Nevada Public Agency Insurance Pool
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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: April 24, 2006

1. Roll

Members Present: Mike Rebaleati, Claudette Springmeyer, Marilou Walling, Lisa Jones, Dan Newell, Mike Pennacchio, Alan Kalt, Cash Minor, Roger Mancebo, Mike Tourin, Paul Johnson, Linda Bingaman
Members Absent: Jeff Zander, Toni Inserra
Others Present: Wayne Carlson, Doug Smith, Ann Wiswell, Debra Connally, Bob Lombard

2. Action Item: Approval of Minutes of Meetings:
a. Joint Executive Committee of March 13, 2006

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

3. Action Item: Select POOL and PACT Program Renewal Options

POOL: Bob Lombard presented an overview of the Willis Pooling marketing approach and results. He commented on the various ways in which markets function and are accessed. He noted which markets provided quotes or could not quote and their reasons.

Bob then reviewed a spreadsheet comparing various options for consideration by the board. He discussed the property market comparison was prepared using the current year's rates applied to the renewal exposures and then compared to the renewal rates using the same exposures. For property, the Lloyds reinsurance program developed about a 10% overall increase including all exposures and rate changes. Bob noted that the rates had gone down in 2005-2006, but current market conditions as a result of catastrophes in other States resulted in increases spread to their book of business. The visit to Lloyds by Cash Minor, Claudette Springmeyer, Wayne Carlson, Ann Wiswell and Bob Lombard included much discussion of a rate increase potential not only for the POOL, but dramatically so for wind-prone areas. We negotiated for an overall increase not to exceed 10% and were able to accomplish this.

Regarding the liability program, Bob provided three options for consideration: 1) County Reinsurance, Ltd. and MARP, 2) County Reinsurance, Ltd., United Educators and MARP and 3) County Reinsurance, Ltd., United Educators and ACE. Bob compared the pricing and terms for each option. Regarding United Educators, Ann Wiswell commented that this market was approached in response to Paul Johnson's question last year about a school specific excess/reinsurer. Bob noted that United Educators offered specific school risk management services that would extend the POOL's services to school district members. He also noted that there was a capitalization charge of 15% of premium ($25,499) this year for joining UE, but that that amount would reduce to 3% next year or be eliminated.

Bob then explained and disclosed the amounts and percentage of commissions payable to the various brokers/program managers through whom Willis Pooling had to go to obtain these quotes.

The committee discussed and considered the options to present to the board. On motion and second to present all options to the board and to recommend that the board select Option 1 (County Reinsurance, Ltd,, United Educators, MARP), the motion carried.

PACT: Bob Lombard presented the renewal quote from Midwest Employers with two options: 1) at current retentions, the premium would increase by 15% to about $733,000 and 2) if PACT takes an additional $250,000 corridor deductible (up from $500,000 to $750,000), the renewal premium would remain the same as at present – about $605,000. Bob indicated that he still is working on getting Midwest to reduce that pricing as a result of the recent claims audit of ASC and indications that some reserves would be reduced, but has not yet gotten a firm response. Wayne Carlson recommended that the board take the additional corridor deductible if Bob is not successful in securing a no increase renewal without it.

On motion and second to present both options and to recommend that the board accept the additional $250,000 corridor deductible option, the motion carried.

Pollution Legal Liability: Wayne Carlson reviewed the current matrix program and options for renewal: 1) as is - $5,000,000 occurrence, $5,000,000 shared aggregate, $50,000 deductible, 2) $2,000,000 occurrence, $8,000,000 (or $10,000,000 shared aggregate for less than 5% more premium), 3) reducing the $50,000 deductible to a $25,000 deductible for an additional premium per matrix category of 10%-15% ($14,000 to $22,000 overall premium shared by 15 participants) and 4) to have the POOL bear $25,000 of the $50,000 deductible for which an additional loss fund of $75,000 - $100,000 was suggested. Wayne recommended proposing options 1, 2, and 3 to the board.

On motion and second to recommend options 1, 2 and 3 for consideration by the board, the motion carried.

4. <u>Action Item:</u> Approval of Prospective Members

a. POOL - Sierra Fire Protection District

Wayne Carlson reviewed the formation of this district from an existing part of a State agency (Sierra Forest Fire Protection District) that covered five counties. The district is being created by Washoe County, whose Board of Fire Commissioners will govern this district. There are 4 paid fire stations with 38 firefighters and several volunteer stations that cover the wild lands interface in Washoe County. He stated that the State indicated that there had been no liability losses. Wayne responded to several questions from the committee regarding the operations. Claudette Springmeyer indicated that Douglas County was part of the existing State agency, but also had a similar district (East Fork Fire Protection District).

On motion and second to authorize membership, the motion carried.

b. PACT - Sierra Fire Protection District

Wayne Carlson noted that this district has 38 paid firefighters and several volunteers. He reviewed the loss history noting that there had been no heart-lung claims in the past five years and that the claims experience overall had been favorable. In response to a question regarding transfer of heart-lung liability, Wayne responded that those who already had retired from the State remained the liability of the State, but that those who came on board with the new district would become the liability of PACT. He also commented that it is possible in the future that this district could be merged into Truckee Meadows Fire Protection District for the volunteers and to the City of Reno for the paid, but that this was uncertain and speculative at this point; however, if it did happen, the paid liability would be transferred as well. Wayne also indicated, in response to a question, that the only other market for this district would be the assigned risk pool and that while the heart-lung liability was of concern, the PACT rates had been adequate to fund for this risk so far as actuarial projections could predict.

On motion and second to authorize membership, the motion carried. Mike Tourin requested that it be noted that he was abstaining due to his concerns with uncertainty about the heart-lung risks.

5. <u>Action Item:</u> Initiate Study of Formation of Captive for PACT

Wayne Carlson indicated that staff had been discussing the issues of the cost and attachment point of the aggregate excess insurance required by statute. Doug Smith commented that he had reviewed and compared several other states' requirements for aggregate excess and solvency protection, particularly for public entities. He found that about half the states did not require some or all of these for public entities and that he asked Wayne if he could take this to the Legislature. Wayne said that he took the issue to the Subcommittee on Workers Compensation to the Insurance Commissioner's Advisory Committee on Property and Casualty Insurance and asked the Commissioner to seek a change in the statute from "shall" to "may" in order to enable the Commissioner to have discretion in waiving the requirements to provide aggregate excess insurance and certain security if the financial position of the group warranted. The Commissioner suggested that we could form a captive to provide this coverage and she would not have to seek the Legislative change. Wayne responded that we had discussed this, but that our captive (Public Risk Mutual) had different members that PACT and that further discussions with the Insurance Division had not been had regarding using PRM or forming a new captive. Wayne reported that the Commissioner appeared more interested in the captive than a legislative change.

Doug added that he had e-mailed the Insurance Division following this meeting to inquire about using PRM and that the response indicated that PRM could create a protected cell (rent-a-captive) for PACT's use that would be separate from POOL's ownership of PRM. Further discussion had yet to occur regarding whether PRM could simply offer membership in PRM without the separate cell, but this and other approaches would be presented to the Insurance Division. Doug suggested that a feasibility study would need to be made including actuarial work, staff evaluations and discussions with the Insurance Division. Wayne indicated, in response to a question, that this work could be accomplished within the current budget.

On motion and second to authorize a study of formation of a captive for PACT or use of PRM as discussed, the motion carried.

6. Public Comment

None was received.

7. <u>Action Item:</u> Adjournment

On motion and second to adjourn, the meeting adjourned at 11:30 a.m.