



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

Date: November 6, 2009

Time: 9:30 A.M.

Place: 201 S. Roop St., Conference Room 2

Carson City, Nevada 89701

Conference Call: (800) 593-9034 Passcode: 15042

1. Roll

Members Present: Mike Rebaleati, Pat Whitten, Lisa Jones, Jeff Zander, Dan Newell, Mike Pennacchio, Alan Kalt, Cash Minor, Roger Mancebo, Bill Kohbarger, Paul Johnson, Toni Inserra, Steve West

Members Absent: Claudette Springmeyer

Others Present: Wayne Carlson, Doug Smith, Debbie Connally, Donna Squires, Bob Lombard, Joe Woods

2. Action Item: Consent Agenda - Approve as a Whole Unless Moved From Consent Agenda

a. Approval of Minutes of Meetings:

1) Joint Executive Committee – March 16, 2009

b. Executive Director's Report

c. Financial and Investments Reports

On motion and second to remove item 2.c. from the consent agenda for further discussion, the motion carried.

On motion and second to approve items 2 a and 2 b, the motion carried.

Regarding item 2.c., Joe Woods presented a review of the NPAIP and PACT investments, noting current returns and asset allocations for each. Doug Smith commented that Eagle Asset Management's conservative approach outperformed the very difficult market in the last year. Joe Woods added comments about how Eagle ranked against peers in performance and said that the performance was greater than nearly all peers because of Eagle's conservative style. He noted that he has the ability to look deeply into Eagle's strategies and has been able to see at a detailed level what strategies they have utilized and is very satisfied with their approach.

On motion and second to accept the investment advisor's report, the motion carried.

3. Action Item: POOL Building Leases

a. Release of Sierra Nevada Administrators from Lease Extension Effective 1/1/2010

b. Waiver of Lease Cost Increase for Nevada Association of Counties for 2010 and 2011

c. Amend Public Agency Risk Management Services Lease Agreement to Correct Term

3.a. Wayne Carlson explained that Sierra Nevada Administrators had agreed to a one-year lease extension a few weeks ago and after signing it, they were notified that their TPA contract with State Risk Management was being terminated as of 12/31/09. They requested release from the extension. Their lease contains a provision that allows for their release if their TPA contract is terminated with the State because that contract requires co-location with Risk Management. They also asked for a waiver of rent for the holdover period to vacate the premises by January 8, 2010. State Risk Management advised that they have ongoing transition discussions with the current and new TPA, but that no decision was made about co-location at this time.

On motion and second to release Sierra Nevada Administrators from the lease extension and not to charge holdover rent for the period from 1/1/2010 to 1/8/2010 as they vacate the premises, the motion carried.

3.b. Wayne Carlson indicated that Jeff Fontaine had requested budget relief for NACO in the form of a waiver of the 3% increase that takes effect on 1/1/2010. He said he put it on the agenda for both 2010 and 2011 to allow the committee to consider a two year waiver. Under discussion, it was noted that NACO had looked into purchasing its own building, but decided not to do so. Roger Mancebo commented that he did not think NACO would consider purchasing a building again.

On motion and second to waive the 3% increase only for the term effective 1/1/2010, the motion carried.

3.c. Wayne Carlson explained that a typographical error had been made in the lease agreement for Public Agency Risk Management Services, Inc. in that the term showed a period of 1/1/2008 through 1/1/2013, but the lease payments began July 1, 2008. He reminded the committee that the PARMS contract ran from July 1, 2008 and the lease was to be concurrent with the contract term. The payment paragraph was accurate, but the paragraph above did not get changed appropriately.

On motion and second to amend to correct the lease term to run from July 1, 2008 through July 1, 2013, the motion carried.

3. Action Item: Acceptance of Reports

- a. POOL and PACT Audit Reports**
- b. Large Loss Report**
- c. Wells Earthquake Report**

3.a. The committee reviewed the PACT audit. On motion and second to accept the PACT audit, the motion carried. The committee then reviewed the draft POOL audit. On motion and second to table the POOL audit pending finalization by the auditor, the motion carried.

3.b. Wayne Carlson and Donna Squires commented on the status of the large claims that occurred in the 2007-2008 fiscal year. They noted that the Fernley canal break claims had been determined to be two separate wrongful act claims, thus NPAIP's retention would be \$500,000 each claim. Defense costs currently exceed \$500,000 and are projected to reach \$1,000,000 by the end of fiscal year 2009-2010 so NPAIP will exhaust its retentions by then. Doug Smith commented that Public Risk Mutual and County Reinsurance also would be exposed to two retentions/limits and he would be evaluating the reserves in light of this determination.

3.c. Donna Squires reviewed her report on the status of the Wells earthquake that occurred in the 2007-2008 fiscal year. She noted that a global settlement was discussed with the City of Wells on their claims and a tentative agreement reached, subject to reinsurers agreement and agreement of all parties on the release documents which are being circulated for review. The tentative recommendation to the

reinsurers is for approximately \$1.5 million plus up to an additional \$220,000 for open items that are under further review.

On motion and second to accept the 3.b and 3.c reports, the motion carried.

4. Action Item: Renewal Strategies for POOL and PACT

a. Retention Options

b. Consider Offering Membership for Excess Coverage Only to Self-Insured Entities

c. POOL Coverage Form Changes and Reinsurance Issues

4.a. Wayne Carlson opened the discussion about what retention options each pool would be willing to consider in light of the financial condition at this time. The committee discussed its current minimum financial ratio of maintaining surplus equal to at least twelve times the highest retention. Currently both pools exceed this ratio substantially. Considerable discussion ensued regarding possible options including retentions as high as \$1,000,000 and possibly adding an aggregate stop loss to protect the balance sheet should such a high retention occur multiple times. Cash Minor reminded the committee of the financial stress test and the need to be sure to hold onto substantial surplus. It was suggested that the retention decision should take into account the ability of the captives to bear some of the risk as well as the cost-benefit of higher retention vs. reductions in reinsurance costs. Bob Lombard suggested three major options could be evaluated such as a modest increased property and/or liability retention in NPAIP and in PACT; an increase in the captives' retention without an increase in the pools'; and purchase of an aggregate excess stop loss that would protect the maximum dollar amount of all losses that the pools' are willing to bear financially. The committee expressed interest in considering retention options up to \$1,000,000 under these three options and directed staff to review this further as part of the renewal negotiations process.

4.b. Wayne Carlson and Doug Smith presented the concept that PACT and/or NPAIP could consider allowing self-insured larger entities to join for excess coverage only. They noted that several NPAIP member school districts were self-insured for workers compensation and offering to help them with workers compensation excess would be a potential benefit to them. Bob Lombard noted that there could be issues with excess insurers regarding TPA's other than ASC since the reserving practices and quality of claims handling would have to be acceptable. The committee expressed concerns, but were willing to consider this for existing members of either pool should the need arise.

4.c. Wayne Carlson indicated that the NPAIP coverage form was being split into separate stand-alone sections in order to improve readability regarding several provisions. He indicated that Doug was focusing on the liability side and Ann Wiswell on the property side. He asked if members had any coverage suggestions to consider. Under discussion, there was some interest in the coverage related to labor arbitration expenses and to green building coverage since under SB 152, a survey was taken relative to green building projects. Wayne indicated that any changes would have to be agreed to with the reinsurers, but would be considered in the drafting process.

5. Action Item: Actuary Report for PACT Presumptive Benefits Funding

a. Acceptance of Report

b. Determination of Future Funding Policy and Rates

c. Cardiac Wellness Program Progress and Action on Further Implementation

Wayne Carlson provided an overview of the actuarial report noting that the present value amounts of about \$22,000,000 as of this report were fairly close to those of the original report. This meant that while about \$6,000,000 had been collected based upon the first report, we remain at the same present value now. Part of this results from the lack of ability to shift old claims to the prior insurer under the last injurious exposure rule. Part is due to the demographics and increased awareness of the benefit by employees, health care providers, health insurers and Medicare's increased reporting requirements in the settlement of claims.

He and Doug Smith reviewed the proposed rate changes received from the actuary that show varying rates depending upon the assumption as to how many future claims would be accepted by PACT. Considerable discussion ensued regarding which rate level to consider and what incentives could be built in to increase participation in the Cardiac Wellness Program (CWP).

As respects the CWP, Wayne noted that there were more members participating, but due to resistance from several members/employee unions, even participating member agencies had less than 15% of employees actively in the program. He commented that the Professional Firefighters of Nevada had advised their local unions not to participate in the CWP. He mentioned that he had been able to turn this directive around with one member by meeting with the local union and explaining the program along with SpecialtyHealth.

Sentiment was expressed to increase the rate substantially in order to catch up on the funding needs and to get the attention of leadership in the members to endorse the CWP in order to cut future funding. Ideas for incentives were discussed including a dollar amount reduction per participating employee as an incentive grant that would reduce the effect of the payroll rate increase. Staff was directed to develop a plan with incentives and to notify members early of the rate increase and the incentive plan so that they can incorporate it into their budget discussions and perhaps get management buy-in and thus employee buy-in to the CWP in order to save costs.

6. **Action Item: Capitalization Policies and Review of Captives' Performance**
 - a. **Authorize Additional Capitalization of Public Risk Mutual based on POOL Capitalization Policy Statement**
 - b. **Authorize Additional Capitalization of Public Compensation Mutual based on PACT Capitalization Policy Statement**

The committee discussed the amounts available for possible transfer to the captives based upon the policy statements that 50% must be retained in the pools. The total amounts available were: NPAIP: \$2,531,847; PACT \$4,473,424. On motion and second to transfer 50% of these amounts to each respective captive as additional capitalization, the motion carried.

7. **Action Item: Consider Implementation of an Inmate Medical Insurance Program**

Wayne Carlson reviewed two possible programs from Willis Pooling and from the National Association of Counties endorsed program with Correctional Risk Services. He compared the programs and asked whether there was interest in obtaining formal proposals. Toni Inserra commented that her hospital and the Sheriff had had several discussions about what is covered, particularly for mental health cases and pre-detention medical intakes. She noted that they have a clinic service delivered within the jail and asked whether coverage would extend to these issues. The committee expressed interest in pursuing proposals from both organizations for consideration.

8. **Action Item: Review of Adverse Publicity Against NPAIP and Determine Response**

Wayne Carlson and Doug Smith provided background and commentary on the correspondence from Bill Kolstad of A to Z Insurance to a couple of members that expressed negative views of NPAIP and misrepresented our financial and investment decisions. They noted that the detailed response letter was drafted with input from the investment advisors and others in order to be thorough and accurate about our position in response to the criticism. Doug noted that he had attended one member's board meeting along with the local agent to review our response and was well-received. He also noted that another member had asked us to attend their December meeting as well. Several committee members expressed their outrage at the allegations from Kolstad and indicated that they strongly believed in the soundness of NPAIP and its investments. Joe Woods provided current marked to market values and indicated that each of the investment reports showed current market valuation and that he could obtain current market values daily as needed.

On motion and second to support the letter drafted by staff in response to Kolstad's allegations, the motion carried.

9. Action Item: Consider Negotiation with Bickmore Risk Services for Updates of OPEB Liability Studies

Wayne Carlson commented that Jeff Furnish had left Bickmore, but other actuaries who had worked on the original OPEB reports had stepped in. He asked Greg Trout, President of Bickmore whether they could offer a flat rate proposal for the updates and had received a positive response, but not a specific proposal at this time. He mentioned the caveats on pricing the proposal and asked whether the committee wanted to pursue negotiations for a proposal.

On motion and second to direct staff to negotiate a proposal for updating the OPEB reports, the motion carried.

10. Public Comment

None was received.

11. Action Item: Adjournment

On motion and second to adjourn, the meeting adjourned at about 2:30 p.m.

The Agenda was posted at the following locations:

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

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

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

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