MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' RISK MANAGEMENT COMMITTEE MEETING
LAS VEGAS, NEVADA
JUNE 12, 2014
(approved July 10, 2014)

The Board of Trustees' Risk Management Committee 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., Thursday, June 12, 2014.

Present:	Board:	R. Ence, Chair Y. Yturralde M. Francis Drake	K. Crear (ex-officio) S. Bilbray-Axelrod
	Counsel:	G. Welt (via telephone)	
	Absent:	R. Wadley-Munier (excused)	
	Staff:	Jeanne Goodrich, Executive Director Numerous Staff	
	Guests:	Charles Dorsey, Wells Fargo Insurance Services USA, Inc.	

R. Ence, Committee Chair, called the meeting to order at 4:00 p.m.

Roll Call (Item I.)

All members listed above represent a quorum.

Public Comment (Item II.)

None.

Agenda (Item III.)

Trustee Francis Drake 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, 2014. (Item IV.)

General Services Director Steve Rice explained that the District's property and casualty insurance and public officials and employment practices liability insurance policies renew on July 15th. Wells Fargo Insurance Services USA, Inc., broker of record, conducted a thorough review of the District's current policies and coverages and prepared a proposed insurance package and recommendation for contract award.

Mr. Rice introduced Charles Dorsey from Wells Fargo Insurance Services USA, Inc. (Wells), the District's broker of record. Mr. Dorsey said that he and staff approach a selected number of insurance providers every year to bid on the District's different lines of coverage. There are a large number of insurance companies in the country but a much smaller number are capable of handling the District's insurance needs.

This year, Wells' staff approached six companies for quotes. Mr. Dorsey talked about the process his staff goes through, explaining the extent of the quote and providing the current premium the District pays. They received one quote this year, from the company that the District currently obtains its insurance, Philadelphia Indemnity Insurance Company (Philadelphia).

Philadelphia proposed a premium of $337,387 for the policy year commencing on July 14, 2014, which is a 5.8% increase from the previous year. Mr. Dorsey noted that, while Wells is compensated by the insurance companies on a commission rate of 12.5%, Wells has an agreement with the District to rebate anything over a flat fee of $30,000 back to the District, so that Wells does not make more when the premiums increase.

Mr. Dorsey then explained the different lines of coverage that the District purchases with varying deductibles and premiums to add up to the total premium cost.

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.

Mr. Rice commented that 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. This is the area where most of the District's claims are paid. Mr. Dorsey explained 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 coverage 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, visiting art collections, 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 re-shelve books). This area also includes coverage for floods (for the Moapa Valley Library only) and earthquake coverage (for owned buildings only). The premium rate and coverage is calculated using a formula based upon the District's statement of values.

Trustee Bilbray-Axelrod asked what was covered under the miscellaneous property line and Mr. Rice explained that particular insurance line covered lifts and other large pieces of facilities equipment that could be moved from location to location.

Automobile Liability: This area of insurance covers the vehicles belonging to the District. The policy also covers employees who use their own car on District business and accidents to vehicles delivering District equipment. Mr. Dorsey said that this line accounted for most of the increase in the District's premium costs. Mr. Rice explained that this was due to the District's replacement of older vehicles with new vehicles, incurring higher insurance costs.

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 losses above other liability limits. A lot of entities question this due to caps on limits for public entities, but Mr. Dorsey explained that entities with public spaces could have an incident completely beyond their control and the total amount of the cap multiplied by a large number of people would run into a lot of money. This coverage assists with such a situation.

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.

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.

The District has high deductible levels on this coverage so they can manage these claims on their own. 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 in 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.

Committee members were provided a copy of the insurance proposal from Philadelphia and Chair Ence confirmed that the program had not changed from the previous year. Mr. Rice added that the proposal includes coverage detail on each District property and is based upon location, building type and protection available at each property.

Mr. Dorsey next discussed the District's summary of loss runs over the last five years. There are only three lines of coverage that have generated claims for the District which are in the general liability, property and automobile liability coverage areas. Other than in FY 2012-2013, the losses have been very manageable. Ms. Goodrich explained that the majority of the loss in that year 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. Dorsey confirmed that the District has a very good loss ratio.

A printout of the loss detail report was attached and was briefly explained.

Mr. Rice and Mr. Dorsey next discussed the possibility of entering into a rate level agreement with Philadelphia to extend from July 15, 2014 to July 15, 2017. A rate level agreement would limit any premium increase in the general liability, property, automobile and umbrella liability lines of coverage to a certain level based upon the District's loss ratio for the previous year. If the District's exposure increases, so would the premium, but not the rate.

Loss Ratio	**Premium increase NTE**
>0% and <25%	5%
=25% and <40%	10%
=40% and <50%	15%
>50%	Null and void

For example, the maximum losses the District could incur in the next fiscal year would be $77,562 before the premium increase could exceed 5%. Mr. Rice passed out a handout showing the loss ratio going back to FY 2009-2010 and in only one year, FY 2012-2013, were the losses greater ($79,312) and that was due to the incident discussed earlier at the Centennial Hills Library.

Mr. Dorsey also showed on the handout that in four of the years, the premium increase was above 5%, so a rate level agreement would be helpful to control the District's premium costs.

Mr. Dorsey said that, if the District decided to go with another insurer during the term of the agreement, the District would pay Philadelphia an additional 5% of the last premium paid as a penalty.

Mr. Rice suggested that the Trustees look at the rate level agreement as similar to an extension agreement in most of the District's service contracts, where an annual extension is approved with an increase indexed to CPI or some other benchmark, provided the vendor is performing to the level of the service specified in the contract. The contract is then administratively extended into the next year.

Mr. Rice is proposing to annually have Wells assess the market and determine whether a full marketing effort is indicated based upon a variety of factors including the general market conditions and the District's loss ratio. The rate level agreement gives the District the flexibility to choose whether to do this on an annual basis. Since the result for the past six years has been similar, this saves effort and time on the part of District staff and the Wells staff. A proposal would still be brought forward every year, but not with the same level of detail.

Trustee Bilbray-Axelrod had several questions on how the rate was determined and wanted to confirm that the rate level agreement covers specific areas. Mr. Dorsey explained the difference between the rate and exposure. For example, if the District added another building, that would increase the exposure (not covered by the agreement), but not the rate (which is covered by the agreement). If another building was added, the premium cost would go up as the District's exposure would be increased, but unless losses exceeded 25% of the premium, the rate would not go up more than 5%.

Mr. Dorsey added that Mr. Rice asked him to see if Philadelphia would consider this type of agreement. Dorsey said that this type of agreement is now rare in the insurance community since 9/11.

Trustee Ence commented that Philadelphia must have some confidence in their product and in the District's continuing to perform the way it has in its risk management. Mr. Dorsey agreed, saying that he believed Philadelphia really wants to keep the District's business due to the competitive business environment.

Trustee Crear moved to recommend to the Board of Trustees that a contract for property and casualty insurance and public officials and employment practices liability insurance be awarded to Philadelphia Indemnity Insurance Company at an annual premium of $337,387 for the policy year commencing on July 15, 2014 and to authorize staff to extend the contract for up to three subsequent policy years in accordance with the terms and conditions of a negotiated "rate level" agreement, subject to review by Counsel. There was no opposition and the motion carried.

Public Comment (Item XI.)

None.

Adjournment (Item XIII.)

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

Respectfully submitted,

Randy Ence, Committee Chair