

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES RISK MANAGEMENT COMMITTEE MEETING
LAS VEGAS, NEVADA
JULY 13, 2006
(approved September 14, 2006)

The Risk Management Committee of the Board of Trustees of the Las Vegas-Clark County Library District met in the Sahara West Library, Las Vegas, Nevada, at 4:30 p.m., Thursday, July 13, 2006.

Present: Board: A. Aguirre, member
A. Arthurholtz, member
F. Sponer, member
V. Davis-Hoggard, ex-officio

Counsel: G. Welt

Absent: K. Carter

Staff: Daniel L. Walters, Executive Director
Steve Rice, General Services Director
Numerous Staff

Guests: Charles Dorsey, SVP, Acordia of Nevada Inc.

Trustee Sponer, Committee Member, called the meeting to order at 4:57 p.m.

Roll Call All members listed above represent a quorum. Due to the absence of Committee Chair Carter, Trustee Arthurholtz moved to appoint Trustee Sponer as acting Chair. There was no opposition and the motion passed. Trustee Aguirre arrived at 5:12 p.m.

Agenda Trustee Arthurholtz moved to approve the Agenda as proposed. There was no opposition and the motion passed.

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, 2006 and for public officials and employment practices liability insurance for the policy year commencing on August 1, 2006. (Item III.) Steve Rice, General Services Director, presented this item. Mr. Rice introduced Charles Dorsey of Acordia of Nevada, the District's broker of record. Mr. Rice also said that, starting next year, the District will be on a different renewal cycle. This will enable District staff to provide information to Committee members, with enough time for Trustees to review prior to the meeting.

Board Chair Hoggard questioned whether insurance contracts can go longer than one year. Counsel Welt said there would be nothing on the District side to prevent a longer contract. Mr. Dorsey replied that the industry standard currently is year-to-year. An insurer is required by law to provide a sixty day notice if there is a material change to the coverage. He can check with the insurer the Board chooses to see if there is a possibility of a longer coverage term.

Mr. Dorsey reviewed the process he follows to obtain proposals. Dorsey first explained the property and casualty insurance proposals. As in previous years, Chubb, the District's current insurer, provided the best overall pricing. Due to the fact that Chubb has had the account for at least nine years, several other carriers Dorsey approached declined the opportunity to provide a proposal. Fireman's Fund was the only other firm that provided a complete package for the property and casualty

insurance contract. Dorsey said Acordia is recommending that the District select Chubb as the insurer again, as their overall proposal is superior to that of Fireman's Fund.

Mr. Dorsey also suggested several changes from last year's coverage. Dorsey suggested the District increase the earthquake coverage from \$10 million to \$25 million. Earthquake coverage is relatively inexpensive and the increased amount for the higher coverage is insignificant. Mr. Rice advised Trustees that due to increased construction costs \$10 million in earthquake coverage would have been ample several years ago, but not today.

Trustees asked several questions to clarify some policy terms and definitions, especially TRIA coverage. Mr. Dorsey explained that TRIA covers the library for acts of terrorism.

Mr. Dorsey continued by suggesting the District increase property damage coverage. Currently, the District buildings are valued at an aggregate figure of \$145.40 per square foot for all District property. Dorsey is recommending that the per square foot figure be increased to \$300 due to increased construction costs in the District area. Mr. Rice had advised Dorsey that Centennial Hills building costs were coming in at approximately \$400 per square foot. Since the District would not be starting from scratch for a replacement building, Dorsey felt comfortable in recommending an increase in coverage to \$300 per square foot.

The \$145.40 per square foot figure gives the District \$94.225 million in blanket building coverage on a portfolio of approximately 648,041 square feet. The total square footage comes from a statement of values provided by the District each year. The statement of values lists each District location. In the statement, the District declares the replacement cost for each location, values the business personal property, and also provides a value for the contents.

The other reason to increase the property coverage is due to what Mr. Dorsey described as "misrepresentation of values." He provided a hypothetical situation. The District has blanket coverage of \$90 million. Should the District lose one of its larger facilities, either Sahara West or Clark County, and the cost to rebuild it comes to approximately \$36 million, there have been situations where the insurance company will question the valuation of District buildings when it costs 30% of the blanket coverage to replace one building, and that building is less than 30% of the District's total square footage. Lawsuits have occurred under similar circumstances.

Discussion ensued regarding how to value each building for the statement of values, the limitations of blanket coverage and building replacement costs. Also discussed were concerns that not each library facility should be valued at \$300 per square foot. Counsel Welt advised Committee members that the District must provide, to the best of the District's ability, accurate replacement costs for the District's facilities. Committee members agreed that the District must increase the

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property coverage to the \$300 per square foot level, but requested Mr. Rice investigate whether it is more cost-effective to keep the coverage at an aggregate level or to investigate coverage for each library facility individually. Mr. Walters indicated that an interim report covering one or two locations could possibly be brought to the Board in September.

Mr. Dorsey also explained a backup section in his presentation which showed the losses to the District over the past seven years broken down into property damage or automobile incidents.

Mr. Dorsey explained the proposal for public officials and employment practices liability insurance from AIG, which is the same policy provided last year by the same insurer.

Trustee Arthurholtz moved that the Committee recommend to the Board of Trustees that a contract for property and casualty insurance be awarded through Acordia to the Chubb Group of Insurance Companies at an annual premium of \$273,897 for the policy year commencing on July 15, 2006. With no opposition, the motion passed.

Trustee Arthurholtz moved that the Committee recommend to the Board of Trustees that a contract for public officials and employment practices liability insurance be awarded through Acordia to AIG at an annual premium of \$25,691 for the policy year commencing on August 1, 2006. With no opposition, the motion passed.

**Public Comment
(Item IV.)**

None.

**Adjournment (Item
V.)**

Trustee Arthurholtz moved to adjourn the meeting at 6:05 p.m. There was no opposition and the motion carried.

Respectfully submitted,

M. Frances Sponer, Acting Chair