member of an employee arising out of such activities. The exclusion under (c) applies whether the **Assured** may be liable as an employer or in any other capacity and to any liability for indemnity or contribution brought by any party for **Bodily Injury**.
7. Coverage does not apply to any liability arising out of or in any way connected with the operation of the principles of eminent domain, condemnation, inverse condemnation, or taking of any real property interest, by whatever name(s) called, whether such liability accrues directly against the **Assured** or by any agreement entered into by or on behalf of the **Assured**.

This exclusion also applies to any liability arising out of or connected with allegations that the **Assured's** actions constitute a taking of any real property interest in violation of substantive due process, including but not limited to any allegations that the **Assured's** actions lack any substantial relation to the public health, safety or general welfare and/or that the **Assured's** actions are arbitrary, capricious, irrational or unreasonable and/or not related to any legitimate governmental purpose.

8. Coverage does not apply to any liability arising out of the rendering of or failure to render the following professional services (including furnishing of food or beverages in connection therewith):
  - a. medical, surgical, dental, radiological or nursing service or treatment except by forensic medical examiners or coroners;
  - b. furnishing or dispensing of drugs or medical, dental or surgical supplies;
  - c. services by any person as a member of a formal accreditation or similar professional board or committee of the **Assured**, or as a person charged with the duty of executing directives of any

such board or committee, except the administrative, certification, and training duties of an ambulance services medical director (including law enforcement and firefighting agencies as required by law) and medical supplies approving authority.

Further, coverage does not apply in any way to liability arising out of the ownership, operation, management or oversight of any hospital.

This exclusion does not apply to incidental malpractice liability arising out of the rendering of, or failure to render, professional health care services by ambulance crews, emergency medical technicians, paramedics, firefighters or police officers, or nurses including those providing forensic blood draw services in connection with a variety of law enforcement investigational activities, allowed or required by Nevada law. The scene of such medical services may be outside the scope of employment or outside the **Assured's** jurisdiction. However, this coverage will not apply if the individuals rendering medical services are doing so on behalf of and while working or volunteering for another medical services organization not an **Assured** under this coverage.

This exclusion does not apply to services by a public health official arising out of their official duties to protect the health and safety of the general public.

9. Coverage does not apply to any liability arising out of any breach of or failure to perform a contractual obligation including warranties of any kind and including labor agreements. However, this exclusion does not apply to employment related contracts other than labor agreements.

This exclusion does not apply to any statutory implied agreement between law enforcement agencies, in the absence of interlocal or cooperative agreement, to defend, hold harmless, and indemnify claims or liability arising out of the act or omission of the **Assured's** employee while participating in a request for assistance, under NRS 277.035 or Nevada law.

10. Coverage does not apply to any claim based upon or attributable to the rendering or failure to render any opinion, treatment, consultation or service if such opinion, treatment, consultation or service was rendered or failed to have been rendered while the **Assured** was engaged in any activity for which they received compensation from any source other than the **Named Assured**.
11. Coverage does not apply to any claim arising out of estimates of probable costs or cost estimates being exceeded or for faulty preparation of bid specifications or plans.
12. Coverage does not apply to any claim for a **Wrongful Act** arising out of failure to supply a specific amount of electrical power or fuel due to interruption of the electrical power or fuel supply or transmission thereof.

However, an **Event** (other than a **Wrongful Act**) arising from interruption of the electrical power or fuel supply or transmission thereof is covered.

13. Coverage does not apply to any claim based upon or arising out of:
- a. the issuance, modification or cancellation of debt instruments, including, but not limited to, loans or transfers, and interest payable, whether legal or illegal; the collection or payment of taxes, fees or other charges or the collection of or payment of taxes, fees or other charges, to or for any other entity, including, but not limited to, hospitals, schools, commissions, joint commissions, boards, agencies, internal or external funds, districts and authorities;
  - b. the failure or alleged failure to comply with any regulatory act or statute such as those governing Medicare or similar Federal programs, the Nevada State Indigent Accident Funds or similar State programs; or
  - c. any fiduciary obligation or duty imposed by the Employee Retirement Income Security Act of 1974 (ERISA), the Pension Benefit Act, the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), or Section 89 of the Internal Revenue Code, or any amendments thereto or similar provisions of any federal, state, local, statutory, or common law.

14. Coverage does not apply to any liability arising out of the performance or non-performance of an investment.
15. Coverage does not apply to any damages, awards of interest, costs, civil fines, penalties, fees, including attorney's fees, or expenses that the **Assured** may become obligated to pay as a result of an adverse judgment for equitable, injunctive or declaratory relief. Coverage does not apply for any restitution, refund or reimbursement whether called damages or otherwise or to any cost or expense in processing such restitution, refund or reimbursement.
16. Coverage does not apply to any damages, costs, civil fines, penalties or expenses incurred by any **Assured** arising out of any complaint or enforcement action from any federal, state, or local government regulatory agency. However, defense costs related to such actions will be reimbursed for an amount not to exceed the amount shown in the Liability Declarations per **Event**.
17. Coverage does not apply to any criminal court sanctions, fines, penalties, fees, costs, expenses or interest awarded against an **Assured** or to any award of attorney's fees and litigation expenses to a prevailing party in a criminal case after a finding by the court that the **Assured's** position in pursuing the criminal action was vexatious, frivolous or in bad faith under NRS Chapter 41, state, or federal law.
18. Coverage does not apply to any liability arising out of:
  - a. Failure of performance of contract by any insurer;
  - b. Failure to procure insurance or the failure of such insurance to adequately cover risks.
19. Coverage does not apply to any liability with respect to **Employment Based Benefit Plan Administration** arising out of:
  - a. Insufficiency of funds to meet any obligations under any plan included in the employment-based benefit plan;
  - b. Errors in providing information on past performance of investment vehicles;
  - c. Advice given to any person with respect to that person's decision to participate or not participate in any plan included in the employment-based benefit plan;
  - d. Failure of any investment to perform as represented;
  - e. Investment or non-investment of funds or the performance or nonperformance of any investment;
  - f. Legal advice or investment advice given to an employee or beneficiary;
  - g. Any loss resulting from the termination of any plan included in the employment-based benefit plan or termination of the employment-based benefit plan;
  - h. Taxes, fines or penalties, including those imposed under the Internal Revenue Code or any similar state or local law; or
  - i. Any act or omission of a third-party administrator, or any person other than an employee, who administers an employment-based benefit plan.
20. Coverage does not apply to any damages for **Bodily Injury, Property Damage, Personal Injury**, or other injury that is continuous or progressively deteriorating, and that is first manifest prior to the effective date or after the expiration of this Coverage Form. This exclusion applies even if such injury or damage continues or deteriorates during the term of this Coverage Form.

The most POOL will pay for **Bodily Injury, Property Damage, Personal Injury** and any other injury that is continuous or progressively deteriorating, and that is first manifest during the period of this Coverage Form, is the applicable limit of coverage shown in the Declarations of this Coverage Form. This is the only limit that applies to all related **Bodily Injury, Property Damage, Personal Injury** or other injury, regardless of whether such injury or damage existed before, or continues or progressively deteriorates after, the period of this Coverage Form.

Within the meaning of this exclusion, injury or damage is manifest when appreciable harm occurs that is or should be known to the **Assured** or the person or organization harmed.

21. Coverage does not apply to any claim arising out of the act of **Sexual Abuse** by the **Assured**. Any such act pertaining to any one **Assured** will be imputed to any other **Assured** who personally participated or personally acquiesced in or remained passive (including failure to give timely notice) after having knowledge of such **Sexual Abuse**.

Coverage for any other **Assured** shall not exceed the sublimit shown in the Liability Declarations.

22. Coverage does not apply to liability of any **Assured** who, directly or indirectly, causes damages to their **Assured** employer or principal.

#### **D. Liability Conditions**

1. Duties of the **Assured** – If there is an **Event**, loss, incident, occurrence, demand, notice, summons or claim that might involve this coverage, the **Assured** shall submit written notice to POOL as soon as reasonably practicable via POOL's designated claims service organization including particulars sufficient to identify parties involved, time, place, circumstances, nature of any injury or damage, witnesses and any other pertinent information.
2. Cooperation – The POOL has no duty to defend but may at its sole discretion defend an **Assured** against any claim for damages. Where the POOL has exercised its discretion to defend an **Assured**, the POOL has the sole right to investigate, defend or settle any claim against an **Assured** for damages. The **Assured** shall cooperate with POOL, its claims representatives and investigators, and attorneys assigned by POOL to represent the **Assured**, and if requested, attend hearings and trials, assist in securing and obtaining evidence, and obtaining the attendance of witnesses. The **Assured** shall not admit to any liability, assume any obligation, voluntarily make any payment or incur any expense other than first aid to others at the time of an accident. The **Assured** agrees to comply with all terms and conditions in all sections of this Coverage Form. The **Assureds** shall not waive any immunities granted to local governments.
3. Records - The records as kept by the **Assured** shall be made available to POOL or its representatives as necessary to determine the amount of loss or damage covered hereunder.
4. Appeal – If the **Assured** and POOL are unable to agree to appeal a judgment, a disinterested attorney, mutually agreeable to POOL and the **Assured**, shall be retained to render a written opinion concerning such appeal. Such written recommendation shall be binding on both the **Assured** and POOL. Fees of such retained attorney shall be borne equally by both parties.
5. Opportunity to Associate - It is understood that, when so requested, POOL may afford the **Assured** an opportunity to associate, at the **Assured's** own expense, with the POOL in the defense or control of any claim, suit or proceeding.
6. Severability of Certain Interests: If liability is incurred by reason of injury suffered by an employee of one **Assured**, which does not arise out of the injured employee's employment, for which another **Assured** is liable, then this coverage shall pay on behalf of the **Assured** for such liability in the same manner as if separate coverage documents had been issued to each **Assured**. If liability is incurred because of **Property Damage** to property belonging to any **Assured** for which another **Assured** is liable, then this coverage shall pay on behalf of such **Assured** in the same manner as if separate coverage documents had been issued to each **Assured**. Nothing contained in this Condition shall operate to increase POOL limits of liability or to provide coverage for any **Assured** who, directly or indirectly, causes damages to their **Assured** employer or principal.
7. For the purpose of determining the limit of POOL's liability and the Maintenance Deductible of the **Named Assured**, all damages arising out of one or more related **Events** or arising out of a series of continuous, repeated or interrelated **Events** will be considered as arising out of one **Event**; furthermore, all such damages, whether attributable directly or indirectly to one **Event**, will be added together and the total amount of such damages shall be deemed one **Event**, regardless of the period of time or area over which the **Event** occurs.

8. If any **Event** other than a **Wrongful Act** includes allegations of and is associated with a **Wrongful Act** then all damages arising out of that **Event** and the **Wrongful Act** shall be deemed one **Event** at the time the claim is first made, and the only applicable coverage is that which is in effect at the time the claim is first made.
9. An **Event** with no associated **Wrongful Act** which takes place during more than one coverage period shall be deemed an **Event** during only one coverage period and only the most recent coverage period during which the **Event** took place shall apply.
10. If a **Wrongful Act** did not take place during this coverage period, but commenced on or after the retroactive date shown on the Liability Declarations page of this Coverage Form and prior to the beginning of this coverage period, and a claim because such **Wrongful Act** is made against the **Assured** and reported to POOL during this coverage period, this coverage is extended to damages resulting from such a **Wrongful Act**. Coverage does not apply to damages resulting from a **Wrongful Act** that commenced prior to the retroactive date.
11. Extended Reporting Periods:
  - a. POOL will provide one or more reporting periods, as described below, if this coverage is cancelled or not renewed for any reason other than nonpayment of loss fund contributions or any other amount owed to POOL.
  - b. The reporting periods do not extend the coverage period or change the scope of coverage provided. The reporting periods apply only to claims first made against an **Assured** during the applicable reporting period for damages because of a **Wrongful Act** that occurred before the end of the coverage period.
  - c. The reporting periods do not reinstate or increase the limits of liability.
  - d. A Basic Reporting Period of 30 days from the effective date of cancellation or non-renewal of this form is automatically provided without an additional charge. Subject to the terms and conditions of this coverage, the Basic Reporting Period applies to claims for damages that are first made against the **Assured** and reported in accordance with all coverage provisions no later than the end of the Basic Reporting Period.
  - e. An Optional Extended Reporting Period will take effect on the effective date of cancellation or non-renewal of this coverage and will remain in effect for a period of one to five years, depending on which Optional Extended Reporting Period is purchased. Subject to the terms and conditions of this coverage, the Optional Extended Reporting Period applies to claims for damages that are first made against the **Assured** and reported in accordance with all coverage provisions no later than the end of the Optional Extended Reporting Period. The additional Contribution for this Optional Extended Reporting Period will depend upon which option is chosen. POOL must receive a written request from the **Assured**, together with payment of Contribution due, within 60 days after the effective date of cancellation or non-renewal of this coverage if purchase of one of the Optional Extended Reporting Periods is desired. Once POOL acknowledges receipt of the additional Contribution, the Optional Extended Reporting Period may not be cancelled and the Contribution for the Optional Extended Reporting Period is fully earned.
  - f. The Basic Reporting Period or the Optional Extended Reporting Period does not apply to claims covered under any other coverage purchased subsequent to or to replace this coverage.

**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)
Cash Minor	2019-2021	Elko County	Chair		X		
Geof Stark	2019-2021	Churchill County		X			
Josh Foli	2019-2021	Lyon County	Vice Chair		X		
Dan Murphy	2019-2021	Pershing Co. School District				X	
Gina Rackley (Declared candidate)	2020-2022	Humboldt County		X			
Ann Cyr	2020-2022	Carson City School District				X	
Gerry Eick	2020-2022	Incline Village GID	Fiscal Officer				X

**Voting Special Districts/Towns:**

Greg Reed	Gardnerville Ranchos GID	X
Susan Severt or Garth Elliott	Sun Valley GID	X
Chris Mulkerns	Town of Tonopah	X
Gerry Eick or Dee Carey	Incline Village GID	X
Amy Hagan-Martin	Southern Nevada Health District	X
Scott Baker	Tahoe Douglas Fire Protection District	X