



Nevada Public Agency Insurance Pool
Public Agency Compensation Trust
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**Minutes of the Meeting of
the Board of Directors and of the Executive Committee of
Nevada Public Agency Insurance Pool
Place: John Ascuaga's Nugget, Sparks, Nevada
Time: 1:00 p.m. or
Upon adjournment of PACT Board Meeting
Date: April 25, 2014**

April 25, 2014

1. Introductions and Roll

A quorum being present, Chair Rebaleati called the meeting to order at 1:12 p.m.

2. Public Comment

Chair Rebaleati opened public comment, but hearing none, closed the period.

3. For Possible Action: Consent Agenda: Approve as a Whole Unless Moved From Consent Agenda

- **Approval of Minutes of Board and Committee Meetings:**
 - **Board Meeting April 26, 2013**
- **Acceptance of Interim Financial Statements**

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

4. For Possible Action: Acceptance of Audit for June 30, 2013

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

5. For Possible Action: Acceptance of Reports

- a. **Claims Review Report**
- b. **Claims Audit Report**
- c. **Large Loss Report**
- d. **Actuarial Update**

Wayne Carlson commented that the claims review report showed comparative results by type of member. He then updated the board on the 2013 claims audit about which he reported preliminary results at the last annual meeting. ASC's claims handling was deemed to be excellent with reserves well within the acceptable margin. Donna Squires reviewed the large loss report noting that errors or omissions claims were the highest and that a couple of school district claims grew to significant amounts of the total cost of claims. Doug Smith discussed the property loss pattern and how over time

the typical loss pattern was one large loss every three years. He reviewed the actuarial trends revealing a leveling of claims activity and costs and trending lower.

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

6. For Possible Action: Approval of POOL Form Effective July 1, 2014

a. Action to approve POOL Form and Changes

b. Discussion Regarding Adding a “Hammer” Clause in the Future to Address Member Non-compliance with Claims Reporting Requirements or Failing to Follow Legal Counsel Advice

- a. Wayne Carlson said that the genesis of the terrorism language change came from County Reinsurance as a modernization of the language to reflect the current TRIA law, which expires and the end of this year unless congress extends the law. He noted that NPAIP has separate terrorism property and liability policies that are unaffected by this language change.

On motion and second to approve the POOL Form for 2014-2015, the motion carried.

- b. Wayne Carlson introduced this to begin a discussion about the concerns that some members may not be reporting claims or lawsuits timely or are trying to handle claims themselves since they have large deductibles. He reviewed the sample language other pools have adopted to address these problems ranging from excluding coverage to requiring proportional sharing in any loss amounts. He cited examples of issues arising from NPAIP’s own claims that created problems in the past. Donna Squires added that another issue is when members fail to follow legal advice in the course of resolving claims, thus making the claim worse.

On motion and second to have this topic placed on a future retreat agenda for consideration and in addition, to have staff direct a letter to members explaining their obligations and problems with failure to report, failure to timely report and noncooperation with NPAIP and legal counsel on settlements or loss prevention advice, the motion carried.

7. For Possible Action: Acceptance of Renewal Reinsurance Proposals and Options

Bob Lombard explained the reinsurance marketing efforts and each of the options that resulted. He noted particularly that the long term relationship with Lloyds of London greatly helped secure positive results for this renewal.

Bob reviewed the present program structure. NPAIP’s property retention is \$200,000 plus a \$250,000 corridor; its liability retention is \$500,000. NPAIP’s captive, Public Risk Mutual (PRM) reinsures property for \$50,000 excess of \$200,000 each loss. It quota shares liability limits with County Reinsurance (CRL) with PRM taking 20% of \$2,500,000 excess of \$500,000 and CRL taking 80% for all but schools. United Educators provides \$2,500,000 excess of \$500,000 for schools. Government Entities Mutual (GEM) provides \$2,000,000 excess of \$3,000,000 and Brit provides \$5,000,000 excess of \$5,000,000. Using the current year’s rates and applying them to the renewal exposure base, the reinsurance costs including terrorism policies total \$4,931,134. For comparison purposes using the same structure for the 2014-2015 renewal, the total program costs are \$4,803,301.

The Executive Committee and the captive boards both discussed additional options that involve increasing PRM’s capacity while holding or reducing NPAIP’s retentions. In addition, during discussions at Lloyds, it appeared that additional capacity was available such that we could add additional earthquake and flood coverage for a small cost. From a liability perspective, Doug

Smith compared our actuarial pricing considerations for the various other reinsurers and determined that PRM could charge much less than Brit for their layer. This resulted in consideration of a couple of options for additional liability reinsurance layers for PRM and adjusting layers for the others.

Two options were presented:

Option 1: Increase the earthquake and flood limits by \$25,000,000. NPAIP's retention would remain at \$200,000, but PRM would increase its coverage to \$300,000 excess of \$200,000. For liability, a new quota share arrangement would be used for the \$7,000,000 excess of \$3,000,000 layer with PRM taking 10%, GEM taking 40% and Brit taking 50%. There would be no change for CRL or UE. This option totals \$4,815,301.

Option 2: Makes the same property changes as Option 1 and for the CRL and UE layers of liability. The quota share liability layer of \$7,000,000 excess of \$3,000,000 would be changed to PRM taking 15%, GEM taking 35% and Brit taking 50%. This options totals \$4,813,401.

Discussion ensued about the merits of these alternatives. Doug Smith commented that PRM had increased its surplus substantially and was well-positioned to take either of the options. He also noted that until Brit's renewal pricing dropped, he could have made an argument for PRM to stretch and take the Brit layer out and split it with GEM. He felt the two options above reflect a more gradual approach to taking risk. Josh Foli commented about the long range strategy of placing more risk into our captives was appropriate. Wayne Carlson noted that NPAIP placed capital into PRM, CRL and GEM so there was a membership relationship in which NPAIP has a stake in all of them. Brit is a commercial reinsurer in which NPAIP has not capital stake. Gerry Eick suggested that if PRM is to take on the additional risk, then perhaps the Executive Committee should consider contributing additional NPAIP capital into PRM; for example, \$1,000,000. Bob and staff responded to questions from other board members.

On motion and second to select Option 2 and to request that the Executive Committee determine the need to transfer additional capital into PRM, the motion carried.

8. For Possible Action: Acceptance of Budget for 2014-2015

On motion and second to approve, the motion carried.

9. For Possible Action: Action regarding these topics:

- a. Review of financial condition of each member and prompt notification to the Members of any Member determined to be operating in a hazardous financial condition**
- b. Review of the loss experience of each Member of the association - Claims Experience Report Summary**
- c. Review for removal of Members with excessive loss experience or Members determined by the Board to be operating in a hazardous condition**

Alan Kalt commented that he was on the CLGF and no current members were in hazardous financial condition. Wayne Carlson referred the board to the previous claims review report. Discussion ensued regarding notification of members with excessive losses about the availability of NPAIP's extensive services to help reduce the risks for their benefit and for the benefit of the pool membership as a whole.

On motion and second to have the minutes reflect that this review occurred and no action was deemed necessary to expel any member, the motion carried.

10. For Possible Action: Election of Executive Committee for Two Year Terms from 2014-2016

- a. **One Representative from School Districts**
- b. **One Representative from Counties and/or Cities with under 35,000 population**
- c. **One Representative from Special Districts/Towns**

Incumbents expressed interest in continuing to serve: a. Kevin Curnes, Carson City School District; b. Dan Newell, City of Yerington; c. Gerry Eick, Incline Village GID. Chair Rebaleati opened nominations.

On motion and second to reelect these incumbents, the motion carried.

11. For Possible Action: Election of Chair and Vice Chair

Chair Rebaleati and Vice Chair Cash Minor indicated interest in continuing to serve. On motion and second to reelect each to their respective positions, the motion carried.

12. Public Comment

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

13. For Possible Action: Adjournment

Chair Rebaleati adjourned the meeting at 2:16 p.m

The Agenda was posted at the following locations:

**N.P.A.I.P. / P.A.C.T.
201 S. Roop Street, Suite 102
Carson City, NV 89701**

**Carson City Courthouse
885 E. Musser Street
Carson City, NV 89701**

**Eureka County Courthouse
Complex
10 S. Main Street
Eureka, NV 89316**

**Churchill County Administrative
155 North Taylor Street
Fallon, NV 89406**