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**Minutes of Joint Meeting of  
Executive Committees of  
Nevada Public Agency Insurance Pool and  
Public Agency Compensation Trust  
Date: Friday, April 7, 2023  
8:30 AM  
Virtual Meeting  
Minutes**

**Roll**

PACT Chair Paul Johnson called the meeting to order at 8:35 am  
POOL Members Present: Josh Foli, Geof Stark, Gina Rackley, Scott Lindgren, Ann Cyr  
POOL Members Absent: Amanda Osborne, Dan Murphy  
PACT Members Present: Paul Johnson, Mike Giles, Josh Foli, and Joe Westerlund  
PACT Members Absent: Craig Roissum, Amanda Osborne, Robyn Dunckhorst  
Others Present: Wayne Carlson, Alan Kalt, Stephen Romero, Marshall Smith, Stacy Norbeck

**1. Public Comment**

There were no public comments.

**2. For Possible Action: Approval of Consent Agenda**

**a. Approval of minutes of Joint Executive Committee Meeting of March 20, 2023**

Josh Foli made a motion to approve the Consent Agenda as submitted. Gina Rackley second the motion which carried.

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

- a. 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 for Recommendations to the Boards**
  - iv. Consider Changes in Cyber Limits of Liability and Coverage**
  - v. Review of Ancillary Programs Including Student Accident, Pollution Legal Liability, Employee Assistance Program and Airports Program.**

Stephen Romero walked through the structure graphs and coverage layers. He indicated that the property renewal continues to be difficult due to world-wide issues. He updated Year over Year comparison for POOL and PACT. He noted the changes from the prior meeting. He indicated that the Property coverage from London is set at a not to exceed

figure of \$6,000,000. PRM is retaining a portion of that coverage consistent with prior years. The Liability coverage and rates remain consistent with data provided at the last meeting. The GEM layer remains constant as there has not been any claims hit their layer. The Cyber coverage includes CRL coverage of \$750K above the POOL's \$250K SIR with a \$10M annual aggregate for POOL. PRM will pick up an additional \$5M Annual Aggregate for losses after CRL's \$10M aggregate for the POOL is exhausted.

**b. Recommend to PACT Board Regarding PACT Payroll Assessment Methodology**

Alan Kalt went over the proposed Methodology consensus from the March 20, 2023 meeting as included in the meeting packet. It was recommended to develop a renewal based on the following items: 1. Use actuarial determined rates and experience modifications effective July 1, 2023. 2. Continue to use the calendar year payroll. 3. Continue quarterly ACH payments on same basis as currently used. 4. Make an additional rate and experience modification adjustments effective January 1, 2024 and 5. Make future rate and experience modification changes effective January 1 for subsequent years.

They noted that to implement the proposed changes, claims data as of 6/30 would be needed and we could use four years as of 6/30 and for the transition use 4.5 years by adding the additional 6 months to the current as of date. It was emphasized that there would be two rate and experience modifications in the upcoming fiscal year. The first on July 1, 2023 and the second effective January 1, 2024 to December 31, 2024. Because funding approval is part of the annual budget that is presented to the Board in April, the Board will need to delegate to the Executive Committee to approve future budgets and funding levels timed to meet the revised January 1<sup>st</sup> effective dates. The PACT annual meeting would approve the coverage program to be effective July 1<sup>st</sup> each year as presented. It was noted that each Fiscal Year for the member would have two rates, the rate established in January for the July to December period and the new rate effective the following January for the next calendar year.

Alan wanted to thank Josh Foli and the working group for the work on this project. He noted that meeting the needs and assisting members is a goal of the management team at POOL/PACT. This new process should assist in accounting for grant positions and year end close for various members. Josh Foli was pleased with the proposed methodology and thanked staff and the working group for coming up with these recommended changes. Gina Rackley and Paul Johnson thanked Josh for his work and stated they are comfortable with these changes as Josh is pleased with the proposal.

Josh Foli made a motion to approve the PACT Payroll Assessment Methodology as outlined in the packet as a recommendation to the PACT Board at the Annual Meeting. Mike Giles seconded the motion which carried.

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

Alan Kalt reviewed the budget information in the packet starting with the POOL/PRM budgets. It was noted that the projected POOL written premiums will increase by 13.8% on an aggregate basis. He noted that the member's actual increase will depend on each entity's exposures, payroll, and loss ratings. The budget uses the 75% confidence level (CL) for the Loss Fund contributions for POOL and PRM as determined by the independent actuary. The budget allocation is as follows: Loss Fund & Insurance cost 76.2%, Agent Compensation 6.1%, TPA expense 3.0%, Member Services 8.0%, Administrative expenses of 4.7% and Contingency/Net Investment Income 2.1%. Kalt noted this continues to be a "Very Basic Budget" that addresses the needs of the POOL and Members for the upcoming year. The 'hard market' continues and our long-term commitment in the property market provided favorable rates and stability not seen in the broader market.

Alan Kalt reviewed the PACT/PCM budgets. As noted in the packet, the increase needed in the assessments is 10.05%. The PACT budget allocation is as follows: Loss Fund & Insurance expense of 64.97%, Program Expenses 16.24%, Administrative Expenses of 12.98% and Contingency/Net Operating Income of 5.81%. The budget was built upon the 75% confidence level of the actuarial funding estimate for PACT and PCM. Using a higher confidence level would increase the cost and corresponding classification rates. It was noted that the current year classification rates were increased by a flat rate of 8% for all classifications. The actuary in his annual rate relativity study noted that the Police Fire rate should have been increased by 15% rather than the 8% as such is going to be underfunded in the current year. He is recommending split rate adjustments in the upcoming year as the Police Fire rate needs to be increased more than the General Government rate. Management staff is recommending a flat rate adjustment of 6% for the general government classifications and a 12% for police/fire related classifications.

Based on the Executive Committee recommendation of going to the new methodology on the PACT assessment, a rate adjustment for the July 1, 2023 period should be made and a new rate and x-mods calculated with the actuary using the additional six months of loss data to be implemented on January 1, 2024 for the next twelve months. The expectation would be these changes would not be as significant as the rates needed for July 1<sup>st</sup>.

Kalt went over the Loss Fund and reinsurance options with 75% CL. He noted that given the underwriting losses in the past five years, it may be prudent to consider moving to a higher confidence level to reach an underwriting gain. Moving to the 80% CL for PACT Loss Fund contribution would be an additional \$336,000 and an additional \$311,137 for PRM. He recognized that these are large increases and not recommended. However, looking at a strategy to move 1% closer each year might be prudent and in 5 years we would be at the 80%. He noted the FY 2022-2023 is still very green but appears to be trending positive but too early to tell as claims can have significant unfavorable development in a short period of time.

A review of PACT's Program and Administration expenses were noted. An increase is projected in the investment income due to the increase in the investment yields on the fixed income portfolio.

After discussions, Josh Foli made a motion to approve the POOL and PACT budgets and recommend approval to the full board at the Annual Meeting. Noting the POOL increase would be 13.8% on average and the PACT general government classification rates will increase by a fixed rate of 6% and the police/fire classifications having a flat rate increase of 12% effective July 1, 2023. Mike Giles seconded the motion which carried.

#### **4. Public Comment**

There were no Public Comments

#### **5. For Possible Action: Adjournment**

The Chairman adjourned the meeting at 9:18 am.