



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

Date: Wednesday, March 22, 2017

Time: 9:00 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

Committee Members Present: Cash Minor, Alan Kalt, Josh Foli, Gerry Eick, Roger Mancebo, Ann Wiswell, Paul Johnson, Chris Mulkerns, Lisa Jones

Members Absent: Steve West, Missy Rowe, Bev Conley

Others Present: Jeanne Greene, Stacy Norbeck, Donna Squires, Marshall Smith, Mike Rebaleati, Wayne Carlson, Geoff Stark

A quorum being present, Chair Minor called the meeting to order.

2. Public Comment

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

3. For Possible Action: Consent Agenda

- a. Approval of Minutes of Meeting of May 23, 2016**
- b. Executive Director's Report**
- c. Interim Financial Reports of NPAIP and PACT**
- d. Approval of Special District Voting Status for Southern Nevada Health District**

On motion and second to approve the consent agenda, the motion carried.

As an additional part of 3. B. Andrew Halsall, CEO of Government Entities Mutual (GEM), one of our reinsurers, was introduced and provided an overview of GEM's capacity and ability to offer higher limits. He reviewed the history of GEM and the mix of members.

4. For Possible Action: Investment Strategies

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

Chair Minor recessed the meeting to enable meetings of the captives Public Risk Mutual and Public Compensation Mutual.

Chair Minor reconvened the meeting for Item 4.b. Kelly Sullivan of New England Asset Management presented a review of the Enterprise Based Asset Allocation analysis their firm had conducted to assist in understanding the investment and operational risks interaction to guide investment strategies. She explained the process used was comprehensive for both pools and captives since they have different risk tolerances and investment options. Using various combinations of those strategies she showed how each of the organizations could expand their investment options and still maintain a relatively low investment risk tolerance while increasing returns.

Following this presentation, Chair Minor opened item 4.a. On motion and second to affirm the current investment policies were reviewed and changes were not required, the motion carried.

5. **For Possible Action: Review of 2016 Financial Audit of**
a. Public Risk Mutual
b. Public Compensation Mutual

The committee was able to listen to the captives meetings including a review of their 2016 audit. It was noted that the notes to the financial statements for NPAIP and PACT should have some revised notes language to clarify investment guidelines and subsequent events in next year's audits for both the captives and the pools.

On motion and second to approve the review and to work

6. **For Possible Action: Capitalization of Captives**
a. Authorize Additional Capitalization of Public Risk Mutual
b. Authorize Additional Capitalization of Public Compensation Mutual

Chair Kalt opened discussion on this item. It was noted that the net assets of each pool had grown substantially over the years. The board had adopted a strategic capitalization policy for normal years to transfer up to 50% of any annual gains from the pool to the captive, which had been done several times. Given the substantial net assets of the pools and a desire to increase utilization of the captives to take on more capacity as reinsurers of the pools, discussion focused on transferring additional capital beyond the annual amounts. Considerable discussion ensued about the merits of taking this action and the amount of additional capital that would enable both the pools and the captives to maintain substantial net assets for their respective risk retention amounts. Various options were discussed. Staff indicated they would work with Strategic Asset Alliance, the investment advisor, to develop an orderly transfer plan.

On motion and second to transfer \$10,000,000 from NPAIP to Public Risk Mutual subject to being phased in to avoid incurring net losses from sales of investments in order to transfer the funds, the motion carried.

On motion and second to transfer \$25,000,000 from PACT to Public Compensation Mutual subject to being phased in to avoid incurring net losses from sales of investments in order to transfer the funds, the motion carried.

7. **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

e. Producers Training Program Report

7.a. Donna Squires provided an overview of the large open claims status. She commented that she had added a new, experienced adjuster in Southern Nevada. She noted that she has undergone recent internal and external reviews of claims handling practices, the most recent of which was on the PACT claims. That external review was very positive as in the past. The other reviews also were positive.

7.b. Mike Rebaleati reviewed the Loss Control committee's projects. He noted that the Risk Management Grant program was to undergo an extensive review by the committee. He explained the progress on the current strategic plan.

7. c. At Mike Rebaleati's request, Chair Kalt moved this item to be presented in conjunction with item 8. d.

7. d. Jeanne Greene and Stacy Norbeck reviewed the strategic plan progress report presented to the HR Oversight Committee. They included a slide showing an analysis of the estimated costs of providing the services to members should they have to purchase these services elsewhere. That figure came to over \$3.6 million without including costs of day-to-day trouble shooting and counseling of members. Given the substantial value, committee members requested that this be included in the annual meeting presentation. They noted the extraordinary value of the services delivered. It was noted that Jeanne Greene will be retiring at the end of July 2017 and that Stacy Norbeck had been approved by the Pooling Resources, Inc. board as her replacement. The Committee thanked both and expressed confidence in Stacy's new role.

7. e. Mike Rebaleati reviewed the recently delivered day-long Producer's Training Program which included many producers and their staff. He said he hoped to be able to repeat this every couple of years to keep them refreshed on the pools' scope and services. Comments from participants were very favorable.

On motion and second to accept the reports on items 7. a, b, d ad e, the motion carried.

8. For Possible Action: Approval of Contracts:

a. Alternative Services Concepts, LLC (ASC) 5 Year Renewal Contract from July 1, 2017 to June 30, 2022 for NPAIP and PACT

b. Resources for Living EAP, an Aetna Company Extension of Contract that Expires 5/31/2017 to Expire June 30, 2018

c. SpecialtyHealth MCO and Cardiac Wellness Contracts Extension of Contract that Expires 5/12/2017 to Expire June 30, 2018

d. Information International Associates, Inc. (IIA) extension of Contract that expires 4/30/17 to Expire June 30, 2018

8.a. Donna Squires reviewed the cost estimates in the two contracts noting that otherwise the terms would remain the same for the renewal period. On motion and second to approve the renewal contracts from July 1, 2017 to 2022, the motion carried.

8.b. Wayne Carlson requested this item be pulled as there were questions regarding the final contract terms since the firm had requested a two year extension but the signed documents for the extension could not be located.

8. c. Wayne Carlson reviewed the progress of these services and the value of them to help manage losses or loss potential. Discussion ensued regarding AB267 in the current Legislature which may adversely affect their ability to assist employers with physical examination reviews and offers to participate in our wellness programs. Staff is working with NACO and Clark County to oppose this provision and others in the bill that adversely affect PACT.

8. d. Mike Rebaleati provided a status report on the current usage of Tony Rucci's assistance with developing cyber policies. He explained that the proposed contract with IIA expands the scope of services to include a passive assessment of system vulnerability. He said that Churchill County and Lyon County both volunteered for a pilot assessment. He demonstrated the Churchill Report showing the scope and parameters of the assessment and results. Many of the identified issues from these assessments may be addressed by the entity's existing IT staff. Some may require additional specialized assistance. The proposed services expand the assessments ultimately to all members. The contract is an hourly fee based upon blocks of hours per week of 10, 20 or 30 hours depending upon how fast we want to roll these out to the members. Mike thought that it may take a couple of years to get to everyone, especially the smaller ones, but that at least the 20 hours per week would get to a great number of members with 30 hours per week even more members in a more compressed time frame. The estimated cost would be about \$350,000 for the 30 hour contract.

The committee discussed the value of the assessments and what the final deliverable would provide. It was suggested that given the decision to add additional substantial capital to PRM and since PRM provided a substantial amount of the reinsurance on the data security issues, that perhaps this could be a PRM program.

Chair Minor reconvened the PRM captive board to consider this contract as a PRM service. After discussion, they approved the contract as noted in the PRM minutes.

There was no action from POOL or PACT on this contract considering the PRM Board's decision.

- 9. 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. Renewal Reinsurance Strategies**
 - d. Review of NPAIP Coverage Form Changes for 2017-2018**

9. a – b. Mary Wray and Stephen Romero of Willis Pooling provided background about the current market conditions, status of the renewal application gathering and release of their website submission to the various reinsurance markets for both POOL and PACT. She reviewed the existing structure of limits and the comparison using the current year's exposure base. Notably, the estimated cost changes for the renewal of both programs was fairly flat overall. Wayne Carlson commented that he had just received the actuarial draft reports and it appeared that the renewal loss fund amounts likewise were fairly flat.

Stephen Romero reviewed the joint purchase insurance program renewal for Student Accident Medical, Terrorism Property and Liability, Blanket Pollution Legal Liability. Each of these programs were offering fairly flat renewals as well. The Student Accident Policy insurer was offering options for increasing the limit from \$10,000 to \$15,000 or \$25,000. At the \$25,000 limit an additional catastrophic limit would be included. Committee members expressed interest in the option to increase the limit to \$25,000.

9. c. Mary Wray reviewed reinsurance options for schools to include United Educators being interested in a quota share with PRM and in offering higher limits up to \$10,000,000. Great American and Brit both were interest in replacing UE entirely or a portion of the limits. Brit presently participates in the \$7,000,000 excess of \$3,000,000 layer on a quota share basis for all members. Great American is a new market. GEM also presently participates on a quota share basis in the \$7,000,000 excess of \$3,000,000 layer.

Discussion ensued about UE considering some onerous new reinsurance contract terms that were being negotiated over a lengthy period of time. These raised questions about UE's commitment to risk pooling reinsurance, thus the review of other potential replacements. It was noted that UE's risk services in the education space was important and extensive. This was a valuable basis for retaining membership. Options were discussed including having PRM quota share 25% of the present UE layer with UE cut back to 75% quota share. There was a desire to continue to find a way to work with UE, but giving them a share of the higher limits was not of interest now. The other markets have seen the submission and can still work on options for consideration in the various layers for both schools and all other members.

Meetings at Lloyds in London the first week of April look promising for stable rates. Although the recent flood claims reserves will impact their coverage layers, the market may still be able to give us a flat pricing. We will know more after those visits. Steve Firman, the Willis Reinsurance Broker for the property program at Lloyds was invited and will attend our annual meeting this year. He has been instrumental in achieving solid results for us with Lloyds.

Regarding PACT, Mary Wray reported that they anticipated a slight decrease from both CRL and SNCC. Wayne Carlson commented that the retention funding should be flat, thus overall a good result for PACT. Given the capital infusion into PCM, it was suggested that an option for increasing the PCM quota share percentage by an additional 10% to 35% and reducing CRL to 65% quota share depending upon the pricing differential.

9. d. Wayne Carlson reviewed the proposed changes in the NPAIP Coverage Form and the rationale for each one. He noted that one proposed change may have to be reworded due to a proposed legislative bill that may alter some of the definitions used in the draft. Discussion ensued about the proposed changes to the specialized equipment replacement cost provision affected by the bill language. Donna Squires noted that one of the provisions drafted was to require a different deductible on a percentage basis for the high valued vehicles such as 10% or 20% if a member elects the option to be paid the full stipulated amount on the schedule in the event of a total loss. Discussion ensued about whether or not the 10% or 20% would be a reasonably affordable option for the members to bear. Also, consideration of the age of the vehicle as a factor was suggested so that the deductible might be as low as 10% for vehicles under 10 years of age and 20% for older vehicles.

No action was taken as the above options will be further refined for presentation to the board at the annual meeting.

10. For Possible Action: Review of Services and Approval of
a. PACT Budget for 2017-2018
b. NPAIP Budget for 2017-2018
c. PRI Budget for 2017-2018

10. a. Wayne Carlson reviewed the highlights of the proposed budget noting that reformatting of certain expense from administrative to program as suggested by Gerry Eick during an Audit

Committee meeting. He noted that one significant change would be the transfer of Marshall Smith from the PRI budget to the PARMS management services since he has been focusing more on the risk management functions in recent months. This change will reduce some revenue and expenses in the PRI Budget since his costs were split between the organizations. The other significant change is in the technology services budget.

Mike Rebaleati reviewed the technology changes and costs. He suggested that the transfer of the technology assets from PARMS to NPAIP, then allocating the costs as a service fee to the various organizations would allow for the pools and captives data to be housed on their own devices rather than as PARMS. Given the growth of the programs, it would be prudent for the pools to have more control over their technology assets and data. Wayne commented that while he purchased most of the technology assets for both the pools, captives and PRI, he thought that since the management fees came from those organizations, there was no reason to expect any compensation for the assets transfer. Mike indicated that the actual transfer process would be fairly straightforward and could be accomplished fairly soon. Mike suggested the allocation of costs would be on a headcount basis to the various organizations. He also noted that the budget likely was on the high side, but he wanted to be certain there were sufficient funds for the initiative. Regarding the post-employment heart rate loading, Wayne included another reduction of 1.00 in the rate from 4.85 to 3.85 per \$100 of payroll to reflect the accumulation of net assets for this risk category. Otherwise, revenues would be relatively flat.

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

10. b. Wayne Carlson reviewed the key elements of the NPAIP budget noting that similar expense changes and allocations were made as discussed under the PACT budget review. He noted that the POOL Building expense would be affected as a result of interior and exterior water intrusion that will be mitigated soon after several months of delays due to weather and availability of contractors to perform the repairs. He also noted that the two State agency tenants both requested two year extensions on their leases which Chair Minor had signed and were submitted to the State Board of Examiners for execution.

10.c. Wayne Carlson commented that the PRI board had approved the proposed budget with the changes from the transfer of Marshall Smith to PARMS. It also contemplated the retirement of Jeanne Greene as General Manager at the end of July, 2017 and the promotion of Stacy Norbeck to General Manager in her stead. The Committee thanked Jeanne for her leadership and expressed confidence in Stacy's new role. No action was deemed necessary on this item as it is part of a multi-year grant.

11. 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**

11. a. Wayne Carlson reviewed the members of the committee up for election and the declared candidates for election at the annual meeting. He noted that Missie Rowe from Grover Dils Hospital had been appointed by Chair Kalt to replace Pat Irwin who had changed jobs and thus no longer qualified. Missie will serve for the remainder of Pat's term, then stand for election. He also announced that Roger Mancebo was not reappointed as voting representative for Pershing County, thus no longer was eligible to serve thus not running for re-election. Wayne thanked Roger for his long time service and support of the pools. Roger thanked the Members for the opportunity to share in the experience of developing and growing the pools. He said he has

served on the board for 27 years and valued that experience and the relationships. He will miss the people most. He also commended the Members and Wayne Carlson for seeing us through the initiation and success of the pools. Several Committee Members commended Roger for his support and many shared experiences were noted.

12. Public Comment

Chair Kalt opened public comment. Comments received were further reflections of Roger's service and the shared commitment to the success of the pools.

13. For Possible Action: Adjournment

On motion and second to adjourn, the meeting was adjourned at 3:50 p.m.

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**