



Nevada Public Agency Insurance Pool
Public Agency Compensation Trust
201 S. Roop Street, Suite 102
Carson City, NV 89701-4779
Toll Free Phone (877) 883-7665
Telephone (775) 885-7475
Facsimile (775) 883-7398

**Minutes of Joint Meeting and Agenda of
Executive Committees of
Nevada Public Agency Insurance Pool and
Public Agency Compensation Trust
Date: Tuesday, March 20, 2023
1:30 PM
Virtual Meeting**

1. Roll

POOL Chair Josh Foli called the meeting to order at 1:32 pm.

POOL Members Present: Josh Foli, Geof Stark, Gina Rackley, Amanda Osborne, Dan Murphy

POOL Members Absent: Scott Lindgren, Ann Cyr

PACT Members Present: Paul Johnson, Mike Giles, Josh Foli, Amanda Osborne, Joe Westerlund, Craig Roissum and Robyn Dunckhorst

PACT Members Absent: None

Others Present: Wayne Carlson, Alan Kalt, Stephen Romero, Jarrod Hickman, Deb Connally, Stacy Norbeck

2. Public Comment

Alan Kalt asked Mike Giles to pick a number between 1 and 52. Mr. Giles picked number 45 which was Palomino Valley. There were the winner of the \$150 Amazon Gift Card on the PACT Payroll Audit Incentive Program. Alan noted that Eureka County was the winner of the \$200 Gift Card. The next drawing will be on April 3rd for those PACT entities that have completed their Payroll Audit submittal by March 31, 2023. There was no other public comment.

3. For Possible Action: Approval of Consent Agenda

- a. **Approval of minutes of Joint Executive Committee Meeting of February 17, 2023**
- b. **Acceptance of Interim Financial Statements for POOL PACT, PRM, PCM, NRP, PRI.**
- c. **Acceptance of Investment Advisors Report**
- d. **Report on PRM and PCM 2022 Annual Audits**

Mike Giles made a motion to approve the Consent Agenda as submitted. Dan Murphy second the motion which carried.

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

a. Executive Director's Report

Wayne Carlson reviewed the Executive Director's report in the packet, noting the market conditions, renewal issues with POOL and PACT due to loss experience and the answers on the CRL Cyber application. It was noted that Carson City put notice in to withdraw from

POOL and North Lake Tahoe Fire Protection District and East Fork Fire Protection District for PACT. It was noted that staff will be working with the entities and agents to understand the coverages, services and benefits of being in POOL/PACT. Wayne noted that Davies had a claims Practices Review performed on PACT claims. He provided a Legislative tracking sheet for the Board and noted that CRL is hosting a board governance conference in July in Boise and encourage board members to attend and participate.

- b. Review of POOL/PACT insurance/reinsurance coverage and risk management programs to determine what coverages and programs to offer for 2023/2024:**
 - 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 for NPAIP and PACT Renewal and Reinsurance Strategies.**
 - iv. Consider Changes in Cyber Limits of Liability and Coverage**
 - v. Review of Ancillary Programs Including Student Accident, Pollution Legal Liability, Employee Assistance Program, TULIP (GatherGard), and Airports Program.**

Stephen Romero walked through a chart of the Year over Year comparison for POOL and PACT. He walked through each quote and line of coverage received. The red numbers indicated estimates as firm numbers have not been received by the markets. He noted that the trip to London to present to the property underwriters was successful as the Nevada Pool was in a different position on losses compared to the coastal, storm, and wildfire exposed markets. During the AGRIP Conference, he met with over 12 carriers to discuss pricing challenges and our renewals. The preliminary POOL renewal appears to be over 10%. He is waiting on the London pricing as that has a significant impact on the overall pricing given our Total Insured Values (TIV). There were discussions on the pricing and coverage limits.

Stephen then spoke of the renewal on PACT. He noted that the largest increase was with the CRL level. He explained that CRL uses 10 years of data in the underwriting. It was noted that the oldest year dropping off did not have any claims whereas the new year had over \$2M in claims posted. Alan and Stephen walked through the CRL renewal presentation and showed the 16 large losses that affect the CRL and PCM Layers.

- c. Review Proposed 2023-2024 Draft Budgets for POOL and PACT for Recommendation to the POOL and PACT Boards**

Alan Kalt reviewed the PACT budget PowerPoint presentation. He reviewed the Assessments/Revenues for PACT. Noting that assessments are based on covered payroll times classification rates times the entity mod factors for the year. It was noted that the Actuary had completed the Mod-Rate study for the new policy period. It was noted that the lowest mod rate was 0.64 and the highest at 1.53. There were 76 entities with mod-rates decreasing during the upcoming year. He noted that only 7 entities had mod-rates over 1.1 and three of them were decreasing on July 1st. Kalt noted that the budget had investment income from interest earned on fixed income investments but no provisions were made in the budget for unrealized gains or losses during the year. A considerable amount of time was spent on the PACT Loss Fund and Insurance Expense level over the past 6 years. The goal is to have these costs account for 60 to 65% of the assessments. However, the actual costs have been FY 17 68.2%, FY 18 92.4%, FY 19 96.7%, FY 20 94.4%, FY 21 at 95.1%. This resulted in underwriting losses which have been consuming our Net Position over the past 6 years, hence the need for the \$4.5M transfer of capital back to PACT from PCM in 2022. He

went over the Bickmore Actuarial study for PACT noting that the 75% funding level needed is \$8,864,000 for PACT's \$300,00 SIR level. Slides showing the 10 year trend data from the actuarial report were reviewed. The actuarial report comparison with the prior year report indicated that the actual development was \$1,148,000 higher than the projected levels due to unfavorable claim development during the year. Alan noted that CRL uses a 10-year claims window in their pricing and we have 4 of the 5 oldest years with 0 claims but the most recent 6 years have large claims with net incurred over \$2M in each year. Alan reviewed his concerns on PACT noted that the Division of Insurance has a regulatory review preformed every three years and we are going on five years without the review. He is concerned that our financial benchmarks are not being met and the regulator may force a rate increase greater than that recommended by Staff or the Executive Committee. Alan noted that our actuary performed a rate relativity analysis on our FY 22-23 rates noting that our Police and Fire rates are underfunded by at least 10%. He is recommending this year's rate percentage increases need to be separated and a larger percentage allocated to the Police and Fire classification to cover their claims load.

Alan gave an update on the PACT Payroll Audits being conducted by SPR. The calculation of covered payroll in 2022 will assist in the rate setting for 2023-24. The goal is to set the assessments at a level to pay the claims without having to impose a special assessment in the future. Josh Foli led the discussion of the implementation of the new rates and the need to move away from the retroactive assessment of the new rates back to the January 1, 2023 payroll. He is recommending the Board consider setting a rate for July 1st that goes back to January 1st and compute a new rate to be effective on January 1, 2024 that would take place on the January 1st, 2024 payroll rates. A discussion was held on the white paper and the task force that worked on this issue. It is recommended to develop this as an option for the Executive Committee to discuss and for full board consideration at the Annual Meeting. Alan indicated that he will work on developing the proposal and the information from the white paper and task force will be helpful. It was noted that the new rate to be implemented in January would not be known until after the actuary did his projection based on the claims data from January 1, 2023 to September 30th. Discussions will need to take place with the actuary to determine if the work could be completed timely so the January rate could be calculated and approved in time for the January adjustment.

Kalt went over the POOL budget as presented in the packet noting that the numbers from the renewal proposals as discussed by Stephen were updated in the spreadsheet. No formal action was taken on these items as we are still pending updates from the markets. A subsequent meeting will need to be held prior to the Annual Meeting to finalize the recommendations.

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

Wayne reviewed the Executive Committee members up for re-election at the Annual Meeting as well as the Chair and Vice Chair positions. Each member was willing to continue to serve on the Executive Committee is approved by the Board at the Annual Meeting. It was noted that the current Chairs and Vice Chairs are doing a great job and they are willing to continue to serve is that is the will of the total membership. Wayne and Alan thanked them for their dedicated service and support of our programs.

6. For Possible Action: Approve Date for Next Joint Executive Committee Meeting

After discussion, it was determined that the next Joint Executive Committee meeting will be on Friday, April 7th at 8:30am.

7. **Public Comment:** There was no public comments.

8. **For Possible Action: Adjournment:** Chair Foli adjourned the meeting at 3:45 pm

DRAFT