



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

**Date: March 6, 2007**

**Time: 10:30 A.M.**

**Place: 201 S. Roop St., Conference Room 2  
Carson City, Nevada 89701**

**AGENDA**

**1. Roll**

Members present: Alan Kalt, Mike Rebaleati, Claudette Springmeyer, Cash Minor, Mike Pennacchio, Mike Tourin, Paul Johnson, Toni Inserra, Lisa Jones

Members absent: Marilou Walling, Jeff Zander, Dan Newell, Roger Mancebo, Linda Bingaman

Chairman Rebaleati and Chairman Kalt called the meeting to order.

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

**a. Approval of Minutes of Meetings:**

1) Joint Executive Committee of September 13, 2006

2) PACT Executive Committee of December 15, 2006

**b. Approval of PARMS Performance Compensation per Contract**

**c. Executive Director's Report**

**d. Financial and Investments Reports**

**e. Approve Resolutions Required for PACT Letter of Credit and Authorize Executive Director to Sign Governmental Certificate**

**f. AGRIP Advisory Standards Award for POOL and PACT**

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

**3. Action Item: Acceptance of reports**

**a. Willis Pooling Report**

Bob Lombard presented a slide show of the property program presentation slides to be used with renewal negotiations giving credit to Rick Hudson and Craig Buchholz for taking the electronic photos. He said he would give a full renewal strategy report later in the meeting. On motion and second to accept the report, the motion carried.

**b. Claims Audit Report**

Wayne Carlson noted that a PACT Claims Audit was conducted in February 2006 that was favorable overall to ASC. In the ensuing months, ASC review and responded to the recommendations in detail. Wayne forwarded those responses to the auditor for his information and he provided additional comments. Overall, both ASC and the auditor agreed on the final results with some items left open for further review next year.

Wayne also noted that a POOL Claims Audit was just concluded last week and the preliminary report is very favorable overall.

Staff was asked to also forward a copy of the claim audit to the Audit Committee as an informational item.

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

**c. CHRM Oversight Committee Report**

Mitch Brust reviewed his interim status report showing the current progress in provided CHRM services to members. He indicated that 85 members had signed service plans that were being implemented. He noted that an upcoming management training series had over 275 registrants. CHRM also developed E-learning programs that are available through the POOL/PACT Web site. They have posted numerous publications and sample policies and job descriptions on the Web site. In response to questions regarding service improvements to larger entities, Mitch indicated that good progress had been made and services were being delivered as requested.

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

**d. Pooling Resources, Inc. Grant Financial Report**

Mitch Brust reviewed the financial results comparing budget and actual expenditures noting that a positive margin was achieved through the first seven months of the grant. He anticipated a positive margin at the end of the grant period.

**e. Loss Control Committee Report**

Doug Smith provided a summary of the Loss Control Committee meeting held just prior to this meeting. He noted that the Loss Control Retreat was scheduled for Ely July 18-20, 2007.

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

**f. Legislation Report and Action on Bills**

Wayne Carlson reviewed two key legislative bills that may impact POOL, one of which would increase the tort cap to \$100,000 and the other would affect public records by allowing suits for damages in certain circumstances. Mike Livermore reviewed bills that may impact PACT including one regarding vocational rehabilitation buyouts that could increase costs significantly.

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

**5. Action Item: Review of Strategic Plan Progress for Fiscal Years 2006/2007 - 2008/2009**

Wayne Carlson reviewed key elements of the strategic plan progress report, noting in particular the gains in equity in both POOL and PACT.

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

**6. Action Item: CHRM Services Grant Renewal Consideration**

- a. Grant Term Extension**
- b. Process for Renewal of Grant**
- c. Scope of Services under Grant**

Wayne Carlson and Mitch Brust discussed the merits of agreeing to an extension of the grant term for one year since the preliminary results were positive and it would help encourage continuation of staffing. Wayne suggested that an agreement to extend could be subject to approval of the budget for final year of the grant next year, then further consideration of future grant periods. There was discussion about the possibility of a supplemental grant if a special project was needed in addition to the ongoing services. Mitch noted that the CHRM Oversight

Committee was reviewing the scope of services for the future. He also indicated that no staff turnover had occurred and that an extension would be a positive signal to current staff that an ongoing commitment existed.

On motion and second to extend the grant term for an additional year, subject to determination of the budget for the grant extension next year, the motion carried.

**7. Action Item: Approval of Amendment to Contracts with Alternative Services Concepts, LLC. For Claims Management Services for POOL and PACT**

**a. Cost-Plus Fee Schedule Adjustments**

**b. Additional Staffing and Services**

Donna Squires reviewed the proposed adjustments and additional staffing needs in order to strengthen their services to POOL and PACT. She noted that they had underestimated some costs for their move to a new office and had offered to reduce their profit margin from 15% for 2006-07 and 18% for 2007-08 to 12% for both years. She indicated that they were hiring a replacement claims administrator for the POOL and reallocating Donna Squires salary and benefits to be 80% POOL and 20% PACT in lieu of equal allocation. Mike Livermore reviewed the plan for increasing adjusters on the PACT business due to increased workload, increase claims complexity, enhanced claims analysis and reallocation of employee costs solely to PACT similar to the POOL reallocation approach Donna discussed. Overall, by adding one qualified indemnity adjuster, they would reduce the claims load on the current staff, thus increasing Mike's ability to supervise and do other needed projects. Wayne Carlson noted some of the changes to claims management have and would even more be offset by reduced claims costs with the additional staffing. Doug Smith commented that he strongly believed that the additional staffing was critical to effective claims management for both POOL and PACT and that lean staffing usually leads to increased claims costs. Several board members commented about the need for adequate staffing of the claims services. Wayne Carlson asked the committee to consider approving the increased staffing and revised profit margins effective immediately so they could start recruiting.

On motion and second to approve the increased staffing and changes in the profit margin and to amend the contract effective immediately, subject to ratification of the Executive Committees' action by the board by placing this action on the annual meeting consent agenda, and to note that this action also incorporates the changes into the budgets for the pools per item 10.b. and 11.b. of this agenda, the motion carried.

**8. Action Item: Acceptance of Capitalization Strategy**

Wayne Carlson reviewed the proposed capitalization strategy and the philosophy behind taking such an approach to determining the appropriate retention for each pool and for the captives. He indicated that the scenarios presented in the spreadsheet were just two illustrations of the numerous ones developed and reviewed by Doug Smith and the actuary. He said that the goal was to maintain at least the current minimum equity to retention ratios established by the boards for the pools and the captives. The strategy is a tool designed to assist in reaching decisions about the optimal use of retentions for the pools and captives and what to do with excess capitalization that may develop in one or the other. The action requested from the committee was to determine whether this capitalization strategy approach conceptually assisted the committee and the board in reaching decisions. Doug added commentary about the strategies and implications and the involvement of the actuary in the process of deciding the optimal approach.

On motion and second to accept the capitalization strategy as outlined for POOL and PACT and to review the strategy after receipt of renewal options for both pools, the motion carried.

**9. Action Item: Approve Formation of Nonprofit Captive Mutual Insurance Company for Workers Compensation and Authorize Capitalization**

Doug Smith reviewed the business plan for formation of a nonprofit captive mutual insurance company to provide aggregate excess insurance for PACT and possibly also provide some specific excess insurance to reduce some of PACT's liability within its retention. He indicated an initial capitalization of \$3,000,000 would enable offering the aggregate excess and a \$250,000 excess of \$350,000 all other specific excess, excluding police/fire while maintaining the same ratios of equity to retention as established for Public Risk Mutual. The new captive is being named Public Compensation Mutual pending formal approval. Doug indicated that the meetings with the Insurance Division were very positive about formation and the capitalization level. Doug advised the board that

startup expenses prior to formal board approval to form the captive would be about \$20,000 for actuarial fees, examiners fees, application fees and legal fees. He indicated that creation of the captive would entice additional excess insurers to quote PACT's specific excess program.

On motion and second to approve formation of the captive and authorization to expend up to \$20,000 in formation expenses prior to board approval, the motion carried.

10. **Action Item: Review of Services and Approval of PACT Budget for 2006-2007 including:**
- a. Cardiac Wellness Program Changes
  - b. Expansion of ASC Staffing and Services
  - c. Risk Management Grants

Wayne Carlson provided an overview of the proposed changes to the cardiac wellness program. He noted that the key elements were collection and review of all physical examinations for all member agencies for quality, inputting them into a database for analysis of the risk factors, identifying those with moderate to high risk factors and then targeting them with a wellness program. The program would include training physicians on how to conduct the physicals in accordance with the regulations and to enhance their focus on changing predisposing conditions. He explained that rollout would occur over time so the budget proposed would be spread over a few years. Wayne indicated that a legal opinion as to whether SpecialtyHealth could become an agent of the member for the purpose of fulfilling the employer's role in advising the employee about predisposing conditions was pending. In discussion, committee members asked for a legal opinion regarding releasing the records to ASC and SpecialtyHealth in case of employee objections.

On motion and second to approve the Cardiac Wellness Program changes as proposed and to fund it off-budget from equity; to have staff obtain legal research on the issues raised regarding implementation of the proposed program; and to bring the proposal to the board at the annual meeting, the motion carried.

Wayne Carlson review the proposed risk management grants proposal. He noted that he had reviewed it with the Loss Control Committee at their meeting and they agreed with the proposal and indicated that they were willing to oversee the grants, establish criteria for eligibility and approval of grants and whether they would be matching grants or otherwise. The proposed amounts would be up to 1% of the net assets of each pool, but would start out at \$100,000 each pool initially.

On motion and second to approve the risk management grants proposal and to direct the Loss Control Committee to manage the program, the motion carried.

Wayne Carlson reviewed the budget as a whole.

On motion and second to approve the budget as proposed with the cardiac wellness and risk management grants to be off-budget from equity, the motion carried.

11. **Action Item: Review of Services and Approval of POOL Budget for 2006-2007 including:**
- a. Risk Management Grants
  - b. Expansion of ASC Staffing and Services

Wayne Carlson reviewed the budget as a whole. Mike Rebaleati commented about the financial difficulties in rural Nevada and asked that a flat overall program cost should be the goal.

12. **Action Item: Review of POOL and PACT Program Renewal Status and Action on Options**
- a. Market Conditions and Status Overview
  - b. Marketing Strategies for Reinsurance
  - c. Public Risk Mutual Proposal for Renewal Coverage
  - d. Review of POOL Coverage Form Changes for 2007-2008
  - e. Include Pollution Legal Liability Coverage in POOL Form
  - f. Review of PACT rate study results, experience rating plan and rate recommendations

Bob Lombard provided an overview of the current excess and reinsurance market conditions for both POOL and PACT. He noted that property markets had additional capacity, but that certain catastrophe prone areas could see increases in rates. Nevada is considered a mid-CAT risk so the increase potential is more moderate. Casualty pricing generally is softening, but it may not last for very many years and the market remains somewhat limited for public entities generally. Bob reviewed the markets he has approached and the current interest expressed in the program. He noted that he, Wayne and Ann Wiswell will be in London within two weeks to negotiate the property program and will be in San Diego next week to meet with the casualty reinsurers. Doug and Wayne will be in St. Louis for the workers compensation excess insurance negotiations the first week of April.

Ann Wiswell and Doug Smith reviewed the status of POOL Coverage form changes that were under discussion with excess and that they were mostly cleanup and clarifications. Doug indicated that a modest extension of pollution legal liability coverage with limits of \$50,000 or \$100,000 for all members will be considered as an option after review with the actuary. The pollution legal liability matrix program several members presently have will continue as is.

On motion and second to include a sublimit as a recommendation to the board, the motion carried.

Doug reviewed the initial PACT rate study results, experience plan and rate recommendations and asked for feedback regarding implementation challenges. He noted that some of the classifications had dramatic increases or decreases and asked whether smoothing the changes over time would be the members' preference in contrast with making the changes as warranted by the study. Doug asked for a discussion regarding the value of stability over cross-subsidy if there was smoothing the overall changes including experience rating to a 10% overall change as an example. Several members commented that leaving the current experience rating capped at a 15% year over year change should be retained and that smoothing the overall program was deferring reality and could create a different problem down the road. Doug expressed appreciation for the feedback and agreed to approach the actuary with that in mind when developing the final rates.

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

- a. Executive Committee and Officers Up for Election at the Annual Meeting, Candidates and Conduct of the Elections**
- b. Appointment of Members to Audit, CHRM, Loss Control Committees**
- c. Consider Whether to Change Payroll Basis for PACT from Current Calendar Year Capped Payroll as Basis for Fiscal Year Subject to Audit at End of Fiscal Year to Another Method**

a. Wayne Carlson reviewed the list of officers and executive committee members whose terms expired. He noted which members had not been able to attend very many meetings due to other conflicts and asked if they would be interested in continuing or other candidates should be recruited. Current committee members and officers expressed interest in continuing. Chairman Kalt indicated that staff should send out notice in advance of the board meeting to advise members of the available positions for which they could seek election.

b. Wayne noted that the Audit Committee was down to three members from five due to retirements or reassignments and asked whether additional members should be appointed and for suggestions, if so. Two names were suggested and Wayne agreed to contact them to determine interest.

Mitch Brust indicated that the CHRM Oversight Committee was down one member and suggested Guy LeFever, Chief of Lake Tahoe Fire Protection District be appointed by the chairmen. Both Mike Rebaleati and Alan Kalt agreed with the appointment.

Wayne Carlson expressed that with the Loss Control Committee have 22 members, quorums have been hard to secure at some times. Doug Smith indicated that the committee had authorization to establish a smaller voting member status but had not implemented it. The chairmen suggested that the committee consider restructuring itself to have voting and alternate voting members that were representative of the types of members.

c. Wayne Carlson explained that this item arose as a result of two members challenging the payroll audit methodology as he noted in the background paper. He explained that the origin of the current method comes from a statutory mandate that existed prior to PACT's formation and continued until the law was changed to make it optional for self-insured groups. PACT did not change its methodology when the law changed because the change

was not noted until this issue arose. Wayne referred the committee to the various options that could be considered if the board wanted to change its method for the future. Considerable discussion ensued.

On motion and second, which motion carried, to present to the board the following options:

1. Fiscal Year in Lieu of Calendar Year Capped Payroll Subject to Audit at End of Fiscal Year
2. Current Method Using Calendar Year Capped Payroll for Fiscal Year Subject to Audit at End of Fiscal Year
3. Calendar Year Capped Payroll subject to Audit at End of Calendar Year

**14. Public Comment**

None received

**15. Action Item: Adjournment**

On motion and second to adjourn, the meeting adjourned at about 5:00 p.m.