



**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 16, 2009**

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

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

**1. Roll**

Members Present: Mike Rebaleati, Alan Kalt, Claudette Springmeyer, Cash Minor, Marilou Walling, Steve West, Lisa Jones, Jeff Zander, Paul Johnson, Roger Mancebo, Toni Inserra

Members Absent: None

Others Present: Wayne Carlson, Doug Smith, Ann Wiswell, Donna Squires, Bob Lombard

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

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

- 1) **Joint Executive Committee – November 3, 2008**
- 2) **PACT Executive Committee – December 3, 2007**
- 3) **POOL Executive Committee – May 2, 2007**

**b. Executive Director's Report**

**c. Financial and Investments Reports**

**d. Review of Strategic Plan Progress**

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

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

**a. Claims Audit Report**

Donna Squires reviewed the results of the independent claims audit conducted by Kentfield & Associates which showed overall positive results. Reserves were very close to the auditor's reserves with the exception of a couple due to timing of reserve postings.

**b. Large Loss Report**

Donna Squires handed out a summary of the POOL and PACT losses over \$100,000 that included a summary narrative and incurred amounts of each claim. She elaborated on some of the current, open claims of substantial amounts and responded to questions.

**c. Wells Earthquake Report**

Donna Squires reviewed the status of the Wells earthquake loss, noting that most of the Elko County School District repairs had been completed and that she was making progress with the City

of Wells portion with engineering completed on several structures and estimates being developed accordingly.

**d. Actuary Report for POOL and PACT**

Wayne Carlson commented that he had just received the draft POOL report over the weekend and that he and Doug were reviewing it along with the previously received PACT report. Doug noted that the POOL property projections for the loss fund were up quite a bit over the prior report due to the recent trend of larger losses. He noted that the liability projections showed only a minor change upward. Regarding PACT he commented that each of the groups (municipalities, hospitals and schools) were reduced with the schools and hospitals reduced more than the municipalities. He will be working on the final rates and experience modifications shortly. PACT's overall experience has been very positive in the most recent years and that is beginning to result in reductions of rates. Wayne also noted that the new actuarial heart study draft had just been received and that he and Doug were reviewing it carefully and needed to discuss it further with the actuaries before bringing it to the committee for recommendation. He noted that the net present value today for the post-employment portion was fairly consistent with the original study at \$22 million and that PACT had collected \$5 million toward the original amount. So while PACT has collected a substantial amount, it still remains with \$22 million to go at this point. Doug noted that perhaps a modest increase in the heart rate of perhaps 5% per year over the next several years may be one way to address the needed accumulation, but that staff would work on this further before presenting it.

**e. Loss Control Report**

Ann Wiswell reviewed the Loss Control Committee's strategies and goals and highlights of the activities to date indicating that a more complete written report would be provided at the annual board meeting.

**f. Legislative Report**

Wayne discussed the tone of this Legislative session and the likelihood of members being leveraged on budget issues versus workers compensation issues, for example. He advised that Don Jayne, the contract lobbyist we used, was appointed to be head of the Division of Industrial Relations effective today. While PACT lost its lobbyist, it gained a strong DIR head that will be good for workers compensation in Nevada. Wayne reviewed the current status of several workers compensation bills commenting on strategies that are being worked in conjunction with the Nevada Self-Insurers Association lobbyist since PACT is a member. He noted that he and Mike Livermore would continue to analyze bills and coordinate with the NSIA lobbyist where we can.

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

**4. Action Item: Approval of Recommendation to Board for Closure of POOL Years 1997-98 and 1998-99 and Retention of Net Assets**

Wayne Carlson directed the board to the Executive Director's report that showed the available net asset gains for each of these years. He indicated that the board determines whether to close program years and to retain or distribute assets. POOL year 1997-98 had a gain of \$255,395.49 and 1998-99 had a net asset gain of \$770,614.40.

On motion and second to recommend to the board to close and retain both years' gains, the motion carried.

**5. Action Item: POOL/PACT HR Services Grant Changes**

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

- b. Human Resources Oversight Committee Report**
- c. Budget for Three Year Grant Term Effective July 1, 2009**
- d. Scope of Services under Grant**

Wayne Carlson reviewed the HR Oversight Committee reports of the activities, strategic plans and scope of services for the proposed 2009-2012 grant. He then reviewed the proposed grant budget of \$1,100,000 revenue for 2009-2010 with a 3% increase in each of the subsequent grant years. The 2009-2010 grant amount shows no change in the total revenue. He reviewed the proposed expenses and noted that Mitch Brust would be retiring or cutting back to a reduced role and that Jeanne Greene would become the General Manager of Pooling Resources, Inc. Wayne indicated that if Mitch agrees to stay on for a longer period, there are sufficient funds remaining from the current grant to continue utilizing his talent for an extended period if he is willing to help. Expenses were reduced where appropriate and the current bonus plan will be eliminated along with the current 3% match SIMPLE IRA and replaced with a 10% SEP IRA employer paid plan effective January 2010.

On motion and second to accept the grant proposal for recommendation to the board for approval, the motion carried.

- 6. Action Item: Approval of Proposal for Contracts**
  - a. Alternative Services Concepts, LLC for Claims Management Services for POOL and PACT**

Donna Squires handed out an explanatory letter to accompany the proposed budget. She commented that the Reno office is 99.2% dedicated to POOL and PACT. She also indicated that corporate overhead allocation to her office has been reduced due to the corporate acquisition of another company, thus spreading the cost over a larger base. For both POOL and PACT, the 2009-2010 budget was reduced and a portion of the current quarter's prefunded amount will be refunded.

- b. Horizon Behavioral Services for EAP Program for POOL and PACT**

Wayne Carlson advised that the renewal proposal showed no increase in the tiered utilization-based rates and that they had included unlimited Critical Incident Stress Debriefings, legal and financial advice and with other Web accessible enhancements.

- c. SpecialtyHealth Managed Care Organization Contract for PACT**

Wayne Carlson advised that the renewal contract proposal was for no increase for accessing the MCO network and that some network provider costs had been negotiated to a lower amount. ASC advised they were satisfied with the physician referral process that was mutually established. Regarding the Cardiac Wellness Program, the physical examination reviews were increased by \$25 per review, but otherwise remained stable. Wayne noted that they continue to roll out new participating agencies, but resistance still remains with some employee groups. SpecialtyHealth is bringing on more behavioral specialists to help raise and sustain participation. There also has been discussion about PACT giving some form of wellness participation incentive perhaps using a grant or award approach. Alan Kalt asked if members would be willing to assist with designing an incentive program and he, Toni Inserra and Claudette Springmeyer offered to serve as an advisory group.

On motion and second to recommend to the board to approve the renewal contracts, the motion carried.

- 7. 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**

Wayne Carlson noted that the figures are in the Executive Director's report. For POOL the net asset gain was \$1,616,832 and for PACT it was \$8,961,327. He noted that the policy guidance was to retain at least 50% in the respective pools, with the balances available for transfer to the captives in any amount. He discussed the loss of two PACT members and the financial status of County Reinsurance, Ltd., a captive with which both PRM and PCM have quota share arrangements. Additional capitalization of the captives could enable alternative quota share arrangements with CRL. Retention of the funds would enable additional retentions potentially for the pools.

On motion and second to approve transfer of up to 50% of the gains for each pool to the respective captives, the motion carried.

- 8. Action Item: Review for Revision and Recommendations to Boards**  
**a. Interlocal Cooperation Agreement and Bylaws for POOL and PACT**  
**b. Committee Charters and all Policy Statements for POOL and PACT**  
**c. Producer Compensation Policy for POOL and PACT**

Wayne Carlson noted that the Policy Review Task Force (comprised of Paul Johnson, Mike Rebaleati, Marilou Walling, Claudette Springmeyer and Toni Inserra) met by conference call to review all of the governing documents and policies and the results were bound and distributed to the members for review in anticipation of adoption at the annual meeting. He also indicated that a Board Retreat 2008 Report was bound and will be distributed with the annual meeting materials. He advised that the Producer Compensation Policy was not included in the task force report pending review by the Executive Committee at this meeting.

Wayne then discussed the Producer Compensation Policies for POOL and PACT showing the various alternatives that are proposed. He suggested that the POOL compensation policy was based upon a flat fee established in 2000 and not changed so had been eroded by inflation and growth of members so that there were anomalies for similar sized members. He recommended an increase in the POOL compensation to 5% of program costs effective July 1, 2009 increasing to 6% effective July 1, 2010 which comes to a two year increase of about \$299,000 to reflect the additional workload and inflation. For PACT he suggested a decrease in compensation to 5% of the first \$100,000, thus a \$5,000 maximum, which results approximately in an annual reduction of \$134,000 since the workload is fairly limited. The overall effect for both programs combined would be a net increase of about \$35,000. Discussion ensued about the relative impacts on individual members and whether to disclose the details of each member's costs at the board meeting or otherwise.

On motion and second to approve the recommendation and to disclose the total impact on each pool to the board and the individual member's cost in their renewal proposal documents, advising them that they can negotiate with producers for additional compensation for additional services as necessary, the motion carried.

- 9. Action Item: Review of Services and Approval of PACT Budget for 2009-2010**

Wayne Carlson reviewed the highlights of the budget, noting that the actuarial recommendations for 70% and 75% confidence levels were shown to give the committee an opportunity to determine whether to reduce from the current 75% confidence level set by board policy in light of the current economic environment and the extraordinary financial results in the recent three years that provide a cushion against adversity. He indicated that he had reduced the costs in several categories to reflect the contract proposals changes. He noted that the net income amounts show a breakeven result at either confidence level. Doug Smith commented that as a result of the build-up of funds because the board has been conservative in its funding, the 70% confidence level could be justified to the Insurance Division in the rate filing. Alan Kalt suggested a one-off reduction to 70% with subsequent years going back to 75% in light of economic conditions. Cash Minor concurred with this and others expressed support.

On motion and second to recommend approval of the budget using the 70% confidence level funding for this budget year, the motion carried.

**10. Action Item: Review of Services and Approval of POOL Budget for 2009-2010**

Wayne Carlson reviewed the highlights of the budget, noting that the actuarial recommendations for 70% and 75% confidence levels had just been received over the weekend. He inserted them into the spreadsheet to show the committee the effect of each level. He noted that using the 75% confidence level would result in a net income loss of over \$300,000 and a breakeven result at the 70% confidence level. Net asset gains in recent years cushion against adversity with either confidence level. Wayne also noted that he took out in both the PACT budget and the POOL budget any allocation of amortization expense for the captives for budget purposes since if the captives ever return the funds, it would show a doubling effect. This had been discussed with Michael Bertrand, CPA who agreed with this approach.

On motion and second to recommend approval of the budget using the 70% confidence level funding for this budget year, the motion carried.

**11. Action Item: Review of POOL and PACT Program Renewal Status and Action on Options**

- a. Willis Pooling Report**
- b. Market Conditions and Status Overview**
- c. Marketing Strategies for Reinsurance**
- d. Public Risk Mutual Preliminary Renewal Indications**
- e. Public Compensation Mutual Preliminary Renewal Indications**
- f. Review of POOL Coverage Form Changes for 2009-2010**
- g. Review of Reinsurance Issues for POOL and PACT**

Bob Lombard reviewed changes in Willis as a result of the acquisition of HRH, thus adding additional resources to Willis HRH Pooling Practice, which has doubled in size as a result. He said they have experienced some integration issues, but they are working through these.

Bob indicated that the market conditions were in flux with mixed pricing change results with some upward movement due to reinsurance treaty renewal on April 1<sup>st</sup>. There may be several workers compensation carriers in jeopardy in California that could affect the market overall.

Alan Kalt asked about AIG. Wayne Carlson reviewed the status based upon public information reported about the AIG insurance operations, separate from the financial products unit. Wayne handed out the County Reinsurance, Ltd. (CRL) draft year-end financial reports to advise the committee about the drop in surplus from \$22 million to about \$8 million due to the leveraged effect of the investment income drop. He commented that CRL sold all of its equities by year end which proved timely since there was another 20% drop in the market in January. CRL also replaced its investment advisor. He indicated that they have some January renewals that will add funds to surplus and that their underwriting committee is evaluating their pricing model going forward. Wayne said we had an interest in continuing with CRL since they are a captive made up of fellow pools, but as a precaution he is having alternatives evaluated to change the quota share and or to have other reinsurers drop down to lower levels to reduce exposure to CRL.

Wayne commented that a draft of a Strategic Risk Analysis that was designed as a stress test for the POOL. Lloyd Kelley is conducting the study which will be presented at the annual meeting in the Thursday, April 30<sup>th</sup> work session prior to the annual meeting.

Bob continued with his review of the POOL renewal strategies noting that he has been in discussions with alternative property markets that could be used to restructure the layers in case of capacity shortfalls and considering the recent higher loss trends and the earthquake loss. For casualty, he

indicated that the relationship with Munich was the anniversary of a two-year program so no changes are anticipated. They have been approached to consider dropping down their attachments in light of the CRL situation and to be additional potential capacity if needed on the property program. United Educators has performed well and had no losses at their layer so a renewal as is should be likely. For PACT, he indicated that CRL also was an issue for potential quota share changes, but Midwest Employers likely would have no changes due to their high attachment point and no losses.

Doug Smith indicated that in light of the actuarial reports showing an increase in the property loss fund and minimal change in the casualty loss fund, PRM's rates would increase similarly. For PCM, the decreases recommended would also appear in the PCM pricing.

Wayne commented that no major form changes were likely other than to address clarifying the earthquake language as a result of the Wells earthquake.

Wayne noted that Lloyds is not able to reinsure the POOL directly and will continue to reinsure PRM due to internal market regulatory rules.

No action was taken.

12. **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, HR, Loss Control Committees**

Wayne reviewed the current committee members list and the reelection schedule noting the vacancies created as a result of the retirements of Mike Tourin and Marilou Walling. He commented that the PACT special districts/towns representative had only two eligible candidates: Marsha Boyce of Sun Valley GID and Bill Kohbarger of the Town of Pahrump. The POOL position being vacated can be replaced by a small city or county. Marilou Walling recommended Pat Whitten, county manager of Storey County, was interested in serving. The remaining executive committee members up for reelection expressed interest in continuing to serve. No action taken.

13. **Action Item: Approval of Prospective Members**
- a. **POOL – Tahoe Douglas Visitors Authority**

Wayne Carlson reviewed TDVA and Claudette Springmeyer elaborated on their purpose. On motion and second to approve membership, the motion carried.

East Fork Fire and Paramedic District's application just was received. Wayne highlighted their claims experience and indicated that they appeared to be a good account based upon their loss ratio. Claudette Springmeyer offered comments about the district. On motion and second to approve membership, the motion carried.

Wayne Carlson commented that Washoe County had expressed interest in POOL and PACT, but that he had not received sufficient information at this time. He asked for feedback regarding the potential for their membership. He indicated that this was prompted in part by the potential severe additional budget cuts that could affect their ability to maintain an effective risk management function. Several members asked questions and made comments that further evaluation was needed for consideration. Wayne said he was researching options including segregated status as a sub-pool in light of their size. No action was taken.

14. **Public Comment**

None was received.

**15. Action Item: Adjournment**

On motion and second to adjourn, the meeting adjourned at about 3:30 p.m.

**This 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**

**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.**