



**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: April 26, 2011

Time: 2:00 P.M.

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

Conference Call: 1-800-593-9034 Passcode: Wayne C.

1. Roll

Members Present: Cash Minor, Claudette Springmeyer, Roger Mancebo, Pat Whitten, Steve West, Paul Johnson, Alan Kalt, Toni Inserra, Lisa Jones, Bill Kohbarger,

Members Absent: Jeff Zander, Dan Newell

Others Present: Wayne Carlson, Doug Smith, Ann Wiswell, Debbie Connally, Jeanne Greene, Randy Waterman

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

a. Approval of Minutes of Meetings:

- 1) Joint Executive Committee March 3, 2011
- 2) PACT Executive Committee – none
- 3) POOL Executive Committee – none

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

3. Action Item: Review and Action on Legislation

Randy Waterman reviewed his report of bills that died in committee and bills that remained alive due to passage from the committees of the house or origin and/or the Senate or Assembly under the deadline rules. He commented on the difficulty surrounding SB 135 and its amendments and how efforts were being made to modify the language back to our original intent. No action was taken.

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

- a. Willis Pooling Report
- b. Select POOL and PACT Program Renewal Options
- c. Consider Granting Renewal Credits

4.a Bob Lombard provided an overview of the status of the marketing efforts and market conditions. Last minute quotes and changes to quotes had been coming in up until five minutes

before this meeting. The good news was that there are options for both POOL and PACT that appear to achieve a relatively flat renewal pricing overall for both programs.

4.b Regarding PACT, Bob noted that the incumbent excess insurer, Midwest Employers Casualty Company (MECC), initially wanted a premium increase of between 25% and 40%. He reminded them of PACT's positive loss ratio and that they were in a competitive market now. Their final quote came in with about a 10% increase. An alternative quote was received via County Reinsurance, Ltd. (CRL) and Safety National Casualty Company (SNCC) that was competitive with MECC. Both options were discussed along with Public Compensation Mutual (PACT's captive) taking an increased quota share participation. On motion and second to present the renewal as is quote with MECC and Option 1 with CRL/SNCC and to authorize staff to work with PCM as to altering its quota share offer if possible prior to the board meeting, the motion carried.

Bob then reviewed the POOL options. With regard to the property program, he indicated that as a result of the Japan earthquake and tsunami, several of the Lloyds syndicates were experiencing increases in their own reinsurance costs. However, they were not passing on the entire cost since POOL is not one of the critical catastrophe accounts. Indication were that a rate increase of 5% would be passed along to POOL No other property markets were approached in light of the long-standing, stable relationship with the Lloyds markets and the reasonableness of their response to POOL's own loss in the Wells earthquake.

Turning to the liability program, Bob noted that there were as many as nine different options discussed with staff that was reduced to six potential options for this meeting. He said that these liability markets also were approached: Genesis, ACE, Everest, BRIT, Chartis, GEM and Markel in addition to the incumbents. He noted that the incumbent reinsurance excess of \$2,000,000 raised their premium by over \$700,000, a figure that far exceeded that of other alternative reinsurers. He then reviewed the options.

- Option 1 utilizes CRL for a quota share with Public risk Mutual (PRM), the POOL's captive, up to \$2,500,000 excess of \$500,000 retention and its reinsurer Chartis to provide the reinsurance excess of \$3,000,000. In this option United Educators (UE), our current schools liability reinsurer with \$1,500,000 excess of \$500,000 retention offered to increase their participation to \$2,500,000. Under
- Option 2, a new reinsurer, Governmental Entities Mutual (GEM), a captive much like CRL, offered terms for a layer of \$3,000,000 excess of CRL and its reinsurer Markel for limits of \$5,000,000 excess of \$5,000,000. UE remained at its present limit.
- Option 3 utilized a combination of GEM for \$3,000,000 excess of \$2,000,000 plus CRL/Chartis for the limits of \$5,000,000 excess of \$5,000,000. Both CRL and UE remained at their present limits.
- Option 4 changed GEM to \$2,000,000 excess of \$3,000,000, but otherwise was similar to Option 3. CRL and UE both increased their limit to \$2,500,000.
- Option 5 added another new reinsurer BRIT for the layer of \$5,000,000 excess of \$5,000,000 with GEM at \$2,000,000 excess of \$3,000,000 and CR and UE both at \$2,500,000 excess of \$500,000 retention.
- Option 6 utilized CRL and UE at \$2,500,000 excess of \$500,000 retention and used a 10% PRM quota share with GEM/Markel at 90% for limits excess of \$3,000,000

Considerable discussion ensued about each option and the pricing comparisons. Bob, Wayne and Doug each commented on the various options. On motion and second to present to the board

the Renewal as is and Options 1, 4 and 5 (assuming the BRIT pricing is confirmed), the motion carried.

4. c. Wayne Carlson initiated discussion regarding whether or not the granting of renewal credits under the current budget difficulties should be considered. He cited an example of a pool in another state that utilized this approach and why. Alan Kalt acknowledged the difficulties, but stated that the budget problems may be worse over the next couple of years so now may not be the time to consider this. In addition, he emphasized the long history of both POOL and PACT not granting dividends and how a renewal credit was similar and could create an expectation of continuation. Cash Minor commented that the significant heart-lung risk was difficult to fund so holding onto funds in the short term would be prudent relative to PACT. Wayne added that there were options members of both pools presently could utilize to reduce their cost and their workers compensation experience modification factors, the risk management grants program. In addition targeted loss control efforts for those with high factors could also help. Alan noted that medical cost trends were strongly upward. Bob Lombard added that California workers compensation rate increases this year were up 40% so the delay in increasing the rates was catching up. Others echoed that members should stay together with or without any renewal credits because they were owner/members and managing their own risks via pooling for the long-term benefit. The consensus was not to discuss this as an option at the board meeting. No action was taken.

5. Action Item: Approval of Adjustment of Compensation to Public Agency Risk Management Services for its Services to POOL and PACT

Alan Kalt requested this item be placed on the agenda for consideration. He noted that the PARMs contract was amended voluntarily to remove the automatic 3% escalator provision effective July 1, 2010 and that the new proposed contract effective July 1, 2011 did not increase the fee for the first year. Discussion ensued regarding a suggestion that a one-time adjustment to recognize performance may be warranted.

On motion and second to pay a one-time amount of \$20,000, split between POOL and PACT and payable this fiscal year, the motion carried.

6. Action Item: Status Reports
a. GASB 54 Applicability to Pools
b. Public Agency Retiree Trust status
c. Pooling Resources, Inc. status report on grant

6.a. Wayne Carlson stated that he had learned from reputable CPA's that GASB 54 did not apply to risk pools.

6. b. Wayne Carlson explained that after months of effort to get a response from the Attorney General's office and changes in the attorneys regarding implementing Public Agency Retiree Trust, he was informed that there were concerns about the pooled trust being able to implement NRS 287.017. He informed them that legal counsel to the Committee on Local Government Finance, which had adopted the regulations allowing a pooled trust, had never indicated any statutory problems. The Deputy Attorney General said that she had talked with the PERS Director and they had agreed on the current interpretation, but that she would check with the CLGF attorney to determine why her concerns were treated differently. Wayne advised the committee that at this stage, the pooled trust could not be implemented.

6.c. Jeanne Greene advised the committee that one of her staff was leaving to take a job with the Federal Government as Personnel Relations staff at a hospital in Connecticut. She indicated that after discussions with Wayne, she believed that current staff would try to redistribute the workload for a period of time to determine whether or not the position needed to be filled, but would watch to be sure service levels did not decline. She may utilize an outside resource more as necessary. Wayne commented that the grant continues for another year, so there are funds available to fill the position if it later is determined to be necessary.

No action was taken on any of these reports.

7. Public Comment

No public comment was received.

8. Action Item: Adjournment

On motion and second to adjourn, the meeting adjourned at about 4:30 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**