

**New Mexico
Public Schools Insurance Authority**



**Board of Directors Meeting
March 7, 2024**



New Mexico Public Schools Insurance Authority

Board of Directors Meeting

Board of Directors

Al Park, President, Governor Appointee
Chris Parrino, Vice President, NM Association of School Business Officials
Trish Ruiz, Secretary, Educational Entities at Large
Denise Balderas, Governor Appointee
Vicki Chavez, NM Superintendents Association
Tim Crone, American Federation of Teachers NM
Pauline Jaramillo, NM School Boards Association
Bethany Jarrell, National Education Association - New Mexico
K.T. Manis, Public Education Commission
David Martinez, Jr., National Education Association - New Mexico
Sammy J. Quintana, Governor Appointee

In-Person & Virtual

In-Person:

Poms & Associates
201 3rd Street, Suite 1400
Albuquerque, New Mexico 87102

Virtual:

Please join my meeting from your computer, tablet, or smartphone.

<https://us02web.zoom.us/j/81386621337?pwd=VzdZmFELORMMUJyWVdKZHGhODhYQT09>

You can also dial in using your phone.

United States: [+1 669 444 9171](tel:+16694449171)

Meeting ID: [813 8662 1337](https://us02web.zoom.us/j/81386621337)

Passcode: [510465](https://us02web.zoom.us/j/81386621337)

One Tap is also available on most mobile devices:

(clicking this link on a cell phone will dial in and enter all meeting information automatically)

[+16694449171,,81386621337#,,, *510465#](tel:+16694449171,81386621337#,,,510465#)

Thursday, March 07, 2024

9:00 a.m.

Agenda

Draft

- | | |
|---------------------------------------------------------------|-------------|
| 1. Call to Order | A. Park |
| 2. Roll Call | C. Probst |
| 3. Introduction of Guests | P. Sandoval |
| 4. Citizens to Address the Board (Five-Minute Limit) | A. Park |

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|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| 5. | Approval of Agenda (Action Item) | A. Park |
| 6. | Approval of February 2024 Minutes (Action Item) | A. Park |
| 7. | Executive Session to Discuss Competitive Sealed Proposals Solicited Pursuant to the Procurement Code Pursuant to §10-15-1 H (6) NMSA 1978 (Action Item) | A. Park |
| | A. RFP #24-021CG Part B IBAC Medical, Dental, Vision Plans and Related Services | A. Park |
| | B. Any action on the Discussion of Competitive Sealed Proposals Solicited Pursuant to the Procurement Code Pursuant to §10-15-1 H (6)NMSA 1978 (Action Item) | A. Park |
| 8. | Administrative Matters | |
| | A. Legislative Update | P. Sandoval |
| 9. | Financial Matters | |
| | A. Approval of Financial Reports - January 2024 (Action Item) | P. Gonzales |
| | B. FY2023 Audit Approval (Action Item) | J. Ortiz |
| | C. Request to Issue Request for Proposal for Audit Services (Action Item) | P. Gonzales |
| 10. | Risk Matters | |
| | A. Loss Reserve and Funding Analysis as of 12/31/2023 (Action Item) | A. Hillebrandt /
M. Meade |
| | B. FY2025 Risk Premium Rate Setting (Action Item) | P. Sandoval |
| | C. 2024-2025 MOC L027 General and Automobile Liability (Action Item) | D. Poms |
| | D. 2024-2025 MOC P027 Property, Automobile Physical Damage, Crime & Cyber Coverage (Action Item) | D. Poms |
| | E. Student Accident and Sickness Insurance Proposal (Action Item) | E. Swartz /
S. Vanetsky |
| | F. TPA Reports | |
| | 1. Property & Liability Monthly Claims Report | S. Vanetsky |
| | 2. Property & Liability Large Losses | S. Vanetsky |
| | 3. Workers' Compensation Monthly Claims Report | J. Mayo |
| | 4. Workers' Compensation Large Losses | J. Mayo |
| | G. Life of a Liability Claim | R. Cangioli |
| | H. Loss Prevention Update | L. Vigil /J. Garcia |
| 11. | Benefits Matters | |
| | A. COVID Claims Statistics for Fiscal Year 2024 | C. Probst |

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|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| B. Fiscal Year 2025 Projections and Premium Rate Setting (Action Item) | N. Patani |
| C. Presbyterian Health Services (PHS) Settlement Notification to Members | S. Valdez |
| D. IBAC Update | K. Jones |
| 12. General Discussion | A. Park |
| 13. Next Meeting Date and Location: Thursday, April 4, 2024
Location: Poms & Associates 201 3rd Street, Suite 1400 Albuquerque,
New Mexico 87102, and a virtual option (Action Item) | A. Park |
| 14. Adjournment (Action Item) | A. Park |

**New Mexico Public Schools Insurance Authority
Board of Directors Meeting Minutes**

In Person:

**Poms & Associates Insurance Brokers
201 3rd Street NM, Ste. 1400
Albuquerque, NM 87102**

Virtual:

<https://us02web.zoom.us/j/81090722365?pwd=ODNlcmZFa1lFS2xEZENGyUzPzC9Sdz09>

Phone: +1 719 359 4580

Meeting ID: 810 9072 2365

Passcode: 350501

Thursday, February 8, 2024

Draft

1. Call to Order

Mr. Chris Parrino, Called the NMPSIA Board Meeting to order at 9:15 a.m. on Thursday, February 8, 2024.

2. Roll Call

Ms. Charlette Probst called roll.

Board Members Present:

Chris Parrino, Vice President	In-Person
Trish Ruiz, Secretary	Virtual
Vicki Chavez	Virtual (late arrived 10:04)
Tim Crone	In-Person
Bethany Jarrell	Virtual
Pauline Jaramillo	Virtual
K.T. Manis	Virtual
David Martinez Jr.	Virtual
Sammy Quintana	In-Person

Board Members Absent:

Al Park, President
Denise Balderas

NMPSIA Staff Members Present:

Patrick Sandoval, Executive Director	In-Person
Martha Quintana, Deputy Director	In-Person
Phillip Gonzales, Chief Financial Officer	In-Person
Charlette Probst, Financial/HR Manager	In-Person
Maria Lugo, Chief Procurement Officer	Virtual
Marlene Vigil, Financial Specialist	Virtual
Claudette Roybal, Risk Program Coordinator	Virtual
Cyndi Archuleta, Benefits/Wellness Manager	Virtual
Kaylei Jones, Benefits Program Coordinator	Virtual
Leslie Martinez, Benefits Analyst	Virtual

Audience Present

Marsha Martinez	BAC Committee Member	Virtual
Lisa Guevara	BCBSNM	In-Person
Marlene Baca	BCBSNM	Virtual
Maureen Sergel	BCBSNM	Virtual
Samantha Mensay	BCBSNM	Virtual
Jerry Mayo	CCMSI	In-Person
Rich Cangiolosi	CCMSI	In-Person
Louise Carpenter	CCMSI	Virtual
Courtney Barela	CCMSI	Virtual
Ryan Bond	Cigna	In-Person
David Lauck	CVS	Virtual
Cathy Fenner	Davis Vision	Virtual
Sam Garcia	Davis Vision	Virtual
Stephanie Garcia	Delta Dental	In-Person
Rich Bolstad	Delta Dental	In-Person
Kathy Payanes	Erisa Administrative Services	In-Person
C.S. Hwa	Erisa Administrative Services	Virtual
Martin Esquivel	Esquivel & Howington	In-Person
Mallory Sampson	PFM Asset Management	Virtual
Darren Walter	Poms & Associates	In-Person
Scott Warner	Poms & Associates	In-Person
Doug Looney	Poms & Associates	In-Person
Julie Garcia	Poms & Associates	In-Person
Larry Vigil	Poms & Associates	In-Person
Rika Martinez	Poms & Associates	Virtual
Kevin McDonald	Poms & Associates	In-Person
Karen Maestas-Harris	Poms & Associates	In-Person
Justin Shirey	Presbyterian	In-Person
Steve Valdez	Presbyterian	In-Person

Benito Gonzales	RAC Member	In-Person
Nura Patani	Segal	In-Person
Bryan Magstadt	Surgery Plus (EDH)	In-Person
Andrea Vargas	The Standard	In-Person
Stephanie Anthony	United Concordia	In-Person

3. Introduction of Guests

Mr. Patrick Sandoval, Executive Director of NMPSIA, introduced Mallory Sampson from PFM Asset Management, Mr. Rich Cangialosi with CCMSI, Mr. Darren Walter with Poms and Associates, Mr. David Lauck with CVS Caremark, Dr. Nura Patani with Segal, and Ms. Kathy Payanes with Erisa Administrative Services.

4. Citizens to Address the Board (Five-Minute Limit)

There were no citizens to address the Board.

5. Approval of Agenda (Action Item)

Mr. Sandoval requested the removal of item 9.J. FY2023 Audit Approval, due to a scheduling conflict. This item will be brought back for the March Board Meeting.

Motion: T. Ruiz

Second: T. Crone

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice President	Yes
Trish Ruiz, Secretary	Yes
Denise Balderas	Absent
Vicki Chavez	Absent
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Yes
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

6. Approval of December 2023 Minutes (Action Item)

A motion was made to approve the December 2023, NMPSIA Board Meeting Minutes.

Motion: T. Ruiz

Second: S. Quintana

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice President	Yes
Trish Ruiz, Secretary	Yes
Denise Balderas	Absent
Vicki Chavez	Absent
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Yes
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

7. Executive Session to Discuss Competitive Sealed Proposals Solicited Pursuant to the Procurement Code Pursuant to §10-15-1 H (6) NMSA 1978 (Action Item)

7. A. RFP#24-021CG Part A IBAC Medical, Dental, Vision Plans, and Related Services

A motion was made to enter into Executive Session to discuss Sealed Proposals Solicited Pursuant to the Procurement Code Pursuant to §10-15-1 H (6) NMSA 1978. Executive Session began at 9:18 am.

Motion: D. Martinez Jr.

Second: T. Ruiz

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice President	Yes
Trish Ruiz, Secretary	Yes
Denise Balderas	Absent
Vicki Chavez	Absent
Tim Crone	Yes
Pauline Jaramillo	Yes

Bethany Jarrell	Yes
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

A motion was made to come out of Executive Session at 9:52 am. Only items listed on the agenda were discussed.

Motion: D. Martinez Jr. **Second:** P. Jaramillo

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice President	Yes
Trish Ruiz, Secretary	Yes
Denise Balderas	Absent
Vicki Chavez	Absent
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Yes
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

7. B. Any action on the Discussion of Competitive Sealed Proposals Solicited Pursuant to the Procurement Code Pursuant to §10-15-1 H (6) NMSA 1978 (Action Item)

7. A. RFP#24-021CG Part A IBAC Medical, Dental, Vision Plans, and Related Services

A motion was made to advance Vendor A for vision and Vendors A, B, and C for dental.

Motion: D. Martinez Jr. **Second:** T. Ruiz

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
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Chris Parrino, Vice President	Yes
Trish Ruiz, Secretary	Yes
Denise Balderas	Absent
Vicki Chavez	Absent
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Yes
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

8. Administrative Matters

8. A. Legislative Update

Mr. Sandoval presented the Legislative Update stating that Staff had a House Appropriations & Finance Committee, hearing on January 11, 2024. The Committee adopted the Executive Budget recommendation with no deviations from the submitted appropriation request for expenditures.

House Bill 2 General Appropriation Act of 2024 has passed the House and is currently in the Senate. Other bills monitored by staff include House Bill 151 Post-Secondary Affirmative Consent Policies, which requires post-secondary institutes to adopt policies for investigations of alleged assault, domestic and dating violence, harassment, or stalking. This bill has passed the House and is currently in the Senate. Senate Bill 14 Health Care Authority transfers several functions from the Office of the Superintendent of Insurance (OSI), the General Services Department (GSD), and the Department of Health (DOH) into the Health Human Services or the new Healthcare Authority Department. Mr. Sandoval noted that the NMPSIA statute was not affected and the bill will require the Authority to enter joint procurements with other agencies. Senate Bill 15 Healthcare Consolidation Oversight Act would create a review process that allows OSI to determine whether proposed transactions that materially change the control of a healthcare entity could negatively impact the availability, necessity, affordability, and quality of healthcare for New Mexicans related to mergers and acquisitions. Senate Bill 55 Anti-Hazing Act would prohibit and penalize the hazing of any student at a public or private postsecondary, educational institution by a student organization, association, athletic team, or student living group. Educational institutions must include anti-hazing policies in their codes of conduct and establish educational programs for students on hazing, awareness, and prevention.

Ms. Kaylei Jones, Benefits Program Coordinator NMPSIA, added that for Benefits the staff is monitoring House Bills 6 and 11, and Senate Bill 3, all related to Paid Family Medical Leave and if passed may affect long-term disability benefits. NMPSIA has also received a request for

analysis for House Bill 185 and Senate Bill 135 which eliminate step therapy requirements for medications prescribed for the treatment of an autoimmune immune disorder, a behavioral health condition, cancer, or substance abuse disorder. NMPSIA does currently provide exemptions in these situations. Lastly, House Bill 33 Prescription Drug Price Transparency Act requires prescription drug manufacturers, health insurers, and prescription benefit managers to report drug price trends to the OSI, and the report would include a list of 25 of the most recently prescribed medications.

8. B. Request to Reissue Request for Proposal for Capital Asset Valuation Services (Action Item)

Mr. Sandoval advised that in April of 2023, staff issued an RFP for Capital Asset Valuation Services. Submittals were due May 5, 2023. A vendor was selected but the parties could not agree on contract terms and the procurement was canceled on February 7, 2024. Staff is requesting to go out to RFP for Capital Asset Valuation Services again.

A motion was made to Reissue Request for Proposal for Capital Asset Valuation Services.

Motion: S. Quintana

Second: D. Martinez Jr.

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice President	Yes
Trish Ruiz, Secretary	Yes
Denise Balderas	Absent
Vicki Chavez	Absent
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Yes
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

8. C. Approval of Contract for Bundled Payment Arrangement for Surgical Services (Action Item)

Mr. Sandoval noted that staff received approval at the April 2023 Board meeting to enter into contract negotiations with the selected vendor of the bundled payment arrangement RFP for Surgical Services. Staff and General Counsel have negotiated a contract with the selected vendor and are seeking approval and then the vendor can be announced.

A motion was made to approve the Contract for Bundled Payment Arrangement for Surgical Services.

Motion: S. Quintana

Second: D. Martinez Jr.

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice President	Yes
Trish Ruiz, Secretary	Absent
Denise Balderas	Absent
Vicki Chavez	Yes
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Yes
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

Mr. Sandoval announced Surgery Plus as the selected vendor and introduced Mr. Bryan Magstadt, Senior Vice President of Business Development for EDH-Surgery Plus. Mr. Magstadt thanked the Board and highlighted some of the goals and details of the program.

8. D. Annual Retreat Discussion

Ms. Jones advised that staff have researched nine venues across the State for the Board, as requested at the December meeting. The information was provided in the Board packet for review and staff has asked the Board to provide input on which venue to continue with. The dates for the meeting are tentatively July 20-25, 2024, at the request of the Board. The consensus was Angel Fire Resort with a second choice being Sage Brush Inn, Taos, NM.

9. Financial Matters

9. A. Approval of Financial Reports - November 2023 (Action Item)

Mr. Phillip Gonzales, Chief Financial Officer NMPSIA, presented the Statement of Revenues and Expenditures for the period ending November 30, 2023, for the Employee Benefits Fund. Mr. Gonzales reported revenue of \$33,732,154.84 and expenses of \$31,431,437.99, for a gain of \$2,300,716.85 for November. Year-to-date revenue was \$150,291,841.17 and expenses were \$161,582,246.72 resulting in a loss of \$11,290,405.55.

Mr. Gonzales presented the Statement of Revenues and Expenditures for the period ending November 30, 2023, for the Risk Fund. Mr. Gonzales reported revenue of \$10,083,973.05 and expenses of \$11,163,506.30, for a loss of \$1,079,533.25 for November. Year-to-date revenue was \$43,768,012.17 and expenses were \$56,971,119.31 resulting in a loss of \$13,203,107.14.

Mr. Gonzales presented the Statement of Revenues and Expenditures for the period ending November 30, 2023, for the Program Support Fund. Mr. Gonzales reported revenue of \$136,957.00 and expenses of \$123,055.73, for a gain of \$13,901.27 for November. Year-to-date revenue was \$684,801.12 and expenses were \$692,864.92 resulting in a loss of \$8,063.80.

Mr. Gonzales presented the Balance Sheet for the Agency for the period ending November 30, 2023. Program Support had total assets of \$919,018.75, total liabilities of \$232,418.95, and total fund equity of \$686,599.80. Employee Benefits had total assets of \$39,647,858.15, total liabilities of \$33,356,597.31, and total fund equity of \$6,291,260.84. Risk had total assets of \$165,553,719.76, total liabilities of \$167,401,679.97, and total fund equity of negative \$1,847,960,21. The total combined fund equity for the agency was \$5,129,900.43. Mr. Gonzales presented the Financial Notes for November due to the cancellation of the Internal Fiscal Review Committee Meeting.

A motion was made to approve the Financial Reports for November 2023 as presented.

Motion: T. Crone

Second: S. Quintana

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice-President	Yes
Trish Ruiz, Secretary	Absent
Denise Balderas	Absent
Vicki Chavez	Yes
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Yes
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

9. B. Approval of Financial Reports - December 2023 (Action Item)

Ms. Charlette Probst, Financial/HR Manager NMPSIA, presented the Statement of Revenues and Expenditures for the period ending December 31, 2023, for the Employee Benefits Fund. Ms. Probst reported revenue of \$34,006,456.25 and expenses of \$32,605,943.06, for a gain of \$1,400,513.19 for December. Year-to-date revenue was \$184,298,297.42 and expenses were \$194,188,189.78 resulting in a loss of \$9,889,892.36.

Ms. Probst presented the Statement of Revenues and Expenditures for the period ending December 31, 2023, for the Risk Fund. Ms. Probst reported revenue of \$9,756,966.36 and expenses of \$6,645,888.32, for a gain of \$3,111,078.04 for December. Year-to-date revenue was \$53,524,978.53 and expenses were \$63,617,007.63 resulting in a loss of \$10,092,029.10.

Ms. Probst presented the Statement of Revenues and Expenditures for the period ending December 31, 2023, for the Program Support Fund. Ms. Probst reported revenue of \$136,957.04 and expenses of \$129,777.79, which resulted in a loss of \$7,179.25 for December. Year-to-date revenue was \$821,758.16 and expenses were \$822,642.71 resulting in a loss of \$884.55.

Ms. Probst presented the Balance Sheet for the Agency for the period ending December 31, 2023. Program Support had total assets of \$913,377.65, total liabilities of \$219,598.60, and total fund equity of \$693,779.05. Employee Benefits had total assets of \$45,150,360.07, total liabilities of \$37,458,586.04, and total fund equity of \$7,691,774.03. Risk had total assets of \$158,060,031.27, total liabilities of \$156,796,913.44, and total fund equity of \$1,263,117.83. The total combined fund equity for the agency was \$9,648,670.91. Ms. Probst presented the Financial Notes for December due to the cancellation of the Internal Fiscal Review Committee Meeting.

A motion was made to approve the Financial Reports for December 2023 as presented.

Motion: S. Quintana

Second: D. Martinez Jr.

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice-President	Yes
Trish Ruiz, Secretary	Absent
Denise Balderas	Absent
Vicki Chavez	Yes
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Yes

K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

9. C. Investment Performance Review for the Quarter Ended December 31, 2023

Ms. Mallory Sampson, PFM Asset Management, reported positive returns across all asset classes for the quarter except for commodity space. Ms. Sampson noted that 2022 was the exact reverse of this. The domestic equity space both quarter-to-date and year-to-date and the Russell 3000 Index, have been affected by large growth-oriented stocks dominating the US Stock market. In the International Equity space emerging markets, except for the United States, the emerging markets lag within their peer group. This is due to China's having a tough time post-Covid. China makes up about 30% of the emerging markets benchmark. Commodities were the only asset class that was negative for the year due to a decline in overall demand. There are long-term concerns about investment in Commodities and the fixed-income market. The calendar year 2023 ended on a positive note. The Benefits fund beat the target return rate with a return of 15.36% for the year. The Risk Fund for the year slightly underperformed but no large shifts are expected. The Federal Reserve has increased interest rates to fix income space and is expected to have a higher-than-normal performance over the next several years.

9. D. Retroactive Approval to Withdraw from Employee Benefits Long-Term Investments Portfolio (Action Item)

Mr. Gonzales presented that the NMPSIA staff is requesting retroactive approval to withdraw \$3.5 million from the Benefits long-term investment fund held by the State Investment Council due to cash flow issues. This was needed to pay claims on time. Staff consulted and used PFM's recommendations on the allocation of the withdrawal that was effective on January 1, 2024.

A motion was made to retroactively approve the Request to Withdraw from the Employee Benefits Long Term Investments Portfolio.

Motion: S. Quintana

Second: T. Crone

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice-President	Yes
Trish Ruiz, Secretary	Absent

Denise Balderas	Absent
Vicki Chavez	Yes
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Absent
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

9. E. Approval of Long-Term Funds Investment Policy (Action Item)

Mr. Gonzales advised that this is the periodic review of the NMPSIA Long-term Funds Investment Policy Statement. Staff held meetings with the IFR Committee members and PFM Asset Management and proposed investment policy changes for consideration. The investment advisor, Ms. Sampson, reviewed a summary of the overall investment policy statement and went over the changes and the expectations moving forward. Ms. Sampson explained that these numbers are the baseline. The PFMAM 50/50 Model was recommended. The current investment pool was also reviewed, and PFM is comfortable with the investment pools NMPSIA is currently invested in.

A motion was made to approve the Long-Term Funds Investment Policy as presented.

Motion: P. Jaramillo

Second: D. Martinez Jr.

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice-President	Yes
Trish Ruiz, Secretary	Absent
Denise Balderas	Absent
Vicki Chavez	Yes
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Absent
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

9. F. Request to Rebalance Investment Portfolio (Action Item)

Ms. Sampson advised that the current recommendation, with the investment policy changes, is to move from the 65-35 asset allocation down to a 50-50 asset allocation and requested utilizing the balances set to come out in the next week for this rebalance.

A motion was made to approve the Request to Rebalance Investment Portfolio as presented.

Motion: S. Quintana

Second: T. Crone

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice-President	Yes
Trish Ruiz, Secretary	Absent
Denise Balderas	Absent
Vicki Chavez	Yes
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Absent
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

9. G. Approval of Budget Adjustment Request for Program Support (Action Item)

Mr. Gonzales advised that NMPSIA staff is requesting the consideration of a budget adjustment request (BAR) for an increase in the Program Support Fund. Staff has been closely monitoring expenditures and predicts a need for a budget increase to avoid ending the fiscal year with a budget deficit. Processing a BAR based on the December projections; the amount would be about \$73,000. Staff would like to continue to monitor expenditures and process a bar closer to the end of the fiscal year.

A motion was made to approve the Budget Adjustment Request for the Program Support Fund.

Motion: T. Crone

Second: S. Quintana

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice-President	Yes
Trish Ruiz, Secretary	Absent
Denise Balderas	Absent
Vicki Chavez	Yes
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Absent
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

9. H. Approval of Budget Adjustment Request for Risk Fund (Action Item)

Mr. Gonzales advised that NMPSIA staff is requesting the consideration of a budget adjustment request for an increase in the Risk Fund. Staff has been closely monitoring expenditures and predicts a need for a budget increase to avoid ending the fiscal year with a budget deficit. Processing a BAR based on the December financials; the amount would be about \$30 million. Staff would like to continue to monitor expenditures and process a bar closer to the end of the fiscal year.

A motion was made to approve the Budget Adjustment Request for the Risk Fund.

Motion: P. Jaramillo

Second: D. Martinez Jr.

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice-President	Yes
Trish Ruiz, Secretary	Absent
Denise Balderas	Absent
Vicki Chavez	Yes
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Absent
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

9. I. Approval of Budget Adjustment Request for Employee Benefits Fund (Action Item)

Mr. Gonzales advised that NMPSIA staff is requesting the consideration of a budget adjustment request for an increase in the Employee Benefits Fund. Staff has been closely monitoring expenditures and predicts a need for a budget increase to avoid ending the fiscal year with a budget deficit. Processing a BAR based on the December financials; the amount would be about \$17 million. Staff would like to continue to monitor expenditures and process a bar closer to the end of the fiscal year.

A motion was made to approve the Budget Adjustment Request for the Employee Benefits Fund.

Motion: P. Jaramillo

Second: S. Quintana

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice-President	Yes
Trish Ruiz, Secretary	Absent
Denise Balderas	Absent
Vicki Chavez	Yes
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Absent
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

9. J. FY 2023 Audit Approval (Action Item)

This item was removed from the agenda.

10. Risk Matters

10. A. TPA Reports

10. A. 1. Property & Liability Monthly Claims Report

Mr. Rich Cangiolosi with CCMSI reported on the Property & Liability Monthly Claims Report for November and December 2023. November, Liability had 421 open claims, 38 new claims, and 24 claims were closed. Reserves were at \$24,535,495.93, and payments were at \$13,328,683.82 for a total of \$37,864,179.75. Property had 173 open claims, 49 new claims, and 13 claims were closed. Reserves were \$68,932,047.87, and payments were \$14,979,238.62 for a total of \$83,911,286.49. December Liability had 433 open claims, 50 new claims, and 42 claims were closed. Reserves were at \$25,864,404.10, and payments were at \$13,634,786.39 for a total of \$39,499,190.49. Property had 168 open claims, five (5) new claims, and 10 claims were closed. Reserves were \$65,500,644.30, and payments were \$14,924,684.57 for a total of \$80,425,328.87.

10. A. 2 Property & Liability Large Losses

Mr. Cangiolosi reported four (4) property losses that were reported to the excess carrier. New Mexico Highlands University, an interior building flooded at a standalone fieldhouse, and supply lines to the boiler froze and ruptured. Estimates for damage are about \$75,000. At Mosquero Municipal Schools, a ridge cap on the roof detached. This caused water damage to the roof and gym floor, the damage is minimal and has been reported to the excess carrier. A pergola collapsed from the weight of heavy snow and landed on nearby gas lines in Penasco Independent School District. Emergency repairs to the gas line were needed. This loss is being reported at approximately \$50,000. Tularosa Municipal Schools experienced a classroom fire caused by a laser device being left on and ignited. The fire damage was to one classroom, but the sprinkler suppression system affected four other classrooms.

10. A. 3. Workers' Compensation Monthly Claims Report

Mr. Jerry Mayo with CCMSI provided the Workers' Compensation Monthly Claims Report for November and December 2023. For November, there were 1,099 open claims, 235 new claims, 27 reopened claims, and 241 claims were closed. Reserves were at \$14,274,171.37; payments were \$49,117,266.79 for a total of \$63,391,438.16. December there were 1,069 open claims, 207 new claims, 10 reopened claims, and 248 claims were closed. Reserves were at \$14,873,597.81; payments were \$49,707,253.61 for a total of \$64,580,851.42.

10. A. 4. Workers' Compensation Large Losses

Mr. Mayo reported the Workers' Compensation Large Losses for November. A person trying to stop a fight injured their left shoulder and required surgery. Increased temporary total disability medical reserves to \$53,000. In December, a person stepped in a hole causing an injury to their left ankle, increasing reserves for medical to \$55,000. An old claim was reopened because the person had undergone multiple surgeries for an injury that occurred while playing volleyball with students. The invoice for the last surgery had not been received, which caused the claim to be reopened. The invoice has since been paid, and the claim is now closed. Mr. Mayo also mentioned there was an older claim that is still open for a worker who was hit by a car and the temporary total disability has been eliminated. Permanent partial

disability increased to a total of \$218,000. There was an added auto vehicle claim and the indemnity and medical are currently at \$220,000 with the addition of an expected shoulder surgery. The claim has been increased to \$237,000.

10. B. Life of a Claim

Mr. Cangioli presented the Workers' Compensation Claims process. Workers' Compensation claims include Incident Only claims. For these claims, there is no medical treatment. Medical Only claims include medical treatment but no lost time exceeding the statutory seven-day waiting period. Indemnity/Lost time claim includes medical treatment, lost time greater than the statutory seven-day waiting period, and/or a questionable or typical claim. Different scenarios of claims were reviewed and there is no one way of handling claims; there are multiple variations to claims. Mr. Cangelosi shared flow charts on the claims process and how the claim is managed from inception to completion.

10. C. Restorative Practices

Mr. Darron Walter with Poms & Associates presented a report on restorative practices. Restorative practices promote healthy relationships among educators and students to teach social-emotional and conflict-resolution skills necessary to reduce conflict. Schools that implement restorative practices in place of traditional discipline are seeing a reduction in school suspensions and expulsions and an increase in student social-emotional growth and positive behaviors.

The goal in addressing all behaviors is to ensure a supportive and stable educational environment while encouraging growth toward self-discipline, accepting responsibility, and appreciating the rights of others. When fully implemented with a race-conscious lens, restorative practices improve school climate, increase academic achievement, and reduce racial disparities in school discipline.

10. D. Loss Prevention Update

Mr. Larry Vigil with Poms and Associates presented the Loss Prevention Abatement Report for November and December 2023. For November, there was a 69.47% abatement for non-capital recommendations. There were 131 total recommendations, zero (0) total capital recommendations, and total non-capital were 131. There were 91 corrected non-capital. The corrected recommendations percentage for November was 69.47%. For December there was an 82.29% abatement for non-capital recommendations. There were 97 total recommendations, one (1) capital recommendation, and 96 total non-capital. Corrected non-capital were 79. The corrected recommendations percentage for December was 82.47%.

10. E. Impact of STOPit and Vector Solutions

Ms. Garcia with Poms and Associates provided the updated impacts of STOPit and Vector Solutions and shared some statistics on the schools taking part in these programs and training. Out of 105 charter schools, 76 are enrolled, and out of 88 public school districts, 78 are enrolled in Vector Solutions training. The push is to get more enrollment among charter schools. STOPit is an anonymous reporting system to help students identify and report misconduct. Poms will be monitoring all reports of misconduct for response by the Districts and Charter Schools. NMPSIA is reviewing the best process for providing both investigation services for school administration and background investigation services for Districts and Charter Human Resource functions.

11. Benefits Matters

11. A. Retroactive Approval of the PBM Market Check (Action Item)

Ms. Martha Quintana, Deputy Director of NMPSIA, presented the PBM Market Check. Staff is requesting retroactive approval of Amendment 5, which amends the scope of work of the Segal Agreement to allow Segal to conduct the PBM Market Check. The amendment would be effective January 17, 2024. Segal will evaluate NMPSIA’s pharmacy claims data and current contract terms and compare them against CVS’ pricing terms and terms offered in the marketplace. If it is determined that NMPSIA’s current market price would yield savings, Segal will work with CVS, NMPSIA, and NMPSIA’s General Counsel to negotiate a modification to the current pricing terms. There was also an amendment to Section 2 of the agreement to include additional compensation payable, not to exceed \$18,000, including gross receipt tax.

A motion was made to Retroactively Approve the PBM Market Check as presented.

Motion: S. Quintana

Second: D. Martinez Jr.

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice-President	Yes
Trish Ruiz, Secretary	Absent
Denise Balderas	Absent
Vicki Chavez	Yes
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Absent
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

11. B. Approval of Amendment for CVS Cost Saver Program and Rebate Guarantees (Action Item)

Ms. Quintana presented the amendment to the CVS Cost Saver Program and Rebate Guarantees. If approved, the amendment would be effective January 1, 2024 and Section 2 would be amended to include the Caremark Cost Saver. This benefit would allow members to take advantage of lower prices when available under GoodRx while keeping the benefits of the drug utilization and clinical programs provided under the plan. There is no additional cost to NMPSIA to take part in the program. The amendment also adds the Point of Sale Estimated Rebate Program. Under the program, a portion of the estimated rebate CVS anticipates collecting for a claim will be applied to the member cost share amount. The application of rebates at the point of sale may result in a larger portion of the adjudicated claim cost being invoiced to NMPSIA. An amendment to Section 12.4, Compliance with Law, adds Regulatory Requirements for other states and language has been added for requirements for Florida found in Schedule 1 added to this amendment. The Rebate Guarantees table reflects changes made to the minimum rebate guarantees for rapid-acting insulins that were impacted by the American Rescue Plan Act (ARPA) of 2021. Ms. Quintana also highlighted a few changes under Financial Terms. Pricing and rebate guarantees apply to all paid Claims except for listed standard exclusions. CVS added language expressing that participating pharmacy rates do not necessarily reflect the contracted rates and CVS shall retain and not disclose to any third party, including NMPSIA, the difference. When remitting and reconciling minimum rebate guarantees, CVS shall add a “Rebate Credit” value to the total rebates remitted to NMPSIA for each respective rebate component. NMPSIA staff are recommending approval of this amendment.

A motion was made to approve the Amendment to CVS Cost Saver Program and Rebate Guarantees as presented.

Motion: T. Crone

Second: S. Quintana

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice-President	Yes
Trish Ruiz, Secretary	Absent
Denise Balderas	Absent
Vicki Chavez	Yes
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Absent

K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

11. C. Fiscal Year 2025 Projections and Premium Rate Setting Review

Dr. Nura Patani with Segal presented the Fiscal Year 2025 Projections and Premium Rate Setting Review. Dr. Patani noted that this is a preliminary projection and noted that due to the increased use of specialty medications, the amount is almost double what was expected. Dr. Patani reviewed the historical data for NMPSIA’s prescription drug claims going back to 2018. GLP1 drugs now being used for more than just type 2 Diabetes are also causing growth in this area.

Dr. Patani detailed historical fund balance targets and projections. There has been one legislative bill that Segal has been asked to provide analysis for. The bill poses only minor implications. Legislative impacts were not included last year but are included in this year’s projections. For the current projections, Segal assumes a 7.7% blended medical and prescription trend. The claims margin is not included but Dr. Patani expressed Segal’s recommendation for consideration given low reserves levels. The projections do not include other insights into prescription cost drivers. Dr. Patani presented the projection scenarios. It is anticipated that Segal will be able to have the quantified impact of big-bid outcomes reflected in the projection that will be brought back in March. Overall, for the fiscal year 2024, Segal is projecting a loss of \$22.8 million.

A subcommittee will be appointed to work with NMPSIA staff and with Segal including Mr. Chris Parrino, Mr. David Martinez Jr., and Ms. Pauline Jaramillo.

11. D. Erisa Annual Statistical Report

Ms. Kathy Payanes with Erisa presented the Erisa Annual Statistical Report. First was a statement of employees with medical eligibility. The next statement included the number of lives, eligibles, and the total monthly premium collected over the last five (5) years. Ms. Payanes also presented a report that included demographic information such as average age, family size, salary, and carrier allocation. Included in the report was a graph showing the growth of the NMPSIA program. Medical allocates the largest amount of premium collected and BlueCross BlueShield maintains the largest allocation of medical premium, 58.41%. The final item included in the report provided a summary of the average age, family size, and average gross salary by participating employer group.

11. E. Benefits Analyst Quarterly Statistical Report

Ms. Leslie Martinez, Benefits Analyst NMPSIA, presented the Benefits Analyst Quarterly Statistical Report. NMPSIA received 204 inquiries, 147 were phone calls, 40 were NMPSIA website emails, 16 were direct emails and one was in-person. Most inquiries were resolved within the same day. Sixty-seven (67) inquiries were resolved or directed to Erisa Administrative Services, 65 inquiries were resolved or directed to the employer, 27 inquiries were resolved or directed to the carriers, and 21 inquiries were resolved in our office regarding exceptions or questions regarding wellness and behavior health. Eleven (11) inquiries were resolved or directed to NMRHCA, three (3) inquiries were resolved or directed to NMPSIA's Risk Coordinator, four (4) inquiries were resolved or directed to CCMSI, and five (5) inquiries were resolved or directed to Medicare regarding turning 65. One (1) inquiry was resolved or directed to Albuquerque Public Schools about enrollment. Many of these inquiries were resolved with the members being satisfied and grateful for the help and information they received promptly.

11. F. Wellness Update

Ms. Cyndi Archuleta, Benefits/Wellness Manager NMPSIA, provided the Wellness Update. Since its start in February of 2023, over 600 members have participated in the 3-phased Wondr Health program. During the series, 27,395 behavior tools were used, 9,380 tailored lessons were taken, and 646 mobile app users were recorded. A total of 3,499 pounds were lost, 81% of individuals felt more in control of their weight, 68% reported being more physically active, 60% experienced a boost in confidence, 75% reported an increase in energy level, and 43% reported improved sleep. The next session is scheduled to begin in mid-February. As of the last report in mid-January, 233 members have signed up to take part.

11. General Discussion

Mr. Sandoval advised the Board that Ms. Cyndi Archuleta will be leaving NMPSIA and moving over to the Department of Public Safety.

12. Next Meeting Date and Location Thursday, March 7, 2024

**Location: Poms and Associates 201 3rd Street, Suite 1400
Albuquerque, NM 87102, and Virtual option (Action Item)**

A motion was made to approve the next meeting date and location.

Motion: D. Martinez Jr.

Second: T. Crone

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President

Absent

Chris Parrino, Vice-President

Yes

Trish Ruiz, Secretary	Absent
Denise Balderas	Absent
Vicki Chavez	Yes
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Absent
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

13. Adjournment (Action Item)

A motion was made to adjourn at 12:47 p.m.

Motion: T. Crone

Second: S. Quintana

A roll call vote was taken.

Ms. Charlette Probst called roll.

Al Park, President	Absent
Chris Parrino, Vice-President	Yes
Trish Ruiz, Secretary	Absent
Denise Balderas	Absent
Vicki Chavez	Yes
Tim Crone	Yes
Pauline Jaramillo	Yes
Bethany Jarrell	Absent
K.T. Manis	Yes
David Martinez Jr.	Yes
Sammy Quintana	Yes

Vote carried unanimously.

Approved:

X

Mr. Alfred Park
Board President

**Executive Session in Progress.
Please Stand By...**



Public Schools Insurance Authority



Board Meeting

Fiscal Year 2024

January 2024 Financial Reports

March 7, 2024

NM Public Schools Insurance Authority
Statement of Revenues and Expenditures - Employee Benefits Fund
From 1/1/2024 Through 1/31/2024

	Prior Year Current Period Actual	Current Period Actual	Current Period % Change	Prior Year Actual	Current Year Actual	Current Year % Change
Revenue						
Premiums (Health Insurance Assessments)	29,191,468.49	32,743,065.35	12.17	196,681,965.16	213,313,034.45	8.46
Interest Income (Wells Fargo, LGIP)	61,695.09	22,778.19	(63.08)	311,856.12	268,147.97	(14.02)
Investment Income (SIC)	1,388,033.20	3,847.79	(99.72)	1,725,157.95	1,246,784.29	(27.73)
Miscellaneous Income (Rx Rebates, Penalties, Subros, Etc)	0.00	2,992.97	100.00	0.00	2,243,015.01	100.00
Total Revenue	30,641,196.78	32,772,684.30	6.96	198,718,979.23	217,070,981.72	9.24
Expenditures						
Medical Claims Expense	19,688,233.91	22,671,079.61	15.15	143,497,877.72	167,518,589.47	16.74
Prescription Claims Expense	4,490,198.43	7,150,337.90	59.24	25,367,842.06	32,900,857.40	29.70
Dental Claims Expense	1,177,128.87	1,584,825.92	34.63	7,778,984.89	8,320,099.17	6.96
Premiums (Life, Vision)	1,275,216.71	1,440,819.60	12.99	7,986,225.89	9,253,785.81	15.87
Claims Administration Fees (Medical, Dental, Rx)	1,180,719.84	1,254,590.21	6.26	8,083,681.92	8,498,793.55	5.14
Contractual Services (Erisa, Segal, Legal, Etc)	206,097.35	209,013.77	1.42	1,668,906.71	1,595,405.39	(4.40)
Transfer to Program Support	63,333.00	68,479.00	8.13	443,335.00	479,805.00	8.23
Total Expenditures	28,080,928.11	34,379,146.01	22.43	194,826,854.19	228,567,335.79	17.32
Net Revenue & Expenditures	2,560,268.67	(1,606,461.71)	(162.75)	3,892,125.04	(11,496,354.07)	(395.37)

NM Public Schools Insurance Authority
Statement of Revenues and Expenditures - Risk Fund
From 1/1/2024 Through 1/31/2024

	Prior Year Current Period Actual	Current Period Actual	Current Period % Change	Prior Year Actual	Current Year Actual	Current Year % Change
Revenue						
Premiums (Risk Insurance Assessments)	7,737,270.00	8,354,878.00	7.98	54,160,934.00	58,484,180.80	7.98
Interest Income (Wells Fargo, LGIP)	301,962.21	440,371.11	45.84	1,309,437.68	2,570,479.50	96.30
Investment Income (SIC)	1,077,098.56	(34,485.30)	(103.20)	1,341,208.82	1,229,993.51	(8.29)
Miscellaneous Income (Penalties, Subros, Etc)	0.00	0.00	0.00	1.04	1,088.53566.35
Total Revenue	9,116,330.77	8,760,763.81	(3.90)	56,811,581.54	62,285,742.34	9.64
Expenditures						
Property - Liability Claims Expense						
Property Claims	770,150.19	1,443,765.66	87.47	7,346,049.33	5,588,864.05	(23.92)
Liability Claims	671,039.07	2,713,147.59	304.32	12,316,468.58	11,377,236.45	(7.63)
P-L Provisions for Losses	289,109.20	(12,051,246.44)	(4,268.41)	3,243,926.36	4,060,582.29	25.17
P-L Excess Recoveries	(6,905.00)	(4,393,985.45)	63,534.84	(10,386,889.36)	(16,266,488.35)	56.61
P-L Excess Recoveries Distributed to Schools	22,727.72	0.00	(100.00)	3,880,015.42	0.00	(100.00)
Total Property - Liability Claims Expense	1,746,121.18	(12,288,318.64)	(803.75)	16,399,570.33	4,760,194.44	(70.97)
Workers' Compensation Claims Expense	686,341.22	1,292,085.32	88.26	6,229,137.80	8,765,056.04	40.71
Property Excess Coverage Premium	2,586,540.00	3,597,631.00	39.09	18,105,788.00	25,183,417.21	39.09
Liability Excess Coverage Premium	1,771,250.00	2,100,382.00	18.58	12,398,750.00	14,699,421.00	18.56
Workers' Compensation Excess Coverage Premium	39,900.00	43,977.00	10.22	279,309.00	308,684.00	10.52
Student Catastrophic Insurance Premium	18,240.00	18,269.00	0.16	127,688.62	127,887.18	0.16
Equipment Breakdown Insurance Premium	34,196.00	38,266.00	11.90	239,376.62	267,865.62	11.90
Property - Liability Claims Administration Fees	94,196.10	94,184.86	(0.01)	659,480.92	659,294.14	(0.03)
Workers' Compensation Claims Administration Fees	104,051.99	98,749.05	(5.10)	728,483.58	695,543.83	(4.52)
Contractual Services (Erisa, Poms, CCMSI, Legal, Etc)	246,761.68	323,672.74	31.17	2,798,162.81	3,058,110.50	9.29
Transfer to Program Support	63,340.00	68,478.00	8.11	443,400.00	478,910.00	8.01
Total Expenditures	7,390,938.17	(4,612,623.67)	(162.41)	58,409,147.68	59,004,383.96	1.02
Net Revenue & Expenditures	1,725,392.60	13,373,387.48	675.09	(1,597,566.14)	3,281,358.38	(305.40)

NM Public Schools Insurance Authority
Statement of Revenues and Expenditures - Program Support Fund
From 1/1/2024 Through 1/31/2024

	Prior Year Current Period Actual	Current Period Actual	Current Period % Change	Prior Year Actual	Current Year Actual	Current Year % Change
Revenue						
Transfers from Other Funds (Benefits, Risk)	126,673.00	136,957.00	8.12	886,735.00	958,715.00	8.12
Miscellaneous Income	0.00	161.86	100.00	26.50	162.02	511.40
Total Revenue	126,673.00	137,118.86	8.25	886,761.50	958,877.02	8.13
Expenditures						
Contractual Services (Professional, Audit, Legal, Etc)	2,900.15	4,110.72	41.74	69,061.20	53,684.89	(22.26)
Other Expenses (Travel, Maint., Supplies, Utilities, Etc.)	4,126.18	7,065.18	71.23	88,329.40	103,760.06	17.47
Per Svc/Ben (Salaries, Fringe Benefits)	109,816.30	125,528.77	14.31	595,208.68	801,902.43	34.73
Total Expenditures	116,842.63	136,704.67	17.00	752,599.28	959,347.38	27.47
Net Revenue & Expenditures	9,830.37	414.19	(95.79)	134,162.22	(470.36)	(100.35)

NM Public Schools Insurance Authority

Balance Sheet

As of 1/31/2024

	<u>Program Support</u>	<u>Employee Benefits</u>	<u>Risk</u>	<u>Total</u>
ASSETS				
Cash (Wells Fargo/State Treasurer)	683,011.43	373,802.53	1,007,465.41	2,064,279.37
Short-term Investments (LGIP)	0.00	1,864,406.20	97,645,598.56	99,510,004.76
Long-term Investments (SIC)	0.00	19,696,583.01	20,581,026.96	40,277,609.97
Receivables (LGIP Int., W/C Excess Carrier)	(986.93)	1,453,165.32	3,790,305.48	5,242,483.87
Prepaid Premiums (Risk Excess Coverage)	0.00	0.00	28,989,910.00	28,989,910.00
Other Assets (Deposits, Furniture, Fxtures, Equip., Etc)	<u>245,361.25</u>	<u>22,471,882.52</u>	<u>319,145.15</u>	<u>23,036,388.92</u>
Total ASSETS	<u>927,385.75</u>	<u>45,859,839.58</u>	<u>152,333,451.56</u>	<u>199,120,676.89</u>
LIABILITIES				
Accounts Payable (Admin Fees)	129,097.52	1,439,698.98	476,606.64	2,045,403.14
Case Reserves (P/L, W/C)	0.00	0.00	45,829,845.48	45,829,845.48
IBNR (Incurred But Not Reported)	0.00	23,405,795.00	48,236,047.00	71,641,842.00
Claims Payable (Medical, Dental, P/L, W/C)	0.00	14,827,625.77	1,380,057.13	16,207,682.90
Deferred Revenue (Self-Pays, P/L, W/C Premiums)	0.00	101,406.91	41,774,390.00	41,875,796.91
Other (Payroll Taxes, Benefits, Compensated Absences Payable)	<u>104,094.99</u>	<u>0.60</u>	<u>0.00</u>	<u>104,095.59</u>
Total LIABILITIES	<u>233,192.51</u>	<u>39,774,527.26</u>	<u>137,696,946.25</u>	<u>177,704,666.02</u>
FUND EQUITY				
Beginning Fund Equity	694,663.60	17,581,666.39	11,355,146.93	29,631,476.92
Net Revenue & Expenditures (Year-to-Date)	<u>(470.36)</u>	<u>(11,496,354.07)</u>	<u>3,281,358.38</u>	<u>(8,215,466.05)</u>
Total FUND EQUITY	<u>694,193.24</u>	<u>6,085,312.32</u>	<u>14,636,505.31</u>	<u>21,416,010.87</u>



New Mexico Public Schools Insurance Authority

Communication with those Charged with Governance

Board of Directors

June 30, 2023



www.tkm.cpa



(505) 822 5100



(505) 822 5106



6747 Academy Road NE, STE A, Albuquerque, NM 87109



Your KMA Audit Team

- Daniel Trujillo, CPA, CFE, CGMA, CMA – Audit Partner
- Don Wittman, CPA – Technical Manager
- Joe Ortiz, CPA – Audit Manager
- Shu Li, CPA – Audit Senior

Auditors' Responsibility

- Form and express an opinion on the financial statements
 - Reasonable Assurance
- Communicate significant matters related to the audit
- Communicate particular matters required by law & regulation
- Consideration of Materiality
- Maintaining Auditors' Independence
- Management assumes responsibility

Management's Responsibility

- Design, implement, establish, and maintain effective internal controls over financial statements and compliance with grants, contracts, laws, and regulations.
- Preparation of U.S. GAAP Financial Statements
- Compliance with applicable laws and regulation and the provisions of contracts and grant agreements

Corrected Misstatements

- No misstatements were noted as a result of our audit procedures.

Uncorrected Misstatements

- Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Disagreements with Management

- No disagreements arose during the audit as it relates to a financial accounting, reporting, or auditing matters.

Significant Issues Discussed w/ Management Prior to Retention

- None

Difficulties Encountered in Performing Audit

- None

Consultation with Other Accountants

- None

Significant Accounting Estimates

- Reserve for Losses and Loss Adjustment Expense
- Fair Value Inputs used to measure the fair value of investments
- Estimated useful lives of capital assets

Financial Statement Disclosures

- The financial statement disclosures are neutral, consistent, and clear
- Significant disclosures include:
 - Note 4 – Fair Value Measurements
 - SIC Investments
 - Note 8 – Reserve for Losses and Loss Adjustment Expenses
- NMPSIA also presents *Ten Year Claims Development Information* as RSI, in addition to the *MD&A*.

Accounting Policies

- NMPISA adopted and implemented GASB Statement No. 96, Subscription Based Information Technology Arrangement, during fiscal year 2023.

Opinions

- Financial Statements – Unmodified Opinion

Findings

- 2023
 - None
- 2022
 - None

Audit Completion

- Report Date: October 31, 2023
- Received OK to Print: December 8, 2023
- Received Release Letter: January 5, 2024

THANK YOU, NMPSIA!



**STATE OF NEW MEXICO
NEW MEXICO PUBLIC
SCHOOLS INSURANCE AUTHORITY**

**FINANCIAL REPORT AND
INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2023
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**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2023
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**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
OFFICIAL ROSTER (UNAUDITED)
AS OF JUNE 30, 2023**

BOARD OF DIRECTORS

Alfred Park, PresidentGovernor Appointee
Chris Parrino, Vice-President NM Association of School Business Officials
Trish Ruiz, Secretary.....NM School Boards Association
Denise Balderas.....Governor Appointee
Tim Crone American Federation of Teachers, NM
Vicki Chavez NM Superintendents Association
Pauline Jaramillo.....NM School Boards Association
Bethany Jarrell..... National Education Association NM
K.T. Manis..... Public Education Commission
David Martinez, Jr. National Education Association NM
Sammy J. QuintanaGovernor Appointee

OFFICIALS OF THE NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY

Patrick SandovalExecutive Director
Martha QuintanaDeputy Director
Phillip Gonzales Chief Financial Officer

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Joseph M. Maestas, P.E.
New Mexico State Auditor
and
The Board of Directors
New Mexico Public Schools Insurance Authority
Santa Fe, New Mexico

Opinions

We have audited the accompanying financial statements of the business-type activities of the New Mexico Public Schools Insurance Authority (NMPSIA) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the NMPSIA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the NMPSIA as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the NMPSIA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in the notes, the financial statements of the NMPSIA are intended to present the net position, and the changes in net position and cash flows of only that portion of the business-type activities of the State of New Mexico that is attributable to the transactions of the NMPSIA. They do not purport to, and do not, present fairly the net position of the State of New Mexico as of June 30, 2023, and the changes in its net position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified for this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the NMPSIA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NMPSIA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the NMPSIA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Ten-Year Claims Development Information on pages 4 through 8 and 39 through 40, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the NMSPIA's basic financial statements. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the NMPSIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the NMPSIA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NMPSIA's internal control over financial reporting and compliance.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
October 31, 2023

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

This section represents a discussion and analysis of the financial performance of the New Mexico Public Schools Insurance Authority (NMPSIA) for the year ended June 30, 2023, compared to the year ended June 30, 2022. Please read it in conjunction with the basic financial statements, which follow this section.

Overview of the Basic Financial Statements

NMPSIA's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities that act as a business-type operation such as an insurance pool.

Statement of Net Position -This statement presents information reflecting NMPSIA's assets, liabilities and net position. Net position represents the amount of total assets less total liabilities. The balance sheet is categorized as to current and non-current assets and liabilities. For purposes of the basic financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within twelve months of the statement date. NMPSIA's long-term investment portfolio strategy is to hold investments which exceed one year in maturity or equity holdings with long-term gains in mind. The value of NMPSIA's long-term investment portfolio at June 30, 2023, was \$44,315,427.

Statement of Revenues, Expenses, and Changes in Net Position - This statement reflects NMPSIA's operating revenues and expenses, as well as non-operating revenues during the operating year. The major source of operating revenues is premium income, with major sources of operating expenses being claims expense both for medical and risk claims, premiums paid for vision, life, disability, property/liability and workers' compensation excess coverage. The change in net position for an enterprise fund is similar to net profit or loss for an insurance company. See page 12 of the financial statements.

Statement of Cash Flows -The statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating, capital and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year. See page 13 of the financial statements.

Statement of Revenues and Expenditures Budget and Actual (Budget Basis) reflects NMPSIA's budgetary basis of accounting and NMPSIA was in compliance with its budget. See pages 42-44 of the financial statements.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data in the financial statements. The notes to the financial statements can be found on pages 15 through 37 of this report. As disclosed in footnote 14 on page 34, the State of New Mexico implemented GASB 68, *Accounting and Financial Reporting for Pensions*, only in the statewide Annual Financial Report and did not impact NMPSIA's financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information including the Schedule of Cash and Cash Equivalents and financial information on the three functional activities of NMPSIA.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

NMPSIA's total net position for the year ended June 30, 2023, decreased by \$128,573. The Employee Benefits Fund (35000) began fiscal year 2023 with a net position of \$15,025,309 and increased \$2,556,357 to a fiscal year 2023 net position of \$17,581,666. The Risk Fund (351) began fiscal year 2023 with a net position of \$14,040,244 and decreased by \$2,685,096 in fiscal year 2023 to \$11,355,148.

The long-term investment portfolio increased by \$4,353,465 during fiscal year 2023. NMPSIA's long-term investments portfolio was managed by the State of New Mexico Investment Council (SIC) and are invested in their Core Bond, Large Cap Index, Non-US Developed Markets, Non-US Emerging Markets and Mid/Small Cap funds. NMPSIA contracted with the same investment consultant firm as in 2022 to review its long-term investment policy and to make recommendations investment allocations for funds managed by the SIC.

NMPSIA's short term funds are invested in the New Mexico Local Government Investment Pool (LGIP). NMPSIA also has two Money Market accounts with the fiscal agent bank, one for the Employee Benefits Fund and one for the Risk Fund, in an attempt to provide more flexibility for daily cash requirements. These accounts were also expected to provide an alternative to the LGIP accounts with rates of return comparable to those provided by the LGIP. However, the LGIP yield rates were more favorable in 2023. The flexibility to meet daily cash requirements continues to be the most important advantage of these Money Market accounts. Short-term interest income was higher than originally anticipated due to the Agency's conservative projections.

Total liabilities increased by \$1,570,774 in the current year. The Risk Fund continued to use the discounted (present value) basis to account for the Risk Program's reserve for losses and loss adjustment expenses. This methodology reflects the interest income earning power, which in 2023 computed at the rate of 2.0%, of the fund's cash reserves. NMPSIA contracted with the same actuary firm as in 2022.

NMPSIA had one capital asset addition in 2023, which cost was \$6,824. There was \$6,186 of capital asset depreciation in 2023.

NMPSIA had notes payable of \$3,931 related to finance purchase of a copier in 2023.

NMPSIA's budget is on a modified accrual basis of accounting. Depreciation expense and claims loss reserve expense is a GAAP expense but not for budgetary purposes. An original budget of \$443,615,900 was appropriated. The final approved budget was \$461,615,900. There were two budget adjustment requests for the year ended June 30, 2023. For fund 34900, there was an increase to category 200 of \$8,000, and a decrease to category 300 of \$8,000. For fund 35100, there was an increase of \$18,000,000.

Opportunities to decrease provider reimbursement rates have been limited for self-insured pools due to the providers' losses associated with lower Medicaid and Medicare reimbursements. In addition, claims costs tend to be higher in rural communities and out-of-state. Approximately 85% of NMPSIA's members enrolled in medical coverage reside in rural communities. NMPSIA maintained its stop-loss insurance in 2023 for claims over \$1 million with a \$500,000 aggregating specific deductible.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

The frequency of general liability and workers compensation claims is decreasing, while the severity is increasing. A lack of capital improvements and maintenance (i.e., roof leaks, etc.) continues. Catastrophic property losses are difficult to project since they generally result from hailstorms, floods, windstorms, etc. The exposure presented by these types of losses is directly tied to the weather. There continues to be an ongoing concern for sexual molestation claims, civil rights claims, and employment related claims (which include Whistleblower Protection Act allegations). The expenses associated with defending all of these types of claims continue to increase year over year, representing significant cost exposure to NMPSIA.

NMPSIA continues its bill review process through its third-party claims processing contractor, which has led to an overall decrease of the total claims billed amount and to an aggressive return to work policy. NMPSIA also utilizes nurse case management to facilitate care and bring advanced resolution to some of the more serious or longer-term claims. These factors, along with loss prevention services provided by the third-party contractor, have positively impacted the workers' compensation program despite an increase in the number of covered entities and an aging workforce.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

The following tables summarize the financial position of NMPSIA's operations as of and for the years ended June 30, 2023, and 2022:

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
ASSETS			
Cash and Investments	\$ 70,694,549	\$ 79,907,745	\$ (9,213,196)
Other Current Assets	<u>35,581,220</u>	<u>29,279,926</u>	<u>6,301,294</u>
Total Current Assets	<u>106,275,769</u>	<u>109,187,671</u>	<u>(2,911,902)</u>
Investments, Noncurrent	44,315,427	39,961,962	4,353,465
Capital Assets, Net	<u>250,484</u>	<u>249,846</u>	<u>638</u>
Total Noncurrent Assets	<u>44,565,911</u>	<u>40,211,808</u>	<u>4,354,103</u>
TOTAL ASSETS	<u>\$ 150,841,680</u>	<u>\$ 149,399,479</u>	<u>\$ 1,442,201</u>
LIABILITIES			
Reserves for Losses and Loss Adjustment Expense	\$ 23,405,795	\$ 22,533,576	\$ 872,219
Other Current Liabilities	<u>10,304,539</u>	<u>14,821,258</u>	<u>(4,516,719)</u>
Total Current Liabilities	<u>33,710,334</u>	<u>37,354,834</u>	<u>(3,644,500)</u>
Noncurrent Liabilities Reserve for Losses	<u>87,494,801</u>	<u>82,279,527</u>	<u>5,215,274</u>
Total Noncurrent Liabilities	<u>87,494,801</u>	<u>82,279,527</u>	<u>5,215,274</u>
TOTAL LIABILITIES	<u>121,205,135</u>	<u>119,634,361</u>	<u>1,570,774</u>
NET POSITION			
Investment in Capital Assets	246,553	249,846	(3,293)
Restricted for Future Benefits	28,936,814	29,065,553	(128,739)
Unrestricted	<u>453,178</u>	<u>449,719</u>	<u>3,459</u>
TOTAL NET POSITION	<u>29,636,545</u>	<u>29,765,118</u>	<u>(128,573)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 150,841,680</u>	<u>\$ 149,399,479</u>	<u>\$ 1,442,201</u>

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
REVENUE			
Premium Revenue and Other	\$ 434,957,820	\$ 413,906,130	\$ 21,051,690
EXPENSES			
Claims Loss and Loss Adjustments	349,822,125	347,778,364	2,043,761
Premium Expense	67,744,136	62,399,057	5,345,079
Insurance Services	23,611,192	27,390,736	(3,779,544)
General and Administrative and Other	<u>1,794,686</u>	<u>1,741,477</u>	<u>53,209</u>
TOTAL EXPENSES	<u>442,972,139</u>	<u>439,309,634</u>	<u>3,662,505</u>
Operating Income (Loss)	(8,014,319)	(25,403,504)	17,389,185
Nonoperating Revenues and Expenses	<u>7,885,746</u>	<u>8,392,668</u>	<u>(506,922)</u>
TOTAL NONOPERATING			
REVENUES AND EXPENSES	<u>7,885,746</u>	<u>8,392,668</u>	<u>(506,922)</u>
NET CHANGE IN NET POSITION	(128,573)	(17,010,836)	16,882,263
NET POSITION, BEGINNING	<u>29,765,118</u>	<u>46,775,954</u>	<u>(17,010,836)</u>
NET POSITION, END	<u>\$ 29,636,545</u>	<u>\$ 29,765,118</u>	<u>\$ (128,573)</u>

Requests for Information

NMPSIA's financial statements are designed to present users with the general overview of the NMPSIA's finances and to demonstrate NMPSIA's accountability. If you have questions about the report or need additional financial information, please contact New Mexico Public Schools Insurance Authority, 410 Old Taos Highway, Santa Fe, New Mexico 87501.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>Business-Type Activities</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,005,426
NM State Treasurer's State Fund Investment Pool	689,704
NM State Treasurer's Local Fund Investment Pool	68,999,419
Accounts Receivable, Net	7,601
Accrued Interest Receivable, Net	337,005
Receivables From Excess Insurers, Net	34,980,614
Prepaid Expenses and Deposits	<u>256,000</u>
Total Current Assets	<u>106,275,769</u>
Noncurrent Assets	
Investments, Noncurrent	44,315,427
Capital Assets, Net	<u>250,484</u>
Total Noncurrent Assets	<u>44,565,911</u>
TOTAL ASSETS	<u>\$ 150,841,680</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2023**

	Business-Type Activities
LIABILITIES AND NET POSITION	
Current Liabilities	
Reserves for Losses and Loss Adjustment Expense	\$ 23,405,795
Unearned Premium Revenue and Carrier Advances	171,110
Due to Insurance Carriers for Claims Paid	8,151,202
Accounts Payable	1,878,632
Accrued Payroll	24,805
Notes Payable, Current	2,957
Accrued Compensated Absences	75,833
Total Current Liabilities	33,710,334
 Noncurrent Liabilities	
Notes Payable, Noncurrent	974
Reserve for Losses and Loss Adjustment Expense	87,493,827
Total Noncurrent Liabilities	87,494,801
TOTAL LIABILITIES	121,205,135
 NET POSITION	
Net Investment in Capital Assets	246,553
Restricted for Future Benefits	28,936,814
Unrestricted	453,178
TOTAL NET POSITION	29,636,545
TOTAL LIABILITIES AND NET POSITION	\$ 150,841,680

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

	Business-Type Activities
REVENUES	
Participant Premiums	\$ 434,957,820
TOTAL REVENUES	434,957,820
EXPENSES	
Loss and Loss Adjustment Expenses	349,822,125
Premiums	67,744,136
Insurance Servicing and Fees	23,611,192
General and Administrative	1,788,378
Depreciation Expense	6,186
Interest Expense	122
TOTAL EXPENSES	442,972,139
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	(8,014,319)
NON-OPERATING REVENUES AND EXPENSES	
Investment Income	7,869,884
Other Income	15,862
TOTAL NON-OPERATING REVENUES AND EXPENSES	7,885,746
NET CHANGE IN NET POSITION	(128,573)
NET POSITION, BEGINNING OF YEAR	29,765,118
NET POSITION, END OF YEAR	\$ 29,636,545

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

	Business-Type Activities
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	
Participant Premiums Collected	\$ 428,934,885
Losses and Loss Adjustment Expenses Paid	(348,255,282)
Health Maintenance Premiums Paid	(67,744,136)
Amount Paid to Third Party Administrators / Vendors	(25,399,570)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(12,464,103)</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Other Income	15,862
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>15,862</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest, Dividends, Realized Gains and Losses (Net)	3,238,060
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>3,238,060</u>
 CASH FLOWS FROM (USED IN) CAPITAL FINANCING ACTIVITIES	
Acquisition of Capital Assets	(6,824)
Proceeds from Capital Debt	6,824
Payments on Debt	(2,893)
Interest and Admin Fees Paid	(122)
NET CASH PROVIDED BY (USED IN) CAPITAL FINANCING ACTIVITIES	<u>(3,015)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
	(9,213,196)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>79,907,745</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 70,694,549</u></u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Business-Type Activities</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (8,014,319)
Adjustments to reconcile operating income (loss) to Net cash used by operating activities:	
Depreciation Expense	6,186
Interest Expense	122
Changes in assets and liabilities:	
Change in Receivables	(6,022,935)
Increase (Decrease) in Reserve for Losses	6,086,519
Change in Unearned Premium Revenue and Carrier Advances	76,881
Change in Due to Insurance Carriers	(3,499,966)
Change in Accounts Payable and Accrued Payroll	(1,117,782)
Change in Accrued Compensated Absences	<u>21,191</u>
NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES	<u><u>\$ (12,464,103)</u></u>

See Independent Auditors' Report and Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1: ORGANIZATION AND OPERATIONS

The New Mexico Public Schools Insurance Authority (NMPSIA) was formed April 5, 1985 under the New Mexico Public School Insurance Authority Act of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability, and life insurance (benefits) coverage and property, casualty, and workers' compensation insurance (risk) coverage to participating public schools, school board members and retirees, and public school employees within the State of New Mexico and is not a reverting fund. Because NMPSIA is a self-insurance pool pursuant to Section 22-2 NMSA 1978, NMPSIA is not construed to be transacting insurance activity otherwise subject to the laws of the State of New Mexico that regulate insurance companies. Therefore, NMPSIA is not subject to minimum or maximum statutory reserve requirements.

Participation in NMPSIA is mandatory unless the school district is granted a waiver by NMPSIA. Once NMPSIA has awarded insurance contracts, no school district may withdraw from NMPSIA for the entire term of the contract. Upon withdrawal from NMPSIA, there is no refund of premiums. NMPSIA's own insurance coverage is also included as part of the pool.

The participants pay premiums for workers' compensation, and property and casualty coverage based on their own experience in the pool in past years. If the premium for a policy year does not cover the claims paid for that participant during the year, no additional premium will be assessed for that year. However, the next years' premiums will be increased to cover the excess claims. Premiums for health coverage are based on the experience of the total pool and are assessed on a premium per participating employee basis. Employees of all participants pay premiums based on a single premium schedule. At June 30, 2023, there were 13 active board members and 26 inactive board members participating and paying 100% of their premiums. Thus, there is no liability for post-retirement benefits recorded. If premiums assessed in one year do not cover the claims of that year, the premium schedule may be adjusted upward for the next year.

Financial Reporting Entity and Component Units

Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by FASB 39 and 61, *The Financial Reporting Entity*, establishes the standards for defining and reporting on the financial reporting entity. GASB 14 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A primary government is any state government or general-purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. NMPSIA, therefore, is part of the primary government of the State of New Mexico, and its financial data is included with the financial data of the State.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1: ORGANIZATION AND OPERATIONS (CONTINUED)

Financial Reporting Entity and Component Units (Continued)

NMPSIA has developed criteria to determine whether the participating public schools should be included within its financial reporting entity. The criteria include, but are not limited to, whether NMPSIA exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships. Based on these criteria, management of NMPSIA has determined that no other such entities should be included in its financial reporting entity and no component units are included in these financial statements.

NMPSIA did not receive bond proceeds from the State of New Mexico in 2023. Therefore, any unexpended or unencumbered funds remaining at the end of the fiscal year do not revert to the State of New Mexico. There is no maximum or minimum amount of net position required. Investment earnings are budgeted to fund general and administrative expenses. Excess investment earnings are used to offset premiums to participants and increase reserves.

Activities of NMPSIA are largely performed by third party administrators under contractual arrangements. These activities are as follows:

Benefits - encompasses activities to provide health, disability, and life insurance coverage to enrolled employees and retired employees of the participants. (SHARE #35000).

Risk - encompasses activities to provide property, casualty, and workers' compensation insurance coverage to the participants. (SHARE #35100).

Administration - encompasses expenses incurred to administer NMPSIA's activities. (SHARE #34900).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Reporting Presentation

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The financial statements of NMPSIA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units as prescribed by the Governmental Accounting Standards Board (GASB). NMPSIA adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB Statement 34). With the implementation of GASB Statement 34, the NMPSIA has prepared required supplementary information titled "Management's Discussion and Analysis" which precedes the basic financial statements, has prepared a balance sheet classified between current and noncurrent assets and liabilities, and has categorized net position as invested in capital assets, restricted, and unrestricted.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Reporting Presentation (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operating of these funds are included on the statement of net position.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. All operations of NMPSIA are accounted for as an enterprise fund. Enterprise funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities are provided to outside parties. NMPSIA follows GASB 62, which incorporates Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Research Bulletins which do not conflict or contradict GASB statements.

The accrual basis of accounting is used by proprietary fund types. NMPSIA follows GASB 10 and as amended GASB 30, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to participants for premiums. Principal operating expenses are the costs of providing insurance coverage, administrative costs and depreciation of capital assets. Transactions not included as operating activities for the statements of cash flows are classified as nonoperating revenues and expenses in the statements of revenues, expenses, and changes in net position.

When both restricted and unrestricted resources are available for use, it is NMPSIA's policy to use restricted resources first, then unrestricted resources as needed.

Budgetary Process

An operating budget is submitted annually for review to the Public Education Department, the Budget Division of the Department of Finance and Administration and the Legislative Finance Committee of the State of New Mexico. The budget is prepared on a modified accrual basis and monthly modified accrual basis reports of receipts and expenditures are required to be submitted to the state. This modified accrual basis used for budget purposes differs from the accrual basis of accounting in that purchases of fixed assets are recorded as expenditures and depreciation and compensated absences are not recorded. Also, any accounts payable that does not get paid by the statutory deadline must be paid out of next year's budget. There were no differences between GAAP and budgetary basis accounts payable amounts. Budget amendments must be reviewed by the Department of Finance and Administration. For the administrative function budget, line-item expenditures within budget appropriation unit may legally exceed amounts budgeted; however, the budget appropriation unit expenditures may not legally exceed the total approved budget amount.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process (Continued)

Unfavorable variances by expense category are not a budget violation. There are no legal restrictions on the Benefits and Risk functions' expenditures.

Budget Adjustments: The approved Budget Adjustment Request for fiscal year 2023 was as follows:

Fund 34900 – Administration:

Budget adjustment to increase category 300:	\$ 8,000
Budget adjustment to decrease category 200:	\$ 8,000

Fund 35100 – Risk:

Budget adjustment to increase category 300:	\$ 18,000,000
Budget adjustment to increase revenue:	\$ 18,000,000

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position

Statements of Cash Flows and Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include checking accounts, money market accounts and amounts on deposit in the New Mexico State Treasurer's Local Government Investment Pool and State Fund Investment Pool with original maturities of three months or less. A summary of cash and cash equivalents that reconciles to the statement of cash flows is as follows at June 30:

<u>Cash and Cash Equivalents Type</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 1,005,426
New Mexico State Treasurer's State Fund Investment Pool	689,704
New Mexico State Treasurer's Local Gov't Investment Pool	<u>68,999,419</u>
Total Cash and Cash Equivalents	<u>\$ 70,694,549</u>

Cash in bank accounts is insured up to \$250,000 per bank at June 30, 2023. As required by state law, 50 percent of the uninsured balance is required to be secured by pledges of qualifying securities held by the depository. The State Treasurer's Office has determined that all NMPSIA's bank accounts at Wells Fargo are covered by the State Treasurer's Collateralization Policy. As such, all bank accounts at Wells Fargo are covered by the provision in the State Fiscal Agency Contract entered into between Wells Fargo and the State Board of Finance. That contract specifies that the State Fiscal Agent must identify total State monies on deposit on a monthly basis in order that the State Board of Finance may require adjustment of collateralization levels of State money as necessary to comply with the State law requirements.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position (Continued)

Statements of Cash Flows and Cash and Cash Equivalents (continued)

All bank accounts at Wells Fargo are therefore covered by these collateralization requirements. Funds with the State Treasurer are required to be collateralized at a minimum level of 50 percent. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments.

Investment in the New Mexico State Treasurer's Local Government Investment Pool, New Mexico State Treasurer's State General Fund Investment Pool and New Mexico State Investment Council Long-Term Investment Pool

The Board of NMPSIA shall determine which money of NMPSIA constitutes long-term reserves for investment purposes. The State Treasurer shall invest the money in the fund that does not constitute the long-term reserves of the fund in accordance with the applicable provisions of Chapter 6, Article 10.

Investments in the New Mexico State Treasurer's Local Government Investment Pool (Pool) are carried at cost, which approximates market, plus accrued interest and are secured by obligations of the U.S. government or its agencies. Interest income is allocated to NMPSIA on the basis of its invested balance to the Pool's total invested balance. Amounts can be withdrawn by NMPSIA on demand.

State law (Section 8-6-3 NMSA 1978) requires NMPSIA's administrative cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of NMPSIA consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2023 NMPSIA had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool: \$689,704.

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the SGFIP), which is managed by the Office of the New Mexico State Treasurer. Claims on the SGFIP are reported as assets by the various agencies investing in the SGFIP.

The SGFIP represents cash and short-term investments. The State Treasurer invests excess cash balances on behalf of certain earmarked funds of state agencies identified by State statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the state agencies where interest is allowed to be earned. All other interest earnings are transferred to the State General Fund.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position (Continued)

Investment in the New Mexico State Treasurer's Local Government Investment Pool, New Mexico State Treasurer's State General Fund Investment Pool and New Mexico State Investment Council Long-Term Investment Pool (continued)

The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$250,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment dependent upon the institution's operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50% of the average investment balance.

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, see the separate audit report of the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2023.

NMPSIA had funds that represented the long-term reserves invested in stocks and bonds formerly managed by independent third parties following NMPSIA's investment policy. During fiscal year 2004, stewardship of all funds were transferred to the New Mexico State Investment Council by a joint powers agreement that will expire only when either party terminates the agreement.

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, with increases or decreases in fair market value recognized in the statements of revenues, expenses, and changes in fund net position at the end of each month. Fair value is based on quoted market value at year-end. Investment transactions are recorded on the trade date. Dividends are recognized as income when declared.

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NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
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FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position (Continued)

Capital Assets

Capital assets consist of premises and equipment which are stated at cost, less accumulated depreciation. Capital assets are defined by the state as assets which have a cost of \$5,000 acquired during the 2007 fiscal year and thereafter. Purchased assets are valued at historical cost. Donated assets are recorded at their fair market value at the date of donation. There is no debt related to capital assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Generally, estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Building Improvements	10 - 30
Building	30
Computer Equipment	3 - 7
Furniture and Fixtures	7

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Participant Premiums

Participant premiums for benefits coverage are recognized as revenue on a pro rata basis over the applicable contract period. Premiums for risk coverage are recognized as revenue in the applicable contract period (coincides with the fiscal year).

Excess Insurance Premiums

Excess insurance premiums for risk coverage are recognized as expense in the applicable contract period (coincides with the fiscal year). Premium adjustments for retrospectively adjusted excess insurance policies are estimated and recorded as revenue or expense over the period of policy coverage. Outstanding receivables at year end due from participants and excess insurers are fully collectable. Accordingly, no allowance for uncollectable receivables has been recorded.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position (Continued)

Reserve for Losses and Loss Adjustment Expenses

Insurance losses and related loss adjustment expenses are charged to operations as incurred. The reserves for losses and loss adjustment expenses are determined based upon case-basis evaluations and actuarial projections and include a provision for claims incurred but not reported. The actuarial projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on a composite of NMPSIA's experience and benefits, property, casualty, and workers' compensation insurance industry data, which supplements NMPSIA's historical experience and includes the effects of inflation and other factors. Losses are reported net of estimated amounts recoverable from excess insurance, salvage and subrogations, and the deductible portion of claims. Adjustments to the probable ultimate liability for losses and loss adjustment expenses are made continually, based on subsequent developments and experience, and are included in operations as made.

During 2003, NMPSIA changed its methodology for accounting for its risk fund reserve for losses and loss adjustment expenses from an undiscounted basis to a discounted basis. The change was made to adjust the reserves to present value and to better reflect income.

In the opinion of NMPSIA's management and NMPSIA's independent actuary, the reserves for losses and loss adjustment expenses are reasonably stated to cover the present value of the ultimate net cost of loss adjustment expenses.

As discussed above, NMPSIA's management has discounted the losses and loss adjustment expenses for property, casualty, and workers' compensation to present values. Estimated outstanding losses were determined by NMPSIA's actuary to be \$92,472,335 at June 30, 2023. The indicated discounted losses and loss adjustment expenses are \$87,493,827 at June 30, 2023. Discounting is based on estimated payment dates and an appropriate assumed rate of return. The estimated unpaid losses as of June 30, 2023 were discounted using an interest rate of 2.0%.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position (Continued)

Income Taxes

NMPSIA provides an essential governmental function to its members as described in Section 115 of the Internal Revenue Code and is exempt from federal income taxes pursuant to the Code.

Net Position:

The government-wide fund financial statements utilize a net position presentation. Net positions are categorized as investment in capital assets, restricted and unrestricted. Net position is defined by GAAP as the residual of all assets, liabilities, deferred outflows of resources and deferred inflows of resources. There were no deferred inflows or deferred outflows for the year.

Investment in Capital Assets – consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. NMPSIA did not have any related debt during the year ended June 30, 2023.

Restricted Net Position – consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – are all other net position that do not meet the definition of restricted or net investment in capital assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

At June 30, 2023, NMPSIA has total current and non-current reserves for losses and loss adjustment expenses in the amount of \$110,899,622. The allocation of current and non-current is an estimate. Due to the uncertainty of future claims, this amount could significantly change in fiscal year 2023.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 3: CASH AND INVESTMENTS

NMPSIA follows GASB statement No. 40, *Deposit and Investment Risk Disclosures*, for the year ended June 30, 2023.

NMPSIA investments held by the State Investment Council at June 30, 2023 was as follows:

Type	June 30, 2022		
	Benefits	Risk	Total
Large Cap Index	\$ 8,551,896	\$ 6,618,140	\$ 15,170,036
Core Bonds	8,446,407	6,555,415	15,001,822
Mid / Small Cap	2,225,434	1,735,008	3,960,442
Non US Emerging Markets	1,416,641	1,100,167	2,516,808
Non US Developed Markets	4,317,091	3,349,228	7,666,319
Total	\$ 24,957,469	\$ 19,357,958	\$ 44,315,427

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to change in market interest rates. NMPSIA has exposure to interest rate risk by its investment in the Core Bond holdings with the State Investment Council.

The carrying amounts of NMPSIA's deposits at financial institutions as of June 30, 2023 was \$70,694,549. Bank balances before reconciling items were \$70,694,549 at June 30, 2023. The custodial credit risk for deposits is the risk that in the event of a bank failure, NMPSIA's deposits may not be recovered. The bank balance for 2023 was insured or covered by the State Treasurer's Collateralization Policy.

The New Mexico State Treasurer Local Government Investment Pool (Pool) is not SEC registered. Section 6-10-10 I, NMSA 1978 empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government that have AAA credit quality ratings. The Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The New Mexico LGIP AAAM Rated \$68,999,419 [22] day weighted average maturity (WAM) (R); [86] day WAM (F).

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. The Pool does not have any foreign currency risk as all holdings are denominated in US dollars. Participation in the Pool is voluntary.

Total investment income and gains from investments are as follows:

Type	2023
Investment Income	\$ 3,460,628
Unrealized Gain	4,409,256
Total Investment Loss	\$ 7,869,884

NMPSIA does not engage in any securities lending arrangements, reverse repurchase agreements or in the use of derivatives.

All investments are managed by the New Mexico State Investment Council which is audited annually. That report can be obtained by writing to the New Mexico State Investment Council, 41 Plaza la Prensa, Santa Fe, New Mexico 87507.

State General Fund Investment Pool Reconciliation

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the state, except where otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Office (STO) acts as the state's bank when agency cash receipts are deposited with STO and pooled in a statewide investment fund, also referred to as the State General Fund Investment Pool (SGFIP). In times when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool are reduced.

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

State General Fund Investment Pool Reconciliation (Continued)

The comprehensive cash reconciliation model which compares aggregated agency claims on the SGFIP to the associated resources held by the State Treasurer's Office has been completed for fiscal year 2023. This process has been previously reviewed and is analyzed annually, by the IPAs performing audits of the General Fund, the Department of Finance and Administration (Department), and the State of New Mexico's Annual Financial Report. These reviews have deemed the process sound and the Department is fully compliant with reconciliation requirements. The Department asserts that:

- As of June 30, 2023, resources held in the pool were equivalent to the corresponding business unit claims on those resources.
- All claims, as recorded in SHARE, shall be honored at face value.

NOTE 4: FAIR VALUE MEASUREMENTS

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Department has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 4: FAIR VALUE MEASUREMENTS (CONTINUED)

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while NMPSIA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NMPSIA has the following recurring fair value measurements:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balances as of June 30, 2023
Assets				
Large Cap Index	\$ 15,170,036	\$ -	\$ -	\$ 15,170,036
Core Bonds	-	15,001,822	-	15,001,822
Mid / Small Cap	3,960,442	-	-	3,960,442
Non US Emerging Markets	2,516,808	-	-	2,516,808
Non US Developed Markets	7,666,319	-	-	7,666,319
Total Investments at fair market value	<u>\$ 29,313,605</u>	<u>\$ 15,001,822</u>	<u>\$ -</u>	<u>\$ 44,315,427</u>

NOTE 5: RECEIVABLES

Receivables as of June 30, 2023, are as follows:

Receivables	Balance June 30, 2023
Accounts Receivable, Net	\$ 7,601
Accrued Interest Receivable, Net	337,005
Receivables From Excess Insurers, Net	34,980,614
Receivables, Net	<u>\$ 35,325,220</u>

NMPSIA considers all receivables to be fully collectable, and therefore, there is no provision for uncollectable accounts.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 6: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, was as follows:

	Beginning Balance, July 1, 2022	Additions	Deletions	Ending Balance, June 30, 2023
Capital Assets Not Being Depreciated:				
Land	\$ 235,000	\$ -	\$ -	\$ 235,000
Art	1,765	-	-	1,765
Total Capital Assets Not Being Depreciated	<u>236,765</u>	<u>-</u>	<u>-</u>	<u>236,765</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	556,920	-	-	556,920
Furniture, Fixtures and Equipment	-	6,824	-	6,824
Data Processing Equipment	17,674	-	-	17,674
Total Capital Assets Being Depreciated	<u>574,594</u>	<u>6,824</u>	<u>-</u>	<u>581,418</u>
Total Capital Assets	<u>811,359</u>	<u>6,824</u>	<u>-</u>	<u>818,183</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(551,023)	(2,421)	-	(553,444)
Furniture, Fixtures and Equipment	-	(1,701)	-	(1,701)
Data Processing Equipment	(10,490)	(2,064)	-	(12,554)
Total Accumulated Depreciation	<u>(561,513)</u>	<u>(6,186)</u>	<u>-</u>	<u>(567,699)</u>
Capital Assets, Net	<u>\$ 249,846</u>	<u>\$ 638</u>	<u>\$ -</u>	<u>\$ 250,484</u>

Depreciation expense of \$6,186 is unallocated in the Program Fund for the year ended June 30, 2023.

NOTE 7: LONG-TERM DEBT

During the year ended June 30, 2023, the following changes occurred in the liabilities reported in the statement of net position:

	Beginning Balance, July 1, 2022	Additions	Deletions	Ending Balance, June 30, 2023	Due Within One Year
Notes Payable	<u>\$ -</u>	<u>\$ 6,824</u>	<u>\$ 2,893</u>	<u>\$ 3,931</u>	<u>\$ 2,957</u>

Interest expense paid on long-term debt totaled \$122 for the year ended June 30, 2023 as reported on the statement of revenues, expenses, and changes in net position.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 7: LONG-TERM DEBT (CONTINUED)

NMPSIA entered into a note payable to finance a copier. The note terms are as follows:

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance, June 30, 2023
Copier	Jul-22	Jul-24	2.21%	\$ 6,824	\$ 3,931

The annual requirements to amortize the note as of June 30, 2023, including interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 2,957	\$ 57	\$ 3,014
2025	974	2	976
Total	\$ 3,931	\$ 59	\$ 3,990

NOTE 8: EXCESS INSURANCE

Property and Casualty losses are Self-Insured up to various limits and then NMPSIA purchases excess insurance with various reinsurers to minimize exposure to risk. NMPSIA's Self-Insurance Retentions (SIRs) are as follows effective June 30, 2023: Workers' Compensation is \$2.5 million; General Liability excluding Sexual Abuse, Automobile Liability, and School Board Legal Liability/Errors & Omissions liability is \$1 million; Sexual Abuse is \$4 million; Property is \$1 million, excluding Wind and Hail perils; Wind and Hail perils is \$10 million; Automobile Physical Damage is \$1 million and Cyber Liability is \$25 million.

Property coverages and limits are written on a per-occurrence basis subject to various sub-limits. Liability coverages and limits are written on an occurrence basis subject to various annual aggregate limits.

For the policy year July 1, 2022, to June 30, 2023, the Property policy limit is \$750 million for each occurrence, subject to various sub-limits. The Liability policy limit is \$35 million for each occurrence subject to annual aggregates. In addition, there is an annual total policy aggregate in the amount of \$41 million. The total aggregate limit limits the annual amounts that NMPSIA would be responsible for in funding all self-insured losses for that policy period.

NOTE 9: RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

The reserves for losses and loss adjustment expenses represent, in management's opinion, the best estimate of the ultimate cost of settling all reported and unreported claims. The actuarial projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on a composite of NMPSIA's experience and benefits, property, casualty and workers' compensation insurance industry data.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 9: RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES (CONTINUED)

However, due to the historical experience of NMPSIA, there exists a range of variability around the best estimate of the ultimate cost of settling all unpaid NMPSIA claims. Accordingly, the amount reflected in the accompanying financial statements as reserves for losses and loss adjustment expense at June 30, 2023 and the related provisions for the year ended June 30, 2023, may not ultimately be the actual cost of settling all unpaid claims.

Components of the reserves for losses and loss adjustment expenses are as follows:

	Benefits	Workers'	Property and	
	2023	Compensation	Casualty	Total
	2023	2023	2023	2023
Estimated Reserves for Claims	\$ 31,181,000	\$ -	\$ -	\$ 31,181,000
Less: Estimated Amounts Recoverable pursuant to excess insurance on specific and aggregate loss occurrences	-	-	-	-
Reserve for Losses and Loss adjustment expenses at year end (discounted)	<u>31,181,000</u>	<u>-</u>	<u>-</u>	<u>31,181,000</u>
Changes in reserves for losses and loss adjustment expenses are as follows:				
Reserve for Losses and Loss adjustment expenses at beginning of year (discounted)	<u>32,115,000</u>	<u>27,672,351</u>	<u>53,875,244</u>	<u>113,662,595</u>
Incurred Losses and Loss Adjustment Expenses				
Provision for Insured Events of the Current Year	353,077,891	11,806,212	33,907,167	398,791,270
Increase (Decrease) in Provision for Events of Prior Year	<u>(5,452,000)</u>	<u>(3,353,386)</u>	<u>(5,179,121)</u>	<u>(13,984,507)</u>
Total Incurred Losses and Loss Adjustment Expenses	<u>347,625,891</u>	<u>8,452,826</u>	<u>28,728,046</u>	<u>384,806,763</u>
Payments (net of amounts receivable pursuant to excess insurance contracts)				
Losses and Loss Adjustment Expenses Attributable to Events of the Current Year	321,047,382	3,596,387	4,478,278	329,122,047
Losses and Loss Adjustment Expenses Attributable to Events of the Prior Year	<u>27,512,509</u>	<u>6,273,574</u>	<u>16,737,188</u>	<u>50,523,271</u>
Total Payments and Adjustment Expenses	<u>348,559,891</u>	<u>9,869,961</u>	<u>21,215,466</u>	<u>379,645,318</u>
Reserve for Losses and Loss Adjustment Expenses at End of Year (Undiscounted)	31,181,000	26,106,004	61,387,823	118,674,827
Add: Premium Factor	-	-	-	-
Less: Claim Amounts paid in subsequent fiscal year	<u>(7,775,205)</u>	<u>-</u>	<u>-</u>	<u>(7,775,205)</u>
Reserves for Losses and Loss Adjustment Expenses at End of Year	<u>\$ 23,405,795</u>	<u>\$ 26,106,004</u>	<u>\$ 61,387,823</u>	<u>\$ 110,899,622</u>

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 10: ACCRUED COMPENSATED ABSENCES

NMPSIA accounts for accumulated annual and sick leave on the accrual basis. Employees are entitled to accumulate annual leave at a graduated rate based on years of service. In accordance with State law, NMPSIA has recorded a liability included in accrued compensated absences for each employee for annual leave up to 240 hours at 100% of the employee's hourly wage. State law requires that sick leave be accrued for each employee for hours in excess of 600, but not over 720 (a maximum of 120 hours).

Upon termination of employment, sick pay for hours accumulated for 600 hours is forfeited and vacation pay is limited to payment of 240 hours at 100% of the employee's hourly wage. Sick leave is payable semiannually to qualified employees for hours accumulated over 600 hours but not over 720 at 50% of the employee's hourly wage. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at 50% of the employee's hourly wage.

A detail of accrued compensated absences is as follows:

	Beginning Balance, July 1, 2022	Additions	Deletions	Ending Balance, June 30, 2023	Due Within One Year
Compensated Absences	<u>\$ 54,642</u>	<u>\$ 53,228</u>	<u>\$ 32,037</u>	<u>\$ 75,833</u>	<u>\$ 75,833</u>

Based on expected usage during the 2023 fiscal year all of the accrued compensated absences balance has been classified as a current liability.

NOTE 11: JOINT POWERS AGREEMENT

An agreement exists among NMPSIA, New Mexico Retiree Health are Authority, Albuquerque Public Schools, and the State's Risk Management Division of the General services Department (collectively, the Interagency Benefits Advisory Committee). The purpose is to authorize the parties to exercise their common powers to provide and administer health care insurance program, and to implement the purposes of the Health Care Purchasing Act. Each agency acts as its own fiscal agent for cost purposes. The agreement was effective March 15, 1999 and continues in force until terminated by any party upon 90 days written notice to the other parties.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 12: INSURANCE SERVICING AND ADMINISTRATION AGREEMENTS

NMPSIA has entered into agreements with third parties for claims administration, administration of excess insurance contracts, accounting, administrative services, and related matters.

Fees for such services for the year ended June 30, 2023, was as follows:

Description	2023
Administrative / Wellness Fees of Health Care Providers	\$ 14,841,725
Third Party Administration Claims & Fees	2,379,206
Total	\$ 17,220,931

NOTE 13: OPERATING TRANSFERS

The following operating transfers occurred between the NMPSIA functional activities and with the Department of Finance and Administration during the year ended June 30, 2023:

SHARE FUND		June 30, 2023	
		From	To
Administration Fund (Fund 34900)	<i>A</i>	\$ 1,520,100	\$ -
Benefits Fund (Fund 35000)	<i>A</i>	-	760,000
Risk Fund (Fund 35100)	<i>A</i>	-	760,100
Administration Fund (Fund 34900)	<i>B</i>	-	126,290
Benefits Fund (Fund 35000)	<i>B</i>	63,145	-
Risk Fund (Fund 35100)	<i>B</i>	63,145	-
Total		\$ 1,646,390	\$ 1,646,390

- A) These annual transfers were to pay for administration fund operating costs as approved by the NMPSIA board and by the budgetary process.
- B) Unexpended balance in Administration Fund remaining at the end of the fiscal year reverted back to the Risk and Benefits funds.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 14: PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description - Substantially all of NMPSIA's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.nmpera.org.

Funding Policy - Plan members are required to contribute 10.42% of their gross salary for the year ended June 30, 2023. NMPSIA is required to contribute 18.74% of the gross covered salary for the year ended June 30, 2023. The contribution requirements of plan members and NMPSIA are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. NMPSIA's contributions to PERA, for the years ending June 30, 2023, 2022, and 2021 were \$140,400, \$131,929, and \$130,053, respectively, which equal the amount of the required contributions for each fiscal year.

Financial Reporting and Disclosure for multiple employer cost sharing pension plans by employers:

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico (the State) has implemented the standard for the fiscal year ending June 30, 2016.

NMPSIA, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, total pension liability exceeds Plan net position resulting in a net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Annual Financial Report of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the Annual Financial Report and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 15: POST-EMPLOYMENT BENEFITS –STATE RETIREE HEALTH CARE

Plan Description - The NMPSIA contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employers' effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served as least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 6300 Jefferson St. NE Suite 150 Albuquerque, NM 87109

Funding Policy - The Retiree Health Care Act (Section 1 0-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

The Retiree Health Care Act (Section 1 0-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 15: POST-EMPLOYMENT BENEFITS –STATE RETIREE HEALTH CARE (CONTINUED)

For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2023, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2023, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

NMPSIA's total contributions to the RHCA for the year ended June 30, 2023, 2022, and 2021 were \$14,991, \$14,478, and \$14,674, respectively, which equal the required contributions for each fiscal year.

Financial Reporting and Disclosure for post-employment benefits:

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

NMPSIA, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Annual Financial Report of the State of New Mexico. Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Annual Financial Report for the year ended June 30, 2023, and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 16: CONTINGENT LIABILITIES

NMPSIA is subject to various legal proceedings, claims and liabilities, which arise in the ordinary course of NMPSIA's operations. In the opinion of NMPSIA's management and legal counsel, the ultimate resolution of these matters will not have a material adverse impact on the financial position or results of operations of NMPSIA.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 17: NEW ACCOUNTING STANDARDS

NMPSIA conforms to the pronouncements of the GASB, which are the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments.

The following pronouncements have been issued but are not yet effective and will be evaluated in year of implementation:

- GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*
- GASB Statement No. 101, *Compensated Absences*

The following pronouncements that are issued and effective are not deemed to be applicable or do not have an impact to NMPSIA's financial statements:

- GASB Statement No. 91, *Conduit Debt*
- GASB Statement No. 93, *Replacement of Interbank Offered Rates* (Paragraph 11b)
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
- GASB Statement No. 99, *Omnibus 2022*, (paragraphs 18 – 22)

NOTE 19: SUBSEQUENT EVENTS

NMPSIA has evaluated subsequent events through October 31, 2023, which is the date the financial statements were available to be issued. Based upon this evaluation, NMPSIA has determined that there are no subsequent events that require adjustment to or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

The following table illustrates how NMPSIA's earned revenues (net of reinsurance) and investment income compared to related costs of loss (net of loss assumed by re-insurers) and other expenses assumed by NMPSIA as of the end of each of the last ten years. The rows of the table are defined as follows:

- 1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues.
- 2) This line shows each fiscal year's other operating costs, including overhead and claims expense not allocable to individual claims.
- 3) This line shows NMPSIA's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that occurred triggered coverage under the contract (called policy year) .
- 4) This section of ten rows shows the cumulative amounts paid as of the end of successive years for each policy year.
- 5) This section of ten rows shows how each policy years incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- 6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether the latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the incurred claims currently recognized in less mature policy years.

The columns of the table show data for successive policy years.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net earned required contribution and investment revenues	\$ 306,988,501	\$ 315,681,448	\$ 323,531,055	\$ 335,640,756	\$ 328,834,095	\$ 330,487,993	\$ 341,982,495	\$ 355,392,626	\$ 348,276,174	\$ 378,640,427
Unallocated Expenses	5,522,823	8,027,462	7,004,493	6,970,350	6,837,718	7,348,438	8,678,473	9,052,789	10,458,099	9,575,665
Estimated incurred claims and expense, end of policy year	287,823,547	303,520,019	328,244,167	318,308,067	302,599,897	303,469,568	327,668,402	326,298,537	361,271,006	392,613,037
Net Paid (cumulative) as of:										
End of policy year	245,048,836	259,387,540	270,733,727	274,268,674	256,097,967	259,798,127	269,327,553	286,350,454	303,977,586	328,023,534
One year later	252,704,464	280,256,992	303,788,570	311,697,655	288,225,691	297,554,916	294,957,515	335,910,995	342,772,777	
Two years later	273,224,957	285,835,477	307,715,709	319,286,708	294,476,199	303,024,084	299,643,312	339,029,409		
Three years later	275,116,960	290,234,580	312,077,648	324,870,433	300,382,231	305,788,977	299,097,665			
Four years later	276,829,092	292,657,007	313,891,516	325,709,404	304,248,009	315,292,115				
Five years later	279,442,245	294,401,421	314,960,415	331,506,381	306,226,148					
Six years later	279,679,476	295,482,711	315,886,605	337,871,651						
Seven years later	279,900,920	295,938,023	316,204,267							
Eight years later	280,033,322	296,299,488								
Nine years later	280,139,425									
Re-estimated net incurred claims and expenses										
End of policy year	287,923,547	303,520,019	305,437,027	309,189,860	296,021,417	298,101,048	303,033,017	323,667,390	344,354,234	397,545,876
One year later	281,881,679	286,083,510	310,726,971	320,900,610	301,397,386	311,684,679	302,685,594	344,335,101	372,508,603	
Two years later	277,017,901	291,883,444	315,454,391	326,064,055	305,622,041	316,837,711	302,865,305	345,349,396		
Three years later	277,886,005	295,223,259	314,773,257	328,519,208	307,169,905	320,717,854	301,463,560			
Four years later	279,791,586	297,004,219	316,370,861	331,638,993	308,535,278	322,066,280				
Five years later	280,711,097	296,485,076	316,970,926	335,699,247	311,667,353					
Six years later	280,430,685	296,183,563	316,577,253	339,110,198						
Seven years later	280,373,599	296,490,269	317,026,301							
Eight years later	280,389,450	296,649,236								
Nine years later	280,388,741									
	-	-	-	-	-	-	-	-	-	-
Increases (decrease) in estimated net incurred claims and expenses from end of original policy year.	<u>\$ 7,434,806</u>	<u>\$ 6,870,783</u>	<u>\$ (11,217,866)</u>	<u>\$ 20,802,131</u>	<u>\$ 9,067,456</u>	<u>\$ 18,596,712</u>	<u>\$ (26,204,842)</u>	<u>\$ 19,050,859</u>	<u>\$ 11,237,597</u>	<u>\$ 4,932,839</u>

* Data is current for fiscal years 2014 - 2023.

** FY2023 Net earned required contribution and investment revenues was updated.

SUPPLEMENTARY INFORMATION

Fund	Agency #	SHARE Fund #
Administration	34200	34900
Benefits	34200	35000
Risk	34200	35100

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS) –
ADMINISTRATION FUND (34900)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES AND OTHER FINANCING SOURCES				
Transfers In	\$ 1,520,100	\$ 1,520,100	\$ 1,520,100	\$ -
Other Income	-	-	465	465
Total Revenues and Other Financing Sources	<u>1,520,100</u>	<u>1,520,100</u>	<u>1,520,565</u>	<u>465</u>
Prior Year Fund Balance Rebudgeted	-	-	-	-
TOTAL REVENUES, OTHER FINANCING SOURCES AND PRIOR YEAR FUND BALANCE REBUDGETED	<u>1,520,100</u>	<u>1,520,100</u>	<u>1,520,565</u>	<u>465</u>
EXPENSES AND OTHER FINANCING USES				
General and Administrative	<u>1,520,100</u>	<u>1,520,100</u>	<u>1,387,923</u>	<u>132,177</u>
TOTAL EXPENSES AND OTHER FINANCING USES	<u>\$ 1,520,100</u>	<u>\$ 1,520,100</u>	<u>1,387,923</u>	<u>\$ 132,177</u>
NON-BUDGETED ITEMS:				
Transfers Out			(126,290)	
Depreciation Expense			<u>(6,186)</u>	
EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENSES AND OTHER FINANCING SOURCES AND USES			<u>\$ 166</u>	

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS) –
BENEFITS (FUND 35000)
FOR THE YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES				
Participant Premiums	\$ 354,746,700	\$ 354,746,700	\$ 342,110,536	\$ (12,636,164)
Investment Income (Loss)	100,000	100,000	3,227,684	3,127,684
Late Payment Penalties	-	-	15,397	15,397
Federal Grants	-	-	-	-
Settlement Reimbursements	-	-	-	-
Total Revenues and Other Financing Sources	<u>354,846,700</u>	<u>354,846,700</u>	<u>345,353,617</u>	<u>(9,493,083)</u>
Prior Year Fund Balance Rebudgeted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, OTHER FINANCING SOURCES AND PRIOR YEAR FUND BALANCE REBUDGETED	<u>354,846,700</u>	<u>354,846,700</u>	<u>345,353,617</u>	<u>(9,493,083)</u>
EXPENSES AND OTHER FINANCING USES				
Loss and Loss Adjustment Expenses	354,086,700	354,086,700	310,186,843	43,899,857
Premiums	-	-	14,342,596	(14,342,596)
Insurance Servicing and Administration	-	-	17,368,563	(17,368,563)
General and Administrative	-	-	202,403	(202,403)
Transfers Out	760,000	760,000	760,000	-
TOTAL EXPENSES AND OTHER FINANCING USES	<u>\$ 354,846,700</u>	<u>\$ 354,846,700</u>	<u>342,860,405</u>	<u>\$ 11,986,295</u>
NON-BUDGETED ITEMS:				
Transfers In			<u>63,145</u>	
EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENSES AND OTHER FINANCING SOURCES AND USES				
			<u>\$ 2,556,357</u>	

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS) –
RISK (FUND 35100)
FOR THE YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES				
Participant Premiums	\$ 87,249,100	\$ 105,249,100	\$ 92,847,284	\$ (12,401,816)
Investment Income (Loss)	-	-	4,642,200	4,642,200
Settlement Reimbursements	-	-	-	-
Other Income	-	-	-	-
Federal Grants	-	-	-	-
General Fund Appropriation	-	-	-	-
Total Revenues and Other Financing Sources	<u>87,249,100</u>	<u>105,249,100</u>	<u>97,489,484</u>	<u>(7,759,616)</u>
Prior Year Fund Balance Rebudgeted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES AND PRIOR YEAR FUND BALANCE REBUDGETED	<u>87,249,100</u>	<u>105,249,100</u>	<u>97,489,484</u>	<u>(7,759,616)</u>
EXPENSES AND OTHER FINANCING USES				
Loss and Loss Adjustment Expenses	-	-	39,635,282	(39,635,282)
Premiums	86,489,000	104,489,000	53,401,540	51,087,460
Insurance Servicing and Administration	-	-	6,242,629	(6,242,629)
General and Administrative	-	-	198,174	(198,174)
Transfers Out	760,100	760,100	760,100	-
TOTAL EXPENSES AND OTHER FINANCING USES	<u>\$ 87,249,100</u>	<u>\$ 105,249,100</u>	<u>100,237,725</u>	<u>\$ 5,011,375</u>
NON-BUDGETED ITEMS:				
Transfers In			<u>63,145</u>	
EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENSES AND OTHER FINANCING SOURCES AND USES			<u>\$ (2,685,096)</u>	

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
CASH AND CASH EQUIVALENTS - RECONCILIATION
FROM BANK TO FINANCIAL STATEMENTS
JUNE 30, 2023**

	35000	35100	34900	
	Benefits	Risk	Administration	Total
Interest bearing checking and money market:				
Wells Fargo:				
Employee Benefits Depository	\$ 421,757	\$ -	\$ -	\$ 421,757
Employee Benefits Short-Term Investments	252,989	-	-	252,989
Local Government Investment Pool	6,866,874	62,132,545	-	68,999,419
Employee Benefits Disbursement Account	-	-	-	-
Risk Depository Account	-	75,587	-	75,587
Risk Short-Term Investment Account	-	255,093	-	255,093
Total-Interest bearing checking and money market:	<u>7,541,620</u>	<u>62,463,225</u>	<u>-</u>	<u>70,004,845</u>
New Mexico State Treasurer Accounts				
General Fund Investment Pool	-	-	689,704	689,704
Total Amounts held with State Treasurer	<u>-</u>	<u>-</u>	<u>689,704</u>	<u>689,704</u>
Total Cash Balances	7,541,620	62,463,225	689,704	70,694,549
Less: Outstanding Checks / Reconciling Items	-	-	-	-
Total Cash and Cash Equivalents	<u>\$ 7,541,620</u>	<u>\$ 62,463,225</u>	<u>\$ 689,704</u>	<u>\$ 70,694,549</u>

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
COMBINING STATEMENTS OF NET POSITION INFORMATION
BY FUNCTIONAL ACTIVITY
JUNE 30, 2023**

	35000	35100	34900	Total
	Benefits	Risk	Administration	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 674,746	\$ 330,680	\$ -	\$ 1,005,426
NM State Treasurer's State Fund Investment Pool	-	-	689,704	689,704
NM State Treasurer's Local Fund Investment Pool	6,866,874	62,132,545	-	68,999,419
Accounts Receivable, Net	6,443	962	196	7,601
Accrued Interest Receivable, Net	71,704	265,301	-	337,005
Receivables From Excess Insurers, Net	17,692,574	17,288,040	-	34,980,614
Due from Other Funds	63,145	63,145	-	126,290
Prepaid Expenses and Deposits	-	256,000	-	256,000
Total Current Assets	<u>25,375,486</u>	<u>80,336,673</u>	<u>689,900</u>	<u>106,402,059</u>
Noncurrent Assets				
Investments, Noncurrent	24,957,469	19,357,958	-	44,315,427
Capital Assets, Net	-	-	250,484	250,484
Total Noncurrent Assets	<u>24,957,469</u>	<u>19,357,958</u>	<u>250,484</u>	<u>44,565,911</u>
TOTAL ASSETS	<u>\$ 50,332,955</u>	<u>\$ 99,694,631</u>	<u>\$ 940,384</u>	<u>\$ 150,967,970</u>

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
COMBINING STATEMENTS OF NET POSITION INFORMATION
BY FUNCTIONAL ACTIVITY (CONTINUED)
JUNE 30, 2023**

	35000	35100	34900	
	Benefits	Risk	Administration	Total
LIABILITIES AND NET POSITION				
Current Liabilities				
Reserves for Losses and Loss Adjustment Expense	\$ 23,405,795	\$ -	\$ -	\$ 23,405,795
Unearned Premium Revenue and Carrier Advances	171,110	-	-	171,110
Due to Insurance Carriers for Claims Paid	7,738,303	412,899	-	8,151,202
Accounts Payable	1,436,081	432,757	9,794	1,878,632
Accrued Payroll	-	-	24,805	24,805
Due to Other Funds	-	-	126,290	126,290
Notes Payable, Current	-	-	2,957	2,957
Accrued Compensated Absences	-	-	75,833	75,833
Total Current Liabilities	<u>32,751,289</u>	<u>845,656</u>	<u>239,679</u>	<u>33,836,624</u>
Noncurrent Liabilities				
Notes Payable, Noncurrent	-	-	974	974
Reserve for Losses and Loss Adjustment Expense	-	87,493,827	-	87,493,827
Total Noncurrent Liabilities	<u>-</u>	<u>87,493,827</u>	<u>974</u>	<u>87,494,801</u>
TOTAL LIABILITIES	<u>32,751,289</u>	<u>88,339,483</u>	<u>240,653</u>	<u>121,331,425</u>
NET POSITION				
Net Investment in Capital Assets	-	-	246,553	246,553
Restricted for Future Benefits	17,581,666	11,355,148	-	28,936,814
Unrestricted	-	-	453,178	453,178
TOTAL NET POSITION	<u>17,581,666</u>	<u>11,355,148</u>	<u>699,731</u>	<u>29,636,545</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 50,332,955</u>	<u>\$ 99,694,631</u>	<u>\$ 940,384</u>	<u>\$ 150,967,970</u>

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET
POSITION INFORMATION
BY FUNCTIONAL ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2023**

	35000	35100	34900	
	Benefits	Risk	Administration	Total
REVENUES				
Participant Premiums	\$ 342,110,536	\$ 92,847,284	\$ -	\$ 434,957,820
TOTAL REVENUES	<u>342,110,536</u>	<u>92,847,284</u>	<u>-</u>	<u>434,957,820</u>
EXPENSES				
Loss and Loss Adjustment Expenses	310,186,843	39,635,282	-	349,822,125
Premiums	14,342,596	53,401,540	-	67,744,136
Insurance Servicing and Fees	17,368,563	6,242,629	-	23,611,192
General and Administrative	202,403	198,174	1,387,801	1,788,378
Depreciation Expense	-	-	6,186	6,186
Interest Expense	-	-	122	122
TOTAL EXPENSES	<u>342,100,405</u>	<u>99,477,625</u>	<u>1,394,109</u>	<u>442,972,139</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>10,131</u>	<u>(6,630,341)</u>	<u>(1,394,109)</u>	<u>(8,014,319)</u>
NON-OPERATING REVENUES AND EXPENSES				
Investment Income	3,227,684	4,642,200	-	7,869,884
Other Income	15,397	-	465	15,862
Transfers In	63,145	63,145	1,520,100	1,646,390
Transfers Out	(760,000)	(760,100)	(126,290)	(1,646,390)
TOTAL NON-OPERATING REVENUES AND EXPENSES	<u>2,546,226</u>	<u>3,945,245</u>	<u>1,394,275</u>	<u>7,885,746</u>
CHANGE IN NET POSITION	2,556,357	(2,685,096)	166	(128,573)
NET POSITION, BEGINNING OF YEAR	<u>15,025,309</u>	<u>14,040,244</u>	<u>699,565</u>	<u>29,765,118</u>
NET POSITION, END OF YEAR	<u>\$ 17,581,666</u>	<u>\$ 11,355,148</u>	<u>\$ 699,731</u>	<u>\$ 29,636,545</u>

COMPLIANCE SECTION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Joseph M. Maestas, P.E.
New Mexico State Auditor
and
The Board of Directors
New Mexico Public Schools Insurance Authority
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the New Mexico Public School Insurance Authority's (NMPSIA) basic financial statements, and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the NMPSIA's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NMPSIA's internal control. Accordingly, we do not express an opinion on the effectiveness of the NMPSIA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of NMPSIA's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NMPSIA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the NMPSIA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NMPSIA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
October 31, 2023

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?No

Significant deficiencies identified?No

Noncompliance material to financial statements noted?.....No

SECTION II. CURRENT YEAR AUDIT FINDINGS

There are no audit findings in the current year.

SECTION III. STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no audit findings in the prior year.



Actuarial Presentation to NMPSIA

March 6-7, 2024

Outline of Presentation

- Property Wind/Hail/CAT Funding Changes
- Actual vs. Expected Loss Development 6/30/2023-12/31/2023
 - Drivers of Adverse and Favorable Development
- Ultimate Loss Trends
- Frequency / Severity / Loss Cost Trends
 - Workers Compensation
 - General Liability
 - Property
- Summary of Results of 12/31/2023 analysis

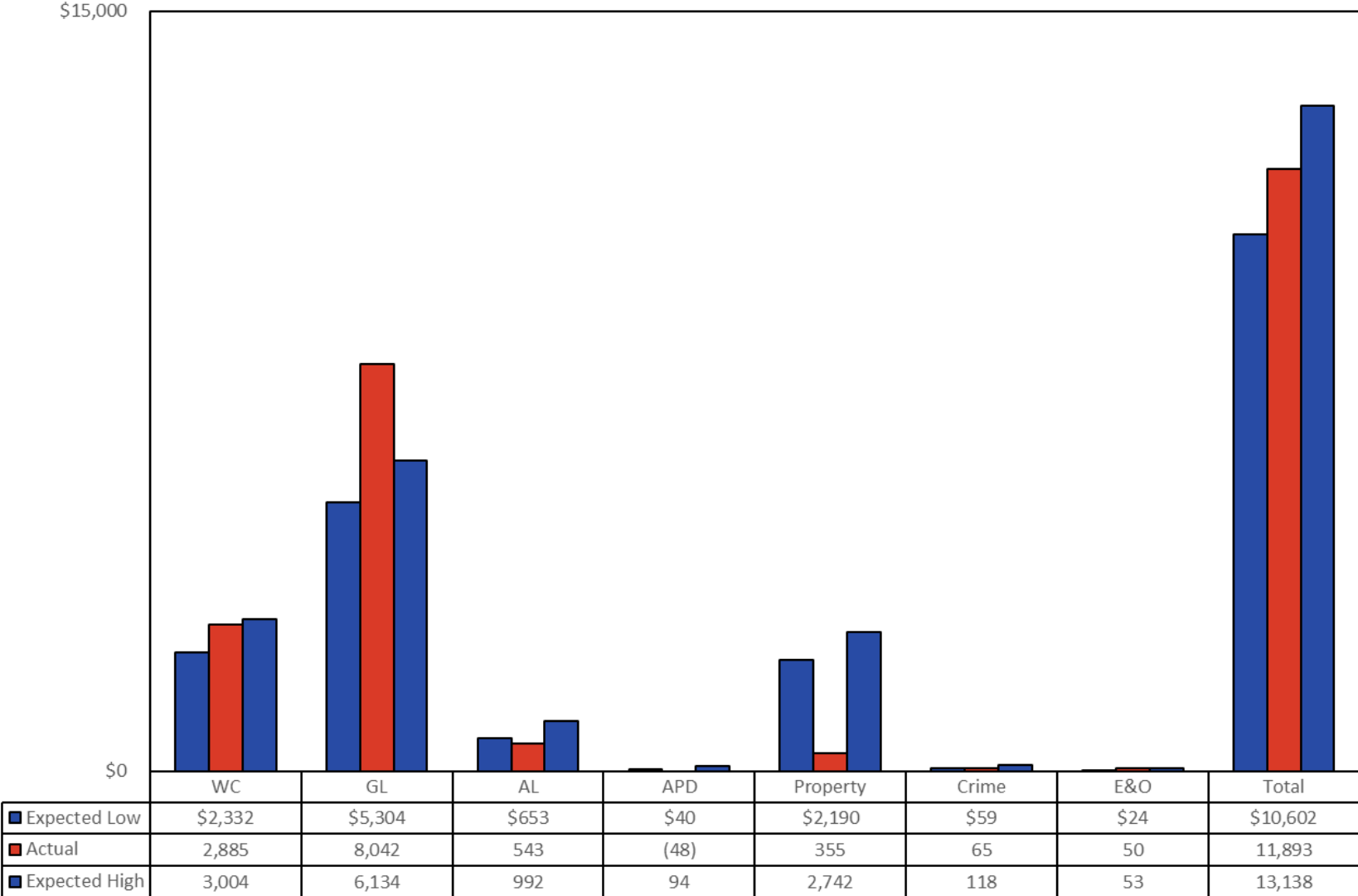
Property Wind/Hail/CAT Funding Changes

- Property: SIR for Wind, Hail, and CAT claims moved from \$2.5 million to \$10 million, with a \$25 million annual aggregate limit effective 7/1/2023
- Funding analysis primary layer changed from \$0.25 million to \$1 million
- Funding excess layer changed from \$9.75 million excess \$0.25 million to \$9 million excess \$1 million

Actual vs. Expected Loss Development

- Based on assumptions in prior analysis, how much incurred loss development did we expect to see between analyses?
 - Low and high estimates
- How much did we actually see?
- Gives us an idea whether prior assumptions were too optimistic/pessimistic, and/or whether loss emergence is improving/worsening

New Mexico Public Schools Insurance Authority
 Comparison of Actual v Expected Incurred Loss Development
 22/23 & Prior Policy Periods
 for the 6 months ending 12/31/2023



Claims with Large **Adverse** Development – General Liability

GL	as of 6/30/2023			as of 12/31/2023			Development 6/30/2023 - 12/31/2023		
Claim Number	Total Paid	Total Case	Total Incurred	Total Paid	Total Case	Total Incurred	Total Paid	Total Case	Total Incurred
1	0	100,000	100,000	39,992	1,960,008	2,000,000	39,992	1,860,008	1,900,000
2	108,900	141,100	250,000	722,886	27,114	750,000	613,987	(113,987)	500,000
3	153,910	121,090	275,000	211,210	551,290	762,500	57,300	430,200	487,500
4	419,230	80,770	500,000	862,018	77,282	939,300	442,787	(3,487)	439,300

GL	Claim Number	Year	Description	Cause
	1	2021/22	Sexual abuse of middle school female student	IMPROPER TOUCHING
	2	2017/18	SHOOTING INCIDENT; DECEDENT.	SHOOTING ON CAMPUS
	3	2019/20	Alleged violations of State WPA by superintendent.	VIOLATION CIVIL RIGHTS / DISCR
	4	2018/19	Alleged sexual assault upon female football player	ASSAULT - STUDENT VS STUDENT

Note: Claim numbers are placeholders and do not reflect actual NMPSIA claim numbers

Claims with Large **Favorable** Development – Property

Property	as of 6/30/2023			as of 12/31/2023			Development 6/30/2023 - 12/31/2023		
Claim Number	Total Paid	Total Case	Total Incurred	Total Paid	Total Case	Total Incurred	Total Paid	Total Case	Total Incurred
1	13,705	1,806,295	1,820,000	46,647	0	46,647	32,941	(1,806,295)	(1,773,353)
2	0	743,000	743,000	0	0	0	0	(743,000)	(743,000)
3	2,159	402,841	405,000	2,159	0	2,159	0	(402,841)	(402,841)

Property	Claim Number	Year	Description	Cause
	1	2022/23	Hail damage.	HAIL DAMAGE
	2	2021/22	Wind blew off roof at the MS.	WIND DAMAGE
	3	2022/23	Lightning strike.	LIGHTNING

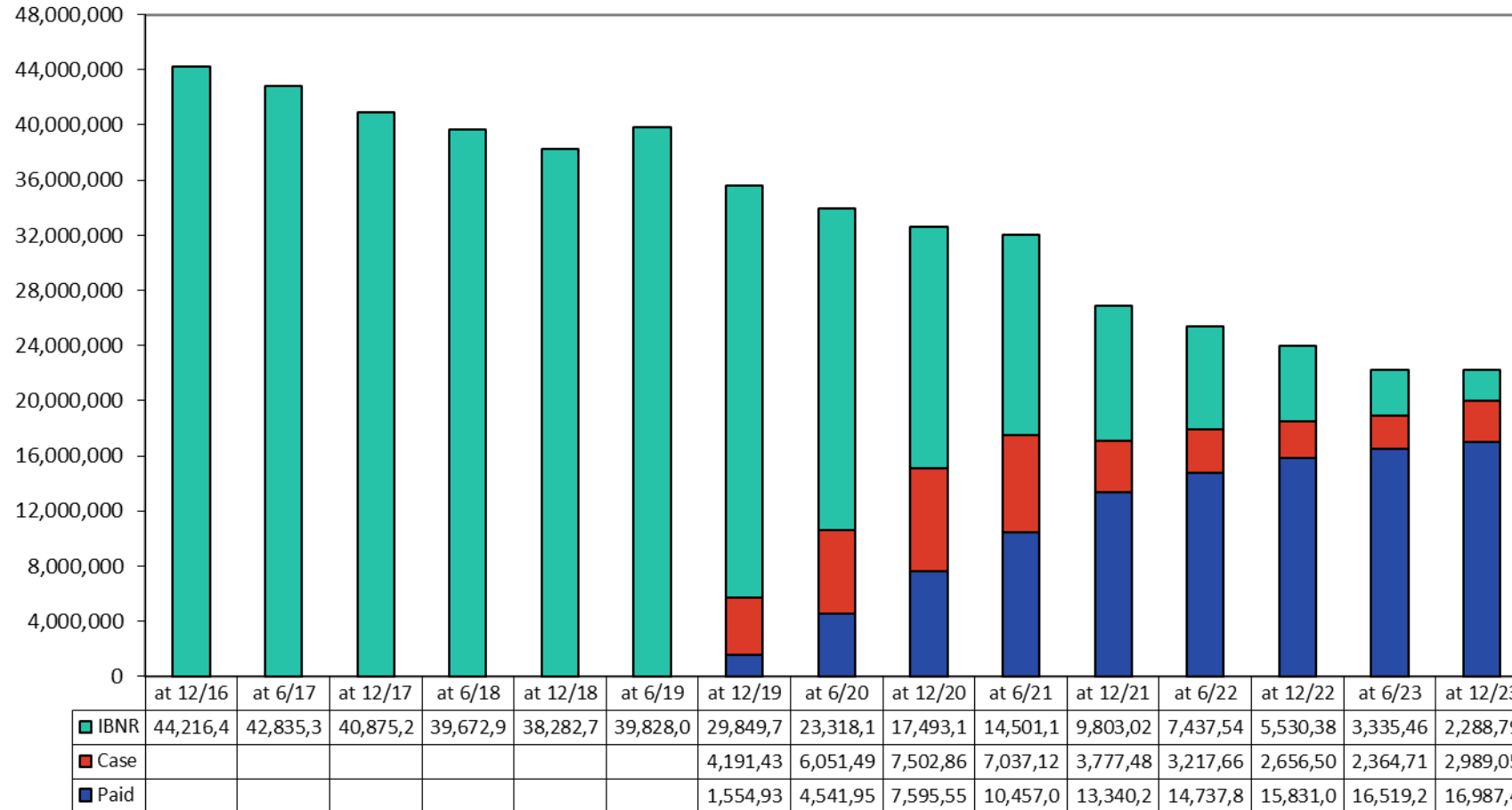
Note: Claim numbers are placeholders and do not reflect actual NMPSIA claim numbers

Ultimate Loss Trends

- Shows stability of ultimate loss projections for a given year, over successive evaluation dates as we learn more about the losses in the year
- All Coverages Combined

Ultimate Loss Trends – 2019-2020

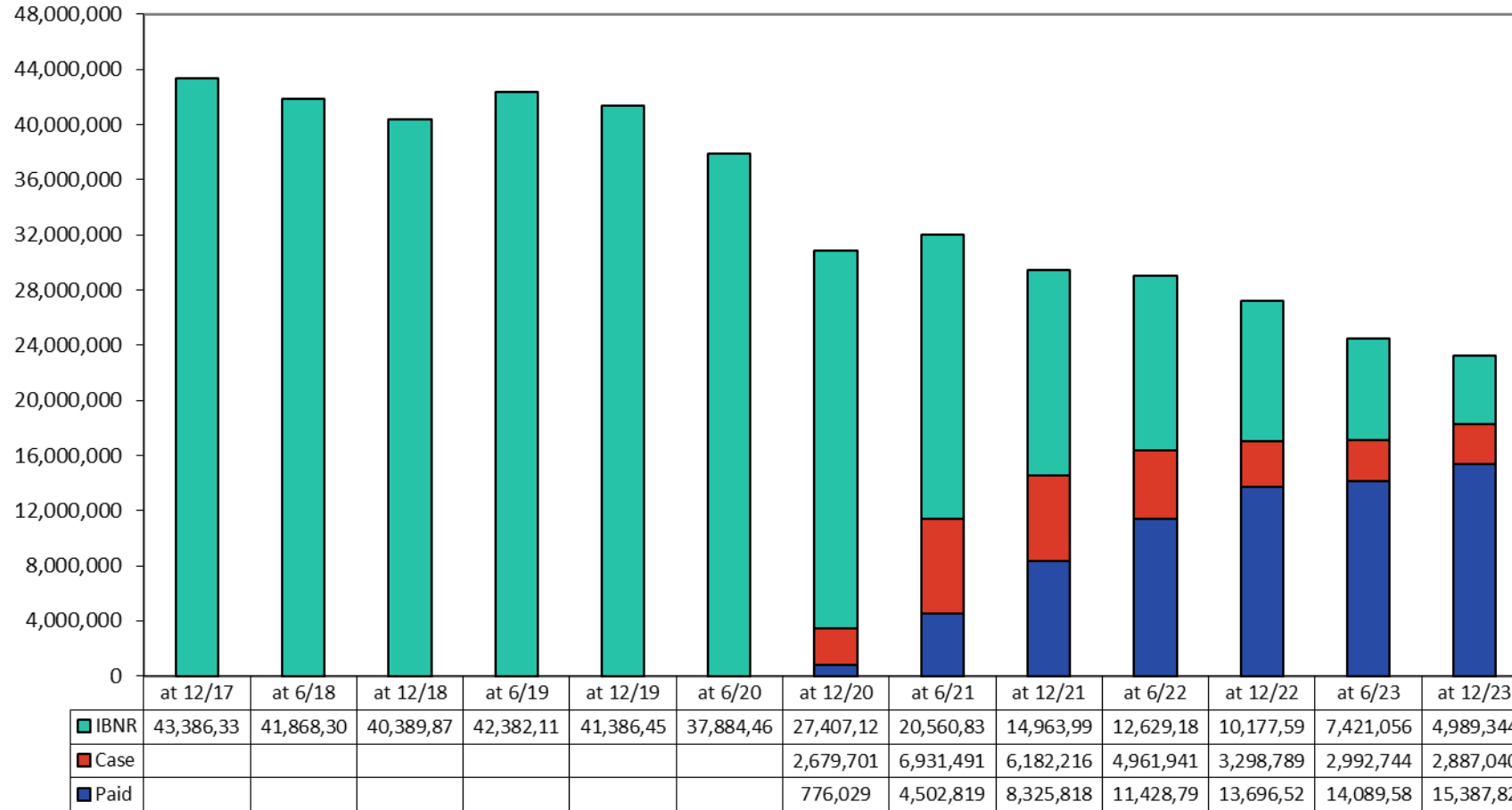
New Mexico Public Schools Insurance Authority - Components of Ultimate Losses
2019-20 Policy Period



Evaluation Date

Ultimate Loss Trends – 2020-2021

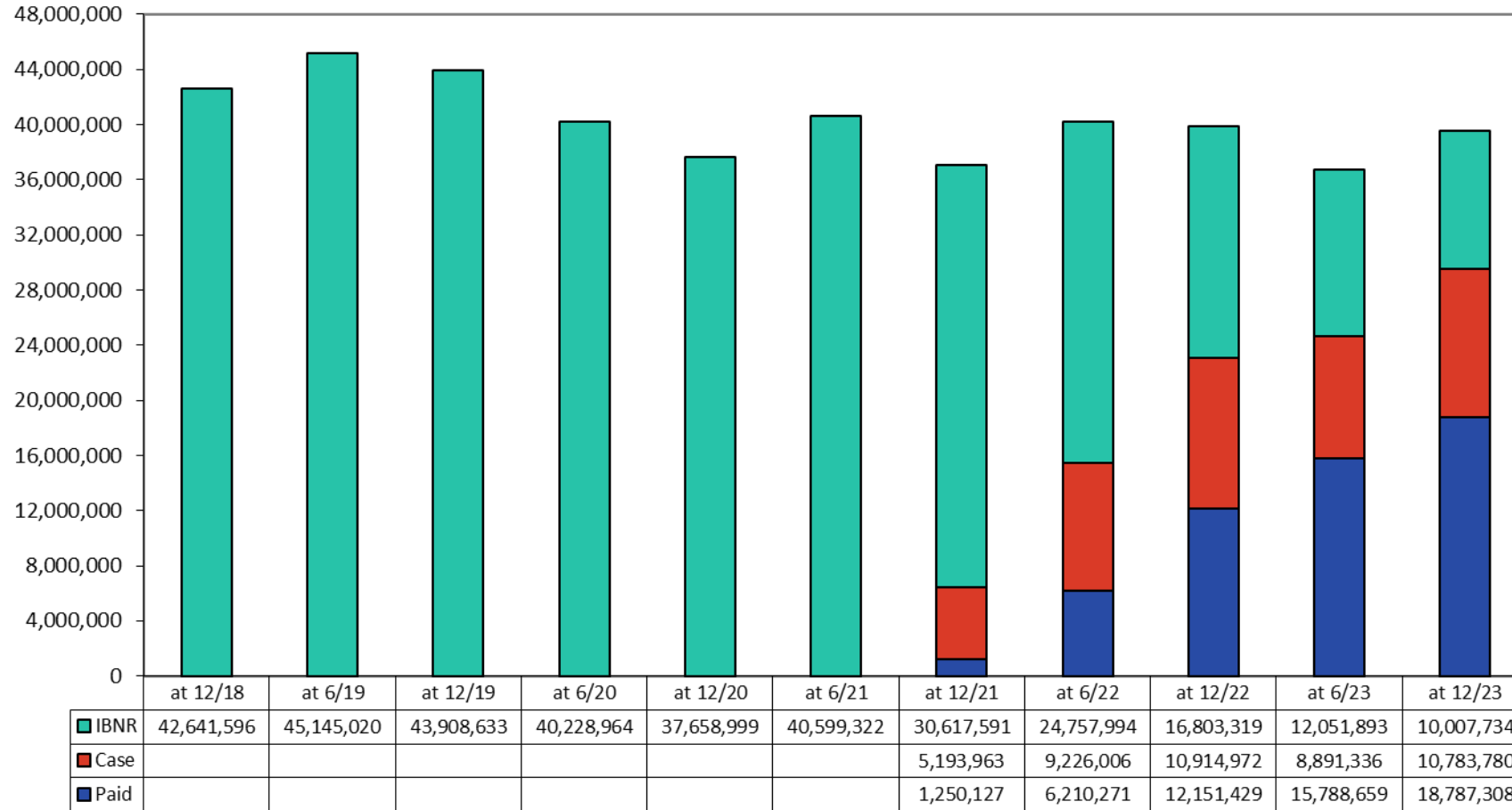
New Mexico Public Schools Insurance Authority - Components of Ultimate Losses
2020-21 Policy Period



Evaluation Date

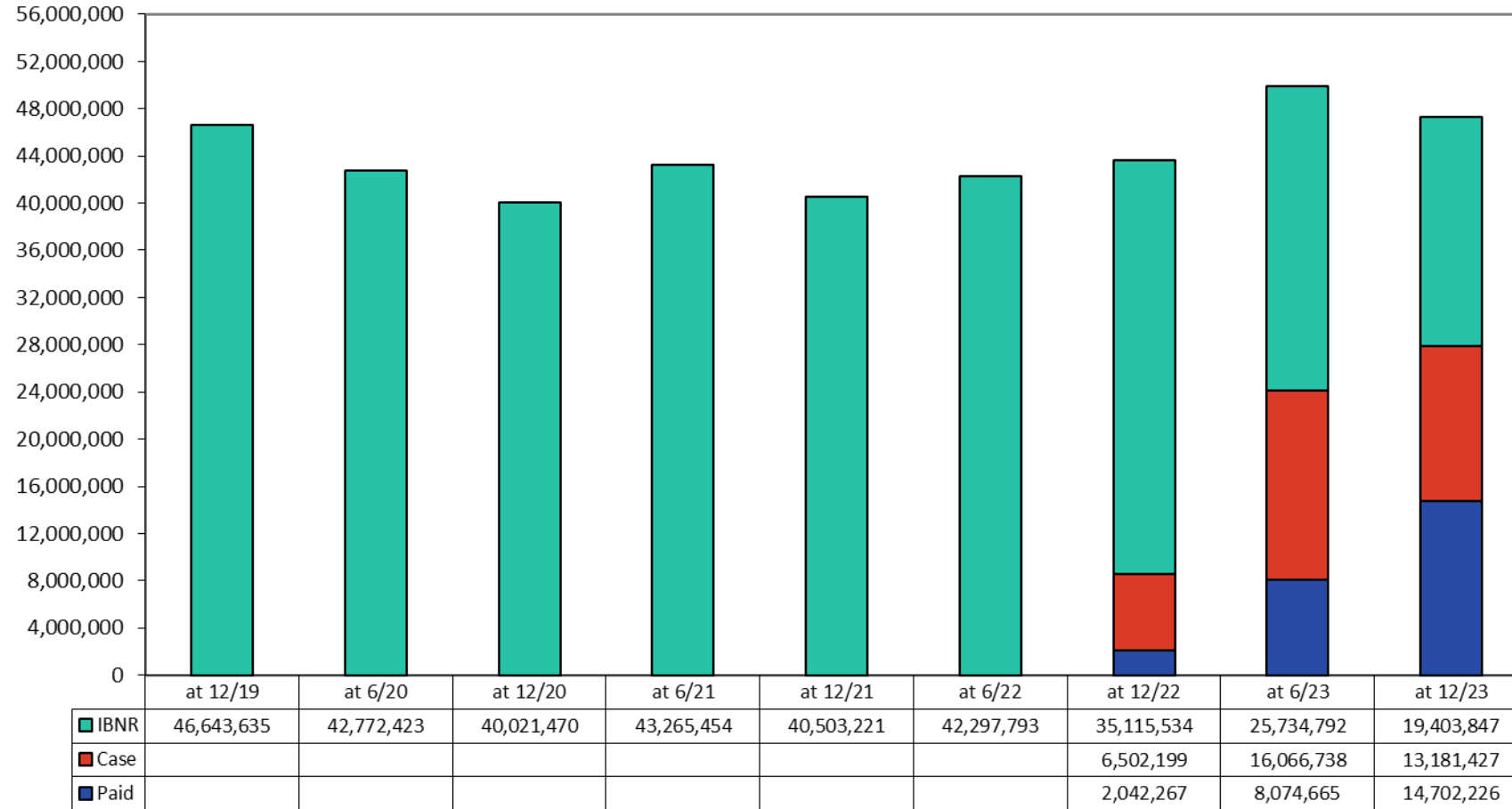
Ultimate Loss Trends – 2021-2022

New Mexico Public Schools Insurance Authority - Components of Ultimate Losses
2021-22 Policy Period



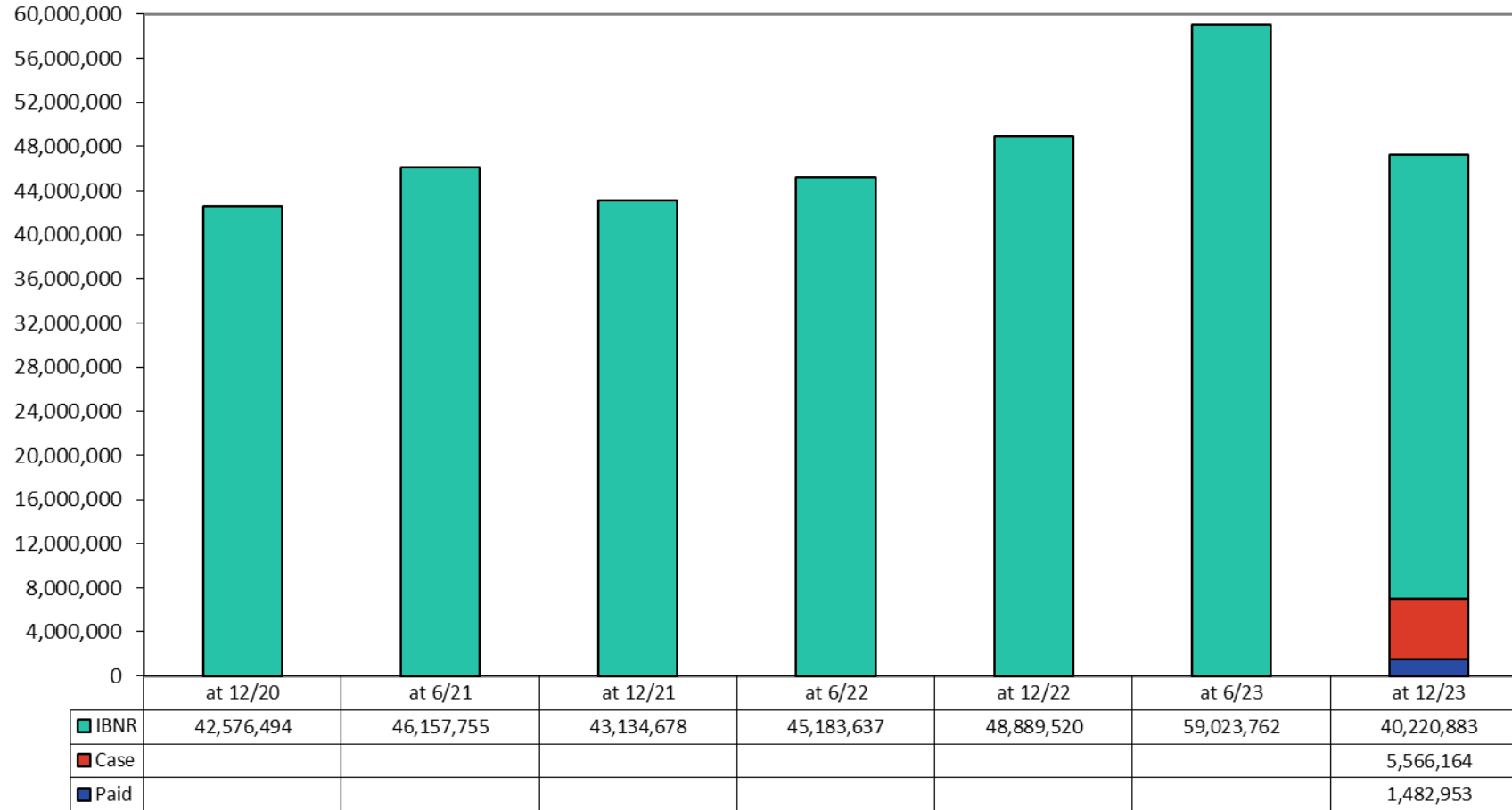
Ultimate Loss Trends – 2022-2023

New Mexico Public Schools Insurance Authority - Components of Ultimate Losses
2022-23 Policy Period



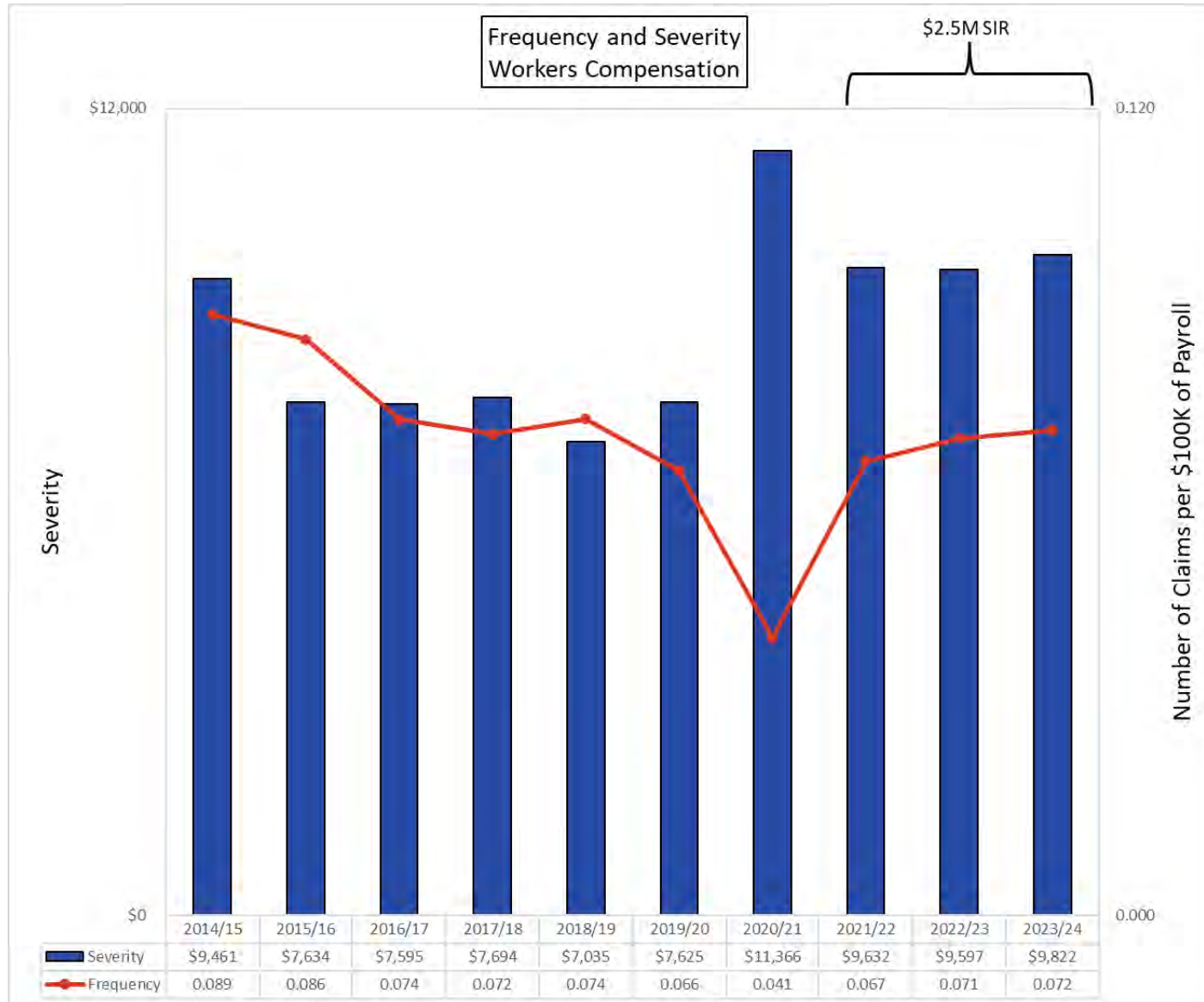
Ultimate Loss Trends – 2023-2024

New Mexico Public Schools Insurance Authority - Components of Ultimate Losses
2023-24 Policy Period



Evaluation Date

Frequency & Severity Trends – Workers Compensation



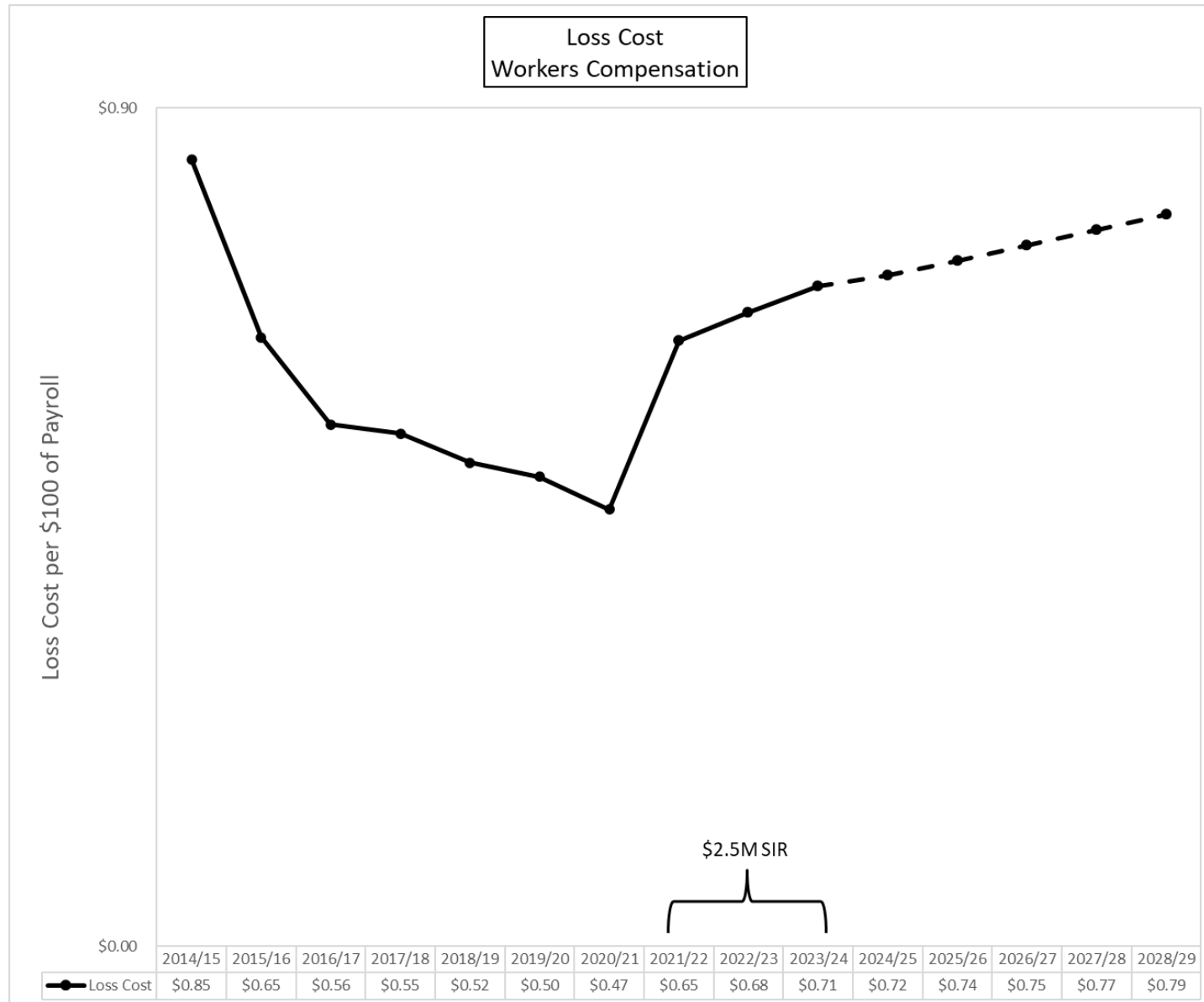
- NMPSIA loss cost trend:

- 8-year: +4.0%
- 5-year: +11.1%

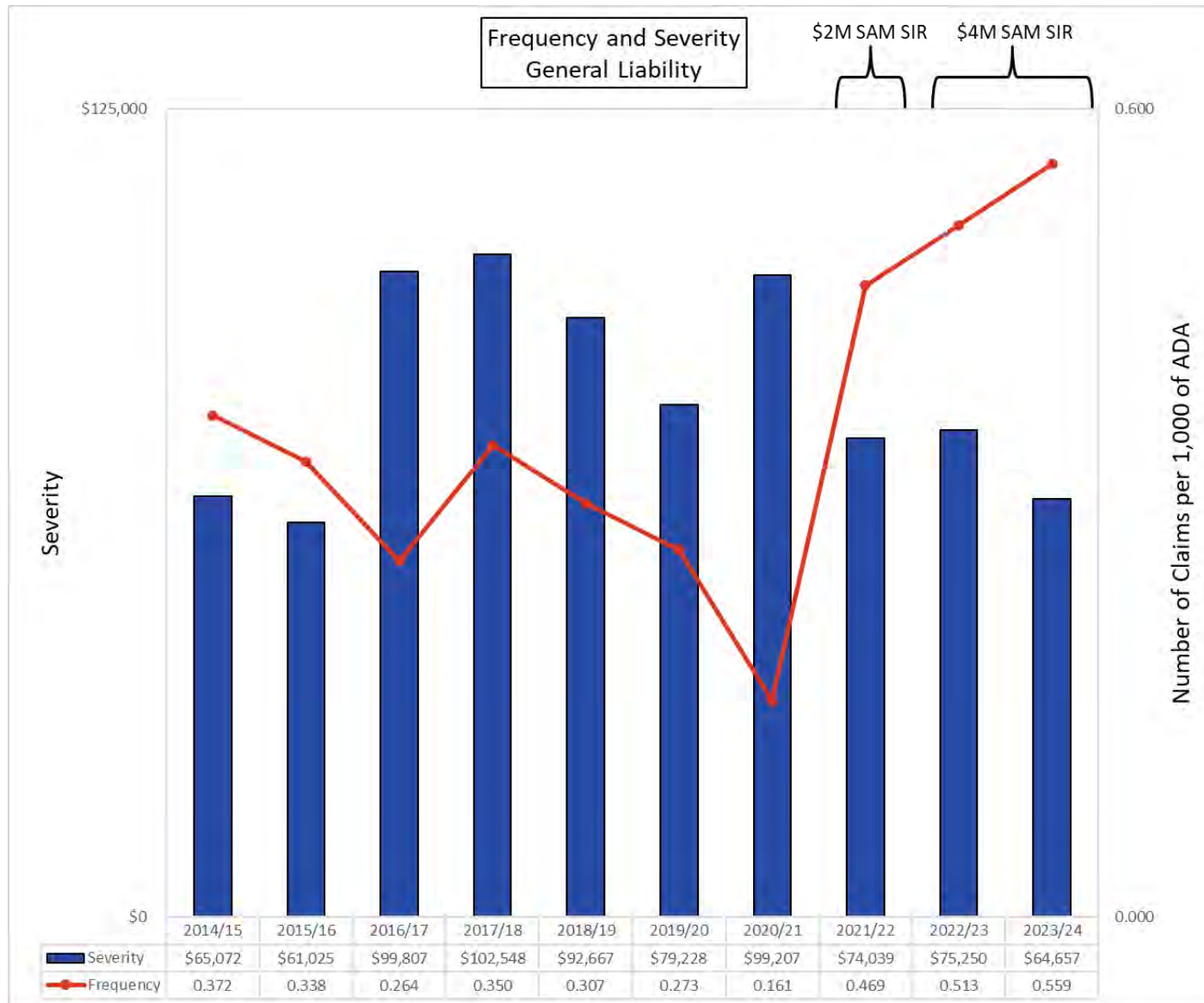
- NCCI New Mexico loss cost trend:

- 8-year -4.5%
- 5-year -2.3%

Loss Cost Trends – Workers Compensation

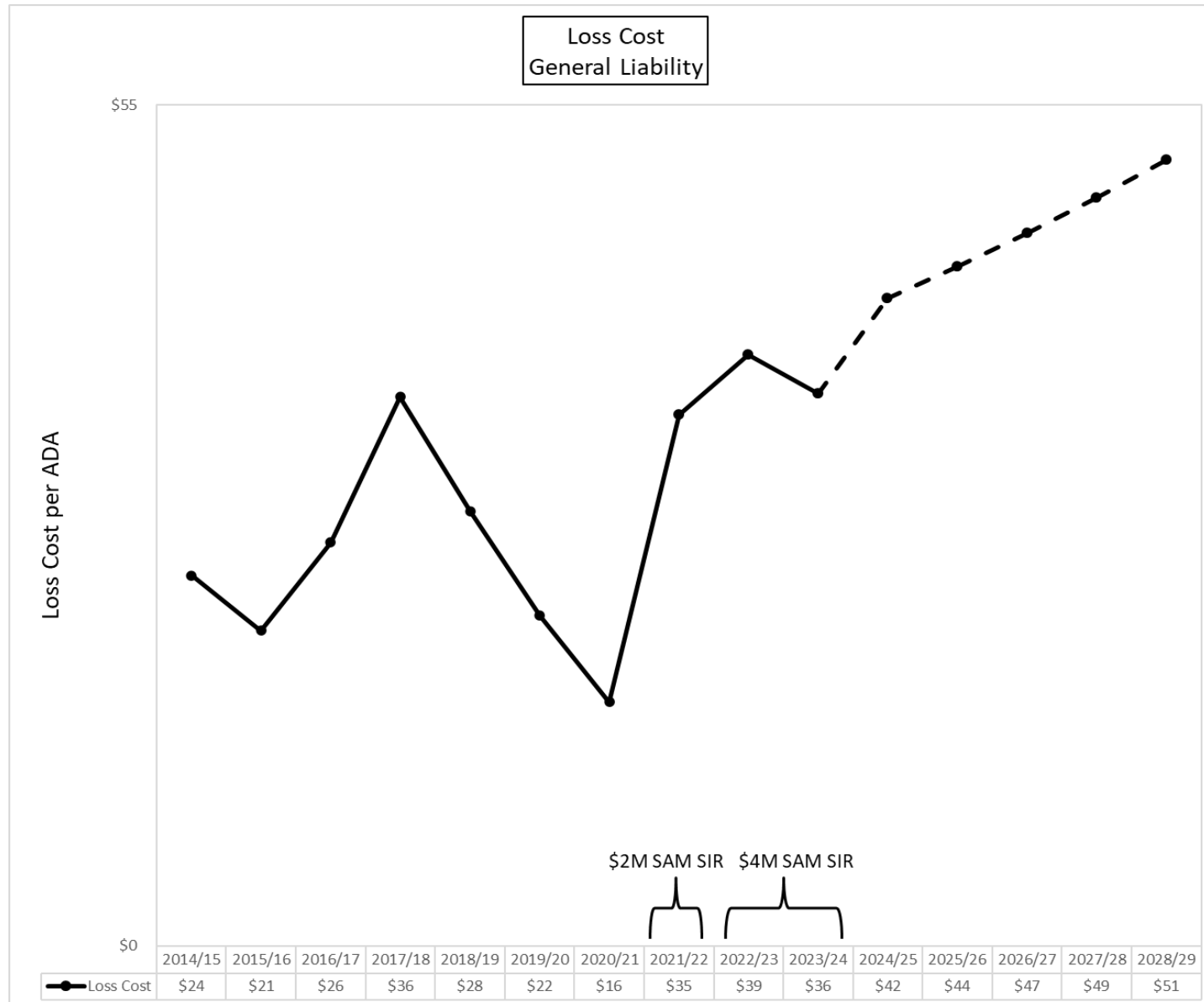


Frequency & Severity Trends – General Liability

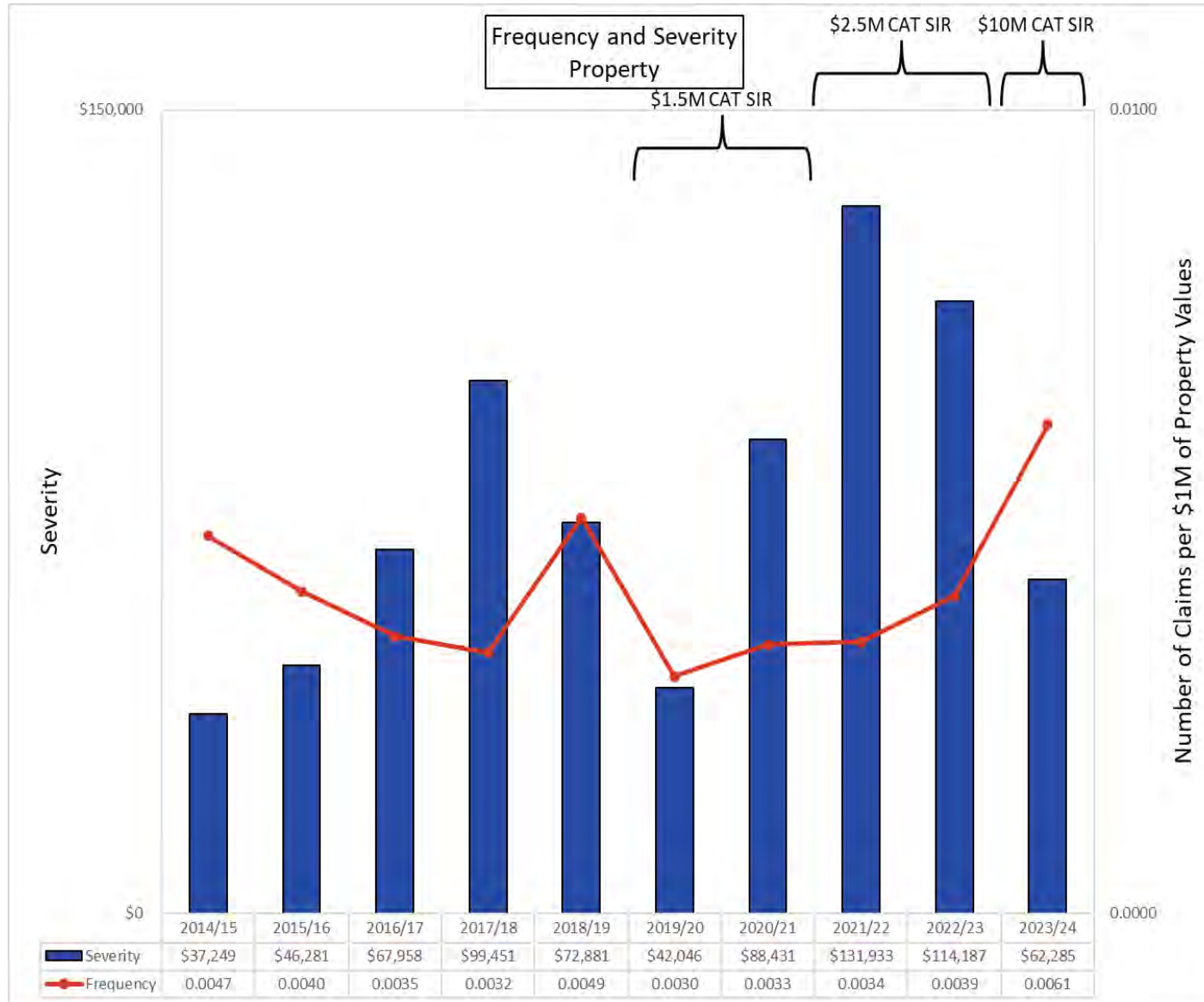


- NMPSIA loss cost trend:
 - 8-year: +3.5%
 - 5-year: +21.1%

Loss Cost Trends – General Liability



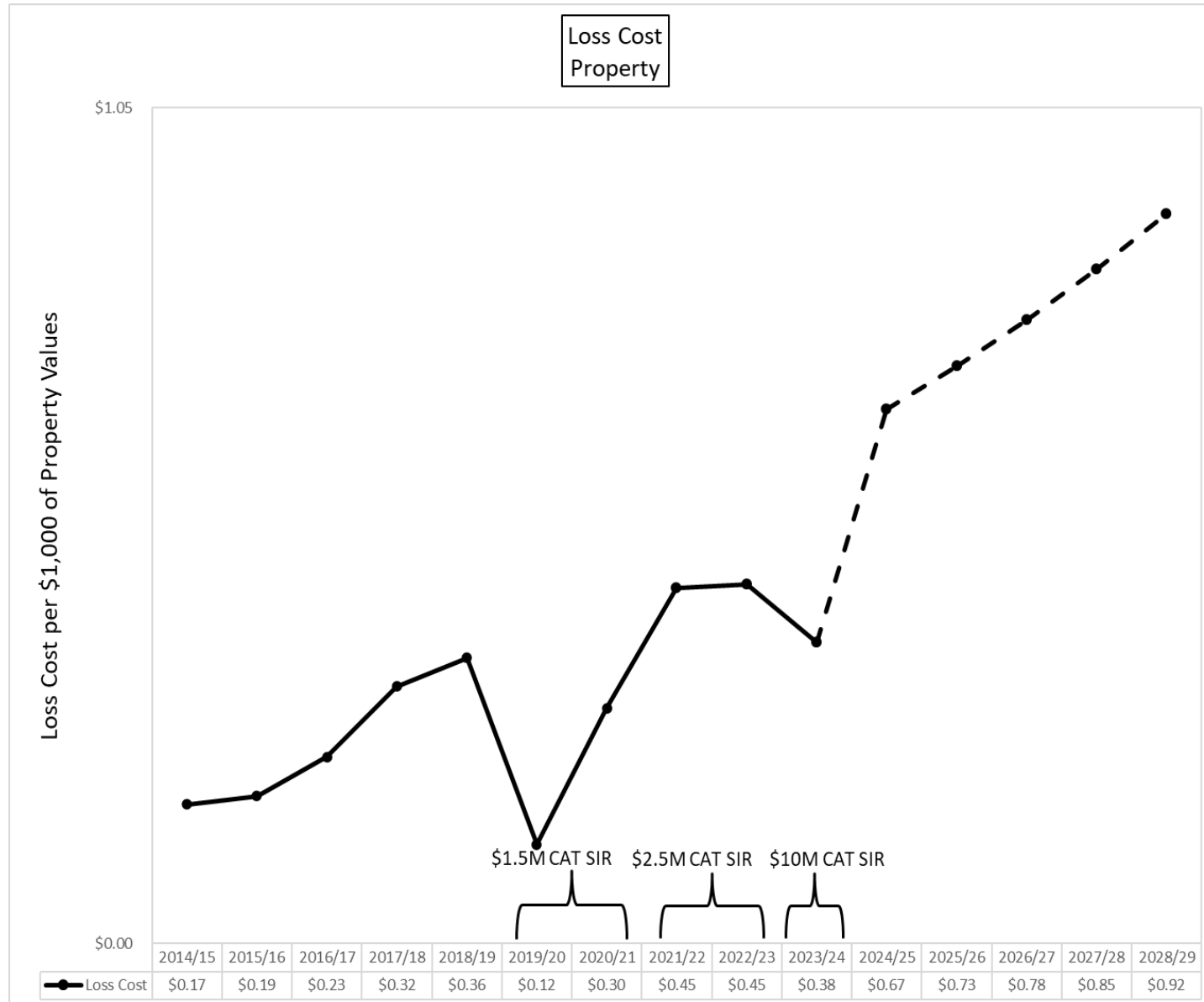
Frequency & Severity Trends – Property



- NMPSIA loss cost trend:

- 8-year: +8.1%
- 5-year: +30.4%

Loss Cost Trends – Property



Summary of Results – Nominal Loss Reserves

Loss and LAE Reserve Estimates - Nominal Value (Undiscounted) as of 12/31/2023				
		Property & Liability	Workers Compensation	Total
Claim Reserves		\$31,120,666	\$13,977,321	\$45,097,988
IBNR Reserves	Low	38,552,061	16,729,012	55,281,073
	Central	41,623,625	19,131,512	60,755,137
	High	44,695,190	21,534,012	66,229,202
Total Reserves	Low	69,672,727	30,706,333	100,379,060
	Central	72,744,292	33,108,833	105,853,125
	High	75,815,856	35,511,333	111,327,189

Summary of Results – Discounted Loss Reserves

Loss and LAE Reserve Estimates - Present Value (Discounted) as of 12/31/2023				
		Property & Liability	Workers Compensation	Total
Claim Reserves		\$30,131,799	\$12,675,649	\$42,807,448
IBNR Reserves	Low	37,007,643	15,230,528	52,238,170
	Central	39,959,517	17,399,842	57,359,359
	High	42,911,391	19,569,157	62,480,547
Total Reserves	Low	67,139,442	27,906,176	95,045,618
	Central	70,091,316	30,075,491	100,166,806
	High	73,043,190	32,244,805	105,287,995

Summary of Results – Nominal Prospective Funding

Funding Estimate - Nominal Value (Undiscounted) as of 12/31/2023			
Policy Period	Property & Liability	Workers Compensation	Total
2024-2025	\$45,466,763	\$15,496,162	\$60,962,925
2025-2026	50,387,894	16,309,868	66,697,762
2026-2027	55,934,937	17,166,868	73,101,805
2027-2028	62,193,385	18,069,503	80,262,887
2028-2029	69,260,828	19,020,246	88,281,073

Summary of Results – Discounted Prospective Funding

Funding Estimate - Present Value (Discounted) as of 12/31/2023			
Policy Period	Property & Liability	Workers Compensation	Total
2024-2025	\$43,000,900	\$14,345,760	\$57,346,659
2025-2026	47,691,388	15,099,058	62,790,446
2026-2027	52,980,951	15,892,436	68,873,387
2027-2028	58,951,600	16,728,061	75,679,661
2028-2029	65,696,973	17,608,223	83,305,196

Thank You for Your Attention

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FY25 Risk Premium Rate Setting

Methodology

- Expenses for Fiscal Year 2025 through 2029 are projected over the next five years.
 - Contractual Services
 - Projected contract costs are based on actuals or an average percentage increase by contract
 - Average projected increase of 3.51%
 - Excess Insurance
 - Costs are projected to increase by an average of 5.54% every year for FY25 – FY29
 - Claims
 - Claims costs are derived from the Pinnacle Loss Reserve and Funding Analysis as of 12/31/2023
 - Property and Liability average projected increase of 11.18%
 - Workers' Compensation average projected increase of 5.26%
 - Transfer to Program Support
 - Transfer to Program Support is derived from the FY25 Appropriation with a 5.28% increase for FY25 – FY29
 - Projected Excess Recoveries
 - FY25 \$5,000,000 FY26 \$5,000,000 FY27 \$18,398,708 FY28 \$2,500,000 FY29 \$2,500,000
 - Projected Excess Fund Balance over \$5 million is used to offset expenditures

FY25 Projection Details

■ FY25 Increases

- Contractual Services increased by .27%
- Excess Insurance increased by 7.70%
 - Property 7.70%
 - Crime 11.0%
 - Liability 6.74%
 - Equipment Breakdown 11.0%
 - Workers Compensation 11.0%
- Claims increased by 2.15%
 - Property & Liability decreased by .92%
 - Worker's Compensation increased by 12.60%
- Transfers to Program Support increased by 6.38%
- Excess Recoveries are projected at \$5,000,000

NMPSIA Risk Premium Income Primary Scenarios \$5 Million Fund Balance

		Scenario A	Scenario B	Scenario C	Scenario D	Scenario E	Scenario F	Scenario G	Scenario H
		Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year
Rate Action									
Effective	FY25 7/1/2024	53.85%	9.00%	25.00%	25.00%	30.00%	31.86%	31.86%	31.86%
Effective	FY26 7/1/2025	-5.60%	9.00%	20.00%	25.00%	15.00%	11.00%	10.13%	9.08%
Effective	FY27 7/1/2026	-2.32%	9.00%	6.94%	4.20%	6.66%	7.90%	9.13%	9.08%
Effective	FY28 7/1/2027	18.85%	9.00%	6.94%	4.20%	6.66%	7.90%	8.12%	9.08%
Effective	FY29 7/1/2028	7.27%	106.80%	6.94%	4.20%	6.66%	7.90%	7.12%	9.08%
Premium Income									
Effective	FY25 7/1/2024	\$ 154,247,811	\$ 109,281,842	\$ 125,323,214	\$ 125,323,214	\$ 130,336,142	\$ 132,200,952	\$ 132,200,952	\$ 132,200,952
Effective	FY26 7/1/2025	\$ 145,609,934	\$ 119,117,208	\$ 150,387,857	\$ 156,654,017	\$ 149,886,564	\$ 146,743,056	\$ 145,592,908	\$ 144,204,798
Effective	FY27 7/1/2026	\$ 142,231,784	\$ 129,837,757	\$ 160,824,774	\$ 163,233,486	\$ 159,869,009	\$ 158,335,758	\$ 158,885,541	\$ 157,298,594
Effective	FY28 7/1/2027	\$ 169,042,475	\$ 141,523,155	\$ 171,986,013	\$ 170,089,292	\$ 170,516,285	\$ 170,844,283	\$ 171,787,047	\$ 171,581,306
Effective	FY29 7/1/2028	\$ 181,331,863	\$ 292,669,885	\$ 183,921,842	\$ 177,233,043	\$ 181,872,669	\$ 184,340,981	\$ 184,018,284	\$ 187,160,889
Fund Balance (Projected)	June 30, 2024	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)
FY 2025 Operating Income		18,017,633	(26,948,336)	(10,906,964)	(10,906,964)	(5,894,036)	(4,029,226)	(4,029,226)	(4,029,226)
Fund Balance	June 30, 2025	5,000,231	(39,965,738)	(23,924,366)	(23,924,366)	(18,911,438)	(17,046,628)	(17,046,628)	(17,046,628)
FY 2026 Operating Income		15,088	(26,477,638)	4,793,011	11,059,171	4,291,718	1,148,210	(1,938)	(1,390,048)
Fund Balance	June 30, 2026	5,015,320	(66,443,375)	(19,131,356)	(12,865,195)	(14,619,720)	(15,898,418)	(17,048,566)	(18,436,676)
FY 2027 Operating Income		99,693	(12,294,334)	18,692,683	21,101,395	17,736,918	16,203,667	16,753,450	15,166,503
Fund Balance	June 30, 2027	5,115,012	(78,737,709)	(438,673)	8,236,200	3,117,198	305,249	(295,117)	(3,270,173)
FY 2028 Operating Income		(100,904)	(27,620,224)	2,842,634	945,913	1,372,906	1,700,904	2,643,668	2,437,927
Fund Balance	June 30, 2028	5,014,108	(106,357,933)	2,403,961	9,182,113	4,490,103	2,006,153	2,348,551	(832,246)
FY 2029 Operating Income		221	111,338,243	2,590,200	(4,098,599)	541,027	3,009,339	2,686,642	5,829,247
Fund Balance	June 30, 2029	5,014,329	4,980,309	4,994,161	5,083,514	5,031,131	5,015,492	5,035,193	4,997,001

*NMPSIA reported a 31.86% increase to the legislature for FY25.

**All scenarios result in a \$5 million fund balance at the end of FY29.

Scenario A: Projects the rate at a percentage constant to maintain a \$5 million fund balance at the end of every fiscal year.

Scenario B: FY24 adopted scenario. Projects a 9% increase for FY25 through FY28. FY29 represents an increase to get to a \$5 million fund balance.

Scenario C: Projects an increase of 25% for FY25, 20% for FY26, and an average of 6.94% for FY27 - FY29.

Scenario D: Projects an increase of 25% for FY25 and FY26 and an average of 4.2% for FY27 - FY29.

Scenario E: Projects an increase of 30% for FY25, 15% for FY26, and an average of 6.66% for FY27 - FY29.

Scenario F: Projects an increase of 31.86% for FY25, 11% for FY26, and an average of 7.9% for FY27 - FY29.

Scenario G: Projects an increase of 31.86% for FY25, 10.13% for FY26, 9.13% for FY27, 8.12% for FY28, and 7.12% for FY29.

Scenario H: Projects an increase of 31.86% for FY25 and an average of 9.08% for FY26 - FY29.

NMPSIA Risk Premium Income Alternate Scenarios \$5 Million Fund Balance

		Scenario I	Scenario J	Scenario K	Scenario L	Scenario M	Scenario N	Scenario O	Scenario P
		Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year
Rate Action									
Effective	FY25 7/1/2024	39.47%	24.30%	20.00%	18.00%	19.00%	19.00%	15.68%	9.00%
Effective	FY26 7/1/2025	6.70%	11.00%	20.00%	18.00%	16.50%	14.25%	15.68%	35.00%
Effective	FY27 7/1/2026	-2.32%	12.00%	10.22%	18.00%	14.50%	14.24%	15.68%	13.41%
Effective	FY28 7/1/2027	18.53%	13.00%	10.22%	7.96%	12.50%	14.24%	15.68%	6.56%
Effective	FY29 7/1/2028	7.06%	14.00%	10.22%	7.96%	9.50%	14.24%	15.68%	6.56%
Premium Income									
Effective	FY25 7/1/2024	\$ 139,830,629	\$ 124,621,404	\$ 120,310,285	\$ 118,305,114	\$ 119,307,699	\$ 119,307,699	\$ 115,979,115	\$ 109,281,842
Effective	FY26 7/1/2025	\$ 149,199,281	\$ 138,329,758	\$ 144,372,342	\$ 139,600,034	\$ 138,993,470	\$ 136,309,047	\$ 134,164,640	\$ 147,530,487
Effective	FY27 7/1/2026	\$ 145,737,858	\$ 154,929,329	\$ 159,127,196	\$ 164,728,040	\$ 159,147,523	\$ 155,719,455	\$ 155,201,656	\$ 167,314,326
Effective	FY28 7/1/2027	\$ 172,743,083	\$ 175,070,142	\$ 175,389,995	\$ 177,840,392	\$ 179,040,963	\$ 177,893,905	\$ 179,537,275	\$ 178,290,145
Effective	FY29 7/1/2028	\$ 184,938,744	\$ 199,579,962	\$ 193,314,852	\$ 191,996,488	\$ 196,049,855	\$ 203,225,997	\$ 207,688,720	\$ 189,985,979
Fund Balance (Projected)	June 30, 2024	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)
FY 2025 Operating Income		3,600,451	(11,608,774)	(15,919,893)	(17,925,064)	(16,922,479)	(16,922,479)	(20,251,063)	(26,948,336)
Fund Balance	June 30, 2025	(9,416,951)	(24,626,176)	(28,937,295)	(30,942,466)	(29,939,881)	(29,939,881)	(33,268,465)	(39,965,738)
FY 2026 Operating Income		3,604,435	(7,265,088)	(1,222,504)	(5,994,812)	(6,601,376)	(9,285,799)	(11,430,206)	1,935,641
Fund Balance	June 30, 2026	(5,812,516)	(31,891,264)	(30,159,799)	(36,937,278)	(36,541,257)	(39,225,680)	(44,698,671)	(38,030,096)
FY 2027 Operating Income		3,605,767	12,797,238	16,995,105	22,595,949	17,015,432	13,587,364	13,069,565	25,182,235
Fund Balance	June 30, 2027	(2,206,749)	(19,094,026)	(13,164,694)	(14,341,329)	(19,525,825)	(25,638,316)	(31,629,106)	(12,847,862)
FY 2028 Operating Income		3,599,704	5,926,763	6,246,616	8,697,013	9,897,584	8,750,526	10,393,896	9,146,766
Fund Balance	June 30, 2028	1,392,955	(13,167,263)	(6,918,078)	(5,644,315)	(9,628,240)	(16,887,790)	(21,235,210)	(3,701,095)
FY 2029 Operating Income		3,607,102	18,248,320	11,983,210	10,664,846	14,718,213	21,894,355	26,357,078	8,654,337
Fund Balance	June 30, 2029	5,000,057	5,081,057	5,065,133	5,020,531	5,089,973	5,006,566	5,121,868	4,953,241

*NMPSIA reported a 31.86% increase to the legislature for FY25.

**All scenarios result in a \$5 million fund balance at the end of FY29.

Scenario I: Projects an increase of 39.47% for FY25, a 6.70% increase for FY26, a 2.32% decrease for FY27, an 18.53% increase for FY28, and a 7.06% increase for FY29.

Scenario J: Projects an increase of 24.3% for FY25, 11% for FY26, 12% for FY27, 13% for FY28, and 14% for FY29.

Scenario K: Projects an increase of 20% for FY25 and FY26 and an average of 10.22% for FY27 - FY29.

Scenario L: Projects an increase of 18% for FY25 - FY27 and an average of 7.96% for FY28-FY29.

Scenario M: Projects an increase of 19% for FY25, 16.50% for FY26, 14.50% for FY27, 12.50% for FY28, and 9.50% for FY29.

Scenario N: Projects an increase of 19% for FY25, 14.25% for FY26, and an average of 14.24% for FY27-FY29.

Scenario O: Projects an average increase of 15.68% for FY25- FY29.

Scenario P: Projects an increase of 9% for FY25, 35% for FY26, 13.41% for FY27, and an average of 6.56% for FY28-FY29.

NMPSIA Risk Premium Income Primary Scenarios \$0 Fund Balance

Description		Scenario A	Scenario B	Scenario C	Scenario D	Scenario E	Scenario F	Scenario G	Scenario H
Rate Action		Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year
Effective	FY25 7/1/2024	48.87%	9.00%	25.00%	24.73%	30.00%	31.86%	31.86%	31.86%
Effective	FY26 7/1/2025	-2.45%	9.00%	20.00%	24.73%	14.40%	11.00%	10.27%	8.77%
Effective	FY27 7/1/2026	-2.38%	9.00%	6.44%	4.01%	6.50%	7.39%	7.50%	8.76%
Effective	FY28 7/1/2027	19.00%	9.00%	6.44%	4.00%	6.50%	7.39%	8.50%	8.76%
Effective	FY29 7/1/2028	7.21%	103.29%	6.44%	4.00%	6.50%	7.39%	7.50%	8.76%
Premium Income									
Effective	FY25 7/1/2024	\$ 149,254,935	\$ 109,281,842	\$ 125,323,214	\$ 125,052,516	\$ 130,336,142	\$ 132,200,952	\$ 132,200,952	\$ 132,200,952
Effective	FY26 7/1/2025	\$ 145,598,189	\$ 119,117,208	\$ 150,387,857	\$ 155,978,003	\$ 149,104,547	\$ 146,743,056	\$ 145,777,989	\$ 143,794,975
Effective	FY27 7/1/2026	\$ 142,132,952	\$ 129,837,757	\$ 160,072,834	\$ 162,232,721	\$ 158,796,342	\$ 157,587,368	\$ 156,711,339	\$ 156,391,415
Effective	FY28 7/1/2027	\$ 169,138,213	\$ 141,523,155	\$ 170,381,525	\$ 168,722,029	\$ 169,118,105	\$ 169,233,075	\$ 170,031,802	\$ 170,091,303
Effective	FY29 7/1/2028	\$ 181,333,078	\$ 287,702,422	\$ 181,354,095	\$ 175,470,911	\$ 180,110,781	\$ 181,739,399	\$ 182,784,188	\$ 184,991,301
Fund Balance (Projected)	June 30, 2024	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)
FY 2025 Operating Income		13,024,757	(26,948,336)	(10,906,964)	(11,177,662)	(5,894,036)	(4,029,226)	(4,029,226)	(4,029,226)
Fund Balance	June 30, 2025	7,355	(39,965,738)	(23,924,366)	(24,195,064)	(18,911,438)	(17,046,628)	(17,046,628)	(17,046,628)
FY 2026 Operating Income		3,343	(26,477,638)	4,793,011	10,383,157	3,509,701	1,148,210	183,143	(1,799,871)
Fund Balance	June 30, 2026	10,697	(66,443,375)	(19,131,356)	(13,811,908)	(15,401,737)	(15,898,418)	(16,863,485)	(18,846,499)
FY 2027 Operating Income		861	(12,294,334)	17,940,743	20,100,630	16,664,251	15,455,277	14,579,248	14,259,324
Fund Balance	June 30, 2027	11,558	(78,737,709)	(1,190,612)	6,288,722	1,262,514	(443,141)	(2,284,237)	(4,587,175)
FY 2028 Operating Income		(5,166)	(27,620,224)	1,238,146	(421,350)	(25,274)	89,696	888,423	947,924
Fund Balance	June 30, 2028	6,392	(106,357,933)	47,534	5,867,372	1,237,240	(353,445)	(1,395,814)	(3,639,251)
FY 2029 Operating Income		1,436	106,370,780	22,453	(5,860,731)	(1,220,861)	407,757	1,452,546	3,659,659
Fund Balance	June 30, 2029	7,828	12,847	69,987	6,641	16,379	54,312	56,732	20,408

*NMPSIA reported a 31.86% increase to the legislature for FY25.

**All scenarios result in a zero fund balance at the end of FY29.

Scenario A: Projects the rate at a percentage constant to maintain a \$0 fund balance at the end of every fiscal year.

Scenario B: FY24 adopted scenario. Projects a 9% increase for FY25 through FY28. FY29 represents an increase to get to a \$0 fund balance.

Scenario C: Projects an increase of 25% for FY25, 20% for FY26, and an average of 6.44% for FY27 - FY29.

Scenario D: Projects an increase of 24.73% for FY25 and FY26, 4.01% for FY27, and an average of 4% for FY28 - FY29.

Scenario E: Projects an increase of 30% for FY25, 14.4% for FY26, and an average of 6.50% for FY27 - FY29.

Scenario F: Projects an increase of 31.86% for FY25, 11% for FY26, and an average of 7.39% for FY27 - FY29.

Scenario G: Projects an increase of 31.86% for FY25, 10.27% for FY26, 7.5% for FY27, 8.50% for FY28, and 7.50% for FY29.

Scenario H: Projects an increase of 31.86% for FY25, 8.77% for FY26, and an average of 8.76% for FY27 - FY29.

NMPSIA Risk Premium Income Alternate Scenarios \$0 Fund Balance

Description		Scenario I	Scenario J	Scenario K	Scenario L	Scenario M	Scenario N	Scenario O	Scenario P
Rate Action		Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year	Rolling 5-year
Effective	FY25 7/1/2024	39.47%	23.51%	19.75%	17.75%	18.24%	18.83%	15.46%	9.00%
Effective	FY26 7/1/2025	6.70%	11.00%	19.75%	17.75%	16.50%	14.00%	15.45%	34.00%
Effective	FY27 7/1/2026	-2.32%	12.00%	10.02%	17.75%	14.50%	14.00%	15.45%	13.42%
Effective	FY28 7/1/2027	17.58%	13.00%	10.02%	7.81%	12.50%	14.00%	15.45%	6.57%
Effective	FY29 7/1/2028	5.82%	14.00%	10.02%	7.81%	9.50%	14.00%	15.45%	6.58%
Premium Income									
Effective	FY25 7/1/2024	\$ 139,830,629	\$ 123,829,361	\$ 120,059,639	\$ 118,054,467	\$ 118,545,734	\$ 119,137,260	\$ 115,758,546	\$ 109,281,842
Effective	FY26 7/1/2025	\$ 149,199,281	\$ 137,450,591	\$ 143,771,417	\$ 139,009,135	\$ 138,105,781	\$ 135,816,476	\$ 133,643,241	\$ 146,437,669
Effective	FY27 7/1/2026	\$ 145,737,858	\$ 153,944,662	\$ 158,177,313	\$ 163,683,257	\$ 158,131,119	\$ 154,830,783	\$ 154,291,122	\$ 166,089,604
Effective	FY28 7/1/2027	\$ 171,358,573	\$ 173,957,468	\$ 174,026,680	\$ 176,466,919	\$ 177,897,509	\$ 176,507,093	\$ 178,129,101	\$ 177,001,691
Effective	FY29 7/1/2028	\$ 181,331,642	\$ 198,311,513	\$ 191,464,154	\$ 190,248,986	\$ 194,797,772	\$ 201,218,086	\$ 205,650,047	\$ 188,648,402
Fund Balance (Projected)	June 30, 2024	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)	(13,017,402)
FY 2025 Operating Income		3,600,451	(12,400,817)	(16,170,539)	(18,175,711)	(17,684,444)	(17,092,918)	(20,471,632)	(26,948,336)
Fund Balance	June 30, 2025	(9,416,951)	(25,418,219)	(29,187,941)	(31,193,113)	(30,701,846)	(30,110,320)	(33,489,034)	(39,965,738)
FY 2026 Operating Income		3,604,435	(8,144,255)	(1,823,429)	(6,585,711)	(7,489,065)	(9,778,370)	(11,951,605)	842,823
Fund Balance	June 30, 2026	(5,812,516)	(33,562,474)	(31,011,370)	(37,778,823)	(38,190,911)	(39,888,690)	(45,440,638)	(39,122,915)
FY 2027 Operating Income		3,605,767	11,812,571	16,045,222	21,551,166	15,999,028	12,698,692	12,159,031	23,957,513
Fund Balance	June 30, 2027	(2,206,749)	(21,749,904)	(14,966,147)	(16,227,658)	(22,191,883)	(27,189,998)	(33,281,607)	(15,165,402)
FY 2028 Operating Income		2,215,194	4,814,089	4,883,301	7,323,540	8,754,130	7,363,714	8,985,722	7,858,312
Fund Balance	June 30, 2028	8,445	(16,935,815)	(10,082,846)	(8,904,117)	(13,437,754)	(19,826,284)	(24,295,886)	(7,307,090)
FY 2029 Operating Income		0	16,979,871	10,132,512	8,917,344	13,466,130	19,886,444	24,318,405	7,316,760
Fund Balance	June 30, 2029	8,445	44,056	49,666	13,226	28,376	60,159	22,519	9,670

*NMPSIA reported a 31.86% increase to the legislature for FY25.

**All scenarios result in a 0 fund balance at the end of FY29.

Scenario I: Projects an increase of 39.47% for FY25, a 6.70% increase for FY26, a 2.32% decrease for FY27, an 17.58% increase for FY28, and a 5.82% increase for FY29.

Scenario J: Projects an increase of 23.51% for FY25, 11% for FY26, 12% for FY27, 13% for FY28, and 14% for FY29.

Scenario K: Projects an increase of 19.75% for FY25 and FY26 and an average of 10.02% for FY27 - FY29.

Scenario L: Projects an increase of 17.75% for FY25 - FY27 and an average of 7.81% for FY28-FY29.

Scenario M: Projects an increase of 18.24% for FY25, 16.50% for FY26, 14.50% for FY27, 12.50% for FY28, and 9.50% for FY29.

Scenario N: Projects an increase of 18.83% for FY25 and an average of 14.00% for FY26-FY29

Scenario O: Projects an increase of 15.46% for FY25 and an average of 15.45% for FY26- FY29.

Scenario P: Projects an increase of 9% for FY25, 34% for FY26, 13.42% for FY27, 6.57% for FY28, and 6.58% for FY29.

NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY

GENERAL AND AUTOMOBILE LIABILITY

MEMORANDUM OF COVERAGE – MOCL027

July 1, 2024 to July 1, 2025

ISSUED BY: New Mexico Public Schools Insurance Authority
410 Old Taos Highway
Santa Fe, New Mexico 87501

DECLARATION:

Pursuant to NMSA 1978, §22-29-1 TO 22-29-11 and New Mexico Administrative Code, Title 6, Chapter 50, Parts 1 through 18, this Memorandum of Coverage (“Memorandum”) is issued by the New Mexico Public Schools Insurance Authority (“Authority”) to its public school districts, other educational entities and charter schools (“Members”) from which the Authority has timely received the applicable premium for its risk-related coverages as listed in Schedule A attached hereto.

Term of Memorandum of Coverage:

This Memorandum of Coverage is effective from **July 1, 2024 at 12:01 A.M. to July 1, 2025 at 12:01 A.M.** Mountain Standard Time.

Territory:

Coverage under this Memorandum applies worldwide, but coverage does not extend to claims brought in courts outside Puerto Rico, the United States of America, its territories, possessions and Canada.

New Mexico Public Schools Insurance Authority

By: _____
Board of Directors, President *Date*

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SECTION I – COVERAGES

Within the Limit of Liability defined in Section V:

“We” will pay “ **Ultimate Net Loss**” on “Your” behalf:

- A. imposed by the Tort Claims Act, [NMSA 1978 §41-4-1 through 41-4-30].
- B. arising under and subject to the substantive law of any jurisdiction other than New Mexico, including other states, territories and possessions and the United States of America, and is not limited as provided in the Tort Claims Act [NMSA 1978 §41-4-1 through 41-4-30].
- C. imposed by the Whistle Blower Protection Act [NMSA 1978 §10-16C-1 through 10-16C-6] subject to limits of liability for “**Back Pay**”, “**Front Pay**”, and multipliers
- D. loss of “**Back Pay**”, subject to a deductible as set forth in Section VI-Liability Deductible Schedule and also subject to limits of liability as set forth below in Section V Limit of Liability.
- E. loss of “**Front Pay**”, subject to a deductible as set forth in Section VI-Liability Deductible Schedule and also subject to limits of liability as set forth below in Section V Limit of Liability.
- F. for “**Personal Injury**” or “**Bodily Injury**” or “**Property Damage**” caused by an “**Occurrence**” and resulting from the ownership, maintenance or use of any “**Automobile**” which “You” own or hired or borrowed or used. While any “**Automobile**” is away from the state where it is licensed, “We” will provide the Limits of Liability stated herein applicable to Coverage B or the minimum amounts and types of other coverages as required of out-of-state vehicles by the jurisdiction where any “Automobile” is being used, whichever is greater.
- G. of others for “**Personal Injury**” or “**Bodily Injury**” or “**Property Damage.**”
- H. as a result of a “**Wrongful Act.**”

- I. of others assumed or retained, but only under an **“Insured Contract.”**
- J. of an **“Additional Insured”**, but only under an **“Insured Contract.”**
- K. any award for punitive or exemplary damages awarded against **“You”** under the substantive law of a jurisdiction other than New Mexico including but not limited to other states, territories and possessions and the U.S.A., if **“You”** were acting within the scope of your duty.
- L. any award for interest on judgments against **“You”**
- M. any award for any violation of any rights, privileges or immunities secured by the constitution and laws of the United States or the constitution and laws of New Mexico when alleged to have been committed by **“You”** while acting within the scope of **“Your”** duties.
- N. arising under the New Mexico Inspection of Public Records Act [NMSA 1978 §14-2-1 through 14-2-12].
- O. arising under the New Mexico Fraud Against Taxpayers Act [NMSA 1978 §§ 44-9-1 through 44-4-19 and arising under the Federal False Claims Act [31 U.S.C. § 3729].
- P. subject to all other policy limitations and exclusions, any coverage for claims arising from or having any connection to Covid 19, including injury or death as a consequence of Covid 19, will be limited to suits brought under the New Mexico Tort Claims Act and subject to limits provided in Section 41-4-19 therein or as amended.
- Q. arising out of the New Mexico Civil Rights Act [Chapter 119, Section 1 to 14, Law 2021.] effective July 1, 2021

as a result of any one **“Occurrence”** for **“Personal Injury”** or **“Property Damage”** or **“Bodily Injury”** or **“Wrongful Act”** during the term of this Memorandum of Coverage subject to the Limits of Liability in this MOC.

“We” are under no obligation to “You” unless “You” have paid the applicable premium when due. Sections VI and VII describe stand-alone coverages and nothing in Sections I through V of this Memorandum of Coverage (except for the definitions of “You,” “Your,” “We” or “Us” in Section III) shall affect the intent or interpretation of these stand-alone coverages.

SECTION II – EXCLUSIONS

“We” shall not be required to perform any of the obligations specified in any of the sections of this Memorandum as respects the exclusions. The coverage does not apply:

1. To any claim, or suit seeking relief or redress in any forum other than for monetary damages, or for any costs, fees, or expenses which “You” shall be obligated to pay as a result of any adverse judgment for restitution, injunction, an accounting, or declaratory relief. However, “We” will defend “You” for claims or suits in which a covered claim for monetary “Damages” is present as long as the covered claim for “Damages” remains.
2. To any obligation for which “You” may be held liable under any workers’ compensation, disability benefits, unemployment compensation or any similar law, plan or agreement.
3. To “**Bodily Injury,**” or “**Personal Injury**”, sickness, disease or resulting death of “You” or “Your” employee arising out of or related to the course of employment by “You” or “Your” “**Employee,**” or to the spouse, child, parent, brother or sister of “You” or “Your” “**Employee**” as a consequence thereof or to any obligation to share or contribute to “**Damages**” with (or to repay) someone else because of such “**Bodily Injury**”, sickness, disease or resulting death; except liability assumed by “You” under an “**Insured Contract.**”
4. To “**Property Damage**” to (1) property owned by “You” or in the “Your” care, custody, or control; and (2) property rented to or leased to “You” where “You” have assumed liability under an “**Insured Contract**” for damage to or destruction of such property.
5. To loss or damage or any liability arising out of or in connection with the principles of eminent domain, condemnation or inverse condemnation, by whatever name called, regardless of whether such claims are made directly against “You” or by virtue of any contract entered into by or on “Your” behalf.

6. With respect to **“Pollutants”** (including hazardous properties of nuclear material), to any loss, cost, or expense arising out of any:
 - A. request, demand or order that **“You”** test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of **“Pollutants”**; or
 - B. claim, suit or proceeding arising out of any governmental or quasi-governmental direction or request that **“You”** test for, monitor, clean up, remove, contain, treat, detoxify, neutralize, or in any way respond to, or assess the effects of **“Pollutants”**; or
 - C. monitoring, clean up, removal, containment, treatment, detoxification, neutralization or any other response to or assessment of the effects of **“Pollutants”** which **“You”** do voluntarily.

7. With respect to Asbestos:

The coverage afforded by the Memorandum does not apply to any cost, fine or penalty related to asbestos or for any expense or claim or suit seeking removal, replacement or cleanup of asbestos or asbestos related products including any of the above that **“You”** do voluntarily.

8. To any refund of taxes, fees or assessments or failure to collect and/or assess taxes, fees or assessments.

21. To any liability **“You”** incur arising, in whole or in part, out of **“Your”** obtaining remuneration or financial gain to which **“You”** are not legally entitled.

21. To any claim arising from **“Your”** activities performed for or on behalf of another private or public employer.

11. To any liability for failure to procure or maintain adequate types or amounts of insurance or bonds.
12. To all administrative costs **“You”** incur in hiring, firing, directing the work or dismissing any **“Employee”** including any claim arising out of the procedures set forth in NMSA 1978, §§22-10-1 through 27 [the School Personnel Act] or other comparable statute, rule or regulation. However,

this exclusion does not apply to “**Our**” obligation to defend, adjust, settle and pay any lawsuit claims or judgments for damages for “**Wrongful Act**” or “**Personal Injury**” or “**Property Damage**.”

13. As respects “**Uninsured, Underinsured, or Unknown Motor Vehicle**” coverage:
 - A. To any person who does not qualify as an insured under this memorandum while occupying or struck by any “**Motor Vehicle**.”
 - B. To “**You**” in settling a “**Bodily Injury**” claim without “**Our**” consent.;
 - C. To any person who pays a charge or fee to occupy a covered “**Motor Vehicle**,” when such vehicle is being used for a purpose which is not a function of the school district, other educational entity or charter school;
 - D. To any person’s use of a “**Motor Vehicle**” without having reasonable belief that the person is entitled to do so; and
 - E. To any of “**Your**” “**Employees**,” “**Your**” school bus “**Contractors**” or employees of “**Your**” school bus “**Contractors**” injured in the course of employment who are eligible for workers’ compensation benefits as a result of the injury. If “**You**” and “**Your**” school bus “**Contractor**” have not bargained for or paid separate full “**Uninsured, Underinsured Motorist, or Unknown Motor Vehicle**” premium for each vehicle under this Memorandum of Coverage.
 - F. Anti-Stacking. This Memorandum of Coverage does not include coverage for Stacking or “**Uninsured, Underinsured Motorist, or Unknown Motor Vehicle**” claims.
14. To automobile liability coverage or “**Uninsured, Underinsured or Unknown Motor Vehicle**” coverage of bus “**Contractor’s**” owned and operated buses when such buses are not operated for “**Your**” benefit.
15. To loss or damage or any liability arising out of or in connection with an Individuals with Disabilities Education Act, 20 USC Chapter 33 and §504 of the Rehabilitation Act of 1973 (IDEA) claim or any action in Federal District Court subsequent to an IDEA proceeding covered under Section VII of this MOC unless you have properly and timely appealed any adverse administrative decision.
16. To any counterclaim or third party claim in any lawsuit initiated by “**You**,” whether arising out of the facts in the lawsuit initiated by “**You**” or facts stated in the counterclaim or third party claim.

17. To loss or damage or any liability for which **“You”** are obligated to pay damages by reason of **“Your”** assumption of liability in a contract or agreement. This exclusion does not apply to an **“Insured Contract,”** during the term of the **“Insured Contract”**.
18. To any claim, other than an automobile liability or automobile physical damage claim, against employees or contractors of contract bus operators.
19. To any cyber-attacks including breaches of protected information, vicarious liability for data entrusted to a third-party vendor, unencrypted data, bodily or property damages arising out of loss of, loss of use of, damage to, corruption of, inability to access, or inability to manipulate electronic data. Furthermore, loss of, damage to, or loss of use of **“Your”** property, bodily injury, personal injury or property damage, and any loss or claim directly or indirectly caused by or arising out of:
 - (1) Loss, theft, loss of use of, corruption, or inability to access or manipulate tangible or intangible electronic data or paper data, whether owned by **“You”** or others and including but not limited to any handheld or portable device with user-generated content;
 - (2) Loss, theft, breach, publication, unauthorized access, disclosure or use, collection or disposal of any person’s or organization’s tangible or intangible electronic data or paper data including but not limited to private, confidential or personal identifying information, medical, financial, employment, health and educational information which triggers any local, state or federal privacy regulations, as well as patents, trade secrets, processing methods or customer lists;
 - (3) Any claim for return or reimbursement of any sums or monetary value of any electronic fund transfers or transactions which is lost or diminished during the transfer;
 - (4) Any threat or series of threats to commit an intentional act against a computer network or system for purposes of demanding money or other tangible or intangible value from **“You”**;
 - (5) Cyberterrorism or any intrusive or disruptive activities against any computer system or network, or the explicit threat to use such activities with the intention to cause harm, by any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s), committed for political,

religious or ideological purposes including the intention to influence any government and/or to put the public in fear for such purposes.

In no event will this agreement cover any breach notification, credit, identity and health monitoring and restoration costs; public relations costs, compliance audits, data requests, legal fees, and any local, state, federal or industry or professional organization's investigation, enforcement, remediation or monitoring costs and any fines, penalties, claims, proceedings or suits arising directly or indirectly from (1-5) above.

20. To any loss or damage caused directly or indirectly by a "certified act of terrorism". Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss. Act of Terrorism means any act that is certified by the Secretary of the Treasury, in consultation with the Secretary of Homeland Security, and the Attorney General of the United States.

21. If "You" are an "Employee", to any monetary damages, or to any costs, fees or expenses which "You" shall be obligated to pay, following final adjudication, as a result of an adverse judgement against "You" in a civil or criminal case arising from any criminal sexual offense prohibited by law involving an adult or child, regardless of a child's enrollment status

22. To any defense, loss or damage under the New Mexico Inspection of Public Records Act where "We" were not informed **in writing by the members Records Custodian** within 30 days of a denial for records or in the event "You" did not timely respond in writing to the request under the timeframes set forth in the New Mexico Inspection of Public Records Act.

SECTION III – DEFINITIONS

This Memorandum is subject to the following definitions:

1. **"Additional Insured"** means a party who is added as an insured when required by written contract under an **"Insured Contract"** for **"Bodily Injury"** or **"Personal Injury"** or **"Property Damage"** caused by (1) **"Your"** acts or omissions; or (2) the acts or omissions of those acting on **"Your"** behalf, however coverage granted or afforded to such an "Additional Insured" will not be broader than that which "You" are required by the written contract within the Limits of Liability in Section V;

2. **“Automobile,” “Vehicle” or “Motor Vehicle”** means any land vehicle, machine, forklifts, tractor, trailer or semi-trailer propelled or drawn by mechanical power for travel on or off public roads including any machinery or equipment permanently attached thereto.
3. **“Back Pay”** means the wages or salary and benefits that an employee would have been paid during the period between resignation from employment or termination from employment up to the time in which a claim has settled or is adjudicated.
4. **“Bodily Injury”** means any physical injury (or death) to any person, and any mental injury, emotional distress, shock, sickness, disease, disability, loss of service, "Sexual Molestation or Sexual Abuse" associated with or arising from that physical injury.
5. **“Claim”** means:
 - a. any written demand received by **“You”** alleging liability or responsibility on **“Your”** part for monetary damages or nonmonetary relief;
 - b. a lawsuit or other civil proceeding commenced by the service of a complaint or similar proceeding;
 - c. a criminal indictment commenced by the return of an indictment;
 - d. an arbitration proceeding in which **“Damages”** are claimed, and to which such proceeding the **“Member”** must submit, or does submit with **“Our”** prior written consent; or any other alternative dispute resolution proceeding in which **“Damages”** are claimed, and to which such proceeding **“You”** submit with **“Our”** consent.
 - e. A **“Claim”** does not include a circumstance that has been reported under a prior **“Memorandum of Coverage”**.
6. **“Contractor”** means a person or business entity which undertakes to do specific work for **“You”** using his own means and methods without submitting himself to **“Your”** control except as to the result of the work. **“Contractor”** does not include any persons who are on **“Your”** payroll subject to payroll withholding.
7. **“Crisis Event”** means an actual or threatened event or related series of events that has a harmful effect on a NMPSIA member’s staff, students, or reputation, including acts of an armed person or persons at a member’s location or during an activity organized by the member.
8. **“Crisis Management Services”** means the services of a team of qualified professionals providing public relations, media management, site security, and crisis counseling in response to a **Crisis Event**.
9. **“Damages”** means money **“You”** are legally obligated to pay as compensation for injury, death, pain and suffering, emotional distress,

medical expenses, loss of income, necessary care and loss of services resulting from **"Personal Injury," or "Bodily Injury" or "Wrongful Acts" or "Property Damage"**. **"Damages"** also means money **"You"** are legally obligated to pay as compensation for damage to property or loss of use of property other than property owned by **"You"**. Damages includes prejudgment interest, post judgment interest, punitive and exemplary damages, **Defense Costs**, and the cost of Crisis Management Services following a Crisis Event.

Regardless of the source of **"Your"** obligation, **"Damages"** shall not include the cost to **"You"** of providing educational and educationally related services, including but not limited to, clinical, diagnostic, or testing services or the cost to **"You"** of providing medical evaluations, independent educational services, education or special education services **"You"** are legally obligated to provide **"Your"** students, whether mainstream or special education.

10. **"Defense Costs"** means reasonable fees charged by a lawyer, or a lawyer's representative, **designated by us or by you with our prior written consent**, and all other reasonable fees, costs and expenses, **if authorized by "Us"**, attributable to the adjustment, settlement, investigation, defense, litigation or appeal of claims and suits covered by this Memorandum. Other salaries paid to **"Your"** employees, **"Your"** office expenses and expenses paid to **"Your"** service company for handling claims are specifically excluded.
11. **"Employee"** means any person who is on **"Your"** payroll subject to pay roll withholding **and whose conduct is within the course and scope of employment**. **"Employee"** includes the **"Employee's"** estate, heirs, personal representatives or executors.
12. **"Executive Director"** means the person appointed to be in charge of the staff of the Authority.
13. **"FATA Claim"** means any claim arising under the New Mexico Fraud Against Taxpayers Act [NMSA 1978 §§ 44-9-1 through 44-4-19] and/or arising under the Federal False Claims Act [31 U.S.C. § 3729].
14. **"Front Pay"** means future wages or salary and benefits equal to the estimated lost earnings that would have been paid had not the employee resigned or been terminated and the time when the employee can assume a new position, where such a claim has settled or is adjudicated.
15. **"Insured Contract"** means:

- A. a contract between “**You**” and the owner or landlord of real property for use within the scope of “**Your**” duties; or
 - B. a contract between “**You**” and a railroad operator concerning railroad tracks, spurs or sidetracks or pedestrian or vehicle crossing; or
 - C. a contract for rental or lease of a “**Motor Vehicle**”, equipment, aircraft or watercraft for use by “**You**” while acting within the scope of “**Your**” duties; or
 - D. an easement or license agreement for “**Your**” use in the scope of “**Your**” duties; or
 - E. an elevator maintenance agreement for an elevator used by “**You**” in the scope of “**Your**” duties; or
 - F. a contract between “**You**” and a private user of “**Your**” “**School Facilities**” where the person or persons providing services, such as therapy or treatment are properly licensed and are providing services to students.
 - G. A contract between “**You**” and an Independent Bus Contractor for school related activities.
 - H. That portion of a contract between “**You**” and a health care provider requiring “**You**” to assume the providers liability for negligent acts of “**Your**” student interns currently enrolled in “**Your**” health care instructional programs.
 - I. A contract where “**You**” are leasing or renting a property for “**Your**” operations for “**Bodily Injury**” or “**Personal Injury**” or “**Property Damage**” caused by (1) “**Your**” acts or omissions; or (2) the acts or omissions of those acting on “**Your**” behalf.
 - J. A contract where “**You**” are leasing or renting equipment for use on “**Your**” property for “**Bodily Injury**” or “**Personal Injury**” or “**Property Damage**” caused by (1) “**Your**” acts or omissions; or (2) the acts or omissions of those acting on “**Your**” behalf.
16. “**IPRA Claim**” means any claim under the New Mexico Inspection of Public Records Act [NMSA 1978 §14-2-1 through 14-2-12.
17. “**Occurrence**”
- A. Includes continuous or repeated exposures to substantially the same general harmful conditions, or events and all such exposures to

substantially the same general condition shall be considered as arising from one **“Occurrence.”**

- B. All claims by any one or more claimants arising from substantially the same or similar acts, omissions, incidents or courses of conduct, shall be considered one **“Occurrence,”** regardless of the number of alleged perpetrators. All claims during the coverage term to which this Memorandum applies by one or more claimants against an alleged perpetrator or perpetrators or insureds shall be considered one **“Occurrence”** regardless of the number of acts, omissions, incidents or courses of conduct by the alleged perpetrator.
 - C. All claims with respect to **“Sexual Harassment”** or **“Sexual Molestation or Sexual Abuse”** shall mean all claims including **“Bodily Injury”** or **“Personal Injury”** arising from all acts committed by the same perpetrator, or two or more perpetrators acting in concert, without regard to the number of victims or incidents. The **“Occurrence”** shall be deemed to have occurred on the date of the initial incident or act.
- 18. **“Personal Injury”** means: an injury arising out of false arrest; false imprisonment; wrongful entry or eviction or interference with the right of occupancy; wrongful detention; malicious prosecution; humiliation; publication or utterance of a libel or slander or other defamatory or derogatory material, or an utterance in violation of an individual’s right to privacy; abuse of process; erroneous service of civil papers; discrimination or violation of civil rights;
 - 19. **“Pollutants”** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, mold and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
 - 20. **“Property Damage”** means physical injury to or destruction of tangible property including all resulting loss of use of that property
 - 21. **“School Facilities”** means that part of a school district, charter school community college or university campuses or other educational entity in which instruction is offered by one or more teachers and is discernible as a building or group of buildings.
 - 22. **“Sexual Harassment”** means actual or alleged unwelcome or offensive verbal or physical conduct of a sexual nature.
 - 23. **“Sexual Molestation or Sexual Abuse”** means bodily injury resulting from any illegal, sexual, or wrongful conduct.

24. **“Ultimate Net Loss”** means the total sum which **“You”** become obligated to pay by reason of liability claims, either through adjudication or compromise, after making proper deduction for all recoveries and salvages, and shall also include **“Defense Costs.”** Fees, charges and expenses for Third Party Claims Administrators are excluded from the **“Ultimate Net Loss.”**
25. An **“Uninsured, Underinsured or Unknown Motor Vehicle”** means a **“Motor Vehicle”** of any type:
- A. for which no bond or liability insurance policy or Memorandum applies at the time of an accident, or
 - B. for which an insuring or bonding company denies coverage or is or becomes insolvent, or
 - C. for which there is a bond or liability insurance policy or Memorandum at the time of an accident but the amount paid under the bond or policy or Memorandum is not enough to pay for the full amount **“You”** and **“Your”** passengers are legally entitled to recover.
 - D. which is a hit-and-run **“Vehicle”** and hits **“You”** or an **“Automobile”** occupied by **“You”** or that hits a covered **“Automobile”** and neither the driver nor the owner can be identified.
26. **“We”, “Us” or “Our”** means the New Mexico Public Schools Insurance Authority.
27. **“Wrongful Act”** means any actual or alleged: error, act, omission, misstatement or misleading statement, neglect, negligence or breach of duty by "You" including refusal to employ, termination of employment, wrongful demotion, wrongful failure to promote, hostile work environment, wrongful discipline, defamation, humiliation, false arrest, false imprisonment, coercion, libel, slander, retaliation, invasion of privacy, failure to grant tenure, "Sexual Harassment" or discrimination. This includes coverage pertaining to errors or omissions for the administration of **“Employee”** pension and benefit plans.
28. **“You” or “Your”** means a school district, other educational entity, charter school or **“Employee”** as more fully defined in §41-4-3 NMSA 1978.
- “You”** includes educational entities as enumerated in Article 12, Section 11 of the constitution of New Mexico and other state diploma, degree-granting and certificate-granting post-secondary educational institutions, regional education cooperatives and nonprofit organizations dedicated to the improvement of public education and whose

membership is composed exclusively of public school employees, public schools or school districts.

“**You**” includes Students participating in Career Technical Education (CTE) courses and activities, including nurses training or similar allied health courses.

“**You**” includes uncompensated Volunteers performing services on “**Your**” behalf and under “**Your**” express direction and authority.

“**You**” includes past, present and future employees and governing boards and governing councils including directors, regents, and trustees

“**You**” includes student teachers, teaching assistants, and students while serving in a supervised internship program or work study program in satisfaction of course requirements.

“**You**” also includes a bus “**Contractor**,” but only as relates to motor vehicle liability “**You**” have agreed to cover under Sections 41-4-5 and 41-4-23B(7), NMSA 1978 from whom or on behalf of whom “**We**” have received the applicable premium.

SECTION IV – CONDITIONS

1. **Contribution Payment:**

The annual premium shall be due and payable upon inception of coverage and renewal thereafter. The amount of the annual premium will be based on rates in effect at the inception of the Memorandum and on each subsequent anniversary. “**We**” shall not be required to perform any obligations under the Memorandum if all premiums are not paid in accordance with terms outlined in “**Our**” rules as set forth in New Mexico Administrative Code, Title 6, Chapter 50, Parts 1 through 18.

2. **Inspection and Audit:**

“**We**” shall be permitted but not obligated to inspect “**Your**” property and operations at any time. Neither our right to make inspections nor the making thereof nor any report thereon shall constitute an undertaking, on behalf of or for the benefit of “**You**” or others, to determine or warrant that such property or operations are safe. “**You**” shall maintain records of such information as is necessary for premium computation.

3. **“Your” Duties in the Event of an Accident, Claim or Suit:**

- A. In the event of an Accident reasonably likely to be covered by this Memorandum, **“You”** shall provide **“Us”** with written notice containing particulars sufficient to identify any injured persons and also all reasonably obtainable information with respect to the time, place and circumstances of the Accident, **“Your”** contact information and the names and contact information of all available witnesses as soon as practicable.
- B. If a claim is made or suit is brought against **“You”** for **“Wrongful Act”**, **“You”** shall promptly forward to **“Us”** within 45 days every demand, notice of a **“Claim”** or circumstances which may give rise to a **“Claim”**, summons or other process received by **“You”** or **“Your”** representatives.
- C. **“You”** or **“Your”** authorized representative shall cooperate with **“Us”** and upon our request, assist in making settlements, conducting our defense and investigation of the suits and in enforcing any right of contribution or indemnity against any person or organization who may be liable to **“You”** because of all **“Damages”** with respect to which coverage is afforded under this Memorandum. **“You”** also shall answer requests for discovery, attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of the witnesses. **“You”** or **“Your”** authorized representative shall not, except at **“Your”** own cost, and without any right or recourse or reimbursement under this Memorandum, voluntarily undertake investigation, retain defense counsel, make any payment, ~~assume any obligation~~, or incur any expense, admit any liability, settle any claim, or assume any obligation on a claim or suit.
- D. Should **“You”** fail to timely report a claim or fail to act with reasonable diligence with respect to **“Your”** duty to cooperate fully with adjusters, investigators or attorneys assigned by **“Us”** to a claim or notice of claim against **“You”**, **“We”** reserve the right to determine that we will not be liable for any settlement, defense costs, Assumed Obligation, or Stipulated judgement to which **“We”** have not been timely notified.

E. All claims should be reported to:

Cannon Cochran Management Services Inc.
5700 Pasadena Avenue, NE Suite 102
Albuquerque New Mexico, 87113
505-837-8750

Or

New Mexico Public Schools Insurance Authority

410 Old Taos Highway
Santa Fe, New Mexico 87501
505-988-2736
<https://nmpsia.com>

4. Defense and Settlement:

“We” shall have the right and duty to defend any claim or suit against “You” seeking “Damages” on account of claims or suits covered under this Memorandum, but:

- A. “We” may investigate and settle any claim or suit at “Our” discretion;
- B. upon reasonable notice to “You,” “Our” right and duty to defend is terminated when the applicable limits of liability are exhausted in the payment of legal fees, “Defense Costs,” charges, expenses, judgments or settlements under this Memorandum;
- C. such defense shall be provided even if the allegations of the claim or suit are groundless, false or fraudulent;

5. Our Right to Appoint and Designate Defense Counsel

“We” shall have the right to appoint and designate counsel to represent “You.” ~~And any counsel “You” may employ is at “Your” expense.~~

6. Cross Suits:

In the event that “You” allege a claim for “Damages” against another insured under this Memorandum, “We” will provide coverage, subject to the limits of liability, conditions, and exclusions of this Memorandum, in the same manner as if separate Memorandums had been issued to “You” and the other insured. “We” agree to waive all rights of subrogation against all or any of “You” in such a case.

7. Bankruptcy and Insolvency:

“We” shall not be relieved of the payment of any claims under this Memorandum because of “Your” bankruptcy or insolvency.

8. Other Coverage:

- A. Notwithstanding the terms and conditions of any other insurance clause or clauses in any policy or policies, where coverage is available to “You,” the coverage afforded under this Memorandum is intended to be and shall be

excess coverage. Under no circumstances shall the coverage afforded by this Memorandum be considered pro rata, concurring or coexistent.

- B. If any other coverage is available to **“You,”** whether such coverage is called excess over, contingent basis or pro rata with other valid and collectible coverage or not, the coverage afforded under this Memorandum shall not apply until such other coverage has been exhausted. This clause does not apply with respect to excess coverage purchased specifically to be in excess of this Memorandum.

9. Subrogation:

In the event of any payment under this Memorandum, **“We”** shall be subrogated and otherwise entitled to all rights of recovery against any person or organization. **“You”** shall execute and deliver all instruments and papers and do whatever else is necessary to transfer and secure such rights. **“You”** shall do nothing after loss to prejudice such rights. **“You”** may waive any right of recovery **“We”** may have against the person or organizations because of payments **“We”** make for injury or damage arising out of **“Your”** ongoing operations of **“Your”** work done under contract with that person or organization and included in the products-completed operations hazards, but this condition only applies to the extent that subrogation is waived prior to the loss under a written contract with the person or organization. In case any reimbursement is obtained or recovery is made by **“You”** or by **“Us”** on account of any loss covered by this Memorandum, the net amount of such reimbursement or recovery, after deducting the actual cost of obtaining or making the same off the top of any recovery, (a reasonable and necessary attorneys’ fee may be deducted) shall be applied in the following order:

- A. First, to the amount of loss which exceeds the applicable limit of liability;
- B. Second, to reduce our loss until **“We”** are fully reimbursed;
- C. Third, to reduce **“Your”** loss because of the application of any deductible.

10. Assignment:

Assignment of an interest under this Memorandum shall not bind **“Us”** unless **“We”** give our written consent. If, however, **“You”** shall die, such coverage as is afforded by this Memorandum shall apply:

- A. to **“Your”** legal representative, acting as **“You,”** but only while acting within the scope of his duties as such; and

- B. with respect to **“Your”** property to the person having proper temporary custody thereof, but only until the appointment and qualification of the legal representative.
11. Termination:
- This Memorandum and coverage may be terminated by **“You”** or by **“Us”** according to the terms of New Mexico Administrative Code, Title 6, Chapter 50, Parts 1 through 18.
12. Statutory Provisions:
- Terms of this Memorandum which are in conflict with the statutes of the State of New Mexico are amended to conform to such statutes.
13. Administrative Appeal:
- If **“You”** make a claim for coverage and **“We”** do not agree that the claim is a covered claim under the Memorandum or **“We”** decide to apply the Memorandum to **“Your”** claim in a manner **“You”** disagree with, then, upon written demand of either, the matter or matters upon which we do not agree shall be adjudicated pursuant to Title 6, Chapter 50, Part 16 of the New Mexico Administrative Code (Administrative Appeal of Authority Coverage Determinations).
14. If **“We”** have expended funds to settle claims against **“You”** and it is later determined that there is no coverage under this Memorandum for one or more of those claims, **“We”** reserve the right to seek reimbursement for those funds.
15. Fraudulent Claims:
- If **“You”** shall make or cause to be made any claim knowing the claim to be false or fraudulent in any material manner, this coverage shall become void and all **“Your”** rights hereunder shall be forfeited.
16. Changes:
- Notice to any of **“Our”** agents or knowledge possessed by any of **“Our”** agents or by any other person shall not affect a waiver or a change in any part of this coverage or prevent **“Us”** from asserting any rights under the terms of this coverage, nor shall the terms of this coverage be waived or changed, except by endorsement issued to form a part of this coverage.
17. Action Against “Us”:

Not until “We” determine the amount of the “Ultimate Net loss” shall any administrative appeal with regards to a coverage disagreement be made.

SECTION V – LIMIT OF LIABILITY

Refer to separate self-insured limits applicable to Section VI and VII

Coverage Parts	Limit	Terms
State Tort Claims Act Limits Section 41-4-19 or as amended	\$ 200,000	Property Damage per property address
	\$ 300,000	Medical Expenses
	\$ 400,000	Bodily Injury, Personal Injury Per Person
	\$ 750,000	Per Occurrence
New Mexico Civil Rights Act Section [Chapter 119, Section 1 to 14, Law 2021.] effective July 1, 2021.	\$2,000,000 Per Claimant, inclusive of the claimants’ costs of action and reasonable attorney fees	“Personal Injury”, “Bodily Injury”, Property Damage” and, “Wrongful Acts”
Coverage Parts	Limit	Terms
Back Pay including multipliers under any statute including the New Mexico Whistleblower Protection Act	\$ 500,000	Per Occurrence. Member Deductible Applies. See Section VI Member Deductible Schedule
Front Pay including multipliers under any statute including the New Mexico Whistleblower Protection Act	\$ 500,000	Per Occurrence. Member Deductible Applies.

		See Section VI Member Deductible Schedule
Out of State and Federal Coverage	\$35,000,000 except with regard to auto liability which will be limited to the caps in the New Mexico Tort Claims Act Limits Section 41-4-1 et seq as amended	Per Occurrence, Annual Aggregate for Personal Injury, Bodily Injury, Property Damage and Wrongful Act
Insured Contract with an Independent Bus Contractor for school related activities.	\$35,000,000	Per Occurrence, for Bodily Injury, Personal Injury and Property Damage
Sexual Molestation or Sexual Abuse	\$35,000,000 \$35,000,000	Per Occurrence, Pool Annual Aggregate

Coverage Parts	Limit	Terms
Any claims under the New Mexico Fraud Against Taxpayers Act [NMSA 1978 §§ 44-9-1 through 44-4-19 or any claims under the Federal False Claims Act [31 U.S.C. § 3729].	\$1,000,000	Per Occurrence
Any claims under the New Mexico Inspection of Public Records Act [NMSA 1978 §14-2-1 through 14-2-12, subject to Notice Provisions under Section II.	\$500,000	Per Occurrence

SECTION VI – LIABILITY DEDUCTIBLE SCHEDULE

NMPSIA’s Self-Insured Retention for Liability

Coverage	Member Deductible	Terms
Deductible applies to State Tort Claims Act Limits Section 41-4-19 or as amended, New Mexico Civil Rights Act, Out of State, Federal and Sovereign Nations Coverage, and Sexual Molestation or Sexual Abuse	\$ 0	<p>\$200,000 Property Damage per property address</p> <p>\$300,000 Medical Expenses</p> <p>\$400,000 Bodily Injury, Personal Injury Per Person</p> <p>\$750,000 Per Occurrence</p>
Coverage	Member Deductible	Terms
Back Pay Deductible Each Member is assigned a deductible based on your Full Time Employee (FTE) Count	\$ 2,500	0 to 25
	\$ 5,000	026 to 250
	\$ 30,000	251 to 500
	\$ 50,000	501 and Up
Front Pay Deductible Each Member is assigned a deductible based on your Full Time Employee (FTE) Count	\$ 2,500	0 to 25
	\$ 5,000	026 to 250
	\$ 30,000	251 to 500
	\$ 50,000	501 and Up

SECTION VII – LIMITED CRIMINAL DEFENSE COVERAGE

(This coverage is self-insured.)

1. Reimbursement Only With Respect to Coverages B and C:

With regard to coverages B and C, this is reimbursement coverage only. No liability for payment of a claim shall occur unless “**You**” present to “**Us**” proof of loss and “**Your**” exoneration or dismissal of all charges.

2. Covered Events:

- A. Reasonable attorney fees and costs incurred by “**You**” in defending a “**Criminal Proceeding**” arising out of acts authorized by the formal student corporal punishment policy of “**Your**” employer.
- B. Reasonable attorney fees and costs incurred by “**You**” in defending a “**Criminal Proceeding**” alleging “**Sexual Abuse**” or “**Molestation**” of a student if “**You**” are fully exonerated by a court or if all charges are dismissed with prejudice or, if without prejudice, then all of the requirements of Section 6 (E) are met.
- C. Reasonable attorney fees and costs incurred by “**You**” in defending a “**Criminal Proceeding**” alleging “**Assault**” or “**Battery**” if “**You**” are fully exonerated by a court or, if all charges are dismissed with prejudice or, if without prejudice, then all of the requirements of Section 6 (E) are met.

3. Limitation of Liability (maximum amounts of coverage):

“**We**” shall not be obligated to pay attorney fees in excess of \$100 per hour, plus reasonable court costs incurred by “**Your**” defense, including costs of experts subject to the following maximum amounts:

A. “**Corporal Punishment**”

\$5,000 when all charges are misdemeanors, or
\$15,000 when one or more felony charges are brought;

for each and all “**Criminal Proceedings**” brought against “**You**” arising from the occurrence.

B. “**Sexual Abuse**” or “**Molestation**”

\$30,000 for each and all “**Criminal Proceedings**” brought against “**You**” arising from the occurrence.

C. **“Assault” or “Battery”**

\$5,000 when all charges are misdemeanors, or
\$15,000 when one or more felony charges are brought;

for each and all **“Criminal Proceedings”** brought against **“You”** arising from the occurrence.

4. Determination of Coverage:

The determination of whether a **“Criminal Proceeding”** which alleges **“Corporal Punishment,” “Sexual Abuse,” “Molestation,” “Assault”** or **“Battery”** arises from an occurrence in the course and scope of **“Your”** employment or arises out of **“Your”** educational employment activities shall in the first instance be based on **“Your”** response or the response of **“Your”** attorney, to the allegations made against **“You”**. If evidence obtained as a result of investigation, litigation or otherwise demonstrates that **“Your”** responses with regard to scope of employment are not credible, **“We”** may at any time thereafter determine that the incidents did not occur in the course and scope of **“Your”** employment. In the event **“We”** determine that **“Your”** initial claim that such was within the course and scope of **“Your”** employment was false, **“We”** shall be entitled to reimbursement of the attorneys fees, costs and other expenses incurred by **“Us”** in investigating the question of whether the incidents occurred in the course and scope of **“Your”** employment and any attorneys fees or costs paid by **“Us”** in **“Your”** defense.

5. Definitions:

A. **“Assault” or “Battery”:**

Means **“You”** are charged with any of the following offenses:

- 1) Assault, §30-3-1, NMSA 1978;
- 2) Aggravated Assault, §30-3-2, NMSA 1978;
- 3) Assault with the Intent to Commit a Violent Felony, §30-3-3, NMSA 1978;
- 4) Battery, §30-3-4, NMSA 1978;
- 5) Aggravated Battery, §30-3-5, NMSA 1978;
- 6) Abandonment or abuse of a child, §30-6-1, NMSA 1978.

B. “Sexual Abuse” or “Molestation”:

Means “**You**” are charged with any of the following offenses:

- 1) Contributing to Delinquency of a Minor, §30-6-3, NMSA 1978;
- 2) Criminal Sexual Penetration, §30-9-11, NMSA 1978;
- 3) Criminal Sexual Contact, §30-9-12, NMSA 1978;
- 4) Criminal Sexual Contact of a Minor, §30-9-13, NMSA 1978;
- 5) Sexual Exploitation of Children, §30-6A-3, NMSA 1978.

C. “Corporal Punishment”:

Means “**You**” are charged with any of the following offenses:

- 1) Battery as defined in §30-3-4, NMSA 1978;
- 2) Aggravated Battery as defined in §30-3-5(B) where you were acting as authorized by the formal corporal punishment policy of your employer.

D. “Criminal Proceeding”:

Means the prosecution of “**You**” commenced by the filing, in a Municipal Court or State of New Mexico, Magistrate, Metropolitan or District Court, of any information, complaint, or indictment, alleging that “**You**” had committed one or more crimes within the Coverages. Any such prosecution shall be considered a single criminal proceeding, notwithstanding the fact that the prosecution may involve multiple incidents, multiple counts or charges, and/or multiple trial and/or appellate proceedings. A subsequent or different prosecution based on the same incidents, acts, or events that provided the basis for the original prosecution shall not constitute a separate criminal proceeding.

6. Restrictions:

- A. Method of Payment: “**Corporal Punishment**” defense shall be on a “pay-on-behalf of” basis; “**Sexual Abuse,**” “**Sexual Molestation**” and “**Assault and Battery**” defense shall be on reimbursement basis upon exoneration.

- B. No coverage is provided for fees or costs incurred prior to at least one of the following events: (1) a target notice is sent to “**You**”; (2) a criminal complaint is filed against “**You**”; or (3) “**You**” are arrested.
- C. If, after investigation, the claim is determined not to fall within “**Your**” scope of employment or the terms of coverage, “**We**” shall be entitled to reimbursement of payments made previously.
- D. Notice of occurrence which may give rise to a claim must be given to “**Us**” as soon as practicable.
- E. In the event “**You**” rely for reimbursement on the charges being dismissed against “**You**” without prejudice, a copy of a notice of dismissal or no true bill must be provided to “**Us**” in order to receive reimbursement and:
 - 1) all of the offenses charged in the complaint, indictment or information are dismissed with prejudice or if dismissed without prejudice are not again filed within the statute of limitations: or
 - 2) there is a hung jury on the rest of the charges or a combination of an acquittal on a charge or charges and a hung jury on the rest of the charges and the right to retry “**You**” is not preserved: or
 - 3) “**You**” received a target notice and the grand jury to which the case was presented issued a no true bill.

7. Method of Payment of Coverage A Claims:

With regard to Coverage A, if “**We**” determine from our investigation that the acts were done in the course and scope of “**Your**” employment and were authorized by “**Your**” employer’s corporal punishment policy, “**We**” will assume the reasonable cost of “**Your**” defense and pay as such costs accrue within the limits above, subject to further investigation.

8. Action Against “**Us**”:

No action shall lie against “**Us**” and no claim with regard to a coverage issue shall be made with respect to defense costs for a “**Criminal Proceeding**,” unless as a condition precedent thereto, “**You**” have fully complied with all the terms of this coverage, nor until the amount of the obligation to pay by “**Us**” shall have been finally determined either by final verdict or judgment after actual trial or by written agreement between “**You**” and “**Us**”.

9. Multiple Counts or Charges Under Coverages B and C:

For purposes of these coverages, a series of alleged continuous actions by “**You**” shall constitute a single occurrence and the limitation of liability herein shall apply to criminal proceedings arising out of a series of alleged continuous actions by “**You**”.

10. Cancellation:

There has been no additional premium charged by “**Us**” for this limited criminal defense coverage and therefore, no consideration for this coverage has been paid by “**You**” or “**Your**” employer and therefore this coverage may be cancelled by “**Us**” by mailing to “**Your**” employer at the addresses shown in our records, written notice stating when, not less than sixty (60) days thereafter, such cancellation shall be effective. On receipt of such notice “**Your**” employer shall provide similar mailed or delivered notice to “**You**” and such notice shall be provided no less than fifteen (15) days after receipt of notice of cancellation from “**Us**” by “**Your**” employer.

The mailing of notice shall be sufficient proof of notice. The date and time stated in the notice shall become the end of the period of coverage.

11. This Coverage is Excess:

This coverage is excess over any other applicable collectible coverage “**You**” may have.

SECTION VIII – LIMITED IDEA COVERAGE

(This coverage is self-insured)

1. Covered Events:
 - A. Reasonable attorney’s fees and costs incurred by “**You**” in defending an Individuals with Disabilities Education Act, 20 U.S.C. Chapter 33 (IDEA) and §504 of the Rehabilitation Act of 1973 complaint arising out of rights asserted pursuant to IDEA or Section 504.
 - B. Reasonable due process hearing officer’s fees and costs incurred by “**You**” in processing a proceeding alleging violation of rights pursuant to IDEA.
 - C. Reasonable IDEA attorney’s fees and costs which “**You**” agree to pay or are ordered to pay in an IDEA proceeding or in a Federal District Court action arising out of or in connection with an IDEA proceeding.
 - D. A and C above in the administrative appeal process plus reasonable costs incurred by “**You**” therein.
 2. With regard to coverages A, B, C, and D, this is reimbursement coverage only. There shall be no liability for payment of a claim unless “**You**” present to “**Us**” proof of loss and good faith efforts by “**You**” to:
 - A. Negotiate an individual education plan and reasonable accommodations with the parent, custodian or guardian of the student; and
 - B. Follow the negotiated plan and provide the reasonable accommodations; and
 - C. If good-faith efforts to negotiate a plan fail, engage in good-faith mediation; and
 - D. If a plan is negotiated or mediation results in settlement, comply in good faith with the plan or settlement³.
- Limitation of Liability:
- “**Our**” obligation shall not exceed \$100 per hour for hearing officer or attorney time and \$40 per hour for necessary travel plus reasonable costs. A claim for reimbursement shall be presented in a format which separates out the following:

Coverage A) Defending an IDEA claim:

Coverage B) Due Process Hearing:

Coverage C) Complainant's Attorney:

Coverage D) Administrative Appeal Costs:

4. Determination of Coverage/Definition of Proceedings:

The determination of whether a complaint alleges an IDEA claim shall in the first instance be based on allegations of the claim. This is a reimbursement policy and the final decision with respect to coverage shall be made after the claim is processed to a final conclusion. IDEA Proceeding means a written appeal by a parent or guardian of one or more of **"Your"** students which is within the definition of Section VII 1.A of this MOC and is processed to a point where there is a final, binding and non-appealable IDEA determination or settlement entered.

5. Claim Submission/Notice of Claim:

A claim by **"You"** may be filed with **"Us"** after a final, binding, non-appealable IDEA determination or settlement is entered. **"You"** shall submit the information in support of the claim as may be required by **"Us"** in a format as may be required by **"Us."** The information requested will be for the purpose of allowing **"Us"** to make a determination with respect to reimbursement and the levels of reimbursement.

The information submitted by **"You"** in support of the claim shall not contain any personally identifiable information which includes but is not limited to:

- A. The student's name; or
- B. The name of the student's parent or other family member; or
- C. The address of the student or student's family; or
- D. A personal identifier, such as the student's social security number or student number; or
- E. A list of personal characteristics that would make the student's identity easily traceable; or
- F. Other information that would make the student's identity easily traceable.

Where the information required to be submitted to **"Us"** in its raw form contains such references, **"You"** have a duty under 34 CFR Part 99 to edit

or blot out such personally identifiable information prior to copying and submission to “**Us.**”

6. Due Process Reimbursement:

“**We**” will include due process reimbursement in “**Our**” self-insured retention risk pool. Each year, the legislature shall authorize the board to collect the due process reimbursement premium from “**You**” to cover the cost of due process reimbursement. To the extent “**We**” are authorized to collect the premium from “**You,**” “**We**” will do so based on claims experience and other criteria determined by the board.

Prior to the beginning of each fiscal year, “**We**” shall determine the amount of money available in the fund for special education due process reimbursements. The process by which “**Your**” claims for reimbursement must be made by the end of the fiscal year is established in this Memorandum.

7. Reimbursement Method:

The method for distributing money available for claims payment is on a pro rata basis if the available money is not sufficient to cover all claims. Prior to the end of June, 2009 and prior to the end of June of each year thereafter, “**We**” will determine, based on the premiums collected by “**Us,**” the amount of money available in our self-insured retention risk pool for due process reimbursement. “**Our**” total obligation to all our members for all IDEA due process reimbursements of allowable fees and costs during the term of this Memorandum will be established by “**Us**” prior to the beginning of the term of the successor Memorandum. “**We**” will then, on or before June 30, distribute the money “**We**” determine available on a pro rata basis (for example, if “**Your**” approved claim is 10% of the total of all approved claims for the year, then “**You**” will receive 10% of the total money available that year) in reimbursement for all the eligible claims received by “**Us**” from “**You**” during the term of this MOC. “**We**” will have no further obligation for IDEA reimbursements to “**You**” for IDEA fees or costs incurred by “**You**” that year. In no event shall the reimbursement to “**You**” exceed one hundred thousand dollars (\$100,000) per year for each IDEA proceeding and “**You**” are not entitled to reimbursement beyond the amount determined as “**Your**” pro rata share merely because it was incurred by “**You.**”

NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
GENERAL AND AUTOMOBILE LIABILITY COVERAGES

The schedule of covered “Members” is as follows including any other Educational Entities or Charter Schools added during the Term of this Memorandum of Coverage not named in Schedule A:

SCHEDULE A

1. 21st Century Charter School dba 21st Century Public Academy
2. ABQ Charter Academy
3. ABQ Collegiate Charter School
4. Academy for Technology and the Classics
5. ACE Leadership High School
6. ACES Technical Charter School
7. Alamogordo Public Schools
8. Albuquerque Bilingual Academy
9. Albuquerque Institute of Math and Science (AIMS@UNM)
10. Albuquerque School of Excellence
11. Albuquerque Talent Development Academy
12. Aldo Leopold Charter School
13. Alice King Community School
14. Alma D’ Arte Charter High School
15. Altura Preparatory Academy
16. Amy Biehl Charter School
17. Anansi Charter School
18. Animas Charter School
19. Artesia Public Schools
20. Aztec Municipal Schools
21. Belen Consolidated Schools
22. Bernalillo Public Schools
23. Bloomfield School District
24. Capitan Municipal Schools
25. Carlsbad Municipal Schools
26. Carrizozo Municipal Schools
27. Central Consolidated School District #22
28. Cesar Chavez Community School
29. Chama Valley Independent Schools
30. Christine Duncan Heritage Academy
31. Cien Aguas International School
32. Cimarron Municipal Schools
33. Clayton Municipal Schools

34. Cloudcroft Municipal School
35. Clovis Municipal Schools
36. Cobre Consolidated Schools
37. Cooperative Educational Services
38. Coral Community Charter School
39. Corona Public Schools
40. Corrales International Charter School
41. Cottonwood Valley Charter School
42. Cottonwood Classical Preparatory School
43. Cuba Independent Schools
44. DATA Charter School (Digital Arts & Technology Academy)
45. Deming Cesar Chavez High School
46. Deming Public Schools
47. Des Moines Municipal Schools
48. Dexter Consolidated Schools
49. Dora Consolidated Schools
50. Dream Dine' Charter School
51. Dulce Independent Schools
52. DZIL DIT L'OOI School of Empowerment, Action & Perseverance (DEAP)
53. East Mountain Charter School
54. Eastern New Mexico University
55. Eastern New Mexico University - Roswell
56. El Camino Real Academy
57. Elida Municipal Schools
58. Espanola Municipal Schools
59. Estancia Municipal Schools
60. Estancia Valley Classical Academy
61. Eunice Public Schools
62. Explore Academy
63. Explore Academy – Las Cruces
64. Explore Academy – Rio Rancho
65. Farmington Municipal Schools
66. Floyd Municipal Schools
67. Fort Sumner Municipal Schools
68. Gadsden Independent Schools
69. Gallup-McKinley County Public Schools
70. Gilbert L. Sena Charter High School DBA: CEPI #2
71. Gordon Bernell Charter School
72. Grady Municipal Schools
73. Grants Cibola County Schools
74. Hagerman Municipal Schools
75. Hatch Valley Municipal Schools
76. Health Leadership High School
77. Hobbs Municipal Schools
78. Hondo Valley Public Schools
79. Horizon Academy West

80. Hozho Academy
81. House Municipal Schools
82. J. Paul Taylor Academy
83. Jal Public Schools
84. Jefferson Montessori Academy
85. Jemez Mountain Public Schools
86. Jemez Valley Public Schools
87. La Academia de Esperanza
88. La Academia de Idiomas Y Cultura
 dba La Academia Dolores Huerta Middle School
89. La Tierra Montessori School of the Arts & Science
90. Lake Arthur Municipal Schools
91. Las Cruces Public Schools
92. Las Montañas Charter High School
93. Las Vegas City Public Schools
94. Logan Municipal Schools
95. Lordsburg Municipal Schools
96. Los Alamos Public Schools
97. Los Lunas Public Schools
98. Los Puentes Charter School
99. Loving Municipal Schools
100. Lovington Municipal Schools
101. Luna Community College
102. Magdalena Municipal Schools
103. Mark Armijo Academy
104. Maxwell Municipal Schools
105. McCurdy Charter School
106. Media Arts Collaborative Charter School
107. Melrose Municipal Schools
108. Mesa Vista Consolidated Schools
109. Mesalands Community College
110. Middle College High School
111. Mission Achievement and Success Charter School
112. Monte Del Sol Charter School
113. Montessori of the Rio Grande
114. Mora Independent Schools
115. Moreno Valley Charter High School
116. Moriarty Municipal Schools
117. Mosaic Academy
118. Mosquero Municipal Schools
119. Mountain Mahogany Community School
120. Mountainair Public Schools
121. National Education Association New Mexico (NEA-NM)

122. Native American Community Academy
123. New Mexico Activities Association
124. New Mexico Association of School Business Officials
125. New Mexico Coalition for Educational Leaders
126. New Mexico Connections Academy
127. New Mexico Highlands University
128. New Mexico International School
129. New Mexico Public Schools Insurance Authority
130. New Mexico School for the Arts
131. New Mexico School for the Arts – Art Institute
132. New Mexico School for the Blind and Visually Impaired
133. New Mexico School for the Deaf
134. North Valley Academy
135. Pecos Connections Academy
136. Pecos Independent Schools
137. Penasco Independent Schools
138. Pojoaque Valley Public Schools
139. Portales Municipal Schools
140. Public Academy for Performing Arts
141. Quemado Independent Schools
142. Questa Independent Schools
143. Raices del Saber Xinachtli Community School Charter
144. Raton Public Schools
145. Red River Valley Charter
146. Regional Education Cooperative # 2
147. Regional Education Cooperative #6
148. Regional Education Cooperative # 7
149. Regional Education Cooperative #8
150. Reserve Independent Schools
151. Rio Gallinas Charter School
152. Rio Grande Academy of Fine Arts
153. Rio Rancho Public Schools
154. Robert F. Kennedy Charter School
155. Roots and Wings Community School
156. Roswell Independent Schools
157. Roy Municipal Schools
158. Ruidoso Municipal Schools
159. San Diego Riverside Charter School
160. San Jon Municipal Schools
161. Sandoval Academy of Bilingual Education
162. Santa Fe Community College
163. Santa Fe Public Schools
164. Santa Rosa Consolidated Schools
165. School of Dreams Academy (SODA)
166. Sidney Gutierrez Middle Schools
167. Siembra Leadership High School

168. Silver Consolidated Schools
169. Six Directions Indigenous School
170. Socorro Consolidated Schools
171. Solare Collegiate Charter School
172. South Valley Academy
173. South Valley Preparatory School
174. Southwest Aeronautics, Mathematics and Science Academy
175. Southwest Preparatory Learning Center
176. Southwest Secondary Learning Center
177. Springer Municipal Schools
178. Taos Academy
179. Taos Charter School
180. Taos Integrated School of the Arts
181. Taos International School
182. Taos Municipal Schools
183. Tatum Municipal Schools
184. Technology Leadership High School
185. Texico Municipal Schools
186. The Albuquerque Sign Language Academy
187. The ASK Academy
188. The Great Academy
189. The International School at Mesa Del Sol
190. The MASTERS Program
191. The Montessori Elementary Schools
192. The New America School, Las Cruces
193. The New America School, New Mexico (Albuquerque)
194. THRIVE Community School
195. Tierra Adentro Charter School
196. Tierra Encantada Charter High School
197. Truth or Consequences Municipal Schools
198. Tucumcari Public Schools
199. Tularosa Municipal Schools
200. Turquoise Trail Charter School
201. Vaughn Municipal Schools
202. Vista Grande High School
203. Voz Collegiate Preparatory Charter School
204. Wagon Mound Public School
205. Walatowa High Charter School
206. West Las Vegas Public Schools
207. Western New Mexico University
208. William W. & Josephine Dorn Charter School
209. Zuni Public Schools

ENDORSEMENT NO. 1

SPECIFIED MEMBERS - LIMITED PARTICIPATION COVERAGE
ENDORSEMENT

Pursuant to NMSA 1978, §22-29-1 et seq. and New Mexico Administrative Code, Title 6, Chapter 50, Parts 1-18, this Memorandum of Coverage (“**Memorandum**”) is an agreement by the New Mexico Public School Insurance Authority (the “**Authority**”) and its “**Members,**” as listed in Schedule A attached hereto, to provide or obtain insurance protection for all covered losses subject to the limits and other terms and conditions of this “**Memorandum**” and any endorsements attached.

This endorsement modifies insurance of this “**Memorandum**” provided under:

SECTION I – COVERAGES

SCHEDULE A: MEMBERS (As listed)

132. New Mexico School for the Blind and Visually Impaired

Schedule		
Coverage	Covered	Not Covered
General Liability		X
Automobile Liability	X	

It is hereby understood and agreed that the insurance under this “**Memorandum**” shall only apply to the “**Member**” as listed in Schedule A and coverage as designated and described in the Schedule of this endorsement.

1. For purposes of this endorsement, SECTION III - DEFINITIONS, Item 2., is amended with the following:

The word “**Automobile**”, “**Vehicle**” or “**Motor Vehicle**” means a land motor vehicle of a commercial type used solely for the bus transportation of passengers including any machinery or equipment permanently attached thereto. An “**Automobile**” “**Vehicle**” or “**Motor Vehicle**” does not include any land vehicle, machine, forklifts, tractor, trailer or semi-trailer propelled or drawn by mechanical power for travel on or off public roads.

All other terms, conditions, provisions, and exclusions of this “**Memorandum**” remain the same.

NEW MEXICO PUBLIC SCHOOL INSURANCE AUTHORITY

PROPERTY, AUTOMOBILE PHYSICAL DAMAGE, CRIME & CYBER
COVERAGES

MEMORANDUM OF COVERAGE – MOC027

July 1, 2024 to July 1, 2025

ISSUED BY: New Mexico Public School Insurance Authority
410 Old Taos Highway
Santa Fe, New Mexico 87501

DECLARATION:

Pursuant to NMSA 1978, §22-29-1 et seq. and New Mexico Administrative Code, Title 6, Chapter 50, Parts 1-18, this Memorandum of Coverage (“**Memorandum**”) is an agreement by the New Mexico Public School Insurance Authority (the “**Authority**”) and its “**Members,**” as listed in Schedule A attached hereto, to provide or obtain insurance protection for all covered losses subject to the limits and other terms and conditions of this “**Memorandum**” and any endorsements attached. This “**Memorandum**” is intended to describe the terms and conditions of coverage which the “**Authority**” provides as well as the terms and conditions of coverage provided by APIP for claims in amounts excess of what the “**Authority**” provides. In consideration of the contributions paid by the “**Members**” this “**Memorandum**” provides the coverages as set forth in this below.

Throughout this “**Memorandum,**” words and phrases that appear in bold type and quotation marks have special meaning. They are defined in the DEFINITION section and the definitions are controlling as to the meaning of those words and phrases unless modified by definitions in specific coverages.

Term of Memorandum of Coverage:

This “**Memorandum**” is effective from **July 1, 2024, 12:01 A.M. to July 1, 2025, 12:01 A.M.** local Standard Time at the address shown above. However, with respect to **Coverage C only**, this “**Memorandum**” is effective after 12:01 A.M. local Standard Time, July 1, 1986.

Territory:

Coverage under this “**Memorandum**” applies to “**Covered Property:**” 1) Real Property located within the United States of America, Personal Property and Personal Property of the “**Member**” or Property held by the “**Member**” in trust or on commission or on consignment for which the “**Member**” may be held legally liable while in due course of transit is extended to Worldwide Coverage; 2) to such other locations as are specified in this “**Memorandum.**”

New Mexico Public Schools Insurance Authority

By: _____

Board of Directors, President

Date

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This “**Memorandum**” consists of the following coverage parts:

COVERAGE A:	PROPERTY COVERAGE
COVERAGE B:	AUTOMOBILE PHYSICAL DAMAGE
COVERAGE C:	CRIME COVERAGE
COVERAGE D:	CYBER COVERAGE

COVERAGE A: PROPERTY COVERAGE

Subject to the terms, conditions and exclusions hereinafter contained, this “**Memorandum**” insures all property of every description both Real and Personal Property (including improvements, betterments and remodeling), of the “**Member**”, or property of others in the care, custody or control of the “**Member**”, for which the “**Member**” is liable, or under the obligation to insure.

A. EXTENSIONS OF COVERAGE

All coverage extensions are subject to the terms, conditions and exclusion of the “**Memorandum**” except insofar as they are explicitly providing additional coverage.

1. PERSONAL EFFECTS

This “**Memorandum**” is extended to cover only such personal effects and wearing apparel of any of the officials, employees, students and personal effects of the “**Member**” for which the “**Member’s**” governing body maintains a written policy effective prior to the “**Date of Loss**” stating that “**You**” are willing to cover loss or damage to such personal effects while located in accordance with the coverage hereof. The loss, if any, on such property shall be adjusted with and payable to the “**Member**” subject to a \$750 per occurrence deductible. The absence of a written policy by “**Your**” governing body prior to the “**Date of Loss**” will result in no personal effects coverage provided by this “**Memorandum**”.

2. PROPERTY IN COURSE OF CONSTRUCTION AND ADDITIONS

It is understood and agreed that as respects course of construction projects and additions, this “**Memorandum**” will provide automatic coverage subject to the following conditions:

- a. Project involves only real property on new or existing locations (excluding dams, roads, and bridges).
- b. Value of the project at the location does not exceed the Limits of Liability stated in Section II , Item F. Projects that exceed this amount are subject to underwriting approval, prior to binding. However, inadvertent failure to report

projects shall not void coverage of said Project.

Additional Expenses – Soft Costs: This extension applies to new buildings or structures in the course of construction up to the time that the new building(s) or structures(s) is initially occupied or put to its intended use whichever occurs first.

This **“Memorandum”** will cover the additional expenses (soft costs) of the **“Member”** as defined below for up to 25% of the estimated completed value of the project which results from a delay in the completion of the project beyond the date it would have been completed had no had no loss or damage occurred. The delay must be due to direct physical loss or damage to property insured and be caused by or result from a peril not excluded by this **“Memorandum.”** **“We”** will pay covered expenses when they are incurred.

- a. **Additional Interest Coverage – “We”** will pay the additional interest on money the **“Member”** borrows to finance construction or repair.
- b. **Rent or Rental Value Coverage – “We”** will pay the actual loss of net rental income that results from delay beyond the projected completion date. But **“We”** will not pay more than the reduction in rental income less charges and expenses that do not necessarily continue.
- c. **Additional Real Estate Taxes or Other Assessments – “We”** will pay the additional real estate taxes or other assessments the **“Member”** incurs for the period of time that construction is extended beyond the completion date.
- d. **Additional Advertising and Promotional Expenses – “We”** will pay the additional advertising and promotional expense that becomes necessary as a result of a delay in the completion of the project.
- e. **Additional Commissions Expense – “We”** will pay the additional expenses, which result from the renegotiating of leases following an interruption in the project.
- f. **Additional Architectural and Engineering Fees – “We”** will pay the additional architectural and engineering fees that become necessary as a result of a delay in the completion of the project.
- g. **Additional License and Permit Fees – “We”** will pay the additional license and permit fees that become necessary as a delay in the completion of the project.
- h. **Legal and Accounting Fees – “We”** will pay the additional legal and accounting fees the **“Member”** incurs as a result of a delay in the completion of the project.

3. **FIRE FIGHTING EXPENSES**

It is understood and agreed that **“We”** shall be liable for the actual charges of firefighting expenses including but not limited to those charged by municipal or private fire departments responding to and fighting fire in/on and/or protecting property included in this **“Memorandum.”**

4. **OFF PREMISES SERVICES INTERRUPTION**

It is understood and agreed that coverage under this **“Memorandum”** is extended to include physical damage, business interruption loss and/or extra expense incurred and/or sustained by **“You”** as a result of physical damage to or destruction of property, by **“Covered Perils”** insured against occurring during the **“Memorandum Period”** of any suppliers furnishing heat, light, power, gas, water, telephone or similar services to **“Your”** premises.

5. ARCHITECTS AND ENGINEERS FEES AND LOS ADJUSTMENT EXPENSES

This “**Memorandum**” also insures as a direct result of physical loss or damage insured hereunder, any of the following;

- a) Architects and engineer’s fees
- b) Loss adjustment expenses including, but not limited to, auditors, consultants and accountants. However, the expenses of public adjusters are specially excluded.

6. EXPEDITING EXPENSES

In the event of physical loss or damage insured hereunder, it is understood and agreed that coverage under this “**Memorandum**” includes the reasonable extra cost of temporary repair and of expediting the repair of “**Your**” damaged property, including overtime and the extra costs of express or other rapid means of transportation.

7. DEBRIS REMOVAL:

“**We**” will cover expenses incurred in the removal of debris of the “**Covered Property**” hereunder from “**Your**” premises that may be destroyed or damaged by “**Covered Peril(s)**.” The debris removal coverage does not apply to the cost to extract pollutants from land or water, or to remove, restore or replace polluted land or water

8. BUILDING LAWS

- a. This “**Memorandum**” is extended to include physical damage, business interruption loss, loss of interest and/or extra expense incurred and/or sustained by “**You**” as a result of physical damage to or destruction of property, by “**Covered Perils**” against occurring during the “**Memorandum Period**” and occasioned by the enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures, which is in force at the time such a loss occurs, which necessitates the demolition of any portion of the covered building not damaged by the “**Covered Peril(s)**.”
- b. This “**Memorandum**” shall also be liable for loss due to the additional period of time required for repair or reconstruction in conformity with the minimum standards of such ordinance or law of the building(s) damaged by a “**Covered Peril**.”
- c. This extension of coverage shall not increase the “**Limits of Liability**” as set forth elsewhere in this “**Memorandum**.”

9. DEMOLITION COST

In the event of physical damage to **“Covered Property”** insured by a **“Covered Peril,”** this **“Memorandum”** is extended to cover the cost of demolishing any undamaged portion of the **“Covered Property”** including the cost of clearing the site thereof, caused by loss from any **“Covered Peril”** under this **“Memorandum”** and resulting from enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures and in force at the time of loss which necessitates such demolition.

10. INCREASED COST OF CONSTRUCTION

In the event of physical damage to **“Covered Property”** insured by a **“Covered Peril,”** this **“Memorandum”** is extended to cover the increased cost of repair or replacement occasioned by the enforcement of any local or state ordinance or law in any state regulating the construction, repair or demolition of buildings or structures, which is in force at the time such a loss occurs or which comes into force within six (6) months after such a loss occurs, which necessitates in repairing or replacing the building covered hereunder which has suffered damage or destruction by the **“Covered Peril”** or which has undergone demolition, limited, however, to the minimum requirements of such ordinance or law.

11. ERRORS AND OMISSIONS

No unintentional errors or unintentional omissions in description, location of property or valuation of property will prejudice **“Your”** right of recovery but will be reported to **“Us”** as soon as practicable when discovered. The coverage provided by this clause is within the sub-limit provided. This extension does not increase any more specific limit stated elsewhere in this **“Memorandum.”**

12. ANIMALS

This **“Memorandum”** is extended to cover retraining expenses associated with the loss of specially trained animals. Retraining expenses are included within the sub-limit provided, unless otherwise scheduled. This **“Memorandum”** is also extended to cover physical loss or damage to animals used for research subject to applicable exclusions under Section II (General Conditions), Item E. Exclusions.

13. VALUABLE PAPERS & RECORDS

This **“Memorandum”** is extended to cover Valuable Papers or the cost to reconstruct valuable paper (including but not limited to research, redrawing or duplicating) physically lost or damaged by a peril insured against during the term of this **“Memorandum.”**

Valuable Papers and Records means all inscribed, printed, or written documents, manuscripts or records; including but not limited to abstracts, books, deeds, drawing, films, maps, or mortgages. Valuable Papers are not money, securities, stamps or converted data program or instructions used in the **“Member’s”** data processing operations including the materials on which data is recorded.

14. TRANSIT

This “**Memorandum**” is extended to cover “**Your**” “**Personal Property**” or property held by “**You**” in trust or on commission or on consignment for which “**You**” may be held legally liable while in due course of transit, worldwide, against all risks of Direct Physical Loss or Damage not excluded by this “**Memorandum**” to the property insured occurring during the period of this “**Memorandum.**”

15. ASBESTOS CLEAN UP AND REMOVAL

This “**Memorandum**” specifically excludes asbestos materials clean up or removal, unless asbestos is itself damaged by a peril covered by this “**Memorandum,**” then asbestos cleanup or removal within the damaged area, and applicable time element coverages, will be covered by this “**Memorandum.**”

In no event will coverage be extended to cover undamaged asbestos, including undamaged asbestos in any portion of the building mandated by any governmental direction or request declaring that asbestos material present in any undamaged portion of “**Your**” property must be removed or modified, or;

any loss or expense including investigation or defense costs, caused by, resulting from, or arising out of asbestos, exposure to asbestos, or any product containing asbestos, or;

any loss or expense normally provided by demolition, increased cost or building ordinance.

“**You**” must report to “**Us**” the existence of the damage as soon as practicable after the loss. However, this “**Memorandum**” does not insure any such damage first reported to “**Us**” more than thirty-six (36) months after the expiration, or termination, of this “**Memorandum.**”

16. PROTECTION AND PRESERVATION OF PROPERTY

In the event of loss likely to be covered by this “**Memorandum,**” “**You**” shall endeavor to protect covered property from further damage and shall separate the damaged and undamaged personal property and store in the best possible order, and shall furnish a complete inventory of the destroyed, damaged and undamaged property to “**Us.**”

In case of actual or imminent physical loss or damage of the type insured against by this “**Memorandum,**” the expenses incurred by “**You**” in taking reasonable and necessary actions for the temporary protection and preservation of property insured hereunder shall be added to the total physical loss or damage otherwise recoverable under this “**Memorandum**” and be subject to the applicable deductible and without increase in the limit provisions contained in this “**Memorandum.**”

Due to the unique nature of Health Care Facilities where it is deemed necessary to evacuate patients from the premises in order to reduce the physical loss potential from an actual or imminent loss or damage by a peril not excluded herein, all terms and conditions of this clause will apply to the expenses incurred as a result of the evacuation.

17. LEASEHOLD INTEREST

In the event of physical loss or damage of the type insured against by this **“Memorandum”** to real property of the type insured by this **“Memorandum,”** which is leased by **“You,”** this **“Memorandum”** is extended to cover:

- (1) If as a result of such loss or damage the property becomes wholly un-tenable or unusable and the lease agreement requires continuation of the rent, **“We”** shall indemnify **“You”** for the actual rent payable for the unexpired term of the lease; or
- (2) If as a result of such loss or damage the property becomes partially un-tenable or unusable and the lease agreement requires continuation of the rent, **“We”** shall indemnify **“You”** proportion of the rent applicable thereto; or
- (3) If as a result of such loss or damage the lease is cancelled by the lessor pursuant to the lease agreement or by operation of law, **“We”** shall indemnify **“You”** for its Lease Interest for the first three months following such loss or damage and for its Net Lease Interest for the remaining unexpired term of the lease:
- (4) provided, however, that **“We”** shall not be liable for any increase in the amount recoverable hereunder resulting from the suspension, lapse or cancellation of any license, or from the **“You”** exercising an option to cancel the lease; or from any act or omission by **“You”** which constitutes a default under the lease, and provided further that **“You”** shall use any suitable property or service owned or controlled by **“You”** or controlled by **“You”** or obtainable from another source to reduce the loss hereunder.

The following definitions shall apply to this coverage:

- (a) Lease Interest means the excess rent for the same or similar replacement property over actual rent payable plus cash bonuses or advance rent paid (including any maintenance or operating charges) for each month during the unexpired term of **“Your”** lease.
- (b) Net Lease Interest means that sum which placed at 8% interest compounded annually would equal the Lease Interest (less any amounts otherwise payable hereunder).

18. AUTOMATIC ACQUISITION AND REPORTING CONDITIONS

This “**Memorandum**” is automatically extended to insure additional property and/or its interests as described in this “**Memorandum**” which may be acquired or otherwise become at the risk of “**You**”, during the “**Memorandum Period**”, within the United States of America, subject to the values of such additional property and/or interests not exceeding \$25,000,000 or the “**Memorandum**” Limit of Liability if less than \$25,000,000 any one acquisition excluding “**Covered Automobiles,**” for which a limit of \$10,000,000 applies or the “**Memorandum**” Limit of Liability if less than \$10,000,000.

As respects Flood coverage, this extension will extend to include Flood coverage for any location not situated in Flood Zones A or V. In the event that coverage for Flood for any location situated in Flood Zones A or V is required, it is to be agreed by “**Us**” prior to attachment hereunder.

In the event of coverage being required for additional property and/or interest where the value exceeds \$25,000,000 or the Policy Limit of Liability if less than \$25,000,000 any one acquisition details of said property and/or interest are to be provided to “**Us**” for its agreement not later than one hundred and twenty (120) days from the date of said additional property and/or interest have become at the risk of “**You,**” this “**Memorandum**” providing coverage automatically for such period of time up to a maximum limit of \$100,000,000 or the “**Memorandum**” Limit of Liability if less than \$100,000,000.

“**We**” retain the right to determine the acceptability of all such property(ies). Additional premium will be calculated from the date of acquisition.

In the event that “**You**” fail to comply with above reporting provision, then coverage hereunder is sub-limited to \$25,000,000 or “**Our**” “**Memorandum**” Limit of Liability if less than \$25,000,000 any one occurrence.

Additional, or return premium due for endorsements issued during the “**Memorandum Term**”, such as those for additions or deletions of values within or greater than as that which is provided in any “Automatic Acquisition sub-limit” will be processed on an annual basis.

20. MISCELLANEOUS UNNAMED LOCATIONS

Coverage is extended to include property at locations (including buildings or structures, owned, occupied or which “**You**” are obligated to maintain insurance) located within the territorial limitations set by this “**Memorandum.**” Coverage provided by this clause is limited to any sub-limit noted in the Limit of Liability, and by terms and conditions of this “**Memorandum.**” As respects Flood coverage, this extension will extend to include Flood coverage for any location not situated in Flood Zones A or V.

21. ACCIDENTAL CONTAMINATION

This “**Memorandum**” is hereby extended to cover Business Interruption and Property Damage loss as a result of accidental contamination, discharge or dispersal from any source to “**Covered Property**,” including expenses necessarily incurred to clean up, remove and dispose of contaminated substances so as to restore the “**Covered Property**” to the same conditions as existed prior to loss. The coverage provided is sub-limited in the Limits of Liability section.

If such contaminated or dispersal is itself caused by fire, lightning, impact from aircraft, explosion, riot, civil commotion, smoke, collapse, vehicles or automobiles, windstorm, hail, vandalism, malicious mischief or leakage and accidental discharge from automatic fire protective systems whereupon this extension shall provide coverage up to full limit of liability provided by this “**Memorandum.**”

For the purposes of this Accidental Contamination clause only, the term “**Covered Property**” as covered by this “**Memorandum,**” is held to include Land (and Land Values) on which “**Covered Property**” is located whether or not the same are excluded by this “**Memorandum.**”

It is further understood and agreed that this coverage shall not override anything contained in Asbestos Clean Up and Removal in this “**Memorandum.**”

B. PROPERTY NOT COVERED

Except as for that which may be provided as an Extension of Coverage, this “**Memorandum**” does not cover:

Aircraft, Watercraft over 27 feet in length (other than watercraft held for sale by “**You**”), and rolling stock, except scheduled watercraft, and rolling stock, light rail vehicles, subway trains and related track maintenance vehicles for light rail and subway lines.

1. Standing timber, bodies of water, growing crops.
2. Land (including land on which covered property is located), and land values (except athletic fields, landscaping, artificial turf, sand traps, trees and greens).
3. Property in due course of ocean marine transit.
4. Shipment by mail after delivery into the custody of the United States Post Office.
5. Power transmission lines and feeder lines more than 1,000 feet from the “**Your**” premises unless scheduled and specifically approved by “**Us.**”
6. Underground pipes more than 1,000 feet from the “**Your**” premises unless scheduled and specifically approved by “**Us.**”

7. Unscheduled tunnels, bridges, dams, catwalks (except those not for public use), roadways, highways, streets, sidewalks, culverts, streetlights, and traffic signals, excess of the sub-limit terms provided in this **“Memorandum.”**
8. Offshore property, oilrigs, underground mines, caverns and their contents. Railroad track is excluded unless values have been reported by **“You.”**

C. LOSS PAYMENT BASIS/VALUATION

In case of loss to **“Your”** property covered hereunder, the basis of adjustment shall be as of the time and place of loss as follows:

- 1) On all real and personal property, including property of others in the care or control by **“You”** at the replacement cost (as defined below) at the time of the loss without deduction for depreciation. If property is not replaced within a reasonable period of time, then the actual cash value shall apply.
- 2) On improvements and betterments at the replacement cost at time of loss without deduction for depreciation. If property is not repaired or replaced within a reasonable period of time, then the actual cash value shall apply. If replaced or repaired by others for **“Your”** use, there shall be no liability hereunder. **“We”** agree to accept and consider the **“Member”** as sole and unconditional owner of all improvements and betterments, any contract or lease **“You”** may have made to the contrary notwithstanding.
- 3) On manuscripts, mechanical drawings, patterns, electronic data processing media, books of accounting and other valuable papers, the full replacement cost of the property at the time of loss (including expenses incurred to recreate the information lost, damaged or destroyed, except as may be limited by any separate **“Memorandum”** provision) or what it would then cost to repair, replace or reconstruct the property with other of like kind and quality. If not repaired, replace or reconstructed within a reasonable period of time, then not to exceed the cost of blank or unexposed material.
- 4) On antique, restored or historical buildings, the cost of acquisition, relocation to the site and renovation or reconstruction. In the event of a partial loss, replacement cost for antique, restored or historical buildings shall mean the cost of repairing, replacing, constructing or reconstructing (whichever is less) the property on the same site using material of like kind and quality necessary to preserve or maintain a buildings’ historical significance without deduction for depreciation.
- 5) On property of others for which **“You”** are liable under contract or lease agreement **“Our”** liability in the event of loss is limited to **“Your”** obligation as defined in said contract or lease agreement but not to exceed the replacement cost.

6) On library contents, at replacement cost, or as follows, whichever is greater:

Category	Value (per item)	
Juvenile Materials	USD	49.62
Pamphlets	USD	6.38
Magazines	USD	12.87
Fiction	USD	24.00
Non-Fiction	USD	86.40
Dictionary	USD	125.75
Encyclopedia	USD	300.96
Thesaurus	USD	46.42
Reference (other)	USD	120.77
Abstracts	USD	295.74
Textbook	USD	109.54
Artbooks	USD	65.16
Film	USD	290.15
Book/Diskette	USD	109.54
Vinyl Records	USD	87.05
DVD/VHS	USD	58.03
Audio Cassette	USD	31.91
Compact Discs	USD	25.47
CD ROM	USD	41.21
Books/Audio	USD	78.05
Medical Atlas	USD	186.47
Technical Law	USD	158.24
Nanotechnology	USD	182.73
Biotechnology	USD	172.90

The above valuation is predicated on the values provided by the Library of Congress Dewey Decimal system and adjusted for inflation

The figures above do not include the “shelving cost” of each book. Therefore, the formula for adjusting a library contents loss is:

“Number of items in a category that are replaced multiplied by the valuation figure plus associated shelving costs”.

The actual cost per item in the final adjustment is to be computed as of the time and place of loss or damage.

7) On Vehicles, on or off premises, where Replacement Cost (New) values are specified, loss or damage shall be based on the 100% of the Replacement Cost (New) at the time of loss. Partial losses shall be based on the cost of repairing or replacing the damaged portion, up to the fair market value of the Vehicle and/or Equipment. However, should these costs exceed the fair market value then recovery shall be based upon the Replacement Cost (New).

If the values, provided by “You”, provides a valuation based on Replacement Cost (New), then recovery will be on the same basis, if replaced. If not replaced, the basis of recovery shall be Actual Cash Value.

- 8) Animals: The stated value as per schedule on file with “Us”.

Notwithstanding the foregoing it is hereby understood and agreed that solely as respects Universities, hospitals or other institutions of learning the following shall apply:

The stated value as per on file with “Us” except Research Animals shall be valued at the cost to replace with like kind and quality; including the increased value as a result of prior research or experiments performed on the animal(s), accumulated cost of care and maintenance, and the value of labor expended by research assistants and/or laboratory technicians.

- 9) Landscaping, artificial turf, sand traps, tees, putting greens and athletic fields, the actual replacement cost of sod, shrubs, sand, plants and trees; however, “Our” liability for replacement of trees, plants and shrubs will be limited to the actual size of the destroyed plant, tree or shrub at the time of the loss up to a maximum size of 25 gallons per item but not to exceed \$25,000 per item.

The aforementioned valuations shall also be used for the purpose of any minimum earned premium and/or quarterly adjustments incurred.

Wherever the term “Actual Cash Value” is used as respects real property or improvements and betterment’s in this clause, or elsewhere herein, it shall mean replacement cost less depreciation.

“Replacement Cost” shall mean the cost of repairing, replacing, constructing or reconstructing (whichever is the least) the property on the same site, using new material of like kind and quality and for like occupancy without deduction for depreciation, subject to the following:

- (i) Until the property is actually repaired, replaced or reconstructed, the maximum amount recoverable shall be the actual cash value of the lost or damaged property;
- (ii) Replacement shall be affected by “You” with due diligence and dispatch;
- (iii) Replacement need not be on same site, or of same or similar construction or occupancy provided that “We” shall not be liable for any additional costs that are directly attributable to the inclusion of this provision.
- (iv) For historical buildings as more specifically defined in this Section.
- (v) In no event shall “Our” liability exceed the amount actually and necessarily expended in repairing or replacing (whichever is less) “Covered Property” or any part thereof

It is understood and agreed that as respects replacement cost, “You” shall have the option of replacement with electrical and mechanical equipment having technological advantages and/or representing an improvement in function and/or forming part of a program of system enhancement provided that such replacement can be accomplished without increasing “Our” liability. “We” shall be allowed to dispose of, as salvage, any non-proprietary property deemed unusable by “You”.

In the event “**You**” should fail to comply with any of the foregoing provisions settlement shall be made as if this Replacement Cost provision had not been in effect.

SECTION I

BUSINESS INTERRUPTION, EXTRA EXPENSE, RENTAL INCOME TAX INTERUPTION AND TUITION INCOME

Subject to the terms, conditions an exclusion stated elsewhere herein, this “**Memorandum**” provides coverage for:

A-1. COVERAGE

1. BUSINESS INTERRUPTION

Against loss resulting directly from interruption of business, services or rental income caused by direct physical loss or damage, as covered by this “**Memorandum**” to real and/or personal property insured by this “**Memorandum,**” occurring during the term of this “**Memorandum.**”

In the event of such loss or damage “**We**” shall be liable for the actual loss sustained by “**You**” for gross earnings as defined herein and rental value as defined herein resulting from such interruption of business, services, or rental value; less all charges and expense which do not necessarily continue during the period of restoration.

Due consideration shall be given to the continuation of normal charges and expense including payroll expenses to the extent necessary to resume operations by “**You**” with the same quality of services which existed immediately preceding the loss.

With respect to business interruption for power generation facilities, the coverage provided hereunder is sub-limited as stated in the Limits of Liability section.

Notwithstanding the foregoing it is hereby understood and agreed that solely as respects Universities, hospitals or other institution of learning the following shall apply:

In determining the amount of tuition income and related fees covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to:

- (i) Tuition income and related fees which are prevented from being earned or received.
- (ii) Other income derived from:
 - a. routine and special services;
 - b. Other operating and non-operating revenues, including but not limited to:
 - i. research grants
 - ii. income under research contracts all dependent on continued operations.
- (iii) Donations and funded raising proceeds:
 - a. If a regularly scheduled fundraising drive for the sole benefit of “**You**” occurs during the

period of interruption of operations, the revenue produced by such drive shall be considered as follows in determining the amount of loss:

- (1) If the drive fails to produce an amount at least equal to the same drive in the most recent prior solicitation, the shortage, to the extent that it can be attributed to the interruption of **“Your”** operations, shall be considered as loss of income;
- (2) If the drive produces an amount equal to the same drive in the most recent prior solicitation, there shall be considered no loss of income from this source of revenue;
- (3) If the drive produces an amount larger than the drive in the most recent prior solicitation, the excess shall be applied to reduce the loss from other sources of revenue;
- (4) If the drive is cancelled or postponed, such loss of revenue shall not be considered as loss of income.

b. The following shall be disregarded in determining the amount of loss:

- (1) Donations and contributions which are a direct result of the interruption of **“Your”** Operations and are received by **“You”** during the period of interruption.
- (2) Proceeds for fund raising drives or solicitations which are for the sole benefit of **“You”** and occur as a result of interruption of **“Your”** operations.

2. EXTRA EXPENSE

This **“Memorandum”** is extended to cover the necessary and reasonable extra expenses occurring during the term of the **“Memorandum”** at any location as hereunder defined, incurred by **“You”** in order to continue as nearly as practicable the normal operation of **“Your”** business following damage to or destruction of **“Covered Property”** by a **“Covered Peril”** which is on premises owned, leased or occupied by **“You.”** In the event of such damage or destruction, **“We”** shall be liable for such necessary extra expense incurred for only such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace such part of the property as has been damaged or destroyed commencing with the date of damage or destruction and not limited by the date of expiration of this **“Memorandum”** (hereinafter referred to as period of restoration).

B-1. EXTENSIONS OF COVERAGE

1. INGRESS / EGRESS

This **“Memorandum”** is extended to insure the actual loss sustained during the period of time not exceeding thirty (30) days when, as a result of physical loss or damage caused by a **“Covered Peril(s)”** specified by this **“Memorandum”** and occurring at property located within a **ten (10)** mile radius of

“Covered Property,” ingress to or egress from the “Covered Property” covered by this “Memorandum” is prevented. Coverage under this extension is subject to a 24-hour waiting period.

2. INTERRUPTION BY CIVIL AUTHORITY

This “Memorandum” is extended to insure the actual loss sustained by “You” as covered hereunder during the length of time, not exceeding 30 days, when as a direct result of damage to or destruction of property by “Covered Peril(s)” occurring at property located within a 10 mile radius of “Covered Property”, access to the “Covered Property” is specifically prohibited by order of a civil authority. Coverage under this extension is subject to a 24-hour waiting period.

3. DEMOLITION AND INCREASED TIME TO REBUILD

“We” shall, in the case of loss covered by this “Memorandum”, be liable also for loss to the interest covered by this “Memorandum”, occasioned by the enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures and in force at the time such loss occurs, which necessitates the demolition of any portion of the described building(s) not damaged by the “Covered Peril(s)”. “We” shall also be liable for loss due to the additional period of time required for repair or reconstruction in conformity with the minimum standards of such ordinance or law of the building(s) described in the “Memorandum” damaged by a “Covered Peril.”

THE “AUTHORITY” SHALL NOT BE LIABLE UNDER THIS CLAUSE FOR:

- a. More than the limit of liability as shown elsewhere in this “Memorandum”.
- b. Any greater proportion of any loss to the interest covered by this “Memorandum” than the amount covered under this “Memorandum” on said interest bears to the total insurance and coverage on said interest, whether all such insurance contains this clause or not.

1. CONTINGENT TIME ELEMENT COVERAGE

Business interruption, rental income, tuition income and extra expense coverage provided by this “Memorandum” is extended to cover loss directly resulting from physical damage to property of the type not otherwise excluded by this “Memorandum” at direct supplier or direct customer locations that prevents a supplier of goods and/or services to the “Member” from supplying such goods and/or services, or that prevents a recipient of goods and/or services from the “Member” from accepting such goods and/or services.

2. TAX REVENUE INTERRUPTION

Except as hereinafter or heretofore excluded, this “Memorandum” insures against loss resulting directly from necessary interruption of sales, property or other tax revenue including, but not limited to Tribal Incremental Municipal Services Payments collected by or due the “Member” caused by damage or destruction to property which is not operated by the “Member” and which

wholly or partially prevents the generation of revenue for the account of the **“Member”**.

The **“Authority”** shall be liable for the actual loss sustained for only the length of time as would be required with exercise of due diligence and dispatch to rebuild, replace or repair the contributing property commencing with the date of damage to the contributing property, but not limited by the expiration date of this **“Memorandum”**.

Loss recovery after deductible shall be limited to whichever is the least of:

1. The actual loss sustained;
2. \$1,000,000 per occurrence

3. EXTENDED PERIOD OF INDEMNITY

Business interruption including rental income, tax interruption, tuition income and extra expense coverage provided by this **“Memorandum”** is extended for the additional length of time required to restore the business of the **“Member”** to the condition that would have existed had no loss occurred commencing on either;

- a. the date on which the **“Authority’s”** liability would otherwise terminate or;
- b. the date on which rebuilding, repairing or replacement of such property as has been lost, damaged or destroyed is actually completed, whichever is later.

“Our” liability under this extension shall terminate no later than the number of days indicated in the Declaration Page for this item:

4. EXPENSES TO REDUCE LOSS

This **“Memorandum”** also covers such expenses as are necessarily incurred for the purpose of reducing loss under this section (except incurred to extinguish a fire); but in no event to exceed the amount by which loss is thereby reduced.

C-1. EXCLUSIONS

1. **“We”** shall not be liable for any increase of loss which may be occasioned by the suspension, lapse, or cancellation of any lease or license, contract or order, unless such suspension, lapse, or cancellation results directly from the interruption of business caused by direct physical loss or damage covered by this **“Memorandum”** and, then the **“We”** shall only be liable for such loss as affects the **“Your”** earnings during and limited to, the period of indemnity covered under this **“Memorandum”**.

2. With respect to loss resulting from damage to or destruction of media for, or programming records pertaining to, electronic data processing or electronically controlled equipment, including data thereon, by the perils insured against, the length of time for which “We” shall be liable hereunder shall not exceed:
 - i. Thirty (30) consecutive calendar days or the time required with exercise of due diligence and dispatch to reproduce the data thereon from duplicates or from originals of the previous generation, whichever is less; or,
 - ii. the length of time that would be required to rebuild, repair or replace such other property herein described as has been damaged or destroyed, but not exceeding eighteen (18) calendar months, whichever is the greater length of time.

D-1. CONDITIONS APPLICABLE TO THIS SECTION

If the “Member” could reduce the loss resulting from the interruption of business:

- a. by complete or partial resumption of operation of the property whether or not the property be lost or damaged, or;
- b. by making use of merchandise or other property at the “Member’s” location or elsewhere;

such reduction shall be taken into account in arriving at the amount of the loss hereunder.

E-1. DEFINITIONS

c. GROSS EARNINGS

"Gross Earnings" is defined as the sum of:

- a. total net sales and;
- b. other earnings derived from the operation of the business
less the cost of;
- c. merchandise sold including packaging materials and;
- d. materials and supplies consumed directly in supplying the service(s) sold by the “Member”, and;
- e. service(s) purchased from outside (not employees of the “Member”) for resale that does not continue under contract.

No other cost shall be deducted in determining gross earnings.

In determining gross earnings, due consideration shall be given to the experience of the business before the date of loss or damage and the probable experience, thereafter, had no loss occurred.

In the event that Real and/or Personal Property that does not normally produce an income, sustains damage covered under this “**Memorandum**”, the actual recovery under this “**Memorandum**” shall be the continuing fixed charges and expenses directly attributable to such non-productive property.

d. MERCHANDISE

Shall be understood to mean, goods kept for sale by the “**Member**”, which are not the products of manufacturing operations conducted by the “**Member**”.

e. EXTRA EXPENSE

The term "extra expense", whenever used in this “**Memorandum**”, is defined as the excess (if any) of the total cost incurred during the period of restoration chargeable to the operation of the “**Member’s**” business over and above the total cost that would normally have been incurred to conduct the business during the same period had no damage or destruction occurred. Any salvage value of property obtained for temporary use during the period of restoration, which remains after the resumption of normal operations, shall be taken into consideration in the adjustment of any loss hereunder.

f. RENTAL VALUE

The term "rental value" is defined as the sum of:

- a. the total anticipated gross rental income from tenant occupancy as furnished and equipped by the “**Member**”, and;
- b. the amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be obligations of the “**Member**”, and;
- c. the fair rental value of any portion of said property which is occupied by the “**Member**”, and;
- d. any amount in excess of a., b. and c. (above) which is an obligation due under the terms and conditions of any revenue bond, certificate of participation or other financial instrument.

In determining rental value, due consideration shall be given to the experience before the date of loss or damage and the probable experience thereafter had no loss occurred.

g. PERIOD OF RESTORATION

The period during which business interruption and or rental interruption applies will begin on the date direct physical loss occurs and interrupts normal business operations and ends on the date that the damaged property should have been repaired, rebuilt or replaced with due diligence and dispatch, but not limited by the expiration of this “**Memorandum**”.

SECTION II

GENERAL CONDITIONS

D. COVERED PERILS

Subject to the terms, conditions and exclusions stated elsewhere herein, this “**Memorandum**” provides insurance against all risk of direct physical loss or damage occurring during the period of this “**Memorandum**”.

E. EXCLUSIONS

This “**Memorandum**” does not insure against any of the following:

1. Cosmetic loss or damage to any rooftop material caused by the perils of wind and/or hail
2. Loss or damage caused by or resulting from moths, vermin, termites, or other insects, inherent vice, latent defect, faulty materials, error in design, faulty workmanship, wear, tear or gradual deterioration, rust, corrosion, wet or dry rot, unless physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss or damage.
3. Physical loss or damage by normal settling, shrinkage or expansion in building or foundation.
4. Delay or loss of markets (this exclusion shall be inapplicable to the extent inconsistent with any time element coverage provided elsewhere herein).
5. “**Breakdown**” to equipment owned, operated or controlled by “**You**” unless loss or damage results from a “**Covered Peril**” and then “**We**” will pay only for the ensuing loss or damage;

Notwithstanding the foregoing exclusion, “**We**” will pay for damage to “**Covered Property**” as follows:

1. Cracking of any part of an internal combustion gas turbine exposed to the products of combustion;
2. Damage to any structure or foundation supporting the equipment owned, operated or controlled by **“You;”**
3. Damage to any vacuum tube, gas tube or brush;
4. Leakage at any valve, fitting, shaft seal, gland packing, joint or connection
5. An explosion unless the direct loss or damage is caused by an explosion of a steam boiler; electric steam generator; steam piping; steam turbine; steam engine; or gas turbine or any other moving or rotating machinery when such explosion is caused by centrifugal force or mechanical breakdown;
6. Explosion within the furnace of a chemical recovery type boiler or within the gas passages from the furnace to the atmosphere;
7. Fire or combustion explosion, including those that result in a **“Breakdown”** of equipment owned, operated or controlled by **“You”**; occur at the same time as a **“Breakdown”** of equipment owned, operated or controlled by **“You,”** or ensue from a **“Breakdown”** of equipment owned, operated or controlled by **“You;”**

so long as such damage is not caused by or as a result of wear or tear, gradual deterioration, depletion, erosion, corrosion, inherent vice, latent defect, insects, moths or vermin, unless direct physical damage or loss not otherwise excluded in this **“Memorandum”** results, and then only for the resulting damage; delay, loss of market or loss of use, interruption of business or any other consequential or indirect loss except as otherwise specifically covered under this **“Memorandum;”**

8. dampness or dryness of atmosphere, extremes or changes of temperature, shrinkage, evaporation, decay or other spoilage, loss of weight, rust, contamination, and change of flavor, color, texture or finish unless resulting from direct physical loss or damage to facilities owned by a public utility or other company contracted to supply natural gas, telecommunications, water electricity, or refrigeration to the **“Covered Location;”** **However “We”** will pay no more than the maximum of \$150,000 per **“Occurrence”** for **“Damages”** from a **“Breakdown”** of equipment owned, operated or controlled by **“You”** for extremes or changes of temperatures including heat, cold waves and freezing due to cold weather if direct physical damage is the result of a **“Covered Peril”**.

6. Loss or damage caused by or resulting from misappropriation, conversion, inventory shortage, unexplained disappearance, infidelity or any dishonest act on the part of the **“Member”**, its employees or agents or others to whom the property may be entrusted (bailees and carriers for hire excepted) or other party of interest.

7. Loss or damage caused by or resulting from electrical injury or disturbance from artificial causes to electrical appliances, devices of any kind or wiring, unless physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss. This exclusion does not apply to dataprocessing equipment or media.
8. Loss or damage to personal property resulting from shrinkage, evaporation, loss of weight, leakage, breakage of fragile articles, marring, scratching, exposure to light or change in color, texture or flavor, unless such loss is caused directly by fire or the combating thereof, lightning, windstorm, hail, explosion, strike, riot, or civil commotion, aircraft, vehicles, breakage of pipes or apparatus, sprinkler leakage, vandalism and malicious mischief, theft, attempted theft, flood or earthquake shock.
9. Loss or damage caused by rain, sleet or snow to personal property in the open (except in the custody of carriers or bailees for hire).
10. Loss caused directly or indirectly, by:
 - a. War, hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack
 1. by any government or sovereign power (de jure or de facto), or by any Authority maintaining or using military, naval or air forces; or
 - ii. by military, naval or air forces; or
 - iii. by an agent of any such government, power, authority or forces;
 - b. any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
 - c. insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental Authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.
11. Nuclear reaction or nuclear radiation or radioactive contamination from any cause, all whether direct or indirect, controlled or uncontrolled, proximate or remote, or is contributed to or aggravated by a Covered Cause of Loss. However:
 - a. If fire not otherwise excluded results, the **“Authority”** shall be liable for the direct physical loss or damage by such resulting fire, but not including, any loss or damage due to nuclear reaction, nuclear radiation, or radioactive contamination, and
 - b. This **“Memorandum”** does insure against physical loss or damage caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted on the Named Insured premises, provided that, at the time of such loss or damage, there is neither a nuclear reactor nor

any new or used nuclear fuel on the “**Member**” premises.

12. As respects course of construction, the following exclusions shall apply:
 - a. The cost of making good: faulty or defective workmanship, materials, construction and/or design, but this exclusion shall not apply to damage by a peril not excluded resulting from such faulty or defective workmanship, materials, construction and/or design, but this exclusion shall not apply to damage by a peril not excluded resulting from such faulty or defective workmanship, materials, construction and/or design.
 - b. The cost of non-compliance of, or delay in completion of contract.
 - c. The cost of non-compliance with contract conditions.
 - d. Contractors' equipment or tools not a part of or destined to become a part of the installation.
13. Loss or damage caused by Earthquake Shock unless a limit is shown in this “**Memorandum**”.
14. Loss or damage caused by Flood unless a limit is shown in this “**Memorandum**”.
15. Loss, damage, cost, claim or expense, whether preventative, remedial or otherwise, directly or indirectly arising out of or relating to:
 - a. the recognition, interpretation, calculation, comparison, differentiation, sequencing or processing of data involving one or more dates or times, by any computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the “**Member**” or not; or
 - b. any change, alteration, correction or modification involving one or more dates or times, to any such computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the “**Member**” or not.

Except as provided in the next paragraph, this Electronic Date Recognition Clause shall apply regardless of any other cause or event that contributes concurrently or in any sequence to the loss, damage, cost, claim or expense.

If direct physical loss or damage not otherwise excluded by this “**Memorandum**” results, then subject to all its terms and conditions, this “**Memorandum**” shall be liable only for such resulting loss or damage. Such resulting loss or damage shall not include physical loss or damage to data resulting directly from a) or b) above, nor the cost, claim or expense, whether preventative, remedial, or otherwise, arising out of or relating to any change, alteration,

correction or modification relating to the ability of any damaged computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment to recognize, interpret, calculate, compare, differentiate sequence or process any data involving one or more dates or times.

16. Loss or damage in the form of, caused by, arising out of, contributed to, or resulting from fungus, mold(s), mildew or yeast; or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast;

- n. fungus includes, but is not limited to, any of the plants or organisms belonging to the major group fungi, lacking chlorophyll, and including mold(s), rusts, mildews, smuts and mushrooms;
- b. mold(s) includes, but is not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungi that produce mold(s); unless directly resulting from other direct physical loss or damage to **“Covered Property”** not excluded during the term of this **“Memorandum”**
- c. spores mean any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildew, plants, organisms or microorganisms,

regardless of any other cause or event that contributes concurrently or in any sequence to such loss.

This exclusion shall not apply to any loss or damage in the form of, caused by, contributed to or resulting from fungus, mold(s), mildew or yeast, or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast which the **“Member”** establishes is a direct result of a **“Covered Loss”** not otherwise excluded by the **“Memorandum”**, provided that such fungus, mold(s), mildew or yeast loss or damage is reported to the **“Authority”** within twelve months from the expiration date of the **“Memorandum”**. Notwithstanding Section II, Item I., Other Insurance, coverage provided under this paragraph shall apply as primary. Nothing herein contained shall be held to waive, vary, alter or extend any condition or provision of the **“Memorandum”** other than as above stated.

17. Loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials regardless of any other cause or event contributing concurrently or in any other sequence thereto.
18. The following additional exclusions apply to animals covered under this **“Memorandum”**:
- a. Death of any animal(s) from natural causes.
 - b. Death of any animal(s) that dies from an unknown cause unless:
 - i. upon the death of such animal a post-mortem examination conducted on the animal by a licensed veterinarian, and if
 - ii. the veterinarian's post-mortem report shows the cause of death to clearly fall within the

coverages of this **“Memorandum”**.

- c. Death of any animal(s) as a result of surgical operation, including inoculation, unless the necessity for same arises from a loss otherwise covered by this **“Memorandum”**.
 - d. The death or destruction of any animal(s) caused by, resulting from, or made necessary by physical injury caused by or resulting from the activities of the injured animal or other animals unless such death or destruction is the result of a loss otherwise covered by this **“Memorandum”**.
 - e. The death of any animal(s) caused directly or indirectly by the neglect or abuse of the **“Member”**, his agent, employees or bailees (carriers for hire excepted) unless such death is a result of a loss otherwise covered by this **“Memorandum”**.
 - f. The loss by death of any animal(s) as a result of parturition or abortion.
 - g. Loss resulting from depreciation in value caused by any animal(s) covered hereunder becoming unfit for or incapable of filling the function or duties for which it is kept, employed or intended unless such depreciation is a result of a loss otherwise covered by this **“Memorandum”**.
 - h. Loss by destruction of any animal(s) on the order of the federal or any state government, or otherwise as a result of having contracted or been exposed to any contagious or communicable disease.
 - i. The removal or disposal of the remains of any animal(s) or the expense thereof unless such removal or disposal is the result of a loss otherwise covered by this **“Memorandum”**.
 - j. The loss of any animal(s) that has been unnerved (the term "unnerved" to be considered as meaning the operation of neurotomy for lameness).
 - k. Any claim consequent upon delay, deterioration, or loss of use or loss of market arising from an event covered by this **“Memorandum”**.
19. Loss, damage, costs or expenses in connection with any kind or description of seepage and/or pollution and/or contamination, direct or indirect, arising from any cause whatsoever. Except as provided in Coverage A: Property Coverage, A. Extension of Coverage, 21. Accidental Contamination.

Nevertheless, if fire is not excluded from this Policy and a fire arises directly or Indirectly from seepage and/or pollution and/or contamination, any loss or damage covered under this Policy arising directly from that fire shall (subject to the terms, conditions and limitations of the **“Memorandum”**) be covered.

However, if the covered property is the subject of direct physical loss or damage for which the **“Authority”** has paid or agreed to pay, then this **“Memorandum”** (subject to its terms, conditions and limitations) insures against direct physical loss or damage to the property covered hereunder caused by resulting seepage and/or pollution and/or contamination.

The **“Member”** shall give notice to the **“Authority”** of intent to claim NO LATER THAN TWELVE (12) MONTHS AFTER THE DATE OF THE ORIGINAL PHYSICAL LOSS OR DAMAGE.

Notwithstanding the provisions of the preceding exclusions or any provision respecting seepage and/or pollution and/or contamination, and/or debris removal and/or cost of cleanup in the **“Memorandum”** in the event of direct physical loss or damage to the property covered hereunder, this **“Memorandum”** (subject otherwise to its terms, conditions and limitations, including but not limited to any applicable deductible) also insures, within the sum covered:

- (a) expenses reasonably incurred in removal of debris of the property hereunder destroyed or damaged from the premises of the **“Member”**; and/or;
- (b) cost of clean up at the premises of the **“Member”** made necessary as a result of such direct physical loss or damage;

PROVIDED that this **“Memorandum”** does not insure against the costs of decontamination or removal of water, soil or any other substance on or under such premises.

20. **Authorities Exclusion:**

Fines, penalties or cost incurred or sustained by the **“Member”** or imposed on the **“Member”** at the order of any Government Agency, Court or other Authority, in connection with any kind or description of environmental impairment including seepage or pollution or contamination from any cause.

21. **The following exclusion applies to Terrorism:**

Any act of terrorism. An act of terrorism means an act, including but not limited to the use of the force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purpose including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This **“Memorandum”** also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to the paragraph above.

If the **“Authority”** allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance the burden of proving the contrary shall be upon the **“Member”**.

In the event any portion of this exclusion is found to be invalid or unenforceable, the remainder shall remain in full force and effect. All other terms and conditions remain unaltered.

C-1. STATUTES

If any of the articles of this **“Memorandum”** conflict with the laws or statutes of any jurisdictions in which this **“Memorandum”** applies this **“Memorandum”** is amended to conform to such laws or statutes.

D-1. TERRITORIAL LIMITS

This **“Memorandum”** insures Real and Personal Property within the United States of America. Personal Property is extended to Worldwide coverage. The coverage provided by this clause for Personal Property is sub-limited to \$100,000 USDS.

E-1. REINSTATEMENT

Any reduction in the amount insured hereunder due to payment of any loss or losses shall be automatically reinstated for the balance of the term of this contract except as respects to the perils of Earthquake Shock and Flood.

F-1. FREE ON BOARD (F.O.B.) SHIPMENTS

The “**Authority**” shall be liable for the interest of the “**Member**” at sole option of the “**Member**”, the interest of the consignee in merchandise, which has been sold by the “**Authority**” under terms of F.O.B. point of origin or other terms usually regarded as terminating shippers' responsibility short of point of delivery.

G-1. BREACH OF CONDITIONS

If any breach of a clause, condition or warranty of this “**Memorandum**” shall occur prior to a loss affected thereby under this “**Memorandum**”, such breach shall not void the “**Memorandum**” nor avail the “**Authority**” to avoid liability unless such breach shall exist at the time of such loss under this contract or “**Memorandum**” and be a contributing factor to the loss for which claim is presented hereunder, it being understood that such breach of clause or condition is applicable only to the property affected thereby. Notwithstanding the foregoing, if the “**Member**” establishes that the breach, whether contributory or not, occurred without its knowledge or permission or beyond its control, such breach shall not prevent the “**Member**” from recovering under this “**Memorandum**”.

H-1. PERMITS AND PRIVILEGES

Anything in the printed conditions of this “**Memorandum**” to the contrary notwithstanding, permission is hereby granted:

1. to maintain present hazards and hazards which are consistent with the current operation of insured facilities;
2. to make additions, alterations, extensions, improvements and repairs, to delete, demolish, construct and reconstruct, and also to include all materials, equipment and supplies incidental to the foregoing operations of the property covered hereunder, while in, on and/or about the premises or adjacent thereto;
3. for such use of the premises as usual and/or incidental to the business as conducted therein and to keep and use all articles and materials usual and/or incidental to said business in such quantities as the exigencies of the business require;
4. to be or become vacant or unoccupied. If a building becomes vacant or unoccupied, notice is to be given to the “**Authority**” prior to the one-hundred twentieth (I 20th) consecutive day of vacancy or lack of occupancy. The giving, or failure to give such notice will not constitute a condition precedent to the “**Authority**’s” liability, but the “**Member**” shall make a reasonable effort to comply with such requirement.

This “**Memorandum**” shall not be prejudiced by:

1. any error in stating the name, number, street, or location of any building(s) and contents covered hereunder, or any error or omission involving the name or title of the “**Member**”;
2. any act or neglect of the owner of the building, if the “**Member**” hereunder is not the owner, or of any occupant of the within described premises other than the “**Member**”, when such

act or neglect is not within the control of the **“Member”**, named herein; or

3. by failure of the **“Member”** to comply with any of the warranties or conditions endorsed hereon in any portion of the premises over which the **“Member”** has no control.

I-1. PROTECTIVE SAFEGUARDS

The **“Member”** shall exercise due diligence in maintaining in complete working order all protective safeguard equipment and services.

J-1. ARBITRATION OF VALUE

In case the **“Member”** and the **“Authority”** shall fail to agree as to the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraisers selected. The appraiser shall first select a competent and disinterested umpire, and failing to agree upon such umpire, then, on request of the **“Member”** or the **“Authority”** such umpire shall be selected by judge of a court of record in the state in which the property covered is located.

The appraisers shall as soon as practicable, appraise the loss stating separately the loss of each item and failing to agree, shall submit their differences only to the umpire. An award in writing so itemized, of any two appraisers when filed with the **“Authority”** shall determine the amount of loss. The party selecting him shall pay each appraiser and the expenses of appraisal and umpire shall be paid by the parties equally.

K-1. PROOF OF LOSS

“You” shall render a signed and sworn proof of loss as soon as practical after the occurrence of a loss, stating the time, place and cause of loss, the interest of **“You”** and of all others in the property, the value thereof and the amount of loss or damage thereto.

L-1. SUROGATION

In the event of any loss payment under this **“Memorandum”**, **“We”**, shall be subrogated to all **“Your”** rights of recovery thereof against any person or organization and **“You”** shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights.

As respects subrogation it is agreed that, after expenses incurred in subrogation are deducted, **“You”** and the **“Authority”** shall share proportionately to the extent of their respective interests as determined by the amount of their net loss. Any amount thus found to be due to either party from the other shall be paid promptly.

Notwithstanding the above wording, the **“Member”** has the right to enter into an agreement that releases or waives the **“Members”** right to recovery against third parties responsible for the loss if made before the loss occurred.

O-1. ABANDONMENT

There shall be no abandonment to the **“Authority”** of any property.

P-1. ASSIGNMENT

Assignment or transfer of this “**Memorandum**” shall not be valid except with the written consent of the “**Authority**”.

Q-1. SALVAGE

When, in connection with any loss hereunder, any salvage is received prior or subsequent to the payment of such loss, the loss shall be figured on the basis on which it would have been settled had the amount of salvage been known at the time the loss was originally determined. The salvage value will be deducted from the claim or returned to the “**Authority**”.

F. LIMITS OF LIABILITY:

“**We**” will not pay more than the following “**Limits of Liability**” for loss or damage arising from any one “**Occurrence**.”

A) \$750,000,000 per “**Occurrence**” regardless of the number of “**Covered Locations**” or types of coverage involved, subject to the following sub-limits which shall not operate to increase this per “**Occurrence**” limit of liability. When a sublimit is designated as an “**Annual Aggregate**,” that is the maximum “**Limit of Liability**” “**We**” will pay during the “**Term**” of the “**Memorandum**” regardless of the number of “**Occurrences**,” “**Covered Locations**” and/or types of coverage involved.

1. \$100,000,000 per “**Occurrence**” and in the “**Annual Aggregate**” limit for “**Flood**” loss occurring outside of Flood Zone A and V. Flood Zones are mapped by the Federal Emergency Management Agency (FEMA). All “**Flood**” loss that occurs within any 168 hour period will constitute a single “**Flood**” “**Occurrence**.” The expiration of the “**Term**” of this “**Memorandum**” will neither reduce or increase the 168 hour period.
2. \$50,000,000 per “**Occurrence**” and in the “**Annual Aggregate**” limit for “**Flood**” loss occurring within Flood Zone A and V locations. Flood Zones are mapped by the Federal Emergency Management Agency (FEMA). Flood Zone A and V correspond to areas within a 100-year flood zone. All “**Flood**” loss that occurs within any 168 hour period will constitute a single “**Flood**” “**Occurrence**.” The expiration of the “**Term**” of this “**Memorandum**” will neither reduce or increase the 168 hour period.
3. \$100,000,000 per “**Occurrence**” and in the “**Annual Aggregate**” limit per “**Occurrence**” for “**Earthquake**.” All “**Earthquake**” shocks which occur within any 168-hour period will constitute a single “**Occurrence**.” The expiration of the “**Term**” of this “**Memorandum**” will neither reduce or increase the 168-hour period.

4. **\$100,000,000 Limit Per “Occurrence” Combined Business Interruption, Rental Income and Tuition Income (and related fees).**
5. \$50,000,000 limit per “**Occurrence**” for Extra Expense.
6. **\$50,000,000** limit per “**Occurrence**” for Increased Cost of Construction due to the enforcement of building codes/ordinance or law.
7. \$25,000,000 limit per “**Occurrence**” for “**Valuable Papers and Records.**”
8. \$25,000,000 limit per “**Occurrence**” for property-in-transit within the “**Covered Territory**” specified in this “**Memorandum.**”
9. \$500,000 Limit per “**Occurrence**” for Tanks, Flues, Drains and Pipes. “**We**” only pay for such loss when directly caused by fire or explosion.
10. \$500,000 Limit per “**Occurrence**” for Air Supported Structures and the contents thereof.
11. \$1,000,000 Limit per “**Occurrence**” for landscaping, trees, shrubs, plants, greens and athletic fields and further subject to \$25,000/25 gallon maximum per item.
12. **\$100,000,000** Limit per “**Occurrence**” for **Interruption By Civil Authority** and Ingress and Egress coverage for 30 days from the date of a loss caused by a covered peril occurring at property located within a 10 mile radius of covered property.
13. \$3,000,000 Limit per “**Occurrence**” for Contingent Business Interruption.
14. \$500,000 Limit per “**Occurrence**” for “**Leased Equipment.**”
15. **\$50,000,000** Limit per “**Occurrence**” for new locations of existing “**Members**” **for 120 days** from date of acquisition. Additionally, there is automatic coverage for new locations of **new “Members”** up to \$25,000,000 for 90 days from date of acquisition. .
16. **\$100,000** Limit per “**Occurrence**” for resultant loss or damage from mold or other fungi, bacteria, wet rot, dry rot, bacteria or mildew which has directly resulted from direct physical damage caused by one or more “**Covered Perils.**” The annual aggregate limit provided by this coverage extension is \$1,000,000 regardless of the number or type of “**Covered Perils**” involved, the number of “**Covered Locations**” to which this coverage extension applies, or the number or types of mold or other fungi, wet or dry rot, bacteria or mildew.
17. \$250,000,000 “**Annual Aggregate**” for direct physical loss or damage for “**Terrorism.**” This “**Limit of Liability**” combines coverages for Property

Damage, Contingent Business Interruption, Loss of Rental and other Income and Extra Expense. There is an additional \$550,000,000 **“Limit of Liability”** applicable to all insureds of **“APIP.”**

- 18. \$25,000,000 Limit per **“Occurrence”** for off premises Services Interruption
- 19. \$50,000,000 Limit for Increased Cost of Construction due to the enforcement of building codes / ordinance or law, except \$2,500,000 for vacant properties.

G. DEDUCTIBLES AND EXCESS INSURANCE:

All losses, damages or expenses arising out of anyone **“Occurrence”** shall be adjusted as one loss, and of the total amount of such adjusted loss **“We”** will pay the following maximum amount:

\$1,000,000 for loss from all perils, except wind and hail. **A \$10,000,000 per “Occurrence” /\$25,000,000 Aggregate** with a \$2,500,000 Maintenance per **“Occurrence”** deductible applies for the peril of hail and wind. Property losses in excess of these limits are covered by excess insurance.

Property losses are also subject to **“Member”** deductibles which is outlined below and in the **“Authority’s Summary of Coverage”** for each **“Term”** of the **“Memorandum.”** Where a **“Member”** assumes liability for property coverage under a construction or renovation contract, the contractor shall be responsible for payment of the first \$1,000 of each **“Occurrence.”** The **“Member”** shall pay the remainder of the deductible, up to the maximum amount stated in the **“Authority’s Summary of Coverage.”**

“Member” Deductible Schedule

Each **“Member”** is assigned a building deductible based on the **“Member’s”** total appraised building values. The annual Budget Notice provides the **“Member”** with the recent appraised value. All losses, damages or expenses arising out of anyone **“Occurrence”** shall be considered as one loss, and the following deductibles shall be applied to the total of the loss regardless of the number of buildings that incur damage.

[DISTRICT, CHARTER SCHOOLS & ALL OTHER ENTITIES] (excluding Higher Education)

Building Values	Deductible	Maximum Out of Pocket Deductible	Contents Deductible
\$10 Million and Under	\$1,000	\$4,000	\$750
\$10 to \$20 Million	\$2,500	\$10,000	\$750
\$20 to \$50 Million	\$5,000	\$20,000	\$750
\$50 to \$100 Million	\$10,000	\$40,000	\$750
\$100 to \$200 Million	\$15,000	\$60,000	\$750
\$200 Million and Above	\$25,000	\$100,000	\$750
If there is a combination of building damage and contents damage, only the higher deductible shall be			

charged. Once the Out of Pocket deductible has been reached, the building deductible will default to \$750 per occurrence for the remainder of the “**Term**” of the “**Memorandum**”.

[HIGHER EDUCATION]

Building Values	Deductible	Maximum Out of Pocket Deductible	Contents Deductible
\$10 Million and Under	\$1,000	\$4,000	\$750
\$10 to \$20 Million	\$2,500	\$10,000	\$750
\$20 to \$50 Million	\$2,500	\$20,000	\$750
\$50 to \$100 Million	\$2,500	\$40,000	\$750
\$100 to \$200 Million	\$2,500	\$60,000	\$750
\$200 Million and Above	\$2,500	\$100,000	\$750

If there is a combination of building damage and contents damage, only the higher deductible shall be charged. Once the Out of Pocket deductible has been reached, the building deductible will default to \$750 per occurrence for the remainder of the “**Term**” of the “**Memorandum**”.

H. OTHER COVERAGE:

R-1. OTHER INSURANCE:

Permission is hereby granted to the “**Member**” to carry more specific insurance on any property covered under this **Memorandum**. This **Memorandum** shall not attach or become insurance upon any property which at the time of loss is more specifically described and covered under any other policy form until the liability of such other insurance has first been exhausted and shall then cover only the excess of value of such property over and above the amount payable under such other insurance, whether collectible or not. This **Memorandum**, subject to its conditions and limitations, shall attach and become insurance upon such property as respects any peril not covered by such other insurance and not otherwise excluded herein.

In the event of a loss that is covered by other insurance, wherein this **Memorandum** is excess of any amount paid by such other insurer, the other insurance shall be applied to the deductible amount stated elsewhere. Should the amount paid by such other insurance exceed these deductibles, no further deductibles shall be applied under this “**Memorandum**”.

This “**Memorandum**” provides the terms of coverage for the “**Authority’s**” self-insured layer and its provisions prevail, **within the self-insured layer**, over all provisions of excess coverages or individual policies purchased by the “**Authority**” for losses that may also be covered by this “**Memorandum**.”

S-1. RIGHT TO REVIEW RECORDS FOLLOWING AN INSURED LOSS

The “**Member**” as often as may be reasonably required, shall submit and so far as within their power, cause all other persons interested in the property or employees to submit to examination under oath by any person named by “**Us**” relative to any and all matters in connection with a claim, and produce for examination all books of account, bills, invoices and other vouchers or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by “**Us**” or “**Our**” representatives and shall permit extracts and copies thereof to be made.

T-1. CONCEALMENT AND FRAUD

This entire **“Memorandum”** shall be void, if whether before or after a loss, the **“Member”** has willfully concealed or misrepresented any material facts or circumstance concerning this **“Memorandum”** of the subject thereof, or the interest of the **“Member”** therein, or in case of any fraud or false swearing by the **“Member”** relating thereto.

U.1 SUIT AGAINST THE “AUTHORITY”

No suit, action or proceeding for the recovery of any claim under this **“Memorandum”** shall be sustainable in any court of law or equity unless the **“Member”** shall have complied with all the requirements of this **“Memorandum”**, nor unless the suit is commenced within twelve (12) months after the date that the **“Authority”** has made its final offer of settlement or denial of the loss. However, that if under the laws of the jurisdiction in which the property is located such limitation is invalid, then any such claims shall be void unless such action, suit or proceedings be commenced within the shortest limit of time permitted by the laws of such jurisdiction.

V-1. JOINT LOSS ADJUSTMENT – EQUIPMENT BREAKDOWN

In the event of damage to or destruction of property, at a location designated in this **Memorandum”** and also designated in an Equipment Breakdown policy, and there is a disagreement between the **“Us”** and the **“Member”** with respect to:

- (1) Whether such damage or destruction was caused by a peril covered against by this **“Memorandum”** or by an accident covered against by such Equipment Breakdown insurance policy(ies) or;
- (2) The extent of participation of this **“Memorandum”** and of such Equipment Breakdown insurance policy in a loss that is covered against, partially or wholly, by one or all of said policy(ies)/ **“Memorandum”**.

“We” shall, upon written request of the **“Member”**, pay to the **“Member”** one-half of the amount of the loss which is in disagreement, but in no event more than **“We”** would have paid if there had been no Equipment Breakdown insurance policy(ies) in effect, subject to the following conditions:

- (1) The amount of loss which is in disagreement after making provisions for any undisputed claims payable under the said policy/”**Memorandum”** and after the amount of the loss is agreed by the **“Member”** and the Equipment Breakdown Insurer and **“Us”** is limited to the minimum amount remaining payable under either the Equipment Breakdown insurance policy and the **“Memorandum”**.
- (2) The Equipment Breakdown insurer(s) shall simultaneously pay to the **“Member”**, one-half of the said amount, which is in disagreement.

- (3) The payments by “Us” and acceptance of the same by the “Member” signify the agreement of the “Authority” to submit to and proceed with arbitration within ninety (90) days of such payments:

The arbitrators shall be three (3) in number, one of whom shall be appointed by the Equipment Breakdown insurer(s) and one of whom shall be appointed by “Us” hereon and the third appointed by consent of the other two, and the decision by the arbitrators shall be binding on “Us” and the “Member” and that judgment upon such award may be entered in any court of competent jurisdiction.

- (4) The “Member” agrees to cooperate in connection with such arbitration but not to intervene therein.
- (5) This agreement shall be null and void unless the Policy of the Equipment Breakdown Insurer is similarly endorsed.

In no event shall “We” or the Insurer be obligated to pay more than their total single limit.

W-1. LENDERS LOSS PAYABLE

The following provisions (or equivalent) apply as required by "mortgages" and "lenders" to whom certificates of coverage have been issued.

1. Loss or damage, if any, under this “Memorandum”, shall be paid to the Payee named on this “Memorandum”, its successors and assigns, hereinafter referred to as "the Lender", in whatever form or capacity its interests may appear and whether said interest be vested in said Lender in its individual or in its disclosed or undisclosed fiduciary or representative capacity, or otherwise, or vested in a nominee or trustee of said Lender.
2. The insurance under this “Memorandum”, or any rider or endorsement attached thereto, as to the interest only of the Lender, its successors and assigns, shall not be invalidated nor suspended:
 - (a) by any error, omission, or change respecting the ownership, description, possession, or location of the subject of the insurance or the interest therein, or the title thereto;
 - (b) by the commencement of foreclosure proceedings or the giving of notice of sale of any of the property covered by this “Memorandum” by virtue of any mortgage or trust deed;
 - (c) by any breach of warranty, act, omission, neglect, or non-compliance with any of the provisions of this “Memorandum”, including any and all riders now or hereafter attached thereto, by the “Member”, the borrower, mortgagor, trustor, vendee, owner, tenant, warehouseman, custodian, occupant, or by the agents of either or any of them or by the happening of any event permitted by them or either of them, or their agents, or which they failed to prevent, whether occurring before or after the attachment of this endorsement, or whether before or after a loss, which under the provisions of this “Memorandum” or of any rider or endorsement attached thereto would invalidate

or suspend the insurance as to the **“Member”**, excluding here from, however, any acts or omissions of the Lender while exercising active control and management of the property.

3. In the event of failure of the **“Member”** to pay any premium or additional premium which shall be or become due under the terms of this **“Memorandum”** or on account of any change in occupancy or increase in hazard not permitted by this **“Memorandum”**, the **“Authority”** agrees to give written notice to the Lender of such non-payment of premium after sixty (60) days from and within one hundred and twenty (120) days after due date of such premium and it is a condition of the continuance of the rights of the Lender hereunder that the Lender when so notified in writing by the **“Authority”** of the failure of the **“Member”** to pay such premium shall pay or cause to be paid the premium due within ten (10) days following receipt of the **“Authority’s”** demand in writing therefore. If the Lender shall decline to pay said premium or additional premium, the rights of the Lender under this Lender's Loss Payable Endorsement shall not be terminated before ten (10) days after receipt of said written notice by the Lender.
4. Whenever the **“Authority”** shall pay to the Lender any sum for loss or damage under this **“Memorandum”** and shall claim that as to the **“Member”** no liability therefore exists, the **“Authority”**, at its option, may pay to the Lender the whole principal sum and interest and other indebtedness due or to become due from the **“Member”**, whether secured or unsecured, (with refund of all interest not accrued), and the **“Authority”**, to the extent of such payment, shall thereupon receive a full assignment and transfer, without recourse, of the debt and all rights and securities held as collateral thereto.
5. If there be any other insurance upon the within described property, the **“Authority”** shall be liable under this **“Memorandum”** as to the Lender for the proportion of such loss or damage that the sum hereby insured bears to the entire insurance of similar character on said property under policies held by, payable to and expressly consented to by the Lender. Any Contribution Clause included in any Fallen Building Clause Waiver or any Extended Coverage Endorsement attached to this contract of insurance is hereby nullified, and also any Contribution Clause in any other endorsement or rider attached to this contract of insurance is hereby nullified except Contribution Clauses for the compliance with which the **“Member”** has received reduction in the rate charged or has received extension of the coverage to include hazards other than fire and compliance with such Contribution Clause is made a part of the consideration for insuring such other hazards. The Lender upon the payment to it of the full amount of its claim, will subrogate the **“Authority”** (pro rata with all other insurers contributing to said payment) to all of the Lender's rights of contribution under said other insurance.
6. The **“Authority”** reserves the right to cancel this **“Memorandum”** at any time, as provided by its terms, but in such case this **“Memorandum”** shall continue in force for the benefit of the Lender for ten (10) days after written notice of such cancellation is received by the Lender and shall then cease.

7. This **“Memorandum”** shall remain in full force and effect as to the interest of the Lender for a period of ten (10) days after its expiration unless an acceptable policy in renewal thereof with loss there under payable to the Lender in accordance with the terms of this Lender's Loss Payable Endorsement, shall have been issued by some insurance company and accepted by the Lender.
8. Should legal title to and beneficial ownership of any of the property covered under this **“Memorandum”** become vested in the Lender or its agents, insurance under this **“Memorandum”** shall continue for the term thereof for the benefit of the Lender but, in such event, any privileges granted by this Lender's Loss Payable Endorsement which are not also granted the **“Member”** under the terms and conditions of this **“Memorandum”** and/or under other riders or endorsements attached thereto shall not apply to the insurance hereunder as respects such property.
9. All notices herein provided to be given by the **“Authority”** to the Lender in connection with this **“Memorandum”** and this Lender's Loss Payable Endorsement shall be mailed to or delivered to the Lender at its office or branch described on the first page of the **“Memorandum”**.

X-1. SEVERAL LIABILITY NOTICE

“Our” obligations under this **“Memorandum”** are several, not joint and are limited solely to the extent of **“Our”** individual limits of coverage. **“We”** are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligations.

Y-1. LOSS PAYABLE PROVISIONS

A. LOSS PAYABLE

For covered property in which both the **“Member”** and a Loss Payee have an insurable interest, **“We”** will:

1. Adjust losses with the **“Member”**, and;
2. Pay any claim for loss or their damage jointly to the **Member”** and the Loss Payee, as interests may appear.

B. LENDER’S LOSS PAYABLE

1. The Loss Payee is a creditor, including a mortgage holder or trustee, whose interest in Covered Property is established by such written instruments as:

- a. Warehouse receipts;
 - b. A contract for deed;
 - c. Bills of lading;
 - d. Financing statements or;
 - e. Mortgages, deeds of trust or security agreements.
2. For Covered Property in which both the **“Member”** and a Loss Payee have an insurable interest:
- f. **“We”** will pay for covered loss or damage to each Loss Payee in their order of precedence, as interests may appear.
 - g. The Loss Payee has the right to receive loss payment even if the Loss Payee has started foreclosure or similar action on the Covered Property.
 - h. If **“We”** deny the **“Member’s”** claim because of the **“Member’s”** act or because the **“Member”** has failed to comply with the terms of the **“Memorandum”** Coverage Part, the Loss Payee will still have the right to receive loss payment if the Loss Payee:
 - (I) Pays any premium due under this Coverage Part at our request if the **“Member”** has failed to do so;
 - (II) Submits a signed, sworn proof of loss within ninety (90) days after receiving notice from us of the **“Member’s”** failure to do so, and;
 - (III) Has notified us of any change in ownership, occupancy or substantial change in risk known to the Loss Payee.

All of the terms of this Coverage Part will then apply directly to the Loss Payee.

- i. If **“We”** pay the Loss Payee for any loss or damage and deny payment to the **“Member”** because of the **“Member’s”** acts or because the **“Member”** has failed to comply with the terms of this **Memorandum Coverage Part**:
 - (I) The Loss Payee's rights will be transferred to us to the extent of the amount the **“Authority”** pays and;
 - (II) The Loss Payee's rights to recover the full amount of the Loss Payee's claim will not be impaired.

At our option, **“We”** may pay to the Loss Payee the whole principal on the debt plus any accrued interest. In this event, the **“Member”** will pay the **Member’s”** remaining debt to **Us**.

3. If **“We”** cancel this **“Memorandum”**, **“We”** will give written notice to the Loss Payee at least:
- a. Ten (10) days before the effective date of cancellation if **“We”** cancel for the **“Member’s”** non-payment of premium or;

- b. Thirty (30) days before the effective date of cancellation if “**We**” cancel for any other reason.
4. If “**We**” elect not to renew this “**Memorandum**”, **We** will give written notice to the Loss Payee at least ten (10) days before the expiration date of this **Memorandum**”.

C. CONTRACT OF SALE

1. The Loss Payee is a person or organization the “**Member**” has entered a contract with for the sale of “**Covered Property**”.
2. For “**Covered Property**” in which both the “**Member**” and the Loss Payee have an insurable interest, “**We**” will:
 - a. Adjust losses with the “**Member** Insured and;
 - b. Pay any claim for loss or damage jointly to the “**Member**” and the Loss Payee, as interests may appear.
3. The following is added to the OTHER INSURANCE Condition:

For Covered Property that is the subject of a contract of sale, the word “**Member**” includes the Loss Payee.

D. ELECTRONIC DATA

1. Electronic Data Exclusion

Notwithstanding any provision to the contrary within the “**Memorandum**” or any endorsement thereto, it is understood and agreed as follows:

- a. This “**Memorandum**” does not insure loss, damage, destruction, distortion, erasure, corruption or alteration of ELECTRONIC DATA from any cause whatsoever (including but not limited to COMPUTER VIRUS) or loss of use, reduction in functionality, cost, expense of whatsoever nature resulting therefrom, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

ELECTRONIC DATA means facts, concepts and information converted to a form useable for communications, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment and includes program, software, and other coded instructions for the processing and manipulation of data or the direction and manipulation of such equipment.

COMPUTER VIRUS means a set of corrupting, harmful or otherwise unauthorized instructions or code including a set of maliciously introduced unauthorized instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. COMPUTER VIRUS includes but is not limited to "Trojan Horses", "worms" and "time or logic bombs".

- b. However, in the event that a **“Peril”** listed below results from any of the matters described in paragraph a) above, this **“Memorandum”**, subject to all its terms, conditions and exclusions will cover physical damage occurring during the **“Memorandum”** period to property insured by this **“Memorandum”** directly caused by such listed peril.

Listed Perils: Fire, Explosion

2. Electronic Data Processing Media Valuation

Notwithstanding any provision to the contrary within this **“Memorandum”** or any endorsement thereto, it is understood and agreed as follows:

Should electronic data processing media insured by this **“Memorandum”** suffer physical loss or damage insured by this **“Memorandum”**, then the basis of valuation shall be the cost to repair, replace or restore such media to the condition that existed immediately prior to such loss or damage, including the cost of reproducing any ELECTRONIC DATA contained thereon, providing such media is repaired, replaced or restored. Such cost of reproduction shall include all reasonable and necessary amounts incurred by the **“Member”** in recreating, gathering and assembling such ELECTRONIC DATA. If the media is not repaired, replaced or restored, the basis of valuation shall be the cost of the blank media. However, this **“Memorandum”** does not insure any amount pertaining to the value of such ELECTRONIC DATA to the **“Member”** or any other party, even if such ELECTRONIC DATA cannot be recreated, gathered or assembled.

I. GENERAL DEFINITIONS

1. **“Authority”** means the New Mexico Public School Insurance Authority and its employees and authorized representatives.
2. **Actual Cash Value”** means replacement cost new less depreciation.
3. **Annual Aggregate”** means a “Limit of Liability” up to which **“We”** will pay during each Term” of this **“Memorandum”** regardless of the number of claims submitted.
4. **Automobile,” “Automobiles”** means a land motor vehicle of a private passenger type or of a commercial type used for the transportation of passengers, the delivery of goods or

for any other business purpose directly related to the operation of the **“Member,”** including equipment permanently attached thereto. An **“Automobile”** does not include any motor vehicle owned by or registered in the name of any employee, volunteer, officer, or board member, of a **“Member,”** or any motor vehicle insured elsewhere for physical damage coverage.

5. **“Breakdown”** means the following direct physical loss that causes physical damage to any of the following owned, operated or controlled by **“You”**:
 - a. Equipment designed and built to operate under internal pressure or vacuum other than weight of contents except the furnace and the gas passages from any boiler or fired vessel to the atmosphere,
 - b. Communication equipment and Computer equipment but does not include electronic data or media,
 - c. Fiber optic cable, or
 - d. Any other electrical or mechanical equipment that is used in the generation, transmission or utilization of energy, caused by electrical failure including arcing; failure of pressure of vacuum equipment; or mechanical failure including rupture or bursting caused by centrifugal force.
6. **“Computer Operations”** means computer hardware of any kind, computer networks and networking equipment, **“Computer Programs,”** electronic data processing media, **“Electronic Data,”** operating systems, media microchips, microprocessors, integrated circuits or similar devices, firmware, software, servers, websites, and all input, output processing, storage and off-line media libraries.
7. **“Computer Programs”** means recorded instructions, whether digital or otherwise, for the processing, collecting, transmitting, recording, retrieval or storage of **“Electronic Data.”**
8. **“Computer Virus”** means any corrupting, harmful or otherwise unauthorized instructions or code, including, but not limited to, any maliciously introduced unauthorized instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network. **“Computer Virus”** includes, but is not limited to, “Trojan Horses,” “worms” and time or logic bombs.

“Contaminant,” “Contamination,” “Contaminated:” See definition of **“Pollutants,” “Pollution,” “Polluted.”**

10. **“Cosmetic Loss or Damage”** means damage caused by wind and/or hail that alters the physical appearance of the rooftop material, but such damage does not prevent the roof

from continuing to function as a barrier to entrance of the elements to the same extent as it did before the cosmetic damage occurred.

11. **“Coverage Territory”** means the **“Member’s”** premises, and for property in transit anywhere in the United States of America, Puerto Rico and Canada. Certain specified coverages may apply as well to other locations as specified in this **“Memorandum.”**
12. **“Covered Location”** means a **“Member’s”** premises as listed in the **“Authority’s”** most recent building appraisal and any new properties acquired since the **“Authority’s”** most recent building appraisal.
13. **“Covered Peril”** means any cause of direct physical loss or damage except those excluded under the terms of this **“Memorandum.”**
14. **“Covered Property”** means all **“Real Property”** and **“Personal Property”** except that which is excluded under the terms of this **“Memorandum.”**
15. **“Date of Loss”** means the time at which an event or casualty causing loss or damage occurs.
16. **“Earthquake”** means any and all losses from this cause within a one hundred sixty-eight (168) hour period shall be deemed to be one loss. The **“Member”** may elect the moment from which each of the aforesaid periods of one hundred sixty-eight (168) hours shall be deemed to have commenced but no two such one hundred sixty eight (168) hour periods shall overlap.

“We” shall not be liable for any loss caused by an earthquake shock occurring before the effective date and time of this **“Memorandum”**. **“We”** will be liable for any losses occurring for a period of up to one hundred sixty eight (168) hours after the expiration of this **Memorandum”** provided that the first earthquake shock loss or damage within that one hundred sixty eight (168) hours occurs prior to the date and time of the expiration of this **“Memorandum”**.

In the event of there being a difference of opinion between the **“Member”** and **“The Authority”** as to whether or not all earthquake shock losses sustained by the **“Member”** during an elected period of one hundred sixty eight (168) hours arose out of, or were caused by a single earthquake shock, the stated opinion of the National Earthquake Shock

Information Service of the United States Department of the Interior or comparable Authority in any other country or locality shall govern as to whether or not a single earthquake shock continued throughout the period at the locations involved.

The term earthquake shock is defined as any natural or man-made earth movement (except mudslide or mud flow caused by accumulation of water on or under the ground) caused by earthquake, volcanic action, landslide, subsidence or tsunami including also volcanic eruption, meaning eruption, explosion, or effusion of a volcano.

- 17. “Electronic Data”** means data, information and knowledge recorded or transmitted in a form usable by **“Computer Programs,”** microchips, integrated circuits or similar devices in non-computer equipment which can be stored on electronic data processing media, including but not limited to, hard or floppy disks, CD-ROMs, tapes, drives, cells and other data processing devices.
- 18. “Employee” or “Employees” means:**
- 1) Any natural person:
 - a. while in **“Your”** service;
 - b. whom **“You”** compensate directly by salary or Wages; and
 - c. whom **“You”** have the right to manage the work, direct the work and control the work while performing services for **You.”**
 - 2) Any natural person:
 - a. who is a non-compensated officer or elected or appointed official in service to **“You;”** or
 - b. who is a director or trustee in service to **“You”** while performing acts coming within the scope of their usual duties for **“You.”**
 - c. **Any natural person who is:**
 - a. a “regular volunteer” pursuant to 6.50.18 NMAC in service to **“You.”**

19. “Expiration” means the termination of this **“Memorandum”** at the end of the **“Term.”**

20. “Flood” means the general and temporary condition of partial or complete inundation of normally dry land areas from the overflow of inland or tidal waters; the unusual and rapid accumulation of run-off of surface waters from any source; mud-slide or mud-flow proximately caused by flooding; the accumulation of water underground or water which backs up through sewers, drains or sumps.

Each loss by flood shall constitute a single loss hereunder;

1. If any flood occurs within a period of the continued rising or overflow of any river(s) or stream(s) and the subsidence of same within the banks of such river(s) or stream(s) or;
2. If any flood results from any tidal wave or series of tidal waves caused by any one disturbance;

such flood shall be deemed to be a single occurrence within the meaning of this **“Memorandum”**.

Should any time period referred to above extend beyond the expiration date of this **“Memorandum”** and commence prior to expiration, **“We”** shall pay all such flood losses occurring during such period as if such period fell entirely within the term of this **“Memorandum”**.

“We” shall not be liable, however, for any loss caused by any flood occurring before the effective date and time of this **“Memorandum”** or commencing after the expiration date and time of this **“Memorandum”**.

The definition of flood does not include ensuing loss or damage by fire, explosion, or sprinkler leakage.

- i. Flood zones A and V as referenced in this **“Memorandum”** are defined by FEMA as being inclusive of all 100-year high risk flood areas. A one-hundred-year flood is a flood event that has a 1% probability of occurring in any given year.

21. “Limit of Liability,” means the maximum amount **“We”** will pay for claims as specified in detail in Section 6 of this **“Memorandum.”**

22. “Member:” means all participating School Districts, Charter Schools, Regional Education Cooperatives and Post-Secondary Institutions, as listed in Schedule (A) attached hereto and made part of this **“Memorandum.”**

23. “Memorandum of Coverage” means the New Mexico Public School Insurance Authorities written description of insurance for certain property related risks of its **“members”**.

24. “Occurrence” means all covered loss, damage or sequence of losses or damages, casualties or disasters arising from a single event or accident. With respect to the perils of **“Earthquake”** and **“Flood,”** one event shall be construed to include all losses arising during a continuous period of 168 hours. Except where the **“Limit of Liability”** is indicated as being an **“Annual Aggregate,”** loss under this **“Memorandum”** shall not reduce the stated **“Occurrence”** limits.

25. “Personal Property” means Property other than **“Real Property”** including: furniture, fixtures, machinery, equipment, stock, computers and office machinery, **“Your”** interest in as a tenant in improvements and betterments to leased premises and leased personal property which **“You”** have a contractual responsibility to provide property coverage for.

26. “Personal Property of Others” means any property (other than Real Property) belonging to others for which a **“Member”** has assumed liability. This includes but is not limited to:

- Articles of Clothing
- Jewelry
- Sound Equipment
- Fine Arts (up to the sub-limit of unscheduled fine arts)
- EDP Media & Hardware
- Valuable Papers
- Portable Electronic Equipment
- Employee Tools

27. “Pollutants,” “Pollution,” “Polluted” means any solid, liquid, gaseous or thermal irritant or **“Contaminant”** including, but not limited to asbestos, smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. Waste includes materials to be recycled, reconditioned or reclaimed. **“Pollutants”** or **“Contaminants”** include, but are not limited to: 1) those materials that can cause or threaten damage to human health or human welfare, or cause or threaten damage, deterioration, loss of value, marketability or loss of use to property; and/or 2) bacteria, fungi, mold, mildew, virus or hazardous substances as listed in the Federal Water Pollution Control Act, Clean Air Act, Resource Conservation and Recovery Act of 1976, Toxic Substances Control Act or as designated by the U.S. Environmental Protection Agency or any other governing authority.

28. “Proof of Loss” means a sworn statement by the **“Member”** regarding the facts of a claim for loss or damage to property.

29. “Real Property” means existing buildings and structures, buildings and structures undergoing construction, repair or renovation and includes all permanent fixtures attached or adjacent to the buildings and structures such as signs, fences, glass, radio and television antennas, satellite dishes, landscaping, trees, shrubs, athletic fields, walkways, parking lots, exterior light fixtures and poles, foundations or other building supports.

30. “Securities” means all negotiable and non-negotiable instruments or contracts representing either **“Money”** or **“Other Property”** owned by **“You”** or held by **“You.”**

31. “Student,” “Students” means a natural person enrolled on a full or part time basis in classes at a **“Member”** institution.

32. “Term” means the dates of coverage as stated on the first page of this **“Memorandum.”**

33. “Terrorism” means any violent act dangerous or damaging to human life, property, or infrastructure within the United States or to a U.S. air carrier, vessel, or United States mission abroad, committed by an individual or individuals against U.S. civilians or the government.

34. “Time Element” means an indirect loss stemming from direct loss or damage by a **“Covered Peril”** to income producing property.

35. **“We,” “Us” or “Our”** means the New Mexico Public School Insurance Authority.

36. **“You” or “Your”** means any participating school districts, other educational entities, charter schools from whom or on behalf of whom **“We”** have received the applicable premium as listed in Schedule A.

37. **“Windstorm”** Each loss by windstorm shall constitute a single claim hereunder; provided, if more than one windstorm shall occur within any period of seventy-two (72) hours during the term of this **“Memorandum”**, such windstorm shall be deemed to be a single windstorm within the meaning thereof. The **“Member”** may elect the moment from which each of the aforesaid periods of seventy-two (72) hours shall be deemed to have commenced but no two such seventy-two (72) hour periods shall overlap. **“We”** shall not be liable for any loss occurring before the effective date and time of the **“Memorandum”**. **“We”** will be liable for any losses occurring for a period of up to seventy-two (72) hours after the expiration of this **“Memorandum”** provided that the first windstorm loss or damage within that seventy-two (72) hours occurs prior to the date and time of expiration of this **“Memorandum”**. In the event of there being a difference of opinion between the **Member”** and **“The Authority”** as to whether or not all windstorm losses sustained by the **“Member”** during an elected period of seventy-two (72) hours arose out of, or was caused by a single atmospheric disturbance, the stated opinion of the National Weather Service or comparable Authority in any other country or locality shall govern as to whether or not a single atmospheric disturbance continued throughout the period at the location(s) involved.

5. TIER 1 WINDSTORM COUNTIES

<u>State</u>	Tier I Counties, Parishes or Independent Cities
Alabama	Baldwin, Mobile
Florida	Entire State, All Counties
Georgia	Bryan, Camden, Chatham, Glynn, Liberty, McIntosh,
Hawaii	Entire State, All Counties
Louisiana	Assumption, Calcasieu, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion
Mississippi	Hancock, Harrison, Jackson
North Carolina	Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Columbus, Craven, Currituck, Dare, Hyde, Jones, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrell, Washington
South Carolina	Beaufort, Berkeley, Charleston, Colleton, Georgetown, Horry, Jasper
Texas	Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris (entire County), Jackson, Jefferson, Kenedy, Kleberg, Liberty, Matagorda, Newton, Nueces, Orange, Refugio, San Patricio, Victoria, Willacy
Virginia	Accomack, Charles City, Chesapeake City, Gloucester, Hampton City, Isle of Wight, James City, Lancaster, Mathews, Middlesex, New Kent, Newport News, Norfolk City, Northampton, Northumberland, Poquoson City, Portsmouth City, Prince George, Suffolk City, Sussex, Surry, Virginia Beach City, Westmoreland, Williamsburg City, York

ADDITIONAL INSURED'S / LOSS PAYABLES

It is hereby understood and agreed that the interest of Additional Insured's and/or Loss Payees is automatically included, as per schedule held on file with the **“Authority”**.

SECTION III

FINE ARTS

A-1. COVERAGE

This **“Memorandum”** insures against all risks of physical loss of or damage except as hereafter excluded occurring during the **“Memorandum”** period to fine arts, which are the property of the **“Member”** or the property of others in the custody or control of the **“Member”** while on exhibition or otherwise within the limits of the United States.

If any of the property covered by this Section is also covered under any other provisions of the **“Memorandum”** of which this Section is made a part, those provisions are hereby amended to exclude such property, the intent being that the coverage under this Section is the sole coverage on such property.

1. PROPERTY COVERED

Objects of art of every kind and description, and property incidental thereto, which are the property of the **“Member”**, or the property of others in the custody and control of the **“Member”**, or in transit at the **“Member’s”** risk, and property in which the **“Member”** shall have a fractional ownership interest which are owned by or have been leased, loaned, rented or otherwise made available to the **“Member”**. "Property" shall mean paintings, drawings, etchings, prints, rare books, manuscripts, rugs, tapestries, furniture, pictures, bronzes, potteries, porcelains, marbles statuary and all other bonafide works of art and other objects of rarity, historic value, cultural interest or artistic merit, which are part of the collections of the **“Member”**, or in the care, custody or control of the **“Member”**, and their frames, glazing and shadow boxes.

2. "WALL TO WALL" ("NAIL TO NAIL") COVERAGE

This Section covers the **“Member’s”** property on a "Wall to Wall" ("Nail to Nail") basis, or domicile to domicile basis, as applicable, from the time said property is removed from its normal repository incidental to shipment until returned thereto or other point designated by the owner or owner's agent prior to return shipment, including while in transit to or from points of consolidation or deconsolidation, packing, repacking or unpacking, while at such locations during such processes or awaiting shipment.

Coverage shall terminate upon arrival of the covered property at the final destination designated by the owner or owner's agent, or upon expiration of this “**Memorandum**”, whichever may occur first, except that expiration of this “**Memorandum**” shall not prejudice coverage of any risk then in transit.

B-1. EXCLUSIONS

3. Loss or damage occasioned by: wear and tear, gradual deterioration, insects, vermin, inherent vice or damage sustained due to and resulting from any repairing, restoration or retouching process;
4. Loss or damage caused by or resulting from:
 - a. War, hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack;
 - i. by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces or;
 - ii. by military, naval or air forces; or
 - iii. by an agent of any such government, power, authority or forces;
 - b. Any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
 - c. Insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.
5. Nuclear reaction or nuclear radiation or radioactive contamination from any cause, all whether direct or indirect, controlled or uncontrolled, proximate or remote, or is contributed to or aggravated by a Covered Cause of Loss. However:
 - a. If fire not otherwise excluded results, the “**Authority**” shall be liable for the direct physical loss or damage by such resulting fire, but not including, any loss or damage due to nuclear reaction, nuclear radiation, or radioactive contamination, and
 - b. This “**Memorandum**” does insure against physical loss or damage caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted on the “**Member’s**” premises, provided that, at the time of such loss or damage, there is neither a nuclear reactor nor any new or used nuclear fuel on the “**Member’s**” premises.

6. Any dishonest, fraudulent or criminal act by the **“Member”**, a partner therein or an officer, director employee or trustee thereof, whether acting alone or in collusion with others.

For the purpose of this exclusion an act of vandalism or malicious damage by an employee shall not constitute a dishonest, fraudulent or criminal act.

C-1. LOSS PAYMENT BASIS/VALUATION

The valuation of each article of property covered by this Section shall be determined as follows:

- a. Property of the **“Member”** shall be covered for and valued at the current fair market value of each article indicated on the books and records of the **“Member”** prior to loss, according to the **“Member’s”** valuation of each object covered.
- b. Property of others loaned to the **“Member”** and for which the **“Member”** may be legally liable, or which the **“Member”** has been instructed to insure, shall be covered for and valued at the amount agreed upon for each article by the **“Member”** and owner(s) as recorded on the books and records of the **“Member”** prior to loss.
- c. Otherwise, in the absence of recorded current fair market values or agreed values for each article covered, the **“Authority”** shall not be liable beyond the fair market value of the property at the time any loss or damage occurs. Said value shall be ascertained by the **“Member”** and the **“Authority”** or, if they differ, then the amount of value or loss shall be determined as provided in the following appraisal clause.

D-1. SPECIAL CONDITIONS

7. Misrepresentation and Fraud: This entire Section shall be void if, whether before or after a loss, the **“Member”** has concealed or misrepresented any material fact or circumstance concerning this **“Memorandum”** or the subject thereof, or the interest of the **“Member”** therein, or in case of any fraud or false swearing by the **“Member”** relating thereto.
8. Notice of Loss: The **“Member”** shall as soon as practicable report in writing to the **“Authority”** or its agent every loss, damage or occurrence which may give rise to a claim under this Section and shall also file with the **“Authority”** or its agent within ninety (90) days from the date of discovery of such loss, damage or occurrence, a detailed sworn proof of loss.
9. Examination under Oath: The **“Member”**, as often as may be reasonably required, shall exhibit to any person designated by the **“Authority”** all that remains of any property herein described, and shall submit, and insofar as is within its power cause its employees, **“Member”** and others to submit to examination under oath by any person named by the

“**Authority**” and subscribe the same; and, as often as may be reasonably required, shall produce for examination all writings, books of account, bills, invoices and other vouchers, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the “**Authority**” or its representative and shall permit extracts and copies thereof to be made. No such examination under oath or examination of books or documents, nor any act of the “**Member**” or any of its employees or representatives in connection with the investigation of any loss or claim hereunder, shall be deemed a waiver of any defense which the “**Member**” might otherwise have with respect to any loss or claim, but all such examinations and acts shall be deemed to have been made or done without prejudice to the “**Authority’s**” liability.

10. Settlement of Loss: All adjusted claims shall be paid or made good to the “**Member**” within sixty (60) days after presentation and acceptance of satisfactory proof of interest and loss at the office of the “**Authority**”. No loss shall be paid or made good if the “**Member**” has collected the same from others.
11. No Benefit to Bailee: This Section shall in no way inure directly or indirectly to the benefit of any carrier or other bailee.
12. Subrogation or Loan: If in the event of loss or damage the “**Member**” shall acquire any right of action against any individual, firm or corporation for loss of, or damage to, property covered hereunder, the “**Member**” will, if requested by the “**Authority**”, assign and transfer such claim or right of action to the “**Authority**” or, at the “**Authority’s**” option, execute and deliver to the “**Authority**” the customary form of loan receipt upon receiving an advance of funds in respect of the loss or damage; and will subrogate the “**Authority**” to, or will hold in trust for the “**Authority**”, all such rights of action to the extent of the amount paid or advanced, and will permit suit to be brought in the “**Member’s**” name under the direction of and at the expense of the “**Authority**”.
13. Loss Clause: Any loss hereunder shall not reduce the amount of this Section, except in the event of payment of claim for total loss of an item specifically scheduled hereon.
14. Protection and Preservation of Property: In case of actual or imminent physical loss or damage of the type insured against by this “**Memorandum**”, the expenses incurred by the “**Member**” in taking reasonable and necessary actions for the temporary protection and preservation of property insured hereunder shall be added to the total physical loss or damage otherwise recoverable under the “**Memorandum**” and be subject to the applicable deductible and without increase in the limit provisions contained in this “**Memorandum**”.
9. Appraisal: If the “**Member**” and the “**Authority**” fail to agree as to the amount of loss, each shall on the written demand of other, made within sixty (60) days after receipt of proof of loss by the “**Authority**”, select a competent and disinterested appraiser, and the appraisal shall be made at a reasonable time and place. The appraisers shall first select a competent and disinterested umpire, and failing for fifteen (15) days to agree upon such

umpire, then on the request of the **“Member”** or the **“Authority”**, such umpire shall be selected by a judge of a court of record in the state in which such appraisal is pending. The appraisers shall then appraise the loss, stating separately the fair market value at the time of loss and the amount of loss, and failing to agree shall submit their differences to the umpire. An award in writing of any two shall determine the amount of loss. the **“Member”** and the **“Authority”** shall each pay their chosen appraiser and shall bear equally the other expenses of the appraisal and umpire. The **“Member”** shall not be held to have waived any of its rights by any act relating to appraisal.

10. Civil Authority: Property covered under this Section against the peril of fire is also covered against the risk of damage or destruction by Civil authority during a conflagration and for the purpose of retarding the same; provided that neither such conflagration nor such damage or destruction is caused or contributed to by a peril otherwise excluded herein.
11. Changes: Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this Section or stop the **“Member”** from asserting any right under the terms of this Section, nor shall the terms of this Section be waived or changed except by endorsement issued to form a part of this Section.
12. Additional Covered Party(ies): Corporations, associations, firms, institutions, museums, persons and others who own or control collections, objects or articles who make them available to the **“Member”**, and temporary borrowers or custodians (but not carriers, packers or shippers) of property covered, are additional Named Insured(s) hereunder, but only as respects coverage afforded to said **“Member’s”** property.
13. Packing: It is agreed by the **“Member”** that the property covered hereunder be packed and unpacked by competent packers.
14. Other Insurance: This fine arts floater Section is excess coverage over any other valid and collectible insurance which may apply to any objects of art for which coverage would apply under this **“Memorandum”**.
15. Pair And Set: In the event of the total loss of any article or articles which are a part of a set, the **“Authority”** agrees to pay the **“Member”** the full amount of the value of such set and the **“Member”** agrees to surrender the remaining article or articles of the set to the **“Authority”**.

SECTION IV

CONTRACTORS EQUIPMENT

A-1. COVERAGE

This “**Memorandum**” insures contractors equipment, whether self-propelled or not, including equipment thereof while attached thereto or located thereon, such as bulldozers, drag lines, power shovels, derricks, drills, concrete mixers and other machinery of a similar nature, and not subject to motor vehicle registration. Coverage under this Section is provided only while a construction project is in the course of construction either controlled, managed, or owned by the “**Member**” by written agreement.

If any of the property covered by this Section is also covered under any other provisions of the “**Memorandum**” of which this Section is made a part, those provisions are hereby amended to exclude such property, the intent being that the coverage under this Section is the sole coverage on such property.

B-1. PERILS EXCLUDED

This Section insures against all risks of direct physical loss or damage occurring during the “**Memorandum**” period to the above described property from any external cause except as provided below.

1. Loss or damage due to wear, tear, rust, corrosion, latent defect, mechanical breakage or improper assemblage.
2. Loss or damage due to the weight of the load imposed on the machine exceeding the capacity for which such machine was designed.
3. Loss or damage to crane or derrick boom(s) and jib(s) of lattice construction while being operated unless directly caused by fire, lightning, hail, windstorm, earthquake shock, explosion, riot, riot attending a strike, civil commotion, actual physical contact with an aircraft or airborne missile including objects falling therefrom, collision with other vehicles or other contractors equipment whether or not such other equipment is covered hereunder, landslide, or upset of the unit of which it is a part (but only when and to the same extent that such other perils are covered by the “**Memorandum**”).
4. Loss or damage due to explosion arising from within steam boilers.
5. Loss or damage to dynamos, exciters, lamps, switches, motors or other electrical appliances or

- devices, including wiring, caused by lightning or other electrical currents (artificial or natural) unless fire ensues and then for the loss by fire only.
6. Loss or damage due to dishonesty of “**Member’s**” employees or persons to whom the “**Member’s**” property is entrusted.
 7. Loss or damage caused by or contributed to failure of the “**Member**” to keep and maintain the property in a thorough state of repair.
 8. Loss or damage caused by or resulting from:
 - a. War, hostile or warlike action in time of peace or, including action in hindering, combating or defending against an actual, impending or expected attack;
 - i. by any government or sovereign power (de jure or de facto) or by any authority maintaining using military, naval or air forces or;
 - ii. any military, naval or air forces or;
 - iii. by an agent of any such government, power, authority or forces;
 - iv. any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
 - b. insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade;
 9. Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the peril(s) covered against in this endorsement; however, subject to the foregoing and all provisions of this “**Memorandum**”, direct loss by fire resulting from nuclear reaction or nuclear radiation or radioactive contamination is covered against by this “**Memorandum**”.

C-1. PROPERTY EXCLUDED

15. Automobiles, motorcycles, motor trucks, or parts thereof.
16. Buildings
17. Machinery or equipment or building materials to be installed in any building for the purpose of becoming a part thereof; nor on any property which has become a permanent part of any

- structure.
18. Property that is located underground.
 19. Property while waterborne except while being transported on any regular ferry.
 20. The storage risk of property not owned or required to be insured by the “**Member**” at premises controlled or leased by the “**Member**”, except where incidental to the regular or frequent use of the equipment or property.
 21. Plans, blueprints, designs or specifications.

D-1. LOSS PAYMENT BASIS/ VALUATION

On Contractors Equipment (whether self-propelled or not), on or off premises, where Replacement Cost (New) values are specified, loss or damage shall be based on 100% of the Replacement Cost (New) at the time of loss. Partial losses shall be based on the cost of repairing or replacing the damaged portion, up to the fair market value of the Contractors Equipment. However, should these costs exceed the fair market value then recovery shall be based upon the Replacement Cost (New).

If the values, provided by the “**Member**”, provides a valuation based on replacement cost, then recovery will be on the same basis, if replaced. If not replaced, the basis of recovery shall be actual cash value.

E-1. SPECIAL CONDITIONS

This section covers property only within the limits of the United States of America.

It is a condition of this “**Memorandum**” that all articles covered hereunder are in sound condition at the time of attachment of this “**Memorandum**”.

SECTION V

UNMANNED AIRCRAFT

A-1. COVERAGE

This “**Memorandum**” insures only **Unmanned Aircraft**, that are usual to your business that you own or are required to insure, to pay for any physical damage loss sustained while not **In Flight** or **In Motion** and which are not the result of fire or explosion following crash or collision while the **Unmanned Aircraft** was **In Flight** or **In Motion** that are:

- (1) Listed on the schedule which is a part of this “**Memorandum**” or which is on file with us;
- (2) Unscheduled but for an amount not to exceed the limit of \$1,000,000.

If any of the property covered by this Section is also covered under any other provisions of the “**Memorandum**” of which this Section is made a part, those provisions are hereby amended to exclude such property, the intent being that the coverage under this Section is the sole coverage on such property.

B-1. PERILS EXCLUDED

This Section insures against all risks of direct physical loss or damage occurring during the “**Memorandum Period**” to **Unmanned Aircraft** from any external cause except as provided below.

1. Loss or damage due to the Unmanned Aircraft being **In Flight** or **In Motion** including during propulsion system startup or any time the propulsion system is operating.
2. Loss or damage due to wear, tear, rust, corrosion, latent defect, mechanical breakage, freezing or improper assemblage.
3. Loss or damage due to the weight of the load imposed on the **Unmanned Aircraft** exceeding the capacity for which such **Unmanned Aircraft** was designed.
4. Loss or damage to tires except where such loss or damage is caused by fire, theft, windstorm or vandalism or is the direct result of physical damage covered by this “**Memorandum**”.
5. Loss or damage to **Unmanned Aircraft** while being worked upon except for direct loss or damage caused by resulting fire or explosion.
6. Loss or damage to dynamos, exciters, lamps, switches, motors or other electrical appliances or devices, including wiring, caused by lightning or other electrical currents (artificial or natural) unless fire ensues and then for the loss by fire only.
7. Loss or damage due to conversion, embezzlement or secretion by any person or organization with legal right to possession of such **Unmanned Aircraft** under bailment, lease, conditional sale, purchase agreement, mortgage or other legal agreement that governs the use, sale or lease of the **Unmanned Aircraft**, nor for any loss or damage during or resulting therefrom.
8. Loss or damage due to dishonesty of the “**Member’s**” employees or persons to whom the “**Member’s**” property is entrusted.
9. Loss or damage caused by or contributed to failure of the “**Member**” to keep and maintain the property in a thorough state of repair.
10. Loss or damage caused by or resulting from:
 - a. War, hostile or warlike action in time of peace or, including action in hindering, combating or defending against an actual, impending or expected attack,
 - i. by any government or sovereign power (de jure or de facto) or by any authority maintaining using military, naval or air forces; or

- ii. any military, naval or air forces; or
- iii. by an agent of any such government, power, authority or forces;
- b. any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
- c. insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade;

C-1. PROPERTY EXCLUDED

1. **Unmanned Aircraft** that are located in underground mines, caverns or underground storage facilities.
2. **Unmanned Aircraft** while waterborne except while being transported on any regular ferry.
3. The storage risk of **Unmanned Aircraft** not owned or required to be insured by the “**Member**” at premises controlled or leased by the “**Member**”, except where incidental to the regular or frequent use of the equipment or property.

D-1. LOSS PAYMENT BASIS / VALUATION

On **Unmanned Aircraft**, on or off premises, where Replacement Cost (New) values are specified, loss or damage shall be based on 100% of the Replacement Cost (New) at the time of loss. Partial losses shall be based on the cost of repairing or replacing the damaged portion, up to the fair market value of the **Unmanned Aircraft**. However, should these costs exceed the fair market value then recovery shall be based upon the Replacement Cost (New).

E-1. SPECIAL CONDITIONS

This section covers property only within the limits of the United States of America.

It is a condition of this “**Memorandum**” that all articles covered hereunder are in sound condition at the time of attachment of this “**Memorandum**”.

F-1. DEFINITIONS

1. **UNMANNED AIRCRAFT**

Means a powered aerial vehicle that does not carry a human operator, uses aerodynamic forces to provide vehicle lift, can fly autonomously or be piloted remotely, is recoverable and in some cases can carry a non-lethal payload including the propulsion system and equipment usually installed in the vehicle (1) while installed in the vehicle, (2) while temporarily removed from the vehicle and (3) while removed from the aircraft for replacement until such time as replacement by a similar item has commenced; also tools and equipment which are specially designed for the aircraft and which are ordinarily carried therein.

2. IN FLIGHT

Means, with respect to fixed wing **Unmanned Aircraft**, the time commencing with the actual take off run or launch and continuing thereafter until it has completed its landing run; or capture; and if the **Unmanned Aircraft** is a rotorcraft, from the time the rotors start to revolve under power for the purpose of flight until they subsequently cease to revolve after landing; and if the **Unmanned Aircraft** is a balloon, while it is inflated or being inflated or deflated.

3. IN MOTION

Means while the **Unmanned Aircraft** is moving under its own power or the momentum generated therefrom or while it is **In Flight** and, if the **Unmanned Aircraft** is a rotorcraft, any time the rotors are rotating or while it is **In Flight** and, if the **Unmanned Aircraft** is a glider or balloon, any time it is being transported, towed or while it is **In Flight**.

G-1. GENERAL CONDITIONS:

Applicable with respect to any claim under this “**Memorandum.**”

- A) **Examination of Records:** “**You**” shall, as often as may be reasonably required during the “**Term**” of this “**Memorandum**” and up to three years thereafter, produce for “**Our**” examination or examination by “**Our**” authorized representatives all the books and records, inventories and accounts relating to “**Your**” “**Covered Property.**”
- B) **No Assignment:** This “**Memorandum**” shall be void if assigned or transferred without “**Our**” written consent.
- C) **Cancellation:** This “**Memorandum**” may be cancelled by the “**Authority**” according to the rules set forth in the New Mexico Administrative Code Title 6, Chapter 50, Part 4 if “**You**” fail to make premium payments.
- D) **Inspections:** “**We**” and/or our authorized agents shall be permitted, but not obligated to, inspect “**Your**” “**Covered Property**” at all reasonable times. “**Our**” right to make inspections, the inspections themselves or any inspection reports do not imply that all other hazards or conditions are under control at the time of the inspection, or that such inspections constitute compliance with OSHA regulations or other similar laws.

- E) Salvage and Recovery:** When “We” obtain any salvage or recovery in connection with any loss, “You” shall first be made whole; then the “Authority” and the excess insurers or reinsurers shall share the remaining portion on a pro rata basis.
- F) Subrogation:** If “We” pay “You” or any person or organization for loss or damage caused by a third party, any of those subrogation rights to recover damages from the third party are to be transferred to the “Authority” to the extent of “Our” payment for that loss. “You” must do everything reasonably necessary to secure the “Authority’s” subrogation rights prior to any loss including, but not limited to, not agreeing to waivers of such subrogation rights contained in contracts wherever possible. “You” also must do nothing after loss to impair the “Authority’s” subrogation rights.
- G) Duties in the Event of Loss or Damage: “You” must see that the following are done in the event of loss or damage to “Covered Property:”**
1. Notify the police if a law may have been broken.
 2. Give “Us” prompt notice of the loss or damage; including a full description of the property involved.
 3. As soon as possible, give “Us” a description of how, when, and where the loss or damage occurred.
 4. If feasible, set aside the damaged property in the best possible order for examination.
 5. Take all steps to protect the “Covered Property” from further damage and keep a record of your expenses necessary to protect the “Covered Property” so that these expenses may be paid, to the extent they are within the “Limit of Liability.” “We” will not pay for any subsequent loss or damage resulting from failure to take reasonable measures to protect the damaged property from further loss or damage.
 6. At “Our” request give “Us” complete inventories of the damaged and undamaged property, including quantities, costs, values, copies of original purchase documents and the amount of the loss claimed.
 7. Permit “Us,” as often as may be reasonably required, to inspect the damaged property and examine “Your” books and records.
 8. Permit “Us” to take samples of damaged and undamaged property for inspection, testing and analysis, and provide relevant copies from “Your” books and records.
 9. Send “Us” a signed, sworn “Proof of Loss” containing the information “We” require within 90 days after “Our” request. “We” will provide “You” with the necessary forms.

10. Cooperate with “Us” in the investigation or settlement of the claim.

“We” may examine “You” under oath and at such times as may be reasonably required, about any matter including “Your” books and records relating to the filed claim.

H) Administrative Appeal: If a “Member” makes a claim for coverage and the “Authority” does not agree that the claim is covered under this “Memorandum,” then, upon written demand of either, the matter or matters upon which we do not agree shall be adjudicated pursuant to Title 6, Chapter 50, Part 16 of the New Mexico Administrative Code (Administrative Appeal of Authority Coverage Determinations). Notwithstanding any other language in this “Memorandum,” either express or implied, this “Memorandum” does not and shall not be construed as creating a contract either express or implied between the “Authority” and any “Member” or any others whose interests may be covered by this “Memorandum.”

I) Right of Recovery: If the “We” have expended funds to settle “Your” claims and it is later determined that there is no coverage under this “Memorandum” for one or more of those claims, “We” reserve the right to seek reimbursement for those settlement funds from the recipient of those funds.

J) Misrepresentation, Concealment or Fraud:

This “Memorandum” is void as to any “Member” if before or after a loss:

1. “You” have willfully concealed or misrepresented a material fact or circumstance that relates to this “Memorandum” concerning any claim or the interest of the “Member” or any other person or entity seeking coverage under this “Memorandum;”
2. “You” or any other person or entity seeking coverage under this “Memorandum” has engaged in fraud or false swearing.

K) Changes: Notice to or knowledge of any of the “Authority’s” employees or authorized representatives shall not effect a waiver or a change in any part of this coverage or prevent the “Authority” from asserting any rights under the terms of this “Memorandum,” nor shall the terms of this “Memorandum” be waived or changed, except by endorsement issued to form a part of this “Memorandum.”

COVERAGE B: AUTOMOBILE PHYSICAL DAMAGE

The provisions stated in Coverage A: Property Coverage, Section 10- General Conditions also apply to Coverage B: Automobile Physical Damage. The following provisions apply to Coverage B only.

A. INTEREST & AUTOMOBILES COVERED:

A “Covered Automobile” is:

- A) An “Automobile” “You” own, including equipment permanently installed the “Automobile”;
- B) “Your” interest in or legal liability for direct physical loss or damage to an “Automobile” owned by others in “Your” custody to the extent “You” are required to keep the “Automobile” covered for direct physical loss or damage.

B. COVERED PERILS:

This “Memorandum” covers against direct physical loss or damage to “Covered Automobiles” caused by an “Occurrence” except as excluded by this “Memorandum.”

C. EXTENSIONS OF COVERAGE:

1) Glass Breakage:

“We” will pay for the following:

- 1. glass breakage; and
- 2. loss caused by hitting a bird or animal; and
- 3. loss caused by falling objects or missiles.)

2) Towing:

“We” will pay for reasonable towing and labor costs incurred when a “Covered Automobile” is disabled.

3) Rental reimbursement due to theft:

“We” will pay up to \$18 per day to a maximum of \$500 for transportation expenses “You” incur because of the total theft of a “Covered Automobile” of the private passenger type which “You” own.

D. INTERESTS & AUTOMOBILES NOT COVERED:

The provisions stated in Coverage A: Property Coverage, Item B. Property Not Covered apply to Coverage B: Automobile Physical Damage. The following provisions also apply to Coverage B: Automobile Physical Damage only.

This “**Memorandum**” does not cover:

- 1) tapes, wires, records, discs, or any other media for use with any device or instrument designed for the recording, reproduction, or recording and reproduction of sound;
- 2) any equipment designed for use for the detection or location of radar;
- 3) any telephonic, wireless, computer related, facsimile transmission, copying, navigation or other communication or computer related devices unless such device or instrument is installed by the manufacturer in the “**Covered Automobile.**”
- 4) any device or instrument designed for the recording, reproduction, or recording and reproduction of sound, unless such device or instrument is installed by the manufacturer in the “**Covered Automobile**”;
- 5) any “**Covered Automobile**” while used in any racing or demolition contest or stunting activity, or while practicing or being prepared for such contest or activity.

E. PERILS NOT COVERED:

The provisions stated in Coverage A: Property Coverage, Section II, E. Exclusions also apply to Coverage B: Automobile Physical Damage. The following provisions also apply to Coverage B: Automobile Physical Damage only.

This “**Memorandum**” does not cover against loss, damage or expense caused by or resulting from any of the following:

- A) wear and tear, freezing or mechanical or electrical breakdown or failure, unless such damage is the direct result of “**Covered Peril;**”
- B) blowouts, punctures or other road damage to tires, unless such damage is the direct result of a “**Covered Peril.**”

F. LIMITS OF LIABILITY:

The provisions stated in Coverage A: Property Coverage, Section II, Item F. Limits of Liability, also apply to Coverage B: Automobile Physical Damage. The following provisions are additional items that apply to Coverage B: Automobile Physical Damage only.

The most **“We”** will pay for loss to any one **“Covered Automobile”** in any one **“Occurrence”** is the lesser of:

- A) the **“Actual Cash Value”** of the damaged or stolen **“Covered Automobile”** as of the **“Date of Loss”**; or
- B) the cost of repairing or replacing the damaged or stolen **“Covered Automobile”** with another of like kind and quality.

G. DEDUCTIBLES:

“You” must pay a \$750.00 deductible for each **“Covered Automobile,”** that is damaged, lost or stolen with the exception of vehicle glass claims, which are subject to a \$50.00 deductible. In the event of a loss involving multiple **“Covered Automobiles”** in one **“occurrence”** (i.e. hail storm damage), the deductibles are capped in the following maximums:

- 1) Regardless of the number of **“Covered Automobiles”** damaged, the total deductible to any **“Member”** will not exceed \$5,000;
- 2) Regardless of the number of **“Covered Automobiles”** vehicle glass panes damaged, the total deductible for any **“Member”** will not exceed \$250.

H. APPRAISAL:

If **“You”** disagree with **“Us”** as to the amount of a loss, either party may demand an appraisal of the loss. In this event, each party will select a competent appraiser. The two appraisers will select a competent and impartial third appraiser. The appraisers will state separately the **“Actual Cash Value”** and the amount of loss. If they fail to agree, they will submit their differences to the third appraiser. An award in writing of any two shall determine the amount of loss. Each party will:

- A) pay its chosen appraiser; and
- B) bear the other expenses of the appraisal and third appraiser equally.

“We” will not be held to have waived any of **“Our”** rights by any act arising out of this appraisal process.

I. DUTIES IN THE EVENT OF LOSS:

- 1) In the event of loss, **“You”** must give the **“Authority”** prompt notice. Such notice shall include information enough to establish:
 - i. how, when and where the loss occurred; and
 - ii. to the extent possible, the names and addresses of any injured persons and witnesses.
- 2) Additionally, **“You”** must:
 - i. assume no obligation, make no payment, or incur no expense without **“Our”** consent, except at **“Your”** expense;
 - ii. cooperate with **“Us”** in the investigation of the loss or damage, settlement or defense of any suit;
 - iii. promptly notify the police if the **“Covered Automobile”** or any of its manufacturer installed equipment is stolen;
 - iv. take all reasonable steps to protect the covered **“Covered Automobile”** from further damage and keep a record of **“Your”** expenses related to the loss or damage to the **“Covered Automobile”** for consideration in the settlement of the claim;
 - v. permit **“Us”** to inspect the **“Covered Automobile”** before its repair or disposition;
 - vi. agree to an examination under oath at **“Our”** request and/or, if requested, give **“Us”** a signed statement regarding the claim.

COVERAGE C: CRIME COVERAGES

The following provisions apply to **Coverage C: Crime Coverages** only.

A. INTERESTS AND PROPERTY COVERED:

Part A-Employee Theft – Per Loss Coverage:

“We” will pay for direct loss of **“Money,” “Securities”** or **“Other Property”** **“You”** sustain because of **“Theft”** or **“Forgery”** committed by an **“Employee,”** whether identified or not, acting alone or in collusion with other persons or other **“Employees,”** with the manifest intent to:

- 1) cause **“You”** to sustain loss; and also
- 2) to obtain financial benefit (other than salaries, commissions, fees, bonuses, promotions, awards, or pensions

or other employee benefits earned in the normal course of employment) for:

- a) that **“Employee”** or those **“Employees”**; or
- b) any person or organization intended by the **“Employee”** to receive that benefit.

Part B-Inside the Premises Coverages:

- 1) **“We”** will pay for loss **“You”** sustain resulting directly from:
 - a) the loss of **“Money”** and **“Securities”** from inside **“Your” “Premises”** or any **“Banking Premises”** as a result of **“Theft,” “Robbery”** or **“Safe Burglary”** by one or more **“Third Parties”**, or
 - b) the actual disappearance or destruction of **“Money”** and **“Securities”** which occurs inside **“Your” “Premises.”**
- 2) **“We”** will pay for loss **“You”** sustain because of the loss of or damage to **“Other Property”** from:
 - a) inside the **“Premises”** resulting directly from an actual or attempted **“Robbery”** by one or more **“Third Parties;”** or
 - b) inside the **“Premises”** in a safe or vault, resulting directly from an actual or attempted **“Safe Burglary”** by one or more **“Third Parties.”**
- 3) **“We”** will pay for loss **“You”** sustain:
 - a) for damage to the **“Premises”** or its exterior; and
 - b) for loss of, or damage to a locked safe, vault, cash register, cash box or cash drawer located inside the **“Premises”**

resulting directly from an actual or attempted **“Theft,” “Robbery”** or **“Safe , Burglary,”** by one or more **“Third Parties”** if **“You”** are the owner of the **“Premises”** or are liable for damage to it.

Part C-Outside the Premises Coverages:

- 1) **“We”** will pay for loss **“You”** sustain because of **“Theft”** of **“Money”** or **“Securities”** by one or more **“Third Parties”** while being conveyed by a **“Messenger”** or armored motor vehicle company outside the **“Premises.”**
- 2) **“We”** will pay for loss **“You”** sustain because of disappearance or destruction of **“Money”** or **“Securities”** while being conveyed by a **“Messenger”** or armored motor vehicle company outside the **“Premises.”**
- 3) **“We”** will pay for loss **“You”** sustain because of loss of or damage to **“Other Property”** resulting from actual or attempted **“Robbery”** by one or more **“Third Parties”** outside the **“Premises”** while being conveyed by a **“Messenger”** or armored motor vehicle company.

- 4) **“We”** will pay for loss **“You”** sustain because of loss caused by **“Theft”** of **“Money,” “Securities”** or **“Other Property”** by a **“Third Party”** while temporarily at the home of a **“Messenger.”**

Part D-Forgery or Alteration Coverage

- 1) **“We”** will pay for loss **“You”** sustain of **“Money,” “Securities”** or **“Other Property”** resulting directly from **“Forgery”** or alteration of any financial instrument committed by one or more **“Third Parties.”**
- 2) If **“You”** are sued to enforce payment of any financial instrument covered in **Part D-Forgery or Alteration** on the basis that it has been forged or altered, and **“You”** have our written consent to defend against the suit, **“We”** will pay for any reasonable legal expenses that **“You”** incur and pay in that defense. The amount **“We”** will pay is in addition to the Limit of Coverage applicable to **Part D-Forgery or Alteration Coverage.**

Part E-Computer and Funds Transfer Fraud Coverage:

“We” will pay for loss **“You”** sustain because of **“Theft”** of **“Money,” “Securities”** or **“Other Property”** resulting directly from **“Computer Fraud”** by a **“Third Party.”**

Part F-Money Orders and Counterfeit Paper Currency Coverage:

“We” will pay for loss **“You”** sustain resulting directly from **“Your”** having accepted in good faith, in exchange for merchandise, **“Money”** or services from a **“Third Party:”**

- 1) money orders issued by any post office, express company or bank in the United States that are not paid upon presentation; or
- 2) counterfeit United States currency; that is acquired during the regular course of business.

Part G-Credit Card Fraud Coverage:

“We” will pay for loss **“You”** sustain resulting directly from **“Credit Card Fraud”** committed by a **“Third Party.”**

Part H-Funds Transfer Fraud Coverage:

“We” will pay for loss **“You”** sustain resulting directly from **“Funds Transfer Fraud”** committed by a **“Third Party.”**

B. EXCLUSIONS:

A. Exclusions Applicable to All Coverages:

“We” will not pay for the following losses:

- 1) loss resulting from war, whether or not declared, warlike action, insurrection, civil war, rebellion or revolution or any related act or incident;

- 2) loss resulting from seizure or destruction of property by order of governmental authority, expropriation or nationalization or any related act or condition;
- 3) loss resulting from the cost of reproducing any information contained in any lost or damaged manuscripts, records, accounts, microfilms, tapes, electronic data storage or recording media or other records;
- 4) expenses incurred by **“You”** in establishing the existence or the amount of any loss covered under **Coverage C-Crime Coverages** except that **“We”** will reimburse **“You”** for those reasonable and customary charges of a Certified Public Accountant incurred by **“You”** in establishing a valid and collectible claim arising from an **“Occurrence”** under **Coverage C-Crime Coverage**, up to a maximum amount of \$5,000;
- 5) loss of income that **“You”** do not realize as the result of any loss covered under **Coverage C-Crime Coverage**;
- 6) fees, costs or expenses **“You”** incur or pay in prosecuting or defending any legal proceeding or claim, (other than legal proceedings covered under **Part D-Forgery and Alteration Coverage** above), whether or not such proceeding results or would result in a loss recoverable under **Coverage C- Crime Coverage**;
- 7) due to nuclear reaction, nuclear radiation or radioactive contamination;
- 8) **“Indirect or Consequential Losses”** of any kind.
- 9) any loss or potential loss not reported to **“Us”** more than 60 days following **“Your” “Discovery”** of the loss or potential loss or more than 60 days following **“Cancellation”** or **“Termination”** of this **“Memorandum of Coverage”** or all or any Part of **Coverage C-Crime Coverages**.
- 10) any loss of property covered under Coverage A-Property Coverage or Coverage B-Automobile Physical Damage Coverage of the **“Memorandum of Coverage”** of which **Coverage C-Crime Coverages** is a part.

B. Exclusions Only Applicable to Part A-Employee Dishonesty Coverage:

“We” will not pay for losses under **Part A-Employee Dishonesty Coverage** as follows:

- 1) loss caused by an **“Employee”** if **“Your”** management personnel possess knowledge of any prior act or acts of **“Theft,”** fraud or dishonesty committed by that **“Employee”** either while that **“Employee”** is employed by **“You”** or prior to his or her employment by **“You;”**
- 2) loss caused by **“Your”** broker, contractor, independent contractor or any other agent or representatives of them;
- 3) loss or that part of any loss the proof of which involves in any manner:
 - a. profit and loss computation; or
 - b. a comparison of inventory records with an actual physical count; provided, however, that

where **“You”** can establish that a loss has occurred wholly apart from such comparison, then **“You”** can offer inventory records and the actual physical count of inventory in support of the amount of loss claimed.

C. Exclusions Only Applicable to Parts B-Inside the Premises Coverages, and Part C– Outside the Premises Coverages:

“We” will not pay for any losses under **Part B-Inside the Premise Coverages** or **Part C-Outside the Premises Coverages**:

- 1) due to **“Theft”** or any other fraudulent, dishonest or criminal act by **“Your” “Employee”** whether acting alone or in collusion with others;
- 2) due to fire, except:
 - a. loss of or damage to **“Money”** or **“Securities,”** or
 - b. damage to any safe or vault caused by the use of fire for the purpose of **“Safe Burglary;”**
- 3) due to giving or surrendering **“Money”** or **“Securities”** in any exchange or purchase;
- 4) due to loss or damage to manuscripts, records, accounts, microfilm, tapes, or other electronic data storage or recording media;
- 5) due to **“Forgery;”**
- 6) due to loss or damage to **“Money,” “Securities”** or **“Other Property”** while in the mail or in the custody of a carrier for hire other than an armored motor vehicle company;
- 7) due to loss or damage to **“Money,” “Securities”** or **“Other Property”** while in the custody of any bank, trust company, similar recognized place of safe deposit, or armored motor vehicle company or **“Messenger”** unless the loss is in excess of the amount **“You”** have recovered or received under:
 - a. **“Your”** contract with the bank, trust company, or any similar recognized place of safe deposit, or armored motor vehicle company; or
 - b. any **“Other Bonds or Insurance”** which would cover the loss in whole or in part, in which case **Coverage C-Crime Coverages** will cover only such excess up to the applicable Limit of Coverage.
- 8) due to loss of **“Money,” “Securities”** or **“Other Property”** as a result of kidnap, ransom or other extortion payment (as distinct from **“Robbery”**) surrendered to any person as a result of a threat to do bodily harm to any person or a threat to do damage to the **“Premises”** or other property.

D. Exclusion Only Applicable to Part D-Forgery and Alteration Coverage; Part E-Computer Fraud Coverage; Part F- Money Orders and Counterfeit Currency Fraud Coverage; Part G- Credit Card Fraud Coverage and Part H-Funds Transfer Fraud Coverage:

Coverage does not apply to loss through “**Forgery**” or alteration of, on, or in any financial instrument, if the “**Forgery**” or alteration is committed by any “**Employee**” or by any person in collusion with any “**Employee.**”

C. GENERAL CONDITIONS:

The General Conditions stated in **Coverage A: Property Coverage, Section 11)** also apply to **Coverage C: Crime Coverages.** The General Conditions below apply to **Coverage C: Crime Coverages- Parts A, B, C, D, E, F, G and H** only:

A. Statutory Provisions:

Any terms of **Coverage C-Crime Coverages** which are in conflict with the statutes of the State of New Mexico are amended to conform to such statutes.

B. Other Coverage:

If any “**Other Bonds or Insurance**” apply to a loss covered by **Coverage C-Crime Coverages**, the coverage under **Coverage C-Crime Coverages** shall be excess over the amount collectible under “**Other Bonds or Insurance.**”

C. Excess Coverage, Insurance or Reinsurance:

“**You**” may purchase excess coverage, insurance or reinsurance above the Limits of Coverage which apply to **Coverage C-Crime Coverages.** Such excess coverage, insurance or reinsurance is not “**Other Bonds or Insurance**” for the purposes of the Paragraph B. above. Excess coverage, insurance or reinsurance shall not be considered in the application of any pro rata clause or apportionment clause.

D. Limit of Coverage and Deductible Amount:

The most “We” will pay for any loss “You” sustain caused by any one “Occurrence” under Coverage C-Crime Coverages is limited to the amounts shown below applicable to each Part of Coverage C-Crime Coverages.

Coverages	Limit of Insurance Per Occurrence	Member Deductible Per Occurrence
Part A. Employee Theft – Per Loss	\$250,000	\$750
Part B. Inside the Premises	\$250,000	\$750
Part C. Outside the Premises	\$250,000	\$750
Part D. Forgery or Alteration	\$250,000	\$750
Part E. Computer and Funds Transfer Fraud	\$250,000	\$750
Part F. Money Orders and Counterfeit Money	\$250,000	\$750
Part G. Credit, Debit or Charge Card Forgery	\$250,000	\$750
Faithful Performance of Duty for Government Employees	\$250,000	\$750

“We” will not pay for a loss “You” sustain which does not exceed the deductible amount shown above. If the loss exceeds the deductible amount “We” will pay the amount of loss in excess of the deductible amount up to the applicable Limit of Coverage.

E. Discovery of Loss:

“Discovery” of loss occurs when “You” first become aware of facts which would cause a reasonable person to assume that a loss covered by Coverage C-Crime Coverages has been or will be incurred, even though the amount or details of loss may not then be known. “Discovery” also occurs when “You” receive notice of an actual or potential claim against “You” alleging facts that if true would constitute a covered loss under Coverage C-Crime Coverages.

F. Duties After Discovery of a Loss:

After “You” “discover” a loss or a situation that may result in covered loss under Coverage C-Crime Coverages, “You” must:

- 1) notify “Us” as soon as possible and in no case later than 60 days after you have made the “Discovery;”
- 2) “You” must provide “Us” with a detailed, sworn proof of loss within 120 days after “Discovery;”
- 3) “You” must submit to an examination under oath at our request;

- 4) **“You”** must comply with the provisions of General Conditions **Stated in Coverage A: Property Coverage, Section II (G) Duties in the Event of Loss or Damage** of the **Memorandum of Coverage**”; and
- 5) **“You”** must produce all relevant records and cooperate with us in the investigation and settlement of the claim.
- 6) **“You”** must secure all of your rights of recovery against any person or organization responsible for the loss and do nothing to impair those rights.

G. Coverage for Prior Losses:

“We” will pay for loss **“You”** sustain caused by an **“Occurrence”** which happened any time on or after July 1, 1986 which has not been reported to any previous insurer, reinsurer or under any previous **“Memorandum of Coverage,”** so long as **“Discovery”** of the loss or situation that may result in loss takes place during the **“Term”** of this **“Memorandum of Coverage.”**

H. Audit Requirement:

“We” maintain the right to deny coverage for any loss under **Coverage C- Crime Coverages** in which a substantial contributing cause or factor in the loss itself or extent of the loss is **“Your”** unreasonable failure to comply with the provisions of the Audit Act, NMSA 1978 §12-6-1 et seq.

D. PROVISIONS AFFECTING LOSS SETTLEMENT

A. Limit of Coverage per Occurrence:

If **“We”** pay for any loss **“You”** sustain caused by an **“Occurrence”** under **Coverage C-Crime Coverages**, such payment shall not reduce **“Our”** duty to pay for other losses caused by other **“Occurrences.”**

The most **“We”** will pay for all loss resulting directly from an **“Occurrence”** is the applicable Limit of Coverage indicated in **“Item D – Limit of Coverage and Deductible Amount”**. If any loss is covered under more than one Insuring Agreement or Coverage, the most **We”** will pay for such loss shall not exceed the largest Limit of Insurance available under any one of those Insuring Agreements or Coverages.

B. Non-Accumulation of Coverage Limits:

Regardless of the number of years **Coverage C-Crime Coverages** remains in force or the number of premiums paid, no coverage limit accumulates from year to year or from **“Term”** to **“Term.”** All losses from a single act or any number of acts by the same **“Employee”** or **“Third Party”** will be treated as a single loss and the applicable Limit of Coverage will apply.

C. Valuation:

Subject to the applicable Limit of Coverage provision, “We” will pay for:

- 1) Loss of “Money”, but only up to and including its face value or the United States dollar value of a foreign currency based on the currency rate of exchange in effect on the day any loss involving foreign currency is “Discovered.”
- 2) Loss of “Securities” but only up to their value at the close of business on the business day immediately preceding the day on which the loss is “Discovered.”
 - a. “We” may at “Our” option pay the value of such “Securities” or replace them in kind, in which event “You” must assign to “Us” all of “Your” rights, title and interest in those “Securities”; or
 - b. The cost of any Lost Securities Bond required in connection with issuing duplicates of the “Securities.” However, “We” will pay only so much of the cost of the bond as would be charged for a bond having a penalty not exceeding the lesser of the value of the “Securities” at the close of business the day the loss was “Discovered” or the applicable Limit of Coverage.
- 3) Loss of or damage to “Other Property” for the replacement cost of the “Other Property” without deduction for depreciation. However, “We” will not pay more than the least of the following:
 - a. the Limit of Coverage applicable to the “Other Property” which has been lost or damaged; or
 - b. the cost to replace the “Other Property” that has been lost or damaged with property of comparable material and quality and used for the same purpose; or
 - c. the amount “You” actually spend that is necessary to repair or replace the lost or damaged “Other Property.” Any property that “We” pay for or replace becomes “Our” property.
- 4) Loss from damage to the “Premises” or its exterior. “We” will not pay on a replacement cost basis for any loss or damage:
 - a. Until the damage is actually repaired and unless the repair or replacement is made as soon as reasonably possible after the loss.
 - b. If the damage is not repaired, “We” will pay on an actual cash value basis.

D. Recoveries:

Any recoveries “We” obtain, less the cost of recovering them, made after settlement of loss covered by Coverage C-Crime Coverages will be distributed as follows:

- 1) to **“You,”** until **“You”** are reimbursed for any loss that **“You”** sustain that exceeds the applicable Limit of Coverage less the Deductible Amount;
- 2) then to **“Us,”** until **“We”** are reimbursed for the settlement made;
- 3) then to **“You”** until **“You”** are reimbursed for that part of the loss equal to the Deductible Amount.

This provision regarding Recoveries does not apply to any recovery from insurance, suretyship or reinsurance **“We”** have obtained to cover **“Our”** obligations under **Coverage C-Crime Coverages**. This provision regarding Recoveries also does not apply to original **“Securities”** after duplicates of them have been issued.

E. CANCELLATION PROVISIONS

A. “Cancellation” as to any Employee:

Coverage C-Crime Coverages is **“Cancelled”** as to any **“Employee”**:

- 1) effective immediately upon **“Discovery”** by **“You”** of any act of **“Theft”** or other fraudulent or dishonest act committed by that **“Employee,”** whether the act was committed before or after becoming employed by **“You.”** **“You”** must report any such **“discovery”** to **“Us”** within 60 days of such **“Discovery.”** However, **Coverage C-Crime Coverage** shall be **“Cancelled”** as to that **“Employee”** for any acts of **“Theft”** or **“Forgery”** committed after such **“Discovery,”** whether or not the **“Discovery”** is reported to **“Us.”**
- 2) for any other reason other than **“Discovery”** of **“Theft”** or dishonest or fraudulent acts by the **“Employee,”** on the date specified in a notice mailed to **“You.”** The date will be at least 30 days after the date of notice.

B. “Cancellation” of Coverage C-Crime Coverages

“We” may **“Cancel”** all or any part of **Coverage C-Crime Coverages** at any time in accordance with the Rules and Regulations of the **“Authority”** upon 60 days’ notice to **“You.”**

F. DEFINITIONS

- A. **“Authority”** means the New Mexico Public School Insurance Authority.
- B. **“Banking Premises”** means the interior of that portion of any building occupied by a banking institution or similar safe depository.
- C. **“Cancellation”** means that **“We”** have put an end to all or some of our obligations under **Coverage C-Crime Coverages** as a result of a default by **“You”** or one of **“Your”** **“Employees”**.

- D. **“Computer Fraud”** means the unlawful taking of **“Money,” “Securities”** or **“Other Property”** resulting from a **“Computer Violation.”**
- E. **“Computer System”** means a computer or network of computers, including its input, output, processing, storage and communication facilities, and shall include offline media libraries.
- F. **“Computer Violation”** means an unauthorized:
- 1) entry into or deletion of data from a **“Computer System;”**
 - 2) change to data elements or program logic of a **“Computer System,”** which is kept in machine readable format; or”
 - 3) introduction of instructions, programmatic or otherwise, which propagate themselves through a **“Computer System.”**
- G. **“Counterfeit”** means an imitation of an actual valid original which is intended to deceive and to be taken as the original.
- H. **“Credit Card Fraud”** means the **“Forgery”** or alteration of, on or in, any written instrument required in connection with any credit card issued to **“You”** or at **“Your”** request to any of **“Your” “Employees.”**
- I. **“Discovery”** or **“Discovered”** or **“Discover”** means the time at which **“You”** first become aware of facts which would cause a reasonable person to believe that a loss covered by **Coverage C-Crime Coverage** has occurred or will be incurred or the time when **“You”** receive notice of a claim or potential claim.
- J. **“Employee”** or **“Employees”** means:
- 1) Any natural person:
 - a. while in **“Your”** service;
 - b. whom **“You”** compensate directly by salary or wages; and
 - c. whom **“You”** have the right to manage the work, direct the work and control the work while performing services for **“You.”**
 - 2) Any natural person:
 - a. who is a non-compensated officer or elected or appointed official in service to **“You;”** or
 - b. who is a director or trustee in service to **“You”** while performing acts coming within the

scope of their usual duties for **“You.”**

- 3) Any natural person who is temporarily furnished to **“You:”**
 - a. as a substitute for a permanent **“Employee”** who is on leave, or
 - b. to meet seasonal or short-term workload conditions, who is assigned to perform **“Employee”** duties while that person is subject to **“Your”** management’s direction and control and performing services for **“You,”** excluding, however, any such person while having care and custody of any of **“Your”** property outside the **“Premises.”**
 - c. **“We”** will not cover any loss caused by any temporarily employed person if such loss is also covered by any fund, insurance or suretyship held by an agency furnishing such temporary personnel to **“You.”**
 - 4) Any natural person who is:
 - a. a student enrolled in a school under **“Your”** jurisdiction while the student is handling or has possession of **“Money”** or **“Other Property”** in connection with sanctioned student activities; or
 - b. a “regular volunteer” pursuant to 6.50.18 NMAC in service to **“You”** while handling or in possession of **“Money”** or **“Other Property”** in connection with sanctioned student activities.
 - 5) **“Employee”** does not mean any agent, broker, person leased to **“You”** by a labor leasing firm, factor, commission merchant, consignee, independent contractor or representative of the same general nature.
- K. **“Forgery”** means falsely making or altering any signature to, or any part of, any writing purporting to have any legal efficacy with intent to injure or defraud or knowingly issuing or transferring a forged writing with intent to injure or defraud.
- L. **“Funds Transfer Fraud”** means fraudulent written, electronic, telegraphic, cable, teletype or telephone instructions issued to a financial institution directing such institution to transfer, pay or deliver **“Money”** or **“Securities”** from any account maintained by **“You”** at such institution, without **“Your”** knowledge or consent.
- M. **“Faithful Performance of Duty for Government Employees”** means loss or damage to “money”, “securities” and “other property” resulting directly from the failure of any “employee” to faithfully perform his or her duties as prescribed by law, when such failure has as its direct and immediate result a loss of your covered property.

- N. **“Indirect or Consequential Loss”** is a loss that is the indirect result of any act or **“Occurrence”** covered by this **“Memorandum of Coverage,”** including, but not limited to loss resulting from:
- 1) **“Your”** inability to realize income that **“You”** would have realized had there been no loss of or loss from damage to **“Money,” “Securities”** or **“Other Property,”** or
 - 2) payment of damages of any type for which **“You”** are legally liable except as specifically covered under **Part D – Forgery or Alteration Coverage** or **“Your”** liability for damage to premises you do not own under **Part B-Inside the Premises Coverage.**
- O. **“Messenger”** means any of **“Your” “Employees”** who is authorized by **“You”** to have care and custody of **“Money,” “Securities”** or **“Other Property”** outside the **“Premises.”**
- P. **“Money”** means currency, coin, bank notes and bullion owned or held by **“You”** on behalf of others.
- Q. **“Occurrence”**:
- 1) As respects **Coverage C- Crime Coverages - Section 1-Part A-Employee Dishonesty Coverage, “Occurrence”** means an individual act; the combined total of all separate acts whether or not related; or a series of acts whether or not related; committed by an “employee” acting alone or in collusion with other persons, during the **“Memorandum”** period, before such period, or both. In the event an **“Employee”** is an **“Employee”** of more than one **“Member”** at the time that **“Employee”** commits dishonest acts, the combined total of all separate acts whether or not related, committed by that **“Employee”**, acting alone or in collusion with other persons, shall be considered as a single **“Occurrence”** and a single Limit of Insurance will apply to all **“Members”**.
 - 2) As respects **Coverage C- Crime Coverages - Section 1-Part B-Inside the Premises Coverages, Part C- Outside the Premises Coverages, Part D-Forgery and Alteration Coverage, Part E- Computer Fraud Coverage, Part F- Money Orders and Counterfeit Paper Coverage, Part G- Credit Card Fraud Coverage and Part H - Funds Transfer Fraud Coverage, “Occurrence”** means all loss or losses caused by any **“Third Party”** or in which that **“Third Party”** is involved, whether the loss involves one or more items, one or more **“Third Parties”** or a single act or series of related acts.
 - 3) As to losses involving the disappearance or destruction of **“Money”** or **“Securities,”** **“Occurrence”** means all disappearances or destruction which result from the same event or related series of events.
- R. **“Other Bonds or Insurance”** means any primary [not excess] bonds or insurance coverage **“You”** or any other party in interest acquire as protection against risks covered by **Coverage C-Crime Coverages.**
- S. **“Other Property”** means any tangible property other than **“Money”** or **“Securities”** owned by **“You”** or held by **“You”** on behalf of others that has intrinsic value which is not otherwise excluded.

- T. **“Premises”** means the interior of that portion of any buildings **“You”** occupy in conducting school related activities.
- U. **“Robbery”** means the unlawful taking of **“Money,” “Securities”** or **“Other Property”** from the care and custody of an **“Employee,” “Messenger”** or other authorized person by a **“Third Party”** who has caused or threatened to cause the **“Employee,” “Messenger”** or other authorized person with bodily harm.
- V. **“Safe Burglary”** means the taking of:
- 1) **“Money,” “Securities”** or **“Other Property”** from within a locked safe or vault by a **“Third Party”** unlawfully entering the safe or vault as evidenced by marks of forcible entry upon its exterior; or
 - 2) a safe or vault from inside the **“Premises.”**
- W. **“Securities”** means all negotiable and non-negotiable instruments or contracts representing either **“Money”** or **“Other Property”** owned by **“You”** or held by **“You”** and includes:
- 1) tokens, tickets and stamps (whether represented by actual stamps or unused value in a meter) in current use; and
 - 2) evidence of debt issued in connection with credit or charge cards, but does not include **“Money.”**
- X. **“Term”** means the one-year period commencing July 1 of a given year and ending June 30 of the following year which is identified as **“Term of Memorandum of Coverage”** on the first page of the **“Memorandum of Coverage.”**
- Y. **“Termination”** means the expiration of a **“Memorandum of Coverage”** at the end of a **“Term.”**
- Z. **“Theft”** means the unlawful taking of **“Money,” “Securities”** or **“Other Property.”**
- AA. **“Third Party”** means a person other than an **“Employee.”**

The “Authority” secures a separate Crime policy on behalf of its “Members” with the following limits and Deductibles:

Coverages	Limit of Insurance Per Occurrence	Deductible Per Occurrence
Part A. Employee Theft – Per Loss	\$2,000,000	\$250,000
Part B. Inside the Premises	\$2,000,000	\$250,000
Part C. Outside the Premises	\$2,000,000	\$250,000
Part D. Forgery or Alteration	\$2,000,000	\$250,000
Part E. Computer and Funds Transfer Fraud	\$2,000,000	\$250,000
Part F. Money Orders and Counterfeit Money	\$2,000,000	\$250,000
Part G. Credit, Debit or Charge Card Forgery	\$2,000,000	\$250,000
Part H. Faithful Performance of Duty for Government Employees	\$1,500,000	\$250,000

The most the Insurer will pay for all loss resulting directly from an “Occurrence” is the applicable Limit of Insurance indicated in the schedule above– “Limit of Coverage and Deductible Amount”. If any loss is covered under more than one Insuring Agreement or Coverage, the most the Insurer will pay for such loss shall not exceed the largest Limit of Insurance available under any one of those Insuring Agreements or coverages.

COVERAGE D: CYBER COVERAGE

The “Authority” secures a separate Cyber policy on behalf of its “Members” with the following limits and Retentions:

A. COVERAGES & LIMITS:

1. \$45,000,000 Annual “**Policy**” and Program Aggregate Limit of Liability (subject to “**Policy**” exclusions) for all “**Members**” combined (Aggregate for all coverage's combined, including Claims Expenses), subject to the following sub- limits as noted
2. \$4,000,000 Annual Aggregate Limit of Liability for each Insured/Member for Information Security & Privacy Liability. Each Member will have a \$4,000,000 Limit Each (Aggregate for all coverages combined, including Claim Expenses) but sublimited to:

B. BREACH RESPONSE

Breach Response Costs: \$1,000,000 **Annual Aggregate Limit of Liability** for each Insured/Member **Privacy Notification Costs** coverage. (Limit is increased to \$2,000,000 if Beazley Vendor Services are used)

FIRST PARTY LOSS

Business Interruption Loss: \$4,000,000 **Member Aggregate Limit of Liability** for each “Member” **resulting from Security Breach**

\$250,000 **Member Aggregate Limit of Liability** for each Insured /Member **resulting from System Failure**

Dependent Business Loss: \$750,000 **Member Aggregate Limit of Liability** for each Insured/Member **resulting from Dependent Security Breach**

Cyber Extortion Loss: \$4,000,000 **Member Aggregate Limit of Liability** for each Insured/Member **Cyber Extortion Loss**

Data Recovery Costs: \$4,000,000 **Member Aggregate Limit of Liability** for each Insured/Member **Data Protection Loss**

LIABILITY

Data & Network Liability: \$4,000,000 **Annual Aggregate Limit of Liability** for each Insured/Member for all Damages and Claims Expenses for **Network Liability**

Regulatory Defense & Penalties: \$4,000,000 **Annual Aggregate Limit of Liability** for each Insured/Member for all Damages and Claims Expenses for **Regulatory Defense & Penalties**

Payment Card Liabilities & Costs: \$4,000,000 **Annual Aggregate Limit of Liability** for each Insured/Member for all Damages and Claims Expenses for **Payment Card Liabilities & Costs**

Media Liability: \$4,000,000 **Annual Aggregate Limit of Liability** or each Insured/Member for all Damages and Claims Expenses for **Website Media Content Liability**

ECRIME

Fraudulent Instruction: \$150,000 **Member Aggregate Limit of Liability** for each Insured/Member for all Damages and Claims Expenses for **Fraudulent Instruction.**

Funds Transfer Fraud: \$150,000 **Member Aggregate Limit of Liability** for each Insured/Member for all Damages and Claims Expenses for **Funds Transfer Fraud**

Telephone Fraud: \$150,000 **Member Aggregate Limit of Liability** for each Insured/Member for all Damages and Claims Expenses for **Telecommunications Fraud**

CRIMINAL REWARD

Criminal Reward: \$25,000 **Member Aggregate Limit of Liability** for each Insured/Member for all Damages and Claims Expenses for **Criminal Reward.**

COVERAGE ENDORSEMENT(S)

Consequential Reputational Loss: \$50,000 **Member Aggregate Limit of Liability** for each Insured/Member for all Damages and Claims Expenses for **Consequential Reputational Loss**

RETENTIONS: \$50,000 Per Occurrence for each Insured/Member with TIV up to \$500,000,000 at the time of loss
8 Hour waiting period for first party claims
\$100,000 Per Occurrence for each Insured/Member with TIV greater than \$500,000,000 at the time of loss
8 Hour waiting period for first party claims

“Member” Retention Schedule

Each “Member” is assigned a cyber retention based on their total building values. The annual Budget Notice provides the “Member’s” with the recent values. The following retention shall be applied to the total loss including damages or expenses arising out of anyone Per Occurrence loss.

Building Values	Retention	Member Retention	Maximum Out of Pocket Retention	NMPSIA Retention
\$0 - \$250 Million	\$50,000	\$5,000	\$20,000	\$45,000
\$251 Million - \$500 Million	\$50,000	\$15,000	\$60,000	\$35,000
\$501 Million and Above	\$100,000	\$30,000	\$100,000	\$70,000

Once the Out-of-Pocket retention has been reached, the Member retention will default to \$1,000 Per Occurrence for the remainder of the "Term" of the "Memorandum".

NOTICE:

Coverage of this “Policy” provides coverage on a claim made and reported basis; except as otherwise provided, coverage under noted coverage schedule applies only to claims first made against the “You” and reported to “Us” during the “Policy Period”. Claims expenses shall reduce the applicable Limit of Liability.

EXTENDED REPORTING PERIOD:

For “Members” - To be determined at the time of election.

C. SPECIFIC COVERAGE PROVISIONS:

- A. Breach Response indemnifies the “Member” Organization for Breach Response Costs incurred by the Insured Organization because of an actual or reasonably suspected Data Breach or Security Breach that the Insured first discovers during the “Policy Period”.
- B. First Party Loss indemnifies the “Member” for: Business Interruption Loss the “Member” sustains as a result of a Security Breach or System Failure that the “Member” first discovers during the “Policy Period”. Dependent Business Interruption Loss indemnifies loss the “Member” sustains as a result of a Dependent

Security Breach or a Dependent System Failure that the **“Member”** first discovers during the **“Policy Period”**. Cyber Extortion Loss indemnifies loss the **“Member”** incurs as a result of an Extortion Threat first made against the **“Member”** during the **“Policy Period”**. Data Recovery Costs indemnifies the loss **“Member”** incurs as a direct result of a Security Breach that the **“Member”** first discovers during the **“Policy Period”**.

- C. Liability: Data & Network Liability pays Damages and Claims Expenses, which the **“Member”** is legally obligated to pay because of any Claim first made against any **“Member”** during the **“Policy Period”**. Regulatory Defense & Penalties pays Penalties and Claims Expenses, which the **“Member”** is legally obligated to pay because of a Regulatory Proceeding first made against any **“Member”** during the **“Policy Period”** for a Data Breach or a Security Breach. Payment Card Liabilities & Costs indemnifies the **“Member”** for PCI Fines, Expenses and Costs which it is legally obligated to pay because of a Claim first made against any **“Member”** during the **“Policy Period”**. Media Liability pays Damages and Claims Expenses, which the **“Member”** is legally obligated to pay because of any Claim first made against any **“Member”** during the **“Policy Period”** for Media Liability.
- D. eCrime indemnifies the **Member”** for any direct financial loss sustained resulting from:
- i. Fraudulent Instruction
 - ii. Funds Transfer Fraud
 - iii. Telephone Fraud
- That the **“Member”** first discovers during the **“Policy”**.
- E. Criminal Reward indemnifies the **“Member”** for Criminal Reward Funds.

D. EXCLUSIONS:

(Including but not limited to)

Coverage does not apply to any claim or loss from:

- Bodily Injury or Property Damage
- Trade Practice and Antitrust
- Gathering or Distribution of Information
- Prior Known Acts & Prior Noticed Claims
- Racketeering, Benefit Plans, Employment Liability and Discrimination
- Sale or Ownership of Securities & Violation of Securities Laws
- Criminal, Intentional or Fraudulent Acts
- Patent, Software Copyright, Misappropriation of Information

- Government Actions
- Other Insureds & Related Enterprises
- Trading Losses, Loss of Money & Discounts
- Media-Related Exposures - Contractual Liability or obligation
- Nuclear Incident
- Radioactive Contamination
- Sanctions Limitation
- War and Civil War
- Asbestos, Pollution and Contamination

First Party Loss - included but not limited to: 1. seizure, nationalization, confiscation, or destruction of property or data by order of any governmental or public authority; 2. costs or expenses incurred by the Insured to identify or remediate software program errors or vulnerabilities or update, replace, restore, assemble, reproduce, recollect or enhance data or Computer Systems to a level beyond that which existed prior to a Security Breach, System Failure, Dependent Security Breach, Dependent System Failure or Extortion Threat; 3. failure or malfunction of satellites or of power, utility, mechanical or telecommunications (including internet) infrastructure or services that are not under the Insured Organization's direct operational control; or 4. fire, flood, earthquake, volcanic eruption, explosion, lightning, wind, hail, tidal wave, landslide, act of God or other physical event.

E. DEFINITIONS

Additional Insured means any person or entity that the “**Member**” has agreed in writing to add as an Additional Insured under this “**Policy**” prior to the commission of any act for which such person or entity would be provided coverage under this “**Policy**”, but only to the extent the “**Member**” would have been liable and coverage would have been afforded under the terms and conditions of this “**Policy**” had such Claim been made against the “**Member**”.

Breach Notice Law means any statute or regulation that requires notice to persons whose personal information was accessed or reasonably may have been accessed by an unauthorized person.

Breach Notice Law also includes any statute or regulation requiring notice of a Data Breach to be provided to governmental or regulatory authorities.

Breach Response Costs means the following fees and costs incurred by the “**Member**” with the Underwriters' prior written consent in response to an actual or reasonably suspected Data Breach or Security Breach:

1. for an attorney to provide necessary legal advice to the “**Member**” to evaluate its obligations pursuant to Breach Notice Laws or a Merchant Services Agreement;
2. for a computer security expert to determine the existence, cause and scope of an actual or reasonably suspected Data Breach, and if such Data Breach is actively in progress on the “**Member**’s” Computer Systems, to assist in containing it;

3. for a PCI Forensic Investigator to investigate the existence and extent of an actual or reasonably suspected Data Breach involving payment card data and for a Qualified Security Assessor to certify and assist in attesting to the “**Member’s**” PCI compliance, as required by a Merchant Services Agreement;
4. to notify those individuals whose Personally Identifiable Information was potentially impacted by a Data Breach;
5. to provide a call center to respond to inquiries about a Data Breach;
6. to provide a credit monitoring, identity monitoring or other personal fraud or loss prevention solution, to be approved by the Underwriters, to individuals whose Personally Identifiable Information was potentially impacted by a Data Breach; and
7. public relations and crisis management costs directly related to mitigating harm to the “**Member**” which are approved in advance by the Underwriters in their discretion.

Breach Response Costs will not include any internal salary or overhead expenses of the “**Member**”.

Business Interruption Loss means:

1. Income Loss;
2. Forensic Expenses; and
3. Extra Expense;

actually, sustained during the Period of Restoration as a result of the actual interruption of the “**Member’s**” business operations caused by a Security Breach or System Failure. Coverage for Business Interruption Loss will apply only after the Waiting Period has elapsed.

Business Interruption Loss will not include (i) loss arising out of any liability to any third party; (ii) legal costs or legal expenses; (iii) loss incurred as a result of unfavorable business conditions; (iv) loss of market or any other consequential loss; (v) Dependent Business Loss; or (vi) Data Recovery Costs.

Claim means:

1. a written demand received by any “**Member**” for money or services;
2. with respect to coverage provided under the Regulatory Defense & Penalties insuring agreement only, institution of a Regulatory Proceeding against any “**Member**”; and

3. with respect to coverage provided under part 1. of the Data & Network Liability insuring agreement only, a demand received by any **“Member”** to fulfill the **“Member’s”** contractual obligation to provide notice of a Data Breach pursuant to a Breach Notice Law;

Multiple Claims arising from the same or a series of related, repeated or continuing acts, errors, omissions or events will be considered a single Claim for the purposes of this **“Policy”**. All such Claims will be deemed to have been made at the time of the first such Claim.

Claims Expenses means:

1. all reasonable and necessary legal costs and expenses resulting from the investigation, defense and appeal of a Claim, if incurred by the Underwriters, or by the **“Member”** with the prior written consent of the Underwriters; and
2. the premium cost for appeal bonds for covered judgments or bonds to release property used to secure a legal obligation, if required in any Claim against a **“Member”**; provided the Underwriters will have no obligation to appeal or to obtain bonds.

Claims Expenses will not include any salary, overhead, or other charges by the **Member”** for any time spent in cooperating in the defense and investigation of any Claim or circumstance that might lead to a Claim notified under this **“Policy”**, or costs to comply with any regulatory orders, settlements or judgments.

Computer Systems means computers, any software residing on such computers and any associated devices or equipment:

1. operated by and either owned by or leased to the **“Member”**; or
2. with respect to coverage under the Breach Response and Liability insuring agreements, operated by a third party pursuant to written contract with the **“Member”** and used for the purpose of providing hosted computer application services to the **“Member”** or for processing, maintaining, hosting or storing the **“Member’s”** electronic data.

Retroactive Date means:

1. the inception or effective date the **“Member”** to first become a scheduled Named Insured to the **“Memorandum”** but no earlier than July 1, 2010; and
2. with respect to any Subsidiaries acquired after the Retroactive Date, whereas, the date the **“Member”** acquired such Subsidiary.

Control Group means any principal, partner, corporate officer, director, general counsel (or most senior legal counsel) or risk manager of the **“Member”** and any individual in a substantially similar position.

Criminal Reward Funds means any amount offered and paid by the **“Member”** with the Underwriters' prior written consent for information that leads to the arrest and conviction of any individual(s)

committing or trying to commit any illegal act related to any coverage under this **“Policy”**; but will not include any amount based upon information provided by the **“Member”**, the **“Member’s”** auditors or any individual hired or retained to investigate the illegal acts. All Criminal Reward Funds offered pursuant to this **“Policy”** must expire no later than 6 months following the end of the **“Policy Period”**.

Cyber Extortion Loss means:

1. any Extortion Payment that has been made by or on behalf of the **“Member”** with the Underwriters' prior written consent to prevent or terminate an Extortion Threat; and
2. reasonable and necessary expenses incurred by the **“Member”** with the Underwriters' prior written consent to prevent or respond to an Extortion Threat.

Damages means a monetary judgment, award or settlement, including any award of prejudgment or post-judgment interest; but Damages will not include:

1. future profits, restitution, disgorgement of unjust enrichment or profits by a **“Member”**, or the costs of complying with orders granting injunctive or equitable relief;
2. return or offset of fees, charges or commissions charged by or owed to a **“Member”** for goods or services already provided or contracted to be provided;
3. taxes or loss of tax benefits;
4. fines, sanctions or penalties;
5. punitive or exemplary damages or any damages which are a multiple of compensatory damages, unless insurable by law in any applicable venue that most favors coverage for such punitive, exemplary or multiple damages;
6. discounts, coupons, prizes, awards or other incentives offered to the **“Member’s”** customers or clients;
7. liquidated damages, but only to the extent that such damages exceed the amount for which the **“Member”** would have been liable in the absence of such liquidated damages agreement;
8. fines, costs or other amounts an Insured is responsible to pay under a Merchant Services Agreement; or
9. any amounts for which the **“Member”** is not liable, or for which there is no legal recourse against the **“Member”**.

Data means any software or electronic data that exists in Computer Systems and that is subject to regular back-up procedures.

Data Breach means the theft, loss, or Unauthorized Disclosure of Personally Identifiable Information or Third Party Information that is in the care, custody or control of the **“Member”** or a third party for

whose theft, loss or Unauthorized Disclosure of Personally Identifiable Information or Third Party Information the **Member**” is liable.

Data Recovery Costs means the reasonable and necessary costs incurred by the **Member**” to regain access to, replace, or restore Data, or if Data cannot reasonably be accessed, replaced, or restored, then the reasonable and necessary costs incurred by the **Member**” to reach this determination.

Data Recovery Costs will not include: (i) the monetary value of profits, royalties, or lost market share related to Data, including but not limited to trade secrets or other proprietary information or any other amount pertaining to the value of Data; (ii) legal costs or legal expenses; (iii) loss arising out of any liability to any third party; or (iv) Cyber Extortion Loss.

Dependent Business means any entity that is not a part of the **Member**” but which provides necessary products or services to the **Member**” pursuant to a written contract.

Dependent Business Loss means:

1. Income Loss; and
2. Extra Expense;

actually, sustained during the Period of Restoration as a result of an actual interruption of the **Member’s**” business operations caused by a Dependent Security Breach or Dependent System Failure. Coverage for Dependent Business Loss will apply only after the Waiting Period has elapsed.

Dependent Business Loss will not include (i) loss arising out of any liability to any third party; (ii) legal costs or legal expenses; (iii) loss incurred as a result of unfavorable business conditions; (iv) loss of market or any other consequential loss; (v) Business Interruption Loss; or (vi) Data Recovery Costs.

Dependent Security Breach means a failure of computer security to prevent a breach of computer systems operated by a Dependent Business.

Dependent System Failure means an unintentional and unplanned interruption of computer systems operated by a Dependent Business.

Dependent System Failure will not include any interruption of computer systems resulting from (i) a Dependent Security Breach, or (ii) the interruption of computer systems that are not operated by a Dependent Business.

Digital Currency means a type of digital currency that:

1. requires cryptographic techniques to regulate the generation of units of currency and verify the transfer thereof;
2. is both stored and transferred electronically; and

3. operates independently of a central bank or other central authority.

Extortion Payment means Money, Digital Currency, marketable goods or services demanded to prevent or terminate an Extortion Threat.

Extortion Threat means a threat to:

1. alter, destroy, damage, delete or corrupt Data;
2. perpetrate the Unauthorized Access or Use of Computer Systems;
3. prevent access to Computer Systems or Data;
4. steal, misuse or publicly disclose Data, Personally Identifiable Information or Third-Party Information;
5. introduce malicious code into Computer Systems or to third party computer systems from Computer Systems; or
6. interrupt or suspend Computer Systems;
unless an Extortion Payment is received from or on behalf of the **“Member”**.

Extra Expense means reasonable and necessary expenses incurred by the **“Member”** during the Period of Restoration to minimize, reduce or avoid Income Loss, over and above those expenses the **“Member”** would have incurred had no Security Breach, System Failure, Dependent Security Breach or Dependent System Failure occurred.

Financial Institution means a bank, credit union, saving and loan association, trust company or other licensed financial service, securities broker-dealer mutual fund, or liquid assets fund or similar investment company where the **“Member”** maintains a bank account.

Forensic Expenses means reasonable and necessary expenses incurred by the **“Member”** to investigate the source or cause of a Business Interruption Loss.

Fraudulent Instruction means the transfer, payment or delivery of Money or Securities by a **“Member”** as a result of fraudulent written, electronic, telegraphic, cable, teletype or telephone instructions provided by a third party, that is intended to mislead a **“Member”** through the misrepresentation of a material fact which is relied upon in good faith by such **“Member”**.

Fraudulent Instruction will not include loss arising out of:

1. any actual or alleged use of credit, debit, charge, access, convenience, customer identification or other cards;
2. any transfer involving a third party who is not a natural person Insured, but had authorized access to the **“Member’s”** authentication mechanism;

3. the processing of, or the failure to process, credit, check, debit, personal identification number debit, electronic benefit transfers or mobile payments for merchant accounts;
4. accounting or arithmetical errors or omissions, or the failure, malfunction, inadequacy or illegitimacy of any product or service;
5. any liability to any third party, or any indirect or consequential loss of any kind;
6. any legal costs or legal expenses; or
7. proving or establishing the existence of Fraudulent Instruction.

Funds Transfer Fraud means the loss of Money or Securities contained in a Transfer Account at a Financial Institution resulting from fraudulent written, electronic, telegraphic, cable, teletype or telephone instructions by a third party issued to a Financial Institution directing such institution to transfer, pay or deliver Money or Securities from any account maintained by the “**Member**” at such institution, without the “**Member**”’s “knowledge or consent.

Funds Transfer Fraud will not include any loss arising out of:

1. the type or kind covered by the “**Member**’s” financial institution bond or commercial crime policy;
2. any actual or alleged fraudulent, dishonest or criminal act or omission by, or involving, any natural “**Member**”;
3. any indirect or consequential loss of any kind;
4. punitive, exemplary or multiplied damages of any kind or any fines, penalties or loss of any tax benefit;
5. any liability to any third party, except for direct compensatory damages arising directly from Funds Transfer Fraud;
6. any legal costs or legal expenses; or proving or establishing the existence of Funds Transfer Fraud;
7. the theft, disappearance, destruction of, unauthorized access to, or unauthorized use of confidential information, including a PIN or security code;
8. any forged, altered or fraudulent negotiable instruments, securities, documents or instructions; or
9. any actual or alleged use of credit, debit, charge, access, convenience or other cards or the information contained on such cards.

Income Loss means an amount equal to:

1. net profit or loss before interest and tax that the **“Member”** would have earned or incurred; and
2. continuing normal operating expenses incurred by the **Member”** (including payroll), but only to the extent that such operating expenses must necessarily continue during the Period of Restoration.

Individual Contractor means any natural person who performs labor or service for the **“Member”** pursuant to a written contract or agreement with the **“Member”**. The status of an individual as an Individual Contractor will be determined as of the date of an alleged act, error or omission by any such Individual Contractor.

Insured means:

1. the **“Member”**;
2. any director or officer of the **“Member”**, but only with respect to the performance of his or her duties as such on behalf of the **“Member”**;
3. an employee (including a part time, temporary, leased or seasonal employee or volunteer) or Individual Contractor of the **“Member”**, but only for work done while acting within the scope of his or her employment and related to the conduct of the **“Member’s”** business;
4. a principal if the **Member”** is a sole proprietorship, or a partner if the **“Member”** is a partnership, but only with respect to the performance of his or her duties as such on behalf of the **Member”**;
5. any person who previously qualified as a **“Member”** under parts 2. - 4., but only with respect to the performance of his or her duties as such on behalf of the **“Member”**;
6. an Additional Insured, but only as respects Claims against such person or entity for acts, errors or omissions of the **“Member”**;
7. the estate, heirs, executors, administrators, assigns and legal representatives of any **“Member”** in the event of such **“Member’s”** death, incapacity, insolvency or bankruptcy, but only to the extent that such **“Member”** would otherwise be provided coverage under this **“Policy”**; and
8. the lawful spouse, including any natural person qualifying as a domestic partner of any **“Member”**, but solely by reason of any act, error or omission of an Insured other than such spouse or domestic partner.

Insured Organization means the **“Member”** and any Subsidiaries.

Loss means Breach Response Costs, Business Interruption Loss, Claims Expenses, Criminal Reward Funds, Cyber Extortion Loss, Damages, Data Recovery Costs, Dependent Business Loss, PCI Fines, Expenses and Costs, Penalties, loss covered under the eCrime insuring agreement and any other amounts covered under this **“Policy”**.

Multiple Losses arising from the same or a series of related, repeated or continuing acts, errors, omissions or events will be considered a single Loss for the purposes of this **“Policy”**.

With respect to the Breach Response and **“Member”** Loss insuring agreements, all acts, errors, omissions or events (or series of related, repeated or continuing acts, errors, omissions or events) giving rise to a Loss or multiple Losses in connection with such insuring agreements will be deemed to have been discovered at the time the first such act, error, omission or event is discovered.

Media Liability means one or more of the following acts committed by, or on behalf of, the **“Member”** in the course of creating, displaying, broadcasting, disseminating or releasing Media Material to the public:

1. defamation, libel, slander, product disparagement, trade libel, infliction of emotional distress, outrage, outrageous conduct, or other tort related to disparagement or harm to the reputation or character of any person or organization;
2. a violation of the rights of privacy of an individual, including false light, intrusion upon seclusion and public disclosure of private facts;
3. invasion or interference with an individual's right of publicity, including commercial appropriation of name, persona, voice or likeness;
4. plagiarism, piracy, or misappropriation of ideas under implied contract;
5. infringement of copyright;
6. infringement of domain name, trademark, trade name, trade dress, logo, title, metatag, or slogan, service mark or service name;
7. improper deep-linking or framing;
8. false arrest, detention or imprisonment;
9. invasion of or interference with any right to private occupancy, including trespass, wrongful entry or eviction; or
10. unfair competition, if alleged in conjunction with any of the acts listed in parts 5. or 6. above.

Media Material means any information, including words, sounds, numbers, images or graphics, but will not include computer software or the actual goods, products or services described, illustrated or displayed in such Media Material.

Merchant Services Agreement means any agreement between a “**Member**” and a financial institution, credit debit card company, credit debit card processor or independent service operator enabling a “**Member**” to accept credit card, debit card, prepaid card or other payment cards for payments or donations.

Money means a medium of exchange in current use authorized or adopted by a domestic or foreign government as a part of its currency.

“**Member**” means the “**Members**” listed in the “**Memorandum**”.

PCI Fines, Expenses and Costs means the monetary amount owed by the “**Member**” under the terms of a Merchant Services Agreement as a direct result of a suspected Data Breach. With the prior consent of the Underwriters, PCI Fines, Expenses and Costs includes reasonable and necessary legal costs and expenses incurred by the “**Member**” to appeal or negotiate an assessment of such monetary amount. PCI Fines, Expenses and Costs will not include any charge backs, interchange fees, discount fees or other fees unrelated to a Data Breach.

Penalties means:

1. any monetary civil fine or penalty payable to a governmental entity that was imposed in a Regulatory Proceeding; and
2. amounts which the “**Member**” is legally obligated to deposit in a fund as equitable relief for the payment of consumer claims due to an adverse judgment or settlement of a Regulatory Proceeding (including such amounts required to be paid into a "Consumer Redress Fund");

but will not include: (a) costs to remediate or improve Computer Systems; (b) costs to establish, implement, maintain, improve or remediate security or privacy practices, procedures, programs or policies; (c) audit, assessment, compliance or reporting costs; or (d) costs to protect the confidentiality, integrity and/or security of Personally Identifiable Information or other information.

The insurability of Penalties will be in accordance with the law in the applicable venue that most favors coverage for such Penalties.

Period of Restoration means the 180-day period of time that begins upon the actual and necessary interruption of the “**Member’s**” business operations.

Personally Identifiable Information means:

1. any information concerning an individual that is defined as personal information under and Breach Notice Law; and
2. an individual's driver's license or state identification number, social security number, unpublished telephone number, and credit, debit or other financial account numbers in combination with associated security codes, access codes, passwords or PINs; if such

information allows an individual to be uniquely and reliably identified or contacted or allows access to the individual's financial account or medical record information but will not include information that is lawfully made available to the general public.

“Policy Period” means the period of time between the inception date listed in the Declarations and the effective date of termination, expiration or cancellation of this **“Policy”** and specifically excludes any Optional Extension Period or any prior **“Policy”** or renewal period.

Privacy Policy means the **“Member’s”** public declaration of its policy for collection, use, disclosure, sharing, dissemination and correction or supplementation of, and access to Personally Identifiable Information.

Regulatory Proceeding means a request for information, civil investigative demand, or civil proceeding brought by or on behalf of any federal, state, local or foreign governmental entity in such entity's regulatory or official capacity.

Securities means negotiable and non-negotiable instruments or contracts representing either Money or tangible property that has intrinsic value.

Security Breach means a failure of computer security to prevent:

1. Unauthorized Access or Use of Computer Systems, including Unauthorized Access or Use resulting from the theft of a password from a Computer System or from any **“Member”**;
2. a denial of service attack affecting Computer Systems;
3. with respect to coverage under the Liability insuring agreements, a denial of service attack affecting computer systems that are not owned, operated or controlled by a **“Member”**; or
4. infection of Computer Systems by malicious code or transmission of malicious code from Computer Systems.

Subsidiary means any not-for-profit entity:

1. which, on or prior to the inception date of this **“Policy”**, the governing body of the **“Member”** exerts effective control, directly and indirectly, and whose accounts are included with or consolidated into financial statements of the **“Member”**; and
2. which the governing body of the **“Member”** exerts effective control, directly and indirectly after the inception date of this **“Policy”**; provided that:
 - (i) the value of the sum of all assets (including, but not limited to, real estate, securities assumed indebtedness and other consideration) expended, assumed or

exchanged for any such acquisition, formation or merger does not exceed 5% of the total assets of the **“Member”** and its consolidated subsidiaries and affiliates;

- (ii) the combined or consolidated operations and the acquired, formed or merged entity are not materially different from those of the **“Member”** prior to the acquisition, formation or merger;
- (iii) coverage with respect to that newly formed, acquired or merged entity will begin on the date of acquisition, formation or merger, and there is no coverage for any entity acquired by or merged into the **“Member”** or for any person with respect to that entity for **“Occurrences”** happening prior to the date of acquisition or merger.

This **“Policy”** provides coverage only for acts, errors, omissions, incidents or events that occur while the **“Member”** exerts effective control, directly and indirectly over an entity.

System Failure means an unintentional and unplanned interruption of Computer Systems.

System Failure will not include any interruption of computer systems resulting from (i) a Security Breach, or (ii) the interruption of any third-party computer system.

Telephone Fraud means the act of a third-party gaining access to and using the “**Member’s**” telephone system in an unauthorized manner.

Third Party Information means any trade secret, data, design, interpretation, forecast, formula, method, practice, credit or debit card magnetic strip information, process, record, report or other item of information of a third party not insured under this “**Policy**” which is not available to the general public.

Transfer Account means an account maintained by the “**Member**” at a Financial Institution from which the “**Member**” can initiate the transfer, payment or delivery of Money or Securities.

Unauthorized Access or Use means the gaining of access to or use of Computer Systems by an unauthorized person(s) or the use of Computer Systems in an unauthorized manner.

Unauthorized Disclosure means the disclosure of (including disclosure resulting from phishing) or access to information in a manner that is not authorized by the “**Member**” is without knowledge of, consent or acquiescence of any member of the Control Group.

Waiting Period means the period of time that begins upon the actual interruption of the “**Member’s**” business operations caused by a Security Breach, System Failure, Dependent Security Breach or Dependent System Failure, and ends after the elapse of the number of hours listed as the Waiting Period in the Declarations.

F. EXCLUSIONS

The coverage under this “**Policy**” will not apply to any Loss arising out of:

Bodily Injury or Property Damage

1. physical injury, sickness, disease or death of any person, including any mental anguish or emotional distress resulting from such physical injury, sickness, disease or death; or
2. physical injury to or destruction of any tangible property, including the loss of use thereof; but electronic data will not be considered tangible property;

Trade Practices and Antitrust

any actual or alleged false, deceptive or unfair trade practices, antitrust violation, restraint of trade, unfair competition (except as provided in the Media Liability insuring agreement), or false or deceptive or misleading advertising or violation of the Sherman Antitrust Act, the Clayton Act, or the Robinson-Patman Act; but this exclusion will not apply to:

1. the Breach Response insuring agreement; or
2. coverage for a Data Breach or Security Breach, provided no member of the Control Group participated or colluded in such Data Breach or Security Breach;

Gathering or Distribution of Information

1. the unlawful collection or retention of Personally Identifiable Information or other personal information by or on behalf of the **“Member”**; but this exclusion will not apply to Claims Expenses incurred in defending the **“Member”** against allegations of unlawful collection of Personally Identifiable Information; or
2. the distribution of unsolicited email, text messages, direct mail, facsimiles or other communications, wiretapping, audio or video recording, or telemarketing, if such distribution, wiretapping, recording or telemarketing is done by or on behalf of the **“Member”**; but this exclusion will not apply to Claims Expenses incurred in defending the **“Member”** against allegations of unlawful audio or video recording;

Prior Known Acts & Prior Noticed Claims

1. any act, error, omission, incident or event committed or occurring prior to the inception date of this **“Policy”** if any member of the Control Group on or before the Retroactive Date knew or could have reasonably foreseen that such act, error or omission, incident or event might be expected to be the basis of a Claim or Loss;
2. any Claim, Loss, incident or circumstance for which notice has been provided under any prior **“Policy”** of which this **“Policy”** is a renewal or replacement;

Racketeering, Benefit Plans, Employment Liability & Discrimination

1. any actual or alleged violation of the Organized Crime Control Act of 1970 (commonly known as Racketeer Influenced and Corrupt Organizations Act or RICO), as amended;
2. any actual or alleged acts, errors or omissions related to any of the **“Member’s”** pension, healthcare, welfare, profit sharing, mutual or investment plans, funds or trusts;
3. any employer-employee relations, policies, practices, acts or omissions, or any actual or alleged refusal to employ any person, or misconduct with respect to employees; or
4. any actual or alleged discrimination;

but this exclusion will not apply to coverage under the Breach Response insuring agreement or parts 1., 2. or 3. of the Data & Network Liability insuring agreement that results from a Data Breach; provided no member of the Control Group participated or colluded in such Data Breach;

Sale or Ownership of Securities & Violation of Securities Laws

1. the ownership, sale or purchase of, or the offer to sell or purchase stock or other securities; or
2. an actual or alleged violation of a securities law or regulation; Criminal, Intentional or Fraudulent Acts

any criminal dishonest, fraudulent, or malicious act or omission, or intentional or knowing violation of the law, if committed by a **“Member”**, or by others if the **“Member”** colluded or participated in any such conduct or activity; but this exclusion will not apply to:

1. Claims Expenses incurred in defending any Claim alleging the foregoing until there is a final non-appealable adjudication establishing such conduct; or
2. with respect to a **Member**”, if such **“Member”** did not personally commit, participate in or know about any act, error, omission, incident or event giving rise to such Claim or Loss.

For purposes of this exclusion, only acts, errors, omissions or knowledge of a member of the Control Group will be imputed to the **“Member”**; Patent, Software Copyright, Misappropriation of Information

1. infringement, misuse or abuse of patent or patent rights;
2. infringement of copyright arising from or related to software code or software products other than infringement resulting from a theft or Unauthorized Access or Use of software code by a person who is not a past, present or future employee, director, officer, partner or independent contractor of the **“Member”**; or
3. use or misappropriation of any ideas, trade secrets or Third Party Information (i) by, or on behalf of, the **“Member”**, or (ii) by any other person or entity if such use or misappropriation is done with the knowledge, consent or acquiescence of a member of the Control Group;

Governmental Actions;

a Claim brought by or on behalf of any state, federal, local or foreign governmental entity, in such entity's regulatory or official capacity; but this exclusion will not apply to the Regulatory Defense & Penalties insuring agreement;

Other & Related Enterprises;

a Claim made by or on behalf of:

1. any **“Member”**; but this exclusion will not apply to a Claim made by an individual that is not a member of the Control Group under the Data & Network Liability insuring agreement, or a Claim made by an Additional Insured; or
2. any business enterprise in which any **“Member”** has greater than 15% ownership interest or made by any parent company or other entity which owns more than 15% of the **“Member”**;

Trading Losses, Loss of Money & Discounts

1. any trading losses, trading liabilities or change in value of accounts;
2. any loss, transfer or theft of monies, securities or tangible property of the Insured or others in the care, custody or control of the **“Member”**;
3. the monetary value of any transactions or electronic fund transfers by or on behalf of the **“Member”** which is lost, diminished, or damaged during transfer from, into or between accounts; or
4. the value of coupons, price discounts, prizes, awards, or any other valuable consideration given in excess of the total contracted or expected amount;

but this exclusion will not apply to coverage under the eCrime insuring agreement; Media-Related Exposures with respect to the Media Liability insuring agreement:

- a. any contractual liability or obligation; but this exclusion will not apply to a Claim for misappropriation of ideas under implied contract;
- b. the actual or alleged obligation to make licensing fee or royalty payments;
- c. any costs or expenses incurred or to be incurred by the **“Member”** or others for the reprinting, reposting, recall, removal or disposal of any Media Material or any other information, content or media, including any media or products containing such Media Material, information, content or media;
- d. any Claim brought by or on behalf of any intellectual property licensing bodies or organizations;
5. the actual or alleged inaccurate, inadequate or incomplete description of the price of goods, products or services, cost guarantees, cost representations, contract price estimates, or the failure of any goods or services to conform with any represented quality or performance;

6. any actual or alleged gambling, contest, lottery, promotional game or other game of chance; or
7. any Claim made by or on behalf of any independent contractor, joint venturer or venture partner arising out of or resulting from disputes over ownership of rights in Media Material or services provided by such independent contractor, joint venturer or venture partner;

First Party Loss;

with respect to the First Party Loss insuring agreements:

1. seizure, nationalization, confiscation, or destruction of property or data by order of any governmental or public authority;
2. costs or expenses incurred by the “**Member**” to identify or remediate software program errors or vulnerabilities or update, replace, restore, assemble, reproduce, recollect or enhance data or Computer Systems to a level beyond that which existed prior to a Security Breach, System Failure, Dependent Security Breach, Dependent System Failure or Extortion Threat;
3. failure or malfunction of satellites or of power, utility, mechanical or telecommunications (including internet) infrastructure or services that are not under the “**Member’s**” direct operational control; or
4. fire, flood, earthquake, volcanic eruption, explosion, lightning, wind, hail, tidal wave, landslide, act of God or other physical event.

ENDORSEMENT NO. 1

WEBSITE MEDIA CONTENT LIABILITY

This endorsement modifies insurance provided under the following:

1. The definition of Media Liability is deleted in its entirety and replaced with the following:

Media Liability means one or more of the following acts committed by, or on behalf of, the “**Member**” in the course of the “**Member’s**” display of Media Material on its web site or on social media web pages created and maintained by or on behalf of the “**Member**”:

1. defamation, libel, slander, trade libel, infliction of emotional distress, outrage, outrageous conduct, or other tort related to disparagement or harm to the reputation or character of any person or organization;
 2. a violation of the rights of privacy of an individual, including false light and public disclosure of private facts;
 3. invasion or interference with an individual's right of publicity, including commercial appropriation of name, persona, voice or likeness;
 4. plagiarism, piracy, misappropriation of ideas under implied contract;
 5. infringement of copyright;
 6. infringement of domain name, trademark, trade name, trade dress, logo, title, metatag, or slogan, service mark, or service name; or
 7. improper deep-linking or framing within electronic content.
2. The definition of Media Material is deleted in its entirety and replaced with the following:

Media Material means any information in electronic form, including words, sounds, numbers, images, or graphics and shall include advertising, video, streaming content, web-casting, online forum, bulletin board and chat room content, but does not mean computer software or the actual goods, products or services described, illustrated or displayed in such Media Material.

All other terms and conditions of this “**Memorandum**” remain unchanged.

ENDORSEMENT NO. 2

CONSEQUENTIAL REPUTATIONAL LOSS

This endorsement modifies insurance provided under the following:

3. INSURING AGREEMENTS is amended by the addition of:

Consequential Reputational Loss:

To indemnify the “**Member**” for Consequential Reputational Loss, that the **Member**” incurs during the Notification Period as a result of (i) an actual or reasonably suspected Data Breach or Security Breach that the “**Member**” first discovers during the “**Policy Period**” and (ii) for which individuals have been notified pursuant to part 4. of the Breach Response Services definition.

4. For purposes of this endorsement, DEFINITIONS is amended to include:

Consequential Reputational Loss means the Income Loss during the Notification Period; provided that Consequential Reputational Loss shall not mean and no coverage shall be available under this endorsement for any of the following: loss arising out of any liability to any third party for whatever reason; legal costs or legal expenses of any type; loss incurred as a result of unfavorable business conditions, loss of market or any other consequential loss; or costs or expenses the “**Member**” incurs to identify, investigate, respond to or remediate an actual or reasonably suspected Data Breach or Security Breach.

Income Loss means the net profit resulting directly from the “**Member’s**” business operations, before income taxes, that the “**Member**” is prevented from earning as a direct result of damage to the “**Member’s**” reputation caused by an actual or reasonably suspected Data Breach or Security Breach. In determining Income Loss, due consideration shall be given to the prior experience of the “**Member’s**” business operations before the beginning of the Notification Period and to the reasonable and probable business operations the “**Member**” could have performed had the actual or reasonably suspected Data Breach or Security Breach not occurred.

Income Loss does not include any internal salary, costs or overhead expenses of the “**Member**”.

Notification Period means the 30-day period that begins on the specific date on which Notified Individuals first receive notification of the incident for which Notification Services are provided.

5. Notice of Claim or Loss under GENERAL CONDITIONS is amended to include:

With respect to Consequential Reputational Loss the **“Member”** must notify the Underwriters through the contacts listed for Notice of Claim, Loss or Circumstance in the Declarations as soon as practicable after discovery of the circumstance, incident or event giving rise to such loss. The **“Member”** will provide the Underwriters a proof of Consequential Reputational Loss. All loss described in this paragraph must be reported, and all proofs of loss must be provided, to the Underwriters no later than six (6) months after the end of the **“Policy Period”**. The costs and expenses of preparing and submitting a proof of loss and establishing or proving Consequential Reputational Loss shall be the **“Member’s”** obligation and are not covered under this **“Policy”**.

ENDORSEMENT NO. 3

GDPR CYBER ENDORSEMENT

This endorsement modifies insurance provided under the following:

It is hereby understood and agreed that the Data & Network Liability insuring agreement is amended to include:

5. non-compliance with the following obligations under the EU General Data Protection Regulation (or legislation in the relevant jurisdiction implementing this Regulation):

- (a) Article 5.1(f), also known as the Security Principle;
- (b) Article 32, Security of Processing; I.
- (c) Article 33, Communication of a Personal Data Breach to the Supervisory Authority; or II.
- (d) Article 34, Communication of a Personal Data Breach to the Data Subject

ENDORSEMENT NO. 4

OTHER INSURANCE AMENDMENT ENDORSEMENT

GENERAL CONDITIONS

Other Insurance

The insurance under this **“Policy”** will apply in excess of any other valid and collectible insurance available to any **“Member”** unless such other insurance is written only as specific excess insurance over this **“Policy”**.

The insurance under this **“Policy”** shall not apply to any Claim for which a **“Member”** has coverage under any other policy.

NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY

PROPERTY, AUTOMOBILE PHYSICAL DAMAGE, CRIME & CYBER COVERAGES

The schedule of covered “Members” is as follows including any other Educational Entities or Charter Schools added during the Term of this Memorandum of Coverage not named in Schedule A:

SCHEDULE A: MEMBERS

1. 21st Century Charter School dba 21st Century Public Academy
2. ABQ Charter Academy
3. ABQ Collegiate Charter School
4. Academy for Technology and the Classics
5. ACE Leadership High School
6. ACES Technical Charter School
7. Alamogordo Public Schools
8. Albuquerque Bilingual Academy
9. Albuquerque Institute of Math and Science (AIMS@UNM)
10. Albuquerque School of Excellence
11. Albuquerque Talent Development Academy
12. Aldo Leopold Charter School
13. Alice King Community School
14. Alma D’ Arte Charter High School
15. Altura Preparatory Academy
16. Amy Biehl Charter School
17. Anansi Charter School
18. Animas Charter School
19. Artesia Public Schools
20. Aztec Municipal Schools
21. Belen Consolidated Schools
22. Bernalillo Public Schools
23. Bloomfield School District
24. Capitan Municipal Schools
25. Carlsbad Municipal Schools
26. Carrizozo Municipal Schools
27. Central Consolidated School District #22
28. Cesar Chavez Community School
29. Chama Valley Independent Schools
30. Christine Duncan Heritage Academy
31. Cien Aguas International School

32. Cimarron Municipal Schools
33. Clayton Municipal Schools
34. Cloudcroft Municipal School
35. Clovis Municipal Schools
36. Cobre Consolidated Schools
37. Cooperative Educational Services
38. Coral Community Charter School
39. Corona Public Schools
40. Corrales International Charter School
41. Cottonwood Valley Charter School
42. Cottonwood Classical Preparatory School
43. Cuba Independent Schools
44. DATA Charter School (Digital Arts & Technology Academy)
45. Deming Cesar Chavez High School
46. Deming Public Schools
47. Des Moines Municipal Schools
48. Dexter Consolidated Schools
49. Dora Consolidated Schools
50. Dream Dine' Charter School
51. Dulce Independent Schools
52. DZIL DIT L'OOI School of Empowerment, Action & Perseverance (DEAP)
53. East Mountain Charter School
54. Eastern New Mexico University
55. Eastern New Mexico University - Roswell
56. El Camino Real Academy
57. Elida Municipal Schools
58. Espanola Municipal Schools
59. Estancia Municipal Schools
60. Estancia Valley Classical Academy
61. Eunice Public Schools
62. Explore Academy
63. Explore Academy – Las Cruces
64. Explore Academy – Rio Rancho
65. Farmington Municipal Schools
66. Floyd Municipal Schools
67. Fort Sumner Municipal Schools
68. Gadsden Independent Schools
69. Gallup-McKinley County Public Schools
70. Gilbert L. Sena Charter High School DBA: CEPI #2
71. Gordon Bernell Charter School
72. Grady Municipal Schools
73. Grants Cibola County Schools
74. Hagerman Municipal Schools
75. Hatch Valley Municipal Schools

76. Health Leadership High School
77. Hobbs Municipal Schools
78. Hondo Valley Public Schools
79. Horizon Academy West
80. Hozho Academy
81. House Municipal Schools
82. J. Paul Taylor Academy
83. Jal Public Schools
84. Jefferson Montessori Academy
85. Jemez Mountain Public Schools
86. Jemez Valley Public Schools
87. La Academia de Esperanza
88. La Academia de Idiomas Y Cultura
dba La Academia Dolores Huerta Middle School
89. La Tierra Montessori School of the Arts & Science
90. Lake Arthur Municipal Schools
91. Las Cruces Public Schools
92. Las Montañas Charter High School
93. Las Vegas City Public Schools
94. Logan Municipal Schools
95. Lordsburg Municipal Schools
96. Los Alamos Public Schools
97. Los Lunas Public Schools
98. Los Puentes Charter School
99. Loving Municipal Schools
100. Lovington Municipal Schools
101. Luna Community College
102. Magdalena Municipal Schools
103. Mark Armijo Academy
104. Maxwell Municipal Schools
105. McCurdy Charter School
106. Media Arts Collaborative Charter School
107. Melrose Municipal Schools
108. Mesa Vista Consolidated Schools
109. Mesalands Community College
110. Middle College High School
111. Mission Achievement and Success Charter School
112. Monte Del Sol Charter School
113. Montessori of the Rio Grande
114. Mora Independent Schools
115. Moreno Valley Charter High School
116. Moriarty Municipal Schools
117. Mosaic Academy
118. Mosquero Municipal Schools
119. Mountain Mahogany Community School

120. Mountainair Public Schools
121. National Education Association New Mexico (NEA-NM)
122. Native American Community Academy
123. New Mexico Activities Association
124. New Mexico Association of School Business Officials
125. New Mexico Coalition for Educational Leaders
126. New Mexico Connections Academy
127. New Mexico Highlands University
128. New Mexico International School
129. New Mexico Public Schools Insurance Authority
130. New Mexico School for the Arts
131. New Mexico School for the Arts – Art Institute
132. New Mexico School for the Blind and Visually Impaired
133. New Mexico School for the Deaf
134. North Valley Academy
135. Pecos Connections Academy
136. Pecos Independent Schools
137. Penasco Independent Schools
138. Pojoaque Valley Public Schools
139. Portales Municipal Schools
140. Public Academy for Performing Arts
141. Quemado Independent Schools
142. Questa Independent Schools
143. Raices del Saber Xinachtli Community School Charter
144. Raton Public Schools
145. Red River Valley Charter
146. Regional Education Cooperative # 2
147. Regional Education Cooperative #6
148. Regional Education Cooperative # 7
149. Regional Education Cooperative #8
150. Reserve Independent Schools
151. Rio Gallinas Charter School
152. Rio Grande Academy of Fine Arts
153. Rio Rancho Public Schools
154. Robert F. Kennedy Charter School
155. Roots and Wings Community School
156. Roswell Independent Schools
157. Roy Municipal Schools
158. Ruidoso Municipal Schools
159. San Diego Riverside Charter School
160. San Jon Municipal Schools
161. Sandoval Academy of Bilingual Education
162. Santa Fe Community College
163. Santa Fe Public Schools
164. Santa Rosa Consolidated Schools

- 165.School of Dreams Academy (SODA)
- 166.Sidney Gutierrez Middle Schools
- 167.Siembra Leadership High School
- 168.Silver Consolidated Schools
- 169.Six Directions Indigenous School
- 170.Socorro Consolidated Schools
- 171.Solare Collegiate Charter School
- 172.South Valley Academy
- 173.South Valley Preparatory School
- 174.Southwest Aeronautics, Mathematics and Science Academy
- 175.Southwest Preparatory Learning Center
- 176.Southwest Secondary Learning Center
- 177.Springer Municipal Schools
- 178.Taos Academy
- 179.Taos Charter School
- 180.Taos Integrated School of the Arts
- 181.Taos International School
- 182.Taos Municipal Schools
- 183.Tatum Municipal Schools
- 184.Technology Leadership High School
- 185.Texico Municipal Schools
- 186.The Albuquerque Sign Language Academy
- 187.The ASK Academy
- 188.The Great Academy
- 189.The International School at Mesa Del Sol
- 190.The MASTERS Program
- 191.The Montessori Elementary Schools
- 192.The New America School, Las Cruces
- 193.The New America School, New Mexico (Albuquerque)
- 194.**THRIVE Community School**
- 195.Tierra Adentro Charter School
- 196.Tierra Encantada Charter High School
- 197.Truth or Consequences Municipal Schools
- 198.Tucumcari Public Schools
- 199.Tularosa Municipal Schools
- 200.Turquoise Trail Charter School
- 201.Vaughn Municipal Schools
- 202.Vista Grande High School
- 203.Voz Collegiate Preparatory Charter School
- 204.Wagon Mound Public School
- 205.Walatowa High Charter School
- 206.West Las Vegas Public Schools
- 207.Western New Mexico University
- 208.William W. & Josephine Dorn Charter School
- 209.Zuni Public Schools

ENDORSEMENT NO. 5

Attached to and forming part of the PROPERTY, AUTOMOBILE PHYSICAL DAMAGE & CRIME and CYBER COVERAGES - MEMORANDUM OF COVERAGE, NMPSIA MOC No. P025

Only as respects losses within the “**Authority’s**” retention, this endorsement extends the Territory for interests of the “**Member**” for “**Personal Property**” coverage for which the “**Member**” becomes legally liable, to “**Personal Property**” located or in transit anywhere in the world, but such extension shall be subject to a limit of \$50,000 per occurrence.

Nothing herein contained shall alter, vary or extend any provisions or conditions of this “**Policy**” other than as above stated.

ENDORSEMENT NO. 6

SPECIFIED MEMBERS - LIMITED PARTICIPATION COVERAGE
ENDORSEMENT

Pursuant to NMSA 1978, §22-29-1 et seq. and New Mexico Administrative Code, Title 6, Chapter 50, Parts 1-18, this Memorandum of Coverage (“**Memorandum**”) is an agreement by the New Mexico Public School Insurance Authority (the “**Authority**”) and its “**Members,**” as listed in Schedule A attached hereto, to provide or obtain insurance protection for all covered losses subject to the limits and other terms and conditions of this “**Memorandum**” and any endorsements attached.

This endorsement modifies insurance of this “**Memorandum**” provided under:

COVERAGE B: AUTOMOBILE PHYSICAL DAMAGE
SCHEDULE A: MEMBERS (As listed)

132. New Mexico School for the Blind and Visually Impaired

Schedule			
Coverage Part	Coverage	Covered	Not Covered
Coverage A	Property Coverage		X
Coverage B	Automobile Physical Damage	X	
Coverage C	Crime Coverage		X
Coverage D	Cyber Coverage		X

It is hereby understood and agreed that the insurance under this “**Memorandum**” shall only apply to the “**Member**” as listed in Schedule A and coverage as designated and described in the Schedule of this endorsement.

1. For purposes of this endorsement, I. GENERAL DEFINITIONS, Item 4., is amended with the following:

The word “**Automobile**”, “**Automobiles**” means a land motor vehicle of a commercial type used solely for the bus transportation of passengers. An “**Automobile**” does not include any motor vehicle or private passenger type owned

by or registered in the name of the “**Member**”, any employee, volunteer, officer, or board member, of a “**Member**,” or any motor vehicle insured elsewhere for physical damage coverage.

2. INTEREST & AUTOMOBILES COVERED is amended with the following:

A “**Covered Automobile**” is:

- A) An “**Automobile**” “**You**” own, hire or borrow including equipment permanently installed in the “**Automobile**”.
- B) “**Your**” interest in or legal liability for direct physical loss or damage to an “**Automobile**” owned by others in “**Your**” custody to the extent “**You**” are required to keep the “**Automobile**” covered for direct physical loss or damage

All other terms, conditions, provisions and exclusions of this “**Memorandum**” remain the same.

New Mexico Public Schools Insurance Authority

By: _____

Board of Director, President Date

Blanket Student Accident & Catastrophic Insurance

Prepared Exclusively for

NMPSIA

Arranged by



Administered by



ABOUT MYERS-STEVENS & TOOHEY (MS&T)

- Founded in 1970, MS&T is a fully licensed Managing General Agent/ Third Party Administrator
- Provides carefully integrated insurance solutions to thousands of school systems throughout the United States
- Over 53 years of experience and knowledge in the highly specialized area of Student Accident Insurance
- Committed to superior customer service from plan design to payment of claims
- Allows insureds the freedom to seek medical treatment from any licensed provider
- Gives access to First Health, one of the largest provider networks in the nation
- Student Insurance Provider for NMPSIA since 1999



ABOUT MS&T CLAIMS ADMINISTRATION

- On-site claims administration with a seasoned and experienced team of adjusters with an average tenure of 25 years
- Average claims response is less than 10 business days
- Claims accuracy audit score has averaged 99.1% over the last 11 years
- HIPAA and OFAC compliant
- Open 5 days per week 7:30 am to 4:30 pm Pacific Standard Time, Monday through Friday
- Claims team and support staff routinely go the extra mile
- Bi-lingual support

ABOUT FIRST HEALTH



- First Health is an extensive provider network that allows for deep discounts on billed charges
- Savings average over 41%
- Comprehensive coverage in urban and rural markets eliminate the patch-work approach
- Over 5,000 hospitals, 90,000 ancillary facilities, and 1 million health care professional service locations nationwide
- 98% of the U.S. population with access to a network provider
- Electronic web directories which enable members to find network providers, office hours, languages spoken, hospital affiliation and driving directions
- Annually, *U.S. News & World Report* publishes **America's Best Hospitals**. Students and athletes will have access to the best of care and lower costs as the great majority of these hospitals and doctors published in this report are contracted.

MS&T'S UNDERWRITING COMPANY

MS&T has been working with Chubb to underwrite its student insurance programs for over 15 years. This long-term relationship gives us the trust needed to optimally design our programs to best fit the needs of our schools and students. Additionally, we have the flexibility needed to address special situations as they arise.



Overview

Chubb is the world's largest publicly traded property and casualty insurer, providing commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance.

- As an underwriting company, we assess, assume and manage risk with insight and discipline
- Chubb operates in 54 countries and territories, with approximately 40,000 employees serving a diverse group of clients worldwide

Balance Sheet Strength

(As of December 31, 2023)

- Total assets of \$228.9 billion
- Total capital, which reflects our capacity to take on risk, of \$74.3 billion
- Net loss reserves of \$60.2 billion back our policyholder commitments
- Book value, or shareholders' equity in the company, is \$59.5 billion
- Total investments of \$136.7 billion are predominantly investment grade fixed income securities

Balanced, Diversified Leader

- A global leader in traditional and specialty P&C coverage for businesses of all sizes
- The largest commercial lines insurer in the U.S. and one of the largest financial lines provider globally
- The leading personal lines insurer for America's successful individuals and families and a large personal lines provider globally
- A global leader in personal accident and supplemental health insurance
- A P&C reinsurer
- An international life insurer focused on Asia

Current Ratings ¹		
Rating Agency Ratings	Financial Strength Rating	Outlook
S&P	AA	Stable
A.M. Best	A++	Stable
Fitch	AA	Stable
Moody's	Aa3	Positive

¹Ratings apply to Chubb's core operating insurance companies as of January 04, 2024. For ratings of individual insurance companies, see Investor Information on investors.chubb.com.

BASE COVERAGE

Student injuries can represent problems for families as well as the district or charter school involved. This is especially the case when the student is otherwise uninsured or under-insured. Accessing care can be an issue and the risk of litigation against the school may increase with every out-of-pocket dollar a family experiences.

To address this issue, the proposed blanket school-time plan will implement coverage paid at 100% of Reasonable and Customary (R&C) Charges with no deductible, while also implementing a \$3,000 sickness medical expense. The blanket school-time plan is designed to help fill the gap in the \$25,000 deductible in the catastrophic program. It will provide first dollar accident coverage that seamlessly transitions claims from the blanket school-time to the catastrophic plans.

This blanket coverage would be for all enrolled students of NMPSIA member districts and charters while on campus, including the hour before and the hour after regularly scheduled classes, attending school sponsored and directly supervised events, while in school vehicles, and in district approved and sponsored programs such as school-to-work and JROTC. This would also include practice, games, and travel associated with interscholastic sports provided that the travel is direct and without interruption between school and site of the sponsored activity.

Changes in the delivery of healthcare and personal finance

- ! Despite what many may think about the evolution of health care in the U.S., there remain a significant number of students who are completely uninsured for a variety of reasons.
- ! Another segment consists of those covered as dependents through either individual or employer health plans where co-insurance has increased dramatically.
- ! Choice of providers has become more limited when families discover their doctors and facilities are no longer participating in their network.
- ! And, while many students may be covered under Medicaid, lower reimbursement levels mean that significant number of providers do not accept Medicaid patients.
- ! Out-of-pocket spending for health care continues to be a leading hardship with medical debt being the #1 cause of bankruptcy in the US.*
- ! 60% of Americans are unable to cover an unexpected \$1,000 expense**; a concern when the average ER cost for a broken bone is \$10,000. †

By providing Base Student Accident Insurance, schools can help families access and pay for the medical care needed by their children following covered school-related injuries.

Student Accident Insurance can also:

- ✓ Facilitate compliance with relevant state law or Board policy (when applicable)
- ✓ Mitigate liability exposure and related costs to the school resulting from uninsured or underinsured school-related injuries
- ✓ Provide access to additional 24/7 coverage for both accidents and sickness ††
- ✓ Help families avoid serious financial hardship
- ✓ Remove financial barriers for children participating in extracurricular/co-curricular activities
- ✓ Reduce the administrative load for staff
- ✓ Foster positive relationships with the community

* <https://finance.yahoo.com/news/medical-debt-uniquely-american-problem-155327746.html>

** <https://www.cnbc.com/2019/01/23/most-americans-dont-have-the-savings-to-cover-a-1000-emergency.html> † <https://www.talktomira.com/post/how-much-does-an-er-visit-cost>

†† Plans do not constitute comprehensive health insurance coverage (often referred to as "major medical coverage") and do not satisfy a person's individual obligation to secure the requirement of minimum essential coverage under the Affordable Care Act (ACA).



CATASTROPHIC COVERAGE



New Mexico Public School Insurance Authority (NMPSIA) already mandates Class I catastrophic injury coverage for Albuquerque Public Schools for student athletes, students engaged in activities supportive of interscholastic sports and other activities as sanctioned by the New Mexico Activities Association (NMAA).

The need for catastrophic coverage is clear and although they are most commonly associated with athletic participation, these injuries are not relegated to sports activities alone. The transportation of students, specialized electives, physical education, natural disasters and on-campus violence are just a few examples of how these injuries can occur in areas other than the playing field.

The catastrophic proposal expands the current Class I injury policy for athletics to include Class II injury coverage for all other student activities. These include, but are not limited to; transportation and busing, physical education, JROTC, School-to-Work, field trips and any time students are on campus for regularly scheduled classes.

Help beyond medical bills

Our catastrophic plans can pay covered accident medical expenses on an excess basis at 100% of Reasonable and Customary (R&C) Charges up to \$5,000,000 after a \$25,000 deductible, which may be satisfied through the Student Accident Base Coverage.

The plan also provides additional blanket accidental death & dismemberment, loss of sight, speech, and hearing benefits.

Catastrophic Accident Cash

If as the result of a covered accident, the insured during the covered activity, suffers an injury that results in Coma, Hemiplegia, Paraplegia, Quadriplegia, and/or Uniplegia, the Catastrophic Accident Cash will be paid up to \$1,000,000. Coma means a profound state of unconsciousness, as determined by a Physician according to the Glasgow Coma Scale, from which an insured Person cannot be aroused to consciousness even by powerful stimulation.

*CLASS I - INTERSCHOLASTIC ATHLETICS, Students Grades 7-12. Covers NMPSIA Member District's and School's students while participating in school scheduled, sponsored and directly supervised games and practice sessions of interscholastic sports including student athletes, student managers, student trainers, cheerleaders, majorettes and non-athletic activities deemed sanctioned by the New Mexico Activities Association and while traveling directly and without interruption to or from residence and School for regular attendance; or residence or School to participate in School Activities and while traveling in School Vehicles at any time. .

**CLASS II - Student Activities Coverage - Covers NMPSIA Member's students while on school premises when school is in session and while participating in any school sponsored activity (except interscholastic athletics and New Mexico Activities Association sponsored activities) with direct adult supervision provided by the school including official Vocation Job Training Programs (School-To-Work) and JROTC programs and while traveling directly and without interruption to or from residence and School for regular attendance; or residence or School to participate in School Activities and while traveling in School Vehicles at any time.

BLANKET SCHOOL-TIME COVERAGE PLAN DESIGN AND RATE

Plan Design	
AME (Full Excess)	\$25,000
Deductible	\$0
Incurral Period	120 days
Benefit Period	104 weeks
Coinsurance	100% of R&C
AD&D	Loss of Life \$10,000; Loss of Sight One Eye, or Single Dismemberment: \$25,000; Loss of Sight Both Eyes, Double Dismemberment, or Paralysis: \$50,000 Heart or circulatory malfunction death benefit payable for Loss of Life due to Heart, Circulatory Malfunction that occurs within 52 weeks of participation in a covered activity that is causally connected to such Malfunction: \$10,000
Psychological Therapy	up to \$5,000
Random Act of Violence	\$5,000
Specified Trip Medical Evacuation	up to \$25,000
Specified Trip Repatriation	up to \$10,000
Specified Trip Family Travel Expense	up to 21 days up to \$10,000
Sickness Medical Expense	\$3,000
Rate per Covered Person per year	\$3.65

- ✓ Coverage includes interscholastic sports and interscholastic tackle football with all practice, travel and games associated.
- ✓ Coverage is extended to all registered volunteers of all NMPSIA member districts and charter schools.
- ✓ 1 hour before and after regularly scheduled classes and anytime students are on campus for regularly scheduled classes.
- ✓ Inclusive of all school-to-work (job vocational training) programs, special education, JROTC and day/overnight trips.
- ✓ Also includes directly sponsored and supervised out-of-season sports training, conditioning, and physical education.
- ✓ All claims administration will be serviced in-house with bilingual staff available.
- ✓ A website portal for NMPSIA and families with access to plan information and claims procedures.

CATASTROPHIC CLASS I COVERAGE

BENEFITS	MAXIMUMS
Catastrophic Accident Medical Expense with 10 year benefit period - paid up to	\$5,000,000 at 100% of R&C
Deductible per Occurrence (applies to Accident Medical Expense):	\$25,000
Accidental Death and Dismemberment payable in addition to above listed benefits	\$50,000
Double Dismemberment payable in addition to above benefits	\$100,000
Catastrophic Cash Benefit payable in addition to accident medical expense benefits	up to \$1,000,000
Seat Belt and Airbag	\$5,000
Burn Medical Expense – paid up to	\$150,000
Special Adaptation Expense Benefit – paid up to	\$150,000 (\$75,000 for housing, 75,000 for vehicles)
Benefit Period	10 Years
Rate per Covered Person per year	\$3.48

CATASTROPHIC CLASS II & V (VOLUNTEER) COVERAGE

BENEFITS	MAXIMUMS
Catastrophic Accident Medical Expense with 10 year benefit period - paid up to	\$5,000,000 at 100% of R&C
Deductible per Occurrence (applies to Accident Medical Expense):	\$25,000
Accidental Death and Dismemberment payable in addition to above listed benefits	\$50,000
Double Dismemberment payable in addition to above benefits	\$100,000
Catastrophic Cash Benefit payable in addition to accident medical expense benefits	up to \$1,000,000
Seat Belt and Airbag	\$5,000
Burn Medical Expense – paid up to	\$150,000
Special Adaptation Expense Benefit – paid up to	\$150,000 (\$75,000 for housing, 75,000 for vehicles)
Benefit Period	10 Years
Rate per Covered Person per year	\$1.40

Estimated 2024-2025 Premium breakdown and allocation based upon current numbers:

Blanket School-Time x \$3.65: (247,660 Est. NM State Enrollment for 2024-2025)	\$ 903,959.00
Catastrophic Class I Athletics x \$3.48: (53,602 Est. NM State NMAA Activity Participants for 2024-2025)	\$ 186,534.96
Catastrophic Class II Student Activities x \$1.40: (73,346 Est. District Enrollment 2024-2025)	\$ 346,724.24
Catastrophic Class V Volunteers x \$0.47: (7,000 Est. Estimated Registered Volunteers 2024-2025)	\$ 3,290.00

Total Estimated 2024-2025 Premium:

\$ 1,440,508.20

BLANKET SCHOOL-TIME BENEFIT DESCRIPTIONS

ACCIDENTAL DEATH & DISMEMBERMENT SCHEDULE:

This benefit applies to all Classes of Insured Persons. The following are Losses insured and the corresponding Benefit Amount expresses as a percentage of the Principal Sum:

Accidental:	Benefits Amounts (Percentage of \$10,000 Principal Sum)
Loss of Life	100%
Loss of Speech and Loss of Hearing	500%
Loss of Speech and either Loss of Hand, Loss of Foot or Loss of Sight or One Eye	500%
Loss of Hearing and either Loss of Hand, Loss of Foot or Loss of Sight in One Eye	500%
Loss of Hands (Both), Loss of Feet (Both), Loss of Sight or a combination of any two or Loss of Hand, Loss of Foot or Loss of Sight of One Eye	500%
Paraplegia	500%
Quadriplegia	500%
Hemiplegia	500%
Loss of Hand, Loss of Foot or Loss of Sight of One Eye (Any One of each)	250%
Loss of Speech or Loss of Hearing	250%

ACCIDENT MEDICAL EXPENSE: Up to \$25,000

We will reimburse up to \$25,000 for Accident Medical Expenses if Accidental Bodily Injury causes an Insured Person to first incur Medical Expenses for care and treatment of the Accidental Bodily Injury with 120 days after an accident. The Benefit Amount for Accident Medical Expense is payable only for Medical Expenses incurred within 104 weeks after the date of the accident causing the Accidental Bodily Injury. The Benefit Amount for Accident Medical Expense is payable in addition to any other applicable Benefit Amounts under the policy.

SICKNESS MEDICAL EXPENSE: Up to \$3,000

We will reimburse up to \$3,000 for Medical Expenses (Covered Activity), if an Insured Person incurs medical expenses for care and treatment of a disease or illness for which symptoms first appear during a Covered Activity. The first medical expense for such disease or illness must be incurred during a Covered Activity. The Benefit Amount for medical expenses is payable only for medical expenses incurred within 104 weeks after the date of participation in a Covered Activity. The Benefit Amount is payable in addition to any other applicable Benefit Amounts under the policy.

PSYCHOLOGICAL THERAPY: Up to \$5,000

We will reimburse Psychological Therapy Expense up to \$5,000 if an Accidental Bodily Injury results in a Physician's determination that Psychological Therapy is required for:

1) such Insured Person;

The Benefit Amount for Psychological Therapy Expense will be paid:

1) to the natural person who incurs the expense; and

2) in addition to any other applicable Benefits Amounts under the policy

RANDOM ACT OF VIOLENCE: \$5,000

If Accidental Bodily Injury resulting from a Random Act of Violence causes a covered Loss to the Insured Person, We will pay the Random Act of Violence Benefit. Random Act of Violence means a willful or unlawful use of force in connection with the commission of or attempt to commit a crime that is a felony or misdemeanor in the jurisdiction in which it occurs. This Benefit is payable in addition to any other applicable benefits under the policy. This benefit does not apply if the Random Act of Violence is an act by the Insured Person.

SPECIFIED TRIP MEDICAL EVACUATION: Up to \$25,000 and SPECIFIED TRIP REPATRIATION: Up to \$10,000

If an Insured Person's Accidental Bodily Injury, disease or illness occurs while insured under a Hazard and requires the Medical Evacuation or Repatriation of the Insured Person while the Insured Person is on a covered trip, then We will pay the Covered Expenses for such Medical Evacuation or Repatriation up to \$25,000 for Evacuation and Repatriation. The Benefit Amount for Medical Evacuation or Repatriation is payable in addition to any other applicable Benefit Amounts under the policy.

The insurance applies only if the covered trip:

1) is more than 50 miles from the Insured Person's primary residence; and

2) lasts no more than 30 days.

The Medical Evacuation or Repatriation must be ordered by a Physician, who certifies that the Medical Evacuation or Repatriation is necessary to prevent death or serious deterioration of the Insured Person's medical condition. The Medical Evacuation or Repatriation must be approved and arranged by Our Assistance Services Administrator.

SPECIFIED TRIP FAMILY TRAVEL EXPENSE: Up to 21 Days and Up to \$10,000

If an Insured Person's Accidental Bodily Injury, disease or illness occurs during an insured Hazard and requires a Hospital stay for more than 3 days while the Insured Person is on a covered trip, then We will reimburse up to the Benefit Amount for Family Travel Expense, if all the following conditions are met:

1) the Insured Person is confined to a Hospital; and

2) the Hospital is at least 50 miles from the Insured Person's permanent residence; and

3) all transportation arrangements for an Immediate Family Member are made by Our Assistance Services Administrator and are by the most economical route.

CATASTROPHIC BENEFIT DESCRIPTIONS

ACCIDENTAL DEATH & DISMEMBERMENT SCHEDULE:

This benefit applies to all Classes of Insured Persons. The following are Losses insured and the corresponding Benefit Amount expresses as a percentage of the Principal Sum:

Accidental:	Benefits Amounts (Percentage of \$50,000 Principal Sum)
Loss of Life	100%
Loss of Speech and Loss of Hearing	200%
Loss of Speech and either Loss of Hand, Loss of Foot or Loss of Sight or One Eye	200%
Loss of Hearing and either Loss of Hand, Loss of Foot or Loss of Sight in One Eye	200%
Loss of Hands (Both), Loss of Feet (Both), Loss of Sight or a combination of any two or Loss of Hand, Loss of Foot or Loss of Sight of One Eye	200%
Paraplegia	200%
Quadriplegia	200%
Hemiplegia	200%
Loss of Hand, Loss of Foot or Loss of Sight of One Eye (Any One of each)	40%
Loss of Speech or Loss of Hearing	40%

ACCIDENT MEDICAL EXPENSE: Up to \$5,000,000 (Subject to \$25,000 deductible)

We will reimburse up to \$5,000,000 for Accident Medical Expenses if Accidental Bodily Injury causes an Insured Person to first incur Medical Expenses for care and treatment of the Accidental Bodily Injury with 180 days after an accident. The Benefit Amount for Accident Medical Expense is payable only for Medical Expenses incurred within 520 weeks after the date of the accident causing the Accidental Bodily Injury. The Benefit Amount for Accident Medical Expense is payable in addition to any other applicable Benefit Amounts under the policy.

HEART OR CIRCULATORY MALFUNCTION: \$50,000

We will pay the Benefit Amount of \$50,000 if the Insured Person suffers death as a result of a Heart or Circulatory Malfunction. Death must occur within 52 weeks after participation in the Covered Activity and be a consequence of the Insured Person's participation in a Covered Activity. Heart or Circulatory Malfunction means a myocardial infarction, angina pectoris, coronary thrombosis or cerebral vascular accident but only if all the following conditions are met:

- 1) the Heart or Circulatory Malfunction of a Primary Insured Person occurs within 72 hours after participating in the Covered Activity;
- 2) an insured person is under 70 years of age on the date of the Heart or Circulatory Malfunction;
- 3) the first symptom of Heart or Circulatory Malfunction is medically diagnosed within 72 hours after a Primary Insured Person's Participation in a Covered Activity;
- 4) within 2 years prior to the date a Primary Insured Person participates in a Covered Activity, such Primary Insured Person:
 - a) has not been medically diagnosed with any disease, illness or condition of the heart or circulatory system; or
 - b) has not received any medication or treatment for any disease, illness or condition of the heart or circulatory system.

CATASTROPHIC ACCIDENT CASH: Up to \$1,000,000

We will pay the Initial Benefit Amount for Catastrophic Accident Cash after 180 days, if an accident results in an Insured Person's Coma, Hemiplegia, Paraplegia, Quadriplegia and Uniplegia. The Accident must result from an insured Hazard and occur while an Insured Person is insured under the policy, while it is in force. The covered loss must occur within 180 days after the Accident. For the purpose of the policy, Coma does not mean any state of consciousness intentionally induced during the course of treatment for a covered loss, unless the state of consciousness results from administration of anesthesia in preparation for surgical treatment of injuries sustained in that covered loss.

BURN MEDICAL EXPENSE: Up to \$150,000

We will reimburse up to \$150,000 for Burn Medical Expenses, if an Insured Person suffers a Burn in an Accident. This benefit will reimburse the Reasonable and Customary Charges that are Medically Necessary for an in connection with treatment and Reconstructive Surgery for a Burn. The Benefit Amount for Burn Medical Expense is payable only for medical expenses incurred within 520 weeks after the date of the Accident causing the Burn. The Benefit Amount for Burn Medical Expense is payable in addition to any other applicable Benefit Amounts under the policy.

HOME ALTERATION: Up to \$75,000 and VEHICLE MODIFICATION: Up to \$75,000

We will reimburse charges up to \$75,000 for Home Alteration or \$75,000 for Vehicle Modification, if a covered Loss due to an Accidental Bodily Injury requires an Insured Person to incur expenses for Home Alteration or Vehicle Modification. The Expense for Home Alteration or Vehicle Modification must be incurred within 24 months of the Accidental Bodily Injury. The Benefit Amount for Home Alteration or Vehicle Modification is payable if:

- 1) a Physician certifies that the Home Alteration or Vehicle Modification is needed to accommodate a physical disability of an Insured Person;
- 2) the Home Alteration or Vehicle Modification is made by people experienced in such Home Alteration or Vehicle Modification;
- 3) the Home Alteration or Vehicle Modification is in compliance with any applicable laws or requirements for approval by the appropriate governmental authority in the jurisdiction where the services are rendered; and
- 4) the Home Alteration or Vehicle Modification expenses do not exceed the usual level of charges for similar alterations or modifications in the jurisdiction where the expenses are incurred.

SEAT BELT AND OCCUPANT PROTECTION DEVICE: Up to \$5,000 each to a maximum of \$10,000

We will pay \$5,000, if an Insured Person suffers an Accidental Bodily Injury resulting in a Covered Loss while such Insured Person is operating or riding in a Private Passenger Automobile and using a Seat Belt. The Seat Belt must be properly secured and used in accordance with the recommendations of its manufacturer. We will also pay \$5,000 for an Occupant Protection Device, if an Insured Person suffers an Accidental Bodily Injury as set forth here and such Insured Person is positioned in a seat protected by a properly deployed Occupant Protection Device. The \$5,000 for the Occupant Protection Device will only be paid if We pay the Seat Belt Benefit other than the Alternate Benefit Amount.

DEFINITIONS

Accident

Accident means a sudden, unforeseen, and unexpected event which: 1) happens by chance; 2) arises from a source external to an Insured Person; 3) is independent of illness, disease or other bodily malfunction or medical or surgical treatment thereof; 4) occurs while the Insured Person is insured under this policy which is in force; and 5) is the direct cause of loss.

Accidental Bodily Injury

Accidental Bodily Injury means bodily injury, which: 1) is Accidental; 2) is the direct cause of a loss; and 3) occurs while an Insured Person is insured under this policy, which is in force. Accidental Bodily Injury does not mean a Repetitive Motion Injury.

Conveyance

Conveyance means any motorized craft, vehicle or mode of transportation licensed or registered by a governmental authority with competent jurisdiction.

Covered Activity

Covered Activity means those activities for which an Insured Person is insured under this policy.

Deductible

The Deductible for Accident Medical Expense, will be deducted from any Benefit Amount for Accident Medical Expense that We pay. This Deductible applies separately to each Insured Person and each Accident.

Emergency Medical Treatment

Emergency Medical Treatment means treatment for a medical condition which: 1) arises suddenly and unexpectedly; and 2) if left untreated could result in Loss of Life, or in serious deterioration of an Insured Person's medical condition.

Emergency Transportation Vehicle

Emergency Transportation Vehicle means a special equipped vehicle that provides transportation for the sick or injured to or from places of treatment due to an illness or injury.

Hospital

Hospital means a public or private institution which: 1) is licensed in accordance with the laws of the jurisdiction where it is located; 2) is accredited by The Joint Commission; 3) operates for the reception, care and treatment of sick, ailing or injured persons as in-patients; 4) provides organized facilities for diagnosis and medical or surgical treatment; 5) provides twenty-four (24) hour nursing care; 6) has a Physician or staff of Physicians ; and 7) is not primarily a day clinic, rest or convalescent home, assisted living facility or similar establishment and is not, other than incidentally, a place for the treatment of alcoholics or drug addicts.

Immediate Family Member

Immediate Family Member means an individual with any of the following relationships to the Insured Person: Spouse, and parents thereof; sons and daughters, including adopted children and stepchildren, and spouses thereof; parents, including stepparents, and spouses thereof; brothers and sisters, and spouses thereof; grandparents and grandchildren, and spouses thereof; aunts or uncles, and spouses thereof; nieces or nephews, and spouses thereof. Immediate Family Member also includes legal guardians or wards.

Insured Person

Insured Person means a person: 1) for whom insurance is elected, 2) and on whose behalf premium is paid.

Loss

Loss means Accidental: Loss of Foot, Loss of Hand, Loss of Hearing, Loss of Life, Loss of Sight, Loss of Sight of One Eye, Loss of Speech, Loss of Thumb and Index Finger.

Medically Necessary

Medically Necessary means a medical or dental service, supply or course of treatment which: 1) is ordered or prescribed by a Physician; 2) is appropriate and consistent with the patient's diagnosis; 3) is in accord with current accepted medical or dental practice; and 4) could not be eliminated without adversely affecting the patient's condition.

Medical Expense

Medical Expense means the Reasonable and Customary Charges for Medical Services for the care and treatment of Accidental Bodily Injuries sustained in an Accident.

Other Plan

Other Plan means any other insurance or payment source for Medical Services or disability, including but not limited to health coverage, disability insurance, worker's compensation insurance; or coverage provided or required by any law or statute, including, automobile insurance "fault" or "no-fault", employer sick leave or salary continuation plan, or similar benefit provided or required by governmental plan or program.

Physician

Physician means a licensed practitioner of the healing arts, acting within the scope of his or her license to the extent provided by the laws of the jurisdiction in which medical treatment is provided.

Physician does not include: 1) an Insured Person; 2) an Immediate Family Member; 3) an Insured Person's employer or business partner; or 4) the Policyholder.

Psychological Therapy

Psychological Therapy means Medically Necessary counseling for a mental or nervous disorder by a Physician, whether on an out-patient basis, in a Hospital or any other medical facility licensed to provide such treatment.

Random Act of Violence

Random Act of Violence means a willful or unlawful use of force in connection with the commission of or attempt to commit a crime that is a felony or a misdemeanor in the jurisdiction in which it occurs.

Reasonable and Customary (R&C)

Reasonable and Customary Charge means the lesser of: 1) the usual charge made by Physicians or other health care providers for a given service or supply; or 2) the charge We reasonably determine to be the prevailing charge made by Physicians or other health care providers for a given service or supply in the geographical area where it is furnished.

We, Us and Our

We, Us and Our means Federal Insurance Company.

EXCLUSIONS

General Exclusions

Aircraft Pilot or Crew

This insurance does not apply to any Accident, Accidental Bodily Injury or Loss caused by or resulting from, directly or indirectly, an Insured Person being in entering, or exiting any aircraft while acting or training as a pilot or crew member. This exclusion does not apply to passengers who temporarily perform pilot or crew functions in a life-threatening emergency.

Disease or Illness

This insurance does not apply to any Accident, Accidental Bodily Injury or Loss caused by or resulting from, directly or indirectly, an Insured Person's emotional trauma, mental or physical illness, disease, pregnancy, childbirth or miscarriage, bacterial or viral infection, bodily malfunctions or medical, diagnostic or surgical treatment thereof. This exclusion does not apply to an Insured Person's bacterial infection caused by an Accident or from Accidental consumption of a substance contaminated by bacteria.

Illegal Acts

This insurance does not apply to any Accident, Accidental Bodily Injury or Loss caused by or resulting from, directly or indirectly, an Insured Person's commission of any felony, or assault, or participation in an illegal occupation, riot, insurrection or civil commotion.

Participation in Organized Sports (Except as provided in the Schedule of Benefits)

This insurance does not apply to any Accident, Accidental Bodily Injury or Loss caused by or resulting from, directly or indirectly, an Insured Person being engaged in or participating in interscholastic sports.

Intoxication Exclusion

This insurance does not apply to any Accident, Accidental Bodily Injury or Loss caused by or resulting from, directly or indirectly, an Insured Person being intoxicated at the time of an Accident. Intoxication is defined by the laws of the jurisdiction where such Accident occurs. If such jurisdiction does not have a law to define Intoxication, then under this policy it will mean a blood alcohol content of .08 or greater.

Narcotic Exclusion

This insurance does not apply to any Accident, Accidental Bodily Injury or Loss caused by or resulting from, directly or indirectly, an Insured Person being under the influence of any narcotic or other controlled substance or intentionally ingesting or inhaling any poison gas or fumes at the time of an Accident. This exclusion does not apply if any narcotic or other controlled substance is taken and used as prescribed by a Physician.

Owned Aircraft, Leased Aircraft or Operated Aircraft

This insurance does not apply to any Accident, Accidental Bodily Injury or Loss caused by or resulting from, directly or indirectly, an Insured Person being in, entering, or exiting any aircraft: 1) owned, leased or operated by the Policyholder or on the Policyholder's behalf; or 2) operated by an employee of the Policyholder on the Policyholder's behalf.

Service in the Armed Forces

This insurance does not apply to any Accident, Accidental Bodily Injury or Loss caused by or resulting from, directly or indirectly, an Insured Person participating in military action while in active military service with the armed forces of any country or established international authority. However, this exclusion does not apply to the first sixty (60) consecutive days of active military service with the armed forces of any country or established international authority.

Specialized Aviation

This insurance does not apply to any Accident, Accidental Bodily Injury or Loss caused by or resulting from, directly or indirectly, an Insured Person's participation in Specialized Aviation activities.

Suicide or Intentional Injury

This insurance does not apply to any Accident, Accidental Bodily Injury or Loss caused by or resulting from, directly or indirectly, an Insured Person's suicide, attempted suicide or intentionally self-inflicted injury.

War

This insurance does not apply to any Accident, Accidental Bodily Injury or Loss caused by or resulting from, directly or indirectly, war, undeclared war, civil war, insurrection, rebellion, revolution, warlike acts by a military force or personnel, any action taken in hindering or defending against any of these, the destruction or seizure of property for a military purpose, or any consequences of any of these acts regardless of any other direct or indirect cause or event, whether covered or not, contributing in any sequence to the loss.

Accident Medical Expense Exclusions

The Benefit Amount for Accident Medical Expense does not apply to charges and services:

1. for which an Insured Person has no obligation to pay;
2. for any injury where worker's compensation benefits or occupational injury benefits are payable;
3. for any injury occurring while fighting, except in self-defense;
4. for treatment that is educational, experimental or investigational in nature or that does not constitute accepted medical practice;
5. for treatment by a person employed or retained by the Policyholder;
6. personal comfort or convenience items, such as but not limited to, hospital telephone charges, television rental, internet access, barber services or guest meals while confined in a Hospital or
7. routine physical exams that are not the result of an Accidental Bodily Injury.



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NMPSIA BOARD REPORT SUMMARY - LIABILITY AND PROPERTY

01-31-2024

ALL YEARS TOTAL OPEN CLAIMS FOR LIABILITY AS OF JANUARY 31, 2024							ALL YEARS TOTAL OPEN CLAIMS FOR PROPERTY AS OF JANUARY 31, 2024						GRAND TOTALS	
SCHOOL DISTRICT	NUMBER OF OPEN CLAIMS	NUMBER OF NEW CLAIMS	NUMBER OF CLOSED CLAIMS	RESERVE	PAYMENT	TOTAL	NUMBER OF OPEN CLAIMS	NUMBER OF NEW CLAIMS	NUMBER OF CLOSED CLAIMS	RESERVE	PAYMENT	TOTAL	TOTAL	GRAND TOTAL
SUBTOTAL - DISTRICTS	402	27	31	\$25,817,152.94	\$13,908,124.91	\$39,725,277.85	149	9	24	\$65,679,704.99	\$13,913,846.01	\$79,593,551.00	551	\$119,318,828.85
SUBTOTAL - CHARTER SCHOOLS	35	8	2	\$868,172.51	\$65,990.61	\$934,163.12	8	6	2	\$11,325.30	\$74,875.70	\$86,201.00	43	\$1,020,364.12
GRAND TOTAL	437	35	33	\$26,685,325.45	\$13,974,115.52	\$40,659,440.97	157	15	26	\$65,691,030.29	\$13,988,721.71	\$79,679,752.00	594	\$120,339,192.97

CHANGE FROM PRIOR MONTH SCHOOL DISTRICT	CURRENT CHANGES LIABILITY CLAIMS FROM PRIOR MONTH						CURRENT CHANGES PROPERTY CLAIMS FROM PRIOR MONTH						CURRENT CHANGES	
	OPEN CLAIMS	NEW CLAIMS	CLOSED CLAIMS	RESERVE	PAYMENT	TOTAL	OPEN CLAIMS	NEW CLAIMS	CLOSED CLAIMS	RESERVE	PAYMENT	TOTAL	OPEN CLAIMS	GRAND TOTAL
SUBTOTAL - DISTRICTS	(2)	(21)	(9)	\$702,908.92	\$330,015.24	\$1,032,924.16	(15)	5	14	\$190,184.99	(\$931,320.09)	(\$741,135.10)	(17)	\$291,789.06
SUBTOTAL - CHARTER SCHOOLS	6	6	0	\$118,012.43	\$9,313.89	\$127,326.32	4	5	2	\$201.00	(\$4,642.77)	(\$4,441.77)	10	\$122,884.55
GRAND TOTAL	4	(15)	(9)	\$820,921.35	\$339,329.13	\$1,160,250.48	(11)	10	16	\$190,385.99	(\$935,962.86)	(\$745,576.87)	(7)	\$414,673.61

HISTORY Monthly Totals	MONTH TOTAL						MONTH TOTAL CHANGES FROM PRIOR MONTH TOTAL					
	Open Claims	New Claims	Closed Claims	RESERVE	PAYMENTS	TOTAL	Open Claims	New Claims	Closed Claims	RESERVE	PAYMENTS	TOTAL
January - 2024	594	50	59	\$92,376,355.74	\$27,962,837.23	\$120,339,192.97	(7)	(5)	7	\$1,011,307.34	(\$596,633.73)	\$414,673.61
December - 2023	601	55	52	\$91,365,048.40	\$28,559,470.96	\$119,924,519.36	7	(32)	15	(\$2,102,495.40)	\$251,548.52	(\$1,850,946.88)
November - 2023	594	87	37	\$93,467,543.80	\$28,307,922.44	\$121,775,466.24	54	8	(19)	(\$243,734.87)	(\$4,043,113.87)	(\$4,286,848.74)
October - 2023	540	79	56	\$93,711,278.67	\$32,351,036.31	\$126,062,314.98	29	27	18	\$1,996,129.56	(\$2,946,017.50)	(\$949,887.94)
September - 2023	511	52	38	\$91,715,149.11	\$35,297,053.81	\$127,012,202.92	19	(3)	(26)	(\$1,266,805.79)	\$2,767,421.22	\$1,500,615.43
August - 2023	492	55	64	\$92,981,954.90	\$32,529,632.59	\$125,511,587.49	(5)	(31)	(3)	\$4,695,525.49	(\$7,037,658.70)	(\$2,342,133.21)
July - 2023	497	86	67	\$88,286,429.41	\$39,567,291.29	\$127,853,720.70	24	38	20	\$3,192,782.91	\$1,079,304.89	\$4,272,087.80
June - 2023	473	48	47	\$85,093,646.50	\$38,487,986.40	\$123,581,632.90	9	(13)	(36)	\$28,611,890.88	(\$3,279,230.43)	\$25,332,660.45
May - 2023	464	61	83	\$56,481,755.62	\$41,767,216.83	\$98,248,972.45	(15)	7	24	(\$2,940,892.57)	\$2,132,509.33	(\$808,383.24)
April - 2023	479	54	59	\$59,422,648.19	\$39,634,707.50	\$99,057,355.69	1	(15)	(4)	(\$2,764,490.56)	\$4,999,879.61	\$2,235,389.05
March - 2023	478	69	63	\$62,187,138.75	\$34,634,827.89	\$96,821,966.64	11	18	24	\$1,287.92	\$1,139,897.50	\$1,141,185.42
February - 2023	467	51	39	\$62,185,850.83	\$33,494,930.39	\$95,680,781.22	19	(10)	(8)	\$571,024.43	\$1,187,977.05	\$1,759,001.48
January - 2023	448	61	47	\$61,614,826.40	\$32,306,953.34	\$93,921,779.74	18	29	0	\$361,499.20	(\$175,637.96)	\$185,861.24
December - 2022	430	32	47	\$61,253,327.20	\$32,482,591.30	\$93,735,918.50	(13)	(30)	(12)	(\$1,886,367.25)	(\$3,797,977.87)	(\$5,684,345.12)
November - 2022	443	62	59	\$63,139,694.45	\$36,280,569.17	\$99,420,263.62	13	(20)	(17)	\$2,289,852.48	(\$425,745.37)	\$1,864,107.11
October - 2022	430	82	76	\$60,849,841.97	\$36,706,314.54	\$97,556,156.51	8	39	31	\$437,166.04	(\$4,136,937.99)	(\$3,699,771.95)
September - 2022	422	43	45	\$60,412,675.93	\$40,843,252.53	\$101,255,928.46	5	(29)	(15)	\$1,683,415.42	\$1,226,358.10	\$2,909,773.52
August - 2022	417	72	60	\$58,729,260.51	\$39,616,894.43	\$98,346,154.94	15	54	31	\$970,635.92	\$2,352,124.71	\$3,322,760.63
July - 2022	402	18	29	\$57,758,624.59	\$37,264,769.72	\$95,023,394.31	(6)	(39)	(11)	\$20,243,939.17	\$4,938,782.62	\$25,182,721.79
June - 2022	408	57	40	\$37,514,685.42	\$32,325,987.10	\$69,840,672.52	27	2	(33)	(\$813,665.77)	\$1,639,986.34	\$826,320.57
May - 2022	381	55	73	\$38,328,351.19	\$30,686,000.76	\$69,014,351.95	(16)	11	40	(\$5,203,062.14)	\$3,030,181.71	(\$2,172,880.43)
April - 2022	397	44	33	\$43,531,413.33	\$27,655,819.05	\$71,187,232.38	21	(25)	(7)	\$342,327.71	\$1,366,532.28	\$1,708,859.99
March - 2022	376	69	40	\$43,189,085.62	\$26,289,286.77	\$69,478,372.39	34	22	6	\$1,481,802.34	\$1,290,433.83	\$2,772,236.17
February - 2022	342	47	34	\$41,707,283.28	\$24,998,852.94	\$66,706,136.22	15	8	0	\$2,051,510.59	(\$272,536.59)	\$1,778,974.00
January - 2022	327	39	34	\$39,655,772.69	\$25,271,389.53	\$64,927,162.22	7	4	(17)	(\$2,780,159.39)	(\$279,539.15)	(\$3,059,698.54)
December - 2021	320	35	51	\$42,435,932.08	\$25,550,928.68	\$67,986,860.76	(14)	(12)	13	\$733,971.22	(\$846,129.80)	(\$112,158.58)
November - 2021	334	47	38	\$41,701,960.86	\$26,397,058.48	\$68,099,019.34	16	13	(12)	\$428,298.90	(\$140,259.94)	\$288,038.96
October - 2021	318	34	50	\$41,273,661.96	\$26,537,318.42	\$67,810,980.38	(11)	(17)	(1)	\$387,615.58	\$1,047,331.60	\$1,434,947.18
September - 2021	329	51	51	\$40,886,046.38	\$25,489,986.82	\$66,376,033.20	1	(2)	7	(\$1,015,326.68)	(\$14,926,877.83)	(\$15,942,204.51)
August - 2021	328	53	44	\$41,901,373.06	\$40,416,864.65	\$82,318,237.71	13	26	23	(\$6,602,301.51)	\$8,714,729.10	\$2,112,427.59
July - 2021	315	27	21	\$48,503,674.57	\$31,702,135.55	\$80,205,810.12	10	(6)	(14)	(\$9,463,560.36)	\$917,883.95	(\$8,545,676.41)



Claim Management Process—“The Life of a Claim” **Liability**

INITIAL INTAKE (within 24 hours)

- 2 Point Contact
 - Client Input at Initial Contact
 - Claimant / Attorney Contact
 - Gather Intel
- Fact Development-(Narrow Issues)
- Develop Investigation Plan

INVESTIGATION -Preliminary (10 Days)

- Risk Transfer / Tender Targets?
- Scene Investigation
- Statements
 - Witnesses / Employees
- Index
- Preliminary Reserve
 - Various Factors
- Client Briefing and Input

BASIC INITIAL INVESTIGATION (30 Days)

- Realistic Liability Determination-Stated
- Action Plan-Additional Work
- Resolution Strategy
 - Consider Factors
 - Deny-Hard or Soft
 - Settle



Posture for Defense
Additional Work Based on Resolution Strategy

RESOLVE BY SETTLEMENT?

- Obtain Damages Information
 - Medicals
 - General Damages?
 - LOE?
 - Hedonic Damages?
 - Other supporting documentation
- Identify any Liens
 - Medicare
 - Other Lienholders
- Evaluate
 - Client Input
- Obtain Authority
- Negotiate Settlement
 - Verify / Satisfy Liens
- Obtain Closing Documents
 - Release
 - Dismissal?
 - Court Approval?
 - Guardian Ad Litem needed?

SUBROGATION

- Considerations
 - Business Relationships
 - Contractual Basis?
 - Viable Target-Insurance? Assets?
 - Equitable?
 - Realistic Assessment of Success



Amount Involved
Substantiated, Documented?
Comparative Fault
Comprehensive Initial Demand
With Supporting Documentation
30 day Follow-up
Client Consultation Following Response
Follow-Up

Escalation
Litigation?

SUPERVISOR / ADJUSTER ACCOUNTABILITY

Client QSP Standards
Internal Audits
Random, Monthly (By Supervisor)
Annual Audit by CCMSI group
Carrier Audits
Supervisor Diary Reviews

LITIGATION MANAGEMENT

Characteristics
Proactive
Collaborative
Clearly Articulated Goal
Posture to Settle
Advance to ADR
Posture for Trial

Selection of Counsel

Client's Ultimate Decision
Established Counsel List?
Carrier List?



Mega Firm vs. Small /Medium firm?

Strong Initial Evaluation a must.

Defenses Available
Gross Value Range
Present Value Range
Likelihood of Defense Verdict
Offer? Range
Early ADR?
Summary Trial?
Tenders / Contractual Issues

Reporting

Six Month Report
 Synopsis
 Present Status
 Damages
 Current Settlement Value
 Evaluation
 Defense Strengths / Weaknesses
 Tenders
 Action Plan
Status Reports
 Quarterly
 Effect of Recent Discovery / Motions

Cost Management

Phased Budgeting
 Discovery
 Law and Motion
 Trial
 Expert Costs



Appropriate Costs by Phase
Timekeeping Requirements
Date
Timekeeper
Activity
Hourly Rate
Cost Per Entry
Restrictions (Short List)
Block Billing
Supervision / Conference Charges
Research
Law and Motion Pre-Approval
Problem Files
"Hobson's Choice" Files
"Defense" Files

ACTION PLANS

Required On All Files
Specifics-Long Term and Short Term
Resolution Goal Restated
Acknowledge Direction Internal /External

DIARY / ESCALATION

Time Critical Events
Drastically Shortened
Closely Monitored for Completion
Two Strikes
Re-Assignment

RESERVING

Client Input
Within Client Standards
Probable Outcome / Needs



Realistic
Placeholders as Flags
Rationale Required for Initial and Changes

SETTLEMENT STRATEGIES

Cost-Benefit Analysis First
Client and Claimant Expectations
Fact Based Compromise
 Active vs. Passive Fault
Legal Considerations
 Comparative vs. Contributory Standards
Attorney vs. Claimant Driven?
Appropriate use of ADR

MANAGEMENT OF THIRD PARTY VENDORS

Right Vendors for Tasks
Clear Instructions Essential
 Task Specific
 Task Limitations?
 Dollar Limitations?
Ongoing Communication
Verify Charges for Work Performed

NMPSIA Monthly Loss Prevention Abatement Report

January 2024	Total Rec	Total Capital	Total Non-Capital	Corrected Capital	Corrected Non-Capital	Total Corrected
January 2024	599	19	580	7	427	434
Total % Corrected	72.45%	= Total Corrected/Total Recommendations				
% Corrected Capital	36.84%	= Corrected Capital/Total Capital				
% Corrected Non-Capital	73.62%	= Corrected Non-Capital/Total Non-Capital				



New Mexico Public Schools Insurance Authority

FY2025 Projection for October 1, 2024 Rate Setting

March 6-7, 2024

Nura Patani, PhD, ASA, MAAA
Senior Vice President, Consulting Actuary
West Region Health Practice Leader

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Senior Vice President, Consulting Actuary

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Contents

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Projection Assumptions

FY2025 – FY2029 Projection

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Dental and Vision Premiums

Appendix

Historical Look and FY24 Projections

Historical Look – Rate Increases and Fund Balance

Plan Year	Fund Balance at Start of Plan Year	Blended Increase to “Breakeven”	Actual October 1 Rate Increase	Increase/(Decrease) in Fund Balance	
2016 – 2017	\$20.9 million	Not Evaluated/Reported	High Low	8.30% 7.15%	(\$7.1 million)
2017 – 2018	\$13.8 million	Not Evaluated/Reported	High & HMO Low	3.98% 1.82%	\$3.6 million
2018 – 2019	\$17.4 million	Not Evaluated/Reported	High & EPO Low	4.00% -0.70%	\$9.3 million
2019 – 2020	\$26.7 million	2.9%	High & EPO Low	5.90% 3.10%	\$4.9 million
2020 – 2021	\$31.6 million	11.3%	High & EPO Low	6.00% 2.10%	\$0.1 million
2021 – 2022	\$31.7 million	11.9%	High & EPO Low	6.00% 3.60%	(\$16.7 million)
2022 – 2023	\$15.0 million	8.10%	High & EPO Low	6.00% 3.20%	\$2.6 million (unaudited)
2023 – 2024	\$17.6 million (unaudited)	7.55%	Medical/Rx	7.24%	(\$15.2 million) (unaudited)

FY2024 Experience and Projection

\$15.2M

Projected total loss over FY2024

Projected fund balance of \$2.41M is 0.1 months of claims



Key Drivers

- Recent Rx claims experience outpacing expectations
- Continued migration from High Option plans to Low Option plans
- Impact of 2023 legislation that became effective January 1, 2024



Key Drivers Impacting FY24 and FY25 Projections

Tailwinds

- Pharmacy market check = \$0.9M
- Low Option premium flexibility = \$2.2M



Headwinds

- 14.6% medical/Rx annualized trend experience for first six months of FY24
 - Assumed medical/Rx trend is 7%
 - \$7M additional costs associated with GLP-1 drugs through November 2023 from 2022, mostly utilization driven
 - \$2M is associated with weight loss drugs
- \$2.8M and \$5.7M – FY24 and FY25 projected costs with Legislative Bills passed
- \$2.2M – Continued migration from High to Low Plan Option

| Assumptions

Assumptions for Projections

- Claims Experience: January 2023 – December 2023
- Revenues based on enrollment as of January 4, 2024
- FY2024 through FY2029 Trend:
 - 7.0% Medical
 - 10.0% Rx
 - 4.0% Dental

} Approximately 7.7% blended Medical/Rx trend
- Projections assume no changes to current plan design for Scenarios A-F and do not assume any material migration between plans from the experience period to the projection periods
- Baseline and Scenarios A through F projections assume no changes to current plan design and do not assume any material migration between plans from the experience period to the projection periods
- Projections include:
 - Impact of 2023 legislative requirements effective 1/1/2024 and beyond
 - Results from the IBAC “Big Bid” RFP for Medical, Dental and Vision benefits
 - Pharmacy market check
- All scenarios include 5% Dental rate increase and 3% Vision rate increase effective 10/1/2024

Assumptions for Projections (cont'd)

- Fund Balance of approximately \$7.7 million as of December 31, 2023 (excludes prepaid claims)
- Fund Balance calculation: assumes June 30 prepaid claims will be approximately \$5.5 million, based on discussion with NMPSIA staff
 - A \$7.1 million prepaid claim adjustment due to \$12.6 million in prepaid claims as of December 31, 2023

Target fund balance floor (1 month of claims)

Fiscal Year	2024	2025	2026	2027	2028	2029
	\$34.0	\$36.9	\$39.6	\$42.6	\$45.9	\$49.4

FY25-FY29 Projection Scenarios – Summary

Summary of Projection Scenarios

Illustrative Scenarios - No Plan Design Changes

Description	Scenario A: Increases from 10/1/23 rate-setting projection (final approved scenario from March 2023)	Scenario B: Baseline “Breakeven” increase 10/1/24; Premium increases thereafter per 5-year plan	Scenario B.3: Modified Baseline “Breakeven” increase 10/1/24; Premium increases thereafter per 5-year plan (larger increase - 10/1/2025)	Scenario F.1: 12.00% increase 10/1/24 & 10/1/25; Premium increases thereafter per 5-year plan
Rate Action*				
Eff. 10/1/2024	7.24%	15.25%	15.25%	12.00%
Eff. 10/1/2025	7.24%	8.09%	8.84%	12.00%
Eff. 10/1/2026	7.24%	8.09%	7.43%	7.88%
Eff. 10/1/2027	7.24%	8.09%	7.43%	7.88%
Eff. 10/1/2028	7.24%	5.34%	5.77%	6.23%
Fund Balance				
End of FY2025	-\$19.3 M (1.5 months of claims below Target)	\$2.4 M (0.1 months of claims)	\$2.4 M (0.1 months of claims)	-\$6.4 M (1.2 months of claims below Target)
End of FY2026	-\$44.0 M (2.1 months of claims below Target)	\$11.0 M (0.3 months of claims)	\$13.4 M (0.3 months of claims)	\$1.6 M (0.0 months of claims)
End of FY2027	-\$71.3 M (2.7 months of claims below Target)	\$23.2 M (0.5 months of claims)	\$26.6 M (0.6 months of claims)	\$16.3 M (0.4 months of claims)
End of FY2028	-\$101.4 M (3.2 months of claims below Target)	\$39.4 M (0.9 months of claims)	\$40.7 M (0.9 months of claims)	\$34.3 M (0.7 months of claims)
End of FY2029	-\$134.7 M (3.7 months of claims below Target)	\$49.4 M (1.0 months of claims)	\$49.4 M (1.0 months of claims)	\$49.4 M (1.0 months of claims)

*Medical/Rx rate increase is shown on a blended basis
All scenarios include a 5% Dental rate increase and 3% Vision rate increase effective 10/1/2024

Summary of Projection Scenarios

Illustrative Scenarios - With Plan Design Changes

Description	Scenario G:	Scenario H:
	"Breakeven" increase 10/1/24 with plan changes effective 1/1/25; Premium increases thereafter per 5-year plan	"Breakeven" increase 10/1/24 with larger plan changes effective 1/1/25; Premium increases thereafter per 5-year plan
Rate Action*		
Eff. 10/1/2024	14.39%	11.40%
Eff. 10/1/2025	7.92%	7.29%
Eff. 10/1/2026	7.92%	7.29%
Eff. 10/1/2027	7.92%	7.29%
Eff. 10/1/2028	5.16%	4.51%
Fund Balance		
End of FY2025	\$2.4 M (0.1 months of claims)	\$2.4 M (0.1 months of claims)
End of FY2026	\$12.1 M (0.3 months of claims)	\$15.8 M (0.4 months of claims)
End of FY2027	\$24.6 M (0.6 months of claims)	\$29.4 M (0.7 months of claims)
End of FY2028	\$40.3 M (0.9 months of claims)	\$43.4 M (1.0 months of claims)
End of FY2029	\$48.9 M (1.0 months of claims)	\$47.2 M (1.0 months of claims)

*Medical/Rx rate increase is shown on a blended basis
All scenarios include a 5% Dental rate increase and 3% Vision rate increase effective 10/1/2024

Potential Plan Changes – High Option

Scenario G: Revise High Option Plan to Mirror APS Cigna Plan

- Medical benefits reduction of 1.4% effective 1/1/2025 results in \$2.3M projected savings for FY25 and \$4.9M for FY26

Medical Plan Design	Value of Proposed Change (FY25)	Value of Proposed Change (FY26)
Deductible	(\$1,181,000)	(\$2,485,000)
Medical Out-of-Pocket Maximum	(\$637,000)	(\$1,341,000)
Office Visits - Copays	(\$531,000)	(\$1,117,000)
Overall Medical Benefit	(\$2,349,000)	(\$4,934,000)

- Rate increases of 14.4% as of 10/1/24, 7.9% for 10/1/25-10/1/27, and 5.2% as of 10/1/28 to reach 5-year fund balance target (1 month of claims) in FY29
 - FY2025 ending projected Fund Balance is \$2.4 M (~0.1 months of claims)
 - FY2029 ending projected Fund Balance is \$48.9 M (~1.0 months of claims)

Potential Plan Changes – High Option

Scenario G: Revise High Option Plan to Mirror APS Cigna Plan

	Medical Plan Design			
	Current High Option		Proposed High Option	
	IN	OON	IN	OON
Deductible	\$750/person, \$1,500/family	\$1,500/person, \$3,000/family	\$1,000/person, \$2,000/family	\$2,000/person, \$4,000/family
Coinsurance	20%	40%	20%	40%
Medical Out-of-Pocket Maximum	\$4,100/person, \$8,200/family	\$9,500/person, \$19,000/family	\$4,500/person, \$9,000/family	\$10,000/person, \$20,000/family
Office Visits - Primary Care	\$25 copay (deductible waived)	40% coinsurance after deductible	\$30 copay (deductible waived)	40% coinsurance after deductible
Office Visits - Specialist	\$50 copay (deductible waived)	40% coinsurance after deductible	\$60 copay (deductible waived)	40% coinsurance after deductible
Office Visits - Urgent Care	\$50 copay (deductible waived)	40% coinsurance after deductible	\$75 copay (deductible waived)	40% coinsurance after deductible
Emergency Room	\$450 copay (deductible waived)		\$450 copay (deductible waived)	
Inpatient Hospital Stay	20% coinsurance after deductible	40% coinsurance after deductible	20% coinsurance after deductible	40% coinsurance after deductible
Outpatient Surgery	20% coinsurance after deductible	40% coinsurance after deductible	20% coinsurance after deductible	40% coinsurance after deductible
Ambulance / Emergency Air Transport	\$50 copay/trip (deductible waived)		\$50 copay/trip (deductible waived)	

Potential Plan Changes

Scenario H: Plan Design Changes to All Options to Offset Trend

- Medical benefits reduction of 6.4% effective 1/1/24 results in \$10.5M projected savings for FY25 and \$22.0M for FY26

Medical Plan Design	Value of Proposed Change (FY25)	Value of Proposed Change (FY26)
Deductible	(\$4,801,000)	(\$10,102,000)
Coinsurance	(\$1,839,000)	(\$3,869,000)
Medical Out-of-Pocket Maximum	(\$3,818,000)	(\$8,033,000)
Overall Medical Benefit	(\$10,458,000)	(\$22,004,000)

- Rate increases of 11.4% as of 10/1/24, 7.3% for 10/1/25-10/1/27, and 4.5% as of 10/1/28 to reach 5-year fund balance target (1 month of claims) in FY29
 - FY2025 Ending Fund Balance is estimated at \$2.4 M (~0.1 months of claims)
 - FY2029 Ending Fund Balance is estimated at \$47.2 M (~1.0 months of claims)

Potential Plan Changes – All Plans

Scenario H:

	Medical Plan Design			
	Current High Option		Proposed High Option	
	IN	OON	IN	OON
Deductible	\$750/person, \$1,500/family	\$1,500/person, \$3,000/family	\$1,800/person, \$3,600/family	\$3,000/person, \$6,000/family
Coinsurance	20%	40%	30%	50%
Medical Out-of-Pocket Maximum	\$4,100/person, \$8,200/family	\$9,500/person, \$19,000/family	\$4,500/person, \$9,000/family	\$10,000/person, \$20,000/family
Office Visits - Primary Care	\$25 copay (deductible waived)	40% coinsurance after deductible	\$25 copay (deductible waived)	50% coinsurance after deductible
Office Visits - Specialist	\$50 copay (deductible waived)	40% coinsurance after deductible	\$50 copay (deductible waived)	50% coinsurance after deductible
Office Visits - Urgent Care	\$50 copay (deductible waived)	40% coinsurance after deductible	\$50 copay (deductible waived)	50% coinsurance after deductible
Emergency Room	\$450 copay (deductible waived)		\$450 copay (deductible waived)	
Inpatient Hospital Stay	20% coinsurance after deductible	40% coinsurance after deductible	30% coinsurance after deductible	50% coinsurance after deductible
Outpatient Surgery	20% coinsurance after deductible	40% coinsurance after deductible	30% coinsurance after deductible	50% coinsurance after deductible
Ambulance / Emergency Air Transport	\$50 copay/trip (deductible waived)		\$50 copay/trip (deductible waived)	

Potential Plan Changes – All Plans

Scenario H:

	Medical Plan Design			
	Current		Proposed	
	Low Option		Low Option	
	IN	OON	IN	OON
Deductible	\$2,000/person, \$4,000/family	\$4,000/person, \$8,000/family	\$3,000/person, \$6,000/family	\$6,000/person, \$12,000/family
Coinsurance	25%	50%	35%	50%
Medical Out-of-Pocket Maximum	\$4,100/person, \$8,200/family	\$9,500/person, \$19,000/family	\$6,100/person, \$12,200/family	\$12,200/person, \$24,400/family
Office Visits - Primary Care	\$30 copay (deductible waived)	50% coinsurance after deductible	\$30 copay (deductible waived)	50% coinsurance after deductible
Office Visits - Specialist	\$60 copay (deductible waived)	50% coinsurance after deductible	\$60 copay (deductible waived)	50% coinsurance after deductible
Office Visits - Urgent Care	\$60 copay (deductible waived)	50% coinsurance after deductible	\$60 copay (deductible waived)	50% coinsurance after deductible
Emergency Room	\$450 copay after deductible		\$450 copay after deductible	
Inpatient Hospital Stay	25% coinsurance after deductible	50% coinsurance after deductible	35% coinsurance after deductible	50% coinsurance after deductible
Outpatient Surgery	25% coinsurance after deductible	50% coinsurance after deductible	35% coinsurance after deductible	50% coinsurance after deductible
Ambulance / Emergency Air Transport	25% coinsurance after deductible		35% coinsurance after deductible	

Potential Plan Changes – All Plans

Scenario H:

	Medical Plan Design	
	Current	Proposed
	EPO Option	EPO Option
	IN	IN
Deductible	\$500/person, \$1,000/family	\$1,000/person, \$2,000/family
Coinsurance	20%	30%
Medical Out-of-Pocket Maximum	\$3,250/person, \$6,500/family	\$5,250/person, \$10,500/family
Office Visits - Primary Care	\$25 copay (deductible waived)	\$25 copay (deductible waived)
Office Visits - Specialist	\$35 copay (deductible waived)	\$35 copay (deductible waived)
Office Visits - Urgent Care	\$45 copay (deductible waived)	\$45 copay (deductible waived)
Emergency Room	\$150 copay plus 20% coinsurance after deductible	\$150 copay plus 30% coinsurance after deductible
Inpatient Hospital Stay	\$500 copay per admission plus 20% coinsurance after deductible	\$500 copay per admission plus 30% coinsurance after deductible
Outpatient Surgery	\$150 copay plus 20% coinsurance after deductible	\$150 copay plus 30% coinsurance after deductible
Ambulance / Emergency Air Transport	\$25 copay/trip (deductible waived)	\$25 copay/trip (deductible waived)

Medical/Rx Employee Deduction Impact

Employee Deduction Increases eff. 10/1/24

Scenario A

Projected 7.24% increase in monthly payroll deductions for High, Low, and EPO Options effective 10/1/2024 (deductions taken in September)

		Salary less than \$50,000			Salary \$50,000 to \$59,999			Salary \$60,000 and over		
		10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj
BCBSNM High Option	Single	\$184.54	\$13.36	\$197.90	\$276.81	\$20.04	\$296.85	\$369.08	\$26.72	\$395.80
	Family	\$468.74	\$33.94	\$502.68	\$703.12	\$50.90	\$754.02	\$937.49	\$67.87	\$1,005.36
BCBSNM Low Option	Single	\$127.94	\$9.27	\$137.21	\$191.92	\$13.89	\$205.81	\$255.89	\$18.52	\$274.41
	Family	\$325.02	\$23.53	\$348.55	\$487.52	\$35.30	\$522.82	\$650.03	\$47.06	\$697.09
BCBSNM EPO Option	Single	\$166.08	\$12.02	\$178.10	\$249.12	\$18.04	\$267.16	\$332.16	\$24.05	\$356.21
	Family	\$421.86	\$30.54	\$452.40	\$632.79	\$45.81	\$678.60	\$843.72	\$61.09	\$904.81
Cigna High Option	Single	\$176.20	\$12.76	\$188.96	\$264.31	\$19.13	\$283.44	\$352.41	\$25.51	\$377.92
	Family	\$455.91	\$33.01	\$488.92	\$683.87	\$49.51	\$733.38	\$911.82	\$66.02	\$977.84
Cigna Low Option	Single	\$122.74	\$8.89	\$131.63	\$184.11	\$13.33	\$197.44	\$245.48	\$17.77	\$263.25
	Family	\$317.58	\$22.99	\$340.57	\$476.36	\$34.49	\$510.85	\$635.15	\$45.99	\$681.14
Presbyterian High Option	Single	\$149.23	\$10.80	\$160.03	\$223.84	\$16.21	\$240.05	\$298.46	\$21.60	\$320.06
	Family	\$417.85	\$30.25	\$448.10	\$626.77	\$45.38	\$672.15	\$835.70	\$60.50	\$896.20
Presbyterian Low Option	Single	\$103.48	\$7.49	\$110.97	\$155.22	\$11.24	\$166.46	\$206.96	\$14.98	\$221.94
	Family	\$289.71	\$20.98	\$310.69	\$434.57	\$31.46	\$466.03	\$579.42	\$41.95	\$621.37

Subject to change after rounding of employee and district contribution rates.

Employee Deduction Increases eff. 10/1/24

Scenario B

Projected 15.25% increase in monthly payroll deductions for High, Low, and EPO Options effective 10/1/2024 (deductions taken in September)

		Salary less than \$50,000			Salary \$50,000 to \$59,999			Salary \$60,000 and over		
		10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj
BCBSNM High Option	Single	\$184.54	\$28.14	\$212.68	\$276.81	\$42.22	\$319.03	\$369.08	\$56.29	\$425.37
	Family	\$468.74	\$71.49	\$540.23	\$703.12	\$107.23	\$810.35	\$937.49	\$142.98	\$1,080.47
BCBSNM Low Option	Single	\$127.94	\$19.52	\$147.46	\$191.92	\$29.27	\$221.19	\$255.89	\$39.02	\$294.91
	Family	\$325.02	\$49.57	\$374.59	\$487.52	\$74.36	\$561.88	\$650.03	\$99.14	\$749.17
BCBSNM EPO Option	Single	\$166.08	\$25.33	\$191.41	\$249.12	\$37.99	\$287.11	\$332.16	\$50.66	\$382.82
	Family	\$421.86	\$64.34	\$486.20	\$632.79	\$96.51	\$729.30	\$843.72	\$128.68	\$972.40
Cigna High Option	Single	\$176.20	\$26.88	\$203.08	\$264.31	\$40.31	\$304.62	\$352.41	\$53.74	\$406.15
	Family	\$455.91	\$69.53	\$525.44	\$683.87	\$104.30	\$788.17	\$911.82	\$139.07	\$1,050.89
Cigna Low Option	Single	\$122.74	\$18.72	\$141.46	\$184.11	\$28.08	\$212.19	\$245.48	\$37.44	\$282.92
	Family	\$317.58	\$48.43	\$366.01	\$476.36	\$72.66	\$549.02	\$635.15	\$96.87	\$732.02
Presbyterian High Option	Single	\$149.23	\$22.76	\$171.99	\$223.84	\$34.14	\$257.98	\$298.46	\$45.51	\$343.97
	Family	\$417.85	\$63.73	\$481.58	\$626.77	\$95.59	\$722.36	\$835.70	\$127.45	\$963.15
Presbyterian Low Option	Single	\$103.48	\$15.78	\$119.26	\$155.22	\$23.67	\$178.89	\$206.96	\$31.56	\$238.52
	Family	\$289.71	\$44.19	\$333.90	\$434.57	\$66.28	\$500.85	\$579.42	\$88.37	\$667.79

Subject to change after rounding of employee and district contribution rates.

Employee Deduction Increases eff. 10/1/24

Scenario F.1

Projected 12.00% increase in monthly payroll deductions for High, Low, and EPO Options effective 10/1/2024 (deductions taken in September)

		Salary less than \$50,000			Salary \$50,000 to \$59,999			Salary \$60,000 and over		
		10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj
BCBSNM High Option	Single	\$184.54	\$22.14	\$206.68	\$276.81	\$33.22	\$310.03	\$369.08	\$44.29	\$413.37
	Family	\$468.74	\$56.25	\$524.99	\$703.12	\$84.37	\$787.49	\$937.49	\$112.50	\$1,049.99
BCBSNM Low Option	Single	\$127.94	\$15.36	\$143.30	\$191.92	\$23.03	\$214.95	\$255.89	\$30.70	\$286.59
	Family	\$325.02	\$39.00	\$364.02	\$487.52	\$58.51	\$546.03	\$650.03	\$78.01	\$728.04
BCBSNM EPO Option	Single	\$166.08	\$19.93	\$186.01	\$249.12	\$29.89	\$279.01	\$332.16	\$39.86	\$372.02
	Family	\$421.86	\$50.62	\$472.48	\$632.79	\$75.93	\$708.72	\$843.72	\$101.25	\$944.97
Cigna High Option	Single	\$176.20	\$21.15	\$197.35	\$264.31	\$31.71	\$296.02	\$352.41	\$42.29	\$394.70
	Family	\$455.91	\$54.71	\$510.62	\$683.87	\$82.06	\$765.93	\$911.82	\$109.42	\$1,021.24
Cigna Low Option	Single	\$122.74	\$14.73	\$137.47	\$184.11	\$22.09	\$206.20	\$245.48	\$29.46	\$274.94
	Family	\$317.58	\$38.11	\$355.69	\$476.36	\$57.17	\$533.53	\$635.15	\$76.22	\$711.37
Presbyterian High Option	Single	\$149.23	\$17.91	\$167.14	\$223.84	\$26.86	\$250.70	\$298.46	\$35.81	\$334.27
	Family	\$417.85	\$50.14	\$467.99	\$626.77	\$75.21	\$701.98	\$835.70	\$100.28	\$935.98
Presbyterian Low Option	Single	\$103.48	\$12.42	\$115.90	\$155.22	\$18.63	\$173.85	\$206.96	\$24.84	\$231.80
	Family	\$289.71	\$34.77	\$324.48	\$434.57	\$52.15	\$486.72	\$579.42	\$69.53	\$648.95

Subject to change after rounding of employee and district contribution rates.

Employee Deduction Increases eff. 10/1/24

Scenario G

Projected 14.39% increase in monthly payroll deductions for High, Low, and EPO Options effective 10/1/2024 (deductions taken in September)

		Salary less than \$50,000			Salary \$50,000 to \$59,999			Salary \$60,000 and over		
		10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj
BCBSNM High Option	Single	\$184.54	\$26.55	\$211.09	\$276.81	\$39.82	\$316.63	\$369.08	\$53.10	\$422.18
	Family	\$468.74	\$67.44	\$536.18	\$703.12	\$101.15	\$804.27	\$937.49	\$134.86	\$1,072.35
BCBSNM Low Option	Single	\$127.94	\$18.41	\$146.35	\$191.92	\$27.60	\$219.52	\$255.89	\$36.81	\$292.70
	Family	\$325.02	\$46.75	\$371.77	\$487.52	\$70.14	\$557.66	\$650.03	\$93.52	\$743.55
BCBSNM EPO Option	Single	\$166.08	\$23.89	\$189.97	\$249.12	\$35.84	\$284.96	\$332.16	\$47.78	\$379.94
	Family	\$421.86	\$60.69	\$482.55	\$632.79	\$91.03	\$723.82	\$843.72	\$121.38	\$965.10
Cigna High Option	Single	\$176.20	\$25.35	\$201.55	\$264.31	\$38.02	\$302.33	\$352.41	\$50.70	\$403.11
	Family	\$455.91	\$65.59	\$521.50	\$683.87	\$98.38	\$782.25	\$911.82	\$131.18	\$1,043.00
Cigna Low Option	Single	\$122.74	\$17.66	\$140.40	\$184.11	\$26.49	\$210.60	\$245.48	\$35.31	\$280.79
	Family	\$317.58	\$45.68	\$363.26	\$476.36	\$68.53	\$544.89	\$635.15	\$91.37	\$726.52
Presbyterian High Option	Single	\$149.23	\$21.47	\$170.70	\$223.84	\$32.20	\$256.04	\$298.46	\$42.93	\$341.39
	Family	\$417.85	\$60.11	\$477.96	\$626.77	\$90.17	\$716.94	\$835.70	\$120.22	\$955.92
Presbyterian Low Option	Single	\$103.48	\$14.89	\$118.37	\$155.22	\$22.33	\$177.55	\$206.96	\$29.77	\$236.73
	Family	\$289.71	\$41.68	\$331.39	\$434.57	\$62.51	\$497.08	\$579.42	\$83.36	\$662.78

Subject to change after rounding of employee and district contribution rates.

Employee Deduction Increases eff. 10/1/24

Scenario H

Projected 11.40% increase in monthly payroll deductions for High, Low, and EPO Options effective 10/1/2024 (deductions taken in September)

		Salary less than \$50,000			Salary \$50,000 to \$59,999			Salary \$60,000 and over		
		10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj
BCBSNM High Option	Single	\$184.54	\$21.04	\$205.58	\$276.81	\$31.55	\$308.36	\$369.08	\$42.07	\$411.15
	Family	\$468.74	\$53.44	\$522.18	\$703.12	\$80.15	\$783.27	\$937.49	\$106.87	\$1,044.36
BCBSNM Low Option	Single	\$127.94	\$14.59	\$142.53	\$191.92	\$21.87	\$213.79	\$255.89	\$29.17	\$285.06
	Family	\$325.02	\$37.05	\$362.07	\$487.52	\$55.58	\$543.10	\$650.03	\$74.10	\$724.13
BCBSNM EPO Option	Single	\$166.08	\$18.93	\$185.01	\$249.12	\$28.40	\$277.52	\$332.16	\$37.86	\$370.02
	Family	\$421.86	\$48.09	\$469.95	\$632.79	\$72.13	\$704.92	\$843.72	\$96.18	\$939.90
Cigna High Option	Single	\$176.20	\$20.09	\$196.29	\$264.31	\$30.13	\$294.44	\$352.41	\$40.17	\$392.58
	Family	\$455.91	\$51.97	\$507.88	\$683.87	\$77.95	\$761.82	\$911.82	\$103.95	\$1,015.77
Cigna Low Option	Single	\$122.74	\$13.99	\$136.73	\$184.11	\$20.99	\$205.10	\$245.48	\$27.98	\$273.46
	Family	\$317.58	\$36.20	\$353.78	\$476.36	\$54.31	\$530.67	\$635.15	\$72.40	\$707.55
Presbyterian High Option	Single	\$149.23	\$17.01	\$166.24	\$223.84	\$25.52	\$249.36	\$298.46	\$34.02	\$332.48
	Family	\$417.85	\$47.63	\$465.48	\$626.77	\$71.45	\$698.22	\$835.70	\$95.26	\$930.96
Presbyterian Low Option	Single	\$103.48	\$11.80	\$115.28	\$155.22	\$17.69	\$172.91	\$206.96	\$23.59	\$230.55
	Family	\$289.71	\$33.03	\$322.74	\$434.57	\$49.54	\$484.11	\$579.42	\$66.05	\$645.47

Subject to change after rounding of employee and district contribution rates.

| Dental and Vision Premiums

Employee Deduction Increases eff. 10/1/24

Dental and Vision

- **5.00% increase** in monthly payroll deduction for Comprehensive and Basic Dental Options
- **3.00% increase** in monthly payroll deduction for Vision Option
- Effective **October 1, 2024** (deductions taken in September)

		Salary less than \$50,000	Salary \$50,000 to \$59,999	Salary \$60,000 and over
Dental Comprehensive Option	Single	\$0.29	\$0.43	\$0.57
	Family	\$0.85	\$1.29	\$1.71
Dental Basic Option	Single	\$0.15	\$0.21	\$0.28
	Family	\$0.42	\$0.65	\$0.86
Vision Option	Single	\$0.04	\$0.05	\$0.08
	Family	\$0.08	\$0.13	\$0.17

Subject to change after rounding of employee and district contribution rates.

Thank You

Appendix

Historical Look

FY2025 – FY2029 Projection (Additional Scenarios)

- Projection Scenarios**
- Employee Deduction Impact**

Benefit Design Comparison: NMPSIA and Other IBAC Agencies

Historical Look - Trends

- For the 78 months from July 1, 2017 through December 31, 2023, paid **Medical/Rx claims PMPM have increased by 7.1%** on average per year
- During the same period:
 - Average **Medical/Rx revenue PMPM increased 5.1%** per year
 - Average **membership has decreased 1.2%** per year

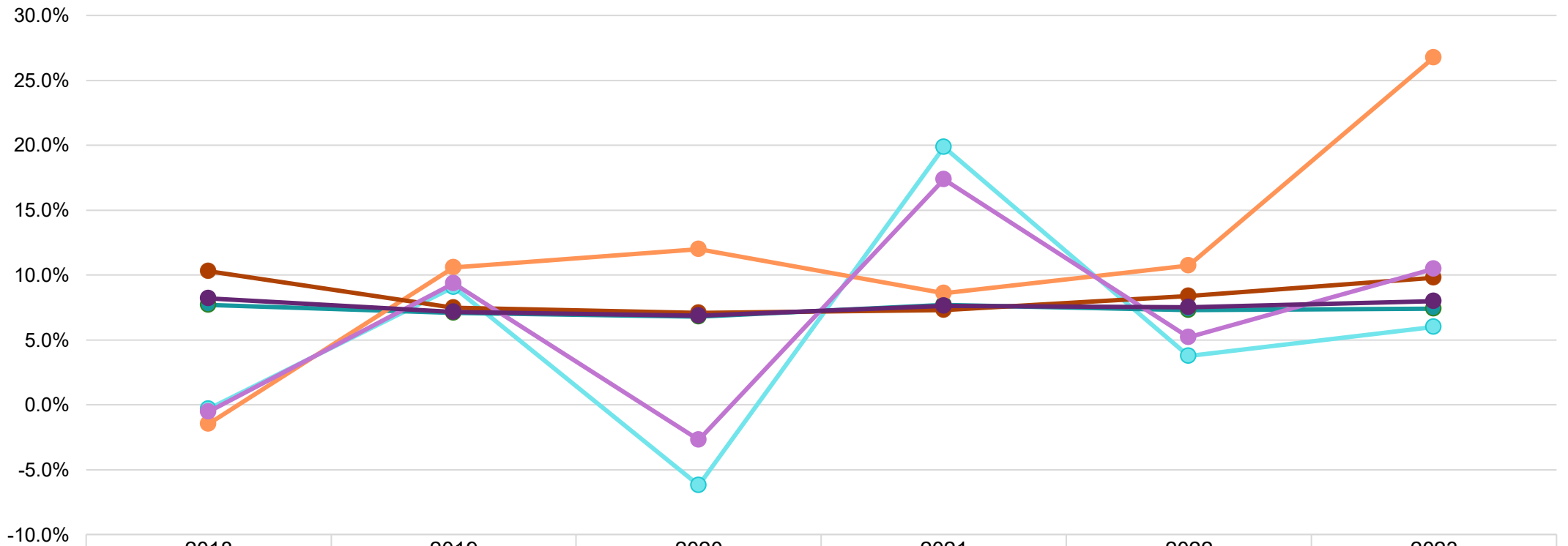
	Med/Rx Claims PMPM ⁽¹⁾	Med/Rx Paid Trend	Med/Rx Expenses PMPM	Total Claims & Expenses PMPM	Total Med/Rx Revenue PMPM ⁽²⁾	% Change in Revenue PMPM	Med/Rx Revenue less Expenditures
FY2018	\$431.18	N/A	\$27.21	\$458.38	\$464.77	4.2%	\$6.39
FY2019	\$435.41	1.0%	\$26.74	\$462.14	\$480.27	3.3%	\$18.12
FY2020	\$473.53	8.8%	\$31.49	\$505.01	\$503.27	4.8%	(\$1.75)
FY2021	\$495.43	4.6%	\$38.13	\$533.56	\$530.70	5.5%	(\$2.86)
FY2022	\$557.33	12.5%	\$43.23	\$600.56	\$558.97	5.3%	(\$41.59)
FY2023	\$572.88	2.8%	\$36.72	\$609.60	\$589.97	5.5%	(\$19.62)
FY2024 YTD ⁽³⁾	\$638.85	11.5%	\$36.25	\$675.11	\$618.66	4.9%	(\$56.45)
Annualized Average		7.1%				5.1%	

(1) Includes Rx Rebates

(2) Excludes investment income/(loss) and miscellaneous income.

(3) Reflects five months of claim experience, three months Rx Rebates, not annualized.

Historical Trends: NMPSIA vs. National Projections



	2018	2019	2020	2021	2022	2023
Medical (NMPSIA)	-0.3%	9.1%	-6.2%	19.9%	3.8%	6.0%
Medical (Nat'l Projected)	7.7%	7.1%	6.8%	7.7%	7.3%	7.4%
Rx (NMPSIA)	-1.5%	10.6%	12.0%	8.6%	10.7%	26.8%
Rx (Nat'l Projected)	10.3%	7.5%	7.1%	7.3%	8.4%	9.8%
Med/Rx (NMPSIA)	-0.5%	9.4%	-2.7%	17.4%	5.2%	10.5%
Med/Rx (Nat'l Projected)	8.2%	7.2%	6.9%	7.6%	7.5%	8.0%

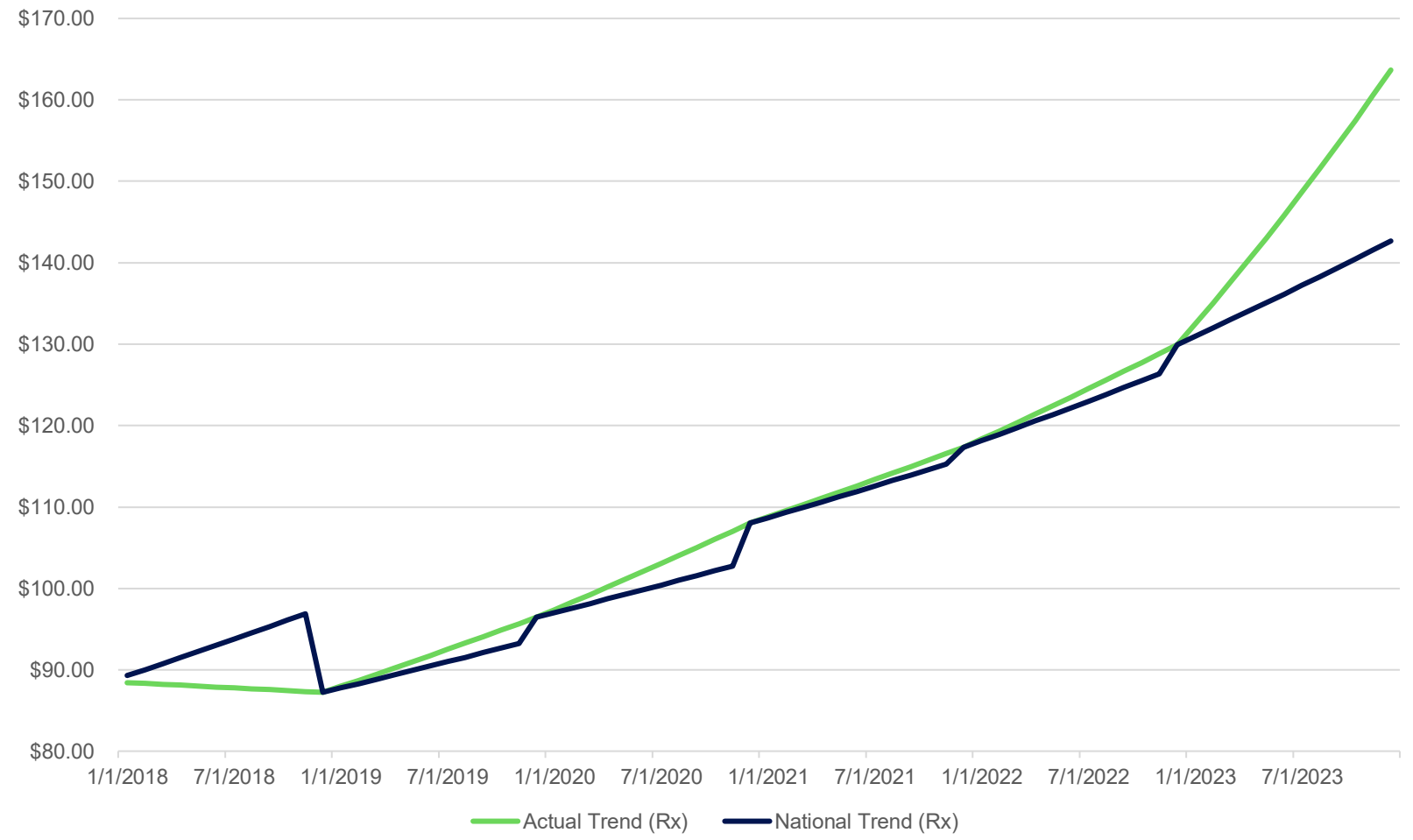
● Medical (NMPSIA)
 ● Medical (Nat'l Projected)
 ● Rx (NMPSIA)
 ● Rx (Nat'l Projected)
 ● Med/Rx (NMPSIA)
 ● Med/Rx (Nat'l Projected)

National Projected Trend Source: 2024 Segal Health Plan Cost Trend Survey

All trends are illustrated for actives and retirees under age 65, except for MA HMOs. Prescription drug trend is combined for retail and mail order delivery channels.

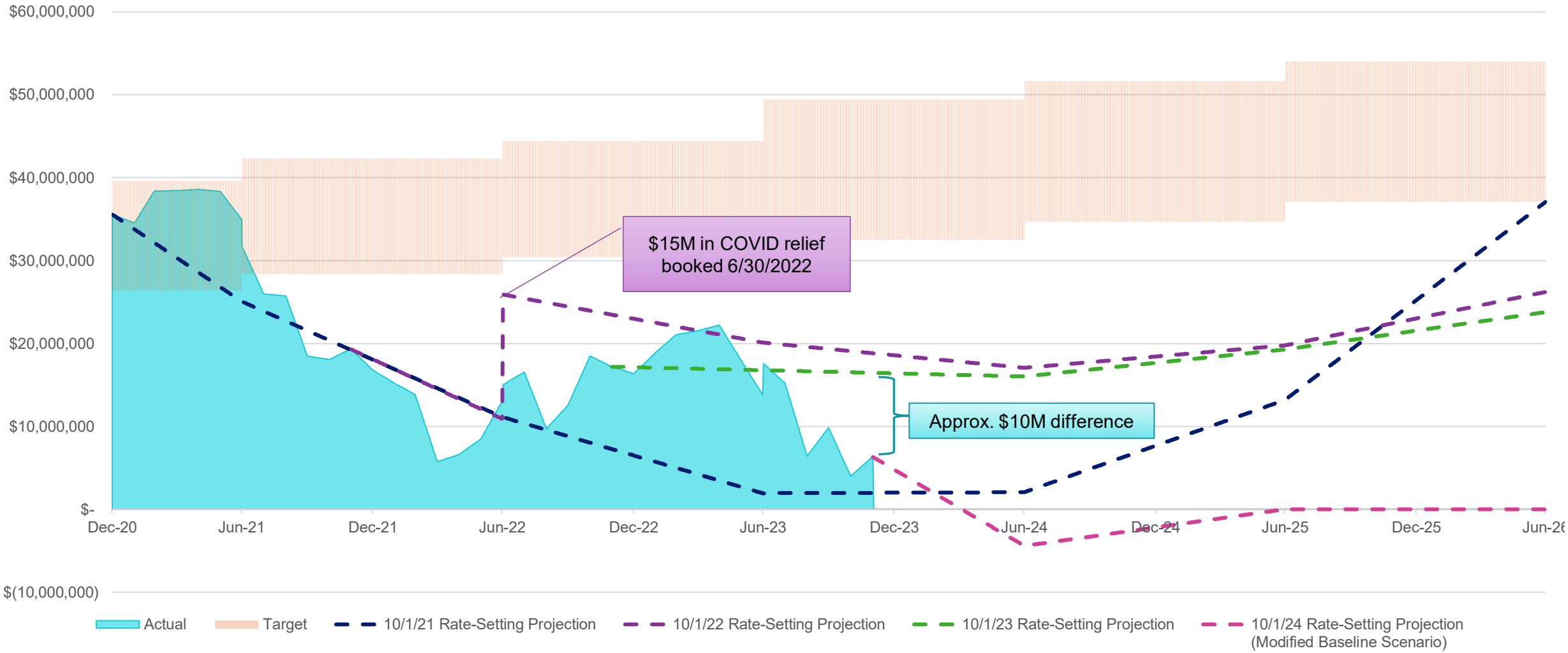
Rx Trend: NMPSIA vs. National Projections

- Since 2019, NMPSIA's actual Rx trend has outpaced national projections.
- Data reflects gross plan spend on prescription drugs and has not been reduced to reflect the impact of prescription drug rebates.
- The difference between NMPSIA's actual Rx trend of 25.9% and the 10.0% Rx trend assumption used in recent projections accounts for **approx. \$10 million in excess spend** beyond projected levels during 2023.



National Projected Trend Source: 2024 Segal Health Plan Cost Trend Survey
All trends are illustrated for actives and retirees under age 65, except for MA HMOs. Prescription drug trend is combined for retail and mail order delivery channels.

Historical Look – Fund Balance Targets & Projections



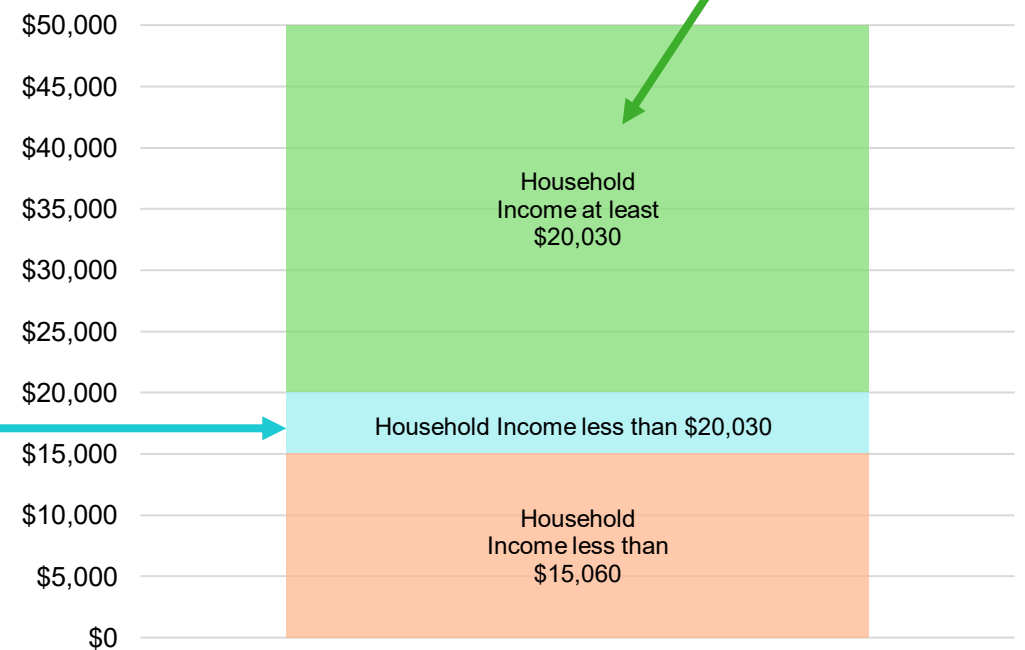
Affordability Considerations for 10/1/24 Rates

- Only considering affordability as it relates to individuals not eligible for Medicaid
- In New Mexico, these are individuals at or above 133% of the federal poverty line (\$20,030 for 2024)
- For plan years beginning in 2024, compare cost of self-only employer-sponsored coverage to 8.39% of household income to determine if employee would qualify for subsidy due to unaffordable coverage

$$\begin{aligned} & \$20,030 \\ & \times 8.39\% \\ & \div 12 \text{ months} \\ & = \$140.04 \text{ per month} \end{aligned}$$

Employees with household income in this range who reside outside of NM may qualify for subsidized coverage on the exchange.

- Maximum increase to Low Option is 33.7%



Eligible for Medicaid in all states
Eligible for Medicaid in NM
Not eligible for Medicaid in any states

Summary of Projection Scenarios

Illustrative Scenarios

Description	Scenario B.1: Modified Baseline “Breakeven” increase 10/1/24; Premium increases thereafter to avoid negative fund balance	Scenario B.2: Modified Baseline “Breakeven” increase 10/1/24; Premium increases thereafter to a 0.8 of monthly claims fund balance	Scenario C: 6.50% increase 10/1/24; Premium increases thereafter per 5-year plan	Scenario C.1: 6.50% increase 10/1/24; Premium increases to avoid negative fund balance
Rate Action*				
Eff. 10/1/2024	15.25%	15.25%	6.50%	6.50%
Eff. 10/1/2025	6.95%	7.87%	24.12%	24.12%
Eff. 10/1/2026	6.95%	7.87%	4.86%	2.98%
Eff. 10/1/2027	6.95%	7.87%	4.86%	2.98%
Eff. 10/1/2028	4.16%	5.11%	3.17%	1.27%
Fund Balance				
End of FY2025	\$2.4 M (0.1 months of claims)	\$2.4 M (0.1 months of claims)	-\$21.3 M (1.6 months of claims below Target)	-\$21.3 M (1.6 months of claims below Target)
End of FY2026	\$7.4 M (0.2 months of claims)	\$10.3 M (0.3 months of claims)	\$0.0 M (0.0 months of claims)	\$0.0 M (0.0 months of claims)
End of FY2027	\$10.6 M (0.2 months of claims)	\$20.7 M (0.5 months of claims)	\$29.7 M (0.7 months of claims)	\$22.9 M (0.5 months of claims)
End of FY2028	\$11.8 M (0.3 months of claims)	\$33.9 M (0.7 months of claims)	\$48.9 M (1.1 months of claims)	\$25.8 M (0.6 months of claims)
End of FY2029	\$0.0 M (0.0 months of claims)	\$39.5 M (0.8 months of claims)	\$49.4 M (1.0 months of claims)	\$0.0 M (0.0 months of claims)

*Medical/Rx rate increase is shown on a blended basis
All scenarios include a 5% Dental rate increase and 3% Vision rate increase effective 10/1/2024

Summary of Projection Scenarios

Illustrative Scenarios

Description	Scenario D: 7.24% increase 10/1/24; Premium increases thereafter per 5-year plan	Scenario D.1: 7.24% increase 10/1/24; level increases thereafter to avoid negative fund balance	Scenario E: 10/1/24 increase to avoid negative fund balance; Premium increases thereafter per 5-year plan	Scenario F: 10.00% increase 10/1/24, 10/1/25, and 10/1/26; Premium increases thereafter per 5-year plan
Rate Action*				
Eff. 10/1/2024	7.24%	7.24%	14.36%	10.00%
Eff. 10/1/2025	22.34%	22.34%	8.50%	10.00%
Eff. 10/1/2026	5.29%	3.41%	8.50%	10.00%
Eff. 10/1/2027	5.29%	3.41%	8.50%	11.07%
Eff. 10/1/2028	3.61%	1.71%	5.76%	11.07%
Fund Balance				
End of FY2025	-\$19.3 M (1.5 months of claims below Target)	-\$19.3 M (1.5 months of claims below Target)	\$0.0 M (0.0 months of claims)	-\$11.8 M (1.3 months of claims below Target)
End of FY2026	\$0.0 M (0.0 months of claims)	\$0.0 M (0.0 months of claims)	\$6.5 M (0.2 months of claims)	-\$17.7 M (1.4 months of claims below Target)
End of FY2027	\$27.6 M (0.6 months of claims)	20.8 M (0.5 months of claims)	\$18.1 M (0.4 months of claims)	-\$13.1 M (1.4 months of claims below Target)
End of FY2028	\$46.6 M (1.0 months of claims)	\$23.7 M (0.5 months of claims)	\$35.7 M (0.8 months of claims)	\$7.9 M (0.2 months of claims)
End of FY2029	\$49.4 M (1.0 months of claims)	\$0.0 M (0.0 months of claims)	\$49.4 M (1.0 months of claims)	\$49.4 M (1.0 months of claims)

*Medical/Rx rate increase is shown on a blended basis
All scenarios include a 5% Dental rate increase and 3% Vision rate increase effective 10/1/2024

Summary of Projection

Scenario A

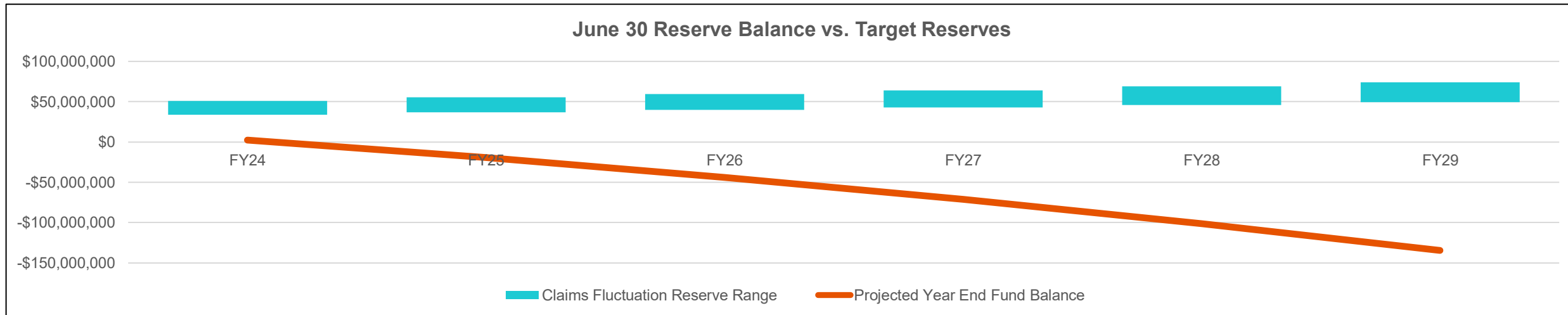
With FY24 experience outpacing prior projections, updated projections indicate higher increases would be needed to keep pace with expenses and rebuild fund balance.

	Percentage Increase effective 10/1/20**			Projected Year End Fund Balance	Target Fund Balance Floor ⁽²⁾	Target Fund Balance Ceiling ⁽³⁾
	Breakeven	Contribution to Contingency Reserve	Total Rate Increase ⁽¹⁾			
FY24	n/a	n/a	n/a	\$2,414,013	\$33,964,182	\$50,946,274
FY25	15.25%	-8.01%	7.24%	-\$19,337,615	\$36,891,545	\$55,337,317
FY26	15.70%	-8.46%	7.24%	-\$43,962,995	\$39,623,463	\$59,435,194
FY27	15.99%	-8.75%	7.24%	-\$71,276,937	\$42,638,897	\$63,958,346
FY28	16.24%	-9.00%	7.24%	-\$101,430,806	\$45,892,028	\$68,838,041
FY29	16.51%	-9.27%	7.24%	-\$134,704,307	\$49,402,436	\$74,103,654

(1) Medical/Rx rate increase is shown on a blended basis with the FY25-FY29

(2) Floor is one month of projected incurred claims.

(3) Ceiling is one and a half months of projected incurred claims, based on Segal recommendation in April 2018.



5.0% Dental increase in FY25
3.0% Vision increase in FY25

Summary of Projection

Scenario B

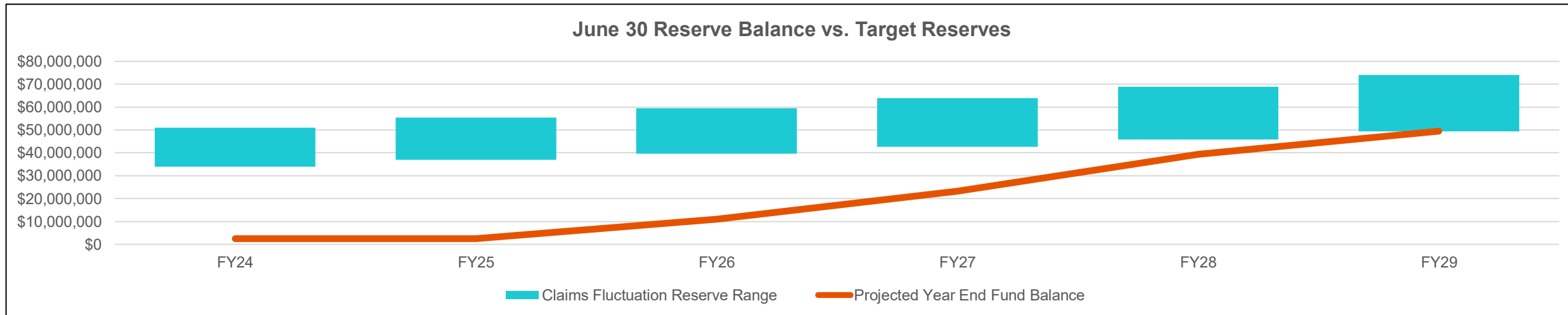
This significant increase eff. 10/1/24 would align contribution rates with projected costs. Future increases would need to keep pace with trend to support established fund balance objectives over the 5-year period.

	Percentage Increase effective 10/1/20**			Projected Year End Fund Balance	Target Fund Balance Floor ⁽²⁾	Target Fund Balance Ceiling ⁽³⁾
	Breakeven	Contribution to Contingency Reserve	Total Rate Increase ⁽¹⁾			
FY24	n/a	n/a	n/a	\$2,414,013	\$33,964,182	\$50,946,274
FY25	15.25%	0.00%	15.25%	\$2,414,013	\$36,891,545	\$55,337,317
FY26	5.34%	2.76%	8.09%	\$11,039,775	\$39,623,463	\$59,435,194
FY27	4.51%	3.59%	8.09%	\$23,166,354	\$42,638,897	\$63,958,346
FY28	3.66%	4.44%	8.09%	\$39,396,633	\$45,892,028	\$68,838,041
FY29	2.81%	2.53%	5.34%	\$49,402,436	\$49,402,436	\$74,103,654

(1) Medical/Rx rate increase is shown on a blended basis with the FY25-FY29

(2) Floor is one month of projected incurred claims.

(3) Ceiling is one and a half months of projected incurred claims, based on Segal recommendation in April 2018.



5.0% Dental increase in FY25
3.0% Vision increase in FY25

Summary of Projection

Scenario B.1

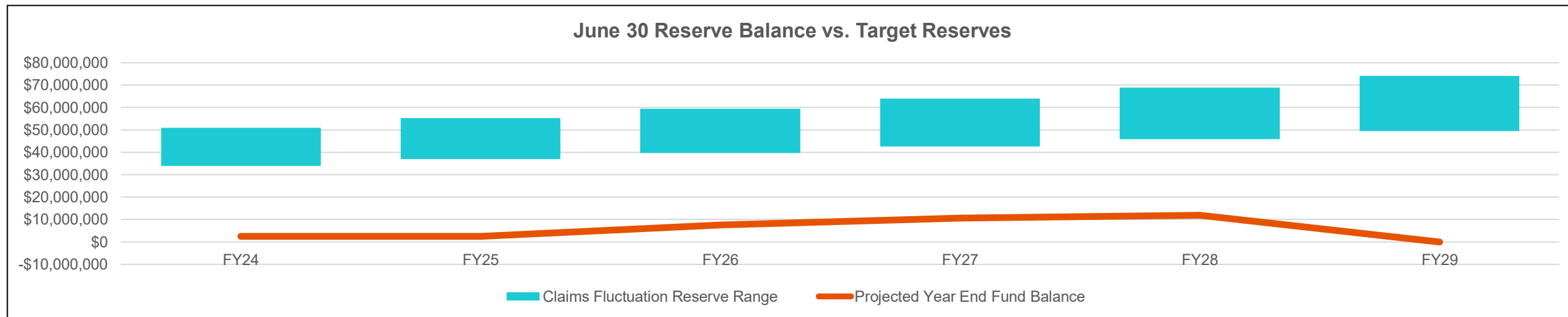
This significant increase eff. 10/1/24 would align contribution rates with projected costs. Increases during the remainder of the 5-year period would be somewhat smaller if no surplus assets are targeted (IBNR only).

	Percentage Increase effective 10/1/20**			Projected Year End Fund Balance	Target Fund Balance Floor ⁽²⁾	Target Fund Balance Ceiling ⁽³⁾
	Breakeven	Contribution to Contingency Reserve	Total Rate Increase ⁽¹⁾			
FY24	n/a	n/a	n/a	\$2,414,013	\$33,964,182	\$50,946,274
FY25	15.25%	0.00%	15.25%	\$2,414,013	\$36,891,545	\$55,337,317
FY26	5.34%	1.61%	6.95%	\$7,442,672	\$39,623,463	\$59,435,194
FY27	5.99%	0.95%	6.95%	\$10,635,020	\$42,638,897	\$63,958,346
FY28	6.62%	0.33%	6.95%	\$11,811,479	\$45,892,028	\$68,838,041
FY29	7.25%	-3.09%	4.16%	\$0	\$49,402,436	\$74,103,654

(1) Medical/Rx rate increase is shown on a blended basis with the FY25-FY29

(2) Floor is one month of projected incurred claims.

(3) Ceiling is one and a half months of projected incurred claims, based on Segal recommendation in April 2018.



5.0% Dental increase in FY25
3.0% Vision increase in FY25

Summary of Projection

Scenario B.2

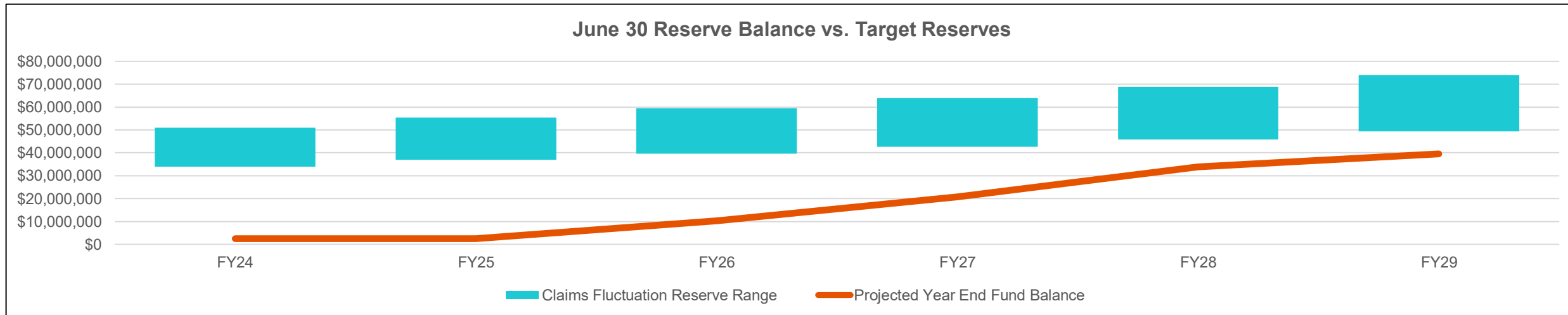
This significant increase eff. 10/1/24 would align contribution rates with projected costs. Future increases would need to keep pace with trend to support establishing 0.8 month claims of fund balance.

	Percentage Increase effective 10/1/20**			Projected Year End Fund Balance	Target Fund Balance Floor ⁽²⁾	Target Fund Balance Ceiling ⁽³⁾
	Breakeven	Contribution to Contingency Reserve	Total Rate Increase ⁽¹⁾			
FY24	n/a	n/a	n/a	\$2,414,013	\$33,964,182	\$50,946,274
FY25	15.25%	0.00%	15.25%	\$2,414,013	\$36,891,545	\$55,337,317
FY26	5.34%	2.53%	7.87%	\$10,326,322	\$39,623,463	\$59,435,194
FY27	4.80%	3.07%	7.87%	\$20,674,304	\$42,638,897	\$63,958,346
FY28	4.24%	3.63%	7.87%	\$33,895,375	\$45,892,028	\$68,838,041
FY29	3.67%	1.43%	5.11%	\$39,521,949	\$49,402,436	\$74,103,654

(1) Medical/Rx rate increase is shown on a blended basis with the FY25-FY29

(2) Floor is one month of projected incurred claims.

(3) Ceiling is one and a half months of projected incurred claims, based on Segal recommendation in April 2018.



5.0% Dental increase in FY25
3.0% Vision increase in FY25

Summary of Projection

Scenario B.3

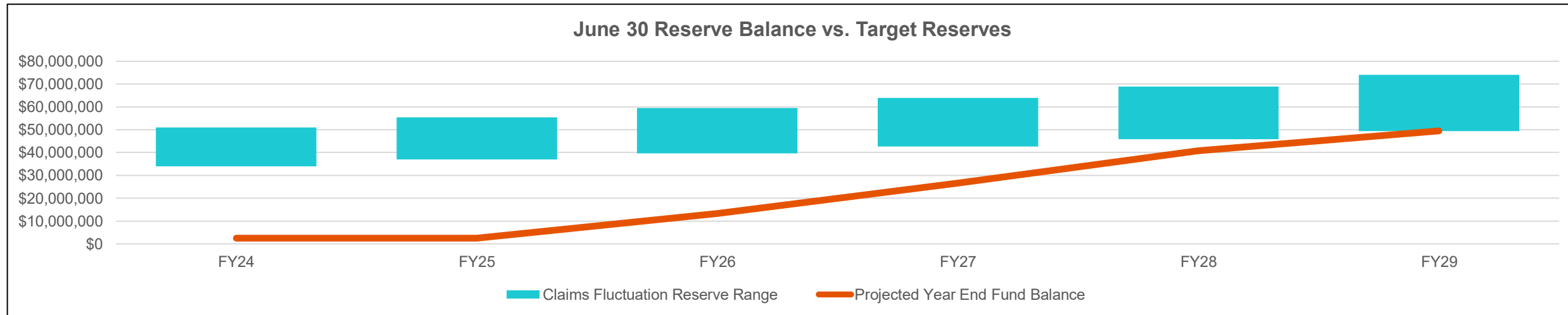
This significant increase eff. 10/1/24 would align contribution rates with projected costs. Future increases would need to keep pace with trend to support established fund balance objectives over the 5-year period.

	Percentage Increase effective 10/1/20**			Projected Year End Fund Balance	Target Fund Balance Floor ⁽²⁾	Target Fund Balance Ceiling ⁽³⁾
	Breakeven	Contribution to Contingency Reserve	Total Rate Increase ⁽¹⁾			
FY24	n/a	n/a	n/a	\$2,414,013	\$33,964,182	\$50,946,274
FY25	15.25%	0.00%	15.25%	\$2,414,013	\$36,891,545	\$55,337,317
FY26	5.34%	3.51%	8.84%	\$13,386,648	\$39,623,463	\$59,435,194
FY27	3.56%	3.87%	7.43%	\$26,556,806	\$42,638,897	\$63,958,346
FY28	3.56%	3.87%	7.43%	\$40,712,071	\$45,892,028	\$68,838,041
FY29	3.56%	2.21%	5.77%	\$49,402,436	\$49,402,436	\$74,103,654

(1) Medical/Rx rate increase is shown on a blended basis with the FY25-FY29

(2) Floor is one month of projected incurred claims.

(3) Ceiling is one and a half months of projected incurred claims, based on Segal recommendation in April 2018.



5.0% Dental increase in FY25
3.0% Vision increase in FY25

Summary of Projection

Scenario C

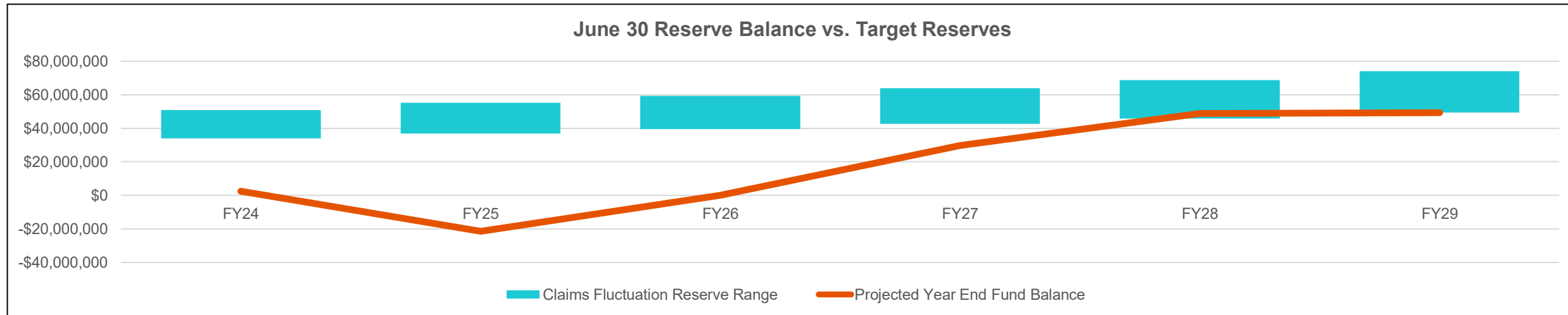
A 6.5% increase eff. 10/1/24 would further deplete fund balance, potentially below IBNR levels. Significant increases would be required to rebuild IBNR reserves in FY26 and achieve established fund balance objectives.

	Percentage Increase effective 10/1/20**			Projected Year End Fund Balance	Target Fund Balance Floor ⁽²⁾	Target Fund Balance Ceiling ⁽³⁾
	Breakeven	Contribution to Contingency Reserve	Total Rate Increase ⁽¹⁾			
FY24	n/a	n/a	n/a	\$2,414,013	\$33,964,182	\$50,946,274
FY25	15.25%	-8.75%	6.50%	-\$21,346,815	\$36,891,545	\$55,337,317
FY26	16.73%	7.38%	24.12%	\$0	\$39,623,463	\$59,435,194
FY27	-3.42%	8.27%	4.86%	\$29,695,079	\$42,638,897	\$63,958,346
FY28	-0.24%	5.09%	4.86%	\$48,852,721	\$45,892,028	\$68,838,041
FY29	3.03%	0.14%	3.17%	\$49,402,436	\$49,402,436	\$74,103,654

(1) Medical/Rx rate increase is shown on a blended basis with the FY25-FY29

(2) Floor is one month of projected incurred claims.

(3) Ceiling is one and a half months of projected incurred claims, based on Segal recommendation in April 2018.



5.0% Dental increase in FY25
3.0% Vision increase in FY25

Summary of Projection

Scenario C.1

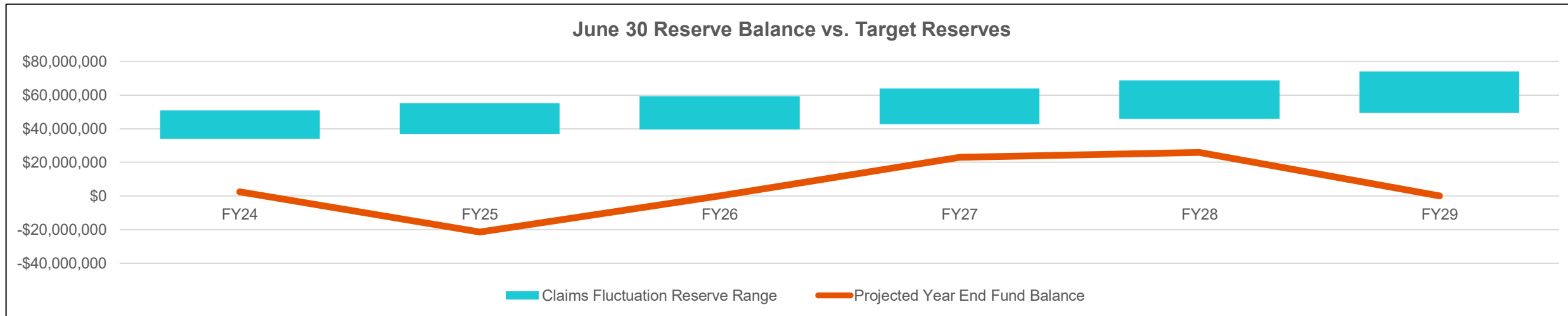
Similar to Scenario C, a significant increase would be required to rebuild IBNR reserves in FY26, creating a “rebound” effect if no surplus assets are targeted (IBNR only) during the 5-year projection period.

	Percentage Increase effective 10/1/20**			Projected Year End Fund Balance	Target Fund Balance Floor ⁽²⁾	Target Fund Balance Ceiling ⁽³⁾
	Breakeven	Contribution to Contingency Reserve	Total Rate Increase ⁽¹⁾			
FY24	n/a	n/a	n/a	\$2,414,013	\$33,964,182	\$50,946,274
FY25	15.25%	-8.75%	6.50%	-\$21,346,815	\$36,891,545	\$55,337,317
FY26	16.73%	7.38%	24.12%	\$0	\$39,623,463	\$59,435,194
FY27	-3.42%	6.39%	2.98%	\$22,947,865	\$42,638,897	\$63,958,346
FY28	2.19%	0.78%	2.98%	\$25,833,609	\$45,892,028	\$68,838,041
FY29	8.05%	-6.79%	1.27%	\$0	\$49,402,436	\$74,103,654

(1) Medical/Rx rate increase is shown on a blended basis with the FY25-FY29

(2) Floor is one month of projected incurred claims.

(3) Ceiling is one and a half months of projected incurred claims, based on Segal recommendation in April 2018.



5.0% Dental increase in FY25
3.0% Vision increase in FY25

Summary of Projection

Scenario D

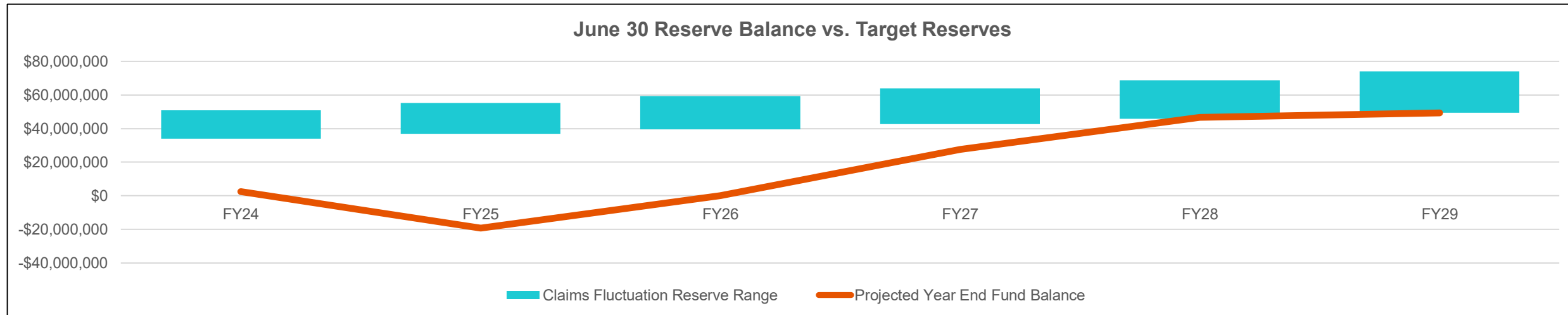
A 7.24% increase eff. 10/1/24 would further deplete fund balance, potentially below IBNR levels. Significant increases would be required to rebuild IBNR reserves in FY26 and achieve established fund balance objectives.

	Percentage Increase effective 10/1/20**			Projected Year End Fund Balance	Target Fund Balance Floor ⁽²⁾	Target Fund Balance Ceiling ⁽³⁾
	Breakeven	Contribution to Contingency Reserve	Total Rate Increase ⁽¹⁾			
FY24	n/a	n/a	n/a	\$2,414,013	\$33,964,182	\$50,946,274
FY25	15.25%	-8.01%	7.24%	-\$19,337,615	\$36,891,545	\$55,337,317
FY26	15.70%	6.64%	22.34%	\$0	\$39,623,463	\$59,435,194
FY27	-2.44%	7.74%	5.29%	\$27,555,925	\$42,638,897	\$63,958,346
FY28	0.21%	5.09%	5.29%	\$46,637,070	\$45,892,028	\$68,838,041
FY29	2.91%	0.70%	3.61%	\$49,402,436	\$49,402,436	\$74,103,654

(1) Medical/Rx rate increase is shown on a blended basis with the FY25-FY29

(2) Floor is one month of projected incurred claims.

(3) Ceiling is one and a half months of projected incurred claims, based on Segal recommendation in April 2018.



5.0% Dental increase in FY25
3.0% Vision increase in FY25

Summary of Projection

Scenario D.1

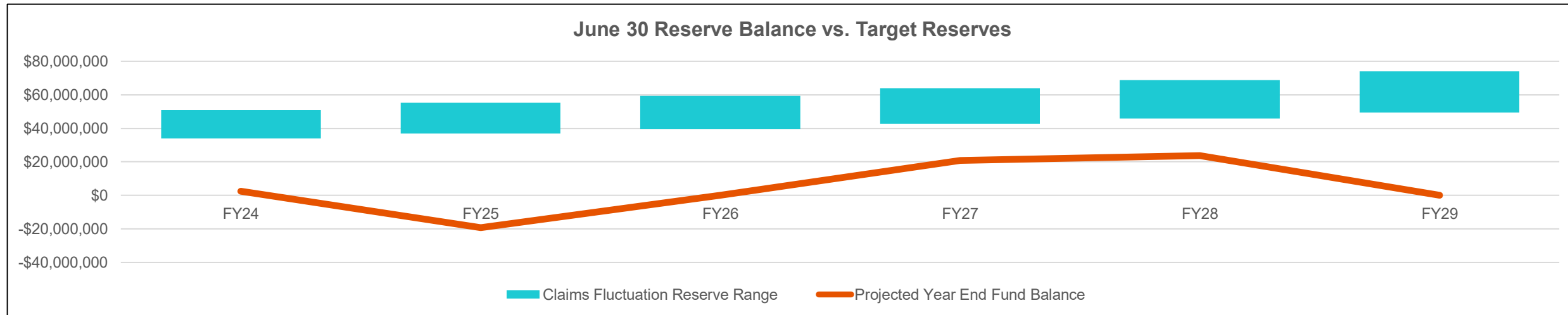
Similar to Scenario D, a significant increase would be required to rebuild IBNR reserves in FY26, creating a “rebound” effect if no surplus assets are targeted (IBNR only) during the 5-year projection period.

	Percentage Increase effective 10/1/20**			Projected Year End Fund Balance	Target Fund Balance Floor ⁽²⁾	Target Fund Balance Ceiling ⁽³⁾
	Breakeven	Contribution to Contingency Reserve	Total Rate Increase ⁽¹⁾			
FY24	n/a	n/a	n/a	\$2,414,013	\$33,964,182	\$50,946,274
FY25	15.25%	-8.01%	7.24%	-\$19,337,615	\$36,891,545	\$55,337,317
FY26	15.70%	6.64%	22.34%	\$0	\$39,623,463	\$59,435,194
FY27	-2.44%	5.85%	3.41%	\$20,844,336	\$42,638,897	\$63,958,346
FY28	2.64%	0.77%	3.41%	\$23,680,881	\$45,892,028	\$68,838,041
FY29	7.92%	-6.22%	1.71%	\$0	\$49,402,436	\$74,103,654

(1) Medical/Rx rate increase is shown on a blended basis with the FY25-FY29

(2) Floor is one month of projected incurred claims.

(3) Ceiling is one and a half months of projected incurred claims, based on Segal recommendation in April 2018.



5.0% Dental increase in FY25
3.0% Vision increase in FY25

Summary of Projection

Scenario E

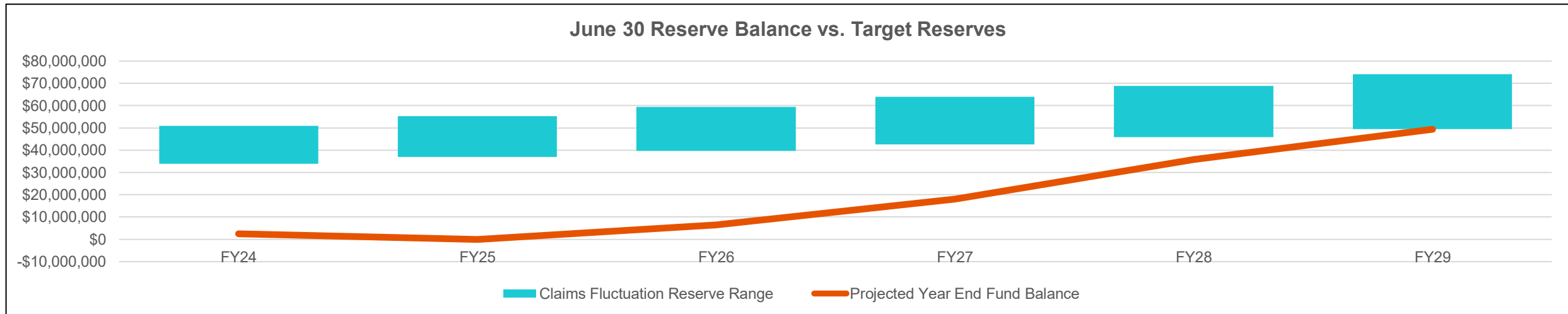
This significant increase eff. 10/1/24 includes a small drawdown of reserves to cover IBNR liability ONLY. Future increases would need to keep pace with trend to support established fund balance objectives over the 5-year period.

	Percentage Increase effective 10/1/20**			Projected Year End Fund Balance	Target Fund Balance Floor ⁽²⁾	Target Fund Balance Ceiling ⁽³⁾
	Breakeven	Contribution to Contingency Reserve	Total Rate Increase ⁽¹⁾			
FY24	n/a	n/a	n/a	\$2,414,013	\$33,964,182	\$50,946,274
FY25	15.25%	-0.89%	14.36%	\$0	\$36,891,545	\$55,337,317
FY26	6.42%	2.09%	8.50%	\$6,484,802	\$39,623,463	\$59,435,194
FY27	5.06%	3.45%	8.50%	\$18,102,898	\$42,638,897	\$63,958,346
FY28	3.68%	4.83%	8.50%	\$35,742,887	\$45,892,028	\$68,838,041
FY29	2.32%	3.44%	5.76%	\$49,402,436	\$49,402,436	\$74,103,654

(1) Medical/Rx rate increase is shown on a blended basis with the FY25-FY29

(2) Floor is one month of projected incurred claims.

(3) Ceiling is one and a half months of projected incurred claims, based on Segal recommendation in April 2018.



5.0% Dental increase in FY25
3.0% Vision increase in FY25

Summary of Projection

Scenario F

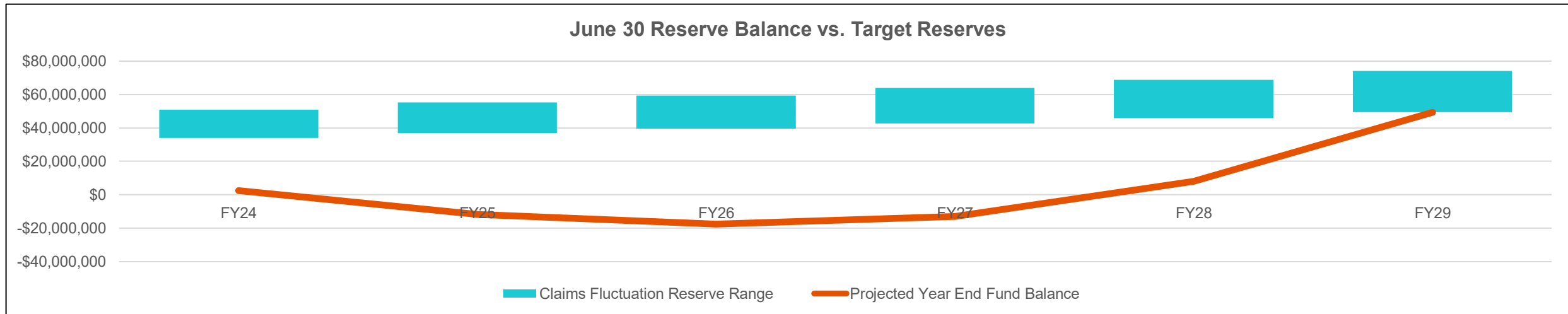
A 10.00% increase eff. 10/1/24 would further deplete fund balance. Double-digit increases throughout all five years would be required to rebuild IBNR reserves and achieve established fund balance objectives.

	Percentage Increase effective 10/1/20**			Projected Year End Fund Balance	Target Fund Balance Floor ⁽²⁾	Target Fund Balance Ceiling ⁽³⁾
	Breakeven	Contribution to Contingency Reserve	Total Rate Increase ⁽¹⁾			
FY24	n/a	n/a	n/a	\$2,414,013	\$33,964,182	\$50,946,274
FY25	15.25%	-5.25%	10.00%	-\$11,843,845	\$36,891,545	\$55,337,317
FY26	11.96%	-1.96%	10.00%	-\$17,691,836	\$39,623,463	\$59,435,194
FY27	8.59%	1.41%	10.00%	-\$13,053,728	\$42,638,897	\$63,958,346
FY28	5.27%	5.80%	11.07%	\$7,905,840	\$45,892,028	\$68,838,041
FY29	0.73%	10.34%	11.07%	\$49,410,384	\$49,402,436	\$74,103,654

(1) Medical/Rx rate increase is shown on a blended basis with the FY25-FY29

(2) Floor is one month of projected incurred claims.

(3) Ceiling is one and a half months of projected incurred claims, based on Segal recommendation in April 2018.



5.0% Dental increase in FY25
3.0% Vision increase in FY25

Summary of Projection

Scenario F.1

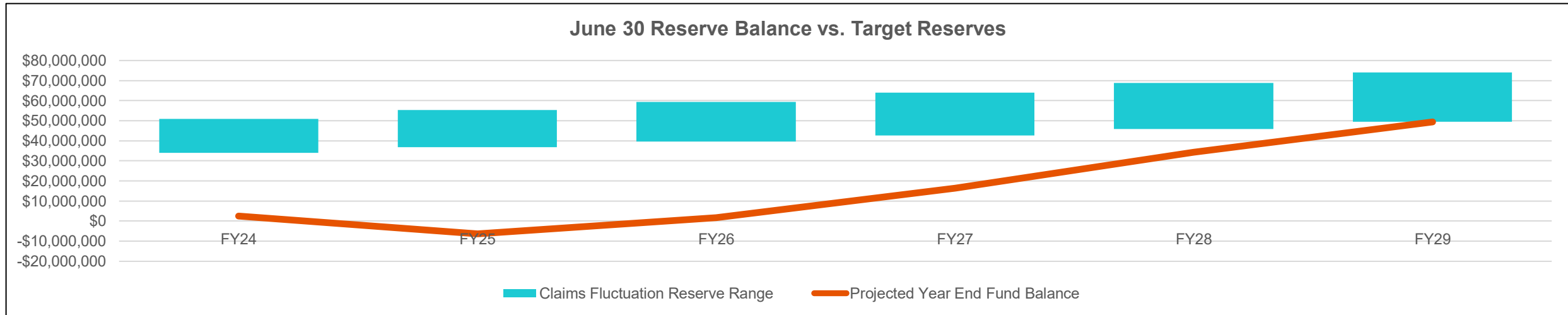
A 12.00% increase eff. 10/1/24 would further deplete fund balance. Future increases would need to keep pace with trend to support established fund balance objectives over the 5-year period.

	Percentage Increase effective 10/1/20**			Projected Year End Fund Balance	Target Fund Balance Floor ⁽²⁾	Target Fund Balance Ceiling ⁽³⁾
	Breakeven	Contribution to Contingency Reserve	Total Rate Increase ⁽¹⁾			
FY24	n/a	n/a	n/a	\$2,414,013	\$33,964,182	\$50,946,274
FY25	15.25%	-3.25%	12.00%	-\$6,413,577	\$36,891,545	\$55,337,317
FY26	9.36%	2.64%	12.00%	\$1,603,717	\$39,623,463	\$59,435,194
FY27	3.56%	4.32%	7.88%	\$16,302,908	\$42,638,897	\$63,958,346
FY28	2.99%	4.89%	7.88%	\$34,285,433	\$45,892,028	\$68,838,041
FY29	2.41%	3.81%	6.23%	\$49,402,436	\$49,402,436	\$74,103,654

(1) Medical/Rx rate increase is shown on a blended basis with the FY25-FY29

(2) Floor is one month of projected incurred claims.

(3) Ceiling is one and a half months of projected incurred claims, based on Segal recommendation in April 2018.



5.0% Dental increase in FY25
3.0% Vision increase in FY25

Summary of Projection

Scenario G

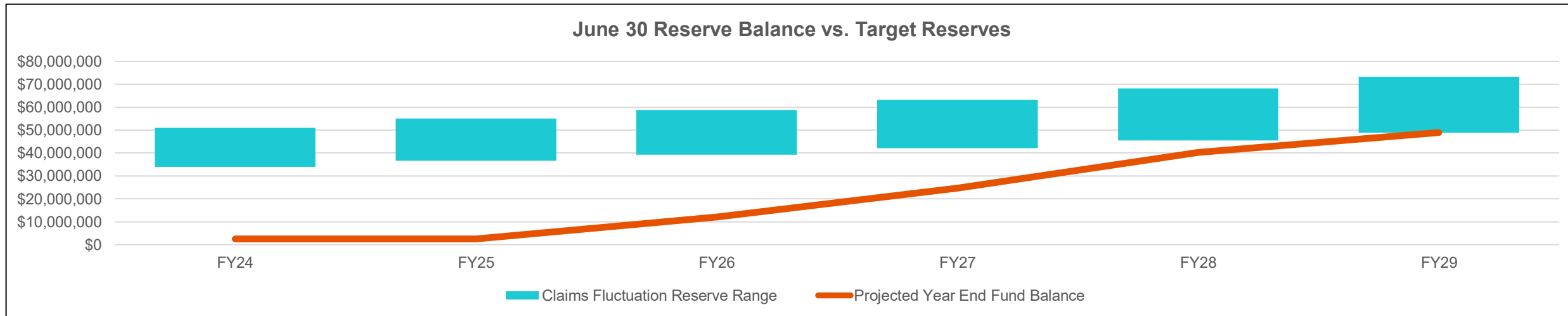
This significant increase eff. 10/1/24 along with benefit reductions (so the High Option mirrors the APS Cigna plan) would align contribution rates with projected costs. Future increases would need to keep pace with trend to support established fund balance objectives over the 5-year period.

	Percentage Increase effective 10/1/20**			Projected Year End Fund Balance	Target Fund Balance Floor ⁽²⁾	Target Fund Balance Ceiling ⁽³⁾
	Breakeven	Contribution to Contingency Reserve	Total Rate Increase ⁽¹⁾			
FY24	n/a	n/a	n/a	\$2,414,013	\$33,964,182	\$50,946,274
FY25	14.39%	0.00%	14.39%	\$2,414,013	\$36,695,829	\$55,043,744
FY26	4.80%	3.12%	7.92%	\$12,116,232	\$39,211,656	\$58,817,484
FY27	4.20%	3.72%	7.92%	\$24,583,442	\$42,198,265	\$63,297,398
FY28	3.58%	4.34%	7.92%	\$40,294,308	\$45,420,551	\$68,130,827
FY29	2.96%	2.20%	5.16%	\$48,897,955	\$48,897,955	\$73,346,932

(1) Medical/Rx rate increase is shown on a blended basis with the FY25-FY29

(2) Floor is one month of projected incurred claims.

(3) Ceiling is one and a half months of projected incurred claims, based on Segal recommendation in April 2018.



5.0% Dental increase in FY25
3.0% Vision increase in FY25

Summary of Projection

Scenario H

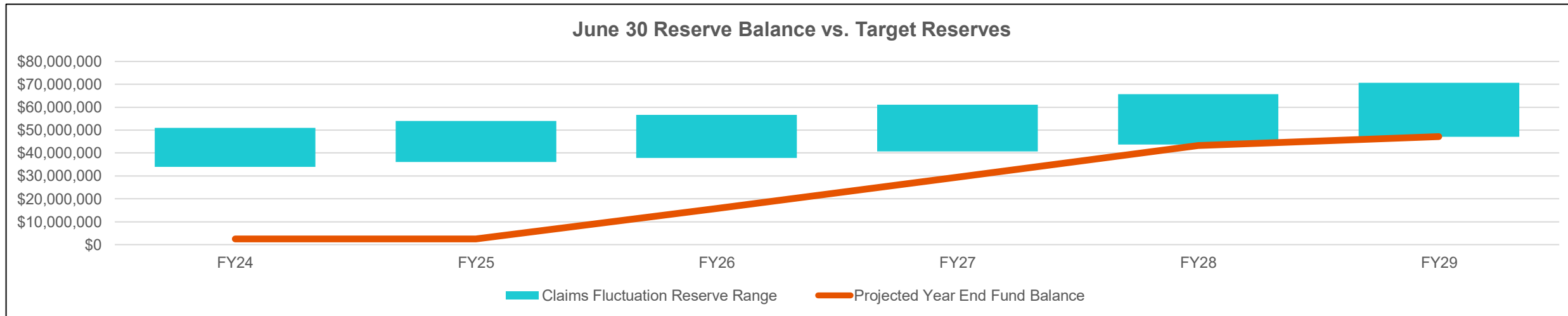
This significant increase eff. 10/1/24 along with benefit reductions across all plans would align contribution rates with projected costs. Future increases would need to keep pace with trend to support established fund balance objectives over the 5-year period.

	Percentage Increase effective 10/1/20**			Projected Year End Fund Balance	Target Fund Balance Floor ⁽²⁾	Target Fund Balance Ceiling ⁽³⁾
	Breakeven	Contribution to Contingency Reserve	Total Rate Increase ⁽¹⁾			
FY24	n/a	n/a	n/a	\$2,414,013	\$33,964,182	\$50,946,274
FY25	11.40%	0.00%	11.40%	\$2,414,013	\$36,020,322	\$54,030,482
FY26	2.86%	4.43%	7.29%	\$15,817,724	\$37,790,316	\$56,685,474
FY27	3.09%	4.20%	7.29%	\$29,441,566	\$40,677,436	\$61,016,154
FY28	3.29%	4.00%	7.29%	\$43,356,320	\$43,793,264	\$65,689,896
FY29	3.50%	1.02%	4.51%	\$47,156,751	\$47,156,751	\$70,735,126

(1) Medical/Rx rate increase is shown on a blended basis with the FY25-FY29

(2) Floor is one month of projected incurred claims.

(3) Ceiling is one and a half months of projected incurred claims, based on Segal recommendation in April 2018.



5.0% Dental increase in FY25
3.0% Vision increase in FY25

Employee Deduction Increases eff. 10/1/24

Scenario B

Projected 15.25% increase in monthly payroll deductions for High, Low, and EPO Options effective 10/1/2024 (deductions taken in September)

		Salary less than \$50,000			Salary \$50,000 to \$59,999			Salary \$60,000 and over		
		10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj
BCBSNM High Option	Single	\$184.54	\$28.14	\$212.68	\$276.81	\$42.22	\$319.03	\$369.08	\$56.29	\$425.37
	Family	\$468.74	\$71.49	\$540.23	\$703.12	\$107.23	\$810.35	\$937.49	\$142.98	\$1,080.47
BCBSNM Low Option	Single	\$127.94	\$19.52	\$147.46	\$191.92	\$29.27	\$221.19	\$255.89	\$39.02	\$294.91
	Family	\$325.02	\$49.57	\$374.59	\$487.52	\$74.36	\$561.88	\$650.03	\$99.14	\$749.17
BCBSNM EPO Option	Single	\$166.08	\$25.33	\$191.41	\$249.12	\$37.99	\$287.11	\$332.16	\$50.66	\$382.82
	Family	\$421.86	\$64.34	\$486.20	\$632.79	\$96.51	\$729.30	\$843.72	\$128.68	\$972.40
Cigna High Option	Single	\$176.20	\$26.88	\$203.08	\$264.31	\$40.31	\$304.62	\$352.41	\$53.74	\$406.15
	Family	\$455.91	\$69.53	\$525.44	\$683.87	\$104.30	\$788.17	\$911.82	\$139.07	\$1,050.89
Cigna Low Option	Single	\$122.74	\$18.72	\$141.46	\$184.11	\$28.08	\$212.19	\$245.48	\$37.44	\$282.92
	Family	\$317.58	\$48.43	\$366.01	\$476.36	\$72.66	\$549.02	\$635.15	\$96.87	\$732.02
Presbyterian High Option	Single	\$149.23	\$22.76	\$171.99	\$223.84	\$34.14	\$257.98	\$298.46	\$45.51	\$343.97
	Family	\$417.85	\$63.73	\$481.58	\$626.77	\$95.59	\$722.36	\$835.70	\$127.45	\$963.15
Presbyterian Low Option	Single	\$103.48	\$15.78	\$119.26	\$155.22	\$23.67	\$178.89	\$206.96	\$31.56	\$238.52
	Family	\$289.71	\$44.19	\$333.90	\$434.57	\$66.28	\$500.85	\$579.42	\$88.37	\$667.79

Subject to change after rounding of employee and district contribution rates.

Employee Deduction Increases eff. 10/1/24

Scenario C

Projected 6.50% increase in monthly payroll deductions for High, Low, and EPO Options effective 10/1/2024 (deductions taken in September)

		Salary less than \$50,000			Salary \$50,000 to \$59,999			Salary \$60,000 and over		
		10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj
BCBSNM High Option	Single	\$184.54	\$12.00	\$196.54	\$276.81	\$17.99	\$294.80	\$369.08	\$23.99	\$393.07
	Family	\$468.74	\$30.47	\$499.21	\$703.12	\$45.70	\$748.82	\$937.49	\$60.93	\$998.42
BCBSNM Low Option	Single	\$127.94	\$8.32	\$136.26	\$191.92	\$12.47	\$204.39	\$255.89	\$16.63	\$272.52
	Family	\$325.02	\$21.12	\$346.14	\$487.52	\$31.69	\$519.21	\$650.03	\$42.25	\$692.28
BCBSNM EPO Option	Single	\$166.08	\$10.80	\$176.88	\$249.12	\$16.19	\$265.31	\$332.16	\$21.59	\$353.75
	Family	\$421.86	\$27.42	\$449.28	\$632.79	\$41.13	\$673.92	\$843.72	\$54.84	\$898.56
Cigna High Option	Single	\$176.20	\$11.46	\$187.66	\$264.31	\$17.18	\$281.49	\$352.41	\$22.90	\$375.31
	Family	\$455.91	\$29.64	\$485.55	\$683.87	\$44.45	\$728.32	\$911.82	\$59.27	\$971.09
Cigna Low Option	Single	\$122.74	\$7.98	\$130.72	\$184.11	\$11.97	\$196.08	\$245.48	\$15.96	\$261.44
	Family	\$317.58	\$20.64	\$338.22	\$476.36	\$30.97	\$507.33	\$635.15	\$41.29	\$676.44
Presbyterian High Option	Single	\$149.23	\$9.70	\$158.93	\$223.84	\$14.55	\$238.39	\$298.46	\$19.40	\$317.86
	Family	\$417.85	\$27.16	\$445.01	\$626.77	\$40.74	\$667.51	\$835.70	\$54.32	\$890.02
Presbyterian Low Option	Single	\$103.48	\$6.73	\$110.21	\$155.22	\$10.09	\$165.31	\$206.96	\$13.45	\$220.41
	Family	\$289.71	\$18.83	\$308.54	\$434.57	\$28.24	\$462.81	\$579.42	\$37.67	\$617.09

Subject to change after rounding of employee and district contribution rates.

Employee Deduction Increases eff. 10/1/24

Scenario D

Projected 7.24% increase in monthly payroll deductions for High, Low, and EPO Options effective 10/1/2024 (deductions taken in September)

		Salary less than \$50,000			Salary \$50,000 to \$59,999			Salary \$60,000 and over		
		10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj
BCBSNM High Option	Single	\$184.54	\$13.36	\$197.90	\$276.81	\$20.04	\$296.85	\$369.08	\$26.72	\$395.80
	Family	\$468.74	\$33.94	\$502.68	\$703.12	\$50.90	\$754.02	\$937.49	\$67.87	\$1,005.36
BCBSNM Low Option	Single	\$127.94	\$9.27	\$137.21	\$191.92	\$13.89	\$205.81	\$255.89	\$18.52	\$274.41
	Family	\$325.02	\$23.53	\$348.55	\$487.52	\$35.30	\$522.82	\$650.03	\$47.06	\$697.09
BCBSNM EPO Option	Single	\$166.08	\$12.02	\$178.10	\$249.12	\$18.04	\$267.16	\$332.16	\$24.05	\$356.21
	Family	\$421.86	\$30.54	\$452.40	\$632.79	\$45.81	\$678.60	\$843.72	\$61.09	\$904.81
Cigna High Option	Single	\$176.20	\$12.76	\$188.96	\$264.31	\$19.13	\$283.44	\$352.41	\$25.51	\$377.92
	Family	\$455.91	\$33.01	\$488.92	\$683.87	\$49.51	\$733.38	\$911.82	\$66.02	\$977.84
Cigna Low Option	Single	\$122.74	\$8.89	\$131.63	\$184.11	\$13.33	\$197.44	\$245.48	\$17.77	\$263.25
	Family	\$317.58	\$22.99	\$340.57	\$476.36	\$34.49	\$510.85	\$635.15	\$45.99	\$681.14
Presbyterian High Option	Single	\$149.23	\$10.80	\$160.03	\$223.84	\$16.21	\$240.05	\$298.46	\$21.60	\$320.06
	Family	\$417.85	\$30.25	\$448.10	\$626.77	\$45.38	\$672.15	\$835.70	\$60.50	\$896.20
Presbyterian Low Option	Single	\$103.48	\$7.49	\$110.97	\$155.22	\$11.24	\$166.46	\$206.96	\$14.98	\$221.94
	Family	\$289.71	\$20.98	\$310.69	\$434.57	\$31.46	\$466.03	\$579.42	\$41.95	\$621.37

Subject to change after rounding of employee and district contribution rates.

Employee Deduction Increases eff. 10/1/24

Scenario E

Projected 14.36% increase in monthly payroll deductions for High, Low, and EPO Options effective 10/1/2024 (deductions taken in September)

		Salary less than \$50,000			Salary \$50,000 to \$59,999			Salary \$60,000 and over		
		10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj
BCBSNM High Option	Single	\$184.54	\$26.50	\$211.04	\$276.81	\$39.76	\$316.57	\$369.08	\$53.01	\$422.09
	Family	\$468.74	\$67.33	\$536.07	\$703.12	\$100.98	\$804.10	\$937.49	\$134.64	\$1,072.13
BCBSNM Low Option	Single	\$127.94	\$18.38	\$146.32	\$191.92	\$27.56	\$219.48	\$255.89	\$36.75	\$292.64
	Family	\$325.02	\$46.68	\$371.70	\$487.52	\$70.02	\$557.54	\$650.03	\$93.36	\$743.39
BCBSNM EPO Option	Single	\$166.08	\$23.85	\$189.93	\$249.12	\$35.78	\$284.90	\$332.16	\$47.71	\$379.87
	Family	\$421.86	\$60.59	\$482.45	\$632.79	\$90.88	\$723.67	\$843.72	\$121.18	\$964.90
Cigna High Option	Single	\$176.20	\$25.31	\$201.51	\$264.31	\$37.96	\$302.27	\$352.41	\$50.61	\$403.02
	Family	\$455.91	\$65.48	\$521.39	\$683.87	\$98.22	\$782.09	\$911.82	\$130.96	\$1,042.78
Cigna Low Option	Single	\$122.74	\$17.63	\$140.37	\$184.11	\$26.44	\$210.55	\$245.48	\$35.26	\$280.74
	Family	\$317.58	\$45.61	\$363.19	\$476.36	\$68.42	\$544.78	\$635.15	\$91.22	\$726.37
Presbyterian High Option	Single	\$149.23	\$21.43	\$170.66	\$223.84	\$32.15	\$255.99	\$298.46	\$42.86	\$341.32
	Family	\$417.85	\$60.01	\$477.86	\$626.77	\$90.02	\$716.79	\$835.70	\$120.02	\$955.72
Presbyterian Low Option	Single	\$103.48	\$14.86	\$118.34	\$155.22	\$22.29	\$177.51	\$206.96	\$29.72	\$236.68
	Family	\$289.71	\$41.61	\$331.32	\$434.57	\$62.41	\$496.98	\$579.42	\$83.22	\$662.64

Subject to change after rounding of employee and district contribution rates.

Employee Deduction Increases eff. 10/1/24

Scenario F

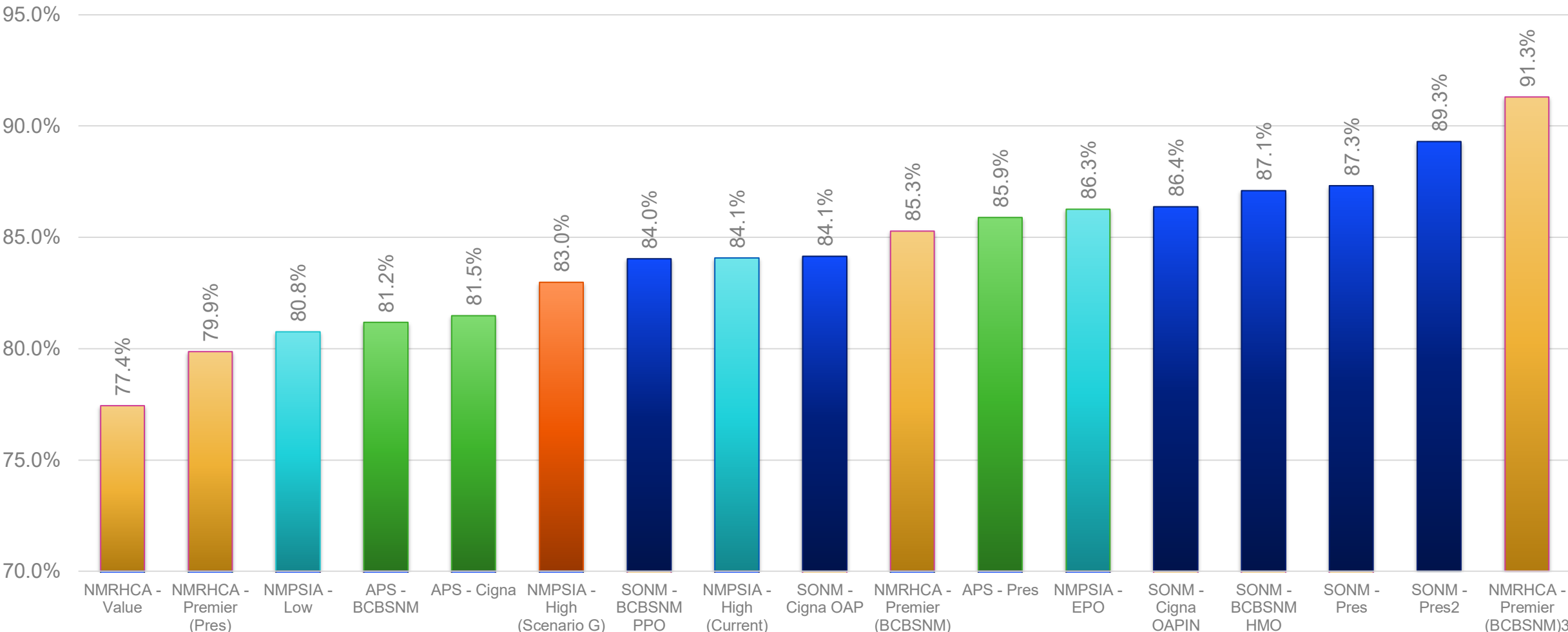
Projected 10.00% increase in monthly payroll deductions for High, Low, and EPO Options effective 10/1/2024 (deductions taken in September)

		Salary less than \$50,000			Salary \$50,000 to \$59,999			Salary \$60,000 and over		
		10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj	10/1/23	Increase	10/1/24 Proj
BCBSNM High Option	Single	\$184.54	\$18.45	\$202.99	\$276.81	\$27.68	\$304.49	\$369.08	\$36.91	\$405.99
	Family	\$468.74	\$46.88	\$515.62	\$703.12	\$70.31	\$773.43	\$937.49	\$93.75	\$1,031.24
BCBSNM Low Option	Single	\$127.94	\$12.80	\$140.74	\$191.92	\$19.19	\$211.11	\$255.89	\$25.59	\$281.48
	Family	\$325.02	\$32.50	\$357.52	\$487.52	\$48.76	\$536.28	\$650.03	\$65.01	\$715.04
BCBSNM EPO Option	Single	\$166.08	\$16.61	\$182.69	\$249.12	\$24.91	\$274.03	\$332.16	\$33.22	\$365.38
	Family	\$421.86	\$42.19	\$464.05	\$632.79	\$63.28	\$696.07	\$843.72	\$84.37	\$928.09
Cigna High Option	Single	\$176.20	\$17.62	\$193.82	\$264.31	\$26.43	\$290.74	\$352.41	\$35.24	\$387.65
	Family	\$455.91	\$45.59	\$501.50	\$683.87	\$68.38	\$752.25	\$911.82	\$91.19	\$1,003.01
Cigna Low Option	Single	\$122.74	\$12.27	\$135.01	\$184.11	\$18.41	\$202.52	\$245.48	\$24.55	\$270.03
	Family	\$317.58	\$31.75	\$349.33	\$476.36	\$47.64	\$524.00	\$635.15	\$63.52	\$698.67
Presbyterian High Option	Single	\$149.23	\$14.92	\$164.15	\$223.84	\$22.39	\$246.23	\$298.46	\$29.84	\$328.30
	Family	\$417.85	\$41.78	\$459.63	\$626.77	\$62.68	\$689.45	\$835.70	\$83.57	\$919.27
Presbyterian Low Option	Single	\$103.48	\$10.35	\$113.83	\$155.22	\$15.52	\$170.74	\$206.96	\$20.70	\$227.66
	Family	\$289.71	\$28.97	\$318.68	\$434.57	\$43.45	\$478.02	\$579.42	\$57.95	\$637.37

Subject to change after rounding of employee and district contribution rates.

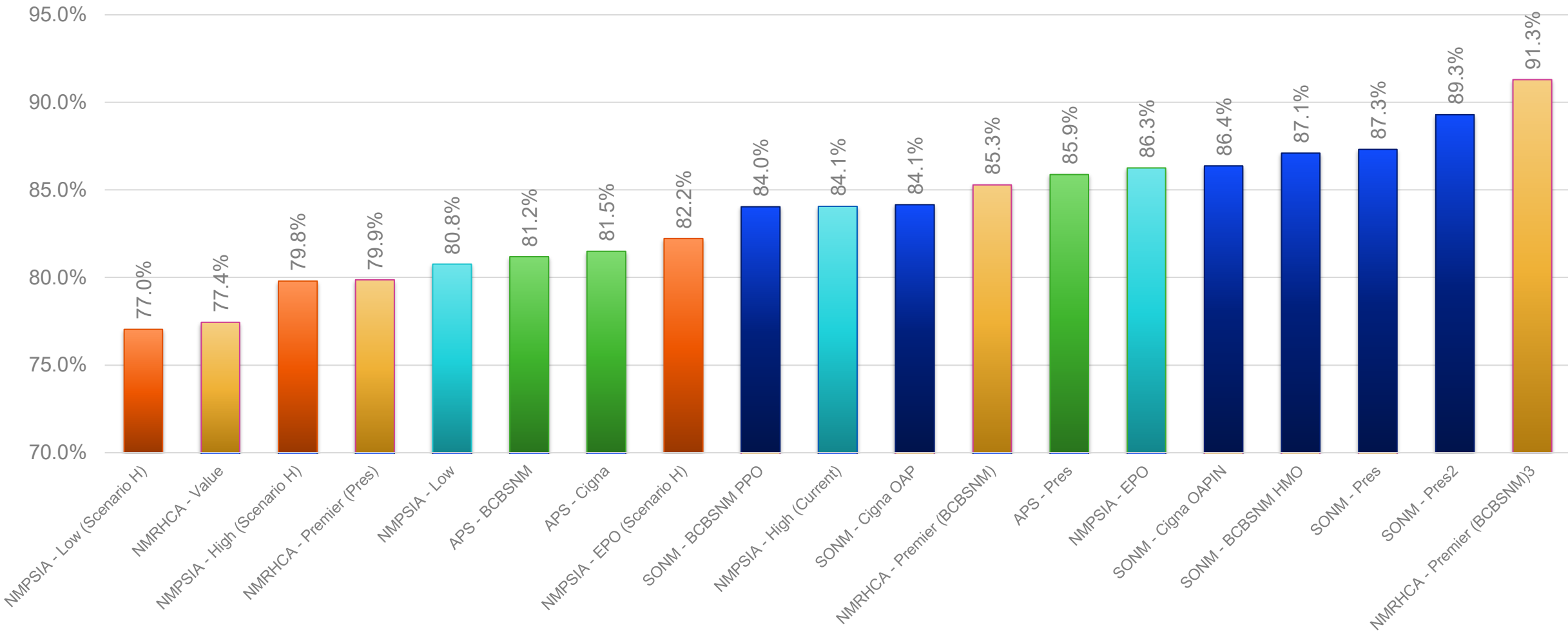
Benefit Design Comparison

Scenario G: Revise High Option to Mirror APS Cigna Plan



Benefit Design Comparison

Scenario H: Plan Changes To All Plans



PHS Settlement
c/o Kroll Settlement Administration
P.O. Box 5324
New York, NY 10150-5324

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Electronic Service Requested

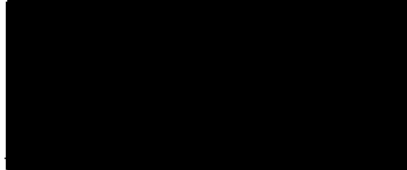
If PHS notified you of a Data Incident discovered around June 6, 2019, you could get benefits from a class action settlement.

A Court authorized this notice. This is not a solicitation from a lawyer.



Class Member ID: 60475CWJYXB4D

Postal Service: Please do not mark barcode



Class Member ID: 60475CWJYXB4D

Address Update

If you have an address different from where this postcard was mailed to, please write your correct address and email below and return this portion to the address provided on the other side.

****THIS NOTICE IS NOT A CLAIM FORM****

DO NOT USE THIS POSTCARD TO FILE A CLAIM, AN EXCLUSION OR OBJECTION.

Name: _____		
First Name	M.I.	Last Name
Street Address: _____		
Street Address 2: _____		
City: _____	State: _____	Zip Code: _____
Email Address: _____		

This notice contains information about a proposed class action settlement with Presbyterian Healthcare Services ("PHS"). More information can be found at the Settlement Website, www.PHSDataIncidentSettlement.com, by calling toll-free (833) 630-6292, or by contacting the Claims Administrator using the contact form on the Settlement Website. Your rights may be affected whether you act or don't act.

What is this notice for? This notice is being sent to inform you that a settlement has been reached in the Litigation, *Martinez, et al. v. Presbyterian Healthcare Services*, Case No. D-202-CV-2020-01578, pending in the Second Judicial District Court of Bernalillo County, New Mexico. The Litigation arises out of a third party's unauthorized access of certain PHS employee email boxes containing personally identifiable information ("PII") and protected health information ("PHI") of certain current or former patients and/or health plan members (the "Data Incident"). PHS denies any wrongdoing and liability in connection with the allegations in the Litigation. This class action settlement has been preliminarily approved by the New Mexico District Court Rule of Civil Procedure 1-023.

Who is Included? Settlement Class Members include all individuals to whom PHS sent letters notifying those individuals that information relating to them may have been compromised as a result of the Data Incident discovered by PHS around June 6, 2019. Excluded from the Settlement Class are all those persons who submit timely and valid requests for exclusion from the Settlement Class.

What are my options? You can (1) file a Settlement Claim to receive settlement benefits, (2) do nothing and stay in the settlement, (3) exclude yourself, or (4) object to the settlement. To file a Settlement Claim, go to www.PHSDataIncidentSettlement.com and submit a Claim Form electronically or download, complete, and mail in a Claim Form with a postmark date no later than May 16, 2024. To object to or exclude yourself from the settlement, go to www.PHSDataIncidentSettlement.com and follow the directions to do so no later than April 16, 2024. If you do not exclude yourself, and the Court approves the settlement, you will be bound by the Court's orders and judgments and the release contained in the Settlement Agreement between the Settling Parties in the Litigation, even if you do not file a claim. If you object, you may also file a notice to appear at the Final Fairness Hearing, in-person or through counsel to show cause as to why the proposed Settlement should not be approved as fair, reasonable, and adequate.

Settlement benefits. Under the proposed settlement, Settlement Class Members who submit a Valid Claim by May 16, 2024, are entitled to:

1) **Reimbursement:** A cash payment for expenses, which include (a) ordinary expenses of (i) up to three (3) hours of lost time spent remedying issues fairly traceable to the Data Incident (calculated at \$15 per hour) and/or (ii) documented Out-of-Pocket Expenses or monetary loss (up to \$750 per Settlement Class Member for ordinary expenses) and (b) Extraordinary Expenses of up to \$5,000 per Settlement Class Member, as outlined in the Settlement Agreement (available on the Settlement Website, www.PHSDataIncidentSettlement.com).

2) **Twelve Months of Credit Monitoring:** Twelve (12) months of credit monitoring and identity restoration services through Experian IdentityWorks, which includes, among other things, three-bureau credit monitoring and \$1,000,000 reimbursement insurance for losses due to identity theft and stolen funds, as outlined in the Settlement Agreement.

Claim Form. You will be considered a Settlement Class Member unless you timely exclude yourself from the settlement (i.e., "opt-out"). Settlement Class Members may submit a Claim Form online at www.PHSDataIncidentSettlement.com using the Class Member ID found on the front of this postcard or via mail to Presbyterian Healthcare Services Settlement c/o Kroll Settlement Administration, P.O. Box 5324, New York, NY 10150-5324.

Class Counsel will ask the Court to award attorneys' fees, costs, and expenses in an amount not to exceed \$900,000, and service awards of up to \$3,500 to each Class Representative.

Final Fairness Hearing. The Court will hold a Final Fairness Hearing on April 23, 2024 at 9 a.m. MT to decide whether the settlement is fair, reasonable, and adequate. You or (at your own cost) your attorney may ask permission to speak at the hearing.

More information. If you wish to file a Settlement Claim, object, or exclude yourself from the settlement, you must follow the procedures outlined on the Settlement Website.



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BUSINESS REPLY MAIL
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C/O KROLL SETTLEMENT ADMINISTRATION
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NEW YORK NY 10126-2876

