

**Minutes of Meeting of
Executive Committees of
Nevada Public Agency Insurance Pool and
Public Agency Compensation Trust
Date: Monday, March 21, 2016
Time: 10:00 A.M.
Place: at 201 S. Roop Street, Carson City, NV 89701
Conference Call-In Phone No: 1-800-593-9034; Passcode: WayneC.**

1. Roll

Members Present: Cash Minor, Alan Kalt, Pat Irwin, Gerry Eick, Lisa Jones, Pat Whitten, Holly Luna, Roger Mancebo, Josh Foli, Steve West

Members Absent: Paul Johnson, Bev Conley

Others Present: Mike Rebaleati, Wayne Carlson, Doug Smith, Donna Squires, Mike Livermore, Mary Wray, Stephen Romero and Jeanne Greene

2. Public Comment

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

3. For Possible Action: Consent Agenda

- a. **Approval of Minutes of Meeting of October 23, 2015**
- b. **Executive Director's Report**
- c. **Financial Reports of NPAIP and PACT**
- d. **Approval of East Fork Fire District (Currently sub-entity of Douglas County) as a Separate PACT Member**
- e. **Approval of Elko County Television District as POOL Member (currently a PACT Member as sub-entity of Elko County)**

Chair Kalt asked whether anyone had any item on the consent agenda that needed further discussion, then called for a motion.

A motion was made and seconded to approve items 3a-e. Under discussion, Wayne Carlson asked to comment. Wayne Carlson elaborated on the Executive director's report, noting that he had received information from the broker that Truckee Meadows FPD was considering rescinding its notice of intent to withdraw. He further discussed the PACT experience rating issue and how it affected Douglas County and other members. He noted that he had discussed the issues with the affected members who agreed to have the correction made effective July 1, 2016. Douglas County, its towns and East Fork Fire & Paramedic Districts requested a ten year retrospective restatement of the experience mods to show the effect of the error over time. He discussed a transitional process with them and is awaiting their response going forward.

Chair Kalt called for the vote and the consent agenda was approved as a whole.

4. For Possible Action: Investment Strategies

- a. **Review/Revise Investment Guidelines for NPAIP and PACT**
- b. **Investment Program Review and Action**

a. Wayne Carlson commented that no changes were proposed at this time, but that it was being reviewed by both SAA and GR-NEAM for possible revision in the future. Gerry Eick raised questions about the language in the present guidelines regarding authorized investments maturity limitations under NRS to 10 years; 10%

limitation versus 15% limitations on types of securities; importance to specifically reference statutory constraints in the guidelines. Wayne commented that the current guidelines had been drafted with those statutes in mind and have been reviewed by various investment advisors and managers over the years. Dan Smerek indicated he will address Gerry's concerns in the policy review process.

Dan Smerek of SAA reviewed the investment results including for the captives (PRM and PCM).

On motion and second to accept the guidelines knowing that future changes will be considered, including the issues raised in this meeting, after the review by the investment advisors and managers, the motion carried.

b. Patrick Scully and Kelly Sullivan of GR-NEAM, the fixed income investment manager, reviewed the current investment market and the pools' results.

Wayne Carlson commented about the ERM project being developed by GR-NEAM. Mark Yu of GR-NEAM reviewed the purpose, scope and approach under the enterprise risk management (ERM) project. He reviewed that parameters and data inputs, then showed the scenario output options and how that helps organizations understand and plan for investment risks in conjunction with other risks of the organization. Wayne commented that various scenarios for each pool and captive plus combinations with the respective captives would be evaluated through the ERM process. Dan Smerek commented about how these scenarios can assist with investment planning.

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

5. **For Possible Action: Review of Financial Performance of**
a. Public Risk Mutual
b. Public Compensation Mutual

Wayne Carlson noted that this will be reviewed as well under the captives' meeting which will be held during a recess in the joint meeting.

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

Wayne Carlson directed the committee to the respective audited net assets as the basis for the capitalization policy decision. Committee discussion ensued.

a. On motion and second to transfer 50% less \$4.00 (\$612,600) of net assets from NPAIP to PRM, the motion carried.

b. On motion and second to transfer 50% (\$1,093,260) of net assets from PACT to PCM, the motion carried.

7. **For Possible Action: Review of Committee on Local Government Finance Decision on Heart Data**

Wayne Carlson reiterated his Executive Director's report on the CLGF's decision to suspend further consideration of its proposed regulation on heart data reporting for at least three years. He explained that the legislation had modified the heart eligibility which may reduce future liability, but no data will be collected in the meantime by the Dept. of Taxation or the Legislature to monitor the effect for at least the next few years. No action taken.

Chair Minor recessed the meeting at noon to allow the captive boards to meet and hear the auditors to present the audits. Upon conclusion of the captives' meeting, the joint meeting remained in recess for lunch. The meeting was reconvened at 1:00 p.m.

8. For Possible Action: Acceptance of Reports

- a. Claims Administrator Report**
- b. Loss Control Committee Report**
- c. Data Security Project Staff Report**
- d. Human Resources Oversight Committee Report**

a. Donna Squires reviewed NPAIP losses valued over \$300,000, noting there were 43 losses since 1987 over this threshold. The total incurred came to about \$46 million over this same period. 27 were casualty losses totaling \$32 million (legal expenses were 26% of this); 16 property losses occurred over this period and totaled \$13 million. Thus, casualty losses were 70% and property losses were 30% of the totals. Errors or omissions losses comprised \$13 million of the \$32 million casualty losses. She then reviewed highlights of specific cases and outcomes. Alan Kalt asked about how we communicate best practices from lessons learned from cases. Wayne Carlson noted he was working on a training presentation for public administrators and other situations were provided in bulletins. Legislative efforts also were considered for issues such as we did for public administrators and may have to do again for them. Mike Rebaleati noted that the Litigation Workshop was another forum for this purpose.

Mike Livermore reviewed PACT losses valued over \$300,000 totaling \$26 million. He noted that the highest percentage of large losses were heart claims (12 claims) plus 4 fatalities. He noted that subsequent injury fund recoveries and excess insurance recoveries would return a significant portion of the \$17 million that would be payable. He noted that post-employment heart claims were limited to medical only based upon the legislative change in 2015. PACT has a district court case addressing whether there is an offset with PERS regarding other post employment cases in which indemnity and PERS applied in the past. He also commented about a pending case in which ASC was added as an indispensable party, which seems to be improper. The case involves post-employment heart disease in which both EiCON and PACT denied coverage. The former employee left employment in 1994, prior to PACT's formation. It is possible that this case could result in appeals to the Nevada Supreme Court so we are monitoring it closely.

b. Mike Rebaleati provided a review of the loss control and risk management efforts. He will be proposing to the Loss Control Committee at its next meeting on April 13, 2016 to consolidate the approach to the risk management grants for common percentage participation by the members. He has been promoting these grants and the educational grants. He noted other changes he will propose as well. The Risk Management Symposium will be held May 19-20 at the Silver Legacy with some excellent presenters. He mentioned the progress on the Hazard Vulnerability Assessments project for school districts which may be completed by Fall 2016.

c. Mike Rebaleati described the data security project and how he is working with a cyber security specialist to develop assessment tools for members and ultimately a security testing option. He described the scope of the project and the pilot Members he plans to work with toward tightening their security systems and learning how to extend the service to other members. He discussed future needs such as legal documents to further the scope of the project, especially in the security testing option. He also added comments about promotion of the eLearning training for both risk management and human resources.

d. Jeanne Greene indicated that the HR Oversight Committee reviewed and updated their strategic plan. Their progress fulfills the goals of the plan thus far. He indicated the number of classes offered and planned. Requests for training have grown significantly from the members. This year's HR seminar will be held in September. Discussion ensued about the value of the HR services as an important part of the POOL/PACT service mission.

On motion and second to accept the reports under items 8 a-d, the motion carried.

9. For Possible Action: Acceptance of Pooling Resources, Inc. Grant Budget

Wayne Carlson commented on the highlights of the budget. Jeanne Green noted that they had an increase in travel costs due to demand. Gerry Eick suggested that the telephone expense item be increased. Jeanne Greene replied that the toll-free number was getting calls from other states not relevant to us so it now has restricted hours and in-state only.

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

10. For Possible Action: Approval of Contracts:

a. POOL Appraisal Services 3 Year Contract with AssetWorks

b. Willis Pooling POOL and PACT Broker/Loss Control Services 5 Year Agreement

a. Wayne Carlson reviewed the proposed contract and changes including a defined timeline for submission of the reports to avoid delays that occurred this year. The three year cycles would continue, but the threshold for on-site appraisals was raised to values over \$200,000 now that all location have had ground-up appraisals over the last three years. He noted the option for special historical building appraisals was available at an additional cost. He responded to questions particularly regarding water utilities valuations.

On motion and second to approve the contract with the amendments, the motion carried.

b. Wayne Carlson noted that the contract essentially was the same as the existing, but a five year term was proposed in lieu of the current three year term.

On motion and second to approve the Willis Pooling agreement, the motion carried.

11. For Possible Action: Review of NPAIP and PACT Program Renewal Status and Options

a. Willis Pooling Report

b. Review of Reinsurance Coverage and Retention for NPAIP and PACT

c. Review of NPAIP Coverage Form Changes for 2016-2017

1. Mold/Asbestos Remediation Extension to Debris Removal Coverage Sublimit

2. Cleanup of Clerical Errors in Drafting and Clarifying Certain Provisions

d. Consider new programs for unmanned aerial vehicles and pollution legal liability

Chair Minor opened discussion on items a-d.

a-b. Mary Wray provided an overview of current market conditions noting modest potential declines in property and liability rates as underwriters are being more cautious in their underwriting approach. Workers compensation rates generally are increasing slightly at about 3%. She noted they will be going to London along with Wayne and Mike to negotiate the property program. An option for higher Flood Zone A limits was being sought. She mentioned an option for property from CRL and are reviewing the details to compare it with our current program. BoilerRe has offered to increase the limit from \$60,000,000 to \$100,000,000 along with a 14% decrease and continued service credits. Wayne noted that those service credit dollars have been placed in the loss control

budget to enhance our ability to provide more services. She then reviewed a graph of the current reinsurance programs structure and some options on the liability structure to reduce Brit's share and increase PRM's share of the higher limits as an option. She showed the structure of the CRL option to replace our current program entirely. Wayne added comments about the joint effort being done to review the CRL form and compare it to the current program. He noted one concern is that the CRL coverage may require purchase of NFIP policies by members in order to get the higher flood zone A limits. The estimate cost and practical considerations of doing this would need to be evaluated carefully. Workers Compensation likely will be steady.

Stephen Romero presented an overview of the work he has done to obtain a quote for pollution coverage on a blanket basis for all members as an option. He responded to questions. In addition, they are looking at expansion of the student accident medical coverage beyond the current transportation risks only to include all student activities. He is awaiting a pricing indication and terms. Another option is to expand the terrorism policy to include a cyber event trigger of coverage for physical damage or loss.

c. Wayne Carlson reviewed the proposed POOL Form changes to offer a sublimit on mold & asbestos removal resulting from water damage claims which would speed up the adjusting process and help members who did not have the resources to remediate. The proposed changes along with some clerical corrections are being reviewed by coverage counsel.

d. Wayne Carlson commented on the possibility of an endorsement to extend coverage for scheduled unmanned aerial vehicles and to include non-owned or hired UAVs. He also mentioned the blanket pollution legal liability program for all members would be a substitute for the current matrix applicable only to certain members. The matrix program is being non-renewed by AIG's exiting that line of business although that broker is trying to find a replacement.

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

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

a. PACT Budget for 2016-2017

b. NPAIP Budget for 2016-2017

Wayne Carlson noted that he had a call from the broker for Truckee Meadows Fire Protection District who indicated that the district planned to rescind its notice of intent to withdraw from NPAIP and PACT.

a. Wayne then reviewed the PACT budget noting the modest increase in revenue. Regarding the post-employment heart rate (code 9999), he indicated that subsequent to preparing the budget he thought that since PACT had accomplished its goal of a minimum of \$20,000,000 within the actuarial estimated range of \$20 to \$80 million for this exposure, the board could cease accelerating the rate by 10% per year in light of the legislative changes. Alternatively, the board could drop the additional rate and let interest earnings continue to grow the balance. In discussion, the committee discussed what to do within this range of options, including incremental rate reductions. Gerry Eick commented that the regulatory cost budget reduction probably should be increased by about \$125,000 to avoid a future concern should that cost increase beyond the average from the past.

On motion and second to reduce the code 9999 rate by \$1.00 this year and then review annually for revaluation, the motion carried.

On motion and second to approve the PACT budget with the revision to code 9999 and the increase in the regulatory cost line item, the motion carried.

b. Wayne Carlson noted the exposure increase built in was for about 3% with rates otherwise flat or down.

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

13. 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. Joint Board Agenda, NPAIP Board Agenda, PACT Board Agenda**

b. This item was discussed first. Jeanne Greene noted that the HR session would be named the HR Quiz and would be a fun, interactive session. Wayne noted that the Utility Players, an improv comedy group, would provide the evening entertainment with a black swan theme.

a. Wayne Carlson discussed the member special district that were eligible for voting status, but had not sought it, including a number of fire districts. This made it difficult to have candidates for the executive committee for this category. The committee discussed potential candidates from possible voting members if new voting members were added. It was suggest that some board members contact potential candidates particularly from fire districts for PACT. Other executive committee members were asked whether they wanted to continue to service. Alan Kalt noted that Holly Luna, Douglas County School District, left him a note that she did not plan to run and suggested Ann Wiswell as a possible candidate who indicated interest to Holly.

14. Public Comment

Discussion by committee about setting the next meeting date prior to annual meeting, which was set for 10:00 a.m. on April 28th (first day of annual meeting). No other public comments.

15. For Possible Action: Adjournment

On motion and second to adjourn, the meeting 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**