

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' RISK MANAGEMENT COMMITTEE MEETING
LAS VEGAS, NEVADA
July 11, 2007
(approved September 11, 2007)

The Risk Management Committee of the Board of Trustees of the Las Vegas-Clark County Library District met in the Las Vegas Library Boardroom, Las Vegas, Nevada, at 12:00 p.m., Wednesday, July 11, 2007.

Present: Committee: A. Aguirre
A. Arthurholtz
J. Costello
V. Davis-Hoggard, ex-officio

Absent: K. Carter
L. Harala
F. Sponer

Staff: Daniel L. Walters, Executive Director
Steve Rice, General Services Director
Numerous Staff

Guests: Charles Dorsey, SVP, Wells Fargo Insurance Services of Nevada, Inc.
Lisa Dixon, Wells Fargo Insurance Services of Nevada, Inc.

Trustee Arthurholtz called the meeting to order at 12:08 p.m.

Roll Call All Trustees listed above represent a quorum. Due to the absence of Committee Chair Carter, Trustee Arthurholtz served as acting Chair.

Agenda Trustee Aguirre moved to approve the Agenda as proposed. There was no opposition and the motion carried.

Discussion and possible Committee action regarding a report from the District's broker regarding proposals for the contract award for property and casualty insurance for the policy year commencing on July 15, 2007, for public officials and employment practices liability insurance for the policy year commencing on August 1, 2007 and for builders risk General Services Director Steve Rice introduced Charles Dorsey of Wells Fargo Insurance Services of Nevada, Inc., Broker of Record, to explain the process of obtaining insurance proposals and recommendations for coverage. Mr. Dorsey was assisted by Lisa Dixon, Commercial Lines Supervisor.

Mr. Dorsey explained that every year he and his team are given the responsibility to go out to the marketplace and obtain competitive coverage for the District. The District's insurance needs are complex. Dorsey obtained quotes for three separate policies- property and casualty insurance, public officials and employment practices liability insurance and, new for the 2007-2008 Fiscal Year, builders risk insurance for the Centennial Hills Library.

Mr. Dorsey's team identifies quality carriers that are representative of the market and comfortable with the type of risk represented by the District to approach to provide proposals for coverage. Dorsey showed Trustees a list of the companies approached to provide insurance quotes and their responses.

Mr. Dorsey noted that Chubb had provided the property and casualty insurance coverage for nearly ten years, a fact that made other

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insurance for Centennial Hills Library for a sixteen month policy term commencing on July 15, 2007. (Item III.)

companies hesitate before providing quotes or decline to participate. Dorsey was pleased that this year several companies put together proposals, with one company very competitive in attempting to win the District's entire account. Dorsey said the process of obtaining quotes starts 120 days prior to the end of the policy year. Last year the Committee had agreed to change the expiration date to July 15 or later in order to move away from the very popular July 1 date used by most public entities.

Mr. Dorsey then drew Trustees attention to the attachments provided in the meeting materials, including VIN listing and description of all vehicles owned by the District, the explanation for the Terrorism Risk Insurance Act (TRIA), and the Statement of Values for each District building.

Mr. Dorsey told Trustees that the Statement of Values declares what the District believes, to the best of its knowledge, is the cost to replace each building and its personal property (books, other library materials, furniture). Last year, the Committee decided to increase the replacement cost figures to bring them more in line with actual building costs in the Las Vegas Valley. Now that the figures for the Centennial Hills Library are in, Dorsey said he is very confident with the accuracy of the replacement cost figures for each building.

Trustee Aguirre asked for the per square foot charge for Centennial Hills. Mr. Rice said it was \$307 per square feet, which does not include the cost of certain on-site improvements provided by the City of Las Vegas due to the interlocal agreement between the City and the District.

Mr. Dorsey briefly reviewed how replacement costs were allocated for the different District buildings.

Mr. Dorsey then explained the overall premium summary sheet for each policy given to Trustees. The sheet showed what the District paid for the same coverage last year with the exception of the builder's risk insurance policy, which is new for 2007-2008. Chubb, St. Paul Travelers, and Fireman's Fund bid for the property and casualty insurance policy. Chubb is the District's current provider. Both AIG and St. Paul Travelers bid for the public officials and employment practices liability insurance policy. AIG is the current provider; Chubb, St. Paul Travelers, and Fireman's Fund each bid for the builders risk insurance policy.

Mr. Dorsey answered questions from Trustees and Executive Director Walters about the benefit to the insured of one insurance company covering different lines of insurance. Dorsey advised Trustees that using one company saves time on resolving claims, as opposed to monoline coverage, where different companies bid, for example, on the automobile and general liability lines in the property and casualty insurance policy.

Ms. Dixon said that, in some cases, an insurance company will discount particular lines of insurance in order to get the entire account. For example, St. Paul Travelers' bids for the builders risk policy and public officials and employment practices liability policy were lower than the

other companies, but was predicated on receiving the District's entire account.

Trustee Costello asked whether Chubb reduced its proposed premium for property and casualty insurance due to knowing that other companies were bidding for the account. Mr. Dorsey said that Chubb does not know the amounts proposed by the other companies, but is aware that the account is shopped every year.

Mr. Dorsey then mentioned that Chubb has asked whether the District would consider a term relationship. He said that Mr. Rice had suggested for next year that the Committee may want to consider meeting to discuss various options prior to Dorsey beginning the marketing process. Mr. Dorsey said that multiple year contracts have fallen out of practice, but that Chubb may be open to a no-shop discount. Dorsey explained that is when an insurance company offers a discount if the customer does not shop the account to different insurance companies. The insurance company passes along the internal cost savings that are realized when the company does not need to completely rework the policy with staff review and overhead costs.

Trustee Costello said it seemed directly relational that Chubb's reduction of its premium compared to last year was due to Chubb's knowledge that the District has instructed its broker to market the account.

Mr. Dorsey said that each company approached to provide proposals is provided with information showing what the District paid for the current policy term. For example, Fireman's Fund was able to see how close they came to winning the account last year.

Trustee Costello asked several questions about Dorsey's marketing efforts. He also asked about the information provided to the different insurance companies for use in preparing their proposals. Trustee Arthurholtz and Director Walters reminded those present that once the meeting agenda is posted, the bid amounts, which are a part of the meeting materials, become public information.

Trustee Aguirre asked whether there would be any change to Dorsey's commission if the District decided to use one insurance company for the entire account. Mr. Dorsey said the commission amount was settled as part of the RFQ that chose his company several years ago and is paid by the insurance company, not the District. He said the standard commission his company receives is 15% of the premium paid by the District. Of that 15% commission, 2.5% is discounted back to the District, making Dorsey's net commission 12.5%.

Mr. Dorsey noted that his services not only cover marketing, but also claim management. Dorsey and Mr. Rice provided several examples. Mr. Walters also noted that Dorsey has assisted the District with several consulting services to improve employee safety. A Safety Committee has been formed and programs to reduce liability have been provided. Rice mentioned that the District schedules regular facilities inspections and is aggressive in remedying hazards. If a patron trips and falls, the area where the accident occurred is fixed.

Trustee Aguirre asked if it would reduce the District's insurance to join another public agency with similar needs in obtaining insurance coverage. Mr. Dorsey said that each separate agency he's worked with, most of which are different Clark County government departments, have their own programs and risk managers and are unwilling to join other agencies. Walters commented that other agencies are unwilling to extend liability.

Trustee Costello asked how the interaction with the state of Nevada's \$50,000 liability limit affects the District's \$1-\$2 million liability policy. Mr. Dorsey said that Trustee Costello is referring to the "waiver of immunity" which only covers cases litigated in state court. For any large suit, the plaintiff's attorney would seek to move the case to federal court, where the cap would not apply. However, Dorsey said there are examples of where the situation might be such that the insured feels it needs to cover a claim in excess of the cap and that is where the liability coverage comes in.

Mr. Dorsey then reviewed the specifics of the general liability and property liability policies, which had not changed from the previous year. Trustees had no questions.

Mr. Dorsey next reviewed the automobile coverage. Mr. Rice passed out a sheet showing Chubb's automobile rating page and Mr. Dorsey noted that the backup is 54 pages which breaks down the coverage of all 26 vehicles owned by the District. Due to the age of some District vehicles, Rice said, certain types of insurance are not cost-effective, such as comprehensive or collision coverage. The coverage for every vehicle was reviewed this year. Dorsey also noted that the bulk of the premium cost is for third-party liability coverage.

Mr. Dorsey also said that, some items under the automobile policy can be reviewed by Trustees to determine if they need it. For example, the medical payments line on the automobile policy could be eliminated if Trustees changed their policy on allowing non-District employees in District vehicles. Commercial policies exclude workers comp, so this expense is solely for accidents involving non-District passengers in the District's vehicles. Trustees Arthurholtz, Aguirre and Davis-Hoggard did not favor such a change at this time and Mr. Walters noted that non-employees are in District vehicles usually for District business, such as a presenter being taken to a program, for example.

Mr. Dorsey then reviewed the umbrella coverage. There were no questions from the Trustees.

Reviewing the builder's risk policy for Centennial Hills, Mr. Dorsey noted that both Chubb and St. Paul Travelers offered to include the policy in the overall property and casualty insurance package. Mr. Rice and Dorsey both felt that it would be better to have a separate policy for the builder's risk coverage. If the District sustained a loss under the builder's risk policy that was out of the District's control, the loss would not affect the master program.

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Mr. Dorsey said that the builder's risk insurance does not cover claims due to existing building renovations. That type of loss is covered under the existing liability coverage and Dorsey strongly recommends keeping it that way. More than likely, if there is a claim, both the existing building and the new renovations are affected. If there is only one policy, then there is no doubt who will be responsible for handling the claim.

Mr. Rice told Trustees that, regarding the deductible under the builders risk policy, the District included in the contract with the contractor a provision that the contractor is responsible for covering the cost of the deductible.

Mr. Dorsey then went over the public officials and employment practices liability coverage and noted that three other companies provided proposals after the deadline had passed. Those proposals were not as competitive as to those shown to Trustees. Dorsey then noted that AIG, the current insurer, contacted Dorsey to say they were voluntarily lowering the premium without changing the coverage.

Trustee Costello wondered if there would be a way to communicate with St. Paul Travelers to encourage them to try again next year. He also wanted to know if the District could separate the public officials and employment practices liability policy from the rest of the account and award that policy to St. Paul Travelers, since their proposed premium was the lowest. Mr. Dorsey and Ms. Dixon stated that St. Paul Travelers had said they would not write the policy without getting the entire account.

Trustee Aguirre moved to recommend to the Board of Trustees that a contract for property and casualty insurance be awarded to Chubb for the policy year commencing on July 15, 2007.

Trustee Arthurholtz asked if, as a recommended action, the motion required a vote. Mr. Walters said that he believed a committee action required a vote. Trustee Arthurholtz requested clarification as to whether Trustee Costello was considered a member of the Committee and could vote along with herself and Trustee Aguirre. Board Chair Davis-Hoggard had previously stated that as an ex-officio member of the Committee, she does not vote. Trustee Costello said he had expressed interest in joining the Risk Management Committee at the June Board meeting and was unsure whether the request had put him on the Committee. Walters asked Executive Assistant Allison Boyer if she recalled what the minutes from the June meeting covered. Ms. Boyer responded that she needed to check the minutes, but she believed that Chair Davis-Hoggard had said the Trustee Costello would be welcome to join any committee he chose. Trustee Arthurholtz said that was her recollection as well. Walters commented, as Trustee Costello is a new Board member, he wouldn't be on the committee list. The expression of interest at the June Board meeting should suffice.

Trustee Arthurholtz called for a vote on the motion on the floor. There was no opposition and the motion carried.

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Trustee Aguirre moved to recommend to the Board of Trustees that a contract for public officials and employment practices liability insurance be awarded to AIG for the policy year commencing on August 1, 2007. There was no opposition and the motion carried.

Trustee Aguirre moved to recommend to the Board of Trustees that a contract for builders risk insurance for the Centennial Hills Library be awarded to Chubb for a sixteen month policy term commencing on July 15, 2007. There was no opposition and the motion carried.

**Public Comment
(Item IV.)**

None.

**Adjournment (Item
V.)**

Trustee Arthurholtz moved to adjourn the meeting at 1:31 p.m. There was no opposition and the motion carried.

Respectfully submitted,

Andrea Arthurholtz, Acting Chair