MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' RISK MANAGEMENT COMMITTEE MEETING
LAS VEGAS, NEVADA
June 25, 2009
(approved September 17, 2009)

The Board of Trustees' Risk Management Committee of the Las Vegas-Clark County Library District met in regular session in the Boardroom of the Las Vegas Library, Las Vegas, Nevada, at 1:00 p.m., Thursday, June 25, 2009.

Present: Committee:	V. Davis-Hoggard, Chair K. Benavidez F. Barron, ex-officio	M. Saunders C. Reese	
Counsel:	G. Welt		
Absent:	None		
Staff:	Jeanne Goodrich, Executive Director Numerous Staff		
Guests:	Charles Dorsey and Lisa Dixon, Wells Fargo Insurance Services of Nevada, Inc.		

Board Chair Barron announced that Trustee Verlia Davis-Hoggard had agreed to serve as Committee Chair. Committee Chair Davis-Hoggard called the meeting to order at 1:06 p.m.

Roll Call (Item I.)

All members listed above represent a quorum.

Agenda (Item II.)

Board Chair Barron 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, 2009 and for public officials and employment practices liability insurance for the policy year commencing on August 1, 2009. (Item III.)

General Services Director Steve Rice introduced Charles Dorsey and Lisa Dixon of Wells Fargo Insurance Services of Nevada, Inc. (Wells Fargo) to discuss the proposals for property and casualty insurance (property/casualty) and public officials and employment practices liability insurance (POEPL).

Mr. Dorsey began with some history to provide new Committee members with the background for the current proposals. He explained Wells Fargo's role as a broker in obtaining insurance coverage for the District for the property/casualty and POEPL insurance. Dorsey, previously with another company and then with Wells Fargo, has been the District's broker of record for seven years. When he was selected by the Board of Trustees, the District's insurer was Chubb.

Mr. Dorsey said that every year he would market the policy. Until the 2008-2009 policy year, Chubb came in with the most competitive bid and would be awarded the contract. Each year, fewer and fewer insurers would participate in the process, citing Chubb's apparent lock on the business. Last year, St. Paul Travelers provided a very competitive proposal and won the contract. The premium cost for the 2008-2009 policy year was $211,000 for property/casualty coverage and $23,724 for POEPL coverage.

At the April Board meeting, Trustees had agreed with Mr. Dorsey's recommendation to have him approach St. Paul Travelers to discuss continuing coverage through them, without going through the usual solicitation of quotes from other insurers, if premium rates were reduced or stayed the same. After their review, St. Paul Travelers advised Mr. Dorsey that they would be unable to do so.

Wells Fargo then conducted a thorough review of the District's current policies and coverages, solicited competitive premium quotes, and prepared the proposed insurance package and recommendation for contract award. Mr. Dorsey said he received three proposals from St. Paul Travelers, Chubb and a new insurer who had not participated in previous years, the Philadelphia Insurance Companies (Philadelphia).

Company	Property/Casualty Premium Quote	POEPL Premium Quote
St. Paul Travelers	$241,239.00	$15,039.00
Chubb	$267,689.00	No quote
Philadelphia	$207,192.00	$25,043.00

Mr. Dorsey explained the difference between a policy's rate and premium cost. Even if a policy rate was unchanged, the premium cost could go up or down, based upon the District's exposure. For example, the District eliminated the need for coverage of the Green Valley Library once it was transferred to the Henderson District Public Libraries and reduced its exposure, but then added the Centennial Hills Library which is larger and contains additional equipment such as the automated sorting equipment that requires coverage and increases the exposure.

Mr. Dorsey explained each component making up the District's property/casualty insurance and what was covered and excluded. Dorsey explained how the limits on coverage were set and the reason behind including specific areas (such as medical payments for general liability). Dorsey congratulated Mr. Rice and his staff for regularly updating the schedule of assets for each location, as well as records for District automobiles and other assets such as collections, art and the automated sorting equipment to ensure that the coverage reflected the District's assets correctly.

Insurance coverage is for replacement value (currently $300 per square foot) and not book value in order to ensure that the policy covers actual costs to rebuild or replace the item. Generally, coverage also is per occurrence.

Mr. Dorsey also discussed the specifics of each company's proposal in relation to each premium component. He noted that while each specific line of insurance making up the premium was quoted separately, Trustees must choose one company to cover the whole account as the individual costs are based upon receiving the entire account. Trustees had questions about the cost differences for the same insurance component between different insurers and the specifics of coverage.

Mr. Dorsey explained that some of the pricing differential was attributable to the terms of the insurer's reinsurance contracts and some was due to the insurers' overhead.

In response to Trustee questions, Mr. Dorsey explained the District's construction coverage on the Southwest Library and Service Center, which was a separate builder's risk policy supplied by the District. The policy covers the unique risk of loss and damage that may occur at a building site. Contractors are required to provide an installation floater that covers the off-site storage of materials.

Philadelphia's proposed package for property/casualty coverage offered several advantages such as reduced deductibles in some areas, increased coverage in some areas, especially a modification of the commercial general liability coverage aggregate limit that offered approximately $56,000,000 in coverage. Mr. Dorsey explained that with the St. Paul Travelers quote, the District could incur ten $1,000,000 losses and be maxed out. The Chubb quote would max out at two $1,000,000 losses. Philadelphia's proposal would offer a per location general aggregate coverage of two $1,000,000 occurrences for an approximate total of $56,000,000.

Mr. Dorsey then discussed the POEPL coverage which the District added approximately six years ago. This coverage insures the District's trustees, directors, officers, employees and volunteers for non-bodily injury occurrences, financial in nature, that affect the District. This covers cases of discrimination, wrongful termination and sexual harassment. Dorsey noted that the public officials' portion of the coverage resulted in approximately 10% of the claims and the employment practices portion of the coverage resulted in approximately 90% of the claims.

Mr. Dorsey explained Philadelphia added a workplace violence addendum to its policy that offers post event coverage in the event of an occurrence to cover items such as counseling for affected workers and services that help the District get the location up and running with a minimum of inconvenience.

Mr. Dorsey added that Philadelphia's proposal also allowed the District to manage its own claims. Philadelphia must be notified at some time within the policy period, but the District may choose its own lawyers and can make the final decision on whether to settle or pursue further action. The St. Paul Travelers proposal would require that they manage the claims and make the final decision on their resolution so they can manage the costs. According to Dorsey, this requirement by St. Paul Travelers is new this year.

Counsel Welt explained why he felt it was important that the District handle its own claims. Welt discussed a situation where the District would want to fight a claim because it felt it had no merit and would win, but the cost would be higher than simply settling at an early stage. If the insurer managed the claim, they may make a decision to settle early to avoid further costs. Welt felt this would open up the District to more nonsense claims.

Mr. Dorsey discussed his evaluation of each insurer's proposal and answered questions about the quality of the bid by Philadelphia, the lowest overall bidder. Dorsey noted that Philadelphia was just purchased by Tokyo Fire and Marine, one of the world's largest and most solid insurers. He believed that Philadelphia's current A+XIII rating from A.M. Best would be higher when it is rated again, due to the new ownership. He acknowledged that he was concerned, as he had been last year, that a lower bid for the account would mean that the insurer had underestimated its exposure or was trying to "buy" the account and subsequent years would see the insurer trying to raise rates.

Mr. Dorsey then informed Trustees that Philadelphia had offered something not usual in the industry for many years, an agreement for a three year rate guarantee with a rate level agreement for the property/casualty coverage. It does not include the POEPL coverage. The agreement locks in the District's rate (not the premium cost) for three years unless the District's loss ratio exceeded 35% of the premium cost for the property/casualty coverage. If the loss ratio runs between 35-50%, the District would pay a penalty fee in addition to the premium. If the loss ratio runs above 50%, the agreement would be void. If the District decided to award the account to another insurer during the term of the agreement, Philadelphia would also charge a penalty fee.

Mr. Dorsey then reviewed the District's losses dating back five years. In only one year, due to two large claims, did the loss ratio exceed 35%. Dorsey felt that the probability is good that, during the period of the agreement, the District would be under the loss ratio threshold and maintain the proposed rate.

Counsel Welt cautioned Trustees that Counsel and staff would need to review the agreement due to Nevada law requirements for public entities. There were some other minor adjustments that he would recommend that are standard in all District contracts. He would review the proposed agreement with Mr. Dorsey and Mr. Rice and update Trustees at the regular Board meeting.

Board Chair Barron moved to recommend to the Board of Trustees that a contract for property and casualty insurance be awarded to Philadelphia Indemnity Insurance Company at an annual premium of $208,192 for the policy year commencing on July 15, 2009. There was no opposition and the motion carried.

Board Chair Barron moved to recommend to the Board of Trustees that a contract for public officials and employment practices liability insurance be awarded to Philadelphia Indemnity Insurance Company at an annual premium of $25,043 for the policy year commencing on July 15, 2009. There was no opposition and the motion carried.

Counsel Welt reiterated to Committee members that they only voted to recommend a one-year term for the property/casualty and POEPL coverage. Philadelphia's proposal for multi-year property/casualty coverage would need to be reviewed by staff and counsel and would be brought before Trustees along with the Committee's recommendations for contract award at the July 7, 2009, regular Board meeting.

Public Comment (Item IV.)	None.
Adjournment (Item V.)	Committee Chair Davis-Hoggard adjourned the meeting at 2:58 p.m.

Respectfully submitted,

Verlia Davis-Hoggard, Committee Chair