



**Nevada Public Agency Insurance Pool
Public Agency Compensation Trust**
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**Joint Meeting and Minutes of
Executive Committees of
Nevada Public Agency Insurance Pool and
Public Agency Compensation Trust**

Date: Tuesday, April 12, 2022

**8:30 AM or immediately following the NRP, PRI, PRM and PCM Meetings
Virtual Meeting**

Join Zoom Meeting

<https://us02web.zoom.us/j/87225703199?pwd=QWwrdFJWa2sraHBEVhCjFla0lJZz09>

Minutes

Roll

The meeting was called to order by PACT Chair Paul Johnson at 8:30 am.

Members present Paul Johnson, Geof Stark, Josh Foli, Dan Murphy, Joe Westerlund, Cindy Hixenbaugh, Ann Cyr, Gina Rackley, Mike Giles, and Elizabeth Francis.

Members Absent: Dee Carey.

Others present Wayne Carlson, Alan Kalt, Stephen Romero, Marshall Smith, Jarrod Hickman, Mike Van Houten, Debbie Connally, Stacy Norbeck, Donna Squires, Margaret Malzahn, Curtis Calder, Alicia Heiser, Jack Angram, and Joseph Tacason.

Chairman Johnson indicated that we would recess the meeting to conduct the meetings of PRI, NRP, PCM and PRM. Afterwards, we will reconvene the meeting of the Joint Executive Committee.

At 9:21 am, the Meeting of the Joint Executive Committee was reconvened.

1. Public Comment

Chairman Paul Johnson opened public comment and hearing none, he closed the comment period.

2. For Possible Action: Approval of Consent Agenda

- a. **Approval of Minutes of Joint Executive Committee Meeting of March 22, 2022**
- b. **Approval of POOL and PACT February 28, 2022 Financial Report**

On a motion by Josh Foli and a second by Ann Cyr, the consent agenda was approved as submitted.

3. For Possible Action: Adopt Investment Policy Proposed Changes

- a. POOL**
- b. PACT**

Alan Kalt reviewed the investment compliance exception report as noted by NEAM. The exception was the average life of one of our Agency MBS holdings extended beyond the 10-year maximum per our investment guidelines. Wayne Carlson allowed for a waiver to the policy and not sell the security at this time. The compliance issue happened given there is no incentive to refinance given relatively higher current rates. It was noted that when the security was purchased it complied with our policy. The next logical step is to look at what changes could be proposed to the investment policy to address this issue. The changes are in section 8. Investment Guidelines and Limitations section B. Maximum Durations. The recommended change is to read as follows: *“The average duration of the portfolio will not exceed +/- one year of the benchmark duration.”* It was noted that this would allow us greater investment flexibility and the ability to implement the EBAA work performed by NEAM. The other proposed change in the policy included changes to the NEAM Fixed Income Benchmark guidelines to reflect the updated allocation requests in section D. These changes were reviewed and approved by NEAM and SAA.

After a brief discussion, Josh Foli made a motion to approve the recommended changes to the investment policy. A second by Gina Rackley. Motion carried.

4. For Possible Action: Review of Risk Management Programs, Insurance/Reinsurance Coverage:

- a. Review of POOL/PACT Insurance/Reinsurance Coverage and Risk Management Programs to Offer for 2022-2023:**
 - i. Review of POOL and PACT Rate Indications**
 - ii. Review of POOL, PACT, PRM and PCM Loss Fund Contribution Rate Indications by Actuary**
 - iii. Selection of Retention Options and Reinsurance Strategies for NPAIP and PACT Renewal**
 - iv. Review of Ancillary Programs Including Student Accident, Pollution Legal Liability, Employee Assistance Program, TULIP (GatherGard), and Airports Program**

Stephen Romero provided an overview of the Year over Year rate comparison for PACT and POOL. The PACT coverage is recommended to keep the same coverage structure as expiring. It was noted that the PCM, CRL and Safety National rate increases we in the low-single digits. The PACT base rate for the \$300,000 SIR coverage as determined by the independent actuary is \$8,094,000 at the 75% confidence level (CL). It was recommended to keep the same structure graph for the Workers Compensation Coverage for FY 2022-23 the same.

After a discussion, a motion by Josh Foli and a second by Cindy Hixenbaugh to present the upcoming PACT renewal option as the same as the expiring structure to the full Board at the Annual Meeting.

Stephen reviewed the Year over Year rate comparison for the POOL. He noted the changes as well as the property coverage has not been finalized. There has been some adverse development in a southern Nevada flood claim in Nye County. The property pricing will likely come in right before the Annual Meeting scheduled for April 21.

Stephen reviewed the 2022 Liability Renewal Options noting two layers have options to be considered by the Board. The School Liability coverage is currently with United Educators and PRM. The renewal rates for this coverage are \$878,241 with UE's share at \$531,420 and PRM funding at \$348,815. Old Republic, who quoted last year, quote was \$780,000 which would represent a cost savings of \$98,241. It was noted that we still have the Elko County School District Claim as a recoverable for UE's portion as it has not been resolved. This is going to mediation to seek a resolution. The other issue is that Old Republic has an Exclusion for Cannabis that we are working through with the underwriters. A discussion ensued about the two options, impact on e-learning, risk management services and overall pricing. It was noted that POOL is providing the Vector Solution e-learning platform to our school members. This is a more robust training that what was being offered by UE. Furthermore, the in-house Risk Control services provides the necessary safety services and training. The next layer of coverage \$7m excess of \$3M that currently has GEM at 35%, Brit at 40% and PRM at 25% is projected at \$901,027 with the expiring carriers. Options with GEM at 75% and PRM at 25% is projected at \$889,996. An option with GEM and PRM at 50/50 would cost \$999,123 and the final option of GEM at 100% would be the most cost effective at \$777,527. A discussion was held regarding the impacts on PRM, GEM and Brit. The 100% GEM option would provide a savings of \$123,500 over the expiring quilt. It was noted that we have a long-term relationship with GEM. GEM is a pool of pools and has provided a favorable quote that would allow us to retain capacity for PRM to provide other layers if necessary. It was noted that if Old Republic was selected for the school coverage and that we accept 100% of GEM coverage for the \$7M excess \$3M coverage, the savings would be greater than the savings associated with reducing the Confidence Level on the POOL funding to 70%. By keeping the POOL layer at a 75% Confidence Level, it increases the likelihood of having the necessary funding to paid subsequent claims. It was noted that any underwriting gain or loss on the POOL and PRM layers would accrue to the bottom lines of the programs.

After a lengthy discussion on the various options, Josh Foli made a motion which was seconded by Ann Cyr to provide two options to the full board at the Annual meeting. Option 1 would be the expiring structure with the existing carriers and the second option would be to place the school coverage with Old Republic and the excess layer at 100% with GEM to create financial savings to the members. The Joint Executive Committee is recommending to the full Board that the Old Republic school liability coverage should be selected and go with GEM at a 100% of the \$7M excess of \$3M coverage for all entities. The motion carried.

b. Review Proposed 2022-2023 Draft Budgets for POOL and PACT for Recommendation to the POOL and PACT Boards

Alan Kalt reviewed PACT budget walking through the Budget Overview Summary. It was noted that management staff is recommending at the PACT class code rates increase by 8% across all classes for Fiscal Year 2022-2023 rather than the projected increase of 13.2% as noted in the formal budget. Alan reviewed the PACT historical claims adjustment expense plus the Loss Fund contribution to the Assessment ratio over the past four years noting a loss ratio between 92.4% to 96.7% during the period. This has resulted in a reduction of nearly \$8M in Net Position since FY 2018. To address PACT's financial stability, it would appear appropriate to transfer some of the Total Surplus from PCM back to PACT. Alan commented that PACT transferred \$53.7M to PCM over the years which has grown to a Total Surplus of \$88.5M in PCM as of December 31, 2022. This strategic move could bolster PACT's Net Position and be used to pay off the claims runoff of a large member who left PACT in the last year without impacting existing

members' rate. The budget reflected a \$2.5M transfer by June 30, 2022 and \$2.0M by December 31, 2022. The projected premium was calculated using the 75% Confidence Level as determined by the independent actuary. The program expenses and administration expenses are projected at a reduced level in FY 22-23. Net investment income is projected lower than prior year due to lower overall yields. It was noted that as interest rises and securities mature, NEAM will invest in securities with a higher market yield thus earning additional interest income. As with past practices, no net realized or unrealized gains or losses are calculated in the budget.

After a brief discussion, Josh Foli made a motion with a second by Cindy Hixenbaugh to accept the proposed PACT 2023 budget. Motion carried.

Alan Kalt reviewed POOL budget walking through the Budget Overview Summary. It was noted that the projected POOL written premiums will increase by 12.0% over the expiring rates. The actual increases will depend on each entity's exposures, payroll, and loss ratings. This assessment is based on the expiring structure and a 75% CL for POOL SIR funding. He reviewed the impacts of the various renewal options discussed by Stephen Romero for the liability structure and property structure. It was noted that the program expenses showed a 3.8% increase and administrative expense up 3.6%. The operating income of \$728,310 reflects the investment income projected from the fixed income portfolio.

A discussion was held on the fiscal impacts of the various options presented. The expiring coverage would be a 12.0% base increase, with the option of Old Republic and 100% GEM on the excess layer, keeping the POOL layer funded at 75% CL would be 11.08% increase. The fiscal impact of reducing the POOL layer to the 70% would be a 9.8% increase but could result in an underwriting loss if claims and cost exceed the projected assessments.

After a lengthy discussion, a motion was made by Josh Foli to approve the Fiscal Year 2022-2023 POOL budget as submitted with the understanding that automatic adjustments would be made to the budget to reflect the approved coverage selections at the Annual Meeting. Mike Giles second the motion which carried.

5. For Possible Action: Review of Proposed POOL Cyber Risk Coverage Form and Limits Amendments/Endorsements for Fiscal Year 2022-2023 for Adoption by the POOL Board at its Annual Meeting

Wayne Carlson provided an overview of the proposed changes to the Cyber Risk Coverage form. Coverage counsel, Jack Angaran, reviewed the draft Cyber Risk Coverage Form and Limits, Amendments/Endorsements for Fiscal Year 2022-23 that will be presented at the Annual Board meeting. The red-lined copies were provided in the meeting materials. The changes on the Declaration page reflected the change of \$3,000,000 coverage per member up to a \$15M aggregate all POOL members combined. Jack reviewed the red-lined changes proposed in the new form.

After a discussion, Josh Foli made a motion to approve the proposed changes to the POOL Cyber Risk Coverage Form and Limits Amendments/Endorsements for Fiscal Year 2022-23 for final adoption by the POOL Board at its Annual Meeting. The second was by Ann Cyr. Motion

carried.

6. For Possible Action: Approval of Prospective Members

a. POOL:

- i. City of Sparks (excluding liability)**
- ii. Truckee Meadows Water Reclamation Facility (excluding liability)**
- iii. Las Vegas Clark County Library District**
- iv. Reno-Sparks Convention Authority**
- v. Eighth Judicial District Court**
- vi. City of Reno (excluding liability)**

b. PACT:

- i. Reno-Sparks Convention Authority**
- ii. Eighth Judicial District Court**

Wayne Carlson noted that the only entities that had completed the application process at this time were the City of Sparks and Truckee Meadows Water Reclamation Facility (excluding liability). If the other entities submit their application as a prospective member it would be presented at a subsequent meeting.

Wayne reviewed the underwriting and claims history for the City of Sparks and Truckee Meadows Water Reclamation Facility. It was noted that they had an excellent loss ratio, good policies and procedures, effective governance and establish risk management and safety programs at the entities. He explained the unique relationship that the Truckee Meadows Water Reclamation Facility to the entities within Washoe County.

After a discussion, Josh Foli made a motion to approve the City of Sparks (excluding liability) as a member of POOL. Second by Elizabeth Francis. Motion carried.

Josh Foli made a motion to approve Truckee Meadows Water Reclamation Facility (excluding liability) as a member of POOL. A second by Mike Giles which carried the motion.

7. For Possible Action: Review of Candidates for Executive Committee for Election at the Annual Meeting

Wayne Carlson reviewed the election schedule for members of the Executive Committee at the annual meeting. It was noted that there will be open seats available due to the retirements of Elizabeth Francis and Cindy Hixenbaugh. Members are encouraged to submit names of members who may be interested in serving on the Executive Committees.

8. Public Comment

Chair Paul Johnson called for Public Comment and there was none.

9. For Possible Action: Adjournment

The meeting adjourned at 11:05 am.