

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' RISK MANAGEMENT COMMITTEE MEETING
LAS VEGAS, NEVADA
June 9, 2010
(approved July 8, 2010)

The Risk Management Committee of the Board of Trustees of the Las Vegas-Clark County Library District met in regular session in the Clark County Library, Las Vegas, Nevada, at 4:00 p.m., Wednesday, June 9, 2010.

Present: Committee: V. Davis-Hoggard, Chair
C. Reese
F. Barron, ex-officio
K. Benavidez
M. Saunders

Board: A. Aguirre

Counsel: G. Welt

Absent: None

Staff: Jeanne Goodrich, Executive Director
Numerous Staff

Guests: Charles Dorsey, Wells Fargo Insurance Services, USA, Inc.

V. Davis-Hoggard, Committee Chair, called the meeting to order at 4:00 p.m.

Roll Call (Item I.) All members listed above represent a quorum.

Agenda (Item II.) Trustee Benavidez 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 contract award for property and casualty insurance and public officials and employment practices liability insurance for the policy year commencing on July 15, 2010. (Item III.)

Facilities Director Steve Rice introduced Charles Dorsey from the District's broker of record, Wells Fargo Insurance Services, USA, Inc. (Wells Fargo), to discuss the District's property and casualty insurance and the District's public officials and employment practices liability (POEPL) insurance for FY 2010-2011.

Mr. Dorsey explained that during the policy year 2008-2009, Travelers Insurance Company (Travelers) provided insurance coverage for the District. They had come in with a much lower premium than Chubb, who had been the District's insurer for a number of years prior to Travelers taking over the account. The lower rate was very attractive and Mr. Dorsey had asked Travelers for a premium guarantee for a three year period at that same rate and in return, the District agreed not to do an annual review of the policy, which had been the District's usual practice for a number of years. Travelers advised Mr. Dorsey they could not offer the same premium at which point Mr. Dorsey and Wells Fargo followed their usual procedure and marketed the policy.

At that time, Philadelphia Indemnity Insurance Company (Philadelphia) offered a proposal for the 2009-2010 policy year which bettered Travelers' premium fee for the 2008-2009 policy year. In addition, Philadelphia was amenable to a three year premium guarantee subject to the District's loss ratio remaining below 35%. Mr. Dorsey explained

Minutes - Board of Trustees' Risk Management Committee Meeting

June 9, 2010

Page 2

that the proposed 2009-2010 premium fee is an increase from the 2009-2010 policy year due to increased exposure on some equipment and property. He emphasized that the rate did not change as the District's loss ratio remained below 35%.

Mr. Dorsey then briefly explained the different sections of Philadelphia's proposal for the 2010-2011 policy year.

Section One – Premium Summary

For the 2009-2010 policy year, the District paid a total premium of \$233,540. For the 2010-2011 policy year, the total premium cost, if the Trustees vote in favor, is \$235,316. Mr. Dorsey explained the cost increase of \$1,776 as mainly due to the increased exposure in several areas but noted that individual premiums for the general liability, umbrella and POEPL/Cyber coverages decreased while the automobile coverage premium increased.

Section Two – Commercial General Liability

The program is virtually the same as the previous year with the identical coverage and limits. The premium cost came down \$27.

Section Three – Property

Mr. Dorsey explained the increase in the coverage limits in this area went to two lines of the property coverage: the BPP (business personal property), Signs and Library Books line and the Collection on Premises (fine art collection in the branches) line. The premium increased \$465 due to the increased limits in these two areas and was not an increase in the rate.

Trustee Barron asked whether the District's deductible in this area was per occurrence or was an aggregate. Mr. Dorsey explained that the District's deductible on property losses was per occurrence (one fire = one deductible).

Section Four – Automobile Liability

The District increased its number of vehicles by two autos so Mr. Dorsey explained that accounted for the premium increase of \$3,756. He added that, if the District reduces its fleet by two, the amount the District paid will be prorated.

Trustee Barron asked whether the District was subject to any caps on its automobile liability as a public entity. Counsel Welt explained that the District's automobile liability was capped at \$75,000 (soon to increase to \$100,000) per claim. There could be any number of claims per incident which is why the liability level is at \$1,000,000.

Mr. Dorsey added that there is an exception to this cap. If a District vehicle is involved in an automobile accident outside of Nevada, there is no cap.

Section Five – Umbrella

The umbrella coverage of \$20 million covers the District's automobile, general liability and employee benefits lines and is an excess policy. That is, explained Mr. Dorsey, this coverage come into play if the limits under the primary coverages explained above are exceeded. Mr.

Dorsey described several scenarios under which that could occur. He felt that the District had sufficient coverage to meet its needs.

In response to a question from Trustee Saunders, Mr. Dorsey clarified that \$5 million of the total \$20 million umbrella coverage is not provided by Philadelphia as that coverage amount was not part of the original negotiated guarantee. Wells Fargo marketed this part of the umbrella policy and Travelers came back with the best price, terms and conditions for the "excess of the excess." Dorsey clarified that Philadelphia would provide \$15 million of the \$20 million umbrella coverage and Travelers would provide \$5 million of the \$20 million umbrella coverage, which he commented was not an uncommon practice in this field.

Section Six - Directors & Officers, Employment Practices, Cyber & Internet Liability

Mr. Dorsey said that the premium for this coverage went down \$1,500.

Chair Davis-Hoggard asked if there was a cap on the amount a terminated employee could sue for. Counsel Welt said that there is no cap that he is aware of, and added no claim filed against the District under this area has been successful. Welt added that while negligence claims are capped, damages for civil rights violations are not.

Section Seven – Backup

Mr. Dorsey explained that this section contained all the backup information such as the quotes received by Wells Fargo that were summarized in the previous six sections.

Trustee Aguirre asked whether the fees paid to Wells Fargo had changed. Mr. Dorsey said that Wells Fargo was being paid a flat fee of \$29,000, a change from previous years in which their fee was 12.5% of the total premium paid by the District. The District will receive the benefit as the commission paid by the insurance company to the broker of record, due to the flat fee, will reduce the premium amount by \$145. Also, due to the written agreement between the District and Wells Fargo, even if premiums do go up, Wells Fargo will continue to be paid the same amount for the term of their agreement.

Mr. Dorsey then noted the incongruity of a commission based upon premiums paid as his company has lowered the District's premium over the last few years.

In response to a question from Trustee Saunders about commission fees based upon premium costs, Mr. Dorsey discussed the makeup of insurance rates and commission fees.

Mr. Dorsey then added how the recent drilling rig explosion in the Gulf of Mexico would affect insurance rates for everyone and explained why. He believed that the rate guarantee negotiated by the District, subject to specific loss ratio, is the best way to protect against the effects of such an incident (such as increased rates) that really has nothing to do with the District.

Trustee Aguirre asked whether the proposed insurance covered risks from terrorism. Mr. Dorsey explained that this coverage is automatically included in the District's policy; the District would have to

Minutes - Board of Trustees' Risk Management Committee Meeting

June 9, 2010

Page 4

reject it in writing. It would require that the Department of the Treasury declare an incident to have been caused by foreign enemies for this coverage to kick in. The premium is built into each coverage line and the cost is so insignificant he cannot justify the District not paying these amounts. Dorsey added that the District's costs in this area are very reasonable compared to other entities.

Section Eight – Loss Claims Runs

Mr. Dorsey provided a 2010 Loss Summary showing the current value of outstanding claims. The backup contains a claim detail report for each claim.

Mr. Dorsey emphasized the work done by District staff to keep loss claims very much under control. He said that three major areas, general liability, property damage and automobile liability, make up the majority of the claims. There were no property or automobile claims in the last policy year. He briefly described and explained the summary of claims dating back to 2006.

Trustee Saunders asked about the reserve allowances shown on several claims and Mr. Dorsey discussed how different types are set up but added that it does not limit the ability to pay out more if necessary.

Trustee Saunders asked whether the reserves set aside take into account the District's deductibles. Mr. Dorsey said that, due to varying levels of deductibles, the answer is no. Insurers generally know in some areas what they will pay, based upon previous history.

Mr. Rice said that based upon the information provided, staff is recommending the renewals as discussed.

Trustee Barron moved to recommend to the Board of Trustees that a contract for property and casualty insurance be awarded to the Philadelphia Indemnity Insurance Company at an annual premium of \$211,819 for the policy year commencing on July 15, 2010. There was no opposition and the motion passed.

Trustee Barron moved to recommend to the Board of Trustees that a contract for public officials and employment practices liability insurance be awarded to the Philadelphia Indemnity Insurance Company at an annual premium of \$23,497 for the policy year commencing on July 15, 2010. There was no opposition and the motion passed.

**Public Comment
(Item XI.)**

None.

**Adjournment
(Item XII.)**

Chair Davis-Hoggard adjourned the meeting at 4:38 p.m.

Respectfully submitted,

Verlia Davis-Hoggard, Committee Chair