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**Minutes of Meeting of the  
Board of Directors and of the Executive Committee of  
Nevada Public Agency Insurance Pool  
Date: April 29, 2005**

**1. Roll**

A sign in sheet was circulated and a quorum determined to be present. The Chairman called the meeting to order at about 1:45 p.m.

- 2. Action Item: Approval of Minutes of Board and Acceptance of Committee Minutes:**
- a. Board Meeting of November 15, 2004**
  - b. Executive Committee Meetings of July 20, 2004 and December 29, 2004**

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

**3. Action Item: Financial Report**

Staff handed out the March 31, 2005 statements. Wayne Carlson highlighted key elements of the financial statement noting that net income of about \$667,000 returned the amount of capital to just over \$7,500,000. This offsets the reduced capital at June 30, 2004 that resulted from marking investments down to market value. Wayne responded to questions from the board members. On motion and second to accept the report, the motion carried.

- 4. Action Item: Acceptance of Reports**
- a. Claims Activity Summary Report**

Wayne Carlson commented that the claims activity reports summarized claims by type of member, individual member and by year. He noted that counties tended to have the highest amount of claims due to their variety of exposures. He commented on the high and low activity years for each category of member.

**b. Large Loss Report**

Doug Smith handed out a summary of the large losses as of March 31, 2005. The summary listed the type of loss and the incurred amounts. The largest single loss was \$2,510,000, the result of a police chase into Arizona, in which several law enforcement agencies from both states were involved and which resulted in two deaths and multiple severe injuries, where the tort cap did not apply to governmental agencies. Four agencies shared in the total loss of nearly \$6.5 million. There were two losses over \$1,000,000, an errors and omissions loss and a fire loss. There were 17 losses over \$250,000 since 1987.

**c. Actuarial Update**

Doug handed out portions of the Capital Actuarial Consultants and Bickmore Risk Services actuarial reports. He discussed several exhibits and explained the various methodologies used to select estimates of ultimate losses. Doug commented on the meaning of various confidence levels shown by the actuaries. Wayne added that in light of the fund balance maintained by the POOL, a lower confidence level could be selected than if the fund balance were weak. Wayne indicated that normally the 70% or 75% confidence level was desirable, but that he had used a reduced confidence level due to excess insurance price spikes over the last couple of years. He expected to return to the 70% level for the near future.

On motion and second to accept the reports, the motion carried.

**5. Action Item: Amend the Interlocal Cooperation Agreement**

**a. Changes to Article 20 of Interlocal Cooperation Agreement to Change Litigation Strategy to an Ad Hoc Committee Appointed by Chairman, Clarifying Claims Administrator Role and Responsibilities and Clarifying Use of Panel Defense Counsel**

Wayne Carlson explained that the proposed amendments eliminated the Litigation Strategy Committee as a standing board committee, but that staff would continue to hold litigation workshops due to their popularity and value to legal counsel for members and defense counsel. The reconfigured committee would be convened at the call of the board chairman if a dispute arises regarding assignment of defense counsel in a case. The changes also clarify the claims administrator's role and use of panel defense counsel. On motion and second to amend the Interlocal Cooperation Agreement as proposed, the motion carried.

**b. Add New Section 4 to Interlocal Cooperation Agreement Limiting Litigation by Members against POOL to Declaratory Relief**

Wayne Carlson explained that this amendment made the PACT and POOL agreements consistent in that since POOL members created and constituted the POOL, any litigation by a member of the POOL against the POOL would constitute suing themselves. The proposed amendment clarifies that this is not permitted except in the case of Declaratory Relief actions to interpret the agreement or any POOL coverage agreement.

On motion and second to amend the Interlocal Cooperation Agreement as follows: “Section 4. Membership Contingencies. In order to become and to maintain POOL Member status, a Member cannot maintain any litigation or lawsuit against the POOL or its Board and specifically agrees to waive its right to maintain any litigation or lawsuit against the POOL or its Board. However, this Section does not prohibit any declaratory relief action seeking to interpret this Agreement or any POOL coverage agreement.” The motion carried unanimously.

**c. Changes to Article 12 of Interlocal Cooperation Agreement to Correct Number of Members of Executive Committee**

Wayne Carlson commented that this was a cleanup change to correct the number of members of the Executive Committee. On motion and second to amend the Interlocal Cooperation Agreement as proposed, the motion carried.

**6. Action Item: Acceptance of Renewal of Excess Insurance Programs and Options**

**a. Adopt revisions to POOL Coverage Agreement**

Doug Smith reviewed the pool form revision background and rationale. He indicated that County Reinsurance, Ltd., the POOL’s reinsurer from \$500,000 to \$2,000,000, contracted with a law firm to review the coverage agreement on their behalf. The law firm reviewed all coverage sections and provided valuable input and suggestions to improve the form. Not all of the recommendations were acceptable to staff and POOL coverage counsel, but proposed language changes were reviewed by both parties who agreed to the changes. Ann Wiswell reviewed the key changes to the pool form, commenting on the clarifications and enhancements made. She noted that the previously separate boiler and machinery policy was merged into the property form document along with monies and securities and employee dishonesty coverage in order to facilitate conversion to a reinsurance arrangement and to reduce costs. She indicated that wording changes had been modernized, additional coverages were added and the form simplified. Doug Smith then reviewed the liability changes by commenting on the recommendations from coverage counsel to clarify intent. No additional coverage restrictions had been added, but language to clarify intent and to improve consistency of presentation throughout all sections of coverage had been incorporated. He noted that coverage counsel was conducting a final review and recommended adoption subject to completion of that review.

On motion and second to accept the new pool coverage form subject to final review by POOL coverage counsel, the motion carried.

**b. Accept Renewal Programs and Options**

Bob Lombard handed out a comparison document to facilitate discussion of various options including a corridor deductible. He highlighted the exposure changes over time and reviewed the loss triangles to show how losses develop over time. He then reviewed the marketing results in response to the POOL marketing the excess liability. He noted that last year, Lloyd’s had agreed to a three year contract and stable rates with the proviso

that should market pricing become more favorable and our loss ratio remain under 65%, we would see a reduction. Both conditions occurred and Lloyd's is reducing their rate by about 5%. With regard to the liability portion, Bob reviewed the responses from markets and the reasons several declined to offer terms (not competitive, did not like schools, too big, low capacity, too broad of coverages, limited capacity). In the end, two liability quotes were secured with multiple options, reduced by the Executive Committee to three proposals for the board to consider. One option would renew with the present structure and limits; one would insert Public Risk Mutual (PRM), the POOL's captive, for a layer of \$250,000 excess of \$2,000,000, thus reducing the Munich Re layer by the same amount; and one would utilize the resources of CRL to access AIG to provide the limits up to \$10,000,000 as an alternative to Munich Re. Bob explained that coverage terms and conditions for the CRL option differed from the other two options, both favorably and unfavorably.

Doug Smith advised the board that the PRM pricing for its participation on the property would remain the same \$134,000 premium as at present even though property values increased by 10.35%. With regard to inserting PRM for a \$250,000 layer above \$2,000,000, the pricing would be \$107,000 as compared with a reduction from Munich Re of \$72,000. He explained that since PRM was a new captive and this was the first year for taking on liability risks, a higher actuarial confidence level was deemed appropriate. Mike Tourin observed that by paying the premium to PRM, even though more, the members were paying themselves since they own the captive and that by paying the additional premium to Munich Re, it was forgone. The board held considerable discussion about the options.

On motion and second to select Option 2, which inserted PRM for a layer of \$250,000 in excess of \$2,000,000, reducing Munich Re to \$7,725,000 excess of \$2,250,000, and continuing coverage with CRL and Lloyds with Hartford Steam Boiler changed to a reinsurance arrangement, the motion carried.

**7. Action Item: Approve Change in Annual Renewal Date for Pollution Insurance Master Policy Program from September 1 to July 1 Effective July 1, 2006**

Wayne Carlson explained that the date change came at the request of several members and their agents to coordinate coverage with fiscal years. On motion and second to change the Pollution Insurance Master policy program effective date to July 1 in lieu of September 1 effective with the July 1, 2006 renewal, the motion carried.

**8. Action Item: Update on Airport Insurance Master Policy Program**

Tammy Fahy explained that 11 of the 16 member airports now were in the master airports program. She said that of the remaining 5, there was no pricing or coverage advantage that would accrue for them to join at this time. Wayne Carlson encouraged members to also consider the non-owned aircraft policy option since the PACT applications indicated that several members had volunteers and employees who flew volunteer search and rescue missions, thus potentially exposing the member to liability. No action was taken on this item.

9. **Action Item: Acceptance of Budget for 2005-2006**

Wayne Carlson mentioned that the renewal pricing came out somewhat lower than budgeted, but that the loss fund would increase for changes in exposures and to increase the confidence level slightly to offset past use of a lower confidence level to offset market pricing for excess insurance. Overall, he indicated a 7% increase for the POOL as a whole, cautioning that individual members will differ due to exposures that are significantly different from the overall average. On motion and second to accept the budget as proposed, the motion carried.

10. **Action Item: Recognition of members for Loss Control Excellence Program Awards**

- a. **Gold Level Recertification Awards - \$3,000**
- b. **Continuous Achievement Awards - \$750**

Mike Pennacchio, Chairman of the Loss Control Committee, announced that Nevada Rural Housing Authority had achieved recognition under the Loss Control Excellence Program, entitling them to an award of \$1,125. He then announced the \$3,000 Gold Level Recertification Awards were achieved by the City of Yerington, City of Winnemucca, City of Mesquite, City of Elko and Incline Village General Improvement District. He also recognized Humboldt County, Douglas County and the City of Carlin for Continuous Achievement Awards of \$750 each. On motion and second to approve the awards, the motion carried.

11. **Action Item: ASC Services Report; Approval of Claims Management Services Contract with Alternative Service Concepts, LLC**

Donna Squires referred the board to the previous discussion during the PACT meeting about the change to a three year cost plus contract. As a result, she is proposing a three year cost plus contract since 89% of her office's effort is devoted to both POOL (39%) and PACT (50%). Eighty-nine percent of costs for all office services and staffing would be allocated to the pools with a 12% profit margin the first year, 15% the second and 18% the third. Their national margin set by home office was 18%, but she was given the flexibility of implementing this over time. Quarterly reports would be provided to POOL/PACT administration to facilitate monitoring results. She stated that at the end of each year, costs would be trued up to actual and additional costs or reductions would be passed along. If ASC acquires additional clients, the office allocation percentages would be adjusted.

On motion and second to approve the contract, subject to changing the notice of cancellation provision to read the same as the proposed PACT agreement as amended, the motion carried.

12. **Action Item: Election of Executive Committee**
- a. **One representative from Counties and/or Cities with less than 35,000 population for a two year term from 2005-2007**
  - b. **One representative from Counties and/or Cities with 35,000 or more population for a two year term from 2005-2007**
  - c. **One representative of school districts for a two year term from 2005-2007**

Chairman Rebaleati opened the floor for nominations, commenting that each of the present members of the Executive Committee expressed interest in continuing to serve. No nominations were offered. On motion and second to reappoint the current Executive Committee members, the motion carried. Re-elected to serve two year terms from 2005-2007 were Marilou Walling from Storey County, Claudette Springmeyer from Douglas County and Lisa Jones from Eureka County School District.

13. **Action Item: Election of Chairman and Vice Chairman**

Chairman Rebaleati opened the floor for nominations noting that both he and Vice Chair Claudette Springmeyer remained interested in serving. No nominations were offered. On motion and second to reappoint Michael Rebaleati from Eureka County as Chairman and Claudette Springmeyer from Douglas County as Vice Chairman, the motion carried.

14. **Public Comment**

No public comment was received.

15. **Action Item: Adjournment**

The meeting adjourned at 3:15 p.m.