

TAHOE DOUGLAS FIRE PROTECTION DISTRICT  
BOARD OF TRUSTEES MEETING

June 14, 2010

*Public Workshop Meeting*

Those Present:

Steve Seibel

R.J. Clason

Roy Clason

Frank Forvilly

Chief Guy LeFever

Assistant Chief Van Ogami

Battalion Chief Hekhuis

Kate Warner, Administrative Assistant

Wayne Carlson, Guest Speaker

Alan Reed, Guest Speaker

**1. Action Item: Call to order.**

The meeting was called to order at 9:02 am by Chairman Roy Clason.

**2. Action Item: Pledge of Allegiance.**

Pledge of allegiance was led by Chief LeFever.

**3. Action Item: Roll call.**

Chairman Roy Clason, Trustee Steve Seibel, Trustee Frank Forvilly, and R.J. Clason were present. Trustee Brad Dorton was absent.

**4. Action Item: Public comment.**

There was none.

**5. Presentation: Overview of the Nevada Public Agency Insurance Pool/Public Agency Compensation Trust  
Wayne Carlson, Executive Director**

**No action will be taken and no public comment will be taken, so anyone wishing to comment on this item must do so at the beginning of the meeting during the public comment section.**

**6. Presentation: Workers Compensation, insurance for facilities, contents and vehicles  
Alan Reed  
Wayne Reed Insurance**

**No action will be taken and no public comment will be taken, so anyone wishing to comment on this item must do so at the beginning of the meeting during the public comment section.**

Speakers spoke in tandem for the presentation and stressed the purpose today is to discuss the renewal process, how rates are established and the POOL/PACT interface.

Wayne Carlson provided the following history on the creation and purpose of POOL/PACT: In 1985, Legislative act was approved to allow pools in NV which are common across the country. POOL/PACT started with 4 groups in 1987, and grew to 10 by the end of the first year and is currently 107 members of mostly rural areas and small districts. The Board's focus was to manage the risk, and head off anticipated rate increases and possible loss of coverage. Douglas County Sheriff and others had lost their coverage, and were having a difficult time finding an insurance company to provide coverage at a fair premium. Insurance comp

Workers Comp was in the original bill, but there was not a worker's comp crisis at that time, so it was removed to simplify approval. A statute in 1993, created reforms which allowed group self insurance which was very controversial.

In 1995 Legislative session, maintained the reforms so the Board approved the creation of the PACT Public Agency Compensation Trust. Launched in 1986, rose out of rate increases which were not justified born by the local governments. In 1997, the Board authorized school districts and rural hospitals to join the program.

Today the POOL/PACT this overseen by a full board of 45 members with an Executive Committee for each program and subject to open meetings laws.

POOL executive board members were listed and they are a mix of both elected and appointed officials from small counties, and small cities. Open public meetings welcome members to participate.

Process for Renewal/Rates:

Information is gathered in January for the bid in February. Alan Reed's office receives the application for renewal, appraisals are requested. Fire House appraisals are done. Inventory is verified to ensure accuracy.

Renewals are then voted on by the Boards, for effective dates of July 1.

Chief LeFever stressed that it is an important process to stress here...how the renewals put together and how are rates established, and how we an individual group, but part of the POOL can go out and get the best rate.

Carlson noted the process begins each year in November – Alan Reed receives the notice for renewal, the history from last year, and the appraisals. Property appraisals are done every year on a quadrant basis, of properties valued at 200K+, all the other properties get trended that year. Quadrants rotate every year so at the end of 4 years every property has been appraised. Carlson is looking to shorten that cycle going forward to every 3 years.

A complete fire station inventory is done every 5 years, very detailed. That goes to Reed's office. This inventory must be reviewed by the district to accurately show all the assets

including vehicles, chassis, turn outs and all the equipment in/on the vehicles. Good record keeping keeps this process clean.

Reed further expanded on Chief LeFever's question about rates and he directed the group to the TDFD insurance proposal. He clarified that it is a risk pool set up with all the members (107) of the POOL paying over 10M in premiums. So there is a pool component made up of the claims and severity of the claims.

The proposal shows that the Pool Claims count is the lowest it has been in 10 years. Reed feels this is a dividend from the members utilizing the HR serviced that the POOL has to offer to run their organizations more smoothly with less claims. Loss prevention is key. The POOL is stable. P3 of handout.

Next he reviewed the cost of the claims from the POOL, and in 2008 they were over 10K due to the Wells earthquake.

Then each member is reviewed in the following categories payroll, operating expenditures, total insured value of equipment inventory and property and claims history. Items to note were increase in auto due to additional purchases – drives premiums. TDFD has been very good historically with loss, and has had very little which impacts premiums. Everyone in the POOL pulls together to purchase the insurance, but each individual member is evaluated on their own situation to determine their premiums. For TDFD, premiums have increased from 30K in 2001 to 80K in 2010 with the driving forces here being property values 5M to 13M, almost tripled. Steady consistent growth in payroll, operating expenses and assets.

Past claims were highlighted:

2005 employee lawsuit for employment related issues. Won case but incurred expenses. Counsel for the POOL represented the District. Plaintiff lost, but it cost the District Insurance 70K in defense costs to prove the case. POOL pays legal fees win or lose. This is consistent across the country. Reed expanded to note that employment related issues are the hot item for all governmental agencies right now.

2007 a 14K claim, but our insurance carrier was able to recover 10K of that.

TDFD history is very good. Use of the HR resources w/ PACT to consult and guide as situations arise has headed off issues.

Carlson referenced a hand out on PACT Board programs and stressed that they are equally important, as stable Boards also have an impact in keeping claims low. Trustee positions represent the District and need to have a mind set as such.

When the POOL started, law enforcement liability was the big risk. The PACT was created to head off issues. History had shown that training, hiring practices, job descriptions, and putting policies and procedures in place has controlled the claims. Now the shift had gone to employment related issues. PACT grant funded with 1.1 Million to provide non-profit support to our members. PACT provides support for:

1. Developing policies and procedures
2. Training – etraining, briefings, supervisory certifications
3. Troubleshooting on individual situations

Battalion Chief Sharit and Chief LeFever serve on the oversight committee and TDFD is the only fire district represented. This active participation with PACT heads off issues/claims.

Should an incident proceed to potential litigation, PACT HR can provide background information if they have been involved in the process. Determine if legal council should be assigned.

Chief LeFever commented that initially TDFD had opportunities on a monthly basis. Resources with PACT were tremendous. Training began at the Chief level and has now progressed down to the captains. He feels that this training has reduced the daily issues which of course can be a serious distraction to running a business but also a risk for litigation. TDFD has access to all these HR resources for free.

Reed continued to explain that each member picks their own deductible. POOL self insures 500K general liability and 250K property liability losses which makes the POOL more attractive to the insurance carriers. Loss fund contributions assessed to each member funds this. After this, traditional insurance companies are involved, similar to your home owners insurance.

The POOL Board looks for a fair, competitive rate, but also stable insurance companies who can handle the POOL's needs. Currently there are 5 companies involved.

Average 7% rate increase before any exposure changes (new station, AMB, engine). The Executive Board sensitive to the financial challenges and asked if anything could be done for the members. They identified that there was a 100K surplus which was used to cover the rate increases for the membership across the board. Another financial benefit of being in the POOL, which may not happen all the time, but a good faith effort to support membership.

TDFD individual insurance costs increased from 74K-84K, 10K increase due to three exposure changes:

1. Vehicle values have increased 62% due to bomb squad equipment, reassessment of engines and Fuels Mgmt vehicles/equipment - 3.6M to 5.9M in total value.
2. A 2-3% increase in property
3. 5.4% increase in payroll.

Growth will stimulate an increase in rates, and the purpose of the POOL is to smooth out peaks and valleys.

Chief LeFever noted that the reassessment value of the current engines is within 1-2% of the current bid TDFD has on a new engine. New equipment can positively affect liability with safety features like anti-lock brakes etc.

Investments – 107 members can self insure, but then it goes to traditional insurance. They are involved @ higher levels.

GASB 34 regulates the POOL investments with strict guidelines for investments. Use a large firm out of Florida called Eagle Assets Mgmt. with handles about 18 Billion in investments funds. Combined the POOL has 103M asset/investments for the POOL with Raymond Jones acting as the investment advisor.

Time lines are longer, for example they just closed the 2002-3 claims. Hold assets to maturity do not have to cash out to pay claims. Workers Comp is also a long cycle of payments, so you can invest a little longer.

An exception to this was the 2008 Wells earthquake was paid with-in 2 years. In this case, 40% was paid out in the just 4 months towards a high school replacement to prepare for fall classes. The POOL has to reserve dollars for pending cases, and then invest those reserves. Those reserves that were not needed were use to pay for 7% increase in rates for members.

Chairperson Clason asked how about the staff size. Carlson responded with POOL (6)/PACT (8) and Claims (10). There are not any attorneys on staff, but they do have access to legal.

Trustee Clason inquired as to if a POOL member could be cancelled due to excessive claims, abuse or negligence in any way. Carlson answered that the Board does have the authority with a super majority vote, not to renew a member. But, typically what will happen is they identify a member has poor claims history, identify key issues behind the claims and put resources to use. He gave an example of a member experiencing board high turnover, in fighting and a lack of experience which was resulting in business issues/an increase in claims. The POOL Director met with the member group discussed the issue and stabilized the issue with training and coaching.

The effort will be to try and fix the potential time bomb before it explodes and affects rates. Members tend to see the benefits and embrace what the PACT HR team has to offer to control claims. The POOL has worked hard to established healthy partnerships with our members.

Members can withdraw from the POOL with a letter of intent and 120 days notice. It has been done to allow time to shop rates on their own; however a member has a really tough time finding a good rate on an individual basis.

Chief LeFever requested further discussion on Workers Comp which is currently 500K, and how PACT can assist with that expense.

Carlson explained in 1998, Gallagher and Sorenson case re: heart coverage. Retired firefighters with heart issues, court determined that he had been exposed on duty and awarded Workers Comp to employee for life. This turned the WC claim into a medical claim. Employees will qualify in the future with 5 or more years of service as full-time, even if they terminated they get

it. This presents a huge risk/financial liability and required an actuary to estimate the potential cost for retirees, spouses and children.

Chairperson Clason asked if there had been an appeal.

Carlson clarified that the original purpose of workers compensation was to hold the employer liable for risk at work. It was very difficult to get support on an appeal and still is. Other parties have more clout. Attempts to cap it went nowhere politically.

Actuary determined in 2001 that the minimum that should be funded as 22M for the program. In 2002 rate applied to fund program. Funded for 5 years and had another actuary review it. They confirmed the initial numbers were accurate. At this point 7M had been collected but they recommended 4 times that due to baby boomers and the fact that most fire fighters are not fighting fires at 50 years old. Even if spouse is remarried after death, the benefit is paid for his/her life. Also, most female spouses are younger, living longer and thus driving the risk up. So, the post employment funding rate piece alone was increased 10% this year and estimate another 10% next year, even though claims have not started.

Chief LeFever clarified that the Heart Lung bill equates to about 50K for TDFPD

Trustee Clason again questioned the ability/desire to appeal. Carlson responded that it is a very politically charged topic.

Reed commented that both parties need to come together and protect the basic insurance benefits for our employees. He feels knowledge of what is behind the Cardiac Wellness program is key.

Carlson cited a study with UNR & UNLV employees where UNR participant enrolled in the Wellness program, lost 100lbs and greatly improved his health. The UNLV participant with similar risk going into the program continued to live his same lifestyle and had a stroke lost his quality of life and his job.

Chief LeFever informed the audience that he has initiated discussions with TDFPD Union President and Safety Officers and has requested that they too get involved with researching the program and it's benefits as the retiree component is a great risk. He has also been asked to talk to other Union reps.

Carlson noted that TDFD's workers comp experience rating is trending down. They look at the last 3 years, excluding the most recent (which is incomplete), compare with other fire agencies are we better/same/worse. This year other agencies +/- 15%, TDFPD was +/- 10%. Experience Factor dropped from 1.72 in 2009 to 1.42 in 2010.

Good equipment like electric gurneys, peer fitness trainers appear like luxuries, but they are key in keeping our staff safer on the job.

Workers Compensation is budgeted at \$12.00 rate per \$100.00 in payroll. Workers Compensation is a challenge, but we have a better chance to manage this as a group. TDFPD is currently at 500K, and we are targeting a reduction to 300K. Cardiac Wellness program helps to

identify risk. Dr. Pervance evaluates each individual and dictates “fix it” items. An educated employee can make lifestyle changes to improve their health and reduce TDFD liability.

Chairperson Clason inquired as to the confidentiality of the employee’s results. Chief LeFever said he is notified as are the fitness trainers.

Carlson highly recommends layer our current practices with the Cardiac Wellness program for optimum results.

Chairperson Clason commented that last year, TDFD had received a quote from an insurance agent which on the surface appeared to be a pretty good price, however with today’s discussion it is clear that it is a much more complex issue. He appreciated the knowledge the guest speakers shared.

Deductibles are evaluated annually and 5K is still a good number.

Chief LeFever asked for an update on POOL/ PACT education with other Districts, and the development of PART Public Agency Retirement Trust for TDFD.

Carlson reported that no one has come forward. We can come in by as an individual Trust, but the PERS rep said all the tracking would be done by TRUST, which includes the purchase software and calculation of reports. PERS is reviewing the request to see if they can provide this service because they already have the software and do the reporting.

Chairperson Clason asked if he had given the PERS rep a deadline to respond, and he had not. Concern was expressed with our deadline, and non compliance with our GASB 45 agreement.

Chief LeFever stated that Incline is very interested and are probably moving forward with “pay as you go”.

Chairperson Clason asked if TDFD is working with Incline and Chief LeFever said yes, all our information has been provided to them, and their office manager attended our last Board Meeting to hear the guest speakers. They too just need the infrastructure in place to move forward.

**7. Action Item:** *Confirm next meeting, June 30, 2010, and request staff to place possible items on the agenda.*

Motion was made by Trustee Clason for the next meeting time to change from 4:30pm to 4pm. Trustee Forvilly second the motion.

**8. Action Item:** *Adjourn.*

Motion by Trustee Clason to adjourn. Motion seconded by Trustee Seibel.

The motion carried with a vote of 4-0.

Meeting was adjourned at 10:45 am  
This meeting was recorded on audio tape.

DRAFT