

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' RISK MANAGEMENT COMMITTEE MEETING
LAS VEGAS, NEVADA
June 13, 2013
(approved July 11, 2013)

The Board of Trustees' Risk Management Committee of the Las Vegas-Clark County Library District met in regular session in the West Las Vegas Library, Las Vegas, Nevada, at 4:01 p.m., Thursday, June 13, 2013.

Present: Committee: S. Bilbray-Axelrod K. Crear
R. Wadley-Munier Y. Yturralde
K. Benavidez, ex-officio

Board: S. Moulton M. Saunders

Counsel: G. Welt

Absent:

Staff: Jeanne Goodrich, Executive Director
Steve Rice, General Services Director

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

As Committee Chair S. Bilbray-Axelrod attended via telephone, Committee member K. Crear called the meeting to order at 4:01 p.m. and served as Chair.

Roll Call (Item I.) All members listed above represent a quorum. Trustees Bilbray-Axelrod and Yturralde attended via telephone. Trustee Saunders arrived at 4:47 p.m. Trustee Yturralde dropped off the line several times, but immediately called back.

Public Comment (Item II.) None.

Agenda (Item III.) 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, 2013. General Services Director Steve Rice introduced District insurance broker representatives, Charles Dorsey and Lisa Dixon of Wells Fargo Insurance Services USA, Inc. (Wells). Mr. Dorsey said that he and Ms. Dixon approach a selected number of insurance providers every year to bid on the District's different lines of coverage. There are about 4,000 insurance companies in the country but a much smaller number are capable of handling the District's insurance needs.

This year, Wells' staff approached five companies for quotes. Fireman's Fund and One Beacon declined the opportunity, citing the current year premium rates and stating they were unable to compete. This has been a common problem for a number of years. Chubb, who had the District's coverage for a number of years but lost it to St. Paul Travelers Insurance Company (Travelers) several years ago, did not respond. Philadelphia Indemnity Insurance Company (Philadelphia), the current incumbent who won the account when Travelers dropped out suddenly a few years ago, provided a quote and Travelers, who

(Item IV.)

provided part of the District's umbrella coverage over the last two years, provided a late quote, which was passed out to Trustees at this meeting. The quote from Philadelphia had come in on time and had been provided to Trustees along with the meeting documents.

Mr. Dorsey said the quote from Travelers was approximately \$30,000 higher than the quote provided by the current incumbent, Philadelphia. It also provided lower earthquake coverage and a smaller deductible in one line of coverage. Dorsey reported that a representative from Travelers had contacted him that day to inquire as to their chances. He told them that the late quote would be provided to Trustees but advised them of the other items. The representative from St. Paul Travelers said they would be happy to negotiate price, but Mr. Dorsey advised them that the process was not set up for that type of arrangement.

Both Executive Director Goodrich and Mr. Rice commented that, while the District is not required to go with an RFP process in cases such as these, the process currently in place is very consistent. It encourages vendors to submit their best offer the first time around and ensures the District will not leave itself open to charges that they do not negotiate in good faith with some vendors.

The table below shows the current premium rate and the proposed premiums from Philadelphia and St. Paul Travelers:

Insurance Line	Premium Cost:	Proposed Premium Cost:	
	FY 2012-2013	Philadelphia	St. Pauls Travelers
	Philadelphia	Philadelphia	St. Pauls Travelers
Commercial General Liability (including Employee Benefits Liability)	21,590	23,032	16,879
Property	182,844	196,286	202,004
Automobile Liability	46,531	57,869	42,680
Umbrella	18,370	16,020	30,733
Directors & Officers, Employment Practices, Cyber & Internet Liability	26,587	26,695	57,716
TOTAL	\$295,922 ^A	\$319,902 ^A	350,012 ^B

^A This total includes a commission cost of 12.5% to Wells with any amount over the flat fee agreement of \$29,000 annually rebated to the District.

^B This total includes a commission cost of 10% to Wells with any

amount over the flat fee agreement of \$29,000 annually rebated to the District.

In addition, Philadelphia underwrites their risk over an entire account, while other insurers underwrite their risk by only looking at a particular line. What that means, according to Mr. Dorsey, is that Philadelphia looks at the risks over the entire account, not the risks over a particular line. Premium rates are based upon a number of factors, not least the weather occurring around the world.

The increase in the premium rates from last year to this year is due to increased property coverage and automobile coverage. The District has purchased additional vehicles and has not yet disposed of the older vehicles they replaced. The premium would be adjusted once those vehicles are no longer owned by District.

Mr. Dorsey also explained that the District, when Trustees last chose them as the District's broker, agreed to pay Wells a flat fee of \$27,000 per year. That means, that regardless of the premium paid to the chosen insurer, Wells rebates any amount over the flat fee back to the District. As the state receives taxes from commission rates, they require insurers to publish their rates plus the commission. By agreeing to the flat fee, the Trustees took the variable out of the equation.

Mr. Dorsey said that the District purchases multiple lines of coverage and explained the different types of insurance coverage the District maintains.

Commercial General Liability: This is the District's third party liability coverage for operations, premises and employees. It is not an errors and omissions policy. There are exclusions to this coverage and most of the time exclusions are covered with other types of insurance. The Employee Benefits Liability section of this coverage covers mistakes in administering employee benefits programs; for example, if an employee who chose a particular coverage was not signed up properly and was still charged for that coverage. The employee then fell sick and the bills came due. This coverage would then come into play, paying those bills. The medical expense section of this line covers basic trip and falls claims and medical payments claims to cover complaints when there is no liability. Mr. Dorsey explains this insurance is a way to buy out a claim without incurring litigation. Also, Mr. Rice and the Facilities staff have spent a lot of time on preventative maintenance which has limited these occurrences. Insurers look at the frequency and severity when deciding on premium costs and the District has a very low number of these claims.

Property: This area of coverage accounts for the majority of the premium cost and program due to the large amount of property the District has. This covers the District's buildings, business personal property (such as furniture and office equipment), signs and the District's collection (books, DVDs, etc.). There is also coverage for several large pieces of facilities equipment, the District's fine arts collection, IT's computers, software and servers, as well as interruption coverage in case of property damage (storage costs for the collection

and equipment, staff costs to process and reshelve books). This area also includes coverage for floods (for the Moapa Valley and Moapa Town branches only) and earthquake coverage (for owned buildings only). The premium rate and coverage is a formula based upon the District's statement of values.

In response to a question from Trustee Wadley-Munier, Mr. Dorsey said that the statement of values is a replacement cost figure for the above items and is applicable across the District.

Automobile Liability: This area of insurance covers the vehicles and a power unit belonging to the District. The policy also covers employees who use their own car on District business and accidents to vehicles delivering District equipment. Staff explained that District staff does sometimes carry non-employees in their cars during the course of their District work.

In response to a question from Trustee Moulton regarding whether a change in union contracts specifying that employee automobile coverage takes first place even in accidents and if this would change these figures, Ms. Goodrich and Counsel Welt explained that the changes in the contracts really codify District practice over many years. Welt and Mr. Dorsey explain that insurance coverage follows the car, not the driver, so, if an employee had an accident in their car, their coverage would have been always in first place. If there was an accident in a District vehicle, the District's coverage would be in first place.

Umbrella coverage: This coverage is a way to increase the District's limits on its liability coverage to allow for catastrophic events. It includes \$20 million in coverage and covers all losses above other liability limits. In several previous years, Travelers provided \$10 million of the coverage, as Philadelphia did not have the corporate capacity to provide this level of coverage. In the last year, Tokyo Fire bought Philadelphia and increased its corporate capacity to cover the \$20 million. The premium went down as a result.

Trustee Saunders arrived during the discussion on the Umbrella coverage.

Director and Officers, Employment Practices, Cyber and Internet Liability coverage: This coverage, added in FY 2006-2007, covers Trustees for their actions and the District for claims of any type of discrimination, sexual harassment, wrongful termination and several other areas. For example, the Directors and Officers coverage allows the District to cover legal costs if the Trustees made a bad judgment call that caused the District unnecessary financial loss that affected someone, i.e. the taxpayers.

In response to a question from Trustee Moulton, the Cyber and Internet Liability coverage was added several years ago, as Mr. Dorsey suggests it to his clients who use a website, especially if that website accesses an individual's personal information for specific reasons and the individual suffers a loss because the personal information was not secure. Ms. Goodrich said that the District has security software and IT staff able to determine if the personal information is in danger.

Counsel Welt added that patrons are required to agree to District rules prior to using the computers which is also a protection when patrons use computers for various reasons.

Trustee Wadley-Munier asked whether the Directors and Officers coverage was for the Board as a whole or for the Trustees as individuals. Counsel Welt said it covered both situations. Wadley-Munier then asked if she would be personally liable for the deductible if she was sued in her role as Trustee. Counsel Welt said that the District may pay the deductible. If the Trustee had been off the Board for a while, the District may decide not to pay. In any case, there is a large amount of immunity so that the odds of the Trustees being sued are very low.

Mr. Dorsey then explained that the high retention level of \$50,000, another word for deductible, was set up so the District could maintain control and manage its claims. The District could then determine if a particular case involved issues it was better to litigate or settle. It is an insurance company's best interest to settle and the District may not want to. If a specific case, after a certain amount, was not going to be settled to the District's satisfaction, then the District will turn it over to the insurance company.

Mr. Dorsey then pointed out the full copy of the proposal sent in by Philadelphia for their review.

Mr. Dorsey pointed out the copy of the loss summary for the last five years. In FY 2012-2013, there was a larger amount of loss than in several previous years, but the loss summary over the last five years was very good. Ms. Goodrich noted that the majority of the loss was due to a "one in a million" incident at Centennial Hills, where a fire sprinkler head inadvertently activated in the computer lab, requiring replacement of the items in the room and repair to the room itself. The other items were mostly medical payments under the Commercial General Liability coverage.

Mr. Dorsey concluded with the recommendation that the Trustees select the proposal by Philadelphia.

Trustee Moulton 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 \$293,207.00 for the policy year commencing on July 15, 2013. There was no opposition and the motion carried.

Trustee Moulton 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 \$26,695.00 for the policy year commencing on July 15, 2013. There was no opposition and the motion carried.

Public Comment
(Item V.)

None.

Adjournment

Chair Crear adjourned the meeting at 5:07 p.m.

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Respectfully submitted,

Keiba K. Crear, Chair