



**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: Friday, March 16, 2012

Time: 10:00 A.M.

**Place: 201 S. Roop St., Conference Rm, 2nd floor
Carson City, Nevada 89701**

1. Roll

Roll was taken and a quorum was determined to be present for both executive committees.

2. Public Comment

Chair Kalt called for public comment. Hearing none, he closed the public comment period.

3. For Possible Action: Consent Agenda - Approve as a Whole Unless Moved From Consent Agenda

- a. Approval of Minutes of Meetings: Joint Executive Committee – August 23, 2011**
- b. Executive Director's Report**
- c. Financial and Investments Reports**

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

4. For Possible Action: Acceptance of Reports

- a. POOL Claims Audit Report**
- b. Large Loss Report for POOL and PACT**
- c. Loss Control Committee Report**
- d. Retreat Report: Progress on Action Items**

- a. Wayne Carlson commented on the overall results were positive about ASC's claims handling and only showing a 2-3% difference in the reserves. He noted that this was an excellent outcome since the benchmark was 10%. Donna Squires added that reserve adjustments made during the time of the audit, reduced this difference to 1%. Wayne noted that these audits occur every two years, but that other audits are conducted by various reinsurers and ASC's home office every year. He also indicated that a PACT audit would occur in April 2012.
- b. Wayne commented on POOL large losses that the Fernley Canal Breach claims had been resolved. Donna added that the final documents had minor's compromises that are finally coming in so the claim remains open until all of those are completed. With regard to PACT, he noted that it appeared that there was one large heart claim over \$1,000,000 every other year on average and one year had two such claims.
- c. Ann Wiswell provided an overview of the Loss Control Committee's activities. Of note was that the Loss Control Excellence Program will become an online self-completion tool for use by members in the near future. She reviewed the Risk Management Grant

program and commented that the criteria had been changed recently. The Risk Management Grant Program continues to be a successful initiative in assisting members to defray the costs of risk management. A few modifications have been made to the grant program based on the committee's review of grants written. Under the new grant program guidelines, training grants will be funded 100% up to \$2,000 per person. Examples of training funded under the grant program include attendance at risk management conferences such as PRIMA, PARMA, ASSE, Public Agency Training Council programs, and the Society for Human Resource Management as well as programs offered by POOL/PACT HR. Grants for premises security materials, emergency communications equipment, premises monitoring devices and other equipment designed to reduce property risk will be funded with a 50% match from the member. Equipment designed for OSHA compliance and workplace safety will be funded with a 25% match from the member. The committee has also allocated \$250,000 from the 2011 fiscal year and \$250K from the 2012 fiscal year of existing grant funds towards a dedicated program to fund safety equipment to reduce back injuries to first responders. This grant will be offered one time and will afford POOL/PACT members the opportunity to acquire Stryker Power-Pro power cots, Stair-Pro and Power Load equipment. This equipment has a proven track record of reducing back injuries to EMS personnel as well as non-transport personnel responsible for emergency evacuations. The grant will provide a 50% match for funding of a complete equipment ensemble for an EMS unit or hospital and up to three Power Pro chairs for school districts and municipal buildings.

- d. Wayne Carlson reviewed the major action areas from the board retreat. Regarding technology, he attended the Nevada Digital Government Summit in December 2011 and learned about technology advances and also some shared services potentials in the technology area in both southern and northern Nevada. Subsequently, he discussed the State of Nevada shared services options with the State Chief Information Officer, who was to provide a list of contracts currently available along with shared services purchasing contracts. He also attended the GROWCO conference to learn about economic development in New Orleans, particularly in the technology arena, and how that might provide ideas for Nevada and shared services. He noted that some of the entrepreneurial results came about from seeking common ground out of necessity following Hurricane Katrina. Former President Clinton spoke at the conference and commented that Haiti was having to seek similar common ground in order to rebuild Haiti as they need it to be for the future. The President suggested that the United States should seek similar common ground (without a disaster) in order to position its economic strategies for the future. Wayne also commented that he spoke with a venture capitalist about how they approach investing in businesses and that he had received an email offering ideas for the pools and captives to consider should such investments be a consideration in the future. Wayne then highlighted the POOL/PACT HR efforts to survey the members based upon retreat discussions. Jeanne Greene reviewed the results of the survey and the possible areas for focus in the future. In discussion, committee members commented on the various categories and suggested which ones would be areas to consider. The discussion focused on the risk reduction mission and suggested that some of the topics could become training only, while others could be added to the services. Jeanne indicated she would take this input to the HR Oversight Committee for further discussion.

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

5. For Possible Action: Approval of Prospective Members:

a. PACT: Virginia City Convention and Visitors Authority; Palomino Valley GID

b. POOL: Palomino Valley GID

- a. Alan Kalt opened the discussion regarding Virginia City Convention and Visitors Authority by asking Pat Whitten whether Storey County would in fact take over their operations on July . Pat Whitten responded that they likely would, but not until formal board action so this was an interim step. Wayne Carlson commented that they presently were a member of POOL. He also said that if they became a separate member now and Storey County did not take them over, then they would continue as a member, but become a sub-entity of Storey County if they did take them over. On motion and second to approve membership for Virginia City Convention and Visitors Authority, the motion carried.

With regard to Palomino Valley GID, Wayne indicated that the application had yet to be received. He said they were a prospect for both PACT and POOL, but that their current programs were spread among several agents. One agent is trying to pull them all together. He indicated that they were a small road district with two employees and a contract administrator. No action was taken.

- b. No action taken.

6. For Possible Action: Acceptance of Proposals for Contracts

a. Alternative Service Concepts – Claims Management for POOL and PACT

b. Aetna Horizon Behavioral Services Employee Assistance Program

- a. Wayne Carlson noted that the cost figures had been incorporated into the proposed budget. Pam Finch and Donna Squires of ASC presented two options, a three year and a five year option. The three year option had cost-plus 15% and the five year option was cost-plus 13%. On motion and second to accept the five year option, the motion carried.
- b. Wayne Carlson mentioned that Horizon was acquired by Aetna, but that the program costs remained the same. There is an option to extend the contract for two years at the same prices. Wayne noted the utilization continued at 3-4%, but that supervisory referrals and catastrophe responses had increased. On motion and second to extend for two years, the motion carried.

7. For Possible Action: POOL/PACT HR Services Grant

a. Pooling Resources, Inc. Grant Financial Report

b. Human Resources Oversight Committee Report

c. Acceptance of Pooling Resources, Inc. Grant Proposal for 2012-2015

Jeanne Greene reviewed the highlights of the HR Oversight committee report and noted those areas she felt they could continue to provide with current staff and those areas where additional staff or contract services would be necessary if adopted based upon the survey results. Wayne Carlson noted that the grant continued to be sufficient for the current operations and that he had reduced the amount somewhat since they had built up sufficient reserves. The grant renewal proposal reflected that change.

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

8. For Possible Action: Approval of Lease Agreement Terms and Rates

a. State of Nevada (current lease term expires 2/1/2013; option to renew for 5 years)

b. CCMSI (current lease expires 1/7/2013; one year terms extended each year)

c. Draft policy on lease rates for future leases

a., b., and c. Wayne commented that since these leases expire during the next fiscal year, he was bringing the issues to the committee for discussions now. He reminded the committee that it had reduced the State's lease rate upon request of the State during its fiscal crisis, thus their rates were reduced to the level of 2003. He also said that with the State's change of TPA, the previous allocation of space to the TPA contract was eliminated by the previous risk manager; thus, there was an

understatement of the State's allocated space that the TPA no longer funded. The current TPA has a one year lease term. Thus, PRI and PARMS are the only tenants paying the higher, fully allocated space rental amount. Of course, those are pass-throughs to the POOL under the existing contracts. The former NACO space remains unrented due to the number of vacancies in Carson City. He requested a policy on the lease rates for the future, noting that he had a conflict regarding setting rates for PRI and PARMS due to the contracts. Under discussion, it was suggested that the conflict would be dealt with by referral to the executive committee.

On motion and second to authorize staff to negotiate terms and rates with these tenants and to draft a policy for future action, the motion carried.

9. For Possible Action: Review of POOL and PACT Program Renewal Status and Action on Options

a. Willis Pooling Report

b. Market Conditions and Status Overview

c. Review of POOL Coverage Form Changes for 2012-2013

d. Review of Reinsurance Coverage and Retention for POOL and PACT

a and b. Bob Lombard provided an overview of current market conditions overall, noting that some insurers have been attempting to push pricing upward due to the catastrophe losses last year. He commented that preliminary discussion with our property reinsurers indicated only a modest price increase due to our long-term relationship in Lloyds and our lack of exposure to the coastal windstorms that drove much of the catastrophe results for the market. We do have earthquake exposure, but are not in the highest risk category of the markets. As for liability, Bob said that recent discussions with our reinsurers generally showed a flat to 2-3% increase. After discussions with staff, indications were that since we had just made major changes in reinsurers last year, a status quo was desirable to cement the new relationships. He then introduced Michael Vaughan-Fowler of PSI that placed the Brit liability layer last year (\$5,000,000 excess of \$5,000,000), one of our new reinsurers. Michael has been involved in the POOL since its beginning and presented additional insights into the overall market and why there were pricing pressures generally by insurers. Apparently, the risk modeling service that most insurers utilize will be reexamining its earthquake models this year like they did with windstorm last year that resulted in the substantial increase in the reach of the windstorm model into additional exposure areas, thus rates as well. Brit was not expecting rate increases for Nevada. Regarding PACT, modest rate increases were expected since the workers compensation market experience generally had worsened.

c. Wayne Carlson indicated that some coverage changes were being reviewed to clarify some of the liability language and the crime language in light of some claims that have come in and raised questions about whether the language could be further clarified as to intent. No reductions in coverage were planned, but the clarifications had been drafted for review by coverage counsel.

d. Bob Lombard indicated that based on staff discussions, he would ask for options for a property retention increase to up to \$1,000,000 and utilization of other reinsurers for layers below that to test the pricing. Doug Smith indicated that retention adjustments likely would occur in the quota share arrangements via the captives, rather than the pools. Specifically for PACT, the captive (PCM) may be able to take the aggregate excess layer entirely and an increase in the quota share. PACT retention likely would increase from \$500,000 with a \$500,000 corridor to \$750,000 with no corridor.

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

10. For Possible Action: Review of Services and Approval of

a. PACT Budget for 2012-2013

b. Transfer of Portion of Net Asset Gains to Public Compensation Mutual

a. Wayne Carlson reviewed the changes in the budget, noting that there was an error made by him in last year's budgeted revenue in which one portion of assessments that are allocated on the split basis did not get added into the total revenue, thus understating the anticipated revenue. That was

corrected for the proposed budget; thus, while it appears to be a substantial increase, in reality it is based upon a 3.5% increase. He reviewed the details of adjustments in the expenses to reflect the ASC fee proposal and other categories where previous budgets overstated the needed amounts over time. Overall, administrative expenses were flat with a slight (3.5%) increase in the claims expenses except police/fire heart-lung post employment which increased 10% based upon previous board policy. On motion and second to accept the budget, the motion carried.

- b. Wayne referred to the Executive Director's report showing the amount of net asset gains eligible for consideration by the committee. On motion and second to transfer 50% or \$135,598 of the gains to PCM, the motion carried.

11. For Possible Action: Review of Services and Approval of

a. POOL Budget for 2012-2013

b. Transfer of Portion of Net Asset Gains to Public Risk Mutual

- a. Wayne reviewed the budget changes noting the potential for some modest property and liability increases and some administrative expense reductions. The ASC fee proposal figures were incorporated into the proposed budget. On motion and second to accept the budget, the motion carried.
- b. Wayne referred to the Executive Director's report showing the amount of net asset gains eligible for consideration by the committee. On motion and second to transfer 50% or \$1,237,581 of the gains to PRM, the motion carried.

12. For Possible Action: Review of Financial Performance of

a. Public Risk Mutual

b. Public Compensation Mutual

Wayne reviewed the highlights of the audits for the two captives. On motion and second to accept the reports, the motion carried.

13. For Possible Action: POOL and PACT Investment Issues

a. Review and Revise Investment Policies

b. Review and Adopt Money Management Controls Procedure

- a. Doug Smith reviewed the current investment policies and noted that he has been in discussion with the investment advisor regarding whether changes may be warranted. He expects feedback in the near future and will bring any proposed changes back at a later date.
- b. Doug noted that the combined assets under investment for the pools, captives and PRI were substantial enough to warrant bringing the proposed money management controls procedure used internally to the attention of the committee and the board.

On motion and second to approve the policies and procedure and to have both items placed on the annual meeting agendas, the motion carried.

14. For Possible Action: Return to Work Services Options

a. Implementation of a Return to Work Program; Membership Willingness

b. Norm Peterson & Associates Our System Proposal

c. Request for Proposal from Other Vendors

Alan Kalt opened discussion about the return to work programs. Wayne review the merits of such programs generally and cited both the Peterson proposal and a study done by another vendor that showed that those who used return to work services saw a significant reduction in claims costs. He indicated concerns about implementation and interest among members. Some committee members expressed that they had their own ad hoc programs and felt that there was not a need for a PACT program. Others expressed that while the Peterson proposal said it would save their fees, they were concerned about the "out" clause and the proposal cost if they did not save fees. Further discussion focused on the job descriptions element and in response to questions, Jeanne Greene said POOL/PACT

HR could assist members with those as needed. Ann indicated that this had been an ongoing item on the Loss Control Committee strategic plan and that there was frustration about the ability to implement this effectively. She welcomed POOL/PACT HR taking this on as a training item.

On motion and second to have POOL/PACT HR develop awareness education and training about return to work programs and to address issues on a case by case basis in lieu of contracting for a program, the motion carried.

15. For Possible Action: 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. NPAIP Anniversary Celebration**

- a. Wayne review the list of those up for reelection to the Executive Committees of POOL and PACT and those present indicated interest in continuing to serve. He asked for input on the annual meeting agenda drafts. Alan Kalt suggested that the investment policies and procedures be added to the agendas.
- b. Wayne showed the special logo for the anniversary of the POOL. He said that some festivities were planned for the April evening event before the annual board meetings.
On motion and second to have staff plan the celebration activities in their discretion, the motion carried.

16. Public Comment

Chair Rebaleati called for public comment and hearing none, closed the public 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:

**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**