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NEW MEXICO COUNTY INSURANCE AUTHORITY

Board of Directors Meeting

October 22, 2025, 8:30 a.m.

Los Alamos County
Fuller Lodge
Pararito Room
2132 Central Avenue, Los Alamos, NM 87544

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**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 1.	<u>Item Title:</u> Call to Order /Roll Call / Pledge of Allegiance/ Introductions
<u>Presenter (s):</u> Lance Pyle, Chair Cynthia Stephenson, Risk Management Specialist	
Call to order time:	



NMCIA Board of Directors 2025

Officers

Chair	Vice-Chair	NMC Representative
Lance Pyle <i>Curry County Manager</i>	Gregory S. Shaffer <i>Santa Fe County Manager</i>	Michael Meek <i>County Commissioner</i>

GROUP I, GEOGRAPHICAL DIRECTORS

Term Expires 1/2027

NORTHWEST	NORTHEAST	SOUTHWEST
Jhonathan Aragon <i>Valencia County Deputy Manager</i>	Lance Pyle <i>Curry County Manager</i>	Charlene Webb <i>Grant County Manager</i>
Cibola, Los Alamos, McKinley, Rio Arriba, Taos, Torrance, Valencia	Colfax, Curry, Guadalupe, Harding, Mora, Quay, San Miguel, Union	Catron, Grant, Hidalgo, Luna, Sierra, Socorro

SOUTHEAST
Roberta Gonzales <i>Eddy County Finance Director</i>
Chaves, De Baca, Eddy, Lea, Lincoln, Otero, Roosevelt

GROUP II, CLASS A DIRECTORS**Term Expires 1/2026**

BERNALILLO	BERNALILLO	DOÑA ANA
Lisa Sedillo-White <i>Deputy County Manager for General Services</i>	Shirley Ragin <i>Deputy County Manager for Finance</i>	Deborah Weir <i>Assistant County Manager</i>

SANDOVAL	SANTA FE	
Michael Meek <i>County Commissioner</i>	Gregory S. Shaffer <i>County Manager</i>	

GROUP III, POPULATION DIRECTORS**Term Expires 1/2026**

SMALL COUNTY	MID-LEVEL-LOW COUNTY	MID-LEVEL-HIGH COUNTY
Brandy Thompson <i>Union County Manager</i>	Kate Fletcher <i>Cibola County Manager</i>	Anthony Dimas, Jr. <i>McKinley County Manager</i>
Catron, Colfax, De Baca, Guadalupe, Harding, Hidalgo, Mora, Quay, Sierra, Torrance and Union	Cibola, Grant, Lincoln, Los Alamos, Luna, Roosevelt, San Miguel, Socorro and Taos	Chaves, Curry, Eddy, Lea, McKinley, Otero, Rio Arriba and Valencia

EX Officio Directors

President	President Elect	Attorney Affiliate Representative
Terri Fortner <i>San Juan County Commissioner</i>	Tina Dixon <i>Roosevelt County Commissioner</i>	Michael Eshleman <i>Sandoval County Attorney</i>

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 2.	<u>Item Title:</u> Approval of Agenda
<u>Presenter (s):</u> Lance Pyle, Chair	
Motion by: Seconded by:	



NEW MEXICO COUNTY INSURANCE AUTHORITY BOARD OF DIRECTORS' MEETING

October 22, 2025, 8:30 a.m. *

AGENDA

In Person

Los Alamos County
Fuller Lodge, Pararito Room
2132 Central Avenue
Los Alamos, NM 87544

* In accordance with the New Mexico Open Meetings Act, the New Mexico County Insurance Authority Board of Directors (NMCIA Board) may recess and reconvene this meeting on October 23, 2025, at 8:30 a.m. If the NMCIA Board does, in fact, recess and reconvene this meeting, notice of the date, time, and place of the reconvened meeting will be posted (1) on or near the door of the place where the original meeting was held (if any); (2) at New Mexico Counties' offices (444 Galisteo Street Santa Fe NM 87501); and (3) on New Mexico Counties' website (<https://www.nmcounties.org/services/insurance>).

If the NMCIA Board completes the agenda on October 22, 2025, it will not meet on October 23, 2025.

1. Call to Order / Pledge of Allegiance / Roll Call / Introductions	Lance Pyle	Pg. 2
2. Approval of Agenda	Lance Pyle	Pg. 5
3. Approval of Minutes of August 20, 2025	Lance Pyle	Pg. 8
4. Board Presentations		
A. Presentation by Strategic Asset Alliance	Nathan Simon	Pg. 16
B. Gallagher Update	Nasreen Kopecky	Pg. 36
C. Financial Reports	Richard Garcia	Pg. 37
5. Board Action Items		
A. Approve 2026 Meeting Calendar	Grace Philips	Pg. 59
B. Approve NMCIA Board 2026 Open Meetings Act Resolution	Lance Pyle	Pg. 61
C. Consider Policy Authorizing Risk Management Director Authority to Deny Coverage to Individual County Employees or Elected Officials	Grace Philips	Pg. 67
D. Approve 2026 Multi-Line and Law Enforcement Reinsurance	Grace Philips	Pg. 70
E. Approve 2026 Pass-through Coverages	Grace Philips	Pg. 73
F. Approve Six-Month Property Renewal July 1 Cycle	Grace Philips	Pg. 74
G. 2026 Multi-Line Contributions	Lori Urban	Pg. 76
H. 2026 Law Enforcement Contributions	Lori Urban	Pg. 78
I. Approve 2026 Professional Liability Coverage for Medical Providers Pricing	Grace Philips	Pg. 80

J. Approve 2026 Budget	Grace Philips	Pg. 82
K. Approve 2026 Liability Coverage Agreement	Grace Philips	Pg. 84
L. Approve January 1 – June 30, 2026 Property Coverage Agreement	Grace Philips	Pg. 155
M. Create Professional Liability Coverage Pricing Committee	Grace Philips	Pg. 217
N. Approve Workers' Compensation Administration Certificate	Grace Philips	Pg. 218
O. Action on Cyber Deductible Reimbursement Policy	Grace Philips	Pg. 224

**6. Executive Session – Pending and Threatened Litigation
Per New Mexico Open Meetings Act 10-15-7-H(7)**

Lance Pyle Pg. 227

- Irma Valenzuela v Bernalillo County
- Estate of Chandler and Shivner v Luna County
- Estate of Teresa Begay v McKinley County
- Estate of Monica Garcia v Socorro County
- Estate of David Aguilera v Chaves County
- Treasure Hazen v Dona Ana County
- Cristina Cruz-Grost v Bernalillo County
- Quay County v NMCIA

7. Board Reports (provided in written materials)

A. Executive Director Update	Joy Esparsen	Pg. 228
B. Risk Management Update	Grace Philips	Pg. 243
C. Investment Update	Ryan Salmon	Pg. 266
D. Loss Prevention Update	Greg Rees	Pg. 287
E. Legal Bureau Update	Brandon Huss	Pg. 297
F. CRL Update	Grace Philips	Pg. 301

8. Other Business

Lance Pyle Pg. 303

9. Adjournment

Lance Pyle Pg. 304

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 3.	<u>Item Title:</u> Approval of Minutes of August 20, 2025
<u>Presenter (s):</u> Lance Pyle, Chair	
Motion by: Seconded by:	

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING**

August 20, 2025, 8:30 a.m.

Grant County
Veterans Memorial Business & Conference Center
Room 114/115 - Training Rooms
3031 Highway 180 East, Silver City, NM 88061

MINUTES

Call to Order/Pledge of Allegiance/Roll Call/Introductions

Chair Lance Pyle called the meeting to order at 8:33 a.m. Cynthia Stephenson called the roll and announced that a quorum was present.

Board Members Present

Anthony Dimas, Jr., McKinley County Manager
Michael Eshleman, Attorney Affiliate Representative, Sandoval County Attorney
Kate Fletcher, Cibola County Manager (attended via Zoom and left meeting due to a lost connection before executive session)
Roberta Gonzales, Eddy County Finance Director
Michael Meek, Sandoval County Commissioner (attended via Zoom)
Lance Pyle, Chair, Curry County Manager
Gregory S. Shaffer, Vice Chair, Santa Fe County Manager (attended via Zoom)
Brandy Thompson, Union County Manager
Charlene Webb, Grant County Manager
Deborah Weir, Dona Ana County Assistant Manager

Board Members Absent/Excused

Jhonathan Aragon, Valencia County Manager
Terri Fortner, NMC President, San Juan County Commissioner
Tina Dixon, NMC President Elect, Roosevelt County Commissioner
Shirley Ragin, Bernalillo Deputy County Manager of Finance
Lisa Sedillo-White, Bernalillo Deputy County Manager of General Services

NMC Staff Present

Mark Allen, General Counsel
Bree Barnett, Legal Bureau Attorney
Kamie Denton, Workers' Compensation Claims Manager
Joy Esparsen, Executive Director
Richard Garcia, Finance Director
John Grant, Senior Multi-Line Claims Examiner
Brandon Huss, Legal Bureau Director
Eric Kuebler, Legal Bureau Investigator
Grace Philips, Risk Management Director
Robin Martinez, Multi-Line Claims Manager
Cynthia Stephenson, Risk Management Specialist
Lori Urban, Assistant Risk Management Director (attended via Zoom)

Guests Present

John Chino, Area Vice President, Gallagher
Nasreen Kopecky, Account Representative, Gallagher
Ryan Salmon, Senior Vice President, Investment Officer/PIM Portfolio Manager, Salmon
Hauger Wealth Management Group of Wells Fargo Advisors

Approval of Agenda

Charlene Webb made a motion to approve the agenda, and Brandy Thompson seconded the motion, which passed unanimously.

Approval of Minutes of June 16, 2025

Brandy Thompson made a motion to approve the minutes, and Roberta Gonzales seconded the motion, which passed unanimously.

Acknowledge Receipt of 2024 NMCI Pool Financial Audit

Janet Pacheco-Morton presented the 2024 NMCI pool financial audit, noting a clean opinion. She discussed two of four material findings, all of which her firm and the Board were already informed - two regarding claim payments and one regarding a restatement to correct the beginning balance of investment in New Mexico County Reinsurance, Inc., previously held as investment on the books of NMCI. Roberta Gonzales made a motion to acknowledge receipt of the audit and Anthony Dimas seconded the motion, which passed unanimously.

Re-Approve July 1, 2025 NMCI Memorandum of Coverage with the Required WCA "New Mexico Amendatory Endorsement"

Mark Allen presented the workers' compensation memorandum of coverage the Board approved at their June 16 meeting, noting the file contained a New Mexico amendatory endorsement required by the WCA. Brandy Thompson made a motion to re-approve the memorandum of coverage and Charlene Webb seconded the motion, which passed unanimously.

Approve WCA Certificate of Self-Insurance

Mark Allen reviewed language in the WCA certificate, noting it requires the workers' compensation fund to have a balance of "no less than one hundred percent (100%) of the reserve amount as determined by an actuary acceptable to the Director." He then pointed out in the next paragraph the certificate requiring an increase in those reserves to 200% by December 31, 2030, and to provide written certification of the reserve level to the Director on an annual basis to demonstrate compliance with the requirement. After discussion, Gregory Shaffer made a motion to table the discussion and directed Risk Management Director Grace Philips to meet with the WCA director. Brandy Thompson seconded the motion, which passed unanimously.

Review Subcommittees, Fill Vacancies, Appoint Chairs and Discuss Need for Alternate Members

Grace Philips reviewed the committee list with members, asking for input on whether they needed alternate members. The Board agreed they wanted to keep alternates for each committee. Deborah Weir volunteered to take Lisa Sedillo-White's position on the litigation committee when Lisa retires at the end of the year; Roberta Gonzales volunteered to serve as the alternate member, filling a vacancy. Roberta Gonzales volunteered to fill Brandy Thompson's position on the finance and audit committee when Brandy retires, and Anthony

Dimas said he would replace Lisa on the committee when she retires. The Board nominated Shirley White, not present at the meeting, to replace Lisa on the Underwriting committee; Kate Fletcher agreed to be a regular committee member instead of alternate and Charlene Webb volunteered to be the alternate member. Deborah Weir volunteered to fill the vacancy on the strategic planning committee and Kate said she would fill Brandy's position when she retires, and Mike Meek said he would fill Lisa's position.

Charlene Webb made a motion to approve the positions on the committee and Brandy Thompson seconded the motion. Staff mentioned the Board had not considered the detention committee. Grace let members know the detention committee had never met since it was formed several years earlier and asked if the Board wanted to eliminate the committee. Anthony Dimas indicated the importance of the committee and volunteered to fill the vacancy. Charlene amended her motion to include updates to the detention committee and Brandy seconded. The motion passed unanimously.

Review and Approve Proposed Edits to Pool Policy Manual to Address Capital Adequacy

Grace Philips reviewed proposed language changes to the policy on claim reserves and the policy on equity distribution, as those policies currently conflict with the capital adequacy policy approved by the Board in December 2023. Regarding equity, she said staff recommends not returning equity unless the unrestricted fund balance reaches the upper bound of the policy, which is 2 times 1-in-200 year level. Gregory Shaffer noted a typo in the draft policy with "2 times" missing.

Deborah Weir made a motion to approve the policy edits with the language change of adding "2 times" to the policy and Brandy Thompson seconded the motion. The motion passed without the vote of Kate Fletcher who lost connection to the meeting and was not present for the vote but came back to the meeting immediately following.

Consider Policy Authorizing Risk Management Director Authority to Deny Coverage to Individual County Employees or Elected Officials

Grace Philips presented the draft policy. Board members and staff discussed the idea of the Pool's relationship with the named member county versus individuals within the county and the potential issue of losing governmental immunity if the risk management director makes the decision to deny coverage. Other topics discussed included due process and defining unreasonable liability exposure. After lengthy discussion, members decided the Board should make the coverage denial decision based on the risk manager's recommendation. They also discussed giving the county time to manage the situation and to appeal a board decision, if coverage should be denied mid-year, and whether to allow the individual to appeal the denial.

Anthony Dimas made a motion to table the discussion, and Brandy Thompson seconded the motion, which passed unanimously. Grace was directed to provide revised policy language to the Board for the next regularly scheduled meeting.

Approve NMC Meeting and Travel Policy

Joy Esparsen reviewed the NMC board-approved meeting and travel policy, noting changes that specifically impact NMCI board members. Roberta Gonzales made a motion to approve the NMC meeting and travel policy and Deborah Weir seconded the motion, which passed unanimously.

The board took a 10-minute break before resuming the meeting.

Board Presentation

Investment Update

Ryan Salmon presented investment market data, stating the economy is “plugging along” after the pandemic, inflation shock and now tariffs. He said there is no recession but there is evidence of a slowdown, and the jobs reports are less favorable. He said the big story is AI in the stock market and the increase in productivity. His summary included mention that inflation may remain sticky, the feds may cut rates one or two times this year and that some are concerned about the government's debt which could trigger selling in the bond market.

In presenting NMCI's investments, he noted estimated current market value of nearly \$108 million and said he did a rebalancing of the asset allocation, noting last year short-term and liquid funds were high due to a high claim year for law enforcement. Consulting with Richard Garcia he pushed \$5 million out to intermediate/fixed income investments for this year.

Board Discussion

Pricing for Med Mal Coverage in County Jails

John Chino presented information on medical malpractice in detention, noting recent stability comparing the past 10 years to the past 20. He noted Gallaghers' Risk Placement Services secures policies typically with a \$1 million limit and \$3 million aggregate and that NMCI's premium of \$12,000 would be inadequate in the commercial market to make an underwriting profit. He stated the premium should be \$40,000 and suggested stair-stepping the increase over time, possibly two years.

Grace Philips said the Pool needs to review its policy to ensure we have the right definitions of medical personnel, so they are categorized correctly. She discussed underwriting and the possibility of looking at the average population in the detention center as a factor in determining pricing. She said staff will come back to the Board with recommendations on pricing.

Board Attendance

Lance Pyle noted the board member attendance memo in the board book, noting the importance of attending meetings and communicating with staff.

2026 Board Meeting and Litigation Claims Committee Schedules

Cynthia Stephenson presented the proposed board meeting schedule that also included the litigation and underwriting committee schedules and the proposed NMCI board meeting schedule. The board made one change, moving the October 2026 meeting and retreat from October to November. She said the NMCI board would approve the meeting calendar at their October 3 meeting and the NMCI board would approve it at their October 22 meeting.

Executive Session – Pending and Threatened Litigation Per New Mexico Open Meetings Act 10-15-7-H(7)

- Estate of Jared Romero v Bernalillo County

- Consideration of Luna County's response to the NMCI's demand for repayment of a settlement payment that was mistakenly made in excess of coverage limits in Hernandez et al. v. Luna County and Paul Garcia, Cause No. D-619-CV-2024-00099 (listed as Estate of Wyatt James Franzoy v. Luna County on the May 21, 2025, NMCI agenda).
- Quay County vs NMCI (litigation regarding 2023 bridge collapse due to flood claim)

Brandy Thompson made a motion to go into executive session to discuss pending litigation in accordance with the Open Meetings Act 10-15-7-H(7) for the above-named claims. Charlene Webb seconded the motion, which passed via a roll call vote: Lance Pyle, Charlene Webb, Roberta Gonzales, Deborah Weir, Michael Meek, Gregory Shaffer, Brandy Thompson, and Anthony Dimas voting in favor. Lance Pyle certified that the only things discussed were pending and threatened litigation in accordance with the Open Meeting Act. Anthony Dimas made a motion to come out of executive session and Deborah Weir seconded the motion and a roll call vote was taken: Lance Pyle, Charlene Webb, Roberta Gonzales, Deborah Weir, Michael Meek, Gregory Shaffer, Brandy Thompson, and Anthony Dimas voting yes. Brandy Thompson made a motion to authorize the amounts as discussed by the Board in cases 2025-8-1, 2025-8-2 and 2025-8-3. Charlene Webb seconded the motion, which passed via a roll call vote: Lance Pyle, Charlene Webb, Roberta Gonzales, Deborah Weir, Michael Meek, Gregory Shaffer, Brandy Thompson, and Anthony Dimas voting yes.

Board Presentations

Executive Director Update

Joy Esparsen reviewed the NMC board's priorities for the 30-day 2026 Legislative session:

1. HB2 Appropriations
 - Detention Reimbursement Fund
 - Courthouse Funding
 - Detention Recruitment Fund
 - Fire & EMS Recruitment Fund
 - 700 MHz Radios
 - RISE Funding
2. Property Tax Exemption Deadline for Veterans – Assessors Affiliate
3. IPRA Improvements – Attorneys Affiliate

She said a September special session is possible to discuss public lands, federal funding and suicide prevention. She let Board members know the Secure Rural Schools (SRS) reimbursement to counties was reduced from \$9 million to \$800,000 and that there will be a \$4 million hit to PILT next year if SRS is not reauthorized.

Financial Reports

Richard Garcia let members know that Morton Accounting reached term limits in service to NMC and that he issued an RFP in July for financial audit services and only received one response, noting NMC is not the only organization facing a lack of response. The firm responding was SJT Group LLC in Albuquerque, established in 2020 and specializing in government and nonprofit.

He then presented the financials, noting total current assets as of June 30, 2025 of \$18.5 million, an increase of \$5.3 million from the previous year. Total current liabilities increased \$3.6 million to \$20.9 million and total long-term liabilities increased \$1.7 million to \$90.7 million. He said unrealized investments increased to \$601,000 from a loss the prior year of \$5.3 million.

Risk Management Update

Grace Philips let the board know the NACo resolution to support a cap on federal civil rights damages was tabled again and received significant contentious debate. Her strategy now is to educate state executives on the issue. She said NMCI will soon learn if we are approved for the Jail as Part of County Government training, a three-day team training for commissioners, county managers and detention administrators. Regarding AI, she said 10 staff are taking or have completed AGRIP training and several risk senior staff will attend training focused on AI.

Discussion Items

Strategic Retreat Agenda

Brandy Thompson reviewed the draft retreat agenda with members, noting this year is the end date of the strategic plan and while the Board identified a mission and vision, there are no core values identified. Members indicated they want training on AI. Roberta Gonzales noted a presentation she heard in the finance affiliate that was good. Joy said she attended the first two hours and can provide information to Grace. Grace indicated she might bring in a speaker and the presentation could include use cases.

Board Reports

Loss Ratio Reports

Grace Philips explained how to read the loss ratio reports included in the meeting book. The reports indicated a 113% 10-year pool average for law enforcement as of June 30, 2025.

Legal Bureau Update

Brandon Huss reviewed one case with members – Bates v. Bernalillo County – a shooting case of two deputies responding to a domestic call. The Bureau was successful in their motions practice to kill all federal claims and in pre-trial practice settled for \$75,000. He let members know that attorney Marty Esquibel sent him a copy of a special verdict form on a bullying case out of Sandoval County where \$20,000 in medications ended in a \$1.7 million award. He said three times to five times medical costs used to be standard and the trend of high verdicts in New Mexico is not going away anytime soon.

Loss Prevention Update

Grace Philips noted Greg Rees' memo in the book.

Workers' Compensation Update

Kamie Denton said she attended a stewardship meeting with Alius Health, indicating NMCI beat their benchmark of large companies with a 38% savings, with the benchmark being 35%. NMCI saved \$128,485 between July 1, 2024 and June 30, 2025.

Multi-Line Update

Robin Martinez reminded members she hired Valerie Dixon as a claims examiner. She said the claims committee conducted 10 meetings in which 17 claims were presented by staff and/or defense counsel, adding that counties are always invited and encouraged to attend. Regarding staff training she said Rosa Quintana and John Grant attended a law enforcement liability training in San Antonio presented by the Legal & Liability Risk Management Institute (LLRMI). She and Greg attended the CRL law enforcement conference where they heard a presentation by expert Jack Ryan about breaking down silos. She has asked him to attend NMC's Legislative Conference and speak at a joint session of affiliates. She said she handled 16 IPRA's this year and is training a staff member to assist. Multi-Line staff attended 31 mediations and settlement conferences, with all but eight claims settled, with demands totaling \$41.8 million and 23 settled claims totaling \$4 million.

CRL Update

Grace Philips noted her update memo in the book.

Other Business

No other business was discussed.

Adjournment

Anthony Dimas made a motion to adjourn the meeting, and Brandy Thompson seconded the motion. The meeting was adjourned at 2:54 p.m.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 4.A.	<u>Item Title:</u> Presentation by Strategic Asset Alliance
<u>Presenter (s):</u> Nathan Simon, Director, Investment Consultant, Strategic Asset Alliance	



NEW MEXICO COUNTY INSURANCE AUTHORITY



3rd Quarter Investment Review

October 23rd, 2025

Strategic Asset Alliance



NMCIA Strategic Allocation vs Current Total Portfolio

NMCIA Asset Allocation (By Portfolio) Ranges/Targets Revised March 2025	IPS Constraints			Portfolio at 9/30/2025				Market Values		
	Lower Limit	Upper Limit	% of Surplus	Strategic Allocation (%)	Total Portfolio (%)	Difference (%)		Strategic Allocation (\$)	Total Portfolio (\$)	Difference (\$)
Core Investment Grade Fixed Income	96.0%	100.0%		98.0%	98.5%	⬆️	0.5%	106,645,264	107,234,133	588,869
Risk Asset Portfolio (% of Total Portfolio)	0.0%	4.0%		2.0%	1.5%	⬆️	-0.5%	1,499,462	1,587,565	88,103
US High Yield Bonds	0.0%	0.0%	16.2%	1.0%	0.7%	⬆️	-0.3%	1,088,217	808,073	
US Leveraged Loan Bonds	0.0%	0.0%	15.6%	1.0%	0.7%	⬆️	-0.3%	1,088,217	779,492	
Risk Asset Portfolio (% of Net Position)	0.0%	35.0%	31.8%	30.0%		⬆️	1.8%	1,499,462	1,587,565	88,103
Total Allocation				100.0%	100.0%	108,821,698				
NMCIA Surplus - 12/31/2024 (Unaudited)		4,998,207								
1) The allocation to risk assets is further targeted to 25% of combined net position across NMCIA and NMCR and may not exceed 35% of NMCIA net position using the most recent annual audited financial statements. 2) NM regulations prohibit investments in US and International equities. 3) NMAC assets excluded (\$3,553,719).										

Key Insights:

❖ Risk assets to net position is targeted at 30% to minimize effect of market volatility reflected in financial statements

- Currently, the risk assets to net position ratio is 31.8%
- The max allowable upper limit of 35% risk assets to net position represents approximately a 11% decline in net position given a worst case 2008/2009 market scenario.

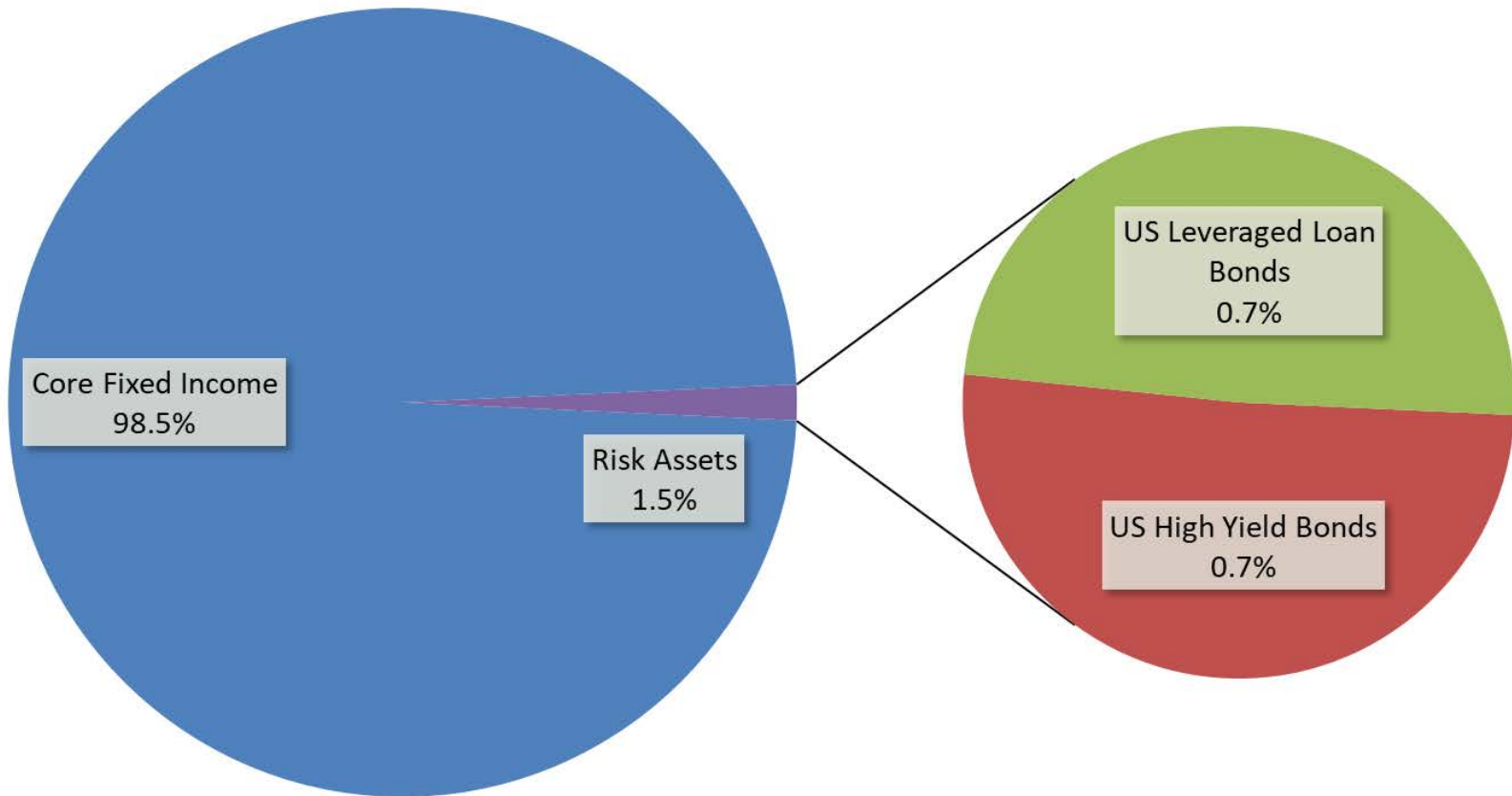
❖ NMCIA strategic allocation complete whereas captive allocation (NMCR) underway and should be finalized by end of 2025

- Dollar cost averaging has been in effect for the captive with recent transactions occurring in July and September, and the last leg occurring in November 2025.

NMCIA Strategic Allocation vs Current Total Portfolio



NMCIA Total Assets = \$108.8M
Total Core Fixed Income = \$107.2M
Total Risk Assets = \$1.6M
Risk Assets as % Net Position = 31.8%



* Net Position as of 12/31/2024; NMAC assets excluded



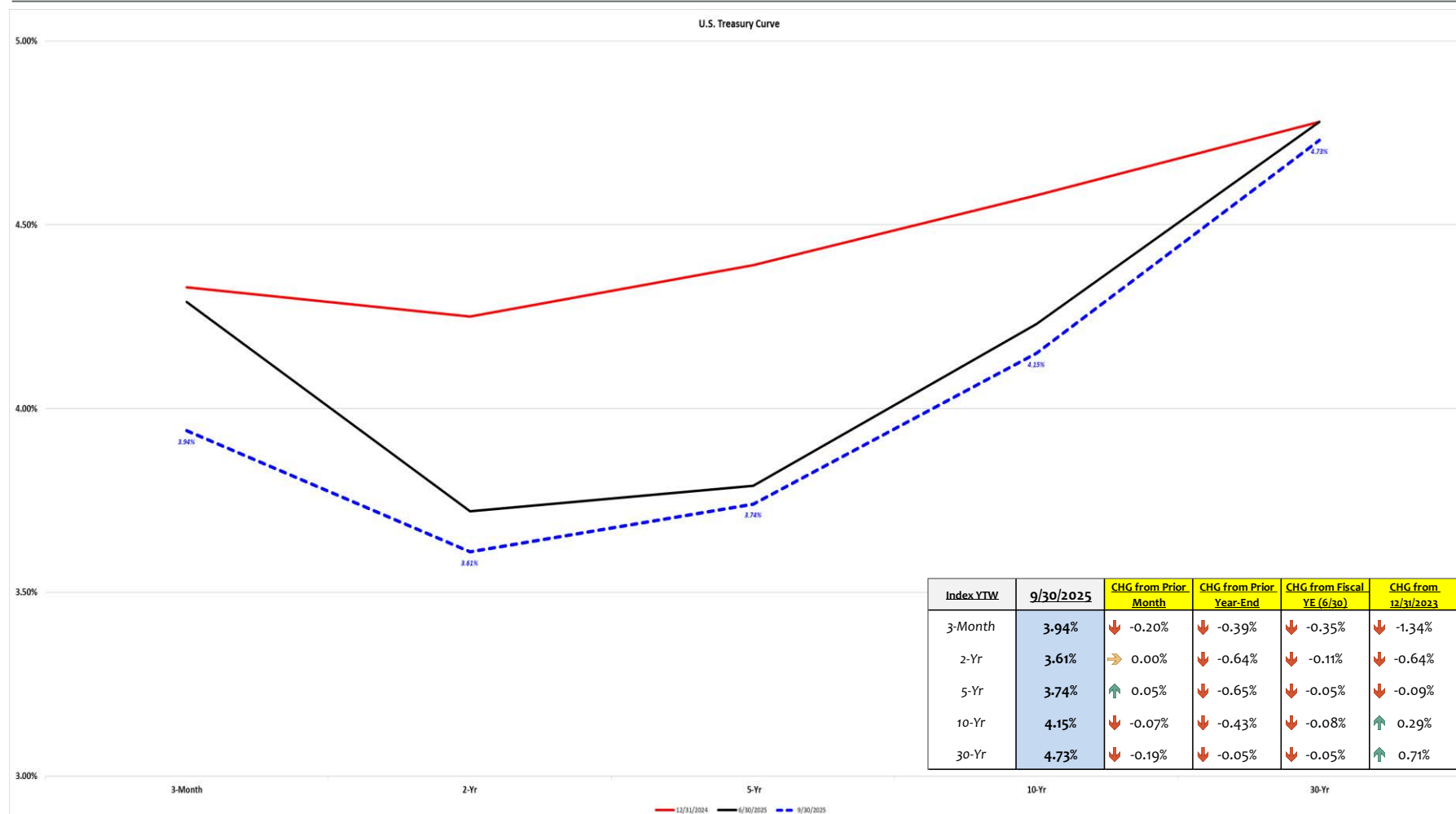
Top of Mind #1 – Volatility & Capital Markets' Performance

Index	Asset Class	Jul-25	Aug-25	Sep-25	Q3	YTD	Trailing 1 Yr	Trailing 2 Yr	Trailing 3 Yr	Trailing 5 Yr	Trailing 10 Yr
U.S. Fixed Income											
Bloomberg Municipal Bond	U.S. IG Fixed Income	-0.20%	0.87%	2.32%	3.00%	2.64%	1.39%	5.79%	4.74%	0.86%	2.34%
Bloomberg U.S. Corporate Investment Grade	U.S. IG Fixed Income	0.07%	1.01%	1.50%	2.60%	6.88%	3.63%	8.82%	7.07%	0.35%	3.12%
Bloomberg U.S. High Yield 2% Issuer Cap	U.S. HY Fixed Income	0.45%	1.25%	0.82%	2.54%	7.22%	7.41%	11.49%	11.09%	5.54%	6.16%
Bloomberg U.S. TIPS	U.S. IG Fixed Income	0.12%	1.54%	0.43%	2.10%	6.87%	3.79%	6.75%	4.88%	1.42%	3.01%
Bloomberg U.S. Aggregate	U.S. IG Fixed Income	-0.26%	1.20%	1.09%	2.03%	6.13%	2.88%	7.14%	4.93%	-0.45%	1.84%
Bloomberg U.S. Government/Credit	U.S. Fixed Income	-0.22%	1.05%	1.07%	1.91%	5.93%	2.67%	6.90%	4.87%	-0.61%	1.99%
10-Year US Treasury	U.S. Treasury	-0.67%	1.55%	0.94%	1.81%	6.93%	1.35%	5.86%	2.85%	-3.08%	0.53%
Morningstar LSTA US Leveraged Loan Index	U.S. HY Fixed Income	0.88%	0.45%	0.44%	1.77%	4.63%	7.00%	8.29%	9.85%	6.96%	5.47%
US Treasury Index	U.S. IG Fixed Income	-0.39%	1.03%	0.92%	1.56%	5.41%	1.89%	5.83%	3.49%	-1.49%	1.15%
Bloomberg U.S. Government/Credit: Intermediate	U.S. IG Fixed Income	-0.14%	1.22%	0.42%	1.51%	6.42%	4.01%	6.69%	5.18%	0.81%	2.10%
5-Year US Treasury	U.S. Treasury	-0.42%	0.37%	0.11%	1.17%	5.87%	2.99%	5.78%	3.98%	-0.56%	1.15%
3-Month US Treasury Bill	Cash/Cash Equivalent	0.37%	1.49%	0.36%	1.11%	3.34%	4.61%	5.12%	4.98%	3.10%	2.13%
U.S. Equity											
S&P Composite 1500 Growth (Broad Market)	U.S. Equity	3.30%	1.01%	4.97%	9.52%	18.45%	25.13%	32.32%	27.87%	16.43%	17.03%
S&P 600 (Small Cap)	U.S. Equity	0.93%	7.06%	0.98%	9.11%	4.24%	3.64%	14.21%	12.82%	12.94%	10.03%
S&P 500 (Large Cap)	U.S. Equity	2.24%	2.03%	3.65%	8.12%	14.83%	17.60%	26.63%	24.94%	16.47%	15.30%
S&P Composite 1500 (Broad Market)	U.S. Equity	2.18%	2.21%	3.42%	8.01%	14.07%	16.60%	25.72%	24.12%	16.23%	14.90%
S&P Composite 1500 Value (Broad Market)	U.S. Equity	0.90%	3.63%	1.65%	6.29%	9.28%	6.77%	18.05%	19.16%	15.41%	11.90%
Dow Jones Industrial Average	U.S. Equity	0.16%	3.42%	2.00%	5.67%	10.47%	11.50%	19.86%	19.63%	12.98%	13.50%
S&P 400 (Mid Cap)	U.S. Equity	1.62%	3.39%	0.46%	5.55%	5.76%	6.13%	16.00%	15.84%	13.61%	10.82%
Dow Jones U.S. Select REIT	U.S. Real Estate	-0.73%	4.66%	1.15%	5.09%	4.50%	-1.70%	14.64%	10.48%	9.45%	5.65%
International Equity											
MSCI EM (Emerging Markets)	International Equity	2.02%	1.47%	7.18%	10.95%	28.22%	18.17%	22.28%	18.81%	7.51%	8.43%
MSCI WORLD	International Equity	1.31%	2.64%	3.25%	7.36%	17.83%	17.75%	25.16%	24.29%	14.94%	13.00%
MSCI WORLD ex USA	World Equity	-1.19%	4.42%	2.17%	5.41%	25.93%	16.65%	21.06%	22.26%	12.19%	8.98%
MSCI EAFE	International Equity	-1.39%	4.27%	1.96%	4.83%	25.72%	15.58%	20.38%	22.33%	11.71%	8.70%
MSCI EAFE (Net)	International Equity	-1.40%	4.26%	1.91%	4.77%	25.14%	14.99%	19.78%	21.70%	11.15%	8.17%
Other											
S&P GSCI Gold	Commodity	-0.06%	5.36%	10.54%	16.40%	44.79%	44.10%	42.90%	31.31%	14.39%	12.15%
US Convertibles	U.S. Convertible Bond	2.78%	1.74%	3.84%	8.58%	15.69%	19.60%	17.18%	13.86%	8.49%	11.10%
S&P GSCI Commodities	Commodity	3.62%	-0.20%	0.65%	4.07%	6.09%	10.13%	1.72%	4.70%	17.57%	4.07%
FTSE WorldBIG Index	World Fixed Income	-1.39%	1.49%	0.80%	0.88%	8.33%	2.98%	7.50%	5.79%	-1.74%	1.09%
S&P GSCI Crude Oil	Commodity	8.86%	-6.09%	-1.71%	0.48%	-1.83%	6.23%	-4.47%	4.07%	21.50%	-2.14%
Alerian MLP	Master Limited Partnerships	3.17%	-0.58%	-3.70%	-1.22%	5.75%	10.97%	17.52%	22.39%	32.26%	8.14%

Key Insights:

- Markets extended summer gains as rate expectations shifted: the Fed's September rate cut added momentum to both stocks and bonds, helping the Bloomberg U.S. Aggregate rise +1.1% for the month and more than +6% year-to-date.
- Equities continued broad strength: the S&P 1500 +3.4% in September, Growth (+5.0%) again outpacing Value (+1.6%), while small-caps lagged but remained positive (+1.0%).
- International markets advanced, aided by a softer dollar: the MSCI EAFE +2.0% and Emerging Markets +7.2%, extending strong year-to-date returns above +25% and +28%, respectively.
- Gold and other inflation-hedging assets rallied—gold up +10.5% in September, nearly +45% year-to-date—reflecting lingering inflation anxiety even as global growth slows.
- Fixed-income credit spreads compressed, supporting high-yield (+0.8%) and leveraged-loan (+0.4%) indexes as investors leaned back into risk following the Fed cut.
- Macro backdrop: The month's headlines showed an economy "easing into uncertainty"—rate cuts amid fading confidence, firm inflation abroad, and elevated geopolitical tension (Ukraine, China, NATO airspace incidents).
- Big picture: September marked a policy turning point—monetary easing returned just as global risks multiplied. For diversified portfolios, that mix favored both equities and high-quality bonds, while commodity markets remained volatile and geopolitics kept risk premiums alive.

Top of Mind #1 – Volatility & UST Yield Curve Expectations



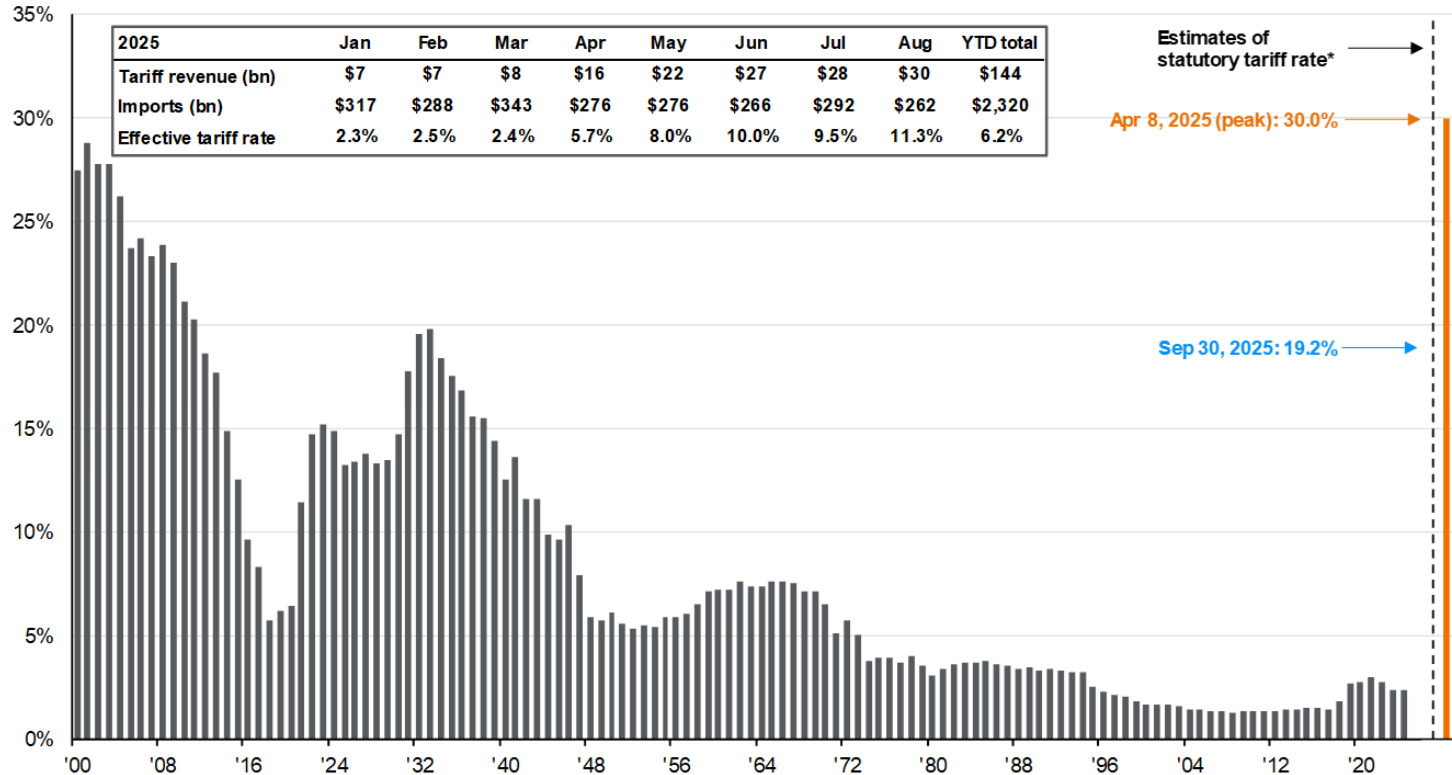
Key Take Aways:

- In September, the Fed's decision to cut rates helped steady markets and nudged bond yields lower across most maturities. The two-year Treasury held near 3.6% while the ten-year eased to about 4.15%, leaving the yield curve only slightly flatter and signaling that investors expect gradual, not dramatic, rate cuts ahead. Credit markets stayed calm as borrowing costs fell and investors grew more comfortable taking risk, with high-yield spreads near their lowest levels of the year. These shifts supported broad gains—core bonds rose about 2% for the quarter, stocks extended their advance, and gold climbed as investors continued to hedge against uncertainty. Altogether, September closed with cautious optimism: markets are betting the economy can slow gently rather than stumble, and current yields still offer reasonable rewards for staying patient if growth cools further.

Top of Mind #2 – Tariffs on U.S. Imports

Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption, 1900 - 2024



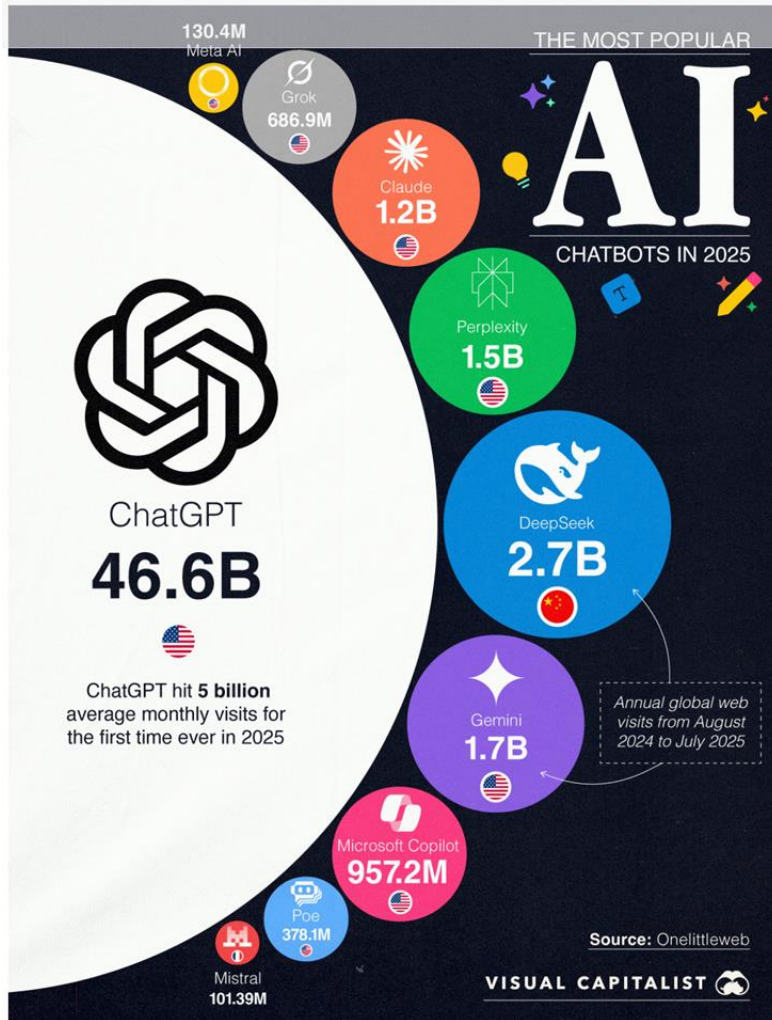
Key Take Aways:

- ❖ Tariff policy is volatile, but actual burden is smaller than the headline. The sharp drop from the 30% peak to 19.2% and the much lower 6.2% effective rate show that rule changes and carve-outs materially dilute the headline tariff stance.
- ❖ Even with carve-outs, the effective burden is historically elevated. At 6.2%, import duties are back to levels last seen decades ago on this chart—meaning a persistent headwind to import-heavy sectors and a mild upside risk to goods price.
- ❖ Forward Looking Thoughts:
 - The biggest downside risk is narrowing of the gap between statutory and effective rates—e.g., if exclusions lapse, enforcement tightens, or the import mix shifts toward tariffed categories. Any convergence toward the ~19% statutory level would push the effective rate higher from 6.2%, pressuring retailer margins, slowing import volumes, and complicating the disinflation trend. Conversely, if current carve-outs are extended, the effective rate likely stays near mid-single digits even with headline volatility.

Source: U.S. Census Bureau, U.S. Department of Treasury, U.S. International Trade Commission, J.P. Morgan Asset Management.

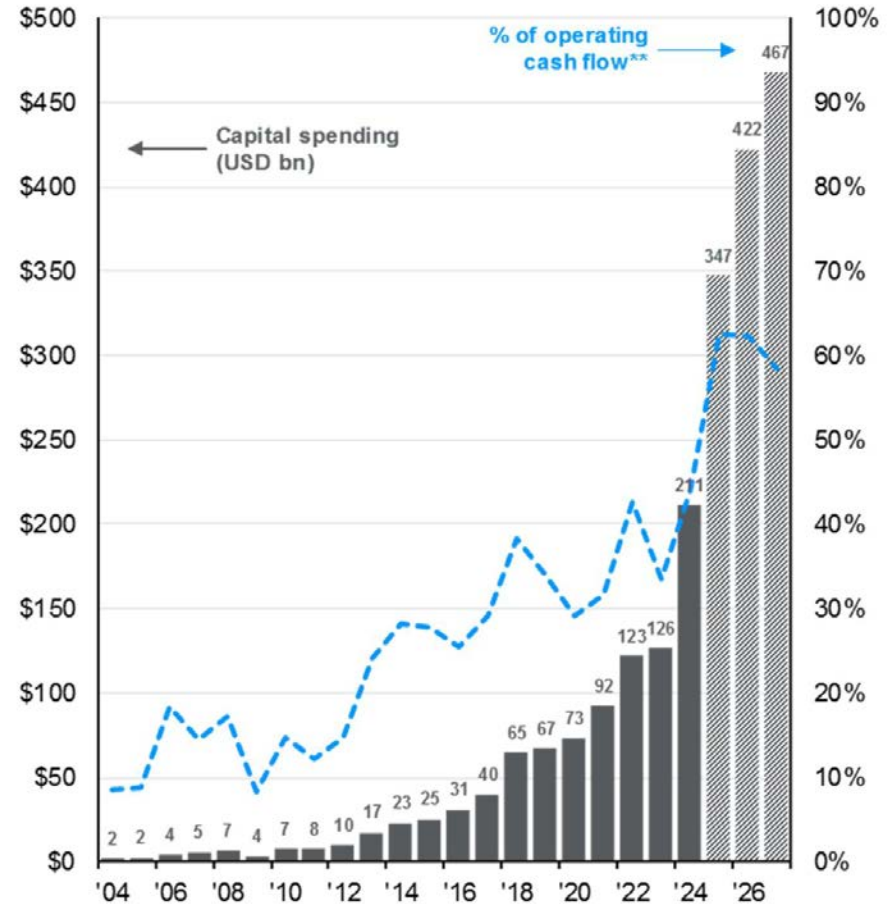
For illustrative purposes only. The estimated weighted average statutory U.S. tariff rate includes all tariffs that are currently in effect, not announced. Imports for consumption: goods brought into a country for direct use or sale in the domestic market. *Figures are based on 2024 import levels and assume no change in demand due to tariff increases. Tariff revenue shown are figures from the Monthly Treasury Statement. Import figures included in the table are from the U.S. Census Bureau. Estimates, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

Top of Mind #3 – AI Investment



Capex from the major AI hyperscalers*

USD billions; Alphabet, Amazon (AWS), Meta, Microsoft, Oracle



Key Take Aways:

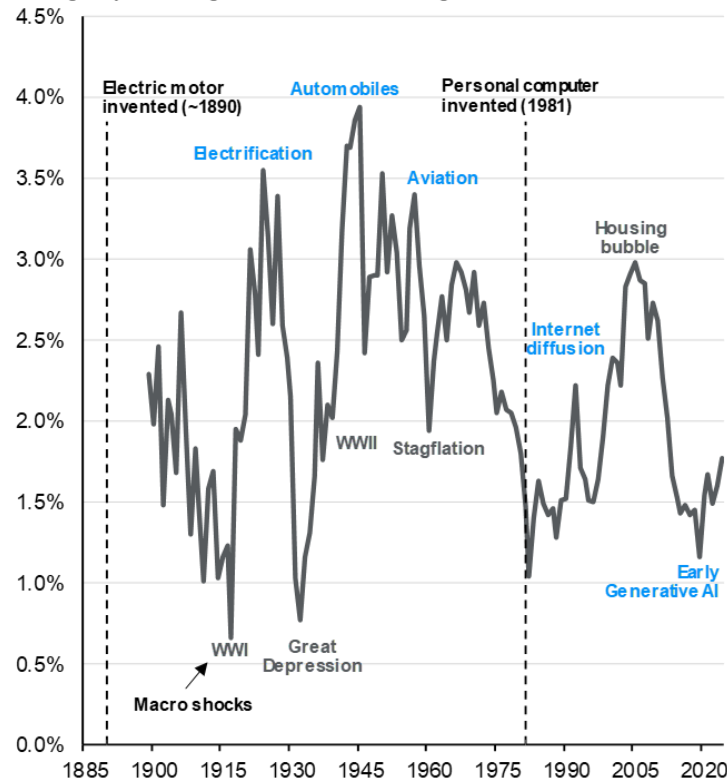
- AI platforms and chatbots are already prevalent and quickly growing in capabilities, with ChatGPT having near 47 billion visits in the prior year. This slide looks at the capital investment particularly driving AI infrastructure. Investment spending by five major AI hyperscalers in the U.S., has increased in recent years and is expected to continue rising in the years ahead. Hyperscalers are the large cloud computing companies that own and operate data centers with horizontally linked servers that, along with cooling and data storage capabilities, enable them to house and operate AI workloads. **As AI becomes more integrated, to what extent will AI investments and costs materialize on the end-user?**



Top of Mind #3 – Labor Supply, Labor Demand & AI Implementation

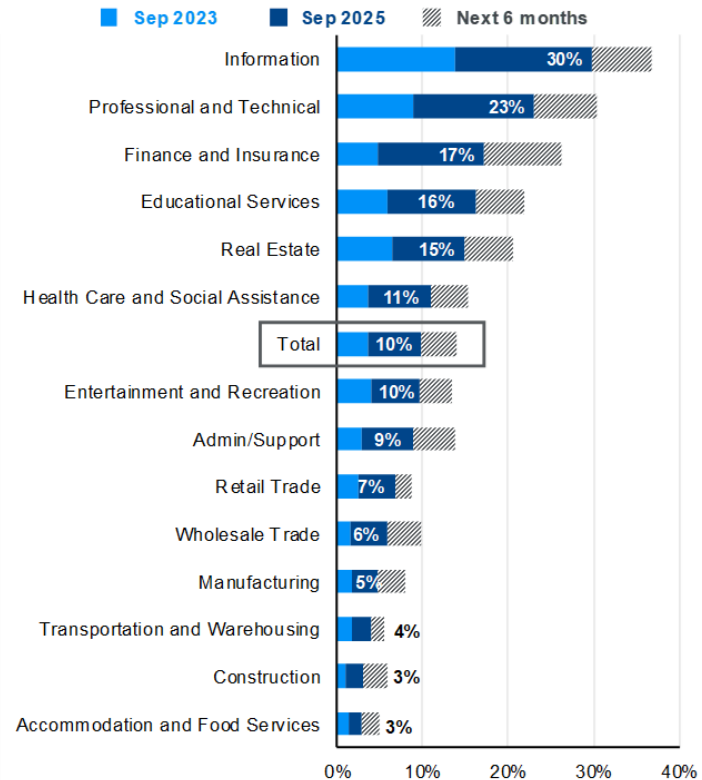
U.S. labor productivity growth

Trailing 10-year average annualized rate, through 2024



Businesses using AI to produce goods and services

% of all firms reporting use of AI applications



Key Take Aways:

- ❑ The chart on AI use shows that adoption today is strongest in information, professional services, finance, and education, and many firms in these sectors plan to add more tools over the next six months. Adoption is much lighter in manufacturing, transport, construction, and local services. At the same time, overall hiring is subdued but the labor force is a bit larger than last year, helped by foreign-born workers; however, recent immigration policy changes are expected to restrict this labor source over the near term. Productivity has settled after big post-pandemic swings, with the clearest gains where digital and AI tools are used day to day. Put together, companies are leaning on AI to get more done with existing teams and focusing on training and retention rather than large hiring pushes—especially in the sectors that handle the most data.

Forward-Looking Thoughts:

- ❑ **PROs:** 1) Expanding AI use in information-heavy roles can lift output per employee and shorten cycle times without large staffing increases; 2) A steadier productivity backdrop and a slightly larger labor force create room to invest in upskilling and process redesign that sticks.
- ❑ **CONS:** 1) Skills gaps (data/engineering, compliance, change management) can slow AI deployment, especially in later-adopting sectors; 2) Uneven AI adoption risks wider performance dispersion across business lines, complicating budgeting and staffing if benefits remain concentrated in a few functions.

Top of Mind #3 – Top 10: State of AI Report 2025 (Air Street Capital)

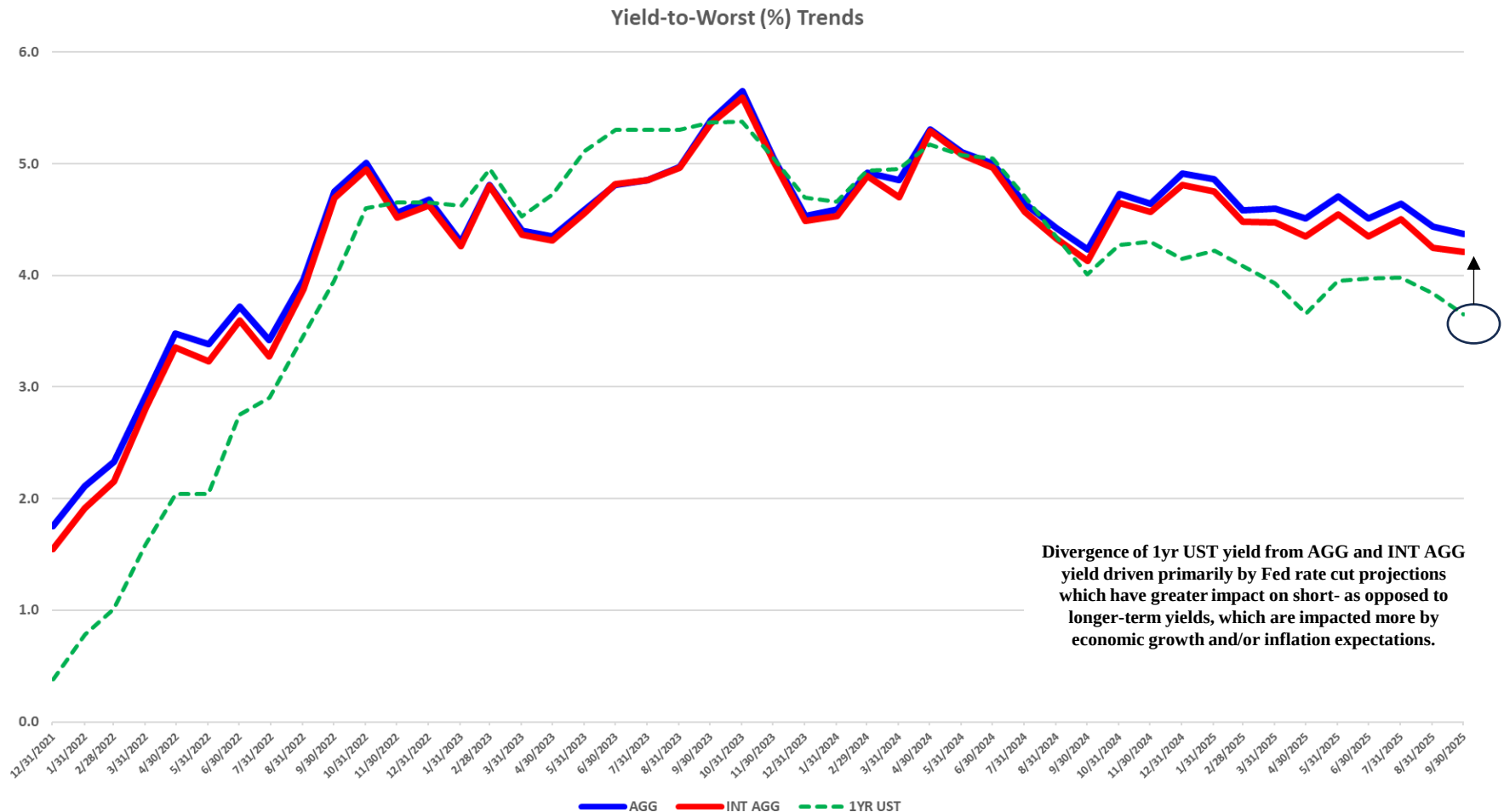


#	What Changed
1. The Year of Reasoning Models	OpenAI's o1-preview and DeepSeek's R1-series pioneered 'think-then-answer' reasoning. Models plan, verify, and branch inference paths, though many gains are overstated due to benchmark variance.
2. China's Open-Weight Acceleration.	Chinese labs (DeepSeek, Qwen, Moonshot) surpassed Meta's Llama in downloads and fine-tunes. Open models dominate HuggingFace rankings due to permissive licenses and advanced RL tooling.
3. AI-first Companies Reach Escape Velocity	Sixteen AI-native firms now generate \$18.5B in annualized revenue. Median enterprise AI apps exceed \$2M ARR, and AI startups hit \$5M revenue 4.5× faster than 2018 SaaS peers.
4. Power and Compute as the Bottleneck	AI data centers scaling toward 5 GW by 2028 face a 68 GW U.S. electricity shortfall. Blackouts could be 100× more frequent by 2030, making energy—not chips—the key constraint.
5. Sovereign AI Becomes Industrial Policy	Nations launch programs (UAE's Stargate, Canada's Sovereign Compute, EU's InvestAI). Many risk 'sovereignty-washing'—claiming autonomy while deepening reliance on U.S./Chinese infrastructure.
6. NVIDIA's Unrivaled Dominance	NVIDIA controls ~75% of global AI supercomputer capacity and 90% of research citations. Rivals' \$7.5B investments would have earned 12× more if invested in NVIDIA stock.
7. AI as Political Power	The U.S. AI Action Plan reframes AI as national infrastructure—deregulation, grid expansion, and export diplomacy—while China counters with a Global AI Governance Plan targeting the Global South.
8. AI Safety Budget Crisis	External AI safety orgs collectively spend <\$150M/year—less than major labs spend daily. Labs missed or diluted safety commitments, turning AI safety into self-policing.
9. Cyber and Bio Risks Accelerate	Cyber capabilities now double every 5 months. 'Vibe hacking' incidents grow, with AI used for ransomware and infiltration. Labs harden safeguards (ASL-3, dual auth), but open misuse persists.
10. Economic and Labor Disruption	AI models now outperform humans in 20+ professions. Entry-level hiring is falling, while experienced workers are augmented. Governments respond reactively with small-scale AI literacy efforts.

Conclusion: AI has become a self-reinforcing system governing software, power, and policy. From reasoning breakthroughs to grid crises, 2025 marks the year AI became infrastructure.



Top of Mind #4 – Reinvestment Yields...Ongoing Investment Income Implications



Key Takeaways:

- September closed with stable bond markets and improved portfolio income conditions. Yields declined modestly following the Federal Reserve's rate cut, yet reinvestment levels remained well above those seen in recent years. Credit spreads tightened further across investment-grade and high-yield sectors, indicating continued access to credit at lower risk premiums. The Treasury curve changed little, with short-term yields near 3.6% and longer maturities around 4.15% (10Yr) and 4.73% (30Yr), consistent with a measured policy environment. Together, these developments supported steady bond performance and reinforced higher income potential from reinvestment relative to the low-rate period of 2021.



APPENDIX



REVIEW - Summary Capital Market Commentary – Q3/2025



Executive Summary

Policy is easing into a world of sticky cross-winds—slowing growth pockets, firm-but-moderating inflation abroad, and elevated geopolitical risk—so we expect a “barbell” market: high-quality bonds regaining their ballast role while large-cap growth and selective non-US exposures continue to lead, with gold/commodities acting as shock absorbers when headlines flare.

U.S. Economy

- The Fed’s September cut met a cooling confidence backdrop, pointing to policy easing into uncertainty. Businesses and consumers remain cost-sensitive as tariffs and longer-run price pressures linger.
- Labor signals softened at the margin while recession odds stayed balanced rather than acute. Corporate guidance continued to emphasize cost control and select capital spending.
- Consumers are uneasy but not collapsing: The Conference Board’s index fell again, yet the NY Fed’s survey shows households still see jobs obtainable even as they fear higher unemployment—so sentiment is weak, not broken for the time being.

US and International Equity

- US equities advanced in September (S&P 1500 +3.4%; Q3 +8.0%), with Growth again outpacing Value (+5.0% vs +1.7%), and large caps leading small caps.
- International equities rose as well (EAFE +2.0% in Sep; +4.8% in Q3; EM +7.2% in Sep; +11.0% in Q3), extending strong year-to-date gains.

Commodities & Digital Currency

- Gold surged (+10.5% in September; +16.4% in Q3; ~+45% YTD), signaling persistent hedging demand against policy and geopolitical risks.
- Broad commodities were modestly positive for Q3, with crude oil choppy and ending near flat quarter-to-date.
- Digital assets were mixed, with macro signals and policy headlines driving short bursts of volatility.

US and International Fixed Income

- Core bonds gained with the policy pivot (Bloomberg U.S. Aggregate +1.1% Sep; +2.0% Q3; +6.1% YTD), while Treasuries and TIPS also posted monthly gains.
- Credit spreads edged tighter, supporting High Yield (+0.8% Sep) and Leveraged Loans (+0.4% Sep) as risk appetite improved late in the quarter.
- Global bonds were slightly positive for Q3 (FTSE WorldBIG +0.9%), aided by the September rally.

Currency & Inflation

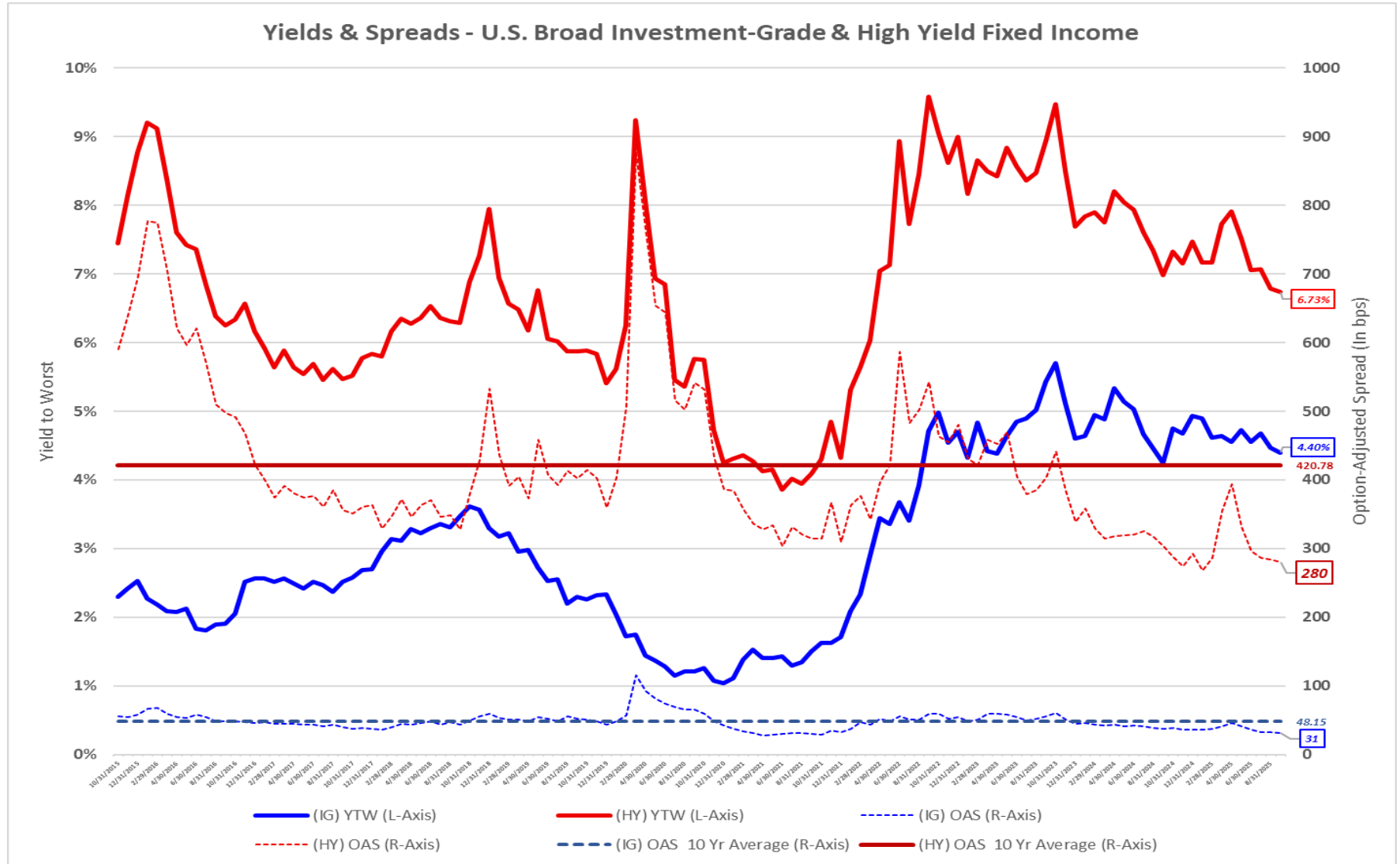
- Currency effects supported non-US equity returns in recent periods; prior quarter commentary noted a weaker dollar versus the euro, pound, and yen, a dynamic that continued to matter for USD investors.
- Inflation abroad remained firm enough to keep “sticky” in the vocabulary, even as US policy turned easier.
- Market-implied inflation expectations stayed contained, with commodity moves doing more of the near-term signaling.

Geopolitical Developments

- Ukraine war intensity, NATO airspace incidents, and hybrid-warfare warnings kept headline risk elevated.
- China’s slower industrial pulse and great-power signaling added to supply-chain and trade-policy uncertainty. However, not all China PMIs agree: Official manufacturing stayed <50, but a private survey stayed >50—signaling pockets of resilience and a less uniform slowdown than headlines suggest.
- Energy security remained a swing factor as OPEC strategy and disciplined US shale spending influenced price volatility.



REVIEW – Broad Market Rates vs. Spreads

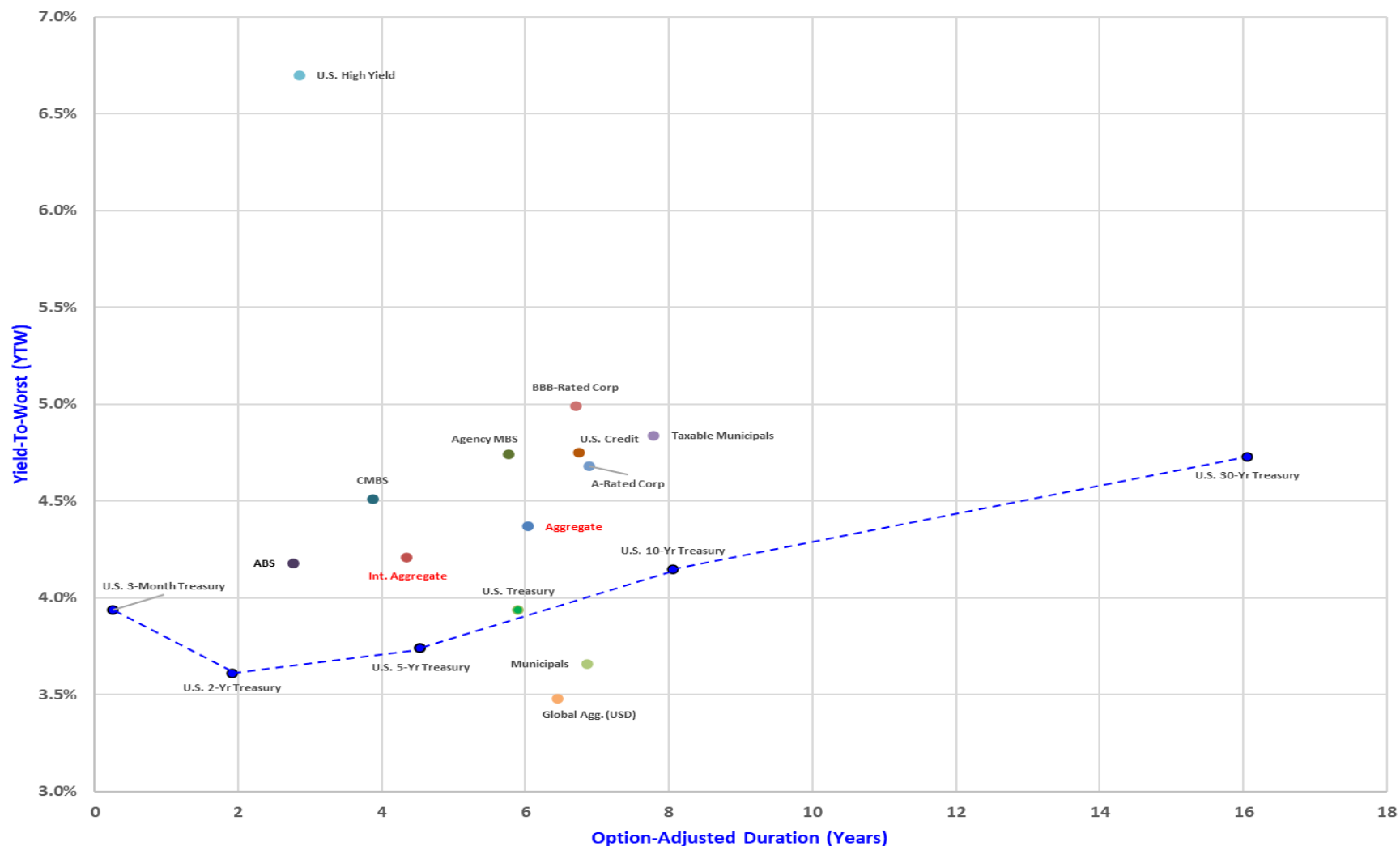


Key Take Aways:

- Interest rate levels remain attractive, but investment grade and high yield spreads remain exceptionally tight with the potential for material volatility in response to policy uncertainty.



REVIEW – Average Yield & Duration, By Fixed Income Sector



Key Take Aways:

- Despite tight spreads, the above chart serves as a continuous advertisement and/or proof statement for “spread” products (i.e., any fixed income security that is not a U.S. Treasury). It highlights the additional yield these securities offer relative to a similar-maturity UST, backed by solid credit analysis work.



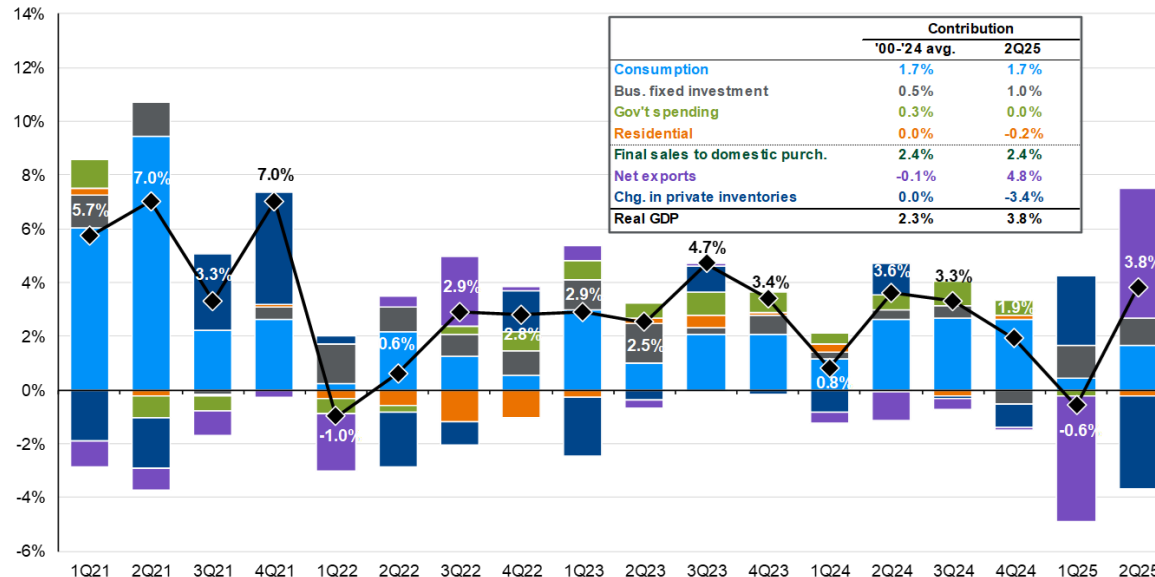
- *The U.S. economy is still growing, but not all parts are moving the same way. Recent GDP looks solid, but part of it reflects timing quirks—companies pulling forward imports and stockpiling around tariff changes—so trade and inventories may add now and subtract later..*
- *Hiring has cooled from last year, so many companies are getting more done with the same number of people by investing in new tools, including artificial intelligence (AI).*
- *Households still feel squeezed because everyday costs—rent, food, and insurance—have risen faster than the official inflation rate.*
- *Policy choices also matter: taxes on imports (“tariffs”) can push some prices up, even if the effect has been modest so far.*
- *In the stock market, a small group of very large, tech-focused companies has powered most of the gains.*
- *Putting all this together argues for patience and balance:*
 - 1) *keep in mind of the investment horizon,*
 - 2) *balance investment horizon with the capacity to absorb short-term investment market volatility,*
 - 3) *own a mix of investments,*
 - 4) *avoid chasing and obsessing over headlines.*



OUTLOOK – Components of GDP Growth & GDPNow Q3 Estimate

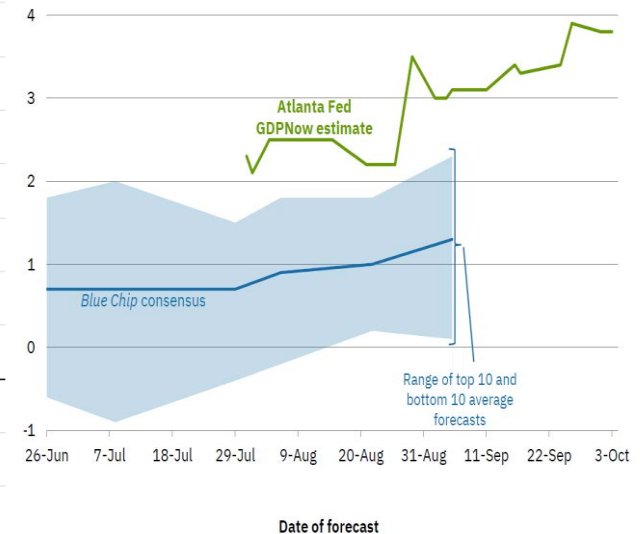
Contributors to real GDP growth

Quarter-over-quarter, seasonally adjusted annualized rate



Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q3

Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Key Take Aways:

- ❖ The U.S. economy continued to expand at a steady but uneven pace through the second quarter. Growth of 3.8% in the second quarter looked strong on paper, yet much of it came from a temporary boost in trade, while household spending and other domestic activity grew at a slower, more sustainable rate. Business investment stood out as a bright spot, adding about one percentage point to growth and signaling that companies are still willing to spend on productivity and technology. Inventories, by contrast, were drawn down sharply—likely a short-term drag that could reverse if firms restock later in the year. For now, the estimated Q3 GDP figure as calculated by the Atlanta Fed's GDP Now is nearly 4% and sharply from consensus as of early September.

Forward Looking Thoughts:

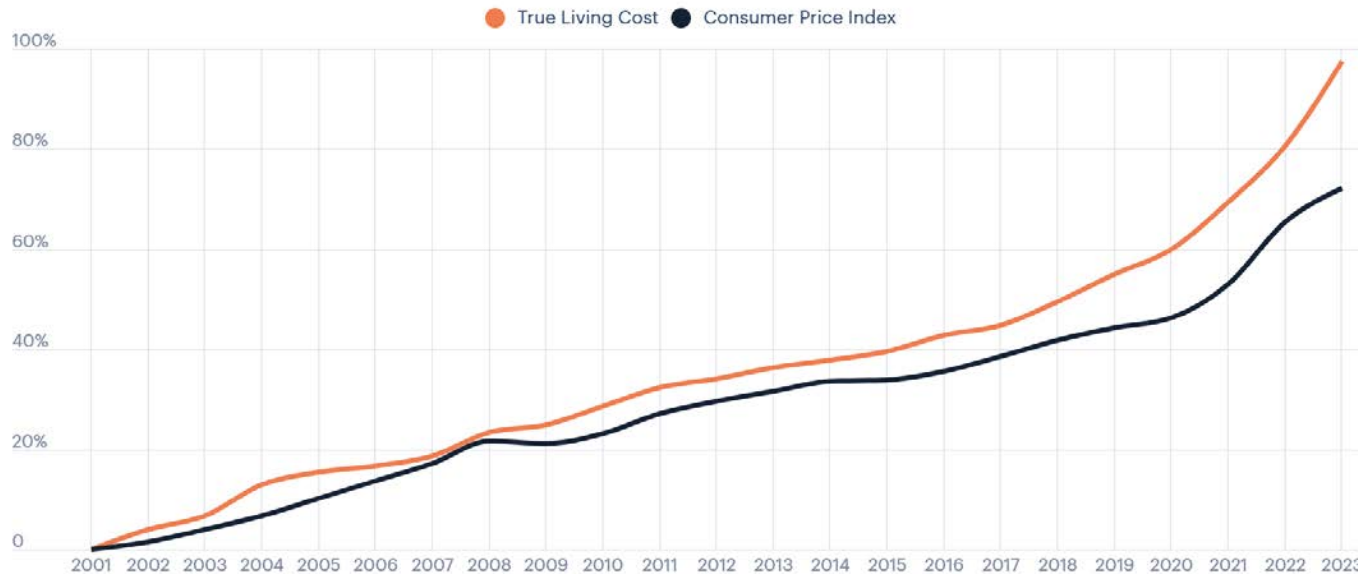
- ❖ **PROs:** 1) Stronger income foundation: Persistently higher reinvestment yields and tighter credit spreads support reliable income generation across fixed-income portfolios, giving investors greater flexibility to balance risk and return; 2) Productivity tailwinds building: Continued business investment in technology and AI-driven tools should gradually lift output per worker and help sustain margins even as overall growth moderates; 3) Stable policy backdrop: With inflation easing and growth normalizing, monetary policy is positioned for steadier rates—reducing volatility and allowing organizations to plan with clearer expectations.
- ❖ **CONs:** 1) Growth quality concerns: Much of the recent GDP strength relied on trade and inventory shifts; without renewed consumer momentum or broader capital spending, headline growth may cool faster than anticipated; 2) Concentration and adoption risk: Equity and productivity gains remain heavily centered in a few technology leaders and early AI adopters, leaving portfolios and business models more exposed to sector-specific shocks; 3) Labor and mobility constraints: Modest hiring, slower immigration, and reduced geographic mobility could tighten labor availability in key skill areas, raising costs and limiting how quickly productivity gains can spread through the wider economy.



TLC vs. Consumer Price Index

Increase Since 2001

Select any point on the chart to see the data for that year.



CPI drastically understates changes in living costs for low- and moderate-income families — **TLC has risen 1.4 times faster than CPI since 2001.**

Key Take Aways:

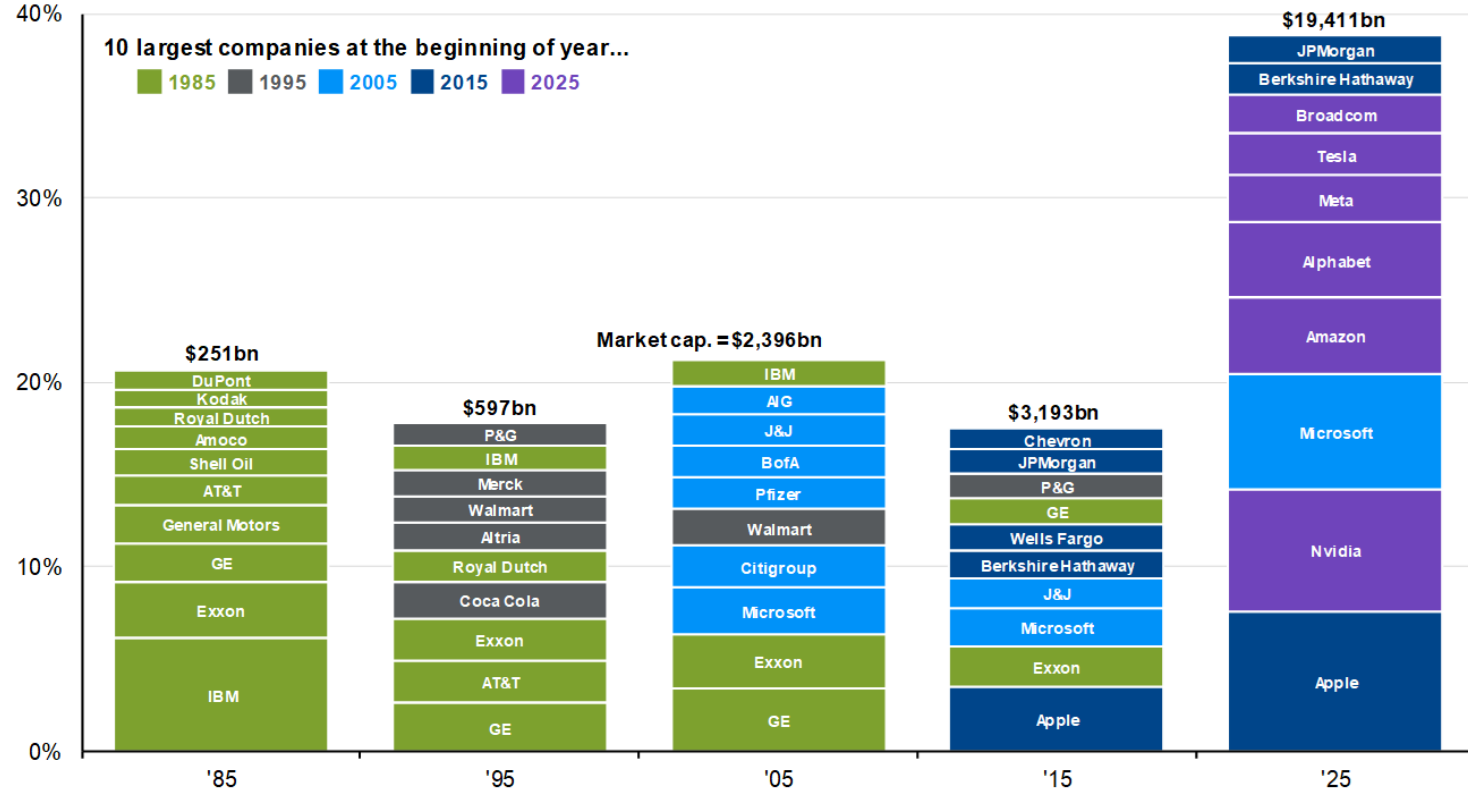
- ❖ Everyday costs have climbed faster than headline inflation for typical working families, and the TLC Index helps explain why. Unlike CPI, which averages prices across many items and leans on methods that can mute essentials, TLC tracks the basics people actually must pay for—rent, food at home, transportation to work, healthcare premiums and out-of-pocket bills, childcare, and now-necessary technology like internet and a phone. Over the past two decades, that essentials bundle rose much more than CPI overall, with especially large gaps in medical care and housing; TLC finds medical costs nearly doubled CPI's increase and rents rising far more than CPI's housing measure built on homeowner estimates. Technology, treated as a need rather than a luxury, also moved up meaningfully, while transportation grows less under TLC because it focuses on used cars, fuel, and maintenance—what most households face day-to-day.
- ❖ That said, TLC is a complement—not a replacement—for CPI/PCE: it uses practical assumptions (for example, employer health coverage, fixed family types and ages, and national/region averages that can mask local variation), it doesn't model how people substitute when prices jump, and some inputs (like medical out-of-pocket data) arrive with a lag.

OUTLOOK – S&P 500 Companies: Top 10 by Decade



Top 10 S&P 500 companies by market capitalization

Percent of S&P 500 market capitalization as of the first day of the indicated year



Key Take Aways:

- ❑ The U.S. stock market in 2025 is more concentrated than at any point in modern history. Nearly 40% of the S&P 500's total value now sits in just ten companies, most of them technology giants like Apple, Microsoft, Nvidia, and Amazon. This marks a dramatic shift from prior decades when industrial, energy, and manufacturing names such as GE, Exxon, and DuPont dominated the index. While the mix today highlights the U.S.'s strength in innovation and digital infrastructure, it also means a smaller group of firms has an outsized influence on overall market performance. Financial mainstays like JPMorgan and Berkshire Hathaway provide some balance, but the market's center of gravity has clearly moved toward technology and intellectual property leadership.

Forward-Looking Thoughts:

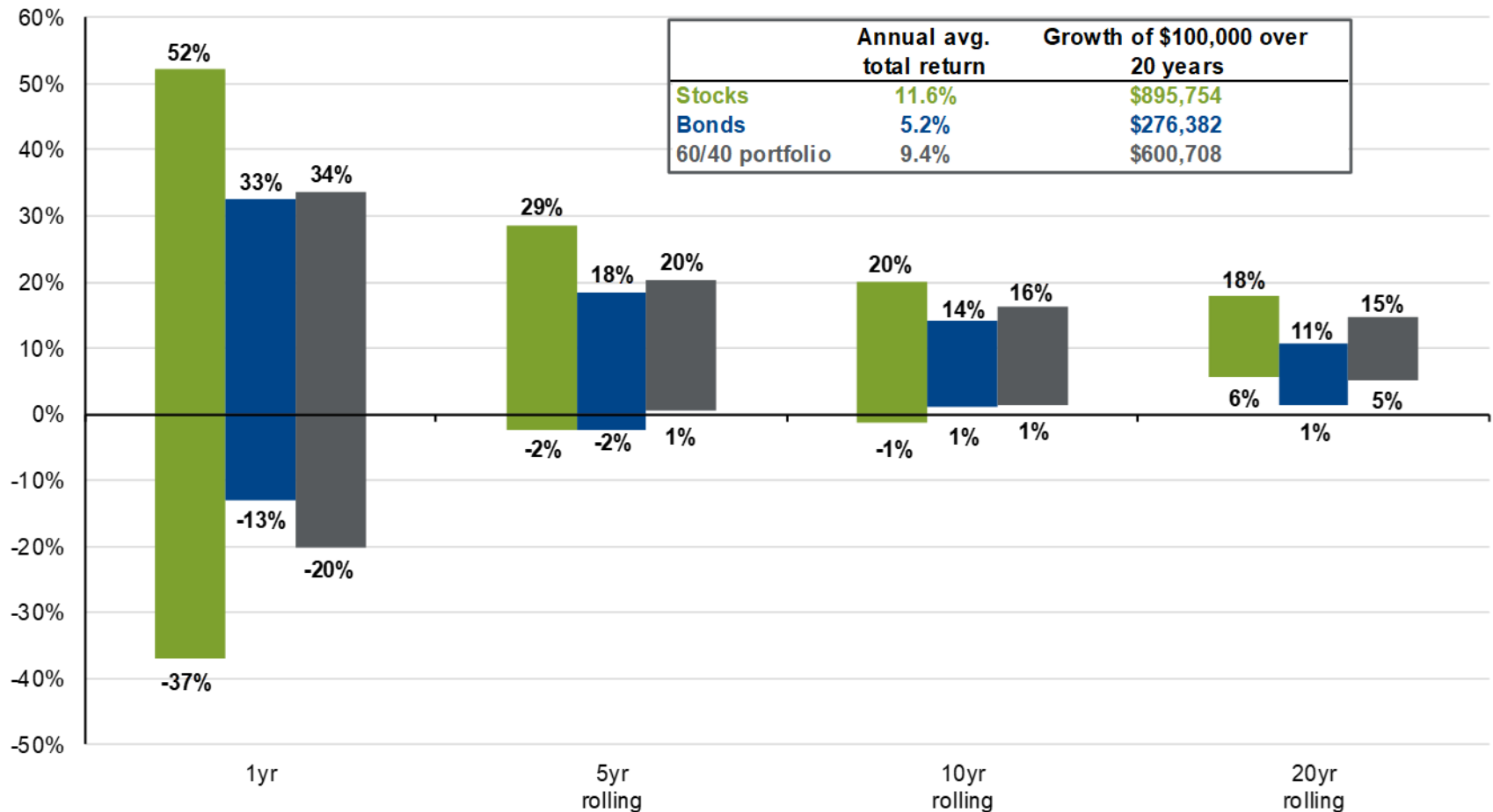
- ❑ **PROs:** 1) High reinvestment in innovation, productivity, and AI-enabled efficiency could sustain above-average earnings growth and U.S. market leadership over the medium term; 2) Concentrated leadership in capital-light, high-margin industries supports strong free cash flow, dividends, and continued share buybacks.
- ❑ **CONS:** 1) Heightened concentration increases vulnerability to valuation corrections, regulatory actions, and technological disruption; 2) Portfolios tracking broad U.S. benchmarks may face reduced diversification and greater volatility, warranting deliberate balancing across sectors, regions, and styles.

OUTLOOK – Time, Diversification & The Volatility of Returns



Range of stock, bond and blended total returns

Annual total returns, 1950 - 2024



Key Take Aways:

- ❖ This chart having appeared many times before remains a good reminder that time is one of the most powerful allies an investor has—especially when the world feels uncertain. Over short periods, markets can swing dramatically due to political turmoil, geopolitical conflict, or even the collective overconfidence and herd behavior of investors. But as the chart shows, those short-term ups and downs tend to smooth out over longer horizons. A balanced approach—like a 60/40 mix of stocks and bonds—has historically rewarded patience by weathering the storms of human emotion and unexpected global events. In a world that often feels fragile and unpredictable, maintaining a steady, long-term investment horizon helps turn uncertainty into opportunity rather than anxiety.

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**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 4.B.	<u>Item Title:</u> Gallagher Update
<u>Presenter (s):</u> Nasreen Kopecky, Account Manager, Gallagher	

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 4.C.	<u>Item Title:</u> Financial Reports
<u>Presenter (s):</u> Richard Garcia, Finance Director	



New Mexico County Insurance Authority Pool

Administered by New Mexico Counties

Statement of Financial Position (Unaudited)

8 / 31 / 2025

	August 31, 2025		August 31, 2024	
Assets				
Current Assets				
Cash and Cash Equivalents	\$	7,766,608	\$	8,225,186
Accounts Receivable - Members		1,842,715		2,697,074
Accounts Receivable - Deductibles		505,867		654,669
Accounts Receivable - Claims		750,000		-
Accounts Receivable - Capital Adequacy		497,070		1,338,274
Accounts Receivable - LE Accreditation Fee		5,000		-
Accounts Receivable - Reinsurance		133,069		8,623
Accounts Receivable - Hi Ded Counties		114,032		60,368
Accounts Receivable - Other		64,610		88,702
Note Receivable		1,152,043		1,245,814
Prepaid Expenses		6,769,799		5,357,000
Total Current Assets		19,600,812		19,675,710
Investments				
Exchange Traded Funds	18,787,714		57,892,036	
US Government Bonds	75,127,757		35,722,609	
Mutual Funds	6,879,889		6,570,043	
Unrealized Gain / Loss	1,028,402	101,823,761	(4,046,277)	96,138,411
County Reinsurance Pool Equity		856,467		571,663
County Reinsurance Property Plus Equity		5,457,809		3,502,986
Captive Reinsurance Equity		-		17,737,207
Total Investments		108,138,037		117,950,266
Total Assets	\$	127,738,849	\$	137,625,977
Liabilities and Pool Net Position				
Current Liabilities				
Accounts Payable	\$	189,396	\$	264,122
Unearned Capital Adequacy Contributions		1,696,764		2,935,344
Unearned Member Contributions		20,308,100		18,822,933
Total Current Liabilities		22,194,260		22,022,400
Long Term Liabilities				
Reserve for Future Claims				
Multi-Line Program		12,504,071		12,047,944
Law Enforcement Program		57,504,330		59,177,602
Workers' Compensation Program		17,732,897		19,449,016
Total Long Term Liabilities	\$	87,741,298	\$	90,674,562
Total Liabilities	\$	109,935,558	\$	112,696,962
Fund Balance		7,217,287		36,916,722
Current Year Pool Net Position		10,586,004		(11,987,706)
Total Pool Net Position	\$	17,803,292	\$	24,929,015
Total Liabilities and Net Position	\$	127,738,849	\$	137,625,977



New Mexico County Insurance Authority Pool

Administered by New Mexico Counties
Income / Budget Statement (Unaudited)

8 / 31 / 2025

	2025 Budget	Jan 01, 2025 through Aug 31, 2025	67% of Budget
<u>Income</u>			
Member Contributions	\$ 54,335,059	\$ 33,147,497	61%
Capital Adequacy Contributions		3,126,128	
Accreditation Fees		15,000	
Total Income	\$ 54,335,059	\$ 36,288,625	67%
<u>Expenses</u>			
<u>Claims & Claim Adjusting Expense</u>			
Paid Claims	\$ 36,025,436	\$ 26,236,882	48%
Pool Portion - Group 1 (up to \$5MM for IMMH)	667,251	-	0%
Pool Additional - Group 1 (up to \$5MM for IMMH)	638,684	-	0%
Adjustment to ULAE		(224,149)	
Nurse Case Manager		(125,028)	
Claims Reserves		(2,531,726)	
Recoveries - Deductibles		(4,242,716)	
Recoveries - Reinsurance		(503,490)	
Recoveries - County Settlements		(291,600)	
Recoveries - Subrogation & Salvage		(301,361)	
Reinsurance	9,901,575	7,650,111	68%
Brokerage Fees	100,000	66,667	67%
Total Claims & Claim Adjusting	\$ 47,332,946	\$ 25,733,589	54%
<u>Risk Mitigation Expense</u>			
Administrative Fee-NMAC	\$ 563,119	\$ 373,028	66%
Special Projects	90,000	43,668	49%
EDGE Detention Scholarships	15,000	-	0%
Online Training Program	190,000	91,295	48%
Loss Incentive Program	50,000	28,000	56%
Legal Advice Program	50,000	30,213	60%
Lexipol	255,000	143,471	56%
Law Enforcement Accreditation	76,000	63,989	84%
Total Risk Mitigation Expense	\$ 1,289,118	\$ 773,664	60%
<u>Administrative & Other</u>			
Administrative Fee-NMAC	\$ 4,155,651	\$ 2,761,613	66%
Actuary	48,000	48,620	101%
Financial Audit	72,000	35,161	49%
Investment Advisor Expense	37,500	23,396	62%
Claims Audit	10,000	-	0%
Payroll Audit	52,500	48,431	92%
Legal Bureau Operations	50,000	-	0%
Property Appraisal Fees	180,000	122,000	68%
Legal Expense	42,500	-	0%
Software Support, Licensing, Training	410,000	225,535	55%
AI Software & Training	50,000	-	0%
Board Training & Education	30,000	-	0%
Board D&O Insurance	129,000	19,026	15%
Miscellaneous	13,000	-	0%
Total Admin & Other	\$ 5,280,150	\$ 3,283,782	62%
Total Expenses	\$ 53,902,214	\$ 29,791,035	55%
Operating Income	\$ 432,845	\$ 6,497,590	
Investment Income	3,493,605	2,242,497	
Net Change in Fair Value of Investments		1,812,809	
Interest Income on Note Receivable		31,669	
Miscellaneous Income		1,440	
Total Non-Operating Revenue	\$ 3,493,605	\$ 4,088,415	
Net Position	\$ 3,926,450	\$ 10,586,004	



New Mexico County Insurance Authority Pool
Administered by New Mexico Counties
8 / 31 / 2025

		Current Average		
<u>Cash</u>		<u>Yield</u>	<u>Amount</u>	<u>Interest</u>
Banks, Money Market Accts & State Treas LGIP		2.44%	\$ 7,766,608	\$ 189,876
<u>Securities</u>	<u>Est. Ann. Yld</u>	<u>Ending Market Val</u>	<u>Cost</u>	<u>Market Gain / Loss *</u>
Exchange Traded Funds	4.53%	19,453,377	18,787,714	665,663
Certificates of Deposit	0.00%	-	-	-
Government Bonds	2.47%	72,179,898	71,423,820	756,079
Govt Asset Backed Sec	4.35%	3,289,350	3,703,937	(414,587)
Mutual Funds	4.93%	6,901,136	6,879,889	21,247
Total Investments	3.09%	\$ 101,823,761	\$ 100,795,359	\$ 1,028,402
Total Cash & Investments	3.06%	\$ 109,590,369	\$ 108,561,967	
Estimated Annual Income on Cash & Investments		\$ 3,292,237		
By Institution:				
Wells Fargo / Salmon Hauger Wealth Mgmt.		99%	\$ 107,679,716	
First National Santa Fe		1%	878,920	
State Treasurers LGIP		0%	3,332	
		100%	\$ 108,561,967	

* Investments are purchased based on "yield to maturity." Market fluctuations do not affect the yield to maturity unless a premature sale is made



Law Enforcement Program
Administered by New Mexico Counties
Statement of Financial Position (Unaudited)
8 / 31 / 2025

	<u>August 31, 2025</u>	<u>August 31, 2024</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 3,900,252	\$ 3,703,235
Accounts Receivable - Deductibles	195,722	404,766
Accounts Receivable - Claims	750,000	-
Accounts Receivable - Capital Adequacy	170,349	429,600
Accounts Receivable - LE Accreditation Fee	5,000	-
Accounts Receivable - Other	-	6,398
Prepaid Expenses	2,079,937	1,236,566
Total Current Assets	<u>7,101,260</u>	<u>5,780,565</u>
Investments		
Exchange Traded Funds	\$ 5,174,114	\$ 23,187,842
US Government Bonds	31,478,049	13,177,114
Mutual Funds	2,765,607	2,651,825
Unrealized Gain / Loss	387,707	(1,439,604)
Captive Reinsurance Equity	<u>-</u>	<u>17,735,408</u>
Total Investments	<u>39,805,478</u>	<u>55,312,585</u>
Total Assets	<u>\$ 46,906,738</u>	<u>\$ 61,093,150</u>
Liabilities and Surplus		
Current Liabilities		
Accounts Payable	\$ 126,641	\$ 148,557
Unearned Capital Adequacy Contributions	853,029	1,372,841
Unearned Member Contributions	9,008,221	6,746,064
Total Current Liabilities	<u>9,987,891</u>	<u>8,267,462</u>
Long Term Liabilities		
Reserve for Future Claims		
Fund Year 22 - 2016	\$ 80,203	\$ 182,588
Fund Year 23 - 2017	1,560,946	949,010
Fund Year 24 - 2018	21,750	(719)
Fund Year 25 - 2019	535,301	2,095,266
Fund Year 26 - 2020	1,151,433	3,659,931
Fund Year 27 - 2021	2,189,826	6,541,656
Fund Year 28 - 2022	9,108,170	15,733,192
Fund Year 29 - 2023	12,095,309	16,302,615
Fund Year 29 - 2024	17,070,982	10,973,539
Fund Year 30 - 2025	11,096,888	-
Claims Mgmt Fees-Future	2,593,521	2,740,524
Total Long Term Liabilities	<u>\$ 57,504,330</u>	<u>\$ 59,177,602</u>
Total Liabilities	<u>\$ 67,492,221</u>	<u>\$ 67,445,064</u>
Fund Balance	\$ (28,599,491)	\$ 9,184,429
Current Year Net Position	<u>8,014,008</u>	<u>(15,536,344)</u>
Total Net Position	<u>\$ (20,585,482)</u>	<u>\$ (6,351,915)</u>
Total Liabilities and Net Position	<u>\$ 46,906,738</u>	<u>\$ 61,093,150</u>



Law Enforcement Program
Administered by New Mexico Counties
Income / Budget Statement (Unaudited)
8 / 31 / 2025

	2025 Budget	Jan 01, 2025 through Aug 31, 2025	67% of Budget
<u>Income</u>			
Member Contributions	\$ 29,512,563	\$ 18,016,441	61%
Capital Adequacy Contributions		1,554,449	
Accreditation Fees		15,000	
Total Income	\$ 29,512,563	\$ 19,585,890	66%
<u>Expenses</u>			
<u>Claims & Claim Adjusting Expense</u>			
Paid Claims	\$ 21,006,159	\$ 10,559,920	35%
Pool Portion - Group 1 (up to \$5MM for IMM)	667,251	-	0%
Pool Additional - Group 1 (up to \$5MM for IMM)	638,684	-	0%
Adjustment to ULAE		(180,141)	
Claims Reserves		(1,562,448)	
Recoveries - Deductibles		(1,389,718)	
Recoveries - Reinsurance		(6,117)	
Reinsurance - all (up to \$2MM for IMM)	4,464,639	3,847,049	67%
Brokerage Fees	35,000	23,333	67%
Total Claims & Claim Adjusting Expense	\$ 26,811,733	\$ 11,291,878	42%
<u>Risk Mitigation Expense</u>			
Administrative Fee-NMC	\$ 148,290	\$ 98,854	67%
Special Projects	45,000	41,829	93%
EDGE Detention Scholarships	15,000	-	0%
Online Training Program	60,000	50,347	84%
Law Enforcement Accreditation	76,000	63,989	84%
Legal Advice Program	30,000	29,617	99%
Lexipol	255,000	143,471	56%
Loss Incentive Program	15,000	-	0%
Total Risk Mitigation Expense	644,290	428,108	66%
<u>Administrative & Other Expense</u>			
Administrative Fee-NMC	\$ 1,737,040	\$ 1,158,033	67%
Actuary	20,000	18,575	93%
Financial Audit	30,000	11,720	39%
Investment Advisor Expense	15,000	7,799	52%
Legal Bureau Operations	50,000	-	0%
Legal Expense	20,000	-	0%
Software Support, Licensing, Training	130,000	73,540	57%
Board Training and Education	7,500	-	0%
Board D&O Insurance	43,000	6,342	15%
Miscellaneous	4,000	-	0%
Total Admin & Other Expense	\$ 2,056,540	\$ 1,276,008	62%
Total Expenses	\$ 29,512,563	\$ 12,995,994	44%
Operating Income	\$ -	\$ 6,589,896	
Investment Income	1,387,361	774,195	
Net Change in Fair Value of Investments		649,917	
Total Non-Operating Revenue	\$ 1,387,361	\$ 1,424,112	
Net Position	\$ 1,387,361	\$ 8,014,008	



**Law Enforcement Program
Administered by New Mexico Counties
Schedule of Investments 8 / 31 / 2025**

		Current Average		
<u>Cash</u>		<u>Yield</u>	<u>Amount</u>	<u>Interest</u>
Banks, Money Market Accts & State Treas LGIP		1.55%	\$ 3,900,252	\$ 60,504
<u>Securities</u>	Est. <u>Ann. Yld</u>	Ending <u>Market Val</u>	<u>Cost</u>	Market <u>Gain / Loss *</u>
Exchange Traded Funds	4.53%	5,357,983	5,174,114	183,869
Certificates of Deposit	0.00%	-	-	-
Government Bonds	2.05%	30,780,546	30,467,984	312,562
Govt Asset Backed Sec	4.35%	893,270	1,010,066	(116,795)
Mutual Funds	4.87%	2,773,679	2,765,607	8,071
Total Investments	2.63%	\$ 39,805,478	\$ 39,417,771	\$ 387,707
Total Cash & Investments	2.53%	\$ 43,705,730	\$ 43,318,023	
Estimated Annual Income on Cash & Investments		\$ 1,107,722		
By Institution:				
Wells Fargo / Salmon Hauger Wealth Mgmt.		99%	\$ 43,041,791	
First National Santa Fe		1%	275,531	
State Treasurers LGIP		0%	702	
		100%	\$ 43,318,023	

* Investments are purchased based on "yield to maturity." Market fluctuations do not affect the yield to maturity unless a premature sale is made



Multi-Line Program
Administered by New Mexico Counties
Statement of Financial Position (Unaudited)
8 / 31 / 2025

	<u>August 31, 2025</u>		<u>August 31, 2024</u>	
Assets				
Current Assets				
Cash and Cash Equivalents		\$ 1,741,080		\$ 2,424,405
Accounts Receivable - Deductibles		310,145		249,904
Accounts Receivable - Capital Adequacy		131,749		337,091
Note Receivable		1,152,043		1,245,814
Prepaid Expenses		3,868,158		3,149,250
Total Current Assets		<u>7,203,175</u>		<u>7,406,464</u>
Investments				
Exchange Traded Funds	\$ 6,535,380		\$ 20,478,701	
US Government Bonds	20,121,515		6,652,055	
Mutual Funds	2,257,036		2,518,172	
Unrealized Gain / Loss	<u>268,411</u>	29,182,342	<u>(1,384,910)</u>	28,264,018
County Reinsurance Pool Equity		249,714		167,121
County Reinsurance Property Plus Equity		5,457,809		3,502,986
Captive Reinsurance Equity		-		1,799
Total Investments		<u>34,889,865</u>		<u>31,935,924</u>
Total Assets		<u>\$ 42,093,041</u>		<u>\$ 39,342,388</u>
Liabilities and Surplus				
Current Liabilities				
Accounts Payable - Other		\$ 45,148		\$ 98,711
Unearned Capital Adequacy Contributions		467,302		729,475
Unearned Member Contributions		4,508,772		4,151,386
Total Current Liabilities		<u>5,021,221</u>		<u>4,979,571</u>
Long Term Liabilities				
Reserve for Future Claims				
Fund Year 16 - 2004	\$ 400		\$ -	
Fund Year 21 - 2009	1,615		1,919	
Fund Year 23 - 2011	-		231,046	
Fund Year 26 - 2014	10,001		10,001	
Fund Year 29 - 2017	14,105		15,076	
Fund Year 30 - 2018	(64)		369,998	
Fund Year 31 - 2019	173,414		236,975	
Fund Year 32 - 2020	447,672		590,751	
Fund Year 33 - 2021	816,138		1,475,435	
Fund Year 34 - 2022	998,976		1,810,606	
Fund Year 35 - 2023	1,554,990		3,423,659	
Fund Year 36 - 2024	3,208,120		3,314,745	
Fund Year 37 - 2025	4,670,958		-	
Claims Mgmt Fees-Future	<u>607,747</u>		<u>567,732</u>	
Total Long Term Liabilities		<u>\$ 12,504,071</u>		<u>\$ 12,047,944</u>
Total Liabilities		<u>\$ 17,525,292</u>		<u>\$ 17,027,515</u>
Fund Balance		24,810,079		20,412,792
Current Year Net Position		<u>(242,330)</u>		<u>1,902,080</u>
Total Net Position		<u>\$ 24,567,749</u>		<u>\$ 22,314,872</u>
Total Liabilities and Net Position		<u>\$ 42,093,041</u>		<u>\$ 39,342,388</u>



Multi-Line Program
Administered by New Mexico Counties
Income / Budget Statement (Unaudited)
8 / 31 / 2025

	2025 Budget	Jan 01, 2025 through Aug 31, 2025	67% of Budget
<u>Income</u>			
Member Contributions	\$ 13,620,541	\$ 9,017,543	66%
Capital Adequacy Contributions		866,212	
Total Income	\$ 13,620,541	\$ 9,883,756	73%
<u>Expenses</u>			
<u>Claims & Claim Adjusting Expense</u>			
Paid Claims	\$ 7,167,046	\$ 10,363,794	101%
Adjustment to ULAE		4,991	
Claims Reserves		(158,656)	
Recoveries - Deductibles		(2,382,423)	
Recoveries - Subrogation & Salvage		(298,361)	
Recoveries - County Settlements		(291,600)	
Reinsurance	4,403,665	2,922,259	66%
Brokerage Fees	35,000	23,333	67%
Total Claims & Claim Adjusting Expense	\$ 11,605,711	\$ 10,183,337	88%
<u>Risk Mitigation Expense</u>			
Administrative Fee-NMC	\$ 122,202	\$ 81,468	67%
Special Projects	45,000	1,838	4%
Online Training Program	60,000	40,948	68%
Legal Advice Program	10,000	104	1%
Total Risk Mitigation Expense	\$ 237,202	\$ 124,358	52%
<u>Administrative & Other Expense</u>			
Administrative Fee-NMC	\$ 1,333,128	\$ 888,752	67%
Actuary	15,000	15,745	105%
Financial Audit	30,000	11,720	39%
Investment Advisor Expense	15,000	7,799	52%
Property Appraisal Fees	180,000	122,000	68%
Legal Expense	20,000	-	0%
Software Support, Licensing, Training	130,000	73,540	57%
Board Training & Education	7,500	-	0%
Board D&O Insurance	43,000	6,343	15%
Miscellaneous	4,000	-	0%
Total Admin & Other Expense	\$ 1,777,628	\$ 1,125,900	63%
Total Expenses	\$ 13,620,541	\$ 11,433,595	84%
Operating Income	\$ -	\$ (1,549,839)	
Investment Income	1,009,232	685,825	
Net Change in Fair Value of Investments		590,016	
Interest Income on Note Receivable		31,669	
Total Non-Operating Revenue	\$ 1,009,232	\$ 1,307,509	
Net Position	\$ ⁴⁵1,009,232	\$ (242,330)	



**Multi-Line Program
Administered by New Mexico Counties
Schedule of Investments 8 / 31 / 2025**

Cash		Current Average			
		<u>Yield</u>	<u>Amount</u>	<u>Interest</u>	
Banks, Money Market Accts & State Treas LGIP		4.330%	\$ 1,741,080	\$ 75,396	
<u>Securities</u>	<u>Est. Ann. Yld</u>	<u>Ending Market Val</u>	<u>Cost</u>	<u>Market Gain / Loss *</u>	
Exchange Traded Funds	4.53%	6,767,448	6,535,380	232,068	
Certificates of Deposit	0.00%	-	-	-	
Government Bonds	2.76%	18,994,432	18,753,800	240,631	
Govt Asset Backed Sec	4.36%	1,156,182	1,367,715	(211,533)	
Mutual Funds	4.96%	2,264,281	2,257,036	7,245	
Total Investments	3.40%	\$ 29,182,342	\$ 28,913,931	\$ 268,411	
Total Cash & Investments	3.46%	\$ 30,923,422	\$ 30,655,011		
Estimated Annual Income on Cash & Investments		\$ 1,068,901			
By Institution:					
Wells Fargo / Salmon Hauger Wealth Mgmt.		99%	\$ 30,308,065		
First National Santa Fe		1%	346,458		
State Treasurers LGIP		0%	489		
		100%	\$ 30,655,011		

* Investments are purchased based on "yield to maturity." Market fluctuations do not affect the yield to maturity unless a premature sale is made



Workers' Compensation Program
Administered by New Mexico Counties
Statement of Financial Position (Unaudited)
8 / 31 / 2025

As of August 31, 2025					As of August 31, 2024					
Assets										
Current Assets										
Cash and Cash Equivalents		\$	2,125,276			\$	2,097,546			
Accounts Receivable-Members			1,842,715				2,697,074			
Accounts Receivable-Capital Adequacy			194,972				571,583			
Accounts Receivable-Reinsurance			133,069				8,623			
Accounts Receivable-Hi Ded Counties			114,032				60,368			
Accounts Receivable-Other			64,610				82,304			
Prepaid Expenses			821,704				971,185			
Total Current Assets			5,296,377				6,488,682			
Investments										
Exchange Traded Funds		7,078,220				14,225,493				
US Government Bonds		23,528,192				15,893,440				
Mutual Funds		1,857,245				1,400,046				
Unrealized Gain / Loss		372,284	32,835,941			(1,221,763)	30,297,216			
County Reinsurance Limited Equity			606,753				404,542			
Total Investments			33,442,694				30,701,758			
Total Assets		\$	38,739,071			\$	37,190,439			
Liabilities and Surplus										
Current Liabilities										
Accounts Payable		\$	17,608			\$	16,854			
Unearned Capital Adequacy Contrib			376,433				833,028			
Unearned Member Contributions			6,791,108				7,925,484			
Total Current Liabilities			7,185,149				8,775,366			
Long Term Liabilities										
Reserves for Future Claims:										
Claims Reserves FY 5 - 1991 / 92	\$	117,053			\$	27,471				
Claims Reserves FY 6 - 1992 / 93		19,839				28,967				
Claims Reserves FY 8 - 1994 / 95		7,720				11,271				
Claims Reserves FY 9 - 1995 / 96		22,550				39,371				
Claims Reserves FY 11 - 1997 / 98		14,307				20,889				
Claims Reserves FY 14 - 2000 / 01		7,280				26,185				
Claims Reserves FY 15 - 2001 / 02		61,532				67,367				
Claims Reserves FY 16 - 2002 / 03		7,012				8,417				
Claims Reserves FY 17 - 2003 / 04		(2,901)				(2,582)				
Claims Reserves FY 18 - 2004 / 05		268,189				273,127				
Claims Reserves FY 19 - 2005 / 06		52,716				91,306				
Claims Reserves FY 20 - 2006 / 07		59,359				61,439				
Claims Reserves FY 21 - 2007 / 08	386,439	Bernalillo County	Other HDC's		471,201	Bernalillo County	Other HDC's			
Claims Reserves FY 22 - 2008 / 09	256,925	-	-		295,294	-	-			
Claims Reserves FY 23 - 2009 / 10	3,155	-	-		52,631	-	-			
Claims Reserves FY 24 - 2010 / 11	142,615	-	-		75,202	-	-			
Claims Reserves FY 25 - 2011 / 12	10,477	-	-		144,038	-	-			
Claims Reserves FY 26 - 2012 / 13	269,759	-	-		283,186	-	-			
Claims Reserves FY 27 - 2013 / 14	200,047	-	-		255,552	-	-			
Claims Reserves FY 28 - 2014 / 15	251,938	(62,422)	-		385,859	(92,177)	-			
Claims Reserves FY 29 - 2015 / 16	819,154	(146,331)	-		631,128	(32,246)	-			
Claims Reserves FY 30 - 2016 / 17	524,194	-	-		641,716	-	-			
Claims Reserves FY 31 - 2017 / 18	117,173	-	-		435,352	-	(2,836)			
Claims Reserves FY 32 - 2018 / 19	456,933	(7,465)	-		702,211	(9,105)	-			
Claims Reserves FY 33 - 2019 / 20	775,294	-	-		701,215	-	-			
Claims Reserves FY 34 - 2020 / 21	1,733,490	(13,824)	-		2,363,373	(85,530)	-			
Claims Reserves FY 35 - 2021 / 22	770,712	-	(62,642)		1,437,258	-	(67,137)			
Claims Reserves FY 36 - 2022 / 23	1,293,087	-	-		2,661,895	-	(30,072)			
Claims Reserves FY 37 - 2023 / 24	3,471,266	-	(45,933)		5,669,807	-	(141,977)			
Claims Reserves FY 38 - 2024 / 25	4,172,873	-	(443,797)		1,124,986	-	-			
Claims Reserves FY 39 - 2025 / 26	1,393,775	-	-		-	-	-			
Claims Mgmt Fees-Future	831,351	-	-		924,967	-	-			
Total Reserve for Future Claims	\$	18,515,311	\$	(230,042)	\$	19,910,096	\$	(219,058)	\$	(242,022)
Total Long Term Liabilites			17,732,897				19,449,016			
Total Liabilities		\$	24,918,045			\$	28,224,382			
Fund Balance			11,006,699				7,319,501			
Current Year Net Position			2,814,326				1,646,557			
Total Net Position		\$	13,821,025			\$	8,966,058			
Total Liabilities and Net Position		\$	38,739,071			\$	37,190,439			



Workers' Compensation Program
Administered by New Mexico Counties
Income / Budget Statement (Unaudited)
8 / 31 / 2025

	Budget 2025	8 / 31 / 2025	67% of budget
<u>Income</u>			
Member Contributions	\$ 11,201,955	\$ 6,113,512	55%
Capital Adequacy Contributions		705,467	
Total Income	\$ 11,201,955	\$ 6,818,979	61%
<u>Expenses</u>			
<u>Claims & Claim Adjusting Expense</u>			
Paid Claims	\$ 7,852,231	\$ 5,313,168	43%
Adjustment to ULAE		(48,998)	
Claims Reserves		(810,622)	
Recoveries- Deductibles		(470,575)	
Recoveries- Reinsurance		(497,374)	
Recoveries- Subrogation		(3,000)	
Nurse Case Manager		(125,028)	
Reinsurance	1,033,271	880,803	85%
Brokerage Fees	30,000	20,000	67%
Total Claims & Claim Adjusting Expense	\$ 8,915,502	\$ 4,258,374	48%
<u>Risk Mitigation Expense</u>			
Administrative Fee-NMAC	\$ 292,627	\$ 192,706	66%
Legal Advice Program	10,000	492	5%
Loss Incentive Program	35,000	28,000	80%
Online Training Program	70,000	-	0%
Total Risk Mitigation Expense	\$ 407,627	\$ 221,198	54%
<u>Administrative & Other Expense</u>			
Administrative Fee-NMAC	\$ 1,085,483	\$ 714,828	66%
Actuary	13,000	14,300	110%
Claims Audit	10,000	-	0%
Financial Audit	12,000	11,720	98%
Payroll Audit	52,500	48,431	92%
Investment Advisor Expense	7,500	7,799	
Legal Expense	2,500	-	0%
Software Support, Licensing, Training	150,000	78,455	52%
AI Software & Training	50,000	-	0%
Board Training and Education	15,000	-	0%
Board D&O Insurance	43,000	6,342	15%
Miscellaneous Expenses	5,000	-	0%
Total Admin & Other Expense	\$ 1,445,983	\$ 881,875	61%
Total Expenses	\$ 10,769,112	\$ 5,361,447	50%
Operating Income	\$ 432,843	\$ 1,457,532	337%
Interest Income Investments	1,097,012	782,477	
Net Change in Fair Value of Investments		572,876	
Miscellaneous Income		1,440	
Total Non-Operating Revenue	\$ 1,097,012	\$ 1,356,794	
Net Position	\$ 48 1,529,855	\$ 2,814,326	



**Workers' Compensation Program
Administered by New Mexico Counties
Schedule of Investments 8 / 31 / 2025**

		Current Average		
<u>Cash</u>		<u>Yield</u>	<u>Amount</u>	<u>Interest</u>
Banks, Money Market Accts & State Treas LGIP		2.54%	\$ 2,125,276	\$ 53,976
<u>Securities</u>	<u>Est. Ann. Yld</u>	<u>Ending Market Val</u>	<u>Cost</u>	<u>Market Gain / Loss *</u>
Exchange Traded Funds	4.53%	7,327,946	7,078,220	249,727
Certificates of Deposit	0.00%	-	-	-
Government Bonds	2.61%	22,404,921	22,202,036	202,885
Govt Asset Backed Sec	4.33%	1,239,898	1,326,157	(86,259)
Mutual Funds	4.96%	1,863,176	1,857,245	5,931
Total Investments	3.23%	\$ 32,835,941	\$ 32,463,657	\$ 372,284
Total Cash & Investments	3.19%	\$ 34,961,217	\$ 34,588,933	
Estimated Annual Income on Cash & Investments		\$ 1,115,614		
By Institution:				
Wells Fargo / Salmon Hauger Wealth Mgmt.		99%	\$ 34,329,860	
First National Santa Fe		1%	256,932	
State Treasurers LGIP		0%	2,141	
		100%	\$ 34,588,933	

* Investments are purchased based on "yield to maturity." Market fluctuations do not affect the yield to maturity unless a premature sale is made

Unaudited Financial Statements as of June 30, 2025

New Mexico County Reinsurance, Inc.

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Artex

| Alternative
Risk

New Mexico County Reinsurance, Inc.
Unaudited GAAP Financial Statements
June 30, 2025

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New Mexico County Reinsurance, Inc.
Unaudited GAAP Financial Statements
Balance Sheets

		Unaudited June 30, 2025	Unaudited June 30, 2024	Audited December 31, 2024
Assets:				
Cash & Cash Equivalents	<i>Exhibit 1</i>	\$ 1,649,217.60	\$ 1,363,876.83	\$ 911,171.99
Investments	<i>Exhibit 2</i>	28,070,485.88	22,689,614.10	22,428,562.03
Accrued Investment Interest		275,044.42	109,082.62	105,319.19
Ceded Unearned Premium Reserve	<i>Exhibit 6</i>	-	-	1,983,562.00
Prepaid Expenses	<i>Exhibit 3</i>	5,532.95	19,414.28	-
Reinsurance Premium Prepaid	<i>Exhibit 5</i>	330,000.00	-	-
Total Assets		\$ 30,330,280.85	\$ 24,181,987.83	\$ 25,428,615.21
Liabilities:				
Assumed Incurred But Not Reported		\$ 5,700,705.00	\$ 1,856,523.00	\$ 4,741,281.00
Assumed Outstanding Loss Reserves		8,454,750.00	2,715,045.00	6,754,065.00
Recoverable Incurred But Not Reported		(2,452,252.00)	-	(226,126.00)
Recoverable Outstanding Losses		(2,000,000.00)	-	(2,000,000.00)
Net Unpaid Loss Reserves	<i>Exhibit 7</i>	9,703,203.00	4,571,568.00	9,269,220.00
Accounts Payable & Accrued Expenses	<i>Exhibit 4</i>	99,080.61	-	63,484.90
Reinsurance Premium Payable	<i>Exhibit 5</i>	-	-	1,670,000.00
Funds Withheld Account		2,750,937.00	-	1,361,475.00
Unearned Premium Reserve	<i>Exhibit 6</i>	3,145,934.00	1,873,213.00	-
Total Liabilities		15,699,154.61	6,444,781.00	12,364,179.90
Shareholder's Equity:				
Contributed Capital & Surplus		15,600,000.00	15,600,000.00	15,600,000.00
Retained Earnings		(968,873.76)	2,137,206.83	(2,535,564.69)
Total Shareholder's Equity		14,631,126.24	17,737,206.83	13,064,435.31
Total Liabilities and Shareholder's Equity		\$ 30,330,280.85	\$ 24,181,987.83	\$ 25,428,615.21

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New Mexico County Reinsurance, Inc.
Unaudited GAAP Financial Statements
Statements of Operations

	<i>Current</i>		<i>Prior</i>	
	<i>Quarter</i>	<i>Year-to-Date</i>	<i>Year-to-Date</i>	<i>Year</i>
	April 1, 2025 - June 30, 2025	January 1, 2025 - June 30, 2025	January 1, 2024 - June 30, 2024	January 1, 2024 - December 31, 2024
Assumed Premium Written	\$ -	\$ 6,240,574.00	\$ 3,726,064.00	\$ 3,726,064.00
Provision for Unearned Assumed Premium Reserve	1,555,868.00	(3,145,934.00)	(1,873,213.00)	-
Assumed Premium Earned	1,555,868.00	3,094,640.00	1,852,851.00	3,726,064.00
Reinsurance Ceded Premium Written	-	-	-	(4,000,000.00)
Provision for Unearned Ceded Premium Reserve	(997,260.27)	(1,983,562.00)	-	1,983,562.00
Reinsurance Ceded Premium Earned	(997,260.27)	(1,983,562.00)	-	(2,016,438.00)
Net Premium Earned	558,607.73	1,111,078.00	1,852,851.00	1,709,626.00
Ceding Commission	-	-	-	-
Interest Expense	(41,666.67)	(83,333.33)	-	(83,333.34)
Net Ceding Commission	(41,666.67)	(83,333.33)	-	(83,333.34)
Assumed Losses & Losses Adjustment Expenses Paid	-	-	-	300,000.00
Assumed Change in Outstanding Reserves	1,700,685.00	1,700,685.00	2,570,045.00	6,609,065.00
Assumed Change in IBNR	(346,788.00)	959,424.00	(656,002.00)	2,228,756.00
Total Assumed Losses Incurred	1,353,897.00	2,660,109.00	1,914,043.00	9,137,821.00
Ceded Change in Outstanding Reserves	-	-	-	(2,000,000.00)
Ceded Change in IBNR	(1,110,014.00)	(2,226,126.00)	-	(226,126.00)
Total Ceded Losses Incurred	(1,110,014.00)	(2,226,126.00)	-	(2,226,126.00)
Net Losses Incurred	243,883.00	433,983.00	1,914,043.00	6,911,695.00
Placement Fees	-	30,000.00	30,000.00	30,000.00
Underwriting Expense	243,883.00	463,983.00	1,944,043.00	6,941,695.00
Net Underwriting Profit (Loss)	273,058.06	563,761.67	(91,192.00)	(5,315,402.34)
Audit and Tax Fees	12,250.00	12,250.00	-	12,300.00
Actuarial Fees	-	6,250.00	11,250.00	17,750.00
Captive Management	15,000.00	30,000.00	30,000.00	60,000.00
Legal Fee	6,242.25	6,442.25	-	-
License & Fees	-	7,510.00	7,510.00	7,510.00
D&O Insurance Expense	2,736.41	5,442.74	4,366.28	8,780.56
Directors Fees	-	-	200.00	200.00
Outsourced Service Fees	4,977.50	9,955.00	-	9,769.21
Operating Expenses	41,206.16	77,849.99	53,326.28	116,309.77
Investment Income	349,347.57	613,256.70	453,468.59	1,026,424.23
Realized Gain (Loss)	77,486.00	77,786.00	6,241.64	6,490.18
Unrealized Gain (Loss)	118,196.39	422,570.79	(259,341.30)	(189,737.41)
Investment Expenses	(16,392.86)	(32,834.24)	(19,877.19)	(48,262.95)
Other Income (Expense)	528,637.10	1,080,779.25	180,491.74	794,914.05
Net Income (Loss)	\$ 760,489.00	\$ 1,566,690.93	\$ 35,973.46	\$ (4,636,798.06)

For Internal Use Only

New Mexico County Reinsurance, Inc.
Unaudited GAAP Financial Statements
Statement of Cash Flow
For the Period Ended June 30, 2025

**Reconciliation of Operating Income (Loss) to Net
Cash Provided (Used) by Operating Activities**

Net Income (Loss) \$ 1,566,690.93

**Adjustment to Reconcile Net Income (Loss) to Net
Cash Provided (Used) by Operating Activities**

Net Unrealized (Gains) Losses on Investments	(422,570.79)
Bond Amortization	(59,459.62)
Expense for PY Dividend Recharacterization	8,372.27

(Decrease) Increase in:

Accrued Investment Interest	(169,725.23)
Ceded Unearned Premium Reserve	1,983,562.00
Prepaid Expenses	(5,532.95)
Accounts Payable & Accrued Expenses	35,595.71
Funds Withheld Account	1,389,462.00
Reinsurance Premium Payable-Prepaid	(2,000,000.00)
Unearned Premium Reserve	3,145,934.00
Assumed Incurred But Not Reported	959,424.00
Assumed Outstanding Loss Reserves	1,700,685.00
Recoverable Incurred But Not Reported	(2,226,126.00)
Total adjustments	4,813,278.53

Net Cash Provided (Used) By Operating Activities 5,906,311.32

Cash Provided (Used) by Financing Activities

Net Cash Provided (Used) by Financing Activities -

Cash Provided (Used) by Investing Activities

Purchase of Investments	(19,216,858.54)
Proceeds from Sale of Marketable Securities	14,126,378.83
Realized (Gain) Loss on Sales of Marketable Securities	(77,786.00)

Net Cash Provided (Used) by Investing Activities (5,168,265.71)

Net Increase (Decrease) in Cash & Cash Equivalents 738,045.61

Cash & Cash Equivalents at Beginning of Period 911,171.99

Cash & Cash Equivalents at End of Period \$ 1,649,217.60

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New Mexico County Reinsurance, Inc.
Unaudited Cumulative Statement of Operations
as of June 30, 2025

	Assumed				Ceded	Total
	Program Yr. 1 1/1/2022-1/1/2023	Program Yr. 2 1/1/2023-1/1/2024	Program Yr. 3 1/1/2024-1/1/2025	Program Yr. 4 1/1/2025-1/1/2026	3 Yr Reinsurance 7/1/2024-7/1/2025	
Premium Written	\$ 333,000.00	\$ 3,855,000.00	\$ 3,726,064.00	\$ 6,240,574.00	\$ (4,000,000.00)	\$ 10,154,638.00
Provision for Unearned Premium Reserve	-	-	-	(3,145,934.00)	-	(3,145,934.00)
Net Premium Earned	333,000.00	3,855,000.00	3,726,064.00	3,094,640.00	(4,000,000.00)	7,008,704.00
Ceding Commission	-	-	-	-	-	-
Interest Expense	-	-	-	-	(166,666.67)	(166,666.67)
Net Ceding Commission	-	-	-	-	(166,666.67)	(166,666.67)
Losses & Losses Adjustment Expenses Paid	300,000.00	-	-	-	-	300,000.00
Change in Outstanding Reserves	149,750.00	6,305,000.00	2,000,000.00	-	(2,000,000.00)	6,454,750.00
Change in IBNR	297,437.00	129,116.00	2,647,214.00	2,626,938.00	(2,452,252.00)	3,248,453.00
Net Losses Incurred	747,187.00	6,434,116.00	4,647,214.00	2,626,938.00	(4,452,252.00)	10,003,203.00
Placement fees	-	30,000.00	30,000.00	30,000.00	-	90,000.00
Underwriting Expense	747,187.00	6,464,116.00	4,677,214.00	2,656,938.00	(4,452,252.00)	10,093,203.00
Net Underwriting Profit (Loss)	(414,187.00)	(2,609,116.00)	(951,150.00)	437,702.00	285,585.33	(3,251,165.67)
Audit and Tax Fees	-	11,500.00	12,300.00	12,250.00	-	36,050.00
Actuarial Fees	-	8,000.00	17,750.00	6,250.00	-	32,000.00
Captive Management	60,000.00	60,000.00	60,000.00	30,000.00	-	210,000.00
Legal Fee	75.00	26,843.15	-	6,442.25	-	33,360.40
License & Fees	6,375.00	45,518.00	7,510.00	7,510.00	-	66,913.00
D&O Insurance Expense	4,137.63	10,906.88	8,780.56	5,442.74	-	29,267.81
Directors Fees	-	200.00	200.00	-	-	400.00
Outsourced Service Fees	-	-	9,769.21	9,955.00	-	19,724.21
Meeting expenses	164.70	(164.70)	-	-	-	-
Bank fees	175.00	225.00	-	-	-	400.00
Miscellaneous Expense	25.00	84.90	-	-	-	109.90
Operating Expenses	70,952.33	163,113.23	116,309.77	77,849.99	-	428,225.32
Investment Income	8,295.70	641,712.89	1,026,424.23	613,256.70	-	2,289,689.52
Realized Gain (Loss)	-	3,000.49	6,490.18	77,786.00	-	87,276.67
Unrealized Gain (Loss)	-	212,935.84	(189,737.41)	422,570.79	-	445,769.22
Investment Expenses	(692.94)	(30,428.05)	(48,262.95)	(32,834.24)	-	(112,218.18)
Other Income (Expense)	7,602.76	827,221.17	794,914.05	1,080,779.25	-	2,710,517.23
Net Income (Loss)	\$ (477,536.57)	\$ (1,945,008.06)	\$ (272,545.72)	\$ 1,440,631.26	\$ 285,585.33	\$ (968,873.76)

Three Year Excess of Loss Reinsurance Contract - Losses by Contract Year (Unamortized)

	Paid Losses	OSLR	IBNR	Ultimate Losses	Aggregate	Under (Over) Aggregate
Contract Year 1: 7/1/2024-7/1/2025	-	(2,000,000.00)	(2,452,252.00)	(4,452,252.00)	(8,000,000.00)	3,547,748.00
Contract Year 2: 7/1/2025-7/1/2026	-	-	-	-	(8,000,000.00)	8,000,000.00
Contract Year 3: 7/1/2026-7/1/2027	-	-	-	-	(8,000,000.00)	8,000,000.00
Contract Total	-	(2,000,000.00)	(2,452,252.00)	(4,452,252.00)	(16,000,000.00)	11,547,748.00

For Internal Use Only

New Mexico County Reinsurance, Inc.
Exhibits
For the Period Ended June 30, 2025

Exhibit 1	<u>Cash & Cash Equivalents</u>		
		Current Quarter End	Prior Fiscal Year-end
	Wells Fargo Advisors #2932 Investment Account - Cash	\$ 1,387,482.16	\$ 41,700.59
	Wells Fargo Advisors #2932 Investment Account - Money Market	222,182.00	733,505.42
	Wells Fargo Advisors #1288 Investment Account - Cash	20,151.73	27.61
	Wells Fargo Advisors #1288 Investment Account - Money Market	19,401.71	135,938.37
	Total	<u>\$ 1,649,217.60</u>	<u>\$ 911,171.99</u>
Exhibit 2	<u>Investments</u>	Current Quarter End - Amortized [Original] Cost	Prior Fiscal Year-end - Market Value
		Current Quarter End - Market Value	Prior Fiscal Year-end - Market Value
	Wells Fargo Advisors #2932 Investment Account	\$ 27,624,716.66	\$ 22,428,562.03
	Total	<u>\$ 27,624,716.66</u>	<u>\$ 22,428,562.03</u>
Exhibit 3	<u>Prepaid Expenses</u>		
		Current Quarter End	Prior Fiscal Year-end
	Captive Management	\$ -	\$ -
	D&O Insurance Expense	\$ 5,532.95	\$ -
	Total	<u>\$ 5,532.95</u>	<u>\$ -</u>
Exhibit 4	<u>Accounts Payable & Accrued Expenses</u>		
		Current Quarter End	Prior Fiscal Year-end
	Amelie-Rio Ventures, LLC	\$ 3,350.94	\$ 1,626.56
	Minimum Interest Credit Accrual	\$ 95,729.67	\$ 61,858.34
	Utah Insurance Department	\$ -	\$ -
	Total	<u>\$ 99,080.61</u>	<u>\$ 63,484.90</u>
Exhibit 5	<u>Ceded Premiums Payable (Prepaid)</u>		
		Current Quarter End	Prior Fiscal Year-end
	Reinsurer - Three Year Excess of Loss Reinsurance Contract	\$ (330,000)	\$ 1,670,000
	Total	<u>\$ (330,000)</u>	<u>\$ 1,670,000</u>

For Internal Use Only

New Mexico County Reinsurance, Inc.
Exhibits
For the Period Ended June 30, 2025

		A	B	C	D	E	F	G
Exhibit 6			Written Prior Fiscal Year(s)	Written Current Fiscal Year			Current Quarter- End	Prior Fiscal-Year End
Premiums		Policy Effective Date	Policy Premium	Policy Premium	# Days Earned this Year	Premium Earned Current Year-to- date	Premium Unearned	Premium Unearned
Grand Total, Policies In Force			\$ 3,914,064.00	\$ 6,240,574.00		\$ 1,111,078.00	\$ 3,145,934.00	\$ (1,983,562.00)
			Premium written on P&L			Premium earned on P&L	UEPR on balance sheet	UEPR on balance sheet
<u>Assumed Coverage</u>		12/31/2022						
A-Cov1	Law Enforcement Liability Reinsurance - All counties	1/1/2022	\$ 333,000.00	\$ -	0	\$ -	\$ -	\$ -
A-Cov1	Law Enforcement Liability Reinsurance - All counties	1/1/2023	3,375,000.00	-	0	-	-	-
A-Cov3	Law Enforcement Liability Reinsurance - Specific Counties	1/1/2023	480,000.00	-	0	-	-	-
A-Cov1	Law Enforcement Liability Reinsurance - All counties	1/1/2024	2,824,455.00	-	0	-	-	-
A-Cov2	Law Enforcement Liability Reinsurance - Only Bernalillo, Dona Ana, Sandoval & Sante Fe	1/1/2024	367,231.00	-	0	-	-	-
A-Cov3	Law Enforcement Liability Reinsurance-Inadequate Healthcare/Mental Services	1/1/2024	64,378.00	-	0	-	-	-
CATMN	Multi-line Liability Reinsurance-General, Auto, Employment Practices, Employee Benefits, Public Officials E&O	1/1/2024	470,000.00	-	0	-	-	-
A-Cov1	Law Enforcement Liability Reinsurance - All counties (\$2MM excess of \$2MM)	1/1/2025	-	4,464,639.00	181	2,213,972.00	2,250,667.00	-
A-Cov2	Law Enforcement Liability Reinsurance - Only Bernalillo, Sandoval & Sante Fe (2nd Excess of Loss, 50% \$1MM excess \$4MM)	1/1/2025	-	638,684.00	181	316,717.00	321,967.00	-
A-Cov3	Law Enforcement Liability Reinsurance-Inadequate Healthcare/Mental Services (50% \$2MM excess of \$2MM)	1/1/2025	-	667,251.00	181	330,883.00	336,368.00	-
CATMN	Multi-line Liability Reinsurance-General, Auto, Employment Practices, Employee Benefits, Public Officials E&O	1/1/2025	-	470,000.00	181	233,068.00	236,932.00	-
Total			\$ 7,914,064.00	\$ 6,240,574.00		\$ 3,094,640.00	\$ 3,145,934.00	\$ -
<u>Ceded Coverage</u>								
24-27 YR1	Law Enforcement Liability 3 Year Loss Reinsurance - Year 1	7/1/2024	\$ (4,000,000.00)	\$ -	181	(1,983,562.00)	-	(1,983,562.00)
Total			\$ (4,000,000.00)	\$ -		\$ (1,983,562.00)	\$ -	\$ (1,983,562.00)

For Internal Use Only

New Mexico County Reinsurance, Inc.
Exhibits
For the Period Ended June 30, 2025

Exhibit 7		A	B	C	D	E	F	G	H	I	J	K	
			(C / A)			(C / 365 * D)		(E - F)			(E - H - I)	(I+J)	
Losses & Loss Reserves									Inception to Date				
Coverage Description	Policy Effective Date	Full Year Premium	Loss Ratio	Full Year Ultimate	# Days Earned this Year	Ultimate	Pro-rata	Prior Year's Pro-rata Ultimate	Current Year-to-Date Provision for Loss	Paid Losses	Case Reserves (OSLR)	IBNR Reserves	Net Unpaid Loss Reserves
Grand Total, Policies In Force		\$ 10,154,638.00	124.8%	\$ 12,673,682.00		\$ 10,003,203.00	\$ 9,569,220.00	\$ 433,983.00	\$ 300,000.00	\$ 6,454,750.00	\$ 3,248,453.00		
Prov for Loss per P&L										OSLR on balance sheet		IBNR on balance sheet	Net Unpaid Loss Reserves on balance sheet
Law Enforcement Liability Reinsurance - All Counties													
10% share of \$3,000,000 in excess of \$2,000,000	1/1/2022	\$ 333,000.00	224.4%	\$ 747,187.00	0	\$ 747,187.00	\$ 747,187.00	\$ -	\$ 300,000.00	\$ 149,750.00	\$ 297,437.00	\$ 447,187.00	
\$2,000,000 Excess of \$2,000,000 & 50% share of \$2,000,000 Excess of \$2,000,000	1/1/2023	3,375,000.00	172.0%	5,805,000.00	0	5,805,000.00	5,771,829.00	33,171.00	-	5,805,000.00	-	5,805,000.00	
1st Excess of Loss \$2,000,000 Excess of \$2,000,000	1/1/2024	2,824,455.00	110.5%	3,120,625.00	0	3,120,625.00	3,120,625.00	-	-	2,000,000.00	1,120,625.00	3,120,625.00	
1st Excess of Loss \$2,000,000 Excess of \$2,000,000	1/1/2025	4,464,639.00	82.3%	3,676,484.00	181	1,823,133.00	-	1,823,133.00	-	-	1,823,133.00	1,823,133.00	
Total Assumed Coverage 1	Total	\$ 10,997,094.00	121.4%	\$ 13,349,296.00		\$ 11,495,945.00	\$ 9,639,641.00	\$ 1,856,304.00	\$ 300,000.00	\$ 7,954,750.00	\$ 3,241,195.00	\$ 11,195,945.00	
Law Enforcement Liability Reinsurance - Specific Counties													
2nd Excess of Loss 50% of \$1,000,000 Excess of \$4,000,000	1/1/2023	\$ 480,000.00	131.1%	\$ 629,116.00	0	\$ 629,116.00	\$ 629,116.00	\$ -	\$ -	\$ 500,000.00	\$ 129,116.00	\$ 629,116.00	
2nd Excess of Loss 50% of \$1,000,000 Excess of \$4,000,000	1/1/2024	367,231.00	140.8%	516,998.00	0	516,998.00	516,998.00	-	-	-	516,998.00	516,998.00	
2nd Excess of Loss 50% of \$1,000,000 Excess of \$4,000,000	1/1/2025	667,251.00	88.3%	589,447.00	181	292,301.00	-	292,301.00	-	-	292,301.00	292,301.00	
Total Assumed Coverage 2	Total	\$ 1,514,482.00	114.6%	\$ 1,735,561.00		\$ 1,438,415.00	\$ 1,146,114.00	\$ 292,301.00	\$ -	\$ 500,000.00	\$ 938,415.00	\$ 1,438,415.00	
Law Enforcement Liability Reinsurance-Inadequate Healthcare/Mental Services													
50% share of \$2,000,000 Excess of \$2,000,000	1/1/2024	\$ 64,378.00	1265.4%	\$ 814,629.00	0	\$ 814,629.00	\$ 814,629.00	\$ -	\$ -	\$ -	\$ 814,629.00	\$ 814,629.00	
50% share of \$2,000,000 Excess of \$2,000,000	1/1/2025	\$ 638,684.00	87.9%	\$ 561,486.00	181	\$ 278,436.00	\$ -	\$ 278,436.00	\$ -	\$ -	\$ 278,436.00	\$ 278,436.00	
Total Assumed Coverage 3	Total	\$ 703,062.00	195.7%	\$ 1,376,115.00		\$ 1,093,065.00	\$ 814,629.00	\$ 278,436.00	\$ -	\$ -	\$ 1,093,065.00	\$ 1,093,065.00	
Multi-line Liability Reinsurance-General, Auto, Employment Practices, Employee Benefits, Public Officials E&O													
\$1,000,000 Excess of \$1,000,000	1/1/2024	\$ 470,000.00	41.5%	\$ 194,962.00	0	\$ 194,962.00	\$ 194,962.00	\$ -	\$ -	\$ -	\$ 194,962.00	\$ 194,962.00	
\$1,000,000 Excess of \$1,000,000	1/1/2025	\$ 470,000.00	100.0%	\$ 470,000.00	181	\$ 233,068.00	\$ -	\$ 233,068.00	\$ -	\$ -	\$ 233,068.00	\$ 233,068.00	
Total Assumed Coverage Package Policy	Total	\$ 940,000.00	70.7%	\$ 664,962.00		\$ 428,030.00	\$ 194,962.00	\$ 233,068.00	\$ -	\$ -	\$ 428,030.00	\$ 428,030.00	
Ceded Law Enforcement Liability Reinsurance - All Counties													
\$2,500,000 per Occurrence	7/1/2024	\$ (4,000,000.00)	111.3%	\$ (4,452,252.00)	181	\$ (4,452,252.00)	\$ (2,226,126.00)	\$ (2,226,126.00)	\$ -	\$ (2,000,000.00)	\$ (2,452,252.00)	\$ (4,452,252.00)	
Total Ceded Coverage 1	Total	\$ (4,000,000.00)	111.3%	\$ (4,452,252.00)		\$ (4,452,252.00)	\$ (2,226,126.00)	\$ (2,226,126.00)	\$ -	\$ (2,000,000.00)	\$ (2,452,252.00)	\$ (4,452,252.00)	
Summary by Policy Period		\$ 10,154,638.00	124.8%	\$ 12,673,682.00		\$ 10,003,203.00	\$ 9,569,220.00	\$ 433,983.00	\$ 300,000.00	\$ 6,454,750.00	\$ 3,248,453.00	\$ 9,703,203.00	
Assumed Policies Incepting on	1/1/2022	\$ 333,000.00	224.4%	\$ 747,187.00		\$ 747,187.00	\$ 747,187.00	\$ -	\$ 300,000.00	\$ 149,750.00	\$ 297,437.00	\$ 447,187.00	
Assumed Policies Incepting on	1/1/2023	3,855,000.00	166.9%	6,434,116.00		6,434,116.00	6,400,945.00	33,171.00	-	6,305,000.00	129,116.00	6,434,116.00	
Assumed Policies Incepting on	1/1/2024	3,726,064.00	124.7%	4,647,214.00		4,647,214.00	4,647,214.00	-	-	2,000,000.00	2,647,214.00	4,647,214.00	
Assumed Policies Incepting on	1/1/2025	6,240,574.00	84.9%	5,297,417.00		2,626,938.00	-	2,626,938.00	-	-	2,626,938.00	2,626,938.00	
Ceded Policies Incepting on	7/1/2024	\$ (4,000,000.00)	111.3%	\$ (4,452,252.00)		\$ (4,452,252.00)	\$ (2,226,126.00)	\$ (2,226,126.00)	\$ -	\$ (2,000,000.00)	\$ (2,452,252.00)	\$ (4,452,252.00)	

For Internal Use Only

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.A.	<u>Item Title:</u> Approve 2026 Meeting Calendar
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: Seconded by:	

Year	Month	Start Day
2026	1	1: Sunday, 2: Monday

2026

January '26						
Su	M	Tu	W	Th	F	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

February '26						
Su	M	Tu	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

March '26						
Su	M	Tu	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

April '26						
Su	M	Tu	W	Th	F	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

May '26						
Su	M	Tu	W	Th	F	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

June '26						
Su	M	Tu	W	Th	F	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

July '26						
Su	M	Tu	W	Th	F	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

August '26						
Su	M	Tu	W	Th	F	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

September '26						
Su	M	Tu	W	Th	F	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October '26						
Su	M	Tu	W	Th	F	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November '26						
Su	M	Tu	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

December '26						
Su	M	Tu	W	Th	F	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

	Holidays		Board & Executive Committee		NM EDGE
	NACo & WIR		NMC Conferences		Advisory Council
	NMCIA Pool		Legislative Meetings		Special Events
	NMCRE (Captive Board)				

NMC Meetings & Conferences

1/19 - NMCIA Board Meeting 1PM (NMC Office - Santa Fe County)
1/19-1/20 - NM EDGE Classes (Santa Fe County)
1/19-1/22 - NMC Legislative Conference (Santa Fe County)
1/20 NMCIA Membership Meeting 9AM (Santa Fe County)
1/20 NMC Board of Directors Meeting 2PM (Santa Fe County)
1/20 - Legislative Session Begins 12PM
1/23 - County Lobbyist Meeting 8AM (Santa Fe County - NMC Office)
1/28 - NMC Executive Committee 11AM (Virtual)
2/4 - Deadline for Bill Introduction
2/7 - NMC Board of Directors Meeting 8:30AM (Santa Fe County)
2/11 NMC Executive Committee 11AM (Virtual)
2/19 - Legislative Session Ends 12PM
2/21-2/24 - NACo Legislative Conference (Washington, DC)
3/11 - Legislation not acted upon by Governor pocket vetoed
3/17- NMCRe Captive Board Meeting 1PM (Virtual)
3/18 - NMCIA Board of Directors Meeting 8:30AM (Santa Fe County - NMC Office)
3/25 - Legislative Regional Meeting 10AM (Sandoval County)
3/26 - Legislative Regional Meeting 10AM (San Miguel County)
4/1 - Legislative Regional Meeting 10AM (Sierra County)
4/2 - Legislative Regional Meeting 10AM (Chaves County)
4/10 - NMC Executive Committee Budget Meeting 10AM (Santa Fe County - NMC Office)
5/1 - NMC Board of Directors Meeting 8:30AM (Torrance County)
5/5-5/8 - WIR Annual Conference (Maui County, Hawaii)
5/6- Advisory Council Meeting 11AM (Virtual)
5/13 - NMCIA Board of Directors Meeting 8:30AM (Santa Fe County - NMC Office)
6/9- NMCRe Captive Board Meeting 10 AM (Virtual)
6/15-6/16 - NM EDGE Classes (McKinley County)
6/15 - NMCIA Board of Directors Meeting 1:00PM (McKinley County)
6/15-6/18 - NMC Annual Conference (McKinley County)
6/17 - NMC Board of Directors Meeting 4PM (McKinley County)
7/9 - Legislative Initiatives Review w/ Legislative Committee 9AM (Virtual)
7/17-7/20 - NACo Annual Conference (Orleans Parish, New Orleans, LA)
8/6-8/7 - NMC Legislative Meeting 2PM & Board Meeting 8:30AM (Roosevelt County)
8/19 - NMCIA Board of Directors Meeting 8:30AM (TBD)
9/1-9/4 - NMML Annual Conference, Doña Ana County, Las Cruces, NM
9/10 - Gathering of Counties (NM State Fair, Bernalillo County)
9/15 - NMCRe Captive Board Meeting 1PM (Virtual)
New Mexico Wildland Urban Fire Summit (TBD)
10/2 - NMC Board of Directors Meeting 8:30AM (Otero County)
11/12 - NMC Executive Committee 2PM (Santa Fe County) (Date Pending)
11/13 - NMML/NMC Joint Legislative Meeting 9AM (Santa Fe County) (Date Pending)
NM Infrastructure Finance Conference (TBD)
11/18-11/19 - NMCIA Board of Directors Meeting & Retreat (TBD)
12/2 - Advisory Council Meeting 2PM (Virtual)
12/8-12/10 - NMC BIPO Conference-Better Informed Public Officials (Bernalillo County) Albuquerque
12/15 - NMCRe Captive Board Meeting 1PM (Virtual)

Approved by NMC Board of Directors on 10.03.25

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.B.	<u>Item Title:</u> Approve NMCI Board 2026 Open Meetings Act Resolution
<u>Presenter (s):</u> Lance Pyle, Chair	
Motion by: Seconded by:	

**THE NEW MEXICO
COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS
OPEN MEETINGS ACT RESOLUTION FOR 2026**

WHEREAS, Section 10-15-1(B) of the Open Meetings Act, (NMSA 1978, § 10-15-1 to 10-15-4, "Act") provides that, except as may otherwise be provided in the constitution or the provisions of the Act, all meetings of a quorum of members of any board, commission, or other policy-making body of any state agency, any agency or authority of any county, municipality, district or political subdivision, held for the purpose of formulating public policy, discussing public business or for the purpose of taking any action within the authority of or the delegated authority of such body, are declared to be public meetings open to the public; and

WHEREAS, any meetings subject to the Act, at which the discussion or adoption of any proposed resolution, rule, regulation or formal action occurs, shall be held only after reasonable notice to the public; and

WHEREAS, Article VIII of the Joint Powers Agreement requires New Mexico County Insurance Authority Board of Directors ("Board") meetings to comply with the Act;

WHEREAS, Section 10-15-1(D) of the Act requires the Board to determine annually what constitutes a reasonable notice of its public meetings;

NOW, THEREFORE, BE IT HEREBY RESOLVED by the Board as follows:

Section 1. Regular Meetings.

- A. Time and Place.** From January 1, 2026, through December 31, 2026, regular meetings of the Board will be held at the times, the days and at the place specified in Appendix 1, attached hereto.
- B. Notice.** This Resolution and Appendix 1 shall be posted in a conspicuous and appropriate place at the New Mexico Counties ("NMC") Offices located at 444 Galisteo St., Santa Fe, New Mexico and the NMC website. So long as the meetings are held on the days and times and at the location specified in Appendix 1, posting of this Resolution and Appendix 1 shall constitute reasonable and appropriate notice of each regular meeting of the Board.
- C. Notice of Rescheduled Regular Meeting.** If a regular meeting is rescheduled from the date, time, or location specified in Appendix 1, notice of the rescheduled meeting shall be posted in a conspicuous and appropriate place at the NMC Offices and on the NMC website at least ten (10) days prior to the date of the meeting.
- D. Notice to Radio, Television and Print Media.** Notice of a regular meeting shall be provided to broadcast stations licensed by the Federal Communications Commission and newspapers of general circulation that have made written request for such Notice.

Section 2. Special Meetings.

- A. **When Held.** A special meeting of the Board may be called by the Chair or by a majority of the members of the Board upon three days' notice.
- B. **Notice of Special Meeting.** Notice of a special meeting and location shall be posted in a conspicuous and appropriate place at the NMC Offices and on the NMC website at least seventy-two (72) hours before such meeting.
- C. **Notice to Radio, Television and Print Media.** Notice of a special meeting shall be provided to broadcast stations licensed by the Federal Communications Commission and newspapers of general circulation that have made written request for such notice.

Section 3. Emergency Meetings.

- A. **Emergency Meeting, When, Where Held.** An emergency meeting of the Board may be called by the Chair or by a majority of the members of the Board to consider unforeseen circumstances that, if not addressed immediately, will likely result in injury or damage to persons or property or substantial financial loss to the Pool. An emergency meeting may be conducted at a time and place as the Chair or a majority of the members of the Board deem appropriate.
- B. **Notice.** If possible given the emergency circumstances, notice of an emergency meeting shall be posted in a conspicuous and appropriate place at the NMC Offices and on the NMC website at least twenty-four (24) hours prior to the meeting. If twenty-four (24) hours advance notice cannot be given, notice shall be posted as soon as possible.
- C. **Notice to Radio, Television and Print Media.** Notice of an emergency meeting shall be provided to broadcast stations licensed by the Federal Communications Commission and newspapers of general circulation that have made written request for such notice.
- D. **Required Report.** Within ten (10) days of taking action on an emergency matter, the Board shall report to the Attorney General's Office the action taken and the circumstances creating the emergency, except in the event of a declared state or federal emergency.

Section 4. Remote Meetings.

If due to a public health emergency, inclement weather, or any other necessary reason the Board is unable to meet in person as determined by the Chair, the open meeting may be held remotely via a virtual communication platform. Notice of change to a fully virtual meeting setting due to inclement weather will be posted on the NMC website as soon as practicable under the circumstances. Remote meetings are subject to the following conditions:

1. Each Board member participating in the meeting must be identified when speaking, all participants must be able to hear each other at the same time, and the public must be able to hear any member who speaks during the meeting.
2. Both the notice and the agenda of any virtual meeting shall provide information to the public on how the meeting may be accessed remotely.

3. At any virtual meeting, all votes shall be cast through a roll-call vote. The Chair shall suspend all discussion if the audio is interrupted or becomes unintelligible.

Section 5. Agendas.

Meeting notices shall include an agenda containing a list of specific items of business to be discussed or transacted at the meeting or information on how the public may obtain a copy of such an agenda. If not included in the notice of meeting, a final agenda shall be prepared and posted in a conspicuous and appropriate place at the NMC Offices and on the NMC website at least seventy-two (72) hours before the meeting. Except for emergency matters, action shall be taken only on items appearing on the final agenda. The final agendas for meetings held by conference telephone, videoconference, or other similar communications equipment or at which in-person attendance by the public is prohibited shall include information on how the public can listen and participate in the meeting remotely.

Section 6. Recessed Meetings.

A meeting may be recessed to a later day, if, prior to recessing, the date, time and place for continuation of the meeting is specified, and, immediately following the recessed meeting, notice of the date, time and place for the reconvened meeting is posted on or near the door of the place where the original meeting was held. Only matters appearing on the agenda of the original meeting may be discussed at the reconvened meeting unless notice of the reconvened meeting is provided as otherwise set forth herein.

Section 7. Cancelled Meetings.

A meeting may be cancelled by posting a notice of cancellation in a conspicuous and appropriate place at the NMC Offices and posting notices of the cancelled meeting on the doors of the building where the meeting was to be held as soon as practicable prior to the time and date of the cancelled meeting.

Section 8. Participation by Conference Telephone, Videoconference, or Similar Communications Equipment.

A member of the Board may participate in a meeting of the Board by means of a conference telephone, videoconference, or other similar communications equipment, as authorized by Section 10-15-1(C), when it is otherwise difficult or impossible for the member to attend the meeting in person, such as due to emergency public health orders related to the COVID-19 public health emergency. Any member participating remotely shall be identified when speaking. The Chair shall ensure that all Board members and the public are able to hear any Board member participating remotely.

Section 9. Closed Meetings. A meeting may be closed in the following manner:

- A. If the Board is in open session when a closed meeting is desired and authorized by the Act, then the closed meeting shall be approved on motion by a majority of a quorum of the Board, and the authority for the closure shall be stated in the motion. The votes of the members on the motion shall be recorded in the minutes.
- B. If the Board is not in a public meeting and a closed meeting is desired and authorized, public notice of the closed meeting, appropriate under the circumstances, shall be given stating the authority for the closure.
- C. Following completion of any closed meeting, the minutes of the open meeting that was closed, or the minutes of the next open meeting if the closed meeting was separately scheduled, shall state that the matters discussed in the closed meeting were limited only to those specified in the motion or notice for closure.

Section 10. Notice Responsibility.

The New Mexico Counties Risk Management Director shall be responsible for drafting and delivering all notices required herein.

Section 10. Authorized Signature.

The Chair of the Board is authorized to sign this resolution on behalf of the Board.

Section 11. Prior Resolutions Rescinded.

The Board's prior Open Meetings Act resolutions are hereby rescinded.

Section 12. Disability Accommodation.

All notices shall include the following: "If you are an individual with a disability who is in need of a reader, amplifier, qualified sign or language interpreter, or any other form of auxiliary aid or service to attend or participate in the meeting, please contact the NMC Risk Management Department at (505) 820-8106.

**ADOPTED AND APPROVED BY THE BOARD THIS THE TWENTY-SECOND
DAY OF OCTOBER, 2025.**



Lance A. Pyle, NMCIA Chair

**Michael Eshleman,
Attorney Affiliate Representative**

“APPENDIX 1”

**NOTICE OF REGULAR MEETINGS OF THE NEW MEXICO COUNTY INSURANCE
AUTHORITY POOL BOARD OF DIRECTORS, TO BE HELD FROM JANUARY 1, 2026,
TO DECEMBER 31, 2026 AT THE NMC OFFICES LOCATED AT 444 GALISTEO ST.,
SANTA FE, NEW MEXICO (UNLESS SPECIFIED OTHERWISE)**

January 19, 2026	1:00 p.m.	NMC Offices
March 18, 2026	8:30 a.m.	NMC Offices
May 13, 2026	8:30 a.m.	NMC Offices
June 15, 2026	1:00 p.m.	TBD McKinley County
August 19, 2026	8:30 a.m.	TBD
November 18-19, 2026	8:30 a.m.	TBD

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.C.	<u>Item Title:</u> Consider Policy Authorizing Risk Management Director Authority to Deny Coverage to Individual County Employees or Elected Officials
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: Seconded by:	

Policy on Denial of Coverage to Named Employees and Elected Officials

The Pool Administrator or Pool Board may identify certain employees, former employees, or elected officials who pose an unreasonable liability exposure to the Pool. The purpose of this policy is to authorize the Pool Board, upon the recommendation of the Risk Management Director (“Director”), to cancel or decline liability coverage for individual employees, former employees, or elected officials of NMCIA member counties when such coverage presents an undue risk to the Pool. If the recommendation is approved by the Board, no defense, indemnity, payment of claims, or other benefits shall be available under any Coverage Agreement to any such excluded individual, or to any Member for any claim, demand, or cause of action arising out of, resulting from, or in any way related to the acts, errors, or omissions of the excluded individual after the effective date of exclusion.

“Unreasonable liability exposure” means an exposure to the Pool of such anticipated frequency or severity that the Pool cannot accept the exposure consistent with sound underwriting principles or its obligation to ensure the long-term financial viability of the Pool. It includes, but is not limited to, (1) exposure associated with an employee whose conduct, misconduct, negligence, poor performance, or other grounds would cause a reasonably prudent employer – acting in good faith and based on credible evidence – to conclude that dismissal of such an employee would be justified; and (2) claim loss experience materially above the peer average.

Although elected officials are not subject to termination, this employee termination standard maybe applied to them in determining whether to deny or cancel coverage.

This policy ensures due process through notice and opportunity to be heard.

Procedures

A. Recommendation

The Director will provide a written denial of coverage recommendation to the Pool Board, county, and affected individual(s), which shall include a concise statement of the reasons for the recommendation.

B. Opportunity to be Heard

The recommendation will be placed on the agenda for the next regularly scheduled Pool Board meeting, or a special meeting may be called by the Chair as set forth in the Bylaws. The county or individual(s) may submit a written response and will be given the opportunity to address the Pool Board and provide their rationale as to why the recommendation should be rejected.

Because the recommendation is based on the “unreasonable liability exposure” of its employee(s) as defined above and could involve threatened or pending litigation, the county or

individual(s) may request that the issue be scheduled and heard in executive session. The final action shall be announced in open session.

Recordkeeping & Confidentiality

With the exception of the agenda and minutes of the final action, all documents related to the recommendation and Pool Board consideration and action on the recommendation shall be retained by the Director as a confidential record accessible only to NMCI staff and Pool Board members. Member counties may contact the Pool Administrator to ascertain whether a job applicant is eligible for coverage. In the event that NMCI receives an Inspection of Public Records Act request, subpoena, or discovery request requesting information concerning the recommendation or the Pool Board's consideration and action on the recommendation, NMCI shall notify the individual and county member who were the subject of the recommendation so that they may, should they choose to do so, seek a protective order from a Court of competent jurisdiction preventing disclosure of the requested documents.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.D.	<u>Item Title:</u> Approve 2026 Multi-Line and Law Enforcement Reinsurance
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: Seconded by:	

Memorandum

Date: September 16, 2025
To: NMCR Board of Directors
From: Steve Kopelman, Chief Operating Officer
Grace Philips, Risk Management Director
Re: 2026 Multi-Line Liability Reinsurance for NMCIA

We propose that NMCR provide multi-line liability reinsurance to NMCIA for the 2026 policy year with no changes to the current structure. This would include the following:

1. Claims made coverage, following form.
2. \$4MM per member aggregate, \$8MM annual aggregate
3. \$1MM xs \$1MM for all NMCIA members, for the following liabilities:
 - a. General Liability
 - b. Automobile Liability
 - c. Employment Practices Liability
 - d. Employee Benefits Liability
 - e. Public Officials Errors and Omissions Liability
4. Total Premium: \$470,000 - flat renewal

444 Galisteo Street
Santa Fe, NM 87501

877-983-2101
505-983-2101
Fax: 505-983-4396

Memorandum

Date: September 16, 2025
To: NMCR Board of Directors
From: Steve Kopelman, Chief Operating Officer
Grace Philips, Risk Management Director
Re: 2026 Law Enforcement Reinsurance for NMCI

We propose that NMCR provide law enforcement liability reinsurance to NMCI for the 2026 policy year with no changes to the current structure. This would include the following:

1. Claims made coverage, following form.
2. \$4MM per member aggregate, \$8MM annual aggregate.
3. \$2MM xs \$2MM for all NMCI members, for all claims without allegation of inadequate medical or mental health care.
4. For claims with allegations of inadequate medical or mental health care in the detention center, there is only coverage for the members that have accredited detention centers (including Colfax, Curry, Dona Ana, Roosevelt, Sandoval, Santa Fe, and Valencia), plus Bernalillo County, which is split 50/50 between NMCR and NMCI.
5. Class A counties would be offered an additional \$1MM xs \$4MM, which they would split 50/50 with NMCR. This does not increase the aggregates stated in item 2 above.
6. Premium: \$5,464,559 for items 3 and 4 above
7. Premium: \$825,166 for item 5 above, note that Dona Ana County elected not to obtain this additional coverage in 2025, but it will be offered to them in 2026.
8. Total Premium: \$6,289,725 – This is a total increase from last year of 7.1%.
9. Last year's premium totaled \$5,874,256 (\$2M xs \$2M \$5,131,890, Class A \$1M xs \$4M \$742,366).

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**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.E.	<u>Item Title:</u> Approve 2026 Pass-through Coverages
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: Seconded by:	

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.F.	<u>Item Title:</u> Approve Six-Month Property Renewal July 1 Cycle
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: Seconded by:	

Memorandum

Date: October 22, 2025
To: NMCIA Board
From: Grace Philips, NMCIA Risk Management Director
Re: Six-Month Property Renewal July 1 Cycle

Our property program has always run on a calendar year renewal. Our reinsurer, CRL, operates their property program on a fiscal year basis. This difference creates a potential for nonconcurrence in our coverage agreements and also requires us to guess at the renewal pricing for our reinsurance—something that has been problematic especially during recent years in which property losses and therefore coverage premiums have been especially volatile.

We are asking the board to approve the underwriting committee's recommendation that we adjust our property program renewal to a fiscal year. We will accomplish this by funding 6 months from January through June 2026 and then commencing with annual year funding next summer.

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**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.G.	<u>Item Title:</u> Approve 2026 Multi-Line Contributions
<u>Presenter (s):</u> Lori Urban, Assistant Risk Management Director	
Motion by: Seconded by:	

New Mexico County Insurance Authority
Multiline Pool

Recommended Minimum Funding, 2026
Property Contribution is for 1/1/26-6/30/26

Member	NMCIA Funding All at Deductible 2025	Recommended 75.0% Confidence Level Funding All at Deductible 2026	Recommended 75.0% Confidence Level Funding All at Deductible Percentage Change 2026
(1)	(2)	(3)	(4)
-----	-----	-----	-----
Bernalillo	\$2,525,065	\$2,620,058	3.8%
Catron	114,089	125,917	10.4%
Chaves	635,442	578,391	-9.0%
Cibola	215,735	203,784	-5.5%
Colfax	195,166	141,289	-27.6%
Curry	508,651	417,813	-17.9%
DeBaca	86,357	73,731	-14.6%
Dona Ana	1,590,528	1,382,417	-13.1%
Eddy	665,992	640,661	-3.8%
Grant	226,522	212,995	-6.0%
Guadalupe	155,248	130,944	-15.7%
Harding	33,862	31,124	-8.1%
Hidalgo	125,352	96,891	-22.7%
Lincoln	415,723	304,752	-26.7%
Luna	298,866	224,876	-24.8%
McKinley	387,424	373,941	-3.5%
Mora	176,311	165,661	-6.0%
Otero	906,173	773,452	-14.6%
Quay	147,869	159,844	8.1%
Roosevelt	179,209	147,020	-18.0%
San Miguel	325,838	293,105	-10.0%
Sandoval	643,939	678,073	5.3%
Santa Fe	994,809	941,840	-5.3%
Sierra	182,028	175,099	-3.8%
Socorro	150,936	135,807	-10.0%
Taos	438,090	435,299	-0.6%
Torrance	171,981	185,762	8.0%
Union	123,330	95,241	-22.8%
Valencia	535,780	527,971	-1.5%
-----	-----	-----	-----
Total	\$13,156,315	\$12,273,760	-6.7%

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.H.	<u>Item Title:</u> Approve 2026 Law Enforcement Contributions
<u>Presenter (s):</u> Lori Urban, Assistant Risk Management Director	
Motion by: Seconded by:	

New Mexico County Insurance Authority
Law Enforcement

Recommended Minimum Funding, 2026

Member	NMCIA Funding All at Deductible 2025	Recommended 75.0% Confidence Level Funding All at Deductible subject to Maximum 30% Increase 2026	Percentage Exposure Change 2025 to 2026 with 30.0% Maximum Increase	Qualitative Factor for Stagnation of Lexipol	Total Contribution at 75.0% Confidence Level Funding, Maximum 30% and Qualitative Factor	Percentage Exposure Change 2025- 2026 at 75.0% Confidence Level Funding, Maximum 30% and Qualitative Factor
(1)	(2)	(3)	(4)	(5)	(6)	(7)
-----	-----	-----	-----	-----	-----	-----
Bernalillo	\$10,805,102	\$12,173,824	12.7%	\$608,691	\$12,782,515	18.3%
Catron	169,146	165,445	-2.2%		\$165,445	-2.2%
Chaves	990,396	1,209,226	22.1%	30,231	\$1,239,457	25.1%
Cibola	171,736	284,955	65.9%	14,248	\$299,203	74.2%
Colfax	387,451	334,673	-13.6%		\$334,673	-13.6%
Curry	787,501	780,690	-0.9%		\$780,690	-0.9%
DeBaca	245,969	220,336	-10.4%		\$220,336	-10.4%
Dona Ana	2,587,050	3,182,992	23.0%		\$3,182,992	23.0%
Eddy	1,584,828	1,896,114	19.6%	47,403	\$1,943,517	22.6%
Grant	516,229	600,667	16.4%		\$600,667	16.4%
Guadalupe	26,779	40,354	50.7%		\$40,354	50.7%
Harding	4,980	5,954	19.6%	149	\$6,103	22.6%
Hidalgo	344,300	342,300	-0.6%		\$342,300	-0.6%
Lincoln	220,039	286,304	30.1%		\$286,304	30.1%
Luna	603,165	705,034	16.9%	17,626	\$722,659	19.8%
McKinley	540,825	641,365	18.6%		\$641,365	18.6%
Mora	28,161	49,456	75.6%		\$49,456	75.6%
Otero	431,417	613,891	42.3%		\$613,891	42.3%
Quay	197,109	200,224	1.6%		\$200,224	1.6%
Roosevelt	552,158	517,248	-6.3%		\$517,248	-6.3%
San Miguel	534,558	524,163	-1.9%		\$524,163	-1.9%
Sandoval	668,004	786,531	17.7%		\$786,531	17.7%
Santa Fe	1,335,720	1,513,813	13.3%		\$1,513,813	13.3%
Sierra	200,537	122,354	-39.0%		\$122,354	-39.0%
Socorro	509,677	518,419	1.7%		\$518,419	1.7%
Taos	401,789	518,222	29.0%	25,911	\$544,133	35.4%
Torrance	134,109	185,450	38.3%		\$185,450	38.3%
Union	64,773	77,446	19.6%		\$77,446	19.6%
Valencia	1,317,562	1,403,783	6.5%		\$1,403,783	6.5%
-----	-----	-----	-----	-----	-----	-----
Total	\$26,361,070	\$29,901,232	13.4%	\$744,258	\$30,645,490	16.3%

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.I.	<u>Item Title:</u> Approve 2026 Professional Liability Coverage for Medical Providers Pricing
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: Seconded by:	



Memorandum

Date: October 22, 2025
To: NMCIA Board
From: Grace Philips, NMCIA Risk Management Director
Re: Professional Liability Coverage for Medical Providers Pricing

The underwriting committee recommends an increase in the professional liability contribution for individual medical professionals from \$12,000 per year to \$18,000 per year and that we create a subcommittee to make more comprehensive recommendations regarding funding levels and structural options for this risk for the next renewal.

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**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.J.	<u>Item Title:</u> Approve 2026 Budget
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: Seconded by:	

NEW MEXICO COUNTY INSURANCE AUTHORITY

For Approval at the October 2025 NMCI Board Meeting

2026 Budget Update

	January 1-December 31, 2026		January 1-December 31, 2026		1/2 APPROVED 6/16/25		6 Months		6 Months		PY 2026	
	January 1-December 31, 2026		January 1-December 31, 2026		Jan 1, 2026-Jun 30, 2026		Jan 1, 2026-Jun 30, 2026		July 1 2026-Dec 31, 2026		PY 2026	
	Law Enforcement	YoY change	Multi-Line	YoY change	Workers' Compensation	YoY change	Workers' Compensation	YoY change	Workers' Compensation	YoY change	Total	YoY change
INCOME												
Member Contributions	33,173,523	112%	13,334,542	98%	5,751,919	106%	6,513,889	113%	58,773,872	108%	58,773,872	108%
Investment Income	1,100,000	79%	1,100,000	109%	629,306	135%	550,000	87%	3,379,306	97%	3,379,306	97%
TOTAL INCOME:	34,273,523	111%	14,434,542	99%	6,381,225	108%	7,063,889	111%	62,153,178	107%	62,153,178	107%
EXPENSES												
Claims Expenses												
PV of Projected Ultimate Limited Losses (LE/ML-8/15/25)	24,088,701	115%	\$5,815,962	81%	4,258,222	118%	4,896,955	115%	39,059,839	108%	39,059,839	108%
Liability/WC Reinsurance-all members	4,909,939	110%	470,000	100%	358,207	68%	411,937	115%	6,150,083	106%	6,150,083	106%
Liability Reinsurance-Class A \$1MM x \$4MM	825,166	129%							825,166	129%	825,166	129%
Liability Reinsurance-Pool Quota Share (xs \$2MM)	554,620	83%							554,620	83%	554,620	83%
WC Excess Insurance					151,376	New	174,082	115%	325,458	215%	325,458	215%
Property Reinsurance-all members (1/1/26-6/30/26)			2,180,437	125%					2,180,437	125%	2,180,437	125%
Estimated Property Reinsurance (7/1/26-12/31/26)			2,725,546						2,725,546		2,725,546	
Long-term Program Investment (start 2027)												
Brokerage Fees	35,000	100%	35,000	100%	15,000	100%	15,000	100%	100,000	100%	100,000	100%
Subtotal Claims Expenses:	30,413,426	113%	\$11,226,945	97%	4,782,804	116%	5,497,975	115%	51,921,150	110%	51,921,150	110%
Risk Mitigation Expenses												
Administrative Fees to NMC	155,704	105%	128,313	105%	149,882	105%	149,882	105%	583,781	104%	583,781	104%
Special Projects	45,000	100%	45,000	100%					90,000	100%	90,000	100%
Loss Incentive Program	15,000	100%			17,500	100%	17,500	100%	50,000	100%	50,000	100%
EDGE Detention Scholarships	5,000	33%							5,000	33%	5,000	33%
Online Training Program	47,500	79%	37,500	63%	35,000	100%	35,000	100%	155,000	82%	155,000	82%
Benchmark	22,500		22,500									
Legal Consultation Program	30,000	100%	10,000	100%	5,000	100%	5,000	100%	50,000	100%	50,000	100%
Accreditation Programs	76,000	100%							76,000	100%	76,000	100%
Lexipol	255,000	100%							255,000	100%	255,000	100%
Subtotal Risk Mitigation Expenses:	651,704	101%	243,313	103%	207,382	104%	207,382	100%	1,264,781	98%	1,264,781	98%
Pool Administrative Expenses												
Administrative Fees to NMC	1,823,892	105%	1,399,784	105%	555,982	105%	555,982	100%	4,335,641	104%	4,335,641	104%
Contracted Services:												
Actuarial Studies	20,000	100%	20,000	133%	7,000	117%	7,000	100%	54,000	113%	54,000	113%
Financial Audit	30,000	100%	30,000	100%	6,000	100%	6,000	100%	72,000	100%	72,000	100%
Claims Audit (LE/ML Odd Years)									-	0%	-	0%
Payroll Audit (Members)					27,500	110%	27,500	100%	55,000	105%	55,000	105%
Property Appraisal Fees			180,000	100%					180,000	100%	180,000	100%
Legal Expense	20,000	100%	20,000	100%	1,250	100%	1,250	100%	42,500	100%	42,500	100%
Software Licensing & Support	145,000	112%	145,000	112%	75,000	100%	121,800	162%	486,800	119%	486,800	119%
AI Software & Training	-		-		50,000	100%	50,000	100%	100,000	200%	100,000	200%
Board D&O Insurance	43,000	100%	43,000	100%	21,500	100%	21,500	100%	129,000	100%	129,000	100%
Board Training & Education	7,500	100%	7,500	100%	7,500	100%	7,500	100%	30,000	100%	30,000	100%
Miscellaneous	4,000	100%	4,000	100%	2,500	100%	2,500	100%	13,000	100%	13,000	100%
Investment Advisor	15,000	100%	15,000	100%	7,500	100%	7,500	100%	45,000	120%	45,000	120%
Legal Bureau operations	-	0%							-	0%	-	0%
Subtotal Pool Administrative Expenses:	2,108,392	103%	1,864,284	105%	761,732	111%	808,532	106%	5,542,941	105%	5,542,941	105%
TOTAL EXPENSES:	33,173,523	112%	13,334,542	98%	5,751,919	115%	6,513,889	113%	58,728,872	109%	58,728,872	109%
NET INCOME:	1,100,000		1,100,000		629,306		550,000		3,424,306		3,424,306	

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.K.	<u>Item Title:</u> Approve 2026 Liability Coverage Agreement
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: Seconded by:	



**New Mexico County Insurance Authority
(NMCIA)**

Multi-Line and Law Enforcement Liability Program

COVERAGE AGREEMENT

Effective: January 1, ~~2025~~2026-January 1, ~~2026~~2027

New Mexico County Insurance Authority
Multi-Line and Law Enforcement Program

~~2025-2026~~ Coverage Agreement

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**New Mexico County Insurance Authority
Multi-Line and Law Enforcement Program**

Member Coverage Agreement

January 1, ~~2025~~2026

Part I

A. General Coverage Declarations

The New Mexico County Insurance Authority (NMCIA) Pool (the "Pool") is a risk sharing arrangement among New Mexico county governments. The **Pool** was formed pursuant to the provisions of the Joint Powers Act, Section 11-1-1 et. seq. NMSA 1978, as amended, and through the Bylaws and Joint Powers Agreement signed by its members. The purposes of the **Pool** is to provide a multi-line program for property and casualty coverages, and a law enforcement program and to assist members in controlling costs by providing specialized governmental risk management services and systems.

The purpose of this Coverage Agreement is to describe the property, liability and law enforcement coverages provided to its **Named Members** through the **Pool**. The coverages, deductibles and limitations are unique to the **Pool** and may not be available elsewhere through private or commercial insurance.

It is the intent of the **Pool** to provide the property, liability and law enforcement coverages outlined in this Coverage Agreement to each **Named Member** and those who work for them or on their behalf in accordance with the laws of the State of New Mexico. This Coverage Agreement was created to eliminate misunderstandings regarding coverage; to avoid coverage disputes; to clarify responsibilities during the claims handling process; and to provide the **Named Members** with a document that easily identifies what is and is not covered.

B. Limits

Property

Deductible: See Endorsement 7

See Attachment 1 for Limits, Terms, Conditions, Coverages, Exclusions

Crime

See Attachment 2 for Limits, Terms, Conditions, Coverages, Exclusions

THE FOLLOWING COVERAGES ARE PROVIDED ON A CLAIMS MADE BASIS

Liability and Automobile Liability

Liability Coverage Section A – General Liability Section B –Employment Practices Liability Section C – Public Officials & Errors and Omissions Section D – Employee Benefits Liability:	Third-party liability including Bodily Injury, Property Damage, Personal Injury, Wrongful Acts and Errors & Omissions.
Automobile Liability Form:	Third-party liability including Bodily Injury, Property Damage Claims-Made

Coverage Parts	Limit	Terms
Covered New Mexico State Statutory Claims	\$2,000,000 per Occurrence (regardless of the number of claimants)	Total Liability per occurrence regardless of the number of claimants except as specifically excluded, sublimited, or addressed by endorsement elsewhere in this coverage agreement or where there is a lower liability limit specified by statute
Out of State, Federal and Sovereign Nations Coverage	\$5,000,000 per Occurrence (NMCIA reinsurance liability coverage subject to \$4,000,000 annual aggregate per member; and reinsurance liability is limited to a \$8,000,000 all members combined annual aggregate)	
Premises Medical	\$ 10,000 \$ 150,000	Per Person Per Occurrence

Sexual Abuse Defense Civil Defense Costs Only	\$50,000 per perpetrator/\$100,000 per County/annual aggregate, subject to \$500,000 annual aggregate applicable to all members.	
Sexual Abuse Shared Liability	75% Pool / 25% Member split of settlement or judgment payments between Pool and Named Member after the application of the deductible Per Occurrence	
Injunctive Relief Defense	\$10,000 per claim for defense costs ONLY	
Strip Searches	\$250,000 per occurrence/\$1,000,000 pool aggregate for any cost or liability arising from a lawsuit or other proceeding brought on behalf of a class of claimants that alleges unlawful strip searches. This sublimit applies even if the lawsuit alleges negligence or other wrongdoing in the establishment of policies, procedures or guidelines concerning strip searches, or negligence or other wrongdoing in the hiring, employment, training, supervision or monitoring of any person.	
IPRA Defense	Sublimit \$75,000	Plaintiff's Attorney's Fees and Costs Per Person/Per Occurrence
Communicable Disease Defense Shared Defense Costs Only	90% Pool / 10% Member split of defense costs between Pool and Named Member. No deductible applies to the Member's share of the split costs. Per Occurrence	
Automobile Medical Payments	\$ 10,000 \$ 150,000	Per Person Per Occurrence
Automobile First Party Deductibles	See Endorsement 7	
Liability and Automobile Liability Coverage Deductibles	See Endorsement 6	Per Occurrence
Whistleblower Protection Act	Sublimit \$100,000	The double back pay portion of a judgment rendered by a court or jury. Per Occurrence

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The above Coverages and Limits are subject to the New Mexico Tort Claims Act where applicable.

The above Coverages and Limits are per **Occurrence**, except where otherwise noted.

Law Enforcement Liability

<u>Coverage</u> <u>Law Enforcement Liability</u>	Third-party liability including Bodily Injury, Personal Injury and Property Damage	
<u>Form:</u>	Claims Made	
Coverage Parts	Limit	Terms
Covered New Mexico State Statutory Claims	\$2,000,000 per Occurrence (regardless of the number of claimants)	Total Liability per occurrence regardless of the number of claimants except as specifically excluded, sublimited, or addressed by endorsement (e.g. LE-4, LE-5 and LE-6) elsewhere in this coverage agreement or where there is a lower liability limit specified by statute
Out of State, Federal and Sovereign Nations Coverage for non-Class A Members and Dona Ana County	\$4,000,000 per Occurrence (NMCIA reinsurance liability coverage subject to \$4,000,000 annual aggregate per member; and reinsurance liability is limited to a \$8,000,000 all members combined annual aggregate)	Except as otherwise limited by Endorsements LE-4, LE-5 and LE-6

Commented [CS1]: 2025 first year declined coverage; review deductible selection doc to ensure choice for 2026.

Out of State, Federal and Sovereign Nations Coverage for Class A Members (Bernalillo, Sandoval and Santa Fe Counties)	\$5,000,000 per Occurrence (NMCIA reinsurance liability coverage subject to \$4,000,000 annual aggregate per member; and reinsurance liability is limited to a \$8,000,000 all members combined annual aggregate)	Except as otherwise limited by Endorsements LE-4, LE-5 and LE-6 50%/50% quota share between the Pool and the member for the \$1,000,000 xs \$4,000,000 layer of coverage
Member's Deductible	See Endorsement LE-3	Per Occurrence

Sexual Abuse Defense Civil Defense Costs Only	\$50,000 per perpetrator/\$100,000 per County/annual aggregate, subject to \$500,000 annual aggregate applicable to all Members
Sexual Abuse Shared Liability	75% Pool / 25% Member split of settlement or judgment payments between Pool and Named Member after the application of the deductible Per Occurrence
Strip Searches	\$250,000 per occurrence/\$1,000,000 pool aggregate for any cost or liability arising from a lawsuit or other proceeding brought on behalf of a class of claimants that alleges unlawful strip searches. This sublimit applies even if the lawsuit alleges negligence or other wrongdoing in the establishment of policies, procedures or guidelines concerning strip searches, or negligence or other wrongdoing in the hiring, employment, training, supervision or monitoring of any person.
The above Coverages and Limits are subject to the New Mexico Tort Claims Act where applicable.	
The above Coverages and Limits are per Occurrence , except where otherwise noted.	

C. **Named Member:** See Schedule A

Address: See Schedule A

Agreement Period

From: January 1, ~~2025~~2026 **To:** January 1, ~~2026~~2027
at 12:01 a.m. local time at the **Named Member's** address shown above.

D. **Retroactive Date:**
March 21, 2001, unless otherwise endorsed.

Part II – Coverage Conditions

A. **Limits of Liability**

1. The **Pool's** liability for **Money Damages** as the result of any one **Occurrence** is limited as described in the Limits of Coverage of this **Agreement** less the amount of the **Member's** deductible.

For the purpose of determining the limit of liability, all **Money Damages** arising out of continuous or repeated exposure to substantially the same general conditions shall be considered as arising out of one **Occurrence**.

2. **The Pool Will Pay With Respect to any Claim or Suit It Defends**

- a. All expenses the **Pool** incurs, including all claims expenses as defined in General Definitions, Part IV, "**Claims Expenses**".
- b. The cost of bonds to release attachments and appeal bonds required in any suit the **Pool** defends, but only for bond amounts within the applicable Limit of Insurance. The **Pool** does not have to furnish these bonds.
- c. All reasonable expenses incurred by the **Member** at the **Pool's** request to assist the **Pool** in the investigation or defense of the **claim** or suit. Such expenses do not include salaries of officials or employees of the **Member**.
- d. All costs assessed against the **Member** in the suit, unless otherwise excluded.
- e. Pre-judgment interest awarded against the **Member** on that part of the judgment the **Pool** pays. If the **Pool** makes an offer to pay the applicable Limit of Insurance, the **Pool** will not pay any pre-judgment interest based on that period of time after the offer.
- f. All interest on the full amount of any judgment that accrues after entry of the judgment and before the **Pool** has paid, offered to pay, or deposited in court the part of the judgment that is within the applicable Limit of Insurance.

g. Expenses incurred by the **Member** for first aid to others at the time of an **occurrence**, for **bodily injury** to which this **Agreement** applies.

3. **Deductible** - at the option and discretion of the **Pool**, the **Pool** may pay all or part of the deductible amounts to effect settlement and upon notification to the **Named Member**. **Named Member** shall promptly reimburse the **Pool** for all such expenditures.

4. **Defense Attorney Fees and Costs** are part of, and not in addition to, the Limits of Liability set forth in the Declarations, and payment by the **Pool** of **Defense Attorney Fees and Costs** shall reduce and may exhaust such Limits of Liability. ~~Defense attorneys fees and costs are within the policy limits.~~ The **Pool** has the sole authority to choose defense counsel to represent **Member** in the defense of a claim or suit.

B. Contribution Payments

Contributions are determined by the **Pool Board** based upon current underwriting information.

C. Territorial Scope

This coverage applies to **Occurrences** worldwide for which any **Claim** is made or suit is brought and maintained in the United States.

D. Clash Coverage

In the event a **Claim** is brought which could fall under more than one coverage section of this **Agreement**, regardless of the number of claimants or defendants, only one coverage section will apply, and only one occurrence limit shall apply. The coverage section with the highest limit will be the applicable coverage section.

E. Arbitration

~~In the event the **Member** and the **Pool** are unable to agree on any matter concerning this **Agreement**, including but not limited to coverage issues, the dispute shall be resolved through arbitration, not litigation. Either party may issue a written demand for arbitration within 90 days of the event triggering the arbitration request. The **Member** and the **Pool** shall agree on the selection of an arbitrator. If they cannot agree within 30 days, either party shall select an arbitrator and the two arbitrators shall select a third arbitrator to constitute a panel. Each party will pay the attorneys' fees and expenses it incurs and share the expenses of the arbitrator(s) equally. The **Member's** portion of the arbitrator's fee shall not accrue to or be payable by the **Pool**.~~

~~Both parties shall agree upon the location of the arbitration; if they cannot agree, the selected arbitrator shall determine the location. Local (State District Court) rules as to arbitration procedure and evidence will apply. The arbitrator's decision will be binding and that judgment may be entered in any court of competent jurisdiction. Any decision of the arbitrator(s) shall be non appealable and binding on all parties.~~

In the event of a dispute between a **Member** and NMCI, the dispute shall be subject to arbitration and all parties shall be bound by the findings and decision of the arbitrator(s), unless the member chooses to resolve the dispute through the NMCI's Policy on the Denial of Coverage. Otherwise, All such disputes shall be subject to

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binding arbitration including, but not limited to, disputes relating to this ~~Memorandum Agreement~~ including compliance with its conditions, the interpretation and extension of coverage, the actions or omissions to act of NMCIA and any **Member** in connection with any **Claim** or **Suit**, or potential **Claim**, **Suit**, or **Occurrence**, including prompt notice of a **Claim** or **Suit**, cooperation in the defense or resolution of a **Claim** or **Suit**, and settlement and indemnification of a **Claim** or **Suit**, whether a first party **Claim** or involving a third party **Claim**. NMCIA shall also have the right to determine when a **Claim** or **Suit** should be settled and may proceed to settle a **Claim** or **Suit** within its **Coverage Limit**, and any dispute between NMCIA and any **Member** as to the settlement of a **Claim** or **Suit** shall also be subject to binding arbitration. Either party may issue a written demand for arbitration within 90 days of the event triggering the arbitration request.

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Unless NMCIA and the **Member** agree to use three arbitrators, the dispute shall be decided by one arbitrator. The arbitration shall be conducted by JAMS, unless another arbitral agency is agreed in writing between NMCIA and the **Member** and, to the extent not inconsistent with the Bylaws and operative Member agreements, shall be governed by the JAMS' arbitration rules and procedures, including the rules governing the identification and selection of arbitration panel members (unless another agency is selected by mutual agreement, in which case that agency's rules shall apply unless otherwise agreed to between NMCIA and the ~~Member~~). Regardless of the outcome of the arbitration, NMCIA and the **Member** shall share equally in the costs of the arbitration and in the compensation of the arbitrators, which fees and costs shall not be subject to reallocation based upon whether NMCIA or the **Member** is the prevailing party.

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The arbitrator(s) shall consider this ~~Memorandum~~ an honorable engagement rather than merely a legal obligation and shall consider the issues presented in a manner consistent with the Preamble (which is also incorporated by reference as part of Section 16). Local rules of law as to procedure and evidence will apply and The arbitration shall take place in the County of Santa Fe. The decision of the majority of the arbitrators shall be final and binding upon both parties and not subject to appeal.

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A judgment based on the majority decision of the arbitrators may be entered in any court having jurisdiction upon the request of the **Member** or NMCIA.

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F. Termination/Suspension of Coverage/Withdrawal

Any **Named Member** may withdraw from the **Pool** at the end of any fiscal year (January 1 to December 31 each year) by giving at least 120 days prior written notice to the **Pool Board**. The withdrawn **Named Member** is not entitled to any reimbursement of contributions that are paid or become payable in the future, and shall continue to be obligated to make payment for which an obligation arose prior to withdrawal. In addition, the withdrawn **Named Member** shall forfeit all rights to any future distribution of equity.

A **Named Member** may be expelled in accordance with the **Pool's** Bylaws and Joint Powers Agreement.

The **Pool Board** may decline to offer renewal coverage on a particular line of coverage, or a portion of a line of coverage, at the end of any fiscal year upon 120 days notice to the affected member.

The **Pool Board** may suspend coverage of a **Named Member** for failure to make any payments due to the **Pool** or for other failings outlined in the **Pool's** Bylaws and Joint Powers Agreement. The **Named Member** shall be given a reasonable opportunity, of not less than 30 days to remedy the alleged failure.

G. Claims Process

- 1) **Members** shall immediately notify the **Pool's** claims administrator in writing, but in no event not later than ten (10) business days from the date of knowledge of an **Occurrence**, which may result or is likely to result in a **Claim**. Notice shall include how, when and where the **Occurrence** took place; the names, addresses and telephone numbers of any injured persons and witnesses; and the nature and location of any injury or damage arising out of the **Occurrence**. Notice of an **Occurrence** is not notice of a **Claim**.
- 2) If a **Claim** is received by any **Member**, the **Member** shall immediately record the specifics of the **Claim** and the date received and shall immediately notify the **Pool's** claims administrator in writing, but in no event not later than ten (10) business days.
- 3) The **Member** shall:
 - a. Immediately send the **Pool's** claims administrator copies of any demands, notices, summonses or legal papers received in connection with the **Claim** or suit; and
 - b. Authorize the claims administrator to obtain records and other information; and
 - c. Assist the **Pool**, upon its request, in the enforcement of any right against any person or organization which may be liable to the **Member** because of injury or damage to which this **Agreement** may also apply.
 - d. **Named Member** shall pay deductibles to NMCIA within 30 days of receipt of invoice.
- 4) No **Member** shall voluntarily make a payment, assume any obligation or incur any expense, other than for first aid or other bona fide emergency, without the **Pool's** written consent or in any way bind or obligate **NMCIA**.
- 5) The **Member** shall promptly take at its own expense, except as otherwise provided in this **Agreement**, all reasonable steps to prevent additional injury or damage from or arising out of the same or similar conditions at the same location where the initial injury or damage occurred. Any such expense shall not be recoverable under this **Agreement**.
- 6) A **Member** shall also fully cooperate with the **Pool's** investigation, settlement or defense including if asked to enforce any right against anyone or any organization that may be liable to a **Member** because of a covered injury or damage.
- 7) **Named Member** acknowledges and agrees that **NMCIA** has the sole authority to make representations, voluntarily make payments, assume obligations, or incur expenses.

- 8) **Members** shall not discuss any **Claim** with anyone other than **NMCIA**, defense counsel, anyone **NMCIA** deems necessary to the proper administration or defense of a **Claim**, or as required by law or contract.
- 9) Failure to comply with any of the above 1 through 8 shall constitute a breach of this **Agreement** and may result in sanctions being taken against the **Member** including without limitation a **Claim** denial and no further obligation for the **Pool** to defend or indemnify the **Member** for this **Claim**.

H. Due Diligence

The **Member** shall use due diligence and take all reasonable and practical steps to avoid or diminish any loss of or damage to the property insured.

I. Inspections, Audits and Verification of Values

The **Pool** or its authorized representatives may inspect the premises used by the **Members** and audit **Member's** books or records at any time during the term of this **Agreement** or within three (3) years after its expiration or termination. There is no time limit for auditing the **Member's** books or records with respect to **Claims** under this **Agreement**.

J. Other Insurance

If **Member** has other insurance, or is named as an additional insured on another policy against loss or damage covered under this **Agreement**, the **Pool** is liable under the terms of this **Agreement** only as excess of coverage provided by another insurance policy. However, this clause does not apply to the purchase of excess insurance or reinsurance above the excess limits of insurance stated in this **Agreement**.

K. Subrogation, Salvage and Recovery

The **Pool** shall be subrogated to all rights which the **Member** may have against any person or other entity in respect to any **Claim** or payment made under this **Agreement** and the **Member** shall execute all papers required by the **Pool** and shall cooperate with the **Pool** to secure the **Pool's** rights. If any reimbursement is obtained, or salvage or recovery made by the **Member** or the **Pool** on account of any loss covered by the **Pool**, the net amount of such reimbursement, salvage or recovery, after deducting the actual cost of obtaining or making the same, shall be first applied to the following order:

1. To the amount of loss which has been paid by the excess insurer or reinsurer and which exceeds the applicable excess limits;
2. To reduce the **Pool's** loss until the **Pool** is fully reimbursed;
3. To reduce the **Named Member's** loss because of the application of the deductible.

L. Waiver of Subrogation

This coverage shall not be invalidated if the **Member**, by written agreement, has waived or shall waive its right of recovery from any party for loss or damage covered hereunder; provided that any such waiver is made prior to the **Occurrence** of the loss or damage and with the prior written approval of the **Pool**.

M. Fraudulent Claims

If a **Member** makes a **Claim** knowing the **Claim** to be false or fraudulent, coverage shall become void and the **Claim** shall be denied.

N. Optional Extended Reporting Period

In the event of expulsion, withdrawal or non-renewal of this **Agreement** by the **Pool** or the **Member**, the **Member**, upon payment of an additional contribution to be determined by the **Pool**, shall have the right to extend the period in which a **Claim** which arose during the **Agreement** period, may be reported by the **Named Member** against the **Pool**. Such extended reporting period shall be for a period to be determined by the **Pool** after the expiration date of this **Agreement**, and is only for reporting claims that occurred during the **Agreement** period. The rights contained in this paragraph shall terminate, however, unless written notice of such election, together with the additional contribution due is received by the **Pool** within thirty (30) days after the effective date of cancellation or non-renewal. The additional contribution for the optional extended reporting period shall be fully earned at the inception of the optional extended reporting period. The optional extended reporting period is not cancelable. This clause and the rights contained herein shall not apply to any cancellation resulting from non-payment of contribution.

The extended reporting period does not apply to **Claims** that are covered under any subsequent coverage which a **Member** purchases or that would have been covered but for exhaustion of the amount of coverage applicable to those **Claims**.

The optional extended reporting period does not reinstate or increase the Limits of Coverage.

O. Multiple Claims or Claimants

The making of more than one **Claim** or the bringing of suits by more than one person or organization shall not operate to increase Limits of Coverage. Two or more **Claims** arising out of a single **Wrongful Act** or series of related **Wrongful Acts** shall be considered first made during the coverage period, or extended reporting period if purchased, in which the earliest **Notice of Claim** arising out of such **Wrongful Act** or related **Wrongful Acts** was first made and all such **Claims** shall be subject to the same Limits of Coverage.

P. Non-Waiver Of Rights

Failure by the New Mexico County Insurance Authority **Pool** to enforce any provision of this **Agreement** shall not be interpreted as a waiver of such provision or any other provision or any existing or future rights or privileges under this **Agreement**. The terms and conditions of this **Agreement** may be strictly enforced at any time despite any past or subsequent failure to do so by the **Pool**.

Part III – General Coverage Exclusions

The following exclusions apply to all coverages described in this **Agreement**. This **Agreement** does not provide coverage for:

1. Loss, damage or any type of **Claim**, including mysterious disappearance, caused by or resulting from fraudulent or dishonest acts committed by the **Member**, whether working alone or with others, except as provided in Section VI - Crime;
2. Expenses from any cost, civil fine, penalty, sanctions or expense against any **Member** for any compliance or enforcement action from any federal, state or local governmental regulatory agency, court or any alternative dispute resolution process;
3. Any **Claim** for front pay, back pay or other incidents of compensation or benefits due no matter how characterized to a **Named Member's** employees unless provided otherwise by sublimit or endorsement;
4. Any **Claim** arising from **Law Enforcement Activities**, except as provided in Part IX -- Law Enforcement Coverage;
5. Any **Claim** arising out of hospital, nursing home or clinic malpractice, malpractice by a physician, medical doctor, osteopath, nurse practitioner, clinical nurse specialist, physician assistant, chiropractor, resident, extern, intern, psychiatrist, pharmacist, dentist, orthodontist, periodontist, or psychologist, or contract medical service providers and their employees and contractors, except as otherwise provided by endorsement.
6. Any obligation for which the **Member** may be held liable under any workers' compensation, occupational disease, unemployment compensation, disability benefits law, employers' liability or under any similar law or to bodily injuries to any employee or to any liability for indemnity or contribution brought by any party for bodily injuries to any employee.
7. Any **Claim** arising from administrative proceedings, declaratory and/or injunctive relief, except as otherwise provided by endorsement.
8. Any **Claim or Suit** arising from any criminal penalties imposed, or provided for, pursuant to any federal, state, or local law, statute, ordinance, or regulation, however characterized.
9. Except as otherwise provided by endorsement, any **Claim** arising out of the operation of the principles of eminent domain, condemnation proceedings or claims, inverse condemnation proceedings or claims, regulatory taking by whatever name called, land use actions, zoning, rezoning or failure to zone, whether that liability accrues directly against the **Member** or by virtue of any agreement entered into, by or on behalf of the **Member**. Claims alleging civil rights violations arising out of any of the listed proceedings are also excluded. However, liability coverage under this **Agreement** is provided for monetary damages arising from a decision by the **Member** or its officers, agents or employees to issue or not issue building or construction permits, certificates of occupancy, business licenses, alcoholic beverage licenses or other permits and licenses that the **Member** is authorized by law to issue.
10. **Bodily Injury, Personal Injury, Property Damage** or any type of damage whatsoever to the property of the **Member** due to war, either directly or indirectly occasioned by, happening through or in consequence of war, invasion, acts of foreign enemies, any weapon of war employing atomic fission or radioactive force whether in time of peace or war, hostilities (whether war was declared or not), civil war, rebellion, revolution, insurrection, military or usurped power, confiscation or nationalization or requisition or

destruction of or damage to property by or under the order of any government or public or local authority.

11. **Bodily Injury, Personal Injury, Property Damage.** Except as otherwise provided by endorsement, any **Claim** arising out of **Bodily Injury, Personal Injury, Property Damage** or any type of damage whatsoever, including the loss of use or any other type of loss or damage caused by the discharge, dispersal, release, escape, migration, or seepage of any solid, liquid, gaseous or thermal irritant, contaminant, or pollutant, including soil, silt, sedimentation, smoke, soot, vapors, fumes, acids, alkalis, chemicals, electromagnetic fields (EMFs), hazardous substances, hazardous materials, waste materials, "low-level radioactive waste", "mixed waste" and medical, red bag, infectious or pathological wastes, on, in, into, or upon land and structures thereupon, the atmosphere, surface water, or groundwater.
12. **Bodily Injury, Personal Injury, Property Damage** or any other type of damage whatsoever, directly or indirectly caused by the presence of asbestos or lead in any form. This exclusion applies to **Claims** alleging wrongful acts or public officials' errors or omissions resulting in the presence of asbestos or lead.
13. **Intentional Acts.** Any **Claim** or **Suit** for:
 - a. **Bodily Injury** or **Property Damage** that is intended or expected from the standpoint of the **Member**, even if the **Bodily Injury** or **Property Damage** is of a different kind or degree, or is sustained by a different person, than intended. This exclusion shall not apply to **Bodily Injury** or **Property Damage** resulting from the use of reasonable force to protect persons or property, including excessive force claims under **Law Enforcement Liability**. However, if any law enforcement **Member** is found or adjudicated to have, or admits to, or pleads no contest to, committing a criminal act, the **Pool** will have no obligation to provide a defense or pay **Money Damages** on behalf of such **Member**; or
 - b. **Personal Injury** caused by or at the direction of a **Member** with the knowledge that the act would violate the rights of another; or
 - c. **Wrongful Acts**, errors or omissions that are dishonest, fraudulent, criminal or malicious.
14. Any **Claim** or **Suit** for criminal proceedings and criminal defense costs, except as specifically provided in this **Agreement**, including but not limited to those:
 - a. Arising from any criminal charges or proceedings against any **Member**;
 - b. Arising out of any malfeasance of office or willful and deliberate violation of any statute, regulation or ordinance;
 - c. Arising from any other dishonest or fraudulent acts committed by any **Member**, whether working alone or with others.
15. Loss or damage caused by or resulting from moth, vermin, termites or other insects, inherent vice, latent defect, wear, tear or gradual deterioration, evaporation, contamination, rust, wet or dry rot, mold, **Fungi, Organic Pathogen**, dampness or atmosphere, smog, extremes of temperature or loss or damage by settling for any reason, including movement of any kind, shrinkage or expansion in building or foundation, floor or ceiling.

16. Any **Claim** arising out of **Cyber Liability**, except as provided in Part X – Cyber Liability Coverage;
17. Any **Claim** arising out of the ownership, maintenance, loading or unloading, entrustment to others, use or operation of any aircraft, airfields, runways, hangars, buildings or other properties in connection with aviation activities, and any liability arising out of the maintenance, operation or use of watercraft over 26 feet in length or watercraft used to carry persons or property for a charge. This exclusion applies even if the **Claims** against any **Member** allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by the **Member**.
18. Any **Claim** or **Claims** for **Bodily Injury** or **Personal Injury** relating to:
 - a. Human Immune Deficiency Virus (HIV);
 - b. Acquired Immune Deficiency Syndrome Related Complex (ARC);
 - c. Acquired Immune Deficiency Syndrome (AIDS);
 - d. Any virus, complex or syndrome that is related to the foregoing;EXCEPT this exclusion does not apply to any actual or alleged discrimination based on the actual or alleged contraction of any of the foregoing as covered under Part VII (B) – Public Officials Errors and Omissions.
19. Any **Claim** based upon the **Member's** failure to comply with the Federal Employee Retirement Income Security Act of 1974 (ERISA), including subsequent amendments or any similar federal, state or local law or regulations;
20. Any **Claim** arising out of investment activities or the administration of self-insurance funds, except as covered in Part VI – Crime or Part VII, Item C., Employee Benefits Liability;
21. **Bodily Injury, Personal Injury, Property Damage** or any type of damage whatsoever resulting directly or indirectly from atomic or nuclear incidents, the hazardous properties of nuclear material, the preparation or operation of any site or location used in the storage of or disposal of nuclear material or nuclear waste, atomic or nuclear reaction, radiation, or radioactive contamination, however caused or characterized, including any loss or damage by fire resulting therefrom.
22. Any investigatory, disciplinary or criminal proceedings against an individual **Member or Named Member**, except that the **Pool** may at its own option assign counsel in the defense of any such investigatory, administrative or disciplinary proceeding. Should the **Pool** elect to assign counsel that shall not constitute a waiver or estoppel of any rights the **Pool** may have pursuant to the terms, conditions, exclusions, and limitations of this **Agreement**.
23. Any **Claim** arising out of a breach of contract other than an employment contract. Employment contracts do not include collective bargaining agreements.
24. Any **Claim** seeking relief or redress, in any form other than **Money Damages**, and for fees or expenses relating to **Claims**, demands or actions seeking relief in any form other than **Money Damages**, unless otherwise provided by endorsement. This exclusion includes but is not limited to all costs incurred to comply with injunctive relief ordered under the Americans with Disabilities

Act but shall not apply to **Claims** for monetary damages under the Americans with Disabilities Act.

25. Medical or hospital expenses or costs incurred by the **Named Member** in providing or furnishing medical aid or treatment to an inmate or detainee at a jail or correctional facility as a result of the **Named Member's** statutory or constitutional obligation to furnish medical or hospital care to an inmate or detainee within its physical custody.
26. Any **Claim** for which the **Member** is entitled to indemnity and/or payment by reason of having given notice of any circumstances which might give rise to a **Claim** under any agreement or agreements the term of which has commenced prior to the inception date of this **Agreement**.
27. **Sexual Abuse**. Any act or the participation in any act, whether alleged criminally or civilly of **Sexual Abuse** of any person by any **Member**; except as otherwise provided by Endorsement 8. This exclusion does not apply to **Claims** against any **Member** alleging negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that **Member**.
28. Punitive Damages.
29. Any **Claim**, including, but not limited to, a counter-claim or cross-claim by a **Member** against any other **Member**, whether or not the **Members** are related to the same **Named Member**, for anything other than Property Damage and Employment Practices Liability.
30. Any **Claim** related to the operation or administration of a detention center when said detention center is operated or administered by anyone other than a **Named Member** is excluded from **Law Enforcement Liability** coverage (Part IX, supra) under this **Agreement**. This exclusion does not apply when a **Named Member** participates in the operation or administration of the detention center through a Joint Powers Agreement with other local governments **and** the detention center's employees are employees of the **Named Member**.
31. Any cost, **Money Damages**, civil fine or penalty against any **Member** for any compliance or enforcement action regarding any tax, including allegations of over-assessment of taxes;
32. **Money Damages** assessed under the Inspection of Public Records Act that are required by statute to be paid from funds of the public body.
33. All loss, cost or expense arising out of or related to, either directly or indirectly, any "Terrorist Activity" as defined herein, and any action taken to hinder, defend against or respond to any such activity. This exclusion applies regardless of any other cause or event that in any way contributes concurrently or in any sequence to the loss, cost or expense.
 - a. "Terrorist Activity" shall mean any deliberate, unlawful act that:
 - i. is declared by any authorized governmental official to be or to involve terrorism, terrorist activity or acts of terrorism; or
 - ii. includes, involves, or is associated with the use or threatened use of force, violence or harm against any person, tangible or intangible

property, the environment, or any natural resources, where the act or threatened act is intended, in whole or in part, to

1. promote, further or express opposition to any political, ideological, philosophical, racial, ethnic, social or religious cause or objective; or
2. influence, disrupt or interfere with any government related operations, activities or policies; or
3. intimidate, coerce or frighten the general public or any segment of the general public; or
4. disrupt or interfere with a national economy or any segment of the national economy; or

iii. includes, involves, or is associated with, in whole or in part, any of the following activities, or the threat thereof:

1. hijacking or sabotage of any form of transportation or conveyance, including but not limited to spacecraft, satellite, aircraft, train, vessel, or motor vehicle;
2. hostage taking or kidnapping;
3. the use or threatened use of, or release or threatened release of any nuclear, biological, chemical or radioactive agent, material, device or weapon;
4. the use of any bomb, incendiary device, explosive or firearm;
5. the interference with or disruption of basic public or commercial services and systems, including but not limited to the following services or systems: electricity, natural gas, power, postal, communications, telecommunications, information, public transportation, water, fuel, sewer or waste disposal;
6. the injuring or assassination of any elected or appointed government official or any government employee;
7. the seizure, blockage, interference with, disruption of, or damage to any government buildings, institutions, functions, events, tangible or intangible property or other assets; or
8. the seizure, blockage, interference with, disruption of, or damage to tunnels, roads, streets, highways, or other places of public transportation or conveyance.,

b. Any of the activities listed in section a. (iii) above shall be considered "Terrorist Activity" except where the **Named Member** can demonstrate to the **Pool** that the foregoing activities or threats thereof were motivated solely by personal objectives of the perpetrator that are unrelated, in whole or in part, to any intention to

- i. promote, further or express opposition to any political, ideological, philosophical, racial, ethnic, social or religious cause or objective; or
- ii. influence, disrupt or interfere with any government related operations, activities or policies; or
- iii. intimidate, coerce or frighten the general public or any segment of the general public; or

- iv. disrupt or interfere with a national economy or any segment of a national economy.
- 34. Any **Claim** arising out of the igniting or discharging of fireworks in conjunction with any display, demonstration or show on privately owned property. Fireworks include but are not limited to firecrackers and all aerial or ground displays.
- 35. Communicable Disease Exclusion. Notwithstanding any other provision of this **Agreement**, this coverage does not apply to any actual or alleged liability, injury, loss, damages, claim, cost, expense, fee or any other payment of any kind, directly or indirectly based upon, in whole or in part, arising out of:
 - a. a **Communicable Disease**; or
 - b. the fear or threat (whether actual or perceived) of a **Communicable Disease**; or
 - c. any requirement or recommendation of any **Governmental Authority** regarding a **Communicable Disease**; or
 - d. the actual or alleged transmission, spread or failure to prevent, suppress or remove a **Communicable Disease**; or
 - e. the reporting of, monitoring of, disclosure of, testing for, or failure to report, monitor, disclose or test for, a **Communicable Disease**.

This Exclusion applies regardless of whether:

- a. any other cause, event, material, product or incident of whatever kind or nature contributed, concurrently or in any sequence, to the actual or alleged liability, injury, loss, damage, claim, cost, expense or any other payment of any kind; or
- b. such actual or alleged liability, injury, loss, damage, claim, cost, expense or any other payment of any kind is based upon, caused by, resulting from, arising from, related to, or attributable, in whole or in part, to any persons (including, without limitation, any insured or other person or entity).

We will have no duty or obligation to defend, indemnify, or pay to or on behalf of any person (including, without limitation, any insured or other person or entity), with respect to any claim, suit or proceeding that alleges or is, directly or indirectly, in whole or in part, arising out of any of the above, except as otherwise provided by endorsement.

Part IV – General Definitions

"Accident" means an event or **Occurrence**, including continuous and repeated exposure to the same general harmful conditions, which occurs on or after the retroactive dates attached to this **Agreement** and which results in **Bodily Injury**, **Personal Injury** or **Property Damage**. If the **Bodily Injury**, **Personal Injury** or and **Property Damage** result from the same **Occurrence**, it shall be treated as resulting from one **Accident**.

"Agreement" or **"Coverage Agreement"** means the **Coverage Agreement** created to describe the property, liability and law enforcement coverages provided to the **Named Members** of the **Pool**.

"Automobile" means any motor vehicle intended or designed for travel on public roads, and trailers or semi-trailers, including their equipment and any other equipment permanently attached to it, but **Automobile** does not include **Mobile Equipment**. However, self-propelled vehicles with the following types of permanently attached equipment are considered **Automobiles**: equipment designed primarily for snow removal; equipment designed primarily for road maintenance, but not construction or resurfacing; equipment designed primarily for street cleaning; cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and air compressors, pumps, and generators, including spraying, welding building cleaning, geophysical exploration, lighting, and well servicing equipment.

"Bodily Injury" means physical injury (including death) to any person, and any mental anguish or shock, sickness, disease, disability or death associated with or arising from that physical injury. **Bodily Injury** also includes battery.

"Claim" is a demand for **Money Damages** resulting from an **Occurrence** for which a **Member** seeks coverage under this **Agreement**.

"Claims Expense" includes hospital, medical and funeral charges and all sums paid as fees, charges and legal costs, premiums on attachment or appeal bonds, interest, expenses for doctors, lawyers, nurses and investigators, and for litigation, settlement, adjustment and investigation of **Claims** and lawsuits which are paid as a consequence of any **Occurrence** covered by this **Agreement**. **This Agreement does not cover any claim for front pay, back pay or other incidents of compensation or benefits due to a Named Member's employees.**

"Communicable Disease" means a disease, illness or condition directly or indirectly based upon, caused by, arising out of, relating or attributable to, in whole or in part, any actual, alleged, direct or indirect contact with or exposure to any **Infectious Agent**.

"Cyber Liability" means any liability resulting from the unauthorized access, unauthorized use, receipt or transmission of a malicious code or denial of service attack, arising out of a **Member's** business operations which:

1. Alters, copies, misappropriates, corrupts, destroys, disrupts, deletes, damages or prevents, restricts or hinders access to, a Computer System, including data stored on a third party's Computer System;
2. Results in the disclosure of private or confidential information stored on a Computer System;
3. Results in identity theft

Whether any of the foregoing is intentional or unintentional, malicious or accidental, fraudulent or innocent, and regardless of whether the perpetrator is motivated by profit.

As used herein, Computer System shall mean computers and associated input and output devices, data storage devices, networking equipment, and back up facilities:

1. operated by and either owned by or leased to the **Member**; or

2. systems operated by a third party service provider 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, pursuant to a written agreement or contract with the **Member** for such services.

"Deductible" means the amount the **Named Member** is legally obligated to reimburse the Pool before the Pool incurs liability. The deductible applies to all costs, fees and expenses incurred by the Pool for any claim.

"Employee Benefit Programs" means group life insurance, group accident or health insurance, pension plans, profit sharing plans, employee savings and investment plans, employee stock subscription plans, travel or vacation plans, workers' compensation, unemployment insurance, social security, disability benefits insurance, employee welfare benefit plans and welfare plans, and any other similar employee benefit programs.

"Employment Practices Liability Wrongful Act" means an allegation of improper:

1. Refusal to employ;
2. Termination of employment;
3. Practices, policies, acts or omissions such as coercion, demotion, failure to promote, evaluation, supervision, reassignment, discipline, humiliation, libel, slander, defamation of character, harassment (however characterized), including violations of civil rights including discrimination by the **Member**, which are employment related;
4. Selection, supervision or dismissal of any **Member**.
5. Retaliation

"Fungi" shall mean any form of fungus including, but not limited to, yeast, mold, mildew, rust, smut, mushroom, spores, mycotoxins, odors, or any other substances, products, or byproducts produced by, released by, or arising out of the current or past presence of **Fungi**.

"Governmental Authority" means any foreign, international, federal, state or local government, regulatory entity, administrative body, judicial body, quasi-governmental entity or, in each case, any subdivision or instrumentality thereof, and includes, without limitation, any statute, regulation, law, ordinance, order, directive or guidance issued by any of them.

"Infectious Agent" means one or more of any bacteria, viruses, markers, microbial agents, microorganisms, biological organisms, parasites, insects, protozoa, or any other source, combination, variant or mutation thereof, capable of transmission or spreading by any means from any source.

"Law Enforcement Activities" means the activities of any **Member** while acting as a law enforcement official, officer, reserve officer, detention officer, employee, or volunteer of a law enforcement agency or department or detention facility of the **Named Member**. **Law Enforcement Activities** also includes any activities of any **Member** in the hiring, training, supervising, or in any way related to a **Claim** or **Suit** involving **Law Enforcement Activities**

whether or not the claimed offender is a law enforcement official, officer, reserve officer, detention officer, employee, or volunteer of a law enforcement agency or department or detention facility of the **Named Member**. **Law Enforcement Activities** do not include employment practice violations even if they involve law enforcement personnel. **Law Enforcement Activities** include the rendering or failure to render medical care to inmates or detainees at a county detention facility. With regard to **Claims** involving **Automobiles**, the cause of action or nature of the **Claim** will determine whether Law Enforcement, **Automobile** Liability or General Liability coverage applies.

"Law Enforcement Liability" means liability incurred due to law enforcement activities, specifically for actions for which immunity is waived under the New Mexico Tort Claims Act, and or for civil rights violations.

"Member" means not only the **Named Member** County but also any official, trustee, director, officer, partner or employee of the **Named Member** while acting within the scope of his or her duties as such; any volunteer acting for or on behalf of the **Named Member**, provided that individual has been authorized to act on behalf of the **Named Member** by an official, director or supervisory officer of the **Named Member**; and any person or organization, to whom the **Named Member** is obligated by virtue of written contract or agreement to provide coverage such as is offered by this **Agreement**, but only in respect to operations by or on behalf of the **Named Member**. Also, for **Automobile** Liability, see Part VIII, **Definitions**.

"Member" shall not include any individual who has received a written denial of coverage under the Pool's Policy on Denial of Coverage to Named Employees and Elected Officials, as adopted and amended by the Board of Directors so long as the denial of coverage has not been reversed. No defense, indemnity, payment of claims, or other benefits shall be available under this Coverage Agreement to any such excluded individual, or to any Member for any claim, demand, or cause of action arising out of, resulting from, or in any way related to the acts, errors, or omissions of the excluded individual after the effective date of exclusion.

"Mobile Equipment" means any of the following types of land vehicles, including any attached machinery or equipment:

1. Bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads;
2. Vehicles maintained for use solely on or next to premises the **Named Member** owns or rents;
3. Vehicles that travel on crawler treads;
4. Vehicles, whether self-propelled or not, maintained primarily to provide mobility to permanently mounted power cranes, shovels, loaders, diggers or drills or to road construction or resurfacing equipment such as graders, scrapers or rollers;
5. Vehicles not described above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types: air compressors, pumps and generators including spraying, welding, building, cleaning, geophysical exploration, lighting and well servicing equipment or cherry pickers and similar devices used to raise or lower workers;

6. Vehicles not described above which are maintained primarily for purposes other than the transportation of persons or cargo.

"Money" means currency, coins, and bank notes in current use and having a face value; and Travelers checks, register checks and money orders held for sale to the public, but **Money** does not include **Securities**.

"Money Damages" means all sums recoverable by law from any liability covered under this **Agreement** excluding punitive damages if awarded, but not including any sums awarded for plaintiff's attorney fees under 42 U.S.C., Section 1988 in any case in which monetary damages are not sought or not awarded. **"Money Damages"** include jury awards, settlements, attorneys' fees and costs, but do not include front or back pay, overtime pay or other benefits that are routinely paid by a **Named Member** to its employees.

"Named Member" means the County named on Endorsement #1 of this **Coverage Agreement**.

"Notice of Claim" means the following:

1. The **Member** receives or is served with any demands, notices, lawsuits, summonses, or legal papers in connection with a **Claim**, or the **Member** is aware of a first party claim; and
2. The **Member** provides written notice of the claim to the **Pool** in accordance with the Claims Process contained in Part II, Coverage Conditions.

"Occurrence" means an **Accident, Wrongful Act** or a happening or event or a continuous and repeated exposure to conditions, including but not limited to, those which result in **Bodily Injury, Property Damage** or **Personal Injury**. All **Bodily Injury, Personal Injury** or **Property Damage** attributable, directly or indirectly, to a single cause or a series of similar causes shall be deemed one **Occurrence**, irrespective of the period of time or area over which such losses occur. There may be multiple **Claims** or claimants involved in one **Occurrence**; however only one deductible applies per **Occurrence**.

"Organic Pathogen" means any bacterium, virus, fungus, mold, mildew, mycota, myco-toxins, spore, or any biogenic aerosols, or any by-product or infestation produced by such pathogen.

"Personal Injury" means mental anguish, shock, sickness, disease, disability or wrongful eviction arising out of malicious prosecution, humiliation, invasion of rights of privacy, (except those arising out of **Cyber Liability** as defined in this coverage document), libel, slander or defamation of character; also piracy and any infringement of copyright or of intellectual property, and erroneous service of civil papers. **Personal Injury** also means false arrest, false imprisonment and/or detention and violation of civil rights, which means discrimination based on age, sex, race, ethnic background, national origin, religion, handicap or disability, and deprivation of rights, privileges, or immunities secured by the Constitution of the United States or of New Mexico.

"Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapors, soot, fumes, acids, alkalis, chemicals, liquids, solids, gases, thermal pollutants, sounds, waste and all other irritants or contaminants. "Waste" includes materials to be recycled, reconditioned or reclaimed.

"Pool" means the New Mexico County Insurance Authority Self-Insurance Pool.

"Pool Annual Aggregate" means the **Pool's** total liability for **Money Damages** resulting from all **Claims** first made against the **Named Members** during the **Agreement** period and shall not exceed the amount stated in the Declarations as aggregate regardless of the time when such **Claim** is paid. In the event the **Named Member** exercises the right to purchase the Optional Extended Reporting Period, Part II, Section N the aggregate limit for the Optional Extended Reporting Period, Part II, Section N shall be no more than that which remains of the aggregate limit from the immediately preceding **Agreement** period.

"Premises" means the entirety of the **Named Member's** property which is owned or occupied by the **Named Member** in conducting its business operations.

"Premises Medical Payments/Automobile Medical Payments" means reasonable expenses for first aid at the time of an **Accident**, necessary medical, surgical, x-ray and dental services, ambulance, hospital, professional nursing and funeral services. **Premises Medical Payments** does not apply to expenses incurred in treating inmates while in the care and/or custody of a **Named Member**.

"Property Damage" means direct damage to or destruction or loss of tangible property, including all resulting loss of use of property. This definition applies to Parts VII and VIII of this **Agreement**. **Property Damage** excludes damage to the property owned by the **Named Member** but includes damage to property of others in the care, custody or control of the **Named Member** or property purchased by the **Named Member** under a contract which provides that the title remain with the sellers until payments are completed, in which case the **Pool's** liability is limited to the amount of payments outstanding.

"Retaliation" means any actual or alleged response of a **Member** to:

1. The disclosure or threat of disclosure by a **Member** to a superior or to any governmental agency of any act of the **Named Member** where such act is alleged to be in violation of any federal, state, local or foreign law, whether common or statutory, or any rule or regulation promulgated thereunder;
2. The actual or attempted exercise by a **Member** of any right that such **Member** has under law, including rights under any workers' compensation law, the Family and Medical Leave Act, the Americans with Disabilities Act or any other law relating to employee rights;
3. The filing of any claim under the Federal False Claims Act or any similar federal, state, local or foreign whistleblower or whistleblower provision of any law; or
4. Any legally protected employee work stoppage or slowdown

"Scope of Duty" means performing any duties a public employee is requested, required or authorized by the **Named Member**, regardless of the time and place of performance.

"Securities" means all negotiable instruments or contracts representing either money or other property and includes revenue and other stamps in current use, tokens and tickets, but does not include **Money**.

"Sexual Abuse" means any actual, attempted or alleged criminal sexual conduct, verbal or written conduct using visual images, including such conduct by electronic means, towards a person by another person, or persons acting in concert, which causes physical and/or mental injury. **Sexual Abuse** includes: sexual molestation, sexual assault, sexual exploitation or sexual injury. **Sexual Abuse** does not include **Sexual Harassment**.

"Sexual Harassment" means any actual, attempted or alleged unwelcome sexual advances, requests for sexual favors or other conduct of a sexual nature towards a person by another person, or persons acting in concert, which causes physical and/or mental injuries. **Sexual Harassment** includes:

1. The above conduct when submission to or rejection of such conduct is made either explicitly or implicitly a condition of a person's employment, or a basis for employment decisions affecting a person; or
2. The above conduct when such conduct has the purpose or effect of unreasonably interfering with a person's work performance or creating an intimidating, hostile or offensive work environment.

Sexual Harassment does not include **Sexual Abuse**.

"Strip Search" means the visual or physical examination of an individual's naked body, anus or vagina for weapons, drugs or other contraband and includes any search that requires the subject to remove or arrange some of all of their clothing to permit inspection of the breasts (women only), buttocks, genitalia, anus or vagina."

"Wrongful Act" means any actual or alleged error or mis-statement, omission, act or neglect or breach of duty due to misfeasance, malfeasance, and non-feasance, including any **Employment Practice Liability Wrongful Act**, or **Law Enforcement Liability Wrongful Act**, Discrimination, and Violation of Civil Rights by the **Member**, resulting in **Bodily Injury**, **Personal Injury** or **Property Damage**. All **Claims** based on or arising out of the same **Wrongful Act** or a series of related **Wrongful Acts** by one or more **Member** shall be deemed one **Occurrence**. Only one **Coverage Agreement**, one **Deductible**, and one limit of coverage is applicable to any one **Wrongful Act**.

Part V – Property

Property coverage is set forth in the ~~2025-2026~~ NMCA Property Coverage Agreement.

For purposes of this Part V, Property, the following definitions and conditions shall apply:

A. DEFINITIONS.

"Property" or **"Property of the Named Member"** means all real and personal property, including leasehold improvements or betterments which the **Named Member** owns, property which the **Named Member** holds on consignment or agrees to cover by any contractual agreement normal to its operations, and the **Named Member's** own property in the course of construction, repair or renovation

Part VI – Crime

Crime coverage is set forth in the crime policy provided by National Union Fire Insurance Company of Pittsburgh, PA, policy number 02-778-03-53.

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Part VII – Liability

SECTION A – GENERAL LIABILITY

I. CLAIMS MADE COVERAGE AGREEMENT

A. What the Pool Will Pay

CLAIMS MADE COVERAGE AGREEMENT: PAYMENT AND DEFENSE

In consideration of the **Named Member's** contribution and subject to the terms, exclusions and definitions in this **Agreement**, the **Pool** agrees to pay on behalf of the **Member** all sums which the **Member** shall become legally obligated to pay as a result of **Money Damages** by reason of the negligent act(s) committed by the **Member** stated in a **Claim**, to which this coverage applies, which results in **Personal Injury, Bodily Injury or Property Damage** arising out of an **Occurrence**.

PROVIDED ALWAYS that the following are true:

1. **Notice of Claim** occurs during the **Agreement** Period or during the Optional Extended Reporting Period, if applicable; and
2. The negligent act for which **Claim** is first made happened on or after the applicable retroactive date set forth in this **Agreement** and before the end of the **Agreement** period; and
3. The **Member** had no knowledge or reason to believe at the inception of the first **Agreement** Period or any extensions or renewals thereof that any negligent act was likely to result in a **Claim** being made against any **Member**.

B. Defense

1. Subject to all of the provisions contained in this **Agreement**, the **Pool** has the right and duty to defend any **Claim** arising out of the categories of conduct enumerated above brought against the **Member**, alleging a negligent act and seeking **Money Damages** on account thereof, even if a **Claim** is groundless, false or fraudulent. The **Pool** shall have the right to incur **Claims Expenses** and to make such investigation and settlement of any **Claim** or suit as may be deemed expedient by the **Pool** and the **Pool** may settle any **Claim** at its sole discretion and without the consent of the **Member**, although the **Pool** will endeavor to seek the input of the **Member**. The determination by the **Pool** as to any settlement and as to the reasonableness of settlements and **Claims Expenses** shall be conclusive on the **Member**. The **Pool** shall have the right, but not the obligation, to appeal any judgment adverse to the **Member**.

2. (a). Upon written request to the **Pool** by a **Member** for pre-**Claim** involvement of the **Pool** prior to the formal existence of a **Claim**, the **Pool** has the right, but not the duty, to designate attorneys, investigators, or other persons to perform work and incur expenses on behalf of the **Member** where the **Pool** anticipates a **Claim**.

 (b) If, in the sole discretion of the **Pool**, employing the services of attorneys, investigators, or other persons to perform work and incur expenses on behalf of any **Member** or the **Pool** is deemed appropriate to protect **Pool** interests prior to the formal existence of a **Claim**, the **Pool** has the right, but not the duty, to employ such persons as a **Pool** operational expense.
3. The **Pool** shall have the right, but not the duty, to monitor and participate in the defense of any investigatory, administrative or disciplinary proceeding relating to any **Member**. Should the **Pool** elect to defend, monitor or participate under this provision, such election shall not constitute a waiver of any rights the **Pool** may have pursuant to any of the provisions of the **Coverage Agreement**.

II. EXCLUSIONS APPLICABLE TO SECTION A – GENERAL LIABILITY

In addition to the general exclusions of this **Agreement**, this part does not apply to:

- A. Any **Claim** for **Money Damages**, whether direct or consequential, or for any cause of action which is covered under any other section of this **Agreement**.
- B. Damage or destruction of property owned by the **Named Member**.
- C. The withdrawal, inspection, repair, replacement, or loss of use of the **Named Member's** products or work completed by or on behalf of the **Named Member** or of any property of which such products or work form a part, if such products, work or property are withdrawn from the market or from use because of any known or suspected defect or deficiency therein.
- D. **Bodily Injury, Property Damage, Personal Injury** or any other damages whatsoever caused by the maintenance, operation, use, loading or unloading, or entrustment of an **Automobile**. This exclusion applies even if the **Claims** against and **Member** allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that **Member**.

SECTION B – EMPLOYMENT PRACTICES LIABILITY

I. CLAIMS MADE COVERAGE AGREEMENT

A. What the Pool Will Pay

The **Pool** agrees, subject to the limitations, terms and conditions of this **Agreement**, to provide a defense and pay on behalf of the **Member** all **Money Damages** that the **Member** shall become legally obligated to pay by reason of any **Employment Practices Liability Wrongful Act** arising out of any **Claim** first made during the period of this **Agreement**.

PROVIDED ALWAYS that the following are true:

1. **Notice of Claim** occurs during the **Agreement** Period or during the Optional Extended Reporting Period, if applicable; and
2. The **Employment Practices Liability Wrongful Act** for which a **Claim** is first made happened on or after any applicable retroactive date set forth in this **Agreement** and before the end of the **Agreement** period; and
3. The **Member** had no knowledge or reason to believe at the inception of the first **Agreement** Period or any extensions or renewals thereof that any **Employment Practices Liability Wrongful Act** was likely to result in a **Claim** being made against any **Member**.

The **Pool** will pay on behalf of the **Member Money Damages** and expenses incurred by the **Pool**, the cost of attachment or similar bonds (but without any obligation on the part of the **Pool** to apply for or furnish such bonds), and costs, charges and expenses incurred in connection with any governmental investigation provided that a **Claim** is brought against the **Member** for an **Employment Practices Liability Wrongful Act** that is or was a subject of a governmental investigation, and that **Claim** is otherwise covered by this **Agreement**.

B. Defense

1. Subject to all of the provisions contained in this **Agreement**, the **Pool** has the right and duty to defend any **Claim** brought against the **Member** alleging an **Employment Practices Liability Wrongful Act** and seeking **Money Damages** on account thereof, even if a **Claim** is groundless, false or fraudulent. The **Pool** shall have the right to incur **Claims Expenses** and to make such investigation and settlement of any **Claim** or suit as may be deemed expedient by the **Pool** and the **Pool** may settle any **Claim** at its sole discretion and without the consent of the **Member**, although the **Pool** will endeavor to seek the input of the **Member**. The determination by the **Pool** as to any settlement and as to the reasonableness of settlements and **Claims Expenses** shall be conclusive on the **Member**. The **Pool** shall have the right, but not the obligation, to appeal any judgment adverse to the **Member**.
2. (a) Upon written request to the **Pool** by a **Member** for pre-**Claim** involvement of the **Pool** prior to the formal existence of a **Claim**, the **Pool** has the right, but not the duty, to designate attorneys, investigators, or other persons to perform work and incur expenses on behalf of the **Member** where the **Pool** anticipates a **Claim**.

(b) If, in the sole discretion of the **Pool**, employing the services of attorneys, investigators, or other persons to perform work and incur expenses on behalf of any **Member** or the **Pool** is deemed appropriate to protect **Pool** interests prior to the formal existence of a **Claim**, the

Pool has the right, but not the duty, to employ such persons as a **Pool** operational expense.

3. The **Pool** shall have the right, but not the duty, to monitor and participate in the defense of any investigatory, administrative or disciplinary proceeding relating to any **Member**. Should the **Pool** elect to defend, monitor or participate under this provision, such election shall not constitute a waiver of any rights the **Pool** may have pursuant to any of the provisions of the **Agreement**.

II. EXCLUSIONS APPLICABLE TO EMPLOYMENT PRACTICES LIABILITY

In addition to the general exclusions of this **Agreement**, this section shall not apply to any **Claim** made against the **Member**:

- A. For actual or alleged **Bodily Injury**, sickness, disease or death of any person, or damage or destruction of any tangible or intangible property including loss of use thereof, whether or not such property is physically injured; provided, however, that this exclusion shall not apply to mental anguish, emotional distress or humiliation;
- B. For any actual or alleged violation of the responsibilities, obligations or duties imposed by the Employee Retirement Income Security Act of 1974, the New Mexico Public Employee Bargaining Act, the Worker Adjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Occupational Safety and Health Act, all as amended, or any rules or regulations promulgated thereunder, or similar provisions of any common or statutory federal, state or local law; provided, however, this exclusion does not apply to any such **Claim** alleging violations of the Equal Pay Act or **Retaliation**;
- C. For any actual or alleged **Sexual Abuse**. However, with respect to civil defense only, the **Pool** will provide defense and indemnification to any **Member** alleged to have committed an act of **Sexual Abuse**; provided that, in no event shall further defense or indemnity be provided where a judgment or other final adjudication should establish, or it is otherwise determined, that the **Member** committed or participated in any act of **Sexual Abuse**
- D. Alleging, based upon, arising out of, attributable to, directly or indirectly resulting from, in consequence of, or in any way involving any dishonest, deliberately fraudulent or criminal act; provided, however, that with respect to civil proceedings only, this exclusion shall not apply unless and until there is a final judgment against such **Member** as to such conduct. If such excluded conduct is established through a final judgment, the **Member** shall reimburse the **Pool** for any costs, charges and expenses;

- E. Alleging, based upon, arising out of, attributable to, directly or indirectly resulting from, in consequence of, or in any way involving, any actual or alleged responsibility, obligation or duty of any **Member** pursuant to any workers compensation, unemployment insurance, social security, disability benefits or pension benefits or similar law; provided, however, this exclusion shall not apply to any such **Claim** alleging **Retaliation**; or
- F. For that portion of any **Money Damages** covered under any other coverage section of this **Agreement**.

III. SPECIFIC CONDITIONS – PART VII – LIABILITY

A. Employment Practices Liability Deductible

The **Pool's** liability for **Money Damages** as the result of any one **Employment Practices liability Occurrence** is limited as described in the Limits of Coverage of this **Agreement** less the amount of the **Named Member's Employment Practices Liability** deductible as set forth in the Endorsements.

For the purpose of determining the limit of liability, all **Money Damages** arising out of continuous or repeated exposure to substantially the same general conditions shall be considered as arising out of one **Occurrence**.

SECTION C – PUBLIC OFFICIALS ERRORS AND OMISSIONS LIABILITY

I. CLAIMS MADE COVERAGE AGREEMENT

A. What the Pool Will Pay

The **Pool** agrees, subject to the limitations, terms and conditions of this **Agreement**, to provide a defense and pay on behalf of the **Member** all **Money Damages** that the **Member** shall become legally obligated to pay by reason of any Public Officials Errors and Omissions Liability **Wrongful Act** arising out of any **Claim** first made during the period of this **Agreement**.

PROVIDED ALWAYS that the following are true:

1. **Notice of Claim** occurs during the **Agreement** Period or during the Optional Extended Reporting Period, if applicable; and
2. The Public Officials Errors and Omissions Liability **Wrongful Act** for which a **Claim** is first made happened on or after any applicable retroactive date set forth in this **Agreement**; and before the end of the **Agreement** period; and
3. The **Member** had no knowledge or reason to believe at the inception of the first **Agreement** Period or any extensions or renewals thereof that any Public Officials Errors and Omission Liability **Wrongful Act** was likely to result in a **Claim** being made against any **Member**.

The **Pool** will pay on behalf of the **Member Money Damages** and expenses incurred by the **Pool**, the cost of attachment or similar bonds (but without any obligation on the part of the **Pool** to apply for or furnish such bonds), and costs, charges and expenses incurred in connection with any governmental

investigation provided that a **Claim** is brought against the **Member** for a Public Officials Errors and Omissions Liability **Wrongful Act** that is or was a subject of a governmental investigation, and that **Claim** is otherwise covered by this **Agreement**.

B. Defense

1. Subject to all of the provisions contained in this **Agreement**, the **Pool** has the right and duty to defend any **Claim** brought against the **Member** alleging a Public Officials Errors and Omissions Liability **Wrongful Act** and seeking **Money Damages** on account thereof, even if a **Claim** is groundless, false or fraudulent. The **Pool** shall have the right to incur **Claims Expenses** and to make such investigation and settlement of any **Claim** or suit as may be deemed expedient by the **Pool** and the **Pool** may settle any **Claim** at its sole discretion and without the consent of the **Member**, although the **Pool** will endeavor to seek the input of the **Member**. The determination by the **Pool** as to any settlement and as to the reasonableness of settlements and **Claims Expenses** shall be conclusive on the **Member**. The **Pool** shall have the right, but not the obligation, to appeal any judgment adverse to the **Member**.
2. (a) Upon written request to the **Pool** by a **Member** for pre-**Claim** involvement of the **Pool** prior to the formal existence of a **Claim**, the **Pool** has the right, but not the duty, to designate attorneys, investigators, or other persons to perform work and incur expenses on behalf of the **Member** where the **Pool** anticipates a **Claim**.

(b) If, in the sole discretion of the **Pool**, employing the services of attorneys, investigators, or other persons to perform work and incur expenses on behalf of any **Member** or the **Pool** is deemed appropriate to protect **Pool** interests prior to the formal existence of a **Claim**, the **Pool** has the right, but not the duty, to employ such persons as a **Pool** operational expense.
3. The **Pool** shall have the right, but not the duty, to monitor and participate in the defense of any investigatory, administrative or disciplinary proceeding relating to any **Member**. Should the **Pool** elect to defend, monitor or participate under this provision, such election shall not constitute a waiver of any rights the **Pool** may have pursuant to any of the provisions of the **Agreement**.

II. EXCLUSIONS APPLICABLE TO PUBLIC OFFICIALS ERRORS AND OMISSIONS LIABILITY

In addition to the general exclusions of this **Agreement**, this section shall not apply to any **Claim** made against the **Member**:

- A. Based upon or attributable to their gaining in fact any personal profit or advantage to which they were not legally entitled including remuneration paid in violation of law as determined by the courts.
- B. Based upon or attributable to the rendering or failure to render any opinion, treatment, consultation or service if that opinion, treatment, consultation or service was rendered or failed to have been rendered while the **Member** was

engaged in any activity for which they received compensation from any source other than the **Named Member**.

- C. Arising out of estimates of probable costs or cost estimates being exceeded or for faulty preparation of bid specifications or plans or to injury to, destruction or disappearance of any tangible Property (including Money) or the loss of use thereof.
- D. Arising out of the failure to supply a specific amount of electrical power or fuel arising out of the interruption of the electrical power or fuel supply.
- E. Arising out of or in any way involving any employee benefit plan of the **Named Member**.
- F. For any **Claim** covered under Section A, General Liability or Section B, Employment Practices Liability.
- G. Damage or destruction of property owned by the **Named Member**.
 - 1. Arising from:
 - a. Procurement of goods or services;
 - b. Construction contracts;
 - c. Architectural or engineering contracts; or
 - d. The process of bidding or awarding contracts.
- H. For any **Claim** regarding any sanction or fine from the State Ethics Commission against any county elected official of the **Named Member**.

SECTION D – EMPLOYEE BENEFITS LIABILITY

I. CLAIMS MADE COVERAGE AGREEMENT

A. What the Pool Will Pay

In consideration of the **Named Member's** contribution and subject to the terms, exclusions and definitions in this **Agreement**, the **Pool** agrees to pay on behalf of the **Named Member** all sums which the **Member** shall become legally obligated to pay as a result of **Money Damages** sustained by an employee, prospective employee, former employee or the beneficiaries or legal representatives thereof in the **Administration** of the **Named Member's Employee Benefit Programs** as defined in this section and caused by any negligent act, error or omission by the **Named Member** or any other person for whose acts the **Named Member** is legally liable, for **Claims** first made during the **Agreement** Period.

PROVIDED ALWAYS that the following are true:

1. **Notice of Claim** occurs during the **Agreement** Period or during the Optional Extended Reporting Period, if applicable; and
2. The error, omission or negligent act for which **Claim** is first made happened on or after any applicable retroactive date set forth in this **Agreement** and before the end of the **Agreement** period; and
3. The **Member** had no knowledge or reason to believe at the inception of the first **Agreement** Period or any extensions or renewals thereof that any error, omission or negligent act was likely to result in a **Claim** being made against any **Member**.

B. **Defense**

1. Subject to all of the provisions contained in this **Agreement**, the **Pool** has the right and duty to defend any **Claim** arising out of the categories of conduct enumerated above brought against the **Member**, alleging an error, omission or negligent act and seeking **Money Damages** on account thereof, even if a **Claim** is groundless, false or fraudulent. The **Pool** shall have the right to incur **Claims Expenses** and to make such investigation and settlement of any **Claim** or suit as may be deemed expedient by the **Pool** and the **Pool** may settle any **Claim** at its sole discretion and without the consent of the **Member**, although the **Pool** will endeavor to seek the input of the **Member**. The determination by the **Pool** as to any settlement and as to the reasonableness of settlements and **Claims Expenses** shall be conclusive on the **Member**. The **Pool** shall have the right, but not the obligation, to appeal any judgment adverse to the **Member**.
2. (a) Upon written request to the **Pool** by a **Member** for pre-**Claim** involvement of the **Pool** prior to the formal existence of a **Claim**, the **Pool** has the right, but not the duty, to designate attorneys, investigators, or other persons to perform work and incur expenses on behalf of the **Member** where the **Pool** anticipates a **Claim**.

(b) If, in the sole discretion of the **Pool**, employing the services of attorneys, investigators, or other persons to perform work and incur expenses on behalf of any **Member** or the **Pool** is deemed appropriate to protect **Pool** interests prior to the formal existence of a **Claim**, the **Pool** has the right, but not the duty, to employ such persons as a **Pool** operational expense.
3. The **Pool** shall have the right, but not the duty, to monitor and participate in the defense of any investigatory, administrative or disciplinary proceeding relating to any **Member**. Should the **Pool** elect to defend, monitor or participate under this provision, such election shall not constitute a waiver of any rights the **Pool** may have pursuant to any of the provisions of the **Agreement**.

II. EXCLUSIONS APPLICABLE TO EMPLOYEE BENEFITS LIABILITY

In addition to the general exclusions of this **Agreement**, this section shall not apply to any **Claim** made against the **Member** for:

- A. **Bodily Injury** to, or sickness, disease, or death, of any person, or to injury to or destruction of any tangible property, including the loss of use thereof.
- B. **Personal Injury or Property Damage.**
- C. Any **Claim** for failure of performance of contract by any insurer, including failure of any **Employee Benefit Program**.
- D. Any **Claim** based upon the **Member's** failure to comply with any law concerning workers' compensation, unemployment insurance, social security or disability benefits.
- E. Any **Claim** based upon:
 - 1. Failure of investment to perform as represented by any **Member**;
 - 2. Advice given by a **Member** to a employee to participate or not to participate in stock subscription plans;
 - 3. The investment or non-investment of funds; or
 - 4. Errors in providing information on the past performance of investment vehicles.
- F. Taxes, fines or penalties, including those imposed under the Internal Revenue Code or any similar state law;
- G. **Money Damages** arising out of employment, employment discrimination, or other employment-related practices;
- H. Any **Claim** arising out of the **Member's** failure to comply with the mandatory provisions of any workers' compensation, unemployment compensation insurance, social security or disability benefits law or any similar law.

III. DEFINITIONS

The unqualified word "**Administration**" wherever used means:

- A. Giving counsel to employees with respect to the **Employee Benefits Programs**;
- B. Interpreting the **Employee Benefit Programs**;
- C. Handling records in connection with the **Employee Benefits Programs**; and
- D. Effecting the enrollment, termination or cancellation of employees under the **Employee Benefits Programs**; provided all such acts are authorized by the **Named Member**.

Part VIII – Auto Liability

I. CLAIMS MADE COVERAGE AGREEMENT

A. What the Pool Will Pay

The **Pool** agrees to pay for those sums which the **Member** becomes legally obligated to pay as **Money Damages** because of **Bodily Injury** or **Property Damage** arising out of the ownership, maintenance or use of any **Automobile**, subject to the limitations, terms and conditions of this **Agreement**.

PROVIDED ALWAYS that the following are true:

1. **Notice of Claim** occurs during the **Agreement** Period or during the Optional Extended Reporting Period, if applicable; and
2. The **Accident** for which a **Claim** is first made happened on or after any applicable retroactive date set forth in this **Agreement** and before the end of the **Agreement** period; and
3. The **Member** had no knowledge or reason to believe at the inception of the first **Agreement** Period or any extensions or renewals thereof that any Accident was likely to result in a **Claim** being made against any **Member**.

B. Defense

1. Subject to all of the provisions contained in this **Agreement**, the **Pool** has the right and duty to defend any **Claim** arising out of the categories of conduct enumerated above brought against the **Member** alleging an **Accident** and seeking **Money Damages** on account thereof, even if a **Claim** is groundless, false or fraudulent. The **Pool** shall have the right to incur **Claims Expenses** and to make such investigation and settlement of any **Claim** or suit as may be deemed expedient by the **Pool** and the **Pool** may settle any **Claim** at its sole discretion and without the consent of the **Member**, although the **Pool** will endeavor to seek the input of the **Member**. The determination by the **Pool** as to any settlement and as to the reasonableness of settlements and **Claims Expenses** shall be conclusive on the **Member**. The **Pool** shall have the right, but not the obligation, to appeal any judgment adverse to the **Member**.
2. (a) Upon written request to the **Pool** by a **Member** for pre-**Claim** involvement of the **Pool** prior to the formal existence of a **Claim**, the **Pool** has the right, but not the duty, to designate attorneys, investigators, or other persons to perform work and incur expenses on behalf of the **Member** where the **Pool** anticipates a **Claim**.

(b) If, in the sole discretion of the **Pool**, employing the services of attorneys, investigators, or other persons to perform work and incur

expenses on behalf of any **Member** or the **Pool** is deemed appropriate to protect **Pool** interests prior to the formal existence of a **Claim**, the **Pool** has the right, but not the duty, to employ such persons as a **Pool** operational expense.

II. DEFINITIONS – PART VIII – AUTO LIABILITY

"Hired Autos" means only those "autos" a **Named Member** leases, hires, rents or borrows. This does not include any "auto" a **Named Member** leases, hires, rents or borrows from any of the **Named Member's** employees or partners or members of their households.

"Member", wherever used in this **Agreement**, includes not only the **Named Member** but also:

1. Under Part VIII, any person while using an **Automobile** owned by the **Named Member** or a hired **Automobile**, and any person or organization legally responsible for the use thereof, provided the actual use of the **Automobile** is by the **Named Member** or with the **Named Member's** permission and any official of the **Named Member** with respect to the use of non-owned **Automobiles** in the business of the **Named Member**. This coverage, with respect to any person or organization other than the **Named Member**, *does not apply*:
 - a. to any person or organization or to any of their agents or employees operating an **Automobile** sales agency, repair shop, service station, storage garage or public parking place, with respect to any **Accident** arising out of those operations;
 - b. with respect to any **Hired Autos**, to the owner or lessee, other than the **Named Member**, nor to any agent or employee of that owner or lessee.

"Non-Owned Autos" means only those "autos" a **Named Member** does not own, lease, hire, rent or borrow that are used in connection with the **Named Member's** business. This includes "autos" owned by a **Named Member's** employees or members of their households but only while used in the **Named Member's** business.

III. EXCLUSIONS THAT APPLY TO PART VIII – AUTO LIABILITY

In addition to the general exclusions of this **Agreement**, this **Agreement** does not cover:

- A. Any **Claim** for **Money Damages** or for any cause of action which is covered under any other section of this **Agreement**.
- B. Uninsured and/or Underinsured Motorists Liability
- C. Any **Claim** for **Money Damages** arising out of the use of a covered **Automobile** by any third party where such use is not related to the operations of the **Named Member's** business or not authorized for such use by the **Named Member**.

Part IX – Law Enforcement Liability

CLAIMS MADE COVERAGE AGREEMENT: PAYMENT AND DEFENSE

In consideration of the **Named Member's** contribution to the **Pool** and in reliance upon representations made by the **Named Member** in the Application and any Renewal Application for this coverage, and subject to all provisions contained in this **Agreement**, including any endorsements hereto, the **Pool** agrees as follows:

A. **What The Pool Will Pay**

The **Pool** agrees, subject to the limitations, terms and conditions of this **Agreement**, to provide a defense and pay on behalf of the **Member** all **Money Damages** that the **Member** shall become legally obligated to pay by reason of any Law Enforcement Liability **Wrongful Act** arising out of an **Occurrence** due to the **Law Enforcement Activities** of a **Member** during the period of this **Agreement**.

PROVIDED ALWAYS that the following are true:

1. **Notice of Claim** occurs during the **Agreement** Period or during the Optional Extended Reporting Period, if applicable; and
2. The error, omission or negligent act for which **Claim** is first made happened on or after the retroactive date set forth in the in this **Agreement** and before the end of the **Agreement** period; and
3. The **Member** had no knowledge or reason to believe at the inception of the first **Agreement** Period or any extensions or renewals thereof that any error, omission or negligent act was likely to result in a **Claim** being made against any **Member**.

B. **Defense**

1. Subject to all of the provisions contained in this **Agreement**, the **Pool** has the right and duty to defend any **Claim** arising out of the categories of conduct enumerated above brought against the **Member**, alleging an error, omission or negligent act and seeking **Money Damages** on account thereof, even if a **Claim** is groundless, false or fraudulent. The **Pool** shall have the right to incur **Claims Expenses** and to make such investigation and settlement of any **Claim** or suit as may be deemed expedient by the **Pool** and the **Pool** may settle any **Claim** at its sole discretion and without the consent of the **Member**, although the **Pool** will endeavor to seek the input of the Member. The determination by the **Pool** as to any settlement and as to the reasonableness of settlements and **Claims Expenses** shall be conclusive on the **Member**. The **Pool** shall have the right, but not the obligation, to appeal any judgment adverse to the **Member**.

2. (a). Upon written request to the **Pool** by a **Named Member** for pre-**Claim** involvement of the **Pool** prior to the formal existence of a **Claim**, the **Pool** has the right, but not the duty, to designate attorneys, investigators, or other persons to perform work and incur expenses on behalf of the Named Member where the **Pool** anticipates a **Claim**.

(b) If, in the sole discretion of the **Pool**, employing the services of attorneys, investigators, or other persons to perform work and incur expenses on behalf of any **Member** or the **Pool** is deemed appropriate to protect **Pool** interests prior to the formal existence of a **Claim**, the **Pool** has the right, but not the duty, to employ such persons as a **Pool** operational expense.
3. The **Pool** shall have the right, but not the duty, to monitor and participate in the defense of any investigatory, administrative or disciplinary proceeding relating to any **Law Enforcement Activity** of the **Member**. Should the **Pool** elect to defend, monitor or participate under this provision, such election shall not constitute a waiver of any rights the **Pool** may have pursuant to any of the provisions of the **Coverage Agreement**.

Part X – Cyber Liability

Cyber liability coverage is set forth in the cyber liability policy provided by XL Group, policy number MTP 0039694 12.

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Part XI – Equipment Breakdown

(Boiler and Machinery)

Equipment Breakdown coverage, also known as "boiler and machinery", is set forth in the equipment breakdown policy provided by Travelers Property Casualty Company of America, policy number BME1 9H183690TIL-25.

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Part XII – Environmental Liability

(Pollution)

Environmental Liability coverage, also known as "pollution", is set forth in the environmental liability policy provided by Illinois Union Insurance Company, policy number PPL G4685049A 006.

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Part XIII – Storage Tank Liability

(Fuel Tank Pollution)

Storage tank liability coverage, also known as “fuel tank pollution”, is set forth in the storage tank liability policy provided by Illinois Union Insurance Company, policy number UST G71771945 006.

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Law Enforcement Liability Program Endorsements

New Mexico County Insurance Authority
Law Enforcement Liability Program

Member Coverage Agreement

Endorsement No. LE - 1

Membership and Retroactive Dates

It is understood and agreed that the following Membership and Retroactive Dates shall apply in respect of the participating **members** as follows:

A. Law Enforcement Liability Program

March 21, 2001

Catron County
Chaves County
Cibola County
Colfax County
Curry County
Dona Ana County
Eddy County
Harding County
Lincoln County
McKinley County
McKinley County Juvenile Detention Center
Mora County
Otero County
Quay County
Roosevelt County
San Miguel County Sheriff's Department
Sandoval County
Santa Fe County
Sierra County
Socorro County
Taos County
Torrance County
Union County
Valencia County

September 1, 2003

Luna County

October 1, 2003

Bernalillo County Sheriff's Department ONLY
Bernalillo County Juvenile Detention Center

January 1, 2004

Guadalupe County
Santa Fe Juvenile Detention Center

January 19, 2004

Cibola County Detention Center

February 1, 2004

Grant County

July 1, 2004

San Miguel County Detention Center

December 1, 2004

De Baca County Dispatch/Communications Center
De Baca County Detention Center

January 1, 2005

Valencia County Detention Center

October 11, 2005

Santa Fe County Detention Center

January 1, 2006

McKinley County Detention Center

July 1, 2006

Bernalillo County Adult Detention Center
De Baca Sherriff's Department

July 1, 2008

Hidalgo County

Subject otherwise to all terms, clauses and conditions of this **Agreement**.

New Mexico County Insurance Authority
Law Enforcement Liability Program

Member Coverage Agreement

Endorsement No. LE – 2

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New Mexico County Insurance Authority
Law Enforcement Liability Program

Member Coverage Agreement

Endorsement No. LE - 3

It is hereby agreed that the following deductibles apply:

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BERNALILLO	\$250,000
CATRON	\$50,000
CHAVES	\$50,000
CIBOLA	\$50,000
COLFAX	\$50,000
CURRY	\$50,000
DE BACA	\$50,000
DONA ANA	\$50,000
EDDY	\$50,000
GRANT	\$50,000
GUADALUPE	\$50,000
HARDING	\$50,000
HIDALGO	\$50,000
LINCOLN	\$50,000
LUNA	\$50,000
MCKINLEY	\$50,000
MORA	\$50,000
OTERO	\$50,000
QUAY	\$50,000
ROOSEVELT	\$50,000
SAN MIGUEL	\$50,000
SANDOVAL	\$75,000
SANTA FE	\$250,000
SIERRA	\$50,000
SOCORRO	\$50,000
TAOS	\$50,000
TORRANCE	\$50,000
UNION	\$50,000
VALENCIA	\$50,000

New Mexico County Insurance Authority
Law Enforcement Liability Program

Member Coverage Agreement

Endorsement No. LE - 45

No coverage for whole or partial allegations of failure to provide adequate healthcare or mental healthcare to inmates or detainees – Counties with No Medical / Mental Health Detention Center Contracts

This coverage is based on the underwriting information at the time this coverage agreement was updated, and if it is found a contract was in place when a claim occurred, then it is possible coverage exists for that claim.

This **Agreement** does not provide coverage (including the obligation to defend a Member) for any claim with whole or partial allegations of failure to provide adequate healthcare or mental healthcare to inmates or detainees of the following **Named Members**:

- ~~1. Cibola~~
- ~~2. Guadalupe~~
- ~~3. Harding~~
- ~~4. Lincoln~~
- ~~5. Mora~~
- ~~6. Otero~~
1. Catron
72. Sierra
- ~~8. Torrance~~
- ~~9. Union~~

Subject otherwise to all terms, clauses and conditions of this **Agreement**.

New Mexico County Insurance Authority
Law Enforcement Liability Program

Member Coverage Agreement

Endorsement No. LE - 54

No Coverage for Detention Center Operation

This **Agreement** does not provide coverage (including the obligation to defend a **Member**) for any claim related to the operation of the Detention Center of the following **Named Members** for the period beginning at the time specified:

Beginning January 1, 2019 at 12:01 a.m.

1. Cibola
2. Guadalupe
3. Harding
4. Lincoln
5. Mora
6. Otero
7. Torrance
8. Union

Subject otherwise to all terms, clauses and conditions of this **Agreement**.

New Mexico County Insurance Authority
Law Enforcement Liability Program

Member Coverage Agreement

AMENDED Endorsement No. LE - 6

Limited per-occurrence coverage for whole or partial allegations of failure to provide adequate healthcare or mental healthcare to inmates or detainees.

This coverage is based on the underwriting information at the time this coverage agreement was updated, and if it is found that no contract was in place at the time of a claim, then the member will not have the coverage available under endorsement 6.

This **Agreement** provides only a \$2,000,000 sublimit per occurrence coverage (including defense costs), for any claim with whole or partial allegations of failure to provide adequate healthcare or mental healthcare to inmates or detainees of the following **Named Members**:

- ~~1~~ ~~1~~ ~~Catron~~
- ~~2~~ ~~1~~ Chaves
- ~~3~~ ~~2~~ Colfax
- ~~4~~ ~~3~~ De Baca
- ~~5~~ ~~4~~ Eddy
- ~~6~~ ~~5~~ Grant
- ~~7~~ ~~6~~ Hidalgo
- ~~8~~ ~~7~~ Luna
- ~~9~~ ~~8~~ McKinley
- ~~10~~ ~~9~~ Quay
- ~~11~~ ~~10~~ San Miguel
- ~~12~~ ~~11~~ Socorro
- ~~13~~ ~~12~~ Taos

Subject otherwise to all terms, clauses and conditions of this **Agreement**.

Multi-Line Program Endorsements

New Mexico County Insurance Authority
Multi Line Program
Member Coverage Agreement

Endorsement No. 1

Named Members and Retroactive Dates

It is understood and agreed that the following **Named Members** comprise the Multi-Line Program and have a Retroactive Date of March 21, 2001:

Bernalillo County
Catron County
Chaves County
Cibola County
Colfax County
Curry County
De Baca County
Dona Ana County
Eddy County
Harding County
Lincoln County
McKinley County
Mora County
Otero County
Quay County
Roosevelt County
San Miguel County
Sandoval County
Santa Fe County
Sierra County
Socorro County
Taos County
Torrance County
Union County
Valencia County

The following **Named Members** have the following retroactive dates:

September 1, 2003
Luna County

January 1, 2004

Guadalupe

January 1, 2005

Grant County

July 1, 2008

Hidalgo County

Subject otherwise to all terms, clauses and conditions of this **Agreement**.

New Mexico County Insurance Authority
Multi Line Program

Member Coverage Agreement

Endorsement No. 2

Coverage for Injunctive Relief

It is hereby understood and agreed that coverage is provided for injunctive relief claims to a limit of \$10,000 for the county's costs and attorneys' fees.

Subject otherwise to all terms, clauses and conditions of this policy.

New Mexico County Insurance Authority
Multi Line Program

Member Coverage Agreement

Endorsement No. 3

Limited Coverage for Land Use Matters

It is hereby agreed and understood this **Agreement** does not provide coverage for any liability arising out of the principles of eminent domain, condemnation proceedings or claims, inverse condemnation or claims, and regulatory taking by whatever name called, land use actions, zoning, rezoning or failure to zone, whether that liability accrues directly against the **Member** or by virtue of any agreement entered into, by or on behalf of the **Member**. Claims alleging civil rights violations arising out of any of the listed proceedings are also excluded.

However a defense will be provided, up to a maximum set forth below per **Named Member** for claims in inverse condemnation, land use actions, zoning, rezoning or failure to zone. The sub-limited amount applies to defense costs of the County only and cannot be applied to pay a settlement, plaintiff's costs or legal fees.

The following counties have this coverage in the amounts set forth below:

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Bernalillo*	\$40,000/\$100,000
Catron*	\$20,000/\$20,000
Chaves	\$20,000/\$20,000
Cibola	\$20,000/\$20,000
Colfax*	\$20,000/\$20,000
Dona Ana*	\$40,000/\$100,000
Grant	\$20,000/\$20,000
Lincoln*	\$20,000/\$20,000
Luna*	\$40,000/\$100,000
McKinley	\$20,000/\$20,000
Mora	\$40,000/\$100,000
Otero*	\$40,000/\$100,000
Roosevelt*	\$20,000/\$20,000
San Miguel*	\$40,000/\$100,000
Sandoval	\$20,000/\$60,000
Santa Fe*	\$40,000/\$100,000
Socorro*	\$40,000/\$100,000
Taos	\$20,000/\$20,000
Torrance*	\$20,000/\$60,000
Valencia*	\$20,000/\$20,000

*In addition, these members have coverage in accordance with Endorsement #9.

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Subject otherwise to all terms, clauses and conditions of this **Agreement**.

New Mexico County Insurance Authority
Multi Line Program

Member Coverage Agreement

Endorsement No. 4

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New Mexico County Insurance Authority
Multi Line Program

Member Coverage Agreement

Endorsement No. 5

**EXCLUSION OF LOSS TO AND LOSS OF USE OF DATA,
COMPUTER HARDWARE AND SYSTEMS**

Random Attack – Hacking Event or Computer Virus

We will not pay for direct physical loss or damage caused by a random attack, a hacking event or computer virus. Such loss is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

Random Attack means the widespread attack, by a hacking event or computer virus, directed against the computer systems, software, data, or telecommunications systems of multiple organizations or persons who are not part of you, rather than solely at your computer systems, software, data, or telecommunications systems. Such attack is intended for the purpose of fraud, nuisance, or malicious tampering or destruction.

Hacking Event means an attack that allows unauthorized access or use of a computer or telecommunications system by electronically circumventing a security or procedure.

Computer Virus means a piece of code that is maliciously or fraudulently introduced into a computer or telecommunications system. Once introduced, the virus may destroy, alter, contaminate, or degrade the integrity, quality, or performance of data or any computer application software, computer network, or computer operating system and related software.

This exclusion does not apply to any specific attack to your computer equipment otherwise covered in Part V, Property.

Specific Attack means the intentional attack, by a hacking event or computer virus, directed solely at your computer system, software, data or telecommunications system. Such attack is intended for the purpose of fraud, nuisance, or malicious tampering or destruction.

Denial of Services

We do not cover any loss of earnings or extra expense caused by or resulting from denial of services.

Denial of Services means an intentional specific or random attack on your computer system or telecommunications system for the purposes of nuisance, sabotage, malicious tampering which has the effect of:

1. Depleting system resources available through the Internet to authorized external users of your computer system or telecommunications systems; or
2. Impeding Internet access of authorized external users to your computer system or telecommunications system.

Subject otherwise to all terms, clauses and conditions of this **Agreement**.

New Mexico County Insurance Authority
Multi Line Program

Member Coverage Agreement

Endorsement No. 6

It is hereby agreed that the following deductibles apply to General Liability, Employment Liability and 3rd Party Automobile Liability:

BERNALILLO	\$100,000
CATRON	\$5,000
CHAVES	\$10,000
CIBOLA	\$5,000
COLFAX	\$5,000
CURRY	\$5,000
DE BACA	\$5,000
DONA ANA	\$10,000
EDDY	\$5,000
GRANT	\$5,000
GUADALUPE	\$5,000
HARDING	\$10,000
HIDALGO	\$5,000
LINCOLN	\$5,000
LUNA	\$10,000
MCKINLEY	\$25,000
MORA	\$5,000
OTERO	\$5,000
QUAY	\$5,000
ROOSEVELT	\$10,000
SAN MIGUEL	\$5,000
SANDOVAL	\$50,000
SANTA FE	\$100,000
SIERRA	\$5,000
SOCORRO	\$5,000
TAOS	\$5,000
TORRANCE	\$5,000
UNION	\$5,000
VALENCIA	\$5,000

Subject otherwise to all terms, clauses and conditions of this **Agreement**.

New Mexico County Insurance Authority
Multi Line Program

Member Coverage Agreement

Endorsement No. 7

It is hereby agreed that the following deductibles apply to First Party Automobile and Property:

	First Party Automobile	Property
BERNALILLO	\$5,000	\$100,000
CATRON	\$5,000	\$5,000
CHAVES	\$5,000	\$5,000
CIBOLA	\$5,000	\$5,000
COLFAX	\$5,000	\$5,000
CURRY	\$5,000	\$5,000
DE BACA	\$5,000	\$5,000
DONA ANA	\$10,000	\$50,000
EDDY	\$5,000	\$5,000
GRANT	\$5,000	\$5,000
GUADALUPE	\$5,000	\$5,000
HARDING	\$5,000	\$5,000
HIDALGO	\$5,000	\$5,000
LINCOLN	\$5,000	\$5,000
LUNA	\$5,000	\$5,000
MCKINLEY	\$5,000	\$5,000
MORA	\$5,000	\$5,000
OTERO	\$5,000	\$5,000
QUAY	\$5,000	\$5,000
ROOSEVELT	\$5,000	\$5,000
SAN MIGUEL	\$5,000	\$5,000
SANDOVAL	\$10,000	\$50,000
SANTA FE	\$50,000	\$100,000
SIERRA	\$5,000	\$5,000
SOCORRO	\$5,000	\$5,000
TAOS	\$5,000	\$5,000
TORRANCE	\$5,000	\$5,000
UNION	\$5,000	\$5,000
VALENCIA	\$5,000	\$5,000

Subject otherwise to all terms, clauses and conditions of this **Agreement**.

New Mexico County Insurance Authority
Multi Line & Law Enforcement Programs

Member Coverage Agreement

Endorsement No. 8

This endorsement modifies insurance coverage provided under the **Agreement**:

SEXUAL ABUSE ENDORSEMENT

To the extent insurance coverage is provided by this endorsement, paragraph 27. of Part III – General Coverage Exclusions does not apply.

SCHEDULE

Sexual Abuse Retroactive Date: April 18, 2008

IMPORTANT NOTICE

THIS **SEXUAL ABUSE** LIABILITY ENDORSEMENT PROVIDES COVERAGE ON A **CLAIMS-MADE** BASIS. THE COVERAGE PROVIDED BY THIS ENDORSEMENT IS LIMITED TO ONLY AN **OCCURRENCE** OF **SEXUAL ABUSE** TAKING PLACE ON OR AFTER THE **SEXUAL ABUSE** RETROACTIVE DATE STATED IN THE SCHEDULE AND THEN ONLY FOR THOSE CLAIMS FOR WHICH A **NOTICE OF CLAIM** OCCURS DURING THE AGREEMENT PERIOD OR DURING THE OPTIONAL EXTENDED REPORTING PERIOD, IF APPLICABLE.

THIS ENDORSEMENT IS SUBJECT TO THE TERMS, EXCLUSIONS, DEFINITIONS AND CONDITIONS OF THE **AGREEMENT**, EXCEPT AS OTHERWISE MODIFIED BY THIS ENDORSEMENT. PLEASE REVIEW THE ENDORSEMENT CAREFULLY. ALL WORDS OR PHRASES THAT ARE PRINTED IN BOLD FACE ARE DEFINED IN THE ENDORSEMENT OR ELSEWHERE IN THE **AGREEMENT**.

PART VII – LIABILITY IS AMENDED TO INCLUDE THE FOLLOWING:

I. COVERAGE AGREEMENT – SEXUAL ABUSE

- A. In consideration of the **Named Member's** contribution, the **Pool** will pay all sums that the **Named Member** or a **Named Member's** Manager becomes legally obligated to pay as **Money Damages** because of a settlement or a court judgment findings the **Named Member** or a **Named Member's** Manager vicariously liable, due to the actions of another **Member(s)**, for **Bodily Injury** arising out of, resulting from, caused or contributed to or by, or in connection with, an **Occurrence** of **Sexual Abuse**, or a series of related **Occurrences** of **Sexual Abuse**.

The **Pool's** payment obligation will not exceed the Per **Occurrence** Limit of Coverage shown in **Part I**, section **B. Limits** that is applicable to **Section A – General Coverage Declarations** subject to the Pool Aggregate Limit of Coverage

shown in **Part I, section B. Limits** that is applicable to **Part VII, Section A, General Liability; Part VII, Section B, Employment Practices Liability; and Part IX, Law Enforcement Liability.**

All **Claims Expenses** incurred by the **Pool** in investigating or settling any **Claim**, or in defending any suit, against a **Named Member** or a **Named Member's** Manager that is covered by this endorsement's insurance serve to erode, individually or together with any **Money Damages** paid by the **Pool**, the Per **Occurrence** Limit of Coverage shown in **Part I, section B. Limits** that is applicable to **Part VII, Section A, General Liability; Part VII, Section B, Employment Practices Liability; and Part IX, Law Enforcement Liability.**

- B. This endorsement's insurance coverage applies to **Bodily Injury** arising out of, resulting from, caused or contributed to or by, or in connection with, an **Occurrence** of **Sexual Abuse** only if:
1. Such **Bodily Injury Occurrence** of **Sexual Abuse** takes place in the coverage territory stated in paragraph C. Territorial Scope of Part II – General Conditions;
 2. Such **Bodily Injury Occurrence** of **Sexual Abuse** takes place on or after the **Sexual Abuse** Retroactive Date shown in the Schedule and before the end of the **Agreement** Period; and
 3. **Notice of Claim** resulting from an **Occurrence** of **Sexual Abuse** occurs during the **Agreement** Period or during the Optional Extended Reporting Period, if applicable.
- C. No other obligation or liability to pay any sum or perform any act or service under this endorsement is covered unless explicitly provided for in this endorsement or elsewhere in the **Agreement**.
- D. Any continuation, change or resumption of an **Occurrence** of **Sexual Abuse** on or after the effective date of this endorsement will be deemed to have been known prior to the effective date of this endorsement. In such case, the limit of liability is sub-limited to \$2,000,000.
- E. All **Bodily Injury** arising out of, resulting from, caused or contributed to or by, or in connection with, any **Occurrence** of **Sexual Abuse** shall be deemed to be a single **Claim**:
1. Whether committed by the same person or two or more persons acting in concert with each other and all breaches of duty giving rise to such acts, and without regard to the number of:
 - a. Persons sexually abused or incidents of **Sexual Abuse**;
 - b. Locations where **Sexual Abuse** took place;
 - c. **Agreement** periods covered by the Pool over which the **Sexual Abuse** took place;

- d. **Occurrences of Sexual Abuse** taking place after the first **Occurrence of Sexual Abuse** covered by the **Pool**; provided such subsequent **Occurrences of Sexual Abuse** take place during the **Agreement Period** where such **Sexual Abuse** coverage is provided by the **Pool**.
- 2. With respect to all **Money Damages** and/or **Claims Expenses** related to such **Bodily Injury**, including any subsequent related **Bodily Injury**.
- F. For each single **Claim**, only a single Per **Occurrence** Limit of Coverage that is applicable to **Part VII, Section A, General Liability**; **Part VII, Section B, Employment Practices Liability**; and **Part IX, Law Enforcement Liability** will apply. The **Agreement Period** in which the first **Occurrence of Sexual Abuse** insured by the **Pool** takes place will determine the applicable Per **Occurrence** Limit of Coverage.

II. EXCLUSIONS

The following exclusions apply to this endorsement and are in addition to those exclusions stated in Part III – General Coverage Exclusions and **Part VII, Section A, General Liability, Sub-Section II, Exclusions**; and **Part VII, Section B, Employment Practices Liability, Sub-Section II, Exclusions**. Exclusions Applicable To Part VII, Section A, General Liability; **Part VII, Section B, Employment Practices Liability, and Part IX Law Enforcement Liability**

This endorsement does not provide coverage:

- A. To any **Member** or other person(s) who:
 - 1. Committed, participated in, directed or was aware of and allowed an **Occurrence of Sexual Abuse**.

However, in civil proceedings only, the **Pool** will provide a defense and pay associated **Claims Expenses** of a **Member** who is, or **Members** who are, alleged in a **Claim** or suit to have committed or participated in an **Occurrence of Sexual Abuse**. The **Pool's** payment obligation will not exceed limits of \$50,000 per **Occurrence** (includes one or more **Members**) and \$100,000 annual aggregate per **Named Member** (hereinafter referred to as "Defense **Claims Expenses** – Allegation of **Sexual Abuse** Limits"). The **Pool's** defense ends for an accused **Member** when:

 - a. The **Member** is found by a court of law to be innocent or guilty or not guilty of the charges;
 - b. The **Member** pleads 'nolo contendere' to the charges;
 - c. The **Member** is found to be civilly liable or reaches a civil settlement; or
 - d. The Defense **Claims Expenses** – Allegation of **Sexual Abuse** Limits are exhausted, whichever occurs first.

2. Failed to follow established written **Named Member** policy in taking action to prevent an initial **Occurrence of Sexual Abuse** or to prevent a recurrence of any **Occurrence of Sexual Abuse**.
- B. For punitive or exemplary damages, treble damages, any sum awarded in excess of compensatory damages, any multiple of compensatory damages, or that part of any award not attributable to compensatory damages.
 - C. To any **Member** for liability arising out of, resulting from, caused or contributed to or by, or in connection with, an **Occurrence of Sexual Abuse**, or a series of related **Occurrences of Sexual Abuse**, because of **Law Enforcement Activities** or **Strip Searches**, or arising out of the ownership, maintenance or use of any **Automobile**.
 - D. For any **Claim** made by any **Member** against any other **Member**. This exclusion does not apply to **Claims** brought by a **Member** against a **Named Member** or a **Named Member's** Manager (so long as the **Named Member's** Manager is not the alleged perpetrator).
 - E. For an **Occurrence of Sexual Abuse** which, prior to the inception date of this endorsement, the **Named Member** or its authorized person or any other **Member** had knowledge of or otherwise had knowledge of facts and circumstances which could reasonably give rise to anticipate a **Claim** or suit might result.

III. LIMITS OF COVERAGE

- A. With respect to insurance coverage provided by this endorsement, the Per **Occurrence** Limit of Coverage shown in **Part I, section B. Limits** that is applicable to **Part VII, Section A, General Liability; Part VII, Section B, Employment Practices Liability; and Part IX, Law Enforcement Liability** is the most the **Pool** will pay for the sum of **Money Damages** and/or **Claims Expenses** because of **Bodily Injury** arising out of, resulting from, caused or contributed to or by, or in connection with, any single covered **Occurrence of Sexual Abuse**.
- B. Subject to paragraph A. above, the Pool Aggregate Limit of Coverage shown in **Part I, section B. Limits** that is applicable to **Part VII, Section A, General Liability; Part VII, Section B, Employment Practices Liability; and Part IX, Law Enforcement Liability** is the most the **Pool** will pay for the sum of all **Money Damages** and **Claims Expenses** during the **Agreement** Period because of **Bodily Injury** arising out of, resulting from, caused or contributed to or by, or in connection with, all covered **Occurrences of Sexual Abuse**.
- C. The Defense **Claims Expenses** – Allegation of **Sexual Abuse** Limits stated in subparagraph A of section **II. EXCLUSIONS** of this endorsement are separate from and in addition to the Per **Occurrence** Limit of Coverage shown in **Part I, section B. Limits** that is applicable to **Part VII, Section A, General Liability; Part VII, Section B, Employment Practices Liability; and Part IX, Law Enforcement Liability** and the Pool Aggregate Limit of Coverage shown in **Part I, section B. Limits** that is applicable to **Part VII, Section A, General Liability; Part VII, Section B, Employment Practices Liability; and Part IX, Law Enforcement Liability**.

IV. EXTENDED REPORTING PERIOD(S)

With respect to the insurance coverage provided by this endorsement, any optional extended reporting period made available by the **Pool** will coincide with that stated in paragraph N. of Part II – Coverage Conditions.

V. DEFINITIONS

The following definition applies to this endorsement only and is in addition to those definitions stated in Part IV – General Definitions or as may be amended by endorsement to the **Agreement**:

- A. **Named Member's Manager** means a person who is employed by a **Named Member** in a management capacity to provide executive, administrative and supervisory direction. **Named Member** also includes **Named Member's** elected or appointed officials.

New Mexico County Insurance Authority
Multi Line Program

Member Coverage Agreement

Endorsement No. 9

Expanded Land Use Coverage for Civil Rights Violations for Member Counties

It is hereby understood and agreed that expanded land use coverage described in Endorsement No. 3 is offered to **Member Counties** for land use claims for an additional charge. For all other **Members** of the Pool, purchase of Land Use coverage as described in Endorsement 3 is mandatory for a period of not less than two (2) years in order to participate in coverage provided by this Endorsement 9. Coverage afforded is as follows:

- A. Claims for **civil rights violations** arising out of the operation of the principles of eminent domain, condemnation proceedings or claims, inverse condemnation proceedings or claims, regulatory taking by whatever name called, land use actions, zoning, rezoning or failure to zone, whether that liability accrues directly against the **Member** or by virtue of any agreement entered into by or on behalf of the **Member**;
- B. Coverage applies to a limit of \$1,000,000 per occurrence with a 10% co-insurance and \$25,000 deductible payable by the **Member** for each occurrence;

Subject otherwise to all terms, clauses and conditions of this **Agreement**.

Member counties that have selected this coverage:

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- 1. Bernalillo
- 2. Catron
- 3. Colfax
- 4. Dona Ana
- 5. Lincoln
- 6. Luna
- 7. Otero
- 8. Roosevelt
- 9. San Miguel
- 10. Santa Fe
- 11. Socorro
- 12. Taos
- 13. Valencia

New Mexico Counties
Multi Line Program

Member Coverage Agreement

Endorsement No. 10

Additional Insured Liability Coverage for Certain Members

It is hereby understood and agreed that additional insured liability coverage is provided for certain **Members** as outlined below. Subject otherwise to all terms, clauses and conditions of this policy.

1. New Mexico State Land Office through Member Santa Fe County effective June 12, 2020 specific to business lease agreement BL-1660 executed June 12, 2020 with the Commissioner of Public Lands State of New Mexico for property located at the address listed below for the sole and exclusive purpose of Behavioral Health Facility. No other uses.

Township	Range	Section	Aliquot	Acreage	County
10N	07 E	16	NE/4 NE/4	2.96	Santa Fe

New Mexico Counties
Law Enforcement & Multi-Line Liability Program

Member Coverage Agreement

Endorsement A

Communicable Disease Endorsement

Limited per-occurrence indemnification coverage for **Communicable Disease** claims

It is hereby understood and agreed that defense coverage is provided for any liability claim alleging exposure, bodily injury, or property damage, directly or indirectly based upon, in whole or in part, arising out of any allegation related to any **Communicable Disease**. This defense coverage is provided on a 90% Pool / 10% Member split of defense costs between Pool and Named Member basis. No deductible applies to the Member's share of the split costs.

It is further understood and agreed that indemnification coverage is provided for any liability claim alleging exposure, bodily injury, or property damage, directly or indirectly based upon, in whole or in part, arising out of any allegation related to any **Communicable Disease**, up to a per-occurrence sublimit of \$50,000.

It is further understood and agreed that the annual member aggregate for the defense coverage and indemnification portions of any such liability claims as outlined above is \$1,000,000.

It is further understood and agreed that the annual pool aggregate for the defense coverage and indemnification portions of any such liability claims as outlined above is \$3,000,000.

Subject otherwise to all terms, clauses and conditions of this **Agreement**.

This endorsement is retroactive to January 1, 2020.

New Mexico Counties
Law Enforcement & Multi-Line Liability Program
Member Coverage Agreement

Endorsement B
Medical Malpractice Professional Liability

It is hereby understood and agreed that the **Members** listed below have identified **Employees** who are **licensed medical professionals** and have paid an additional contribution to the **Pool** to expand coverage to those **licensed medical professionals** for claims alleging negligence by the **licensed medical professionals** in the provision of services within their practice area while in the course and scope of their employment for the **Members**. For purposes of this coverage, **licensed medical professionals** include only the following: physician, medical doctor, osteopath, nurse practitioner, clinical nurse specialist, physician assistant, chiropractor, resident, extern, intern, psychiatrist, pharmacist, dentist, orthodontist, periodontist, or psychologist.

Member

1. Bernalillo County
2. Colfax County
3. De Baca County
4. Eddy County
5. Santa Fe County

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The coverage afforded under this Endorsement is subject to all terms, clauses and conditions of this **Agreement**.

SCHEDULE A

Bernalillo	County Manager	415 Silver Ave. SW, 8 th Floor	Albuquerque, NM 87102
Catron	County Manager	PO Box 507	Reserve, NM 87830
Chaves	County Manager	#1 St. Mary's Place	Roswell, NM 88203
Cibola	County Manager	515 W High St.	Grants, NM 87020
Colfax	County Manager	230 N Third St.	Raton, NM 87740
Curry	County Manager	417 Gidding Street, Suite #100	Clovis, NM 88101
De Baca	County Manager	248 E. Avenue C/PO Box 347	Fort Sumner, NM 88119
Dona Ana	County Manager	845 N. Motel Blvd.	Las Cruces, NM 88007
Eddy	County Manager	101 W Greene St., Suite 110	Carlsbad, NM 88220
Grant	County Manager	PO Box 898	Silver City, NM 88062
Guadalupe	County Manager	130 S 4th Street	Santa Rosa, NM 88435
Harding	County Manager	35 Pine St.	Mosquero, NM 87733
Hidalgo	County Manager	305 Pyramid St.	Lordsburg, NM 88045
Lincoln	County Manager	PO Box 711	Carrizozo , NM 88301
Luna	County Manager	PO Drawer 551	Deming, NM 88030
McKinley	County Manager	PO Box 70	Gallup, NM 87301
Mora	County Manager	PO Box 580	Mora, NM 87732
Otero	County Manager	1101 New York Ave.	Alamogordo, NM 88310
Quay	County Manager	PO Box 1246	Tucumcari, NM 87401
Roosevelt	County Manager	109 W First St.	Portales, NM 88130
San Miguel	County Manager	500 W National Ave., Ste. 200	Las Vegas, NM 87701
Sandoval	County Manager	PO Box 40	Bernalillo, NM 87004
Santa Fe	County Manager	102 Grant Ave.	Santa Fe, NM 87501
Sierra	County Manager	855 Van Patten	T or C, NM 87901
Socorro	County Manager	PO Box I	Socorro, NM 87801
Taos	County Manager	105 Albright St., Ste. G	Taos, NM 87571
Torrance	County Manager	PO Box 48	Estancia, NM 87016
Union	County Manager	PO Box 430	Clayton, NM 88415
Valencia	County Manager	PO Box 1119	Los Lunas, NM 87031

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.L.	<u>Item Title:</u> Approve January 1 – June 30, 2026 Property Coverage Agreement
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: Seconded by:	



**New Mexico County Insurance Authority
(NMCIA)**

PROPERTY COVERAGE AGREEMENT

Effective: January 1, 2026 – June 30, 2026

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DECLARATIONS - SECTION A

1. NAMED INSURED AND MAILING ADDRESS

2. COMPANY

The terms Company or Company's shall mean New Mexico County Insurance Authority.

3. POLICY PERIOD

FROM: 01/01/2026 at 12:01 A.M. at the address of the INSURED PROPERTY involved in the loss

TO: 01/01/2027 at 12:01 A.M. at the address of the INSURED PROPERTY involved in the loss

TERM: 1 year

4. TERRITORY

This Policy covers INSURED PROPERTY in The United States of America and Canada.

5. INSURANCE PROVIDED

The coverage under this Policy applies to property described on the Schedule of Values or covered under the terms and conditions of the AUTOMATIC COVERAGE (NEWLY ACQUIRED), ERRORS AND OMISSIONS, or MISCELLANEOUS UNNAMED PROPERTY provisions, unless otherwise provided.

6. LIMITS OF LIABILITY

The Company's maximum Limit of Liability in a single **Occurrence** regardless of the number of INSURED PROPERTY or coverages involved will not exceed the total value reported to us in the Schedule of Values. In the event of loss hereunder, the LIMITS OF LIABILITY shall be limited to the least of the following:

1. The actual adjusted amount of loss, less applicable deductible(s); or
2. 125% of the real and personal property values combined, inclusive of property in the open, for each reported Location. Location shall mean each individual line item reported on the latest statement of values on file with the Company. However, this limitation shall not apply to coverages provided within this Policy as respects to Property and Time Element coverage extensions where values for such are not reportable including, but not limited to, Demolition and Increased Cost of Construction, Debris Removal, Accounts Receivable, Valuable Papers and Records, Decontamination Expense and Extra Expense, et al., and as further described within this Policy.
3. The Limit of Liability shown on the Declarations page of this Agreement/Policy or endorsed onto this Agreement/Policy after inception.

The terms and conditions in this document, including the sublimits below, constitute the program as a whole for the NAMED INSURED. The sublimits stated below are a part of, and do not increase, any LIMITS OF LIABILITY of the program.

The following Sublimits apply on a per **Occurrence** basis, unless otherwise stated.

Each sublimit stated in this policy applies as part of, and not in addition to, the overall policy limit for an occurrence insured hereunder. Each sublimit is the maximum amount potentially recoverable for all insured loss, damage, expense, time element or other insured interest arising from or relating to that aspect of the occurrence, including but not limited to type of property, construction, geographic area, zone, location, or peril.

If insured under this policy, any sublimit for **Earthquake, Flood** or **Named Storm** is the maximum amount potentially recoverable for all insured loss, damage, expense, time element or other insured interest arising from or relating to such an occurrence. All other Sublimits are a part of, and do not increase the **Earthquake, Flood** or **Named Storm** Sublimit.

Further, if **Flood** occurs in conjunction with a **Named Storm** or **Earthquake**, the **Flood** sublimit applies within and erodes the sublimit for that windstorm, named storm, named windstorm, earthquake or earth movement.

When a Sublimit is shown as applying as an annual aggregate, the Company's maximum limit of liability will not exceed such limit during any POLICY PERIOD regardless of the number of INSURED PROPERTY and coverages involved.

Sublimits:

\$2,500,000	ACCOUNTS RECEIVABLE	
\$1,000,000	ANIMALS	
\$5,000,000	AUTOMATIC COVERAGE (NEWLY ACQUIRED)	
\$10,000,000	BUSINESS INCOME AND EXTRA EXPENSE COMBINED	
\$500,000	CLAIM PREPARATION FEES AND EXPENSES	
\$250,000	CONTINGENT BUSINESS INCOME AND CONTINGENT EXTRA EXPENSE COMBINED	
\$100,000	CONTINGENT TAX REVENUE INTERRUPTION	
\$2,500,000	DEBRIS REMOVAL (GREATER OF 25% OF PROPERTY DAMAGE LOSS OR THE LIMIT SHOWN)	
\$500,000	DECONTAMINATION COSTS	
\$100,000	DEFERRED PAYMENTS	
\$10,000,000	EARTHQUAKE – SUBJECT TO A \$10,000,000 ANNUAL AGGREGATE	
\$2,500,000	ELECTRONIC DATA AND MEDIA	
\$50,000,000	EQUIPMENT BREAKDOWN, INCLUDING	
	SPOILAGE	\$500,000
	SERVICE INTERRUPTION	\$2,500,000
	BUSINESS INCOME AND EXTRA EXPENSE	\$1,000,000
	EXPEDITING EXPENSE	\$500,000
	HAZARDOUS SUBSTANCE	\$1,000,000

	AMMONIA CONTAMINATION	\$500,000
	ELECTRONIC DATA AND MEDIA	\$1,000,000
	CFC REFRIGERANTS	\$100,000
	COMPUTER EQUIPMENT	\$50,000,000
\$2,500,000	ERRORS AND OMISSIONS	
\$250,000	EVACUATION EXPENSE	
\$1,000,000	EXPEDITING EXPENSE	
\$1,000,000	EXTENDED PERIOD OF INDEMNITY (LESSER OF ACTUAL LOSS SUSTAINED FOR 180 CONSECUTIVE DAYS OR LIMIT SHOWN)	
\$10,000,000	FLOOD - SUBJECT TO A \$10,000,000 ANNUAL AGGREGATE	
\$1,000,000	FLOOD – SUBJECT TO A \$1,000,000 ANNUAL AGGREGATE AS RESPECTS INSURED PROPERTY SITUATED WHOLLY OR PARTIALLY WITHIN SPECIAL FLOOD HAZARD AREAS	
\$2,500,000	INCREASED COST OF CONSTRUCTION	
\$2,500,000	INGRESS/EGRESS	
\$250,000	INSECT, ANIMAL, AND VERMIN DAMAGE TO MOBILE EQUIPMENT AND VEHICLES	
\$2,500,000	INTERRUPTION BY CIVIL AUTHORITY	
\$100,000	LAND AND WATER CONTAMINANT OR POLLUTANT CLEANUP, REMOVAL & DISPOSAL, SUBJECT TO A \$500,000 ANNUAL AGGREGATE	
\$100,000	LANDSCAPING, SUBJECT TO \$15,000 ANY ONE SHRUB OR TREE, CAUSED BY OR RESULTING FROM A DEFINED PERIL	
\$2,500,000	LEASEHOLD INTEREST	
\$2,500,000	MISCELLANEOUS UNNAMED PROPERTY	
\$1,000,000	MOLD RESULTING FROM A DEFINED PERIL	
\$50,000,000	NAMED STORM	
\$10,000	PERSONAL PROPERTY OF OFFICERS AND EMPLOYEES OF THE NAMED INSURED WHILE ACTING WITHIN THE SCOPE OF DUTIES ON BEHALF OF THE NAMED INSURED	
\$10,000	PERSONAL PROPERTY OF LAW ENFORCEMENT AND FIRE DEPARTMENT EMPLOYEES, INCLUDING VOLUNTEER LAW ENFORCEMENT AND VOLUNTEER FIRE DEPARTMENT PERSONNEL WHILE ACTING WITHIN THE SCOPE OF DUTIES ON BEHALF OF THE NAMED INSURED	

\$2,500,000	PROPERTY IN THE COURSE OF CONSTRUCTION AND SOFT COSTS – ANY ONE INSURED PROPERTY
\$2,500,000	SERVICE INTERRUPTION - PROPERTY DAMAGE AND TIME ELEMENT COMBINED
\$2,500,000	TRANSIT - PROPERTY DAMAGE AND TIME ELEMENT COMBINED – PER CONVEYANCE
\$2,500,000	UNSCHEDULED FINE ARTS – SUBJECT TO A MAXIMUM OF \$250,000 PER ITEM
\$250,000	UNSCHEDULED TUNNELS, BRIDGES, AIRPORT RUNWAYS, AND DAMS (EXCLUDING COVERAGE FOR THE PERILS OF EARTH MOVEMENT, FLOOD, AND NAMED STORM)
\$100,000	UNSCHEDULED UNMANNED AIRCRAFT SYSTEMS , INCLUDING ATTACHED EQUIPMENT
\$500,000	UNSCHEDULED WATERCRAFT
\$250,000	UNSCHEDULED WHARVES, PIERS, DOCKS, PILINGS, AND BULKHEADS
\$100,000	UPGRADE TO GREEN
\$2,500,000	VALUABLE PAPERS AND RECORDS

Time Limits

In addition to the time limits shown elsewhere in this Policy, the following apply:

30 Day Period: INTERRUPTION BY CIVIL AUTHORITY

30 Day Period: INGRESS/EGRESS

180 Day Period: EXTENDED PERIOD OF INDEMNITY

7. PREMIUM

This Policy is issued in consideration of an annual premium of _____.

8. WAITING PERIOD

For the purposes of applying SERVICE INTERRUPTION, CIVIL AUTHORITY AND INGRESS/EGRESS Coverage, the **Waiting Period** is twenty-four (24) hours.

9. DEDUCTIBLES

In each case of loss covered by this Policy, the Company will be liable only if the NAMED INSURED sustains a loss in a single **Occurrence** greater than the underlying limit or the applicable deductible specified below, and only for its share of that greater amount.

A. Named Storm

Property consisting of **Vehicles** and **Mobile Equipment** shall not be subject to the deductible for **Named Storm** in **Tier One Counties**.

For INSURED PROPERTY wholly or partially situated in **Tier One Counties**, the deductible shall be 3% of the value, per the VALUATION clause of the LOSS ADJUSTMENT AND SETTLEMENT section of the Policy, of the INSURED PROPERTY as of the date of the loss at the INSURED PROPERTY where physical damage occurred and for which the NAMED INSURED is making a claim for loss. If the claim as respects Losses from a **Named Storm** involves loss or damage at more than one INSURED PROPERTY, the deductible amount shall be calculated separately for each INSURED PROPERTY suffering loss or damage and applied separately to the adjusted loss at each INSURED PROPERTY, but in no event shall the total deductible to be applied to a single Occurrence with respect to such losses be less than the minimum amount of \$_____, for all such loss or damage at all INSURED PROPERTY, and coverages, combined.

As respects **Named Storm** losses in all other counties, a \$_____ deductible per **Occurrence** for all INSURED PROPERTY and coverages, combined, shall apply.

As respects buildings or structures wholly or partially situated in a **Special Flood Hazard Area** the following deductibles shall apply separately for loss from the perils of **Flood** or **Storm Surge** resulting from a **Named Storm**:

- (1) for all coverages insured against under this policy, if the NAMED INSURED purchases coverage from the National Flood Insurance Program, the deductible shall be the greater of the amount recoverable from the National Flood Insurance Program or the **Actual Cash Value**, not to exceed \$500,000. This deductible shall apply for each building or each structure for real property, and for contents at each building or each structure.
- (2) for all coverages insured against under this policy, if the NAMED INSURED does not purchase coverage from the National Flood Insurance Program, or the property is not eligible for coverage from the National Flood Insurance Program, or in the event the National Flood Insurance Program lapses or is discontinued, the deductible shall be \$ 500,000 at each building or each structure for real property, \$ 500,000 for contents at each building or each structure, and \$500,000 each for any other INSURED PROPERTY.
- (3) If the community is participating in the Emergency Program under the National Flood Insurance Program, \$500,000 as noted within this Section A. (1) is replaced with \$100,000. If the property is eligible for coverage in the Emergency Program, \$500,000 as noted within Section A. (2) is replaced with \$100,000.

However, these deductibles shall not apply to INSURED PROPERTY located outside of an area designated as a **Special Flood Hazard Area** nor to ensuing physical loss, or damage or destruction not otherwise excluded herein. Further, the deductibles described under paragraphs (1), (2), and (3) above shall apply individually and supersede the "two or more deductible provision" under the Deductible Conditions of the policy.

B. Flood

Property consisting of **Vehicles** and **Mobile Equipment** shall not be subject to the **Special Flood Hazard Area** deductible detailed below.

As respects buildings or structures wholly or partially situated in a **Special Flood Hazard Area** the following deductibles shall apply separately for loss from the peril of **Flood**, as covered and defined under the National Flood Insurance Program:

- (1) for all coverages insured against under this policy, if the NAMED INSURED purchases coverage from the National Flood Insurance Program, the deductible shall be the greater of the amount recoverable from the National Flood Insurance Program or the **Actual Cash Value**, not to exceed \$500,000. This deductible shall apply for each building or each structure for real property, and for contents at each building or each structure.
- (2) for all coverages insured against under this policy, if the NAMED INSURED does not purchase coverage from the National Flood Insurance Program, or the property is not eligible for coverage from the National Flood Insurance Program, or in the event the National Flood Insurance Program lapses or is discontinued, the deductible shall be \$ 500,000 at each building or each structure for real property, \$ 500,000 for contents at each building or each structure, and \$500,000 each for any other INSURED PROPERTY.
- (3) If the community is participating in the Emergency Program under the National Flood Insurance Program, \$500,000 as noted within this Section B. (1) is replaced with \$100,000. If the property is eligible for coverage in the Emergency Program, \$500,000 as noted within Section B. (2) is replaced with \$100,000.

However, these deductibles shall not apply to INSURED PROPERTY located outside of an area designated as a **Special Flood Hazard Area** nor to ensuing physical loss, or damage or destruction not otherwise excluded herein. Further, the deductibles described under paragraphs (1), (2), and (3) above shall apply individually and supersede the "two or more deductible provision" under the Deductible Conditions of the policy.

For all other **Flood** losses, the deductible shall be \$_____.

C. Earthquake in New Madrid Counties

For INSURED PROPERTY wholly or partially situated in **New Madrid Counties**, the deductible shall be 2% of the value, per the VALUATION clause of the LOSS ADJUSTMENT AND SETTLEMENT section of the Policy, of the INSURED PROPERTY as of the date of the loss at the INSURED PROPERTY where physical damage occurred and for which the NAMED INSURED is making a claim for loss. If the claim as respects Losses from an **Earthquake in New Madrid Counties** involves loss or damage at more than one INSURED PROPERTY, the deductible amount shall be calculated separately for each INSURED PROPERTY suffering loss or damage and applied separately to the adjusted loss at each INSURED PROPERTY, but in no event shall the total deductible to be applied to a single Occurrence with respect to such losses be less than the minimum amount of \$_____, for all such loss or damage at all INSURED PROPERTY, and coverages, combined.

D. All Other Perils

As respects losses from any other peril, a \$_____ deductible per **Occurrence** for all INSURED PROPERTY, and coverages, combined shall apply.

Two or More Deductibles

In the event of any **Occurrence** resulting in loss or damage insured against under this Policy for which two or more deductibles apply, the total deductible shall not exceed the single largest deductible applicable to the **Occurrence**.

However, in any **Occurrence** where loss or damage is caused by more than one peril insured against under this Policy, the NAMED INSURED shall have the right to separate the loss amount by peril for the purposes of application of the deductible(s) specified in this section, notwithstanding the above reference to two or more deductibles.

PROPERTY DAMAGE - SECTION B

This Policy covers property, as described in this Policy, against all risks of direct physical loss or direct physical damage, except as hereinafter excluded, while located as described in this Policy.

1. INSURED PROPERTY

This Policy insures the following property, unless otherwise excluded elsewhere in this Policy, anywhere within the policy territory, to the extent of the interest of the NAMED INSURED in such property.

- A. Real Property, including but not limited to buildings, remodeling, installations, and construction in which the NAMED INSURED has an insurable interest.
- B. Personal Property:
 - 1) Owned by the NAMED INSURED, including the NAMED INSURED'S interest as a tenant in improvements and betterments. In the event of physical loss or damage, the Company agrees to accept and consider the NAMED INSURED as sole and unconditional owner of improvements and betterments, notwithstanding any contract or lease to the contrary;
 - 2) Of officers and employees of the NAMED INSURED, while acting within the scope of duties on behalf of the NAMED INSURED, at or within 100 feet of an insured building;
 - 3) Of law enforcement and fire department employees, including volunteer law enforcement and volunteer fire department personnel, within the coverage TERRITORY while acting within the scope of duties on behalf of the NAMED INSURED.
 - 4) Of others in the NAMED INSURED's custody to the extent the NAMED INSURED is under obligation to keep insured for physical loss or damage insured by this Policy; or
 - 5) Of others in the NAMED INSURED'S custody to the extent of the NAMED INSURED'S legal liability for physical loss or damage to personal property. The Company will defend that portion of any suit against the NAMED INSURED that alleges such liability and seeks damages for such insured physical loss or damage. The Company may, without prejudice, investigate, negotiate and settle any claim or suit as the Company deems expedient.
 - 6) **Mobile Equipment, Vehicles, Unmanned Aircraft Systems**, and watercraft owned, rented, or leased by the NAMED INSURED.

This Policy also insures the interest of contractors and subcontractors in insured property during construction at an INSURED PROPERTY to the extent of the NAMED INSURED'S legal liability for insured physical loss or damage to such property. Such interest of contractors and subcontractors is limited to the property for which they have been hired to perform work and such interest will not extend to any TIME ELEMENT coverage provided under this Policy.

2. PROPERTY EXCLUDED

This Policy excludes:

- A. Currency, money, precious metal in bullion form, notes, or securities.
- B. Land, water or any other substance in or on land; except this exclusion does not apply to loss or damage caused by or resulting from a **Defined Peril** for the following items:
 - 1) Land improvements consisting of landscaping including trees and shrubs, tunnels, piers, docks, pilings, bulkheads, wharves, piping, fiber optic cable, and retaining walls, but not including any land beneath such property.
 - 2) Bridges and dams (including earthen dams), but not including coverage for the peril of **Flood**.
 - 3) Pavements, sidewalks, parking lots, and culverts at an INSURED PROPERTY, but not including roadways, highways, and streets.
 - 4) Athletic Fields including necessary materials, fill, and substrate beneath such fields.
 - 5) Water that is contained within any enclosed tank, piping system or any other processing equipment.
- C. Animals, but not including animals used for research and animals used for the operations of the NAMED INSURED.
- D. Spacecraft, satellites, or aircraft except **Unmanned Aircraft Systems**.
- E. Underground mines, mineshafts or caverns or any property within such mine, shaft or cavern.
- F. Canals, off shore drilling rigs, or reservoirs.
- G. Property sold by the NAMED INSURED under conditional sale, trust agreement, installment plan or other deferred payment plan after delivery to customers except as provided by the DEFERRED PAYMENT coverage of this Policy.
- H. Overhead transmission and distribution lines located more than 1 mile from an insured building.
- I. Standing timber, growing crops, sod, grass, or greens and tees at golf courses.
- J. Landfill original material (i.e. trash and debris), landfill liners or similar landfill barrier(s), natural or manmade.
- K. Equipment used to produce power or gas primarily for distribution to third parties.

3. ADDITIONAL COVERAGES

This Policy includes the following Additional Coverages for physical loss or damage insured by this Policy. These Additional Coverages:

Are subject to the applicable limit of liability;

Will not increase the Policy limit of liability; and

Are subject to the Policy provisions, including applicable exclusions and deductibles;

all as shown in this Section and elsewhere in this Policy.

A. ACCOUNTS RECEIVABLE

This Policy covers any shortage in the collection of accounts receivable, resulting from insured physical loss or damage to accounts receivable records while anywhere within the Policy TERRITORY, including while in transit. The Company will be liable for the interest charges on any loan to offset impaired collections pending repayment of such sum uncollectible as the result of such loss or damage. Unearned interest and service charges on deferred payment accounts and **Normal** credit losses on bad debts will be deducted in determining the recovery.

- 1) In the event of loss to accounts receivable records, the NAMED INSURED will use all reasonable efforts, including legal action, if necessary, to effect collection of outstanding accounts receivable.
- 2) The NAMED INSURED agrees to use any suitable property or service:
 - a. Owned or controlled by the NAMED INSURED; or
 - b. obtainable from other sources;in reducing the loss under this Additional Coverage.
- 3) This Policy covers any other necessary and reasonable costs incurred to reduce the loss, to the extent the losses are reduced.
- 4) If it is possible to reconstruct accounts receivable records so that no shortage is sustained, the Company will be liable only for the reasonable and necessary cost incurred for material and time required to re-establish or reconstruct such records, and not for any costs covered by any other insurance.
- 5) **ACCOUNTS RECEIVABLE Exclusions:** The following exclusions are in addition to the **EXCLUSIONS** clause of this Section:

This **ADDITIONAL COVERAGE** does not insure against shortage resulting from:

- a. Bookkeeping, accounting or billing errors or omissions; or
 - b. (i) Alteration, falsification, manipulation; or
(ii) Concealment, destruction or disposal;
- of accounts receivable records committed to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property; but only to the extent of such wrongful giving, taking, obtaining or withholding.
- 6) The settlement of loss will be made within 90 days from the date of physical loss or damage. All amounts recovered by the NAMED INSURED on outstanding accounts receivable on the date of loss will belong and be paid to the Company up to the amount of loss paid by the Company. All recoveries exceeding the amount paid will belong to the NAMED INSURED.

B. ANIMALS

This Policy covers insured physical loss or damage to animals used for research and animals used for the operations of the NAMED INSURED.

As respects ANIMALS, the following additional exclusions apply:

This Policy excludes the following unless directly resulting from other physical damage not excluded by this Policy:

- 1) Death, destruction, or injury from natural causes.
- 2) Escape.
- 3) Sickness, disease, infection, infestation or illness.
- 4) Error or omission in processing and/or failure on the part of the NAMED INSURED to provide nourishment, medicine or sanitary conditions.
- 5) Contamination of animals, food or medicine.

C. AUTOMATIC COVERAGE (NEWLY ACQUIRED)

This Policy covers INSURED PROPERTY rented, leased, purchased, or newly constructed by the NAMED INSURED after the inception date of this Policy within the Policy TERRITORY.

This Additional Coverage does not apply to property insured in whole or in part by any other insurance policy.

This coverage will apply until the date the INSURED PROPERTY is reported to the Company or 120 days from the date of acquisition, whichever comes first.

D. BRANDS AND LABELS

If branded or labeled property insured by this Policy is physically damaged and the Company elects to take all or any part of that property, the NAMED INSURED may at the Company's expense:

- 1) Stamp "salvage" on the property or its containers; or
- 2) Remove or obliterate the brands or labels;

if doing so will not damage the property. In either event, the NAMED INSURED must relabel such property or its containers to be in compliance with any applicable law.

E. CLAIM PREPARATION FEES AND EXPENSES

This Policy covers the actual costs incurred by the NAMED INSURED, of reasonable fees payable to the NAMED INSURED'S accountants, architects, auditors, engineers, or other professionals and the cost of using the NAMED INSURED'S employees, for producing and certifying any particulars or details contained in the NAMED INSURED'S books or documents, or such other proofs, information or evidence required by the Company resulting from insured loss payable under this Policy for which the Company has accepted liability.

Coverage will not include the fees and costs of attorneys, public adjusters, and loss appraisers, all including any of their subsidiary, related or associated entities either partially or wholly owned by them or retained by them for the purpose of assisting them.

F. CONSEQUENTIAL REDUCTION IN VALUE

This Policy covers the reduction in value of insured merchandise that is a part of pairs, sets or components, directly resulting from physical loss or damage insured by this Policy to other insured parts of pairs, sets or components of such merchandise. If settlement is based on a constructive total loss, the NAMED INSURED will surrender the undamaged parts of such merchandise to the Company.

G. DEBRIS REMOVAL

This Policy covers the reasonable and necessary costs incurred to remove debris from INSURED PROPERTY that remains as a direct result of physical loss or damage insured by this Policy.

This Additional Coverage does not cover the costs of removal of:

- 1) Contaminated uninsured property; or
- 2) The contaminant in or on uninsured property;

whether or not the contamination results from insured physical loss or damage. Contamination includes, but is not limited to, the presence of **Pollutants** or hazardous material.

H. DECONTAMINATION COSTS

If INSURED PROPERTY is contaminated as a direct result of physical damage insured by this Policy and there is in force at the time of the loss any law or ordinance regulating contamination, including but not limited to the presence of **Pollutants** or hazardous material, then this Policy covers, as a direct result of enforcement of such law or ordinance, the increased cost of decontamination and/or removal of such contaminated INSURED PROPERTY in a manner to satisfy such law or ordinance. This Additional Coverage applies only to that part of INSURED PROPERTY so contaminated as a direct result of insured physical damage.

The Company is not liable for the costs required for removing contaminated uninsured property nor the contaminant therein or thereon, whether or not the contamination results from an insured event.

I. DEFERRED PAYMENTS

This Policy covers insured physical loss or damage to personal property of the type insured sold by the NAMED INSURED under a conditional sale or trust agreement or any installment or deferred payment plan and after such property has been delivered to the buyer. Coverage is limited to the unpaid balance for such property.

In the event of loss to property sold under deferred payment plans, the NAMED INSURED will use all reasonable efforts, including legal action, if necessary, to effect collection of outstanding amounts due or to regain possession of the property.

There is no liability under this Policy for loss:

- 1) Pertaining to products recalled including, but not limited to, the costs to recall, test or to advertise such recall by the NAMED INSURED.
- 2) From theft or conversion by the buyer of the property after the buyer has taken possession of such property.
- 3) To the extent the buyer continues payments.
- 4) Not within the Policy TERRITORY.

J. EARTH MOVEMENT

This Policy covers physical loss or damage caused by or resulting from **Earth Movement**.

K. ELECTRONIC DATA AND MEDIA

This Policy covers physical loss or damage to **Electronic Data and Media** while anywhere within the Policy TERRITORY, including while in transit.

- 1) This Additional Coverage excludes:
 - a. Property held as samples or for sale or for delivery after sale.
 - b. Errors or omissions in processing, programming or copying unless physical damage not excluded by this Policy results, in which event, this coverage will insure only such resulting damage.

L. ERRORS AND OMISSIONS

If physical loss or damage is not payable under this Policy solely due to an error or unintentional omission:

- 1) In the description of where INSURED PROPERTY is physically located;
- 2) To include any INSURED PROPERTY:
 - a. Owned, rented or leased by the NAMED INSURED on the effective date of this Policy; or
 - b. Purchased, rented or leased by the NAMED INSURED during the term of this Policy; or
- 3) That results in cancellation of the property insured under this Policy;

This Policy covers such physical loss or damage, to the extent it would have provided coverage had such error or unintentional omission not been made.

It is a condition of this Additional Coverage that any error or unintentional omission be reported by the NAMED INSURED to the Company when discovered and corrected.

M. EXPEDITING EXPENSE

This Policy covers the reasonable and necessary costs incurred to pay for the temporary repair of insured damage to INSURED PROPERTY and to expedite the permanent repair or replacement of such damaged property.

This Additional Coverage does not cover costs:

- 1) Recoverable elsewhere in this Policy; or
- 2) Of permanent repair or replacement of damaged property.

N. FINE ARTS

This Policy covers physical loss or damage to **Fine Arts** articles while anywhere within the Policy TERRITORY, including while in transit.

- 1) This additional coverage excludes loss or damage if the **Fine Arts** cannot be replaced with other of like kind and quality.
- 2) In addition, as respects FINE ARTS, the following exclusions apply:
 - a. Loss or damage from any repairing, restoration or retouching process.

O. FIRE BRIGADE CHARGES AND EXTINGUISHING EXPENSES

This Policy covers the following expenses resulting from a covered loss:

- 1) fire brigade charges and any extinguishing expenses which the NAMED INSURED incurs;
- 2) loss and disposal of fire extinguishing materials expended.

P. FLOOD

This Policy covers physical loss or damage caused by or resulting from **Flood**.

Q. INCREASED COST OF CONSTRUCTION

- 1) This Policy covers the reasonable and necessary costs incurred, described in Item 3) below, to satisfy the minimum requirements of the enforcement of any law or ordinance regulating the demolition, construction, repair, replacement or use of buildings or structures, provided:
 - a. Such law or ordinance is in force on the date of insured physical loss or damage; and
 - b. Its enforcement is a direct result of such insured physical loss or damage; and
- 2) This Additional Coverage does not cover any loss due to any law or ordinance with which the NAMED INSURED should have complied before the loss.
- 3) This Additional Coverage, as respects the property insured in Item 1) above, covers:
 - a. The cost to repair or rebuild the physically damaged portion of such property with materials and in a manner to satisfy such law or ordinance; and

b. The cost:

- (i) to demolish the physically undamaged portion of such property insured; and
- (ii) to rebuild it with materials and in a manner to satisfy such law or ordinance;

to the extent that such costs result when the total demolition of the physically damaged INSURED PROPERTY is required to satisfy such law or ordinance.

- 4) This Additional Coverage excludes any costs incurred as a direct or indirect result of enforcement of any laws or ordinances regulating any form of contamination including but not limited to the presence of **Pollutants** or hazardous material.
- 5) The Company's maximum liability for this Additional Coverage at each INSURED PROPERTY in any **Occurrence** will not exceed the actual cost incurred in demolishing the physically undamaged portion of the property insured in Item 1 above plus the lesser of:
 - a. The reasonable and necessary cost incurred, excluding the cost of land, in rebuilding on another site; or
 - b. The cost of rebuilding on the same site.

If the coverage under this clause is subject to a sublimit, such sublimit shall only apply with respects to paragraph 3)a. above. Such sublimit shall not apply with respect to paragraph 3)b. above where coverage described therein shall be included within the Policy limit.

R. LAND AND WATER CONTAMINANT OR POLLUTANT CLEANUP, REMOVAL & DISPOSAL

This Policy covers the reasonable and necessary cost for the cleanup, removal and disposal of contaminants or pollutants from uninsured property consisting of land, including water or any other substance in land, and water on land, at the INSURED PROPERTY if the release, discharge or dispersal of contaminants or pollutants is a direct result of insured physical loss or damage to INSURED PROPERTY.

This Policy does not cover the cost to cleanup, remove and dispose of contaminants or pollutants from such property:

- 1) At any INSURED PROPERTY for personal property only; or
- 2) When the NAMED INSURED fails to give written notice of loss to the Company within 180 days after inception of the loss.

S. MISCELLANEOUS UNNAMED PROPERTY

This Policy covers the NAMED INSURED'S interest in covered property within the Policy TERRITORY which is not specifically on file, identified, or scheduled by the Insurer. No coverage is provided under this provision on property while waterborne.

This provision does not cover any property insured or excluded under any other item of this policy.

T. PROPERTY IN THE COURSE OF CONSTRUCTION AND SOFT COSTS

This Policy covers projects in the course of construction.

This Additional Coverage also covers the necessary **Soft Costs**.

U. PROTECTION AND PRESERVATION OF PROPERTY

This Policy covers:

- 1) Reasonable and necessary costs incurred for actions to temporarily protect or preserve INSURED PROPERTY, provided such actions are necessary due to actual, or to prevent immediately impending, insured physical loss or damage to such INSURED PROPERTY.
- 2) Reasonable and necessary includes, but is not limited to:
 - a. Fire department fire-fighting charges imposed as a result of responding to a fire in, on or exposing the INSURED PROPERTY;
 - b. Costs incurred of restoring and recharging fire protection systems following an insured loss; and
 - c. Costs incurred for the water used for fighting a fire in, on or exposing the INSURED PROPERTY.

This Additional Coverage is subject to the deductible provisions that would have applied had the physical loss or damage occurred.

V. SERVICE INTERRUPTION PROPERTY DAMAGE

- 1) This Policy covers physical loss or damage to INSURED PROPERTY when such physical loss or damage results from the interruption of the specified incoming or outgoing services consisting of electricity, telecommunications, gas, fuel, steam, water, refrigeration or from the lack of incoming or outgoing sewerage service by reason of physical loss or damage of the type insured against to real and personal property of the type covered to the facilities of the supplier of such service located within the Policy TERRITORY, that immediately prevents in whole or in part the delivery of such usable service.
- 2) This Additional Coverage will apply when the **Period of Service Interruption** is in excess of the time shown as **Waiting Period** in the WAITING PERIOD clause of the DECLARATIONS Section.
- 3) Additional General Provisions:
 - a. The NAMED INSURED will immediately notify the suppliers of services of any interruption of such services.
 - b. The Company will not be liable if the interruption of such services is caused directly or indirectly by the failure of the NAMED INSURED to comply with the terms and conditions of any contracts the NAMED INSURED has for the supply of such specified services.

W. TERRORISM

This Policy covers physical loss or damage caused by or resulting from **Terrorism**.

X. TRANSIT

- 1) This Policy covers the following INSURED PROPERTY within the Policy TERRITORY, except as excluded by this Policy, while in transit:
 - a. Owned by the NAMED INSURED within the Policy TERRITORY of this policy.
 - b. Shipped to customers under F.O. B., C & F or similar terms. The NAMED INSURED'S contingent interest in such shipments is admitted.
 - c. Of others in the actual or constructive custody of the NAMED INSURED to the extent of the NAMED INSURED'S interest or legal liability.
 - d. Of others sold by the NAMED INSURED that the NAMED INSURED has agreed prior to the loss to insure during course of delivery.
- 2) This Additional Coverage excludes:
 - a. Samples in the custody of salespeople or selling agents.
 - b. Property insured under import or export ocean marine insurance.
 - a. Waterborne shipments, unless:
 - i) by inland water; or
 - ii) by coastal shipments.
 - d. Airborne shipments unless by regularly scheduled passenger airlines or air freight carriers.
 - e. Property of others, including the NAMED INSURED'S legal liability for it, hauled on **Vehicles** owned, leased or operated by the NAMED INSURED when acting as a common or contract carrier.
 - f. Any transporting **Vehicle**.
 - g. Property shipped between continents, except by land or air between Europe and Asia.
- 3) Coverage Attachment and Duration
 - a. This Additional Coverage covers from the time the property leaves the original point of shipment for transit until the property arrives at destination.
 - b. However, coverage on export shipments not insured under ocean cargo policies ends when the property is loaded on board overseas vessels or aircraft. Coverage on import shipments not insured under ocean cargo policies begins after discharge from overseas vessels or aircraft.
- 4) This Additional Coverage:
 - a. Covers general average and salvage charges on shipments covered while waterborne.
 - b. Insures physical loss or damage caused by or resulting from:

- i) Unintentional acceptance of fraudulent bills of lading, shipping or messenger receipts;
- ii) Improper parties having gained possession of property through fraud or deceit.

5) Additional General Provisions

- a. This Additional Coverage will not inure directly or indirectly to the benefit of any carrier or bailee.
- b. The NAMED INSURED has permission, without prejudicing this insurance, to accept:
 - i) Ordinary bills of lading used by carriers;
 - ii) Released bills of lading;
 - iii) Undervalued bills of lading; and
 - iv) Shipping or messenger receipts.
- c. The NAMED INSURED may waive subrogation against railroads under sidetrack agreements.

Except as otherwise stated, the NAMED INSURED will not enter into any special agreement with carriers releasing them from their common law or statutory liability.

Y. VALUABLE PAPERS AND RECORDS

This Policy covers physical loss or damage to **Valuable Papers and Records** while anywhere within the Policy TERRITORY, including while in transit.

- 1) This Additional Coverage excludes:
 - a. Property held as samples or for sale or for delivery after sale, and
 - b. Errors or omissions in processing, programming or copying unless physical damage not excluded by this Policy results, in which event, this coverage will insure only such resulting damage.

4. EXCLUSIONS

The following exclusions apply unless specifically stated elsewhere in this Policy.

A. This Policy excludes:

- 1) Indirect or remote loss or damage.
- 2) Interruption of business; except to the extent provided by this Policy.
- 3) Loss of market or loss of use.
- 4) Loss or damage or deterioration arising from any delay.

- 5) Mysterious disappearance, loss or shortage disclosed on taking inventory for which the loss can be proven solely on the inventory records, or any unexplained loss.
 - 6) Loss from enforcement of any law or ordinance:
 - a. Regulating the construction, repair, replacement, use or removal, including debris removal, of any property; or
 - b. Requiring the demolition of any property, including the cost in removing its debris;

except as provided by the DEBRIS REMOVAL, DECONTAMINATION COSTS and INCREASED COST OF CONSTRUCTION coverages of the PROPERTY DAMAGE Section of this Policy.
 - 7) Loss from the accumulated effects of smog, smoke, vapor, liquid or dust.
- B. This Policy excludes loss or damage directly or indirectly caused by or resulting from any of the following regardless of any other cause or event, whether or not insured under this Policy, contributing concurrently or in any other sequence to the loss:
- 1) Nuclear reaction or nuclear radiation or radioactive contamination. However:
 - a. If physical damage by fire or sprinkler leakage results, then only that resulting damage is insured; but not including any loss or damage due to nuclear reaction, radiation or radioactive contamination.
 - b. This Policy does insure physical damage directly caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted on the INSURED PROPERTY, provided that on the date of loss, there is neither a nuclear reactor nor any new or used nuclear fuel on the INSURED PROPERTY.
 - 2) a. Hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack by any:
 - (i) Government or sovereign power (de jure or de facto);
 - (ii) Military, naval or air force; or
 - (iii) Agent or authority of any party specified in (i) or (ii) above.
 - b. Discharge, explosion or use of any nuclear device, weapon or material employing or involving nuclear fission, fusion or radioactive force, whether in time of peace or war and regardless of who commits the act.
 - c. Insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an event.
 - d. Seizure or destruction under quarantine or custom regulation, or confiscation by order of any governmental or public authority.
 - e. Risks of contraband, or illegal transportation or trade.

- 3) Any dishonest act, including but not limited to theft, committed alone or in collusion with others, at any time:
- a. By a NAMED INSURED or any proprietor, partner, director, trustee, officer, or employee of a NAMED INSURED; or
 - b. By any proprietor, partner, director, trustee, or officer of any business or entity (other than a common carrier) engaged by a NAMED INSURED to do anything in connection with property insured under this Policy.

This Policy does insure acts of direct insured physical damage intentionally caused by an employee of a NAMED INSURED or any individual specified in b. above, and done without the knowledge of the NAMED INSURED. In no event does this Policy cover loss by theft by any individual specified in a. or b. above.

- 4) Lack of the following services:
- a) incoming or outgoing electricity, fuel, water, gas, steam, refrigerant;
 - b) incoming or outgoing sewerage;
 - c) incoming or outgoing telecommunications;

all when caused by an **Occurrence** off the INSURED PROPERTY, except as provided in SERVICE INTERRUPTION in the PROPERTY DAMAGE or TIME ELEMENT Section of this Policy. But, if the lack of such a service directly causes physical damage insured by this Policy on the INSURED PROPERTY, then only that resulting damage is insured.

- 5) The unlawful possession, use, release, discharge, dispersal or disposal of any chemical or similar agent or matter regardless of who is responsible for the act and whether war has been declared or not, and regardless of any other cause or event contributing concurrently or in any other sequence thereto.

C. This Policy excludes the following, but, if physical damage not excluded by this Policy results, then only that resulting damage is insured:

- 1) Faulty workmanship, material, construction or design from any cause.
- 2) Loss or damage to stock or material attributable to manufacturing or processing operations while such stock or material is being processed, manufactured, tested, or otherwise worked on.
- 3) Deterioration, depletion, rust, corrosion or erosion, wear and tear, inherent vice or latent defect.
- 4) Settling, cracking, shrinking, bulging, or expansion of foundations (including any pedestal, pad, platform or other property supporting machinery), floors, pavements, walls, ceilings or roofs.
- 5) Changes of temperature damage (except to machinery or equipment); or changes in relative humidity damage; all whether atmospheric or not.
- 6) Insect, animal or vermin damage, except damage to **Mobile Equipment** and **Vehicles**.

D. This Policy excludes the following unless directly resulting from other physical damage not excluded by this Policy:

- 1) Contamination including but not limited to the presence of **Pollutants** or hazardous material.
 - 2) Shrinkage; changes in color, flavor, texture or finish.
 - 3) Asbestos material defects, treatment, abatements or removal.
- E. This Policy excludes the following, but, if physical damage results from a **Defined Peril**, then only that resulting damage is insured.
- 1) Any functioning or malfunctioning of the internet or similar facility, or of any intranet or private network or similar facility, including but not limited to Computer Virus. Computer Virus shall mean 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'.
 - 2) Any corruption, destruction, distortion, erasure or other loss or damage to data, software, or any kind of programming or instruction set.
 - 3) Loss of use or functionality whether partial or entire of data, coding, program, software, any computer or computer system or other device dependent upon any microchip or embedded logic, and any ensuing liability or failure of the NAMED INSURED to conduct business.
 - 4) The failure of any of the following, whether owned by you or others:
 - (a) Data processing equipment, software, data, or media;
 - (b) Hardware or software based computer operating systems;
 - (c) Microprocessors;
 - (d) Integrated circuits; or,
 - (e) Any other electronic equipment, computerized equipment, or similar devices;

due to the inability of these items to correctly recognize, process, or accept one or more dates or times as their true calendar date or time.
 - 5) 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;
 - (a) 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);
 - (c) spores means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildew, plants, organisms or microorganisms.

TIME ELEMENT - SECTION C

1. LOSS INSURED

A. This Policy insures TIME ELEMENT loss, as provided in the TIME ELEMENT COVERAGES, directly resulting from physical loss or damage of the type insured by this Policy:

- 1) To property described elsewhere in this Policy and not otherwise excluded by this Policy or otherwise limited in the TIME ELEMENT COVERAGES below; and
- 2) Used by the NAMED INSURED, or for which the NAMED INSURED has contracted use; and
- 3) Located at an INSURED PROPERTY or in the case of PERSONAL PROPERTY within the Policy TERRITORY; and
- 4) While in transit as provided by this Policy; and
- 5) During the Periods of Liability described in this Section.

B. This Policy insures TIME ELEMENT loss only to the extent it cannot be reduced through:

- 1) The use of any property or service owned or controlled by the NAMED INSURED;
- 2) The use of any property or service obtainable from other sources;
- 3) Working extra time or overtime; or
- 4) The use of inventory;

all whether at an INSURED PROPERTY or at any other location. The Company reserves the right to take into consideration the combined operating results of all associated, affiliated or subsidiary companies of the NAMED INSURED in determining the TIME ELEMENT loss.

C. This Policy covers expenses reasonably and necessarily incurred by the NAMED INSURED to reduce the loss otherwise payable under this Section of this Policy. The amount of such recoverable expenses will not exceed the amount by which the loss has been reduced.

D. Except as respects LEASEHOLD INTEREST, in determining the amount of loss payable, the Company will consider the experience of the business before and after and the probable experience during the PERIOD OF LIABILITY.

2. TIME ELEMENT COVERAGES

A. BUSINESS INCOME

1) Measurement of Loss:

a. The recoverable BUSINESS INCOME loss is the Actual Loss Sustained by the NAMED INSURED of the following during the PERIOD OF LIABILITY:

i) **Gross Earnings** including **Ordinary Payroll**;

- ii) Less all charges and expenses that do not necessarily continue during the interruption of production or suspension of business operations or services;
 - iii) Plus all other earnings derived from the operation of the business;
- b. In determining the indemnity payable as the Actual Loss Sustained, the Company will consider the continuation of only those **Normal** charges and expenses that would have been earned had no interruption of production or suspension of business operations or services occurred.
- c. There is recovery hereunder only to the extent that the NAMED INSURED is:
 - i) Wholly or partially prevented from producing goods or continuing business operations or services;
 - ii) Unable to make up lost production within a reasonable period of time, not limited to the period during which production is interrupted;
 - iii) Unable to continue such operations or services during the PERIOD OF LIABILITY;
and
 - iv) Able to demonstrate a loss of sales for the services or production prevented.

B. EXTRA EXPENSE

1) Measurement of Loss:

The recoverable EXTRA EXPENSE loss will be the reasonable and necessary extra costs incurred by the NAMED INSURED of the following during the PERIOD OF LIABILITY:

- a. Extra expenses to temporarily continue as nearly **Normal** as practicable the conduct of the NAMED INSURED'S business and
- b. Extra costs of temporarily using property or facilities of the NAMED INSURED or others;

less any value remaining at the end of the PERIOD OF LIABILITY for property obtained in connection with the above.

2) EXTRA EXPENSE Exclusions: As respects EXTRA EXPENSE, the following are also excluded:

- a. Any loss of income.
- b. Costs that **Normally** would have been incurred in conducting the business during the same period had no physical loss or damage occurred.
- c. Cost of permanent repair or replacement of property that has been damaged or destroyed.
- d. Any expense recoverable elsewhere in this Policy.

C. LEASEHOLD INTEREST

- 1) Measurement of Loss: The recoverable LEASEHOLD INTEREST loss is as follows:
 - a. If the lease agreement requires continuation of rent; and if the property is wholly untenable or unusable, the actual rent payable for the unexpired term of the lease; or if the property is partially untenable or unusable, the proportion of the rent payable for the unexpired term of the lease.
 - b. If the lease is canceled by the lessor pursuant to the lease agreement or by the operation of law; the **Lease Interest** for the first three months following the loss; and the **Net Lease Interest** for the remaining unexpired term of the lease.
- 2) LEASEHOLD INTEREST Exclusions: As respects LEASEHOLD INTEREST, TIME ELEMENT EXCLUSIONS A, B, and C do not apply and the following applies instead:

This Policy does not insure any increase in loss resulting from the suspension, lapse or cancellation of any license, or from the NAMED INSURED exercising an option to cancel the lease; or from any act or omission of the NAMED INSURED that constitutes a default under the lease.

In addition, there is no coverage for the NAMED INSURED'S loss of LEASEHOLD INTEREST directly resulting from damage to Personal Property.

D. RENTAL INSURANCE

- 1) Measurement of Loss: The recoverable RENTAL INSURANCE loss is the Actual Loss Sustained by the NAMED INSURED of the following during the PERIOD OF LIABILITY:
 - a. The fair rental value of any portion of the property occupied by the NAMED INSURED;
 - b. The income reasonably expected from rentals of unoccupied or unrented portions of such property; and
 - c. The rental income from the rented portions of such property according to bona fide leases, contracts or agreements in force at the time of loss;all not to include noncontinuing charges and expenses.
- 2) RENTAL INSURANCE Exclusions: As respects RENTAL INSURANCE, TIME ELEMENT EXCLUSION A does not apply and the following applies instead:

This Policy does not insure any loss of rental income during any period in which the INSURED PROPERTY would not have been tenantable for any reason other than an insured loss.

E. CONTINGENT TAX REVENUE INTERRUPTION (EXCLUDING EARTH MOVEMENT, NAMED STORM, AND FLOOD)

This Policy insures against loss resulting directly from necessary interruption of sales, property or other tax revenue collected by or due the NAMED INSURED caused by damage, or destruction by a

peril not excluded from this Policy to property which is not operated by the insured and which wholly or partially prevents the generation of revenue for the account of the insured.

- 1) In the event of such damage or destruction, the Company shall be liable, with limitations as indicated, if the following conditions a and b are both met:
 - a. The total revenue is reduced to less than 97.5% of the NAMED INSURED'S anticipated revenue had no loss occurred.
 - b. The company 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 Policy.
- 2) Deductible: Each loss or series of losses arising out of one event at INSURED PROPERTY shall be adjusted separately and from the aggregated amount of all such losses 2.50% of the annual revenue value shall be deducted.

3. TIME ELEMENT COVERAGE EXTENSIONS

A. CONTINGENT BUSINESS INCOME AND EXTRA EXPENSE

This Policy covers the Actual Loss Sustained and EXTRA EXPENSE incurred by the NAMED INSURED during the PERIOD OF LIABILITY:

- 1) Directly resulting from physical loss or damage of the type insured; and
- 2) To property of the type insured,

at direct supplier or customer locations located within the Policy TERRITORY.

The term "supplier or customer" does not include any company supplying to or receiving from the INSURED PROPERTY, as described elsewhere in this Policy, electricity, fuel, gas, water, steam, refrigeration, sewage or telecommunications.

B. EXTENDED PERIOD OF INDEMNITY

The BUSINESS INCOME and RENTAL INSURANCE coverages are extended to cover the reduction in sales resulting from:

- 1) The interruption of business as covered by BUSINESS INCOME:
- 2) For such additional length of time as would be required with the exercise of due diligence and dispatch to restore the NAMED INSURED'S business to the condition that would have existed had no loss occurred; and
- 3) Commencing with the date on which the liability of the Company for loss resulting from interruption of business would terminate if this Extension had not been included herein.
- 4) The loss or rental income or rental value as covered by RENTAL INSURANCE.

EXTENDED PERIOD OF INDEMNITY Exclusions: As respects EXTENDED PERIOD OF INDEMNITY, the TIME ELEMENT EXCLUSION for increase in loss due to suspension, lapse of any lease, contract or license or order does not apply.

This Policy does not insure against any increase in loss due to fines or damages for breach of contract or for late or noncompletion of orders, or penalties of any nature.

Coverage under this Extension for the reduction in sales due to contract cancellation will be limited to only those sales that would have been earned under the contract during the EXTENDED PERIOD OF INDEMNITY.

This Policy does not provide coverage under this extension for more than the number of consecutive days shown in LIMITS OF LIABILITY clause of the DECLARATIONS Section.

C. INGRESS/EGRESS

This Policy covers the Actual Loss Sustained and Extra Expense incurred by the NAMED INSURED due to the necessary interruption of the NAMED INSURED'S business due to prevention of ingress to or egress from an INSURED PROPERTY, provided that such prevention is a direct result of physical damage of the type insured by this Policy, to the kind of property not excluded by this Policy, and which is located within five (5) statute mile of the INSURED PROPERTY incurring loss.

INGRESS/EGRESS Exclusions: As respects INGRESS/EGRESS, the following exclusions are applicable:

This Policy does not insure loss resulting from:

- 1) lack of incoming or outgoing service consisting of electric, fuel, gas, water, steam, refrigerant, sewerage and telecommunications.
- 2) picketing or other action by strikers except for physical damage not excluded by this Policy.

This Policy does not provide coverage under this extension for more than the number of consecutive days shown in the LIMITS OF LIABILITY clause of the DECLARATIONS Section.

D. INTERRUPTION BY CIVIL AUTHORITY

This Policy covers the Actual Loss Sustained and Extra Expense incurred by the NAMED INSURED during the PERIOD OF LIABILITY when access to INSURED PROPERTY is specifically prohibited by order of civil authority, provided such order is a direct result of actual loss or damage from a peril covered under this Policy to property of the type insured against under this policy which is located within five (5) statute miles of the INSURED PROPERTY to which access is prohibited.

This Policy does not provide coverage under this extension for more than the number of consecutive days shown in the LIMITS OF LIABILITY clause of the DECLARATIONS Section.

E. ON PREMISES SERVICES

This Policy covers the Actual Loss Sustained by the NAMED INSURED during the PERIOD OF LIABILITY directly resulting from physical loss or damage of the type insured to the following property located on the NAMED INSURED'S premises:

- 1) Electrical and telecommunications equipment.

- 2) Electrical, telecommunications, fuel, gas, water, steam, refrigeration and sewerage transmission lines.

F. EVACUATION EXPENSE

In the case of actual or imminent loss or damage of the type insured against by this policy, or a Mandatory Evacuation Order, this Policy will pay the expenses incurred by the NAMED INSURED for the emergency evacuation of patients, inmates, and juvenile detainees from INSURED PROPERTY.

Mandatory Evacuation Order means the first public broadcast of a compulsory evacuation made by the responsible civil authority that is specific as to the effective date, time and area affected and which arises out of a peril for which coverage would have been provided if such peril had caused loss or damage to INSURED PROPERTY. The Mandatory Evacuation Order must commence during the POLICY PERIOD. Recommended, advisory, precautionary, or voluntary evacuation is not included in the definition of Mandatory Evacuation Order.

This additional coverage does not apply to any expenses incurred for: scheduled evacuation drills, fire or safety drills, or the evacuation of a patient due to a medical condition. This coverage also includes expenses incurred to return patients, inmates, and juvenile detainees to INSURED PROPERTY.

G. PROTECTION AND PRESERVATION OF PROPERTY – TIME ELEMENT

This Policy covers the Actual Loss Sustained by the NAMED INSURED for the temporary protection and preservation of property insured by this Policy provided such action is necessary to prevent immediately impending physical loss or damage insured by this Policy at such INSURED PROPERTY.

This extension is subject to the deductible provisions that would have applied had the physical loss or damage occurred.

H. RESEARCH AND DEVELOPMENT

The BUSINESS INCOME coverage is extended to insure the Actual Loss Sustained by the NAMED INSURED of continuing fixed charges and **Ordinary Payroll** directly attributable to the interruption of research and development activities that in themselves would not have produced income during the PERIOD OF LIABILITY.

The PERIOD OF LIABILITY for this TIME ELEMENT COVERAGE EXTENSION will be the period from the time of direct physical loss or damage of the type insured by this Policy to the time when the property could be repaired or replaced and made ready for operations under the same or equivalent physical and operating conditions that existed prior to damage.

I. SERVICE INTERRUPTION TIME ELEMENT

- 1) This Policy covers the Actual Loss Sustained and Extra Expense incurred by the NAMED INSURED during the **Period of Service Interruption** at INSURED PROPERTY when the loss is caused by the interruption of incoming or outgoing services consisting of electricity, gas, fuel, steam, water, refrigeration or from the lack of incoming or outgoing sewerage service by reason of physical loss or damage of the type insured against to real and personal property of the type covered to the facilities of the utility supplier of such service located within the Policy

TERRITORY, that immediately prevents in whole or in part the delivery of such usable services.

- 2) This extension will apply when the **Period of Service Interruption** is in excess of the time shown as **Waiting Period** in the WAITING PERIOD clause of the DECLARATIONS Section.
- 3) Additional General Provisions:
 - a. The NAMED INSURED will immediately notify the suppliers of services of any interruption of such services.
 - b. The Company will not be liable if the interruption of such services is caused directly or indirectly by the failure of the NAMED INSURED to comply with the terms and conditions of any contracts the NAMED INSURED has for the supply of such specified services.

4. PERIOD OF LIABILITY

A. The PERIOD OF LIABILITY applying to all TIME ELEMENT COVERAGES, except LEASEHOLD INTEREST and as shown below, or if otherwise provided under the TIME ELEMENT COVERAGE EXTENSIONS, is as follows:

- 1) For building and equipment, the period:
 - a. Starting from the time of physical loss or damage of the type insured against; and
 - b. Ending when with due diligence and dispatch the building and equipment could be:
 - i) Repaired or replaced; and
 - ii) Made ready for operations;under the same or equivalent physical and operating conditions that existed prior to the damage.
 - c. Not to be limited by the expiration of this Policy.
- 2) For building and equipment under construction:
 - a. The equivalent of the above period of time will be applied to the level of business that would have been reasonably achieved after construction and startup would have been completed had no physical damage happened; and
 - b. Due consideration will be given to the actual experience of the business compiled after completion of the construction and startup.
- 3) For stock-in-process and mercantile stock, including finished goods not manufactured by the NAMED INSURED, the time required with the exercise of due diligence and dispatch:
 - a. To restore stock in process to the same state of manufacture in which it stood at the inception of the interruption of production or suspension of business operations or services; and
 - b. To replace physically damaged mercantile stock.

This item does not apply to RENTAL INSURANCE.

4) For raw materials and supplies, the period of time:

- a. Of actual interruption of production or suspension of operations or services resulting from the inability to get suitable raw materials and supplies to replace similar ones damaged; but
- b. Limited to that period for which the damaged raw material and supplies would have supplied operating needs.

5) If water:

- a. Used for any manufacturing purpose, including but not limited to as a raw material or for power;
- b. Stored behind dams or in reservoirs; and
- c. At any INSURED PROPERTY;

is released as the result of physical damage of the type insured against under this policy to such dam, reservoir or connected equipment, the Company's liability due to inadequate water supply is limited to 30 consecutive days after the damaged dam, reservoir or connected equipment has been repaired or replaced.

This item does not apply to RENTAL INSURANCE.

- 6) For physically damaged exposed film, records, manuscripts and drawings, the time required to copy from backups or from originals of a previous generation. This time does not include research, engineering or any other time necessary to restore or recreate lost information.

This item does not apply to RENTAL INSURANCE.

- 7) For physically damaged or destroyed data, programs or other software stored on electronic, electro-mechanical, electro-magnetic data processing or production equipment, the time to recreate or restore including the time for researching or engineering lost information.

This item does not apply to RENTAL INSURANCE.

- 8) If an order of civil authority prohibits access to the INSURED PROPERTY and provided such order is the direct result of physical damage of the type insured against under this Policy at the INSURED PROPERTY or within 5 statute miles of it, the period of time:

- a. Starting at the time of physical damage; but
- b. Not to exceed 30 consecutive days.

B. The PERIOD OF LIABILITY does not include any additional time due to the NAMED INSURED'S inability to resume operations for any reason, including but not limited to:

- 1) Making changes to equipment.

- 2) Making changes to the buildings or structures except as provided in the INCREASED COST OF CONSTRUCTION provision.
- 3) Restaffing or retraining employees.

If two or more Periods of Liability apply, such periods will not be cumulative.

5. TIME ELEMENT EXCLUSIONS

In addition to exclusion elsewhere in this Policy, the following exclusions apply to TIME ELEMENT loss:

This Policy does not insure against:

- A. Any loss during any idle period, including but not limited to when production, operation, service or delivery or receipt of goods would cease, or would not have taken place or would have been prevented due to:
 - 1) Physical loss or damage not insured by this Policy on or off the INSURED PROPERTY.
 - 2) Planned or rescheduled shutdown.
 - 3) Strikes or other work stoppage.
 - 4) Any other reason other than physical loss or damage insured by this Policy.
- B. Any increase in loss due to:
 - 1) Suspension, cancellation or lapse of any lease, contract, license or orders; or
 - 2) Fines or damages for breach of contract or for late or noncompletion of orders; or
 - 3) For penalties of any nature; or
 - 4) Any other consequential or remote loss.
- C. Any loss resulting from loss or damage to finished goods manufactured by the NAMED INSURED, nor the time required for their reproduction.

LOSS ADJUSTMENT AND SETTLEMENT - SECTION D

1. LOSS ADJUSTMENT/PAYABLE

Loss, if any, will be adjusted with and payable to the NAMED INSURED or as may be directed by the NAMED INSURED. Additional insured interests will also be included in loss payment as their interests may appear when named as additional named insured, lender, mortgagee and/or loss payee in the Certificates of Insurance on file with the Company or named below.

2. CURRENCY FOR LOSS PAYMENT

Losses will be adjusted and paid in the currency of the United States of America, except in Canada where losses will be paid in Canadian currency, unless directed otherwise by the NAMED INSURED.

3. VALUATION

Adjustment of the physical damage loss amount under this Policy will be computed as of the date of loss at the INSURED PROPERTY, and for no more than the interest of the NAMED INSURED, subject to the following:

- A. On stock in process, the value of raw materials and labor expended plus the proper proportion of overhead charges.
- B. On finished goods manufactured by the NAMED INSURED, the regular cash selling price at the INSURED PROPERTY where the loss happens, less all discounts and charges to which the finished goods would have been subject had no loss happened.
- C. On raw materials, supplies and other merchandise not manufactured by the NAMED INSURED:
 - 1) If repaired or replaced, the actual expenditure incurred in repairing or replacing the damaged or destroyed property; or
 - 2) If not repaired or replaced, the **Actual Cash Value**
- D. On property covered under DEFERRED PAYMENTS, the lesser of the:
 - 1) Total amount of unpaid installments less finance charges;
 - 2) **Actual Cash Value** of the property at the time of loss; or
 - 3) Cost to repair or replace with material of like size, kind and quality.
- E. On FINE ARTS articles, the lesser of:
 - 1) The reasonable and necessary cost to repair or restore such property to the physical condition that existed on the date of loss;
 - 2) Cost to replace the article; or
 - 3) Current market value at the time of the loss.
 - 4) The value reported for such property on the latest statement of values on file with the Company.

In the event a **Fine Arts** article is part of a pair or set, and a physically damaged article cannot be replaced, or repaired or restored to the condition that existed immediately prior to the loss, the Company will be liable for the lesser of the full value of such pair or set or the amount designated on the schedule. The NAMED INSURED agrees to surrender the pair or set to the Company.
- F. On VALUABLE PAPERS AND RECORDS, and ELECTRONIC DATA AND MEDIA:

On data, programs or software stored on electronic, electro-mechanical, or electro-magnetic data processing or production equipment:

 - 1) The cost to repair, replace or restore data, programs or software including the costs to recreate, research and engineer;

- 2) If not repaired, replaced or restored within two years from the date of loss, the blank value of the media.
- G. On all other VALUABLE PAPERS AND RECORDS, and ELECTRONIC DATA AND MEDIA, the lesser of the following:
- 1) The cost to repair or restore, including the cost to recreate, research and engineer the item to the condition that existed immediately prior to the loss;
 - 2) The cost to replace the item.
- H. On **Mobile Equipment**, watercraft, and **Vehicles**:
- 1) The cost to repair or replace the owned property with new **Mobile Equipment**, watercraft, or **Vehicles** of like kind and quality at the time of loss, if less than or equal to two years from December 31 of the model year.
 - 2) When replacement cost is declared for **Mobile Equipment**, watercraft, or emergency **Vehicles** (limited to ambulances, Fire Trucks and Mobile Command Centers) on the statement of values, loss or damage shall be based on the lesser of the following at the time of loss regardless of age:
 - a. The cost to repair;
 - b. The cost to replace the property with new **Mobile Equipment**, watercraft, or emergency **Vehicles(s)** of like kind and quality;
 - c. The **Actual Cash Value** if not repaired or replaced within two years from the date of loss.
 - 3) The lesser of the **Actual Cash Value** at the time of loss or the cost to repair if greater than two years from December 31 of the model year.
 - 4) If not repaired or replaced, the **Actual Cash Value**.
- I. On historical property, valuation will be based upon the following requirements:
- 1) The NAMED INSURED shall provide written notice to the Company, which specifically identifies where the property is located, when it was built, its total square footage with an attached appraisal based upon **Reproduction Cost** that was conducted within five (5) years of the Effective Date of this Policy.
 - 2) At the time of loss, the basis of valuation for historical property, when the NAMED INSURED has not complied, will be replacement cost as defined in L. below. Where the NAMED INSURED has complied with the requirements, the basis of valuation will be **Reproduction Cost**, or, if not replaced, at **Actual Cash Value**.
- J. On property in transit:
- 1) Property shipped to or for the account of the NAMED INSURED will be valued at actual invoice to the NAMED INSURED. Included in the value are accrued costs and charges legally due. Charges may include the NAMED INSURED'S commission as selling agent.
 - 2) Property sold by the NAMED INSURED and shipped to or for the purchaser's account will be valued at the NAMED INSURED'S selling invoice amount. Prepaid or advanced freight costs are included.

- 3) Property not under invoice will be valued at the actual cash market value at the destination point on the date of **Occurrence**, less any charges saved which would have become due and payable upon arrival at destination.

K. On **Vacant** property:

- 1) If the building or leased premises has been **Vacant** for a period of more than 90 consecutive days before the loss or damage occurs, the Company will not pay for any loss or damage caused by any of the following:
 - a. Vandalism
 - b. Sprinkler leakage
 - c. Building glass breakage
 - d. Water damage
 - e. Theft, or attempted theft
- 2) With respect to direct physical loss or damage, other than from causes listed in 1) a. through 1) e. above, and not otherwise excluded by this policy, the Company will reduce the amount the Company would otherwise pay for the loss or damage by 15%.

L. On all other property, the loss amount will not exceed the lesser of the following:

- 1) The cost to repair;
- 2) The cost to rebuild or replace on the same site with new materials of like size, kind and quality;
- 3) The cost in rebuilding, repairing or replacing on the same or another site, but not to exceed the size and operating capacity that existed on the date of loss;
- 4) The selling price of real property or machinery and equipment, other than stock, offered for sale on the date of loss;
- 5) The cost to replace unrepairable electrical or mechanical equipment, including computer equipment, with equipment that is the most functionally equivalent to that damaged or destroyed, even if such equipment has technological advantages and/or represents an improvement in function and/or forms part of a program of system enhancement.
- 6) The increased cost of demolition, if any, resulting from loss covered by this Policy, if such property is scheduled for demolition;
- 7) The unamortized value of improvements and betterments, if such property is not repaired or replaced at the NAMED INSURED'S expense; or
- 8) The **Actual Cash Value** if such property is:
 - a. Useless to the NAMED INSURED; or
 - b. Not repaired, replaced or rebuilt on the same or another site within two years

from the date of loss.

The NAMED INSURED may elect to provide reproduction cost for non-historical property, in which case valuation will be based upon the following requirements:

- 1) The NAMED INSURED shall provide written notice to the Company, which specifically identifies where the property is located, when it was built, its total square footage with an attached appraisal based upon reproduction cost that was conducted within five (5) years of the Effective Date of this Policy.

The NAMED INSURED may elect not to repair or replace the insured real and/or personal property lost, damaged or destroyed. Loss settlement may be elected on the lesser of repair or replacement cost basis if the proceeds of such loss settlement are expended on other capital expenditures related to the NAMED INSURED'S operations within two years from the date of loss. As a condition of collecting under this item, such expenditure must be unplanned as of the date of loss and be made at an INSURED PROPERTY under this Policy. This item does not extend to INCREASED COST OF CONSTRUCTION.

4. LOSS CONDITIONS

A. REQUIREMENTS IN CASE OF LOSS

The NAMED INSURED will:

- 1) Give written notice to the Company of any loss as soon as practicable.
- 2) Protect the property from further loss or damage.
- 3) Promptly separate the damaged and undamaged property; put it in the best possible order; and furnish a complete inventory of the lost, destroyed, damaged and undamaged property showing in detail the quantities, costs, **Actual Cash Value**, replacement value and amount of loss claimed.
- 4) Give a signed and sworn proof of loss to the Company within 90 days after the loss, unless that time is extended in writing by the Company. The proof of loss must state the knowledge and belief of the NAMED INSURED as to:
 - a. The time and origin of the loss;
 - b. The NAMED INSURED'S interest and that of all others in the property;
 - c. The **Actual Cash Value** and replacement value of each item and the amount of loss to each item; all encumbrances; and all other contracts of insurance, whether valid or not, covering any of the property;
 - d. Any changes in the title, use, occupation, location, possession or exposures of the property since the effective date of this Policy; and
 - e. By whom and for what purpose any INSURED PROPERTY was occupied on the date of loss, and whether or not it then stood on leased ground.
- 5) Include a copy of all the descriptions and schedules in all policies and, if required, provide verified plans and specifications of any buildings, fixtures, machinery or equipment destroyed or damaged.

- 6) Further, the NAMED INSURED will as often as may be reasonably required:
- a. Exhibit to any person designated by the Company all that remains of any property;
 - b. Submit to examinations under oath by any person designated by the Company and sign the written records of examinations; and
 - c. Produce for examination at the request of the Company:
 - i) All books of accounts, business records, bills, invoices and other vouchers; or
 - ii) Certified copies if originals are lost;

at such reasonable times and places that may be designated by the Company or its representative and permit extracts and machine copies to be made.

B. COMPANY OPTION

The Company has the option to take all or any part of damaged Personal Property at the agreed or appraised value. The Company must give notice to the NAMED INSURED of its intention to do so within 30 days after receipt of proof of loss.

C. ABANDONMENT

There may be no abandonment of any property to the Company.

D. SUBROGATION

The NAMED INSURED is required to cooperate in any subrogation proceedings. The Company may require from the NAMED INSURED an assignment or other transfer of all rights of recovery against any party for loss to the extent of the Company's payment.

The Company will not acquire any rights of recovery that the NAMED INSURED has expressly waived prior to a loss in writing, nor will such waiver affect the NAMED INSURED'S rights under this Policy.

Any recovery from subrogation proceedings, less costs incurred by the Company in such proceedings, will be payable to the NAMED INSURED in the proportion that the amount of any applicable deductible bears to the entire covered loss amount.

E. APPRAISAL

The appraisal process is available to determine the value of a covered loss but is not available to determine whether a loss is covered. If the NAMED INSURED and the Company fail to agree on the amount of loss, each will, on the written demand of either, select a competent and disinterested appraiser, but only after:

- 1) The NAMED INSURED has fully complied with all provisions of this Policy, including REQUIREMENTS IN CASE OF LOSS; and
- 2) The Company has received a signed and sworn proof of loss from the NAMED INSURED.

Each will notify the other of the appraiser selected within 30 days of such demand.

The appraisers will first select a competent and disinterested umpire. If the appraisers fail to agree upon an umpire within 30 days the NAMED INSURED and the Company shall jointly move to have an umpire selected by a judge of a court of record in the jurisdiction in which the appraisal is pending. The appraisers will then identify each item of physical damage or loss and appraise the amount of loss. The appraisal shall include a detailed breakdown of the costs necessary to repair or replace the item, and shall state separately the **Actual Cash Value** and replacement cost value as of the date of loss and the amount of loss, for each item of physical loss or damage or if, for TIME ELEMENT loss, the amount of loss for each TIME ELEMENT coverage of this Policy.

If the appraisers fail to agree, they will submit their differences to the umpire. The Umpire shall review the appraisals prepared by the appraisers selected by the Member and the Pool and shall inspect the property prior to preparing his appraisal. The appraisers for the Member and the Pool shall be afforded the opportunity to attend the Umpire's inspection of the property and provide sufficient input to allow the Umpire to understand the nature and reasons for the differences between the appraisals. After inspecting the property and receiving input from the appraisers, the Umpire shall identify each item of physical loss or damage and shall appraise the amount of the loss for each item. The Umpire's appraisal shall include a detailed breakdown of the costs necessary to repair or replace the item and shall state separately the **Actual Cash Value** and replacement cost value as of the date of the loss. An award agreed to in writing by any two of the three appraisers will determine the amount of loss. The appraisal award is subject to all terms of the coverage document and may be reduced by the application of a deductible called for by the coverage document.

The NAMED INSURED and the Company will each:

- 1) Pay its chosen appraiser; and
- 2) Bear equally the other expenses of the appraisal and umpire.

A demand for APPRAISAL shall not relieve the NAMED INSURED of its continuing obligation to comply with the terms and conditions of this Policy, including as provided under REQUIREMENTS IN CASE OF LOSS.

The Company will not be held to have waived any of its rights by any act relating to appraisal.

F. **ARBITRATION**

In the event of a dispute between a **Member** and NMCIA, the dispute shall be subject to arbitration and all parties shall be bound by the findings and decision of the arbitrator(s), unless the member chooses to resolve the dispute through the NMCIA's Policy on the Denial of Coverage. Otherwise, all such disputes shall be subject to binding arbitration including, but not limited to, disputes relating to this **Agreement** including compliance with its conditions, the interpretation and extension of coverage, the actions or omissions to act of NMCIA and any **Member** in connection with any **Claim** or **Suit**, or potential **Claim**, **Suit**, or **Occurrence**, including prompt notice of a **Claim** or **Suit**, cooperation in the defense or resolution of a **Claim** or **Suit**, and settlement and indemnification of a **Claim** or **Suit**, whether a first party **Claim** or involving a third party **Claim**. NMCIA shall also have the right to determine when a **Claim** or **Suit** should be settled and may proceed to settle a **Claim** or **Suit** within its **Coverage Limit**, and any dispute between NMCIA and any **Member** as to the settlement of a **Claim** or **Suit** shall also be subject to binding arbitration. Either party may issue a written demand for arbitration within 90 days of the event triggering the arbitration request.

Unless NMCIA and the **Member** agree to use three arbitrators, the dispute shall be decided by one arbitrator. The arbitration shall be conducted by JAMS, unless another arbitral agency is agreed in writing between NMCIA and the **Member** and, to the extent not inconsistent with the Bylaws and operative Member agreements, shall be governed by the JAMS' arbitration rules and procedures, including the rules governing the identification and selection of arbitration panel members (unless another agency is selected by mutual agreement, in which case that agency's rules shall apply unless otherwise agreed to between NMCIA and the **Member**). Regardless of the outcome of the arbitration, NMCIA and the **Member** shall share equally in the costs of the arbitration and in the compensation of the arbitrators, which fees and costs shall not be subject to reallocation based upon whether NMCIA or the **Member** is the prevailing party.

The arbitration shall take place in the County of Santa Fe. The decision of the majority of the arbitrators shall be final and binding upon both parties and not subject to appeal.

A judgment based on the majority decision of the arbitrators may be entered in any court having jurisdiction upon the request of the **Member** or NMCIA.

~~In the event the **Insured** and the **Company** are unable to agree on any matter concerning this **Agreement**, including but not limited to coverage issues, the dispute shall be resolved through arbitration, not litigation. Either party may issue a written demand for arbitration within 90 days of the event triggering the arbitration request. The **Insured** and the **Company** shall agree on the selection of an arbitrator. If they cannot agree within 30 days, either party shall select an arbitrator and the two arbitrators shall select a third arbitrator to constitute a panel. Each party will pay the attorneys' fees and expenses it incurs and share the expenses of the arbitrator(s) equally. The **Insured's** portion of the arbitrator's fee shall not accrue to or be payable by the **Company**.~~

~~Both parties shall agree upon the location of the arbitration; if they cannot agree, the selected arbitrator shall determine the location. Local (State District Court) rules as to arbitration procedure and evidence will apply. The arbitrator's decision will be binding and that judgment may be entered in any court of competent jurisdiction. Any decision of the arbitrator(s) shall be non appealable and binding on all parties.~~

5. SETTLEMENT OF CLAIMS

The amount of loss, except for ACCOUNTS RECEIVABLE coverage, for which the Company may be liable will be paid within 30 days after:

- A. Proof of loss as described in this Policy is received by the Company; and
- B. When a resolution of the amount of loss is made either by:
 - 1) Written agreement between the NAMED INSURED and the Company; or
 - 2) The filing with the Company of an award as provided in the APPRAISAL provisions of this Section.

6. COLLECTION FROM OTHERS

The Company will not be liable for any loss to the extent that the NAMED INSURED has collected such loss from others.

7. PARTIAL PAYMENT OF LOSS SETTLEMENT

In the event of a loss occurring which has been ascertained to be insured loss or damage under this Policy and determined by the Company's representatives to be in excess of the applicable Policy deductible, the Company will advance mutually agreed upon partial payment(s) on the insured loss or damage, subject to the Policy's provisions. To obtain said partial payments, the NAMED INSURED will submit a signed and sworn Proof of Loss as described in this Policy, with adequate supporting documentation.

8. JURISDICTION

This Policy will be governed by United States of America Law. Any disputes arising hereunder will be exclusively subject to United States of America jurisdiction.

GENERAL PROVISIONS - SECTION E

1. ADDITIONAL INSURED INTERESTS/CERTIFICATES OF INSURANCE

Any certificate of insurance issued in connection with this Policy shall be issued solely as a matter of convenience or information for the addressee(s) or holder(s) of said certificate of insurance, except where any Additional Insured(s), Loss Payee(s) or Mortgagee(s) are named pursuant to the Special Provisions of said certificate of insurance. In the event any Additional Insured(s) or Loss Payee(s) are so named, this Policy shall be deemed to have been endorsed accordingly, subject to all other terms, conditions and exclusions stated herein.

2. CANCELLATION

This Policy may be:

- A. Cancelled at any time at the request of the NAMED INSURED by surrendering this Policy to the Company or by giving written notice to the Company stating when such cancellation will take effect; or
- B. Cancelled by the Company by giving the NAMED INSURED not less than:
 - 1) 90 days written notice of cancellation; or
 - 2) 10 days written notice of cancellation if the NAMED INSURED fails to remit, when due, premium for this Policy; or

Return of any unearned premium will be calculated on the customary short rate basis if the NAMED INSURED cancels and on a pro-rata basis if the Company cancels this Policy. Return of any unearned premium will be made by the Company as soon as practicable.

3. INSPECTIONS

The Company, at all reasonable times, will be permitted, but will not have the duty, to inspect INSURED PROPERTY.

The Company's:

- A. Right to make inspections;
- B. Making of inspections; or

- C. Analysis, advice or inspection report;

will not constitute an undertaking, on behalf of or for the benefit of the NAMED INSURED or others, to determine or warrant that the INSURED PROPERTY is safe or healthful. This Company will have no liability to the NAMED INSURED or any other person because of any inspection or failure to inspect.

When the Company is not providing jurisdictional inspections, the Owner/Operator has the responsibility to assure that jurisdictional inspections are performed as required, and to assure that required jurisdictional Operating Certificates are current for their pressure equipment.

4. MISREPRESENTATION AND FRAUD

This Policy will be void in entirety if, whether before or after a loss, a NAMED INSURED has:

- A. Willfully concealed or misrepresented any material fact or circumstance concerning this insurance, the subject thereof, any insurance claim, or the interest of a NAMED INSURED;
- B. Made any attempt to defraud the Company; or
- C. Made any false swearing.

5. LENDERS LOSS PAYEE AND MORTGAGEE INTERESTS AND OBLIGATIONS

- A. The Company will pay for loss to specified property insured under this Policy to each specified Lender Loss Payee (hereinafter referred to as Lender) as its interest may appear, and to each specified Mortgagee as its interest may appear, under all present or future mortgages upon such property, in order of precedence of the mortgages.
- B. The interest of the Lender or Mortgagee (as the case may be) in property insured under this Policy will not be invalidated by:
 - 1) Any act or neglect of the debtor, mortgagor, or owner (as the case may be) of the property.
 - 2) Foreclosure, notice of sale, or similar proceedings with respect to the property.
 - 3) Change in the title or ownership of the property.
 - 4) Change to a more hazardous occupancy.

The Lender or Mortgagee will notify the Company of any known change in ownership, occupancy, or hazard and, within 10 days of written request by the Company, may pay the increased premium associated with such known change. If the Lender or Mortgagee fails to pay the increased premium, all coverage under this Policy will cease.

- C. If this Policy is cancelled at the request of the NAMED INSURED or its agent, the coverage for the interest of the Lender or Mortgagee will terminate 10 days after the Company sends to the Lender or Mortgagee written notice of cancellation, unless:
 - 1) Sooner terminated by authorization, consent, approval, acceptance, or ratification of the NAMED INSURED'S action by the Lender or Mortgagee, or its agent.

- 2) This Policy is replaced by the NAMED INSURED, with a policy providing coverage for the interest of the Lender or Mortgagee, in which event coverage under this Policy with respect to such interest will terminate as of the effective date of the replacement policy, notwithstanding any other provision of this Policy.
- D. The Company may cancel this Policy and/or the interest of the Lender or Mortgagee under this Policy, by giving the Lender or Mortgagee written notice 90 days prior to the effective date of cancellation, if cancellation is for any reason other than non-payment. If the debtor, mortgagor, or owner has failed to pay any premium due under this Policy, the Company may cancel this Policy for such non-payment, but will give the Lender or Mortgagee written notice 10 days prior to the effective date of cancellation. If the Lender or Mortgagee fails to pay the premium due by the specified cancellation date, all coverage under this Policy will cease.
- E. The Company has the right to invoke this Policy's SUSPENSION clause. The suspension of insurance will apply to the interest of the Lender or Mortgagee in any machine, vessel, or part of any machine or vessel, subject to the suspension. The Company will provide the Lender or Mortgagee at the last known address a copy of the suspension notice.
- F. If the Company pays the Lender or Mortgagee for any loss, and denies payment to the debtor, mortgagor or owner, the Company will, to the extent of the payment made to the Lender or Mortgagee be subrogated to the rights of the Lender or Mortgagee under all securities held as collateral to the debt or mortgage. No subrogation will impair the right of the Lender or Mortgagee to sue or recover the full amount of its claim. At its option, the Company may pay to the Lender or Mortgagee the whole principal due on the debt or mortgage plus any accrued interest. In this event, all rights and securities will be assigned and transferred from the Lender or Mortgagee to the Company, and the remaining debt or mortgage will be paid to the Company.
- G. If the NAMED INSURED fails to render proof of loss, the Lender or Mortgagee, upon notice of the NAMED INSURED'S failure to do so, will render proof of loss within 60 days of notice and will be subject to the provisions of this Policy relating to APPRAISAL, SETTLEMENT OF CLAIMS, and SUIT AGAINST THE COMPANY.
- H. Other provisions relating to the interests and obligations of the Lender or Mortgagee may be added to this Policy by agreement in writing.

6. OTHER INSURANCE

- A. If there is any other insurance that would apply in the absence of this Policy, this Policy will apply only after such insurance whether collectible or not.
- B. In no event will this Policy apply as contributing insurance.
- C. The NAMED INSURED is permitted to have other insurance over any limits or sublimits of liability specified elsewhere in this Policy without prejudice to this Policy. The existence of any such insurance will not reduce any limit or sublimit of liability in this Policy. Any other insurance that would have provided primary coverage in the absence of this Policy will not be considered excess.
- D. The NAMED INSURED is permitted to have other insurance for all, or any part, of any deductible in this Policy. The existence of such other insurance will not prejudice recovery under this Policy. If the limits of liability of such other insurance are greater than this Policy's applicable deductible, this Policy's insurance will apply only after such other insurance has been exhausted.

- E. If this Policy is deemed to contribute with other insurance, the limit of liability applicable at each INSURED PROPERTY, for purposes of such contribution with other insurers, will be the latest amount described in this Policy or the latest INSURED PROPERTY value on file with the Company.

7. POLICY MODIFICATION

This Policy contains all of the agreements between the NAMED INSURED and the Company concerning this insurance. The NAMED INSURED and the Company may request changes to this Policy. This Policy can be changed only by endorsements issued by the Company and made a part of this Policy.

Notice to any agent or knowledge possessed by any agent or by any other person will not:

- A. Create a waiver, or change any part of this Policy; or
- B. Prevent the Company from asserting any rights under the provisions of this Policy.

8. REDUCTION BY LOSS

Claims paid under this Policy will not reduce its limit of liability, except claims paid will reduce any Policy Year Aggregate Limit of Liability.

9. SUSPENSION

On discovery of a dangerous condition, this Company may immediately suspend EQUIPMENT BREAKDOWN insurance on any machine, vessel or part thereof by giving written notice to the NAMED INSURED. The suspended insurance may be reinstated by the Company. Any unearned premium resulting from such suspension will be returned by the Company.

10. TITLES

The titles in this Policy are only for reference. The titles do not in any way affect the provisions of this Policy.

DEFINITIONS - SECTION F

1. **Actual Cash Value:** the amount it would cost to repair or replace INSURED PROPERTY, on the date of loss, with material of like kind and quality, with proper deduction for obsolescence and physical depreciation.
2. **Convective Storm:** means thunderstorms or a complex of thunderstorms with wind speeds greater than 58 mph as verified by the National Weather Service, including but not limited to other resulting weather phenomena such as tornadoes and hail, all regardless of any other cause or event arising from such **Convective Storm**.

However, resulting loss from fire, lightning or Sprinkler Leakage will not be considered to be loss by **Convective Storm** within the terms and conditions of this Policy.

Further, **Convective Storm** does not mean or include any loss defined as **Flood** or **Named Storm** within the terms and conditions of this Policy.

3. **Defined Peril:** **Earth Movement**, explosion, falling aircraft, fire, **Flood**, hail, lightning, **Named Storm**, smoke, tornado, **vehicle** impact, wind-driven water, and windstorm.

4. **Earthquake:** a shaking or trembling of the earth that is tectonic or seismic in origin.
5. **Earth Movement:** any natural or man-made earth movement including, but not limited to **Earthquake**, landslide, subsidence or volcanic eruption regardless of any other cause or event contributing concurrently or in any other sequence of loss.

However, physical damage by fire, explosion, or sprinkler leakage resulting from **Earth Movement** will not be considered to be loss by **Earth Movement** within the terms and conditions of this Policy. All **Earth Movement** within a continuous 168 hour period will be considered a single **Earth Movement**; the beginning of such period shall be determined by the NAMED INSURED.

6. **Electronic Data and Media:** all forms of data, converted data, electronically converted data and/or programs and/or applications and/or instructions and/or media vehicles employed.
7. **Federal Emergency Management Agency:** the federal agency under which the National Flood Insurance Program is administered.
8. **Federal Insurance Administration:** the federal entity within the **Federal Emergency Management Agency** that directly administers the National Flood Insurance Program (NFIP).
9. **Fine Arts:** manuscripts; paintings; etchings; pictures; murals; tapestries; rare or art glass; art glass windows; valuable rugs; statuary; sculptures; antique furniture; antique jewelry; bric-a-brac; porcelains; and similar property of rarity, historical value, or artistic merit, excluding automobiles, coins, stamps, furs, jewelry, precious stones, precious metals, watercraft, aircraft, money, securities.
10. **Flood:**
- A. A general and temporary condition of partial or complete inundation of normally dry land areas from:
 - 1) **Flood**, or rising waters, waves, tide, or tidal water;
 - 2) the unusual and rapid accumulation or runoff of surface waters from any source; or,
 - 3) mudslide or mud flow caused by accumulation of water on or under the ground.
 - B. the release of water, the rising, overflowing or breaking of boundaries of natural or man-made bodies of water, or the spray therefrom.

However, physical damage by fire, explosion or sprinkler leakage resulting from **Flood** is not considered to be loss by **Flood** within the terms and conditions of this Policy.

All flooding within a continuous 168 hour period will be considered a single **Flood**; the beginning of such period shall be determined by the NAMED INSURED.

11. **Flood Insurance Rate Map:** the official map of a community on which the administrator has designated the special hazards area applicable to the community.
12. **Gross Earnings:**
- A. For manufacturing operations: the net sales value of production less the cost of all raw stock, materials and supplies used in such production; or
 - B. For mercantile or non-manufacturing operations: the total net sales less cost of merchandise sold, materials and supplies consumed in the operations or services rendered by the NAMED INSURED.

- 13. Reproduction Cost:** defined as the cost to repair, rebuild or replace with material of like, kind and quality compatible to those originally used, including the cost of skilled labor and/or authentic materials necessary to restore the INSURED PROPERTY as nearly as possible to its original condition.
- 14. Lease Interest:** the excess rent paid for the same or similar replacement property over actual rent payable plus cash bonuses or advance rent paid (including maintenance or operating charges) for each month during the unexpired term of the NAMED INSURED'S lease.
- 15. Mobile Equipment:** equipment such as earthmovers, tractors, diggers, farm machinery, forklifts, heavy construction equipment, mobile medical equipment, etc., that, even when self-propelled, are not considered automobiles or **Vehicles**.
- 16. Named Storm:** all loss or damage occurring during a period of 72 consecutive hours which is caused by or results from a storm or weather disturbance which is named as a Tropical Storm or Hurricane by the National Weather Service or any other recognized meteorological authority. Storm or weather disturbance includes all weather phenomenon associated with or occurring in conjunction with the storm or weather disturbance, including, but not limited to **Flood, Storm Surge**, wind driven rain, wind, hail, sleet, tornadoes, or lightning.
- 17. Net Lease Interest:** that sum which placed at 3% interest rate compounded annually would equal the **Lease Interest** (less any amounts otherwise payable hereunder).
- 18. New Madrid Earthquake Zone** (States and Applicable Counties / Parishes)

Arkansas	Arkansas, Ashley, Chicot, Clay, Cleburne, Cleveland, Craighead, Crittenden, Cross, Desha, Drew, Fulton, Grant, Greene, Independence, Izard, Jackson, Jefferson, Lawrence, Lee, Lincoln, Lonoke, Mississippi, Monroe, Phillips, Poinsett, Prairie, Pulaski, Randolph, Saline, Sharp, St. Francis, Stone, White, Woodruff
Illinois	Alexander, Calhoun, Crawford, Edwards, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jasper, Jefferson, Jersey, Johnson, Lawrence, Madison, Marion, Massac, Monroe, Perry, Pike, Pope, Pulaski, Randolph, Richland, Saline, St. Clair, Union, Wabash, Washington, Wayne, White, Williamson
Indiana	Daviess, Gibson, Greene, Knox, Martin, Pike, Posey, Sullivan, Vanderburgh, Warrick
Kentucky	Ballard, Caldwell, Calloway, Carlisle, Crittenden, Fulton, Graves, Henderson, Hickman, Hopkins, Livingston, Lyon, Marshall, McCracken, Trigg, Union, Webster
Mississippi	Bolivar, Coahoma, De Soto, Marshall, Tate, Tunica
Missouri	Audrain, Bollinger, Boone, Butler, Callaway, Cape Girardeau, Carter, Cole, Dunklin, Franklin, Gasconade, Howell, Iron, Jefferson, Lincoln, Madison, Marion, Mississippi, Monroe, Montgomery, New Madrid, Oregon, Osage, Pemiscot, Perry, Pike, Ralls, Reynolds, Ripley, Scott, Shelby, St. Charles, St. Francois, St. Louis, St. Louis Independent City, St. Genevieve, Stoddard, Warren, Washington, Wayne
Tennessee	Carroll, Chester, Crockett, Dyer, Fayette, Gibson, Hardeman, Haywood, Henderson, Henry, Lake, Lauderdale, Madison, Obion, Shelby, Tipton, Weakley

- 19. Normal:** the condition that would have existed had no physical loss or damage occurred.
- 20. Occurrence:** any one loss, disaster, casualty or series of losses, disasters, or casualties, arising out of one event. When the term applies to loss or losses from the perils of tornado, cyclone, hurricane, windstorm, hail, volcanic eruption, riot, riot attending a strike, civil commotion, and vandalism and malicious mischief one event shall be construed to be all losses arising during a continuous period of 72 hours. When filing proof of loss, the NAMED INSURED may elect the moment at which the 72 hour period shall be deemed to have commenced, which shall not be earlier than the first loss to the covered property occurs.

21. **Ordinary Payroll:** includes the NAMED INSURED'S payroll for all employees except officers, executives, department managers, and employees under contract. It is comprised of, but not limited to, the payroll, benefits paid for the payroll, social security (FICA), union dues paid for the payroll, and workers compensation paid for the payroll.

22. **Pacific Northwest Earthquake Zone** (States and Applicable Counties / Parishes):

Washington	Clallam, Jefferson, King, Kitsap, Mason, Pierce, San Juan, Skagit, Snohomish, Thurston, Whatcom
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23. **Period of Service Interruption:**

- A. The period starting with the time when an interruption of specified services occurs; and ending when with due diligence and dispatch the service could be wholly restored and the INSURED PROPERTY receiving the service could or would have resumed **Normal** operations following the restorations of service under the same or equivalent physical and operating conditions as provided by the PERIOD OF LIABILITY provision of this Section of this Policy.
- B. Is limited to only those hours during which the NAMED INSURED would or could have used services(s) if it had been available.
- C. Does not extend to include the interruption of operations caused by any reason other than interruption of the specified service(s).

24. **Pollutant** shall be any solid, liquid, gaseous or thermal irritant or contaminant, including, but not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemicals, vaccines and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

25. **Soft Costs:**

- A. Interest expense;
- B. General overhead-developer expenses and additional real estate taxes;
- C. Legal or professional fees;
- D. Marketing expenses and advertising expenses;
- E. Debt service payments and insurance premiums;
- F. Refinancing charges and bond interest;
- G. Founders fees and miscellaneous operating expenses.

26. **Special Flood Hazard Area:** the areas of a **Flood Insurance Rate Map** which are identified as Zones A, AO, AH, AI — A30, AE, A99, AR, AR/A, AR/AE, AR/A1 — A30, AR/AH, AR/A0, V, V1-V30, and VE. For purposes of determining which areas qualify as **Special Flood Hazard Areas** as specified above, only those **Flood Insurance Rate Maps** which were in effect at the time of the **Flood** loss shall apply.

27. **Storm Surge:** water driven inland from coastal waters by high winds and low atmospheric pressure. **Storm Surge** shall not be considered **Flood**.

28. **Terrorism:** an act or series of acts, including the use of force or violence, of 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 or any section of the public in fear for such purposes. **Terrorism** shall also include any act which is verified or recognized by the United States Government as an act of **Terrorism**.

- 29. Tier One Counties:** shall mean counties in **Named Storm** Designated Wind Areas (States and Applicable Counties/Parishes)

Alabama	Baldwin, Mobile
Florida	Entire State
Georgia	Bryan, Camden, Chatham, Glynn, Liberty, McIntosh
Hawaii	Entire State
Louisiana	Ascension, Assumption, Calcasieu, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington
Mississippi	Hancock, Harrison, Jackson
North Carolina	Beaufort, Brunswick, Carteret, Craven, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, Pender
South Carolina	Beaufort, Berkley, Charleston, Colleton, Georgetown, Horry, Jasper
Texas	Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Refugio, San Patricio, Willacy Note: for the purposes of this definition exposures declared by Harris County CSCD shall not be considered Tier 1 or Tier 2
Virginia	Including Independent Cities: Accomack, Northampton, Virginia Beach City, Chesapeake, Gloucester, Hampton City, Lancaster, Mathews, Middlesex, Newport News, Norfolk City, Northumberland, Poquoson City, Portsmouth City, Suffolk City, York

- 30. Tier Two Counties:** counties in **Named Storm** Designated Wind Areas (States and Applicable Counties/Parishes)

Alabama	Clarke, Covington, Escambia, Monroe, Washington
Georgia	Brantley, Bulloch, Charlton, Effingham, Evans, Long, Pierce, Tattnall, Wayne
Louisiana	Acadia, Beauregard, Iberville, Jefferson Davis, Lafayette
Mississippi	George, Pearl River, Stone
North Carolina	Bertie, Bladen, Camden, Chowan, Columbus, Duplin, Gates, Hertford, Jones, Lenoir, Martin, Pasquotank, Perquimans, Pitt, Sampson, Tyrell, Washington
South Carolina	Dorchester, Hampton, Marion, Williamsburg
Texas	Bee, Brooks, Fort Bend, Goliad, Hardin, Hidalgo, Jackson, Jasper, Jim Wells, Liberty, Live Oak, Orange, Victoria, Wharton

- 31. Unmanned Aircraft System:** an unmanned aircraft and the equipment necessary for the safe and efficient operation of that aircraft. An unmanned aircraft is a component of an **Unmanned Aircraft System**. An unmanned aircraft is an aircraft that is operated without the possibility of direct human intervention from within or on the aircraft.
- 32. Vacant:** a building is vacant if less than 10% of the total square footage owned, rented, or leased by the NAMED INSURED contains adequate contents to perform customary operations, excluding common areas such as lobbies and garages. Buildings under construction or renovation shall not be considered vacant.
- 33. Valuable Papers and Records:** written, printed or otherwise inscribed documents, securities, and records including but not limited to books, maps, films, drawings, abstracts, evidence of debt, deeds, mortgages, mortgage files, manuscripts and micro or electronically/magnetically inscribed documents, but not including the monetary value of monies and/or securities.

- 34. Vehicle:** any automobile, truck, van, bus, motorcycle, or other conveyance licensed for use on public roads.
- 35. Waiting Period:** the time period where the Company shall have no liability for the Time Element loss when the PERIOD OF LIABILITY applicable to all Time Element loss is equal to or less than such time period. If, however, the PERIOD OF LIABILITY exceeds such time period then the Company's liability for the Time Element loss shall otherwise apply and the PERIOD OF LIABILITY shall be measured from the inception of the **Occurrence** for which loss is being claimed. The applicable deductible shall then apply.

POLICY CHANGE ENDORSEMENT – **Equipment Breakdown** – 4 Pages

When an applicable limit for Equipment Breakdown is shown in the LIMITS OF LIABILITY clause of the DECLARATIONS Section, this endorsement's intention is to clarify that the peril of **Breakdown** is included for **Covered Equipment**.

1. Limit of Liability:

The most the Company will pay for any and all coverages for loss or damage from any **One Breakdown** is the applicable Limit of Insurance shown for Equipment Breakdown in the LIMITS OF LIABILITY clause of the DECLARATIONS Section.

2. Equipment Breakdown Coverage Extensions:

The limits for coverage extensions are part of, not in addition to, the Limit of Liability for Equipment Breakdown shown in the LIMITS OF LIABILITY clause of the DECLARATIONS section.

A. Spoilage:

- 1) This Policy covers the spoilage damage to raw materials, property in process or finished products, provided all of the following conditions are met:
 - a) The raw materials, property in process or finished products must be in storage or in the course of being manufactured;
 - b) The NAMED INSURED must own or be legally liable under written contract for the raw materials, property in process or finished products; and
 - c) The spoilage damage must be due to the lack or excess of power, light, heat, steam or refrigeration.
- 2) This Policy also covers any necessary expenses the NAMED INSURED incurs to reduce the amount of loss under this coverage. The Company will pay such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage form.

B. Service Interruption:

This Policy covers loss resulting from the interruption of utility services provided all of the following conditions are met:

- 1) The interruption is the direct result of a **Breakdown to Covered Equipment** owned, operated or controlled by the local private or public utility or distributor that directly generates, transmits, distributes or provides utility services which the NAMED INSURED receives;
- 2) The **Covered Equipment** is used to supply electricity, telecommunication services, air conditioning, heating, gas, fuel, sewer, water, refrigeration, or steam to the NAMED INSURED'S premises; and
- 3) The **Period of Service Interruption** lasts at least the consecutive period of time shown in item 9. **Waiting Period**. Once this **Waiting Period** is met, coverage will commence at the initial time of the interruption and will be subject to all applicable deductibles.

C. Business Income:

- 1) This Policy covers the NAMED INSURED'S actual loss of business income that results directly from the necessary total or partial interruption of the NAMED INSURED'S business caused by a **Breakdown**.
- 2) This Policy also covers any necessary expenses the NAMED INSURED incurs to reduce the amount of loss under this coverage. The Company will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.
- 3) The Company will consider the actual experience of the NAMED INSURED'S business before the accident and the probable experience the NAMED INSURED would have had without the accident in determining the amount of its payment.
- 4) This coverage continues until the date the damaged property is repaired or replaced.

D. Expediting Expense:

This Policy covers the reasonable and necessary costs incurred to pay for the temporary repair of insured damage to **Covered Equipment** and to expedite the permanent repair or replacement of such damaged property caused by a **Breakdown**.

This coverage extension does not cover costs:

- 1) Recoverable elsewhere in this Policy; or
- 2) Of permanent repair or replacement of damaged property.

E. Hazardous Substance:

This Policy covers any additional expenses incurred by the NAMED INSURED for the clean-up, repair or replacement or disposal of **Covered Equipment** that is damaged, contaminated or polluted by a **Hazardous Substance** caused by a **Breakdown**.

As used here, additional expenses mean the additional cost incurred over and above the amount that the Company would have paid had no **Hazardous Substance** been involved with the loss.

F. Ammonia Contamination:

This Policy covers the spoilage to **Covered Equipment** contaminated by ammonia, including any salvage expense caused by a **Breakdown**.

G. Water Damage:

This Policy covers the damage to **Covered Equipment** by water including any salvage expenses caused by a **Breakdown**, except no coverage applies to such damage resulting from leakage of a sprinkler system or domestic water piping.

H. Consequential Loss:

The Policy covers the reduction in the value of undamaged **Stock** parts of a product which becomes unmarketable. The reduction in value must be caused by a physical loss or damage to another part of the product.

I. **Electronic Data and Media:**

The Policy covers the NAMED INSURED'S cost to research, replace or restore damaged **Electronic Data and Media** including the cost to reprogram instructions used in any computer equipment if the loss is caused by a **Breakdown**.

J. CFC Refrigerants:

This Policy covers the additional cost to repair or replace **Covered Equipment** because of the use or presence of a refrigerant containing CFC (chlorinated fluorocarbon) substances if the loss is caused by a **Breakdown**. This means the additional expense to do the least expensive of the following:

- 1) Repair the damaged property and replace any lost CFC refrigerant;
- 2) Repair the damaged property, retrofit the system to accept a non-CFC refrigerant and charge the system with a non-CFC refrigerant; or
- 3) Replace the system with one using a non-CFC refrigerant.

K. **Computer Equipment:**

This Policy covers direct damage to **Computer Equipment** that is damaged by a **Breakdown** to such equipment

3. Definitions relating only to this endorsement:

A. **Breakdown** means the direct physical loss resulting from one or more of the following items that causes damage to **Covered Equipment** and necessitates its repair or replacement:

- 1) Failure of pressure or vacuum equipment;
- 2) Mechanical failure including rupture or bursting caused by centrifugal force;
- 3) Electrical failure including arcing;
- 4) Explosion of steam boilers, steam piping, steam engines or steam turbines owned or leased by you, or operated under your control;
- 5) Loss or damage to steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment; or
- 6) Loss or damage to hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment.

Unless such loss or damage is otherwise excluded within the Policy.

Breakdown does not mean or include:

- 1) Malfunction including but not limited to adjustment, alignment, calibration, cleaning or modification;

- 2) Defects, erasures, errors, limitations or viruses in computer equipment and programs including the inability to recognize and process any date or time or provide instructions to **Covered Equipment**;
- 3) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
- 4) Damage to any vacuum tube, gas tube, or brush;
- 5) Damage to any structure or foundation supporting the **Covered Equipment** or any of its parts;
- 6) The functioning of any safety or protective device; or
- 7) The cracking of any part on an internal combustion gas turbine exposed to the products of combustion.

B. Covered Equipment is defined as

- 1) Equipment built to operate under internal pressure or vacuum other than weight of contents;
- 2) Electrical or mechanical equipment that is used in the generation, transmission or utilization of energy; and
- 3) Communication equipment, and computer equipment.

Covered Equipment does not mean or include any:

- 1) Part of pressure or vacuum equipment that is not under internal pressure of its contents or internal vacuum;
- 2) Insulating or refractory material, but not excluding the glass lining of any **Covered Equipment**;
- 3) Non-metallic pressure or vacuum equipment, unless it is constructed and used in accordance with the American Society of Mechanical Engineers (A.S.M.E.) code or another appropriate and approved code;
- 4) Catalyst;
- 5) Vessels, piping and other equipment that is buried below ground and requires the excavation of materials to inspect, remove, repair or replace;
- 6) Structure, foundation, cabinet or compartment supporting or containing the **Covered Equipment** or part of the **Covered Equipment** including penstock, draft tube or well casing;
- 7) **Vehicle**, aircraft, self-propelled equipment or floating vessel including any **Covered Equipment** that is mounted upon or used solely with anyone or more vehicle(s), aircraft, self-propelled equipment or floating vessel;
- 8) Dragline, excavation, or construction equipment including any **Covered Equipment** that is mounted upon or used solely with any one or more dragline(s), excavation, or construction equipment;
- 9) Felt, wire screen, die, extrusion plate, swing hammer, grinding disc, cutting blade, non-electrical cable, chain, belt, rope, clutch plate, brake pad, non-metal part or any part or tool subject to periodic replacement; or

- 10) Equipment or any part of such equipment manufactured by the NAMED INSURED for sale.
- 11) Power and gas generation utility equipment.
- C. **Hazardous Substance:** any substance other than ammonia that has been declared to be hazardous to health by a government agency. Ammonia is not considered to be a Hazardous Substance as respects this limitation.
- D. **One Breakdown:** if an initial **Breakdown** causes other **Breakdowns**, all will be considered **One Breakdown**. All **Breakdowns** at any one premises that manifest themselves at the same time and are the direct result of the same cause will be considered **One Breakdown**.
- E. **Computer Equipment:** covered property that is electronic computer or other electronic data processing equipment, including media and peripherals used in conjunction with such equipment.
- F. **Stock:** means merchandise held in storage or for sale, raw materials, property in process or finished products including supplies used in their packing or shipping.

All other terms and conditions of the Policy remain the same.

POLICY CHANGE ENDORSEMENT - Upgrade to Green – 5 Pages

It is hereby agreed that the following coverage is added to this Policy.

The coverages and valuation provision provided by this endorsement only apply if direct physical loss or damage to covered real and/or personal property is caused by any of the perils covered by the Policy and replacement cost valuation applies. This coverage does not apply to: (1) personal property of others in the NAMED INSURED'S care, custody, and control, (2) leased personal property, and/or (3) finished or unfinished stock.

1. Notwithstanding the VALUATION or LIMITS OF LIABILITY clauses applicable to specific INSURED PROPERTY or perils, if replacement cost valuation applies to real and/or personal property, then the Company's liability for loss applicable to this endorsement shall be the cost to repair or replace the covered damaged property, subject to the applicable limit of liability, plus the least of the following amounts:
 - A. The reasonable and necessary amount to upgrade to green the covered damaged property as described in Coverage Section A - Non-LEED® Certified Coverage or as described in Coverage Section B - LEED® Certified Coverage, whichever is applicable; or
 - B. An additional 25% of the applicable limit of liability for the building and/or business personal property shown in the Statement of Values or similar schedule to upgrade to green; or
 - C. \$100,000 to upgrade to green.

At the NAMED INSURED'S sole discretion, the NAMED INSURED may elect not to upgrade to green any or all property for which upgrade to green coverage is provided under this endorsement. In such case, the Company will adjust the claim in accordance with the standard provisions of the Policy, as modified by all other applicable endorsements.

Subject to the least of A., B., or C. above, if business interruption coverage is provided as part of this Policy, if necessary, the Period of Restoration shall be increased to allow for additional time to upgrade to green the damaged property plus up to an additional two week period to meet the requirements set forth in 4.B.

2. **COVERAGE SECTION A: NON-LEED CERTIFIED COVERAGE**

In the event of direct physical loss or damage by any of the perils covered by the Policy to a building that is not LEED certified at the time of the loss, or to the personal property within such a building, the Company will pay to repair or replace damaged or destroyed:

A. **Loss Settlement for Personal Property**

- (1) "Appliances" or "Office Equipment" with products of like kind and quality that have been identified as "ENERGY STAR®" or equivalent products of such energy efficiency. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.
- (2) "Systems Furniture" or "Seating", with products of like kind and quality that are certified as GREENGUARD Indoor Air Quality Certified® or products with similar emissions characteristics. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

B. Loss Settlement for Your Building

i. Interior Finish Materials Upgrade

a. Lower Emissions Products Upgrade Coverage

"Defined Building Materials" with products of like kind and quality that have "Lower Emissions". If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

b. Environmentally Preferable Products Upgrade Coverage

Interior wood, carpeting and flooring with products of like kind and quality that have "Lower Emissions", are "Sustainably Produced", are "Rapidly Renewable" or include "Recycled Content". If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

ii. Interior Plumbing Systems Upgrade Coverage

Interior plumbing fixtures including, but not limited to, toilets, shower heads and lavatory faucets with products of like kind and quality that are more "Water Efficient". If there are no such products available at the time of the loss, this upgrade to green coverage does not apply. For damaged or destroyed faucets, the Company will also pay to install occupant sensors to reduce the potable water demand.

iii. Lighting Systems Upgrade Coverage

Lighting systems, with products of like kind and quality that have been identified as "ENERGY STAR" or equivalent products of such energy efficiency. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply. The Company will also pay to repair or replace damaged light bulbs with light bulbs which have low mercury content.

iv. Efficient Heating and Cooling Equipment Upgrade Coverage

"Heating and cooling equipment" with products of like kind and quality that have been identified as "ENERGY STAR" or equivalent products of such energy efficiency. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

v. Building Reconstruction Following Total Loss

a. Solely with respect to a "Total Loss" to a building, the Company will pay to replace the building on its existing foundation using the most cost effective techniques, products and materials that should satisfy the prerequisites and earn the minimum number of points required to qualify for LEED Silver certification using the LEED New Construction (LEED NC®) Rating System.

b. Certification Expenses

(i) The Company will pay the reasonable and necessary registration and certification fees charged by the United States Green Building Council (USGBC) that the NAMED INSURED incurs should the NAMED INSURED decide to seek LEED Silver certification. However, the Company will not pay to modify the reconstructed structure if it is not certified.

- (ii) The Sublimit of Insurance for this coverage is \$25,000.

3. COVERAGE SECTION B: LEED CERTIFIED COVERAGE

In addition to all Coverages provided in Coverage Section A (with the exception of 2.B.(5) Building Reconstruction Following a Total Loss) and in the event of direct physical loss or damage by any of the perils covered by the Policy to a building that is LEED certified at the time of the loss, or to the personal property within such building, the Company will pay to repair or replace damaged or destroyed:

A. Loss Settlement for Trees, Shrubs, and Vegetative Roofs

- (1) Trees and shrubs planted specifically to secure the Heat Island Effect: Non-Roof point as described in LEED NC. For the purposes of this coverage only, notwithstanding any other provision of the Policy to the contrary, trees and shrubs are Covered Property. The sublimit of insurance for this coverage is \$3,000 per tree or \$3,000 per shrub up to a maximum of \$25,000.
- (2) Vegetative roofs on LEED certified buildings. Notwithstanding any other provision of the Policy to the contrary, vegetative roofs are Covered Property.

B. Loss Settlement for Your Building

i. Recertification Expenses

- a. In the event of direct physical loss or damage by any of the perils covered by the Policy that necessitates recertification of the damaged building, the Company will pay the reasonable and necessary registration and certification fees charged by the USGBC that the NAMED INSURED incurs as a result of the recertification process.
- b. The Sublimit of Insurance for this coverage is \$25,000.

ii. Building Reconstruction Following Total Loss

- a. Solely with respect to a "Total Loss" to a building that is LEED certified at the time of the loss, the Company will pay to replace the building on its existing foundation using the most cost effective techniques, products and materials that would satisfy the prerequisites and should earn the minimum number of points required to qualify for LEED certification at one level above the certification in effect at the time of the loss using the LEED NC Rating System.
- b. **Certification Expenses**
 - The Company will pay the reasonable and necessary registration and certification fees charged by the USGBC that the NAMED INSURED incurs should the NAMED INSURED decide to seek LEED certification. However, the Company will not pay to modify the reconstructed structure if it is not certified.
 - The Sublimit of Insurance for this coverage is \$25,000.

4. COVERAGES INCLUDED WITHIN COVERAGE SECTIONS A OR B AND APPLICABLE TO LEED® AND NON-LEED® CERTIFIED BUILDINGS

In the event of direct physical loss or damage by any of the perils covered by the Policy to a LEED or Non-LEED certified building:

A. Recycling Expenses

- i.** The Company will pay the NAMED INSURED'S expenses to clean-up, sort, segregate, and transport debris from the NAMED INSURED'S damaged building to recycling facilities, if such debris can be recycled.
- ii.** The Sublimit of Insurance for this coverage is \$25,000 and is in addition to the DEBRIS REMOVAL expense sublimit provided by the Policy, if any.
- iii.** Any income or remuneration derived from this recycling shall be used to reduce the loss.

B. Air Testing and Outdoor Air Ventilation of the Reconstructed Space

- i.** In accordance with the requirements for the Construction IAQ Management Plan: Before Occupancy Credit as described in the LEED NC rating system (hereinafter, "Construction IAQ"), the Company will pay to conduct air testing and a building flush-out (if required because of a failure to meet air quality standards set forth in the Construction IAQ) and follow-up air testing for a total period of time not to exceed two weeks.
- ii.** After the two week period of increased outdoor air ventilation of the reconstructed space, the Company will pay to replace the filtration media with new media.
- iii.** The Sublimit of Insurance for this coverage is \$25,000.

C. Professional Services

The Company will pay reasonable and necessary expenses to hire a LEED Accredited architect or engineer to participate in the design and/or construction administration of the damaged portion of the building or the entire building, whichever is applicable.

The Sublimit for this coverage is \$50,000.

D. Building Commissioning Expenses

- i.** In the event of direct physical loss or damage to mechanical, electrical, or electronic building systems, by any of the perils covered by the Policy which necessitates the commissioning or re-commissioning of those systems, the Company will pay reasonable and necessary expenses of a Professional Engineer to commission or re-commission those damaged systems in accordance with LEED protocols.
- ii.** The Sublimit of Insurance for this coverage is \$25,000.

5. Additional Definitions

- A. "Appliances" means products including, but not limited to, dishwashers, refrigerators, freezers, ovens, microwave ovens, room air conditioners, room air cleaners and water heaters.
- B. "Defined Building Materials" means: (1) all carpet and floor coverings, including, adhesives to affix them to the floor, (2) all interior paints, architectural coatings, primers, undercoatings, adhesives, sealants, and (3) permanently installed composite wood fixtures, including, counters, cabinets, and partitions.
- C. "ENERGY STAR" means any product that has been identified by the United States Government Department of Energy, Environmental Protection Agency as ENERGY STAR qualified at the time of the loss.
- D. "Heating and Cooling Equipment" means products including, but not limited to, heat pumps, boilers, central air conditioning, ceiling fans, dehumidifiers, exhaust fans, furnaces, thermostats, and ventilating fans.
- E. "Lower emissions" means:
 - i. With respect to adhesive and sealant products, such as, general construction adhesives, flooring adhesives, fire-stopping sealants, caulking, duct sealants, plumbing adhesives, and cove base adhesives, products that meet the requirements of South Coast Air Quality Management District (SCAQMD) Rule # 1168; with respect to aerosol adhesives, products that meet Green Seal Standard GS-36 requirements;
 - ii. With respect to architectural paints, coatings, and primers, products that do not exceed the volatile organic compound (VOC) content limits established in Green Seal Standard GS-11, with respect to anti-corrosive and anti-rust paints, products that do not exceed the VOC content limits established in Green Seal Standard GS-03; and with respect to clear wood finishes, floor coatings, stains, and shellacs, products that do not exceed the VOC content limits established by SCAQMD Rule #1113;
 - iii. With respect to carpet and carpet cushion, products that meet the requirements of the Carpet and Rug Institute's Green Label Plus Program; and
 - iv. With respect to composite wood and agrifiber products such as particleboard, medium density fiberboard (MDF), plywood, wheatboard, strawboard, panel substrates and door cores as well as laminating adhesives used to fabricate on-site and shop-applied composite wood and agrifiber assemblies, products that contain no added urea- formaldehyde resins.
- F. "Office Equipment" means electronic products including, but not limited to, desktop computers, laptop computers, monitors, printers, fax machines, scanners, copiers, and telephones.
- G. "Recycled Content" means those products that contain at least 20% post-consumer recycled content.

- H.** "Rapidly Renewable" means products that are made from plant resources that are harvested within a ten-year cycle or shorter, including, but not limited to, bamboo, eucalyptus, wheat straw, sunflower hulls, cork oak, wheatboard, linoleum, and sorghum.
- I.** "Seating" means task and guest chairs used with "System Furniture".
- J.** "Sustainably Produced" means those products certified by the Forest Stewardship Council ("FSC").
- K.** "System Furniture" means either a panel-based workstation comprised of modular interconnecting panels, hang-on components and drawer/filing components of a freestanding grouping of furniture items and their components that have been designed to work in concert.
- L.** "Total Loss" means:
- i.** The covered building is completely destroyed regardless of whether any damage is done to the foundation or slab, or
 - ii.** The covered building is in such condition after the loss that the standard method of rebuilding or repairing the covered building is to raze the structure except for the foundation or slab or including all or part of the foundation or slab and rebuild the entire structure, whether such structure is actually rebuilt or not.
- M.** "Water Efficient" means dry fixtures such as composting toilet systems and non-water using urinals, flush toilets using no more than 1.6 gallons of water per flush, and shower heads and faucets with a flow rate of no more than 2.2 gallons per minute.

All other terms and conditions of the Policy remain the same.

POLICY CHANGE ENDORSEMENT – Communicable Disease Exclusion – 1 Page

This endorsement modifies insurance provided by this Policy:

1. Notwithstanding any other provision of this Policy to the contrary, the Company excludes any loss, damage, liability, claim, cost or expense of whatsoever nature, directly or indirectly caused by, contributed to by, resulting from, arising out of, or in connection with a Communicable Disease or the fear or threat (whether actual or perceived) of a Communicable Disease regardless of any other cause or event contributing concurrently or in any other sequence thereto.
2. As used herein, a Communicable Disease means any disease which can be transmitted by means of any substance or agent from any organism to another organism where:
 - 2.1. the substance or agent includes, but is not limited to, a virus, bacterium, parasite or other organism or any variation thereof, whether deemed living or not, and
 - 2.2. the method of transmission, whether direct or indirect, includes but is not limited to, airborne transmission, bodily fluid transmission, transmission from or to any surface or object, solid, liquid or gas or between organisms, and
 - 2.3. the disease, substance or agent can cause or threaten damage to human health or human welfare or can cause or threaten damage to, deterioration of, loss of value of, marketability of or loss of use of property.

All other terms and conditions of the Policy remain the same.

SCHEDULE A

Bernalillo	County Manager	415 Silver Ave. SW, 8 th Floor	Albuquerque, NM 87102
Catron	County Manager	PO Box 507	Reserve, NM 87830
Chaves	County Manager	#1 St. Mary's Place	Roswell, NM 88203
Cibola	County Manager	515 W High St.	Grants, NM 87020
Colfax	County Manager	230 N Third St.	Raton, NM 87740
Curry	County Manager	417 Gidding Street, Suite #100	Clovis, NM 88101
De Baca	County Manager	248 E. Avenue C/PO Box 347	Fort Sumner, NM 88119
Dona Ana	County Manager	845 N. Motel Blvd.	Las Cruces, NM 88007
Eddy	County Manager	101 W Greene St., Suite 110	Carlsbad, NM 88220
Grant	County Manager	PO Box 898	Silver City, NM 88062
Guadalupe	County Manager	130 S 4th Street	Santa Rosa, NM 88435
Harding	County Manager	35 Pine St.	Mosquero, NM 87733
Hidalgo	County Manager	305 Pyramid St.	Lordsburg, NM 88045
Lincoln	County Manager	PO Box 711	Carrizozo , NM 88301
Luna	County Manager	PO Drawer 551	Deming, NM 88030
McKinley	County Manager	PO Box 70	Gallup, NM 87301
Mora	County Manager	PO Box 580	Mora, NM 87732
Otero	County Manager	1101 New York Ave.	Alamogordo, NM 88310
Quay	County Manager	PO Box 1246	Tucumcari, NM 87401
Roosevelt	County Manager	109 W First St.	Portales, NM 88130
San Miguel	County Manager	500 W National Ave., Ste. 200	Las Vegas, NM 87701
Sandoval	County Manager	PO Box 40	Bernalillo, NM 87004
Santa Fe	County Manager	102 Grant Ave.	Santa Fe, NM 87501
Sierra	County Manager	855 Van Patten	T or C, NM 87901
Socorro	County Manager	PO Box I	Socorro, NM 87801
Taos	County Manager	105 Albright St., Ste. G	Taos, NM 87571
Torrance	County Manager	PO Box 48	Estancia, NM 87016
Union	County Manager	PO Box 430	Clayton, NM 88415
Valencia	County Manager	PO Box 1119	Los Lunas, NM 87031

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.M.	<u>Item Title:</u> Create Professional Liability Coverage Pricing Committee
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: Seconded by:	

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.N.	<u>Item Title:</u> Approve Workers' Compensation Administration Certificate
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: Seconded by:	

**STATE OF NEW MEXICO
WORKERS' COMPENSATION ADMINISTRATION**

IN THE MATTER OF THE APPLICATION OF)
NEW MEXICO COUNTY INSURANCE AUTHORITY)
A SELF-INSURANCE POOL OF PUBLIC ENTITIES) CERTIFICATE NO:

DIRECTOR'S CERTIFICATE OF POOL SELF-INSURANCE

The New Mexico County Insurance Authority has applied to the Director of the Workers' Compensation Administration of the State of New Mexico for the issuance of a Certificate of Pool Self-Insurance pursuant to the provisions of the New Mexico Workers' Compensation Act and the Rules Governing Self-Insurance Pooling of Public Entities promulgated by the Administration. The Director, pursuant to 11 NMAC 4.10.8.C (1), FINDS that the application of this member of a self-insurance pool of public entities is deemed sufficient proof of eligibility, subject to acceptance by this member of the agreements contained herein.

AGREEMENT AS SELF-INSURER UNDER WORKERS' COMPENSATION ACT

By signing and returning the Acceptance appended to the end of this Certificate, and in consideration for the privilege of certification as a New Mexico Self-Insurer subject to the Act, this member of a self-insurance pool of public entities has agreed to:

1. Be responsible for compliance with the provisions of Articles 1-5 of the Workers' Compensation Act, Chapter 52, NMSA 1978 and all applicable rules promulgated thereunder and subject to sanction by the Director for violations, acts or omissions by itself or by any person or entity acting in an agency relationship with the member entity, including its administrator and service company, if any.
2. Require the pool administrator to maintain specific and aggregate occurrence excess insurance or reinsurance for all governmental entities insured through the pool in a form

and in an amount acceptable to the Director. The insurance shall be written by a company admitted to write insurance in the State of New Mexico or a company that is otherwise acceptable to the Director.

3. Require the pool administrator to maintain a fidelity bond for any officer, agent or member of the Board of Directors of the Pool having signatory authority with respect to the Pool's funds or investments, or as a condition precedent to any Board of Directors action creating or changing such signatory authority, which shall be written at a minimum of two hundred fifty thousand dollars (\$250,000), unless the Director prescribes a different amount.
4. Require the pool administrator and/or the pool's service company to provide the Director with the following information and access to records:
 - a) a copy of all specific and aggregate reinsurance or excess insurance agreements;
 - b) an explanation of reserving methodology and accident year claims data on an annual basis;
 - c) rate change information within (30) thirty days of approval by the Board of Directors of the Pool;
 - d) loss runs in a format acceptable to the Director within (60) sixty days of receipt by the administrator of the Director's request;
 - e) an annual actuarial opinion;
 1. This opinion shall include actuarially appropriate reserves for (1) known claims and associated expenses, and (2) claims incurred but not reported and associated expenses;

2. This actuarial opinion shall also include a rate adequacy evaluation;
 3. the actuarial opinion shall be given by a member of the American Academy of Actuaries.
- f. a copy of any rate adequacy evaluations and reviews of losses and loss adjustment expenses prepared for the Pool by an actuary who shall be a member of the American Academy of Actuaries.
 - g. notification to the Director of any additions or deletions to the pool's membership roster; additionally, each pool shall provide within 30 days of the end of each calendar quarter a roster of members, including the number of employees employed by each member on the last day of the quarter.
 - h. the member entity, pool, administrator or pool service company, shall cooperate fully with the Director's representatives in any evaluation or audit of the Pool Self-Insurance Program, and resolve, in good faith, issues raised in those evaluations or audits.

FINANCIAL RESPONSIBILITY ASSUMED BY POOL AS SELF-INSURED

The member of a self-insured pool of public entities shall require its administrator and/or service company to establish and maintain a loss reserve fund in the amount and manner prescribed in the Director's Rules and Regulations. The loss reserve fund shall be sufficient to provide for prompt payment of existing and projected loss claims.

CERTIFICATION OF MEMBER AS A NEW MEXICO SELF-INSURED

Upon receipt of the signed and notarized acceptance of this agreement, the Director hereby approves the application for certification as a member of a self-insured pool of public entities under the Workers' Compensation Act within the State of New Mexico. By issuance of this Certificate, the Director acknowledges the public entity's status as a self-insured under the Act.

This Certificate shall be continuous until terminated at the request of the self-insured or revoked by the Director.

IT IS NOW ORDERED by the Director that the New Mexico County Insurance Authority (NMCIA) qualifies as a self-insured pool of public entities, and has fully met the requirements established in the Rules of the Director. NMCIA and its members shall be exempt from filing verification of workers' compensation insurance during the period of the certification.

WORKERS' COMPENSATION ADMINISTRATION

DATE:

Heather Jordan, WCA Director
2410 Centre Avenue, SE
P.O. Box 27198
Albuquerque, NM 87125-7198

ACCEPTANCE BY NMCIA

I hereby state upon oath that I have read, and I understand, the foregoing and the statements are true and correct in all respects to the best of my knowledge.

I hereby certify that I am an officer of NMCIA who can bind and obligate NMCIA to the terms and conditions of this Agreement.

BY Lance Pyle

Chair
TITLE

New Mexico County Insurance Authority
ENTITY

ACKNOWLEDGMENT

STATE OF New Mexico)

COUNTY OF Santa Fe)

The foregoing Agreement between the Workers' Compensation Administration and the New Mexico County Insurance Authority, a self-insurance pool of public entities was acknowledged before me this _____ day of October, 2025 by, Lance Pyle, NMCIA Chair.

Notary Public

MY COMMISSION EXPIRES: _____

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.O.	<u>Item Title:</u> Action on Cyber Deductible Reimbursement Policy
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: Seconded by:	

NMCIA Pool
2021 Cyber-Liability Deductible Buyback Program

This 2021 Cyber Liability deductible buyback program was approved by the NMCIA Pool Board of Directors at their June 2021 Board meeting.

In an effort to reduce the impact of the large cyber liability per claim deductible (\$250,000) for members, any member who shows risk mitigation efforts in any of the areas below is eligible for reimbursement from the Pool towards their deductible. The maximum per claim reimbursement the Pool will provide is 50% of the deductible, or \$125,000. Any of the following listed preventative measures, if implemented at the time of the loss, would be worth a 10% deductible buyback.

- a. Formalized patch management program? (County IT staff or vendor) (10%)
 - i. An acceptable solution would include the utilization of a patch management tool, or documentation demonstrating that patches are applied within 30 days of becoming available by the vendor; patches should regularly be applied to network hardware, servers and workstations
- b. Formalized computer server and endpoint protection plan? (County IT staff or vendor) (10%)
 - i. An acceptable solution would be the procurement and utilization of a tool to manage servers and workstations configuration centrally
- c. Segmented network? (10%)
 - i. An acceptable solution would demonstrate that there are barriers between critical systems/workstations and the general internet, typically implemented by firewalls that filter traffic, but other solutions are possible
- d. Email/web traffic filtered? (10%)
 - i. An acceptable solution would be any sort of network appliance that scans all incoming email for known malware patterns/signatures; scanning for malware in web traffic, etc.
- e. Cybersecurity awareness training completed for 100% of employees within last 6 months? (10%)
 - i. Demonstration of the utilization of the tool described above, with documented test results available from employee participants
- f. Vulnerability scanning/penetration testing occurred within last 6 months? (10%)
 - i. An acceptable solution would be a contract with an outside vendor to assess network infrastructure, assess endpoint hardware/software in use, assess user knowledge of social engineering schemes, etc. The Department of Homeland Security will provide multiple types of network and system testing AT NO COST to counties.
- g. Backups of all applications/data kept offline (isolated) (10%)

- i. An acceptable solution would be a documented plan for ensuring applications and data are stored in a secure location, and a rotation schedule is implemented to minimize the risk of contamination by a virus or ransomware
- h. Multi-factor authentication in place?
 - i. An acceptable solution would be a commercial multi-factor authentication software solution utilized for the breached system

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 6.	<u>Item Title:</u> Executive Session – Pending and Threatened Litigation Per New Mexico Open Meetings Act 10-15-7-H(7) • Irma Valenzuela v Bernalillo County • Estate of Chandler and Shivner v Luna County • Estate of Teresa Begay v McKinley County • Estate of Monica Garcia v Socorro County • Estate of David Aguilera v Chaves County • Treasure Hazen v Dona Ana County • Cristina Cruz-Grost v Bernalillo County • Quay County v NMCI								
<u>Presenter (s):</u> Lance Pyle, Chair									
A motion may be made to go into Executive Session to discuss pending and threatened litigation in accordance with the Open Meetings Act. <table style="width: 100%; margin-top: 20px;"> <tr> <td style="width: 50%;">Motion In by:</td> <td style="width: 50%;">Seconded by:</td> </tr> <tr> <td>Roll Call Vote</td> <td></td> </tr> <tr> <td style="margin-top: 20px;">Motion Out by:</td> <td style="margin-top: 20px;">Seconded by:</td> </tr> <tr> <td style="margin-top: 20px;">Certified by:</td> <td style="margin-top: 20px;">... that the only thing discussed was pending and threatened litigation</td> </tr> </table>		Motion In by:	Seconded by:	Roll Call Vote		Motion Out by:	Seconded by:	Certified by:	... that the only thing discussed was pending and threatened litigation
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Roll Call Vote									
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<table style="width: 100%; margin-top: 20px;"> <tr> <td style="width: 50%;">Motion by:</td> <td style="width: 50%;">Seconded by:</td> </tr> </table>		Motion by:	Seconded by:						
Motion by:	Seconded by:								

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 7.A.	<u>Item Title:</u> Executive Director Update
<u>Presenter (s):</u> Joy Esparsen, Executive Director	

Memorandum

Date: October 22, 2025
To: NMCIA Board of Directors
From: Joy Esparsen
Re: Executive Director Update

The NMC Legislative Team is actively working on the 2026 legislative priorities and has requested that each county commission consider endorsing the proposals. On August 26th NMC's Legislative Team assisted in coordinating a county presentation to the Courts, Corrections & Justice Committee (CCJ) focused on ICE detention facilities. Legal Bureau Chief Brandon Huss also presented to CCJ on September 29th to discuss county law enforcement interactions with ICE and liability considerations related to civil rights. During the hearing, there were several statements made that specific counties were working with ICE officials on detaining or profiling individuals. NMC is currently addressing preparing a letter for the committee to correct the record and address any misstatements.

Legislative research activities include conducting a survey of county courthouse infrastructure and operational needs to support the Administrative Office of the Courts budget request and meetings with the Department of Information Technology to secure 700 MHz funding in HB2. We have also been facilitating a request for property tax data to support the Legislative Finance Committee (LFC) property tax study. This information will be critical to defending attempts to reduce this important local government revenue stream in the upcoming legislative sessions. LFC has also begun an initiative to provide legislators with annual local government budget information. The project dashboard was recently presented during an interim committee meeting and subsequently raised county concerns about how the amounts were presented. NMC will work with LFC to address misperceptions about the overall financial needs of county governments and clarify the data presented for future legislative use.

NMC staff continue to participate in the stakeholder meetings to discuss potential Inspection of Public records Act amendments. The working group is currently reviewing the memorial proposed by Representative Brown to further study the impact of IPRA on public entities. Participants include representatives from the Foundation for Open Government, state legislators, state agency representatives, local governments, and media.

NMC has begun facilitating meetings for the Attorneys Affiliate to bring together the chairs of the elected officials and managers affiliate to discuss potential legislative changes to clarify how these offices work together for the 60-day session. Many of the statutes related to county officials and operations are outdated and amendments for clarification may reduce internal conflicts and

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NMCOUNTIES.ORG

improve accountability. The initial meeting was held on August 27th with a subsequent meeting on October 6th. The next meeting is scheduled for December 8th.

The Gathering of Counties was held at the New Mexico State Fair on September 11th with representatives from the New Mexico Department of Tourism, NM EDGE, Tax and Revenue Department, New Mexico Health Care Authority, New Mexico Secretary of State, and USDA Forest Service. Twenty counties participated in the Main Street booth displays and a proclamation celebrating county government was read during the formal presentation.

On September 18th, President Elect Tina Dixon and I attended the New Mexico Municipal League (NMML) Conference. President Elect Dixon spoke at the Past President's luncheon on the collaborative relationship between NMML and NMC and shared the 2026 Legislative Priorities.

The Wildland Urban Fire Summit was held at UNM Valencia County, September 30th through October 2nd. There were 118 participants, and the program included a field trip to the bosque and presentations on grants, an electrical cooperators panel, wildfire preparedness, and insurance in the WUI.

During the October 3rd NMC Board of Directors meeting, the Board approved an updated investment policy based on the recently revised NMCI Investment Policy. The Board also approved the 2026 NMC Meetings Calendar (attached).

The proposed New Mexico heat rule is in a revised status, with the New Mexico Environment Department (NMED) completing stakeholder feedback and moving to incorporate it into a revised rule. Stakeholder roundtables were held in July and August 2025, with the rule to be filed with the Environmental Improvement Board (EIB) by October 1, 2025, for a November EIB hearing. The rule aims to require employers to implement heat illness prevention plans, conduct assessments, provide training, and offer cooling areas, hydration, and rest breaks when the heat index reaches 80°F or higher.

Staff has begun planning for the 2026 Legislative Conference to be held in Santa Fe, January 19th through 22nd. Dr. Mike Richards from UNM will serve as the keynote speaker and we will be hosting two concurrent workshops. Current topics under consideration include Nuclear Energy in New Mexico, the Crime Package, and Behavioral Health Resources. Online registration is scheduled to go live the week of October 27th.

Additional Meetings & Initiatives:

2027 NCCAE Retreat Planning
USDA Rural Development Director Search
SRS Meeting with Representative Vasquez
New Mexico Finance Authority Board of Directors
Finance & Disclosure Committee
Public Lending Committee
Water Trust Board
Colonias Infrastructure Board Meeting
Department of Finance & Administration Quarterly Local Government Meeting
WCA Administration Audit Meeting
New Mexico Fire Planning Task Force Communities at Risk Subcommittee
Panelist at New Mexico Conference on Aging
New Mexico Department of Transportation Federal Lands Access Grant Review
Meeting with Legislative Finance Committee on Budget Dashboard

IPRA Stakeholders Working Group
Meeting with Indora Labs on AI Software for IPRA
Foundation for Open Government Survey for Clerks
NMCIA Board of Directors
NMCRe Board Meeting
NMCIA Claims Committee Meetings
NMCIA LE Data Analysis
NMC Presidential Initiative Development
Senior Staff Meeting
Legal Bureau Attorney Search
NM Detention & Corrections Workforce Capacity Committee Appointments
Berger Briggs Insurance Meeting
Donated Sick Leave Policy Updates
AI Policy Development
Sidecar AI Training Courses
Executive Director Annual Review & Accomplishments
Employee Orientation, Code of Conduct, and Performance Evaluations

Please reach out to me if I may be of any assistance to you. I can be reached on my cell phone at (505) 660-9629 or via email at jesparsen@nmcounties.org at any time.

New Mexico Counties 5% Administrative Fee Request

New Mexico Counties operates on a conservative budget with primary revenues coming from the NMCIA administrative fees, county member participation fees, conference registration fees, and other smaller revenues programs such as federal grants and Business Partners. We have raised conference registration fees and county member participation fees significantly in recent years to cover rising costs related to conference expenses, travel, health insurance premiums, and additional expenses for Albuquerque office (property taxes, insurance, janitorial). In addition, we have incurred capital expenses to replace the roof in the Santa Fe office, architectural and engineering for the deck replacement in Albuquerque, the purchase of three newer vehicles for Loss Prevention and the Nurse Case Manager, and increased security at both offices to include alarms and cameras. NMC is also committed to ensuring that both NMC and NMCIA staff are compensated with a reasonable cost of living increase each year (3% on average each year) to remain competitive in the market.

This year, NMC staff proposed a budget to include county member participation fee increases of 2% to address rising costs for health insurance premiums (20%), a special taxation & revenue property tax study (\$35,000), Business Partner Program Development (\$50,000 paid on commission for new revenue), additional Board officer travel, and 2% annual cost of living increase. During the NMC Board meeting, one of the Board members asked what would be needed to provide for a 3% cost of living for staff. Because of NMC's limited revenue streams, the only option available was to increase county membership dues by 10% as follows:

COUNTY MEMBER	2024-2025 AMOUNT	2025-2026 AMOUNT	10% INCREASE
Bernalillo County	\$49,862	\$54,848	\$4,986
Catron County	\$7,405	\$8,146	\$741
Chaves County	\$32,089	\$35,298	\$3,209
Cibola County	\$15,206	\$16,727	\$1,521
Colfax County	\$22,216	\$24,438	\$2,222
Curry County	\$29,248	\$32,173	\$2,925
De Baca County	\$4,937	\$5,431	\$494
Dona Ana County	\$49,862	\$54,848	\$4,986
Eddy County	\$36,409	\$40,050	\$3,641
Grant County	\$22,216	\$24,438	\$2,222
Guadalupe County	\$7,405	\$8,146	\$741
Harding County	\$4,937	\$5,431	\$494
Hidalgo County	\$9,874	\$10,861	\$987
Lea County	\$36,409	\$40,050	\$3,641
Lincoln County	\$32,089	\$35,298	\$3,209
Los Alamos County	\$32,089	\$35,298	\$3,209
Luna County	\$22,216	\$24,438	\$2,222
Mckinley County	\$32,089	\$35,298	\$3,209
Mora County	\$4,937	\$5,431	\$494
Otero County	\$32,089	\$35,298	\$3,209
Quay County	\$9,874	\$10,861	\$987
Rio Arriba County	\$32,089	\$35,298	\$3,209
Roosevelt County	\$14,810	\$16,291	\$1,481
San Juan County	\$49,862	\$54,848	\$4,986
San Miguel County	\$22,216	\$24,438	\$2,222
Sandoval County	\$49,862	\$54,848	\$4,986
Santa Fe County	\$49,862	\$54,848	\$4,986
Sierra County	\$14,810	\$16,291	\$1,481
Socorro County	\$14,810	\$16,291	\$1,481
Taos County	\$32,089	\$35,298	\$3,209
Torrance County	\$17,607	\$19,368	\$1,761
Union County	\$9,874	\$10,861	\$987
Valencia County	\$32,089	\$35,298	\$3,209
TOTALS	\$833,436	\$916,779	\$83,344

New Mexico Counties 5% Administrative Fee Request

REVENUES	20-21 BUDGET	21-22 BUDGET	22-23 BUDGET	23-24 BUDGET	24-25 BUDGET	25-26 BUDGET	INCREASE
Participation Fees	\$675,284	\$675,284	\$742,812	\$757,668	\$833,435	\$916,779	36%
Conference Income	\$252,550	\$407,750	\$470,000	\$558,750	\$676,500	\$615,800	144%
Grant Administrative Fee		\$30,000	\$35,000	\$40,000	\$40,000	\$45,000	50%
Federal Grant – COPS		\$34,000	\$34,000	\$27,763	\$32,200	\$30,000	-12%
Federal Grant - DOH				\$17,000			-100%
Business Partner Fees	\$55,000	\$55,000	\$50,000	\$55,000	\$55,000	\$105,000	91%
Fees/Endorsements	\$85,000	\$85,000	\$45,000	\$32,000	\$35,000	\$55,000	-35%
Loss Prevention Training				\$1,000	\$500	\$800	-20%
Nurse Case Manager				\$113,000	\$131,131	\$158,000	40%
Pool Administration Fees	\$4,325,000	\$4,325,000	\$4,515,990	\$4,515,990	\$4,685,152	\$4,685,152	8%
TOTALS	\$5,392,834	\$5,612,034	\$5,892,802	\$6,118,171	\$6,488,918	\$6,544,856	20%

We recognize that several of the county managers are frustrated with the fee increase over the past 5 years (prior to 2021, it had not been raised since 2012), but we have done our best to grow our portfolio of revenues and limit expenses. It should be noted that even though we have increased our conference registration fees, much of the new revenue has been a redesign of our sponsor and exhibitor packages, and our registration fees are competitive to similar events in New Mexico.

As you can see, the NMCIA administrative fees are the most significant revenue stream available. Over the past 5 years, NMCIA has approved increases for new positions, but did not include any additional increase for other costs:

NMCIA Administrative Fees FY21	\$4,325,000
NMCIA Administrative Fees FY26	\$4,685,152
Increase Over 5 Years (8%)	\$360,152

Below is a list of the areas where we have seen significant increases that are most relevant to the self-insurance pools. The overall increase over the 5-year period is \$992,665. For perspective on salaries and wages, it is important to note that out of 43 employees, only 5 work exclusively for NMC. The remaining 38 employees provide services to NMCIA either entirely or in some portion.

The request for a 5% increase in the NMCIA pools is to address this need. Without prospective funding for the pools based on their budget timelines, it will be difficult to address future needs.

NOTABLE EXPENDITURES	20-21 BUDGET	21-22 BUDGET	22-23 BUDGET	23-24 BUDGET	24-25 BUDGET	25-26 BUDGET	INCREASE
Salaries & Wages	\$2,964,486	\$3,101,403	\$3,162,600	\$3,251,280	\$3,392,271	\$3,414,608	15%
Payroll Taxes	\$226,696	\$226,696	\$277,953	\$247,717	\$254,420	\$256,096	13%
Deferred Compensation	\$290,636	\$310,140	\$316,260	\$325,128	\$339,227	\$341,461	17%
Health Insurance	\$445,750	\$465,000	\$465,000	\$464,469	\$547,536	\$587,068	32%
Dues & Fees	\$12,000	\$12,000	\$15,000	\$21,000	\$21,000	\$27,000	125%
Publications & Videos	\$18,000	\$18,000	\$18,000	\$35,000	\$54,000	\$60,000	233%
Staff Travel Out-of-State	\$20,000	\$20,000	\$35,000	\$40,000	\$45,876	\$29,000	45%
Printing & Advertising	\$5,000	\$5,000	\$10,000	\$10,000	\$11,500	\$10,000	100%
Computer, Software	\$40,000	\$15,000	\$45,000	\$62,000	\$129,200	\$110,000	175%
Postage	\$13,000	\$13,000	\$13,000	\$14,000	\$20,000	\$24,000	85%
Utilities	\$15,000	\$15,000	\$27,000	\$29,000	\$25,000	\$26,500	77%
Maintenance & Janitorial	\$40,000	\$40,000	\$55,000	\$73,000	\$95,000	\$70,000	75%
Property Taxes	\$24,000	\$24,000	\$27,928	\$29,600	\$40,000	\$47,500	98%
Insurance Prop/Liab	\$45,000	\$45,000	\$52,500	\$112,000	\$123,000	\$150,000	233%
TOTALS	\$4,159,568	\$4,310,239	\$4,520,241	\$4,714,194	\$5,098,030	\$5,152,233	24%

Year	Month	Start Day
2026	1	1: Sunday, 2: Monday

2026

January '26						
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September '26						
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October '26						
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November '26						
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December '26						
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27	28	29	30	31		

	Holidays		Board & Executive Committee		NM EDGE
	NACo & WIR		NMC Conferences		Advisory Council
	NMCIA Pool		Legislative Meetings		Special Events
	NMCR (Captive Board)				

NMC Meetings & Conferences

1/19 - NMCIA Board Meeting 1PM (NMC Office - Santa Fe County)
1/19-1/20 - NM EDGE Classes (Santa Fe County)
1/19-1/22 - NMC Legislative Conference (Santa Fe County)
1/20 NMCIA Membership Meeting 9AM (Santa Fe County)
1/20 NMC Board of Directors Meeting 2PM (Santa Fe County)
1/20 - Legislative Session Begins 12PM
1/23 - County Lobbyist Meeting 8AM (Santa Fe County - NMC Office)
1/28 - NMC Executive Committee 11AM (Virtual)
2/4 - Deadline for Bill Introduction
2/7 - NMC Board of Directors Meeting 8:30AM (Santa Fe County)
2/11 NMC Executive Committee 11AM (Virtual)
2/19 - Legislative Session Ends 12PM
2/21-2/24 - NACo Legislative Conference (Washington, DC)
3/11 - Legislation not acted upon by Governor pocket vetoed
3/17- NMCRe Captive Board Meeting 1PM (Virtual)
3/18 - NMCIA Board of Directors Meeting 8:30AM (Santa Fe County - NMC Office)
3/25 - Legislative Regional Meeting 10AM (Sandoval County)
3/26 - Legislative Regional Meeting 10AM (San Miguel County)
4/1 - Legislative Regional Meeting 10AM (Sierra County)
4/2 - Legislative Regional Meeting 10AM (Chaves County)
4/10 - NMC Executive Committee Budget Meeting 10AM (Santa Fe County - NMC Office)
5/1 - NMC Board of Directors Meeting 8:30AM (Torrance County)
5/5-5/8 - WIR Annual Conference (Maui County, Hawaii)
5/6- Advisory Council Meeting 11AM (Virtual)
5/13 - NMCIA Board of Directors Meeting 8:30AM (Santa Fe County - NMC Office)
6/9- NMCRe Captive Board Meeting 10 AM (Virtual)
6/15-6/16 - NM EDGE Classes (McKinley County)
6/15 - NMCIA Board of Directors Meeting 1:00PM (McKinley County)
6/15-6/18 - NMC Annual Conference (McKinley County)
6/17 - NMC Board of Directors Meeting 4PM (McKinley County)
7/9 - Legislative Initiatives Review w/ Legislative Committee 9AM (Virtual)
7/17-7/20 - NACo Annual Conference (Orleans Parish, New Orleans, LA)
8/6-8/7 - NMC Legislative Meeting 2PM & Board Meeting 8:30AM (Roosevelt County)
8/19 - NMCIA Board of Directors Meeting 8:30AM (TBD)
9/1-9/4 - NMML Annual Conference, Doña Ana County, Las Cruces, NM
9/10 - Gathering of Counties (NM State Fair, Bernalillo County)
9/15 - NMCRe Captive Board Meeting 1PM (Virtual)
New Mexico Wildland Urban Fire Summit (TBD)
10/2 - NMC Board of Directors Meeting 8:30AM (Otero County)
11/12 - NMC Executive Committee 2PM (Santa Fe County) (Date Pending)
11/13 - NMML/NMC Joint Legislative Meeting 9AM (Santa Fe County) (Date Pending)
NM Infrastructure Finance Conference (TBD)
11/18-11/19 - NMCIA Board of Directors Meeting & Retreat (TBD)
12/2 - Advisory Council Meeting 2PM (Virtual)
12/8-12/10 - NMC BIPO Conference-Better Informed Public Officials (Bernalillo County) Albuquerque
12/15 - NMCRe Captive Board Meeting 1PM (Virtual)

Approved by NMC Board of Directors on 10.03.25

What Counties Need to Know When a Government Shutdown Happens

A federal government shutdown, technically a "lapse in appropriations," occurs when Congress fails to pass the necessary legislation to fund government operations and agencies. The U.S. Constitution requires that no money be spent from the U.S. Department of Treasury without the approval of Congress. As a result, Congress needs to pass 12 appropriations bills to fund the various federal agencies. If these bills are not passed and signed by the president by the start of the new fiscal year on Oct. 1, a "lapse in appropriations" will occur, triggering a shutdown. During a shutdown, federal agencies are required to cease many activities, which will significantly impact counties' ability to deliver key services for our residents.

Continuous, predictable federal funding remains crucial for counties as intergovernmental partners. While county governments continue to generate over two-thirds of our own revenue to provide services to residents, counties also receive \$62 billion in intergovernmental revenue from the federal government.

Counties call on our federal partners to work in a bipartisan way to keep the federal government fully operational. With negotiations on Fiscal Year (FY) 2026 appropriations still ongoing and a government funding deadline of Sept. 30, 2025, counties are preparing to manage the potential impacts of a federal shutdown and to minimize the disruption felt by residents.

County Government Shutdown FAQs

Explore what counties need to know if the federal government shuts down.

What will happen to mandatory programs that bypass the regular appropriations process when the federal government shuts down?

Funding for programs that do not rely on the regular appropriations process will remain available. Examples of programs outside the appropriations process that receive automatic funding include:

- Children's Health Insurance Program (CHIP)
- Medicaid
- Mandatory portion of the Child Care Development Fund (CCDF)

However, many mandatory programs require an active authorization to receive funding in the new fiscal year. The following programs are set to expire on Sept. 30, 2025, and will not receive new funding absent congressional action:

- Temporary Assistance for Needy Families (TANF)
- The mandatory portion of Community Health Centers
- National Flood Insurance Program (NFIP)

What will happen to mandatory programs that are funded in appropriations acts when the federal government shuts down?

Most of these programs will not have access to new funding during a shutdown, but states will be entitled to reimbursement once funding is enacted and made available. Counties responsible for administering these programs will need to work with their state to receive reimbursements. Examples include:

- Social Services Block Grant (SSBG)
- Promoting Safe and Stable Families
- Supplemental Nutrition Assistance Program (SNAP)

These programs continue to have access to any carryover funding from previous years.

Which programs already have funds available for FY 2026?

A handful of discretionary (not mandatory) programs will not be immediately affected by a shutdown because they received FY 2026 funding in the FY 2025 year-long CR. Examples of these programs include:

- Title I Grants to Local Educational Agencies
- Special Education Grants to States
- Career and Technical Education state grants
- Workforce Innovation and Opportunity Act (WIOA) Title I formula grants

Federal Government Shutdown's Effect on Counties

U.S. Department of Agriculture (USDA)

- USDA remains a vital federal partner to counties, providing resources that extends well beyond agriculture. Through its programs in farm support, food assistance, conservation, and rural development, USDA enables counties to sustain agricultural producers, ensure food security, manage natural resources and support county investments in infrastructure and services across rural America.

- Pauses in the critical services of the Farm Service Agency, Natural Resources Conservation Service, Food and Nutrition Service, U.S. Forest Service and Rural Development will impact service delivery for county governments and our residents.

To view the USDA shutdown contingency plan, click [here](#).

U.S. Forest Service (USFS)

- Training will be halted for thousands of western firefighters. USFS will not be able to pay for contracts for the equipment needed. No federal employees will be working to reduce dry “fuel” that feeds catastrophic blazes.
- Full closure or partial staffing presence at federal lands sites will lead to canceled trips, reduced tourism and public safety issues (such as illegal campfires) on federal lands.
- Search and rescue or law enforcement operations will be curtailed, forcing counties to take on a greater share of the burden.
- Permits for projects on public lands (such as applications for permits to drill for oil/gas) will be backlogged even further.

USDA Rural Development (USDA RD)

- USDA Rural Development provides critical sources of financial and technical assistance for rural counties and our residents, helping counties invest in essential infrastructure, broadband, entrepreneurship and more.
- In the event of a shutdown, new loans, grants and guarantees will be suspended, and most state and field staff will be furloughed. Only limited functions — such as servicing existing loans, managing escrow accounts and carrying out legally required tasks — will continue to protect federal property and obligations.
- Counties should expect immediate delays in USDA RD-backed projects awaiting approval, technical support or financial closing. Although existing loans and rental assistance contracts may continue to be serviced if funding is available, county staff and residents will lose access to most on-the-ground USDA staff, making it difficult to receive guidance or resolve issues during the shutdown.

Food and Drug Administration

- At the FDA, routine inspections, guidance development, staff training and technical assistance programs that would otherwise support local health inspectors will be curtailed.

Supplemental Nutrition Assistance Program (SNAP)

- As the largest federal nutrition program reaching nearly 42 million households, SNAP is a foundational part of the social safety net.
- Counties are responsible for administering the program in 10 states that represent approximately 34% of total participants, or 14.6 million people.
- During a shutdown, SNAP administrators will not be able to access new funds. However, operations will continue at least through October 2025 using multiyear carryover funds and contingency reserves.

Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

- WIC provides nutrition support to low-income pregnant, postpartum and breastfeeding women, infants and young children deemed nutritionally at risk.
- WIC is administered through 1,900 local agencies in 10,000 clinic sites. Nearly 50% of local WIC agencies are part of local government, including counties, while clinic sites include county health departments and other county agencies.
- Because WIC is a discretionary program, it will receive no new funding during a shutdown. At that time, federal contingency funds will only sustain benefit delivery for a few days. After that, states will need to rely on their own funding streams to keep the program running in the short term, which they will be able to do to varying degrees.

U.S. Department of Health and Human Services (HHS)

To view the HHS shutdown contingency plan, click [here](#).

Disproportionate Share Hospital (DSH) Payments

- Counties employ over 533,000 hospital and healthcare workers and own or support more than 900 public hospitals that provide inpatient medical and specialized care critical for low-income and uninsured individuals.
- The Medicaid Disproportionate Share Hospital (DSH) program provides critical financial support to hospitals that serve disproportionately large proportions of the nation's most vulnerable populations, including children, low-income individuals, people with disabilities and older adults.
- The Medicaid DSH cut for Fiscal Year (FY) 2026 is \$8 billion and will go into effect on Oct. 1, 2025, unless Congress acts. The program is scheduled to be reduced by

another \$8 billion for each of FYs 2027–2028 (\$24 billion total over the next three fiscal years).

Temporary Assistance for Needy Families (TANF) Program

- TANF is a federal entitlement program providing federal funding to states, tribes and territories for a wide range of benefits, services and activities to address both the effects of and the root causes of poverty. Nine states delegate TANF administration to county agencies, which contribute significant local funds to administrative and supplemental costs of running the program.
- The Temporary Assistance for Needy Families (TANF) program expired on Sept. 30, 2025. Given that TANF’s reauthorization is tied to the funding extension, the program cannot issue first-quarter payments.
- To ensure residents continue to receive TANF benefits, states may use unspent funds or Maintenance of Effort (MOE) dollars to continue the program. However, the ability of states to sustain TANF funding may vary based on their financial situations.

Title IV-B (Child Welfare Services)

- Title IV-B includes mandatory and discretionary funding to support child welfare programs with the goal of keeping families together. These dollars can support state programs that protect and promote the welfare of all children, prevent the neglect, abuse or exploitation of children, support at-risk families, promote the safety, permanence and well-being of children in foster care and adoptive families and provide training, professional development and support to ensure a well-qualified child welfare workforce.
- Authority for Title IV-B expired on Sept. 30, 2025. Given that Title IV-B reauthorization is tied to the funding extension, the program cannot issue first-quarter payments. While states may be able to bridge the gap using their own dollars, the financial circumstances around their ability to do so may vary.

Head Start

- Head Start targets children under age five from low-income families with comprehensive programming to meet their emotional, social, health, nutritional and psychological needs and bolster school readiness.

- County governments often play an important role in the operation of Head Start and Early Head Start programs, whether by directly serving local grantees and/or by contributing supplemental funding to support the program.
- At this time, there are six Head Start grantees serving an estimated 6,500 children and families whose grants begin on Oct. 1, 2025, meaning they will be impacted by a shutdown. The ability of these programs to stay open will vary by grantee.

U.S. Department of Education (ED)

- K-12 education is a state–local partnership in which counties play varying roles, as most states give school boards primary authority. Counties often help fund schools through property and other local taxes, with states providing the remaining share.
- The majority of K-12 funding under the ED is provided the following July, and a portion of funding for the Individuals with Disabilities Education (IDEA) Act, and Titles I-A and II-A is advance-funded and becomes available on October 1 of the next fiscal year, which historically allows it to be distributed as usual despite a shutdown.
- According to the ED [contingency plan](#), the agency will continue to disburse student aid and make Title I and IDEA grant funding available as usual.

To view the ED shutdown contingency plan, click [here](#).

U.S. Department of Homeland Security (DHS) & U.S. Department of Justice (DOJ)

- Most of DHS will continue operating, as many of its functions relate to the protection of life and property and are exempt from the shutdown.
- During the federal government shutdown, counties will continue justice and public safety operations; however, the grants that fund these programs will be impacted.
- As part of the shutdown impacting DHS and DOJ, federal agency grants staff will be unavailable to provide the technical assistance that counties may need to comply with grant requirements.
- Grant applications from DHS will not be processed due to the shutdown. This will present fiscal uncertainty for counties as they work to continue critical public safety services.
- FEMA's Disaster Relief Fund (DRF) will not be impacted by a shutdown, and activities funded through the DRF will continue.

- The State and Local Cybersecurity Grant Program’s authorization will expire on Sept. 30, 2025. Without reauthorization, the discretionary grant program will cease to have new resources available to counties.
- Approximately 65% of the Cybersecurity and Infrastructure Security Agency’s (CISA) workforce will be placed on non-duty, non-pay shutdown furlough in the event of a government shutdown, potentially limiting the capacity of the agency to support counties through agency resources and programming on cybersecurity needs.

To view the DHS shutdown contingency plan, click [here](#).

To view the DOJ shutdown contingency plan, click [here](#).

U.S. Department of Housing and Urban Development (HUD)

- HUD has identified essential functions necessary to 1) protect life and property, or 2) perform statutorily required duties, and is expected to operate at just under 30% capacity during the funding lapse.
- Funding for flagship HUD programs such as the Community Development Block Grant (CDBG) program and the Home Investment Partnerships (HOME) program will remain available due to advance funding. These programs require HUD approval of a grantee’s consolidated plan prior to receiving awarded funds. Plans that remain unapproved following the 45-day shot-clock for processing are expected to be automatically deemed approved.
- Administration of Section 8 Housing Vouchers will generally remain operational to the extent that funding is available. Priority will be given to existing commitments rather than approval of new recipients or projects.
- HUD's Office of Community Planning and Development is expected to continue awarding Continuum-of-Care funding to the extent necessary to prevent gaps in service delivery. This is also contingent on availability of funds.
- HUD's Office of Housing will continue to perform the minimum necessary activities to maintain the Federal Housing Administration's (FHA) portfolio of insured mortgages.

To view the HUD shutdown contingency plan, click [here](#).

U.S. Department of Labor (DOL)

- DOL issued a contingency guidance document on Sept. 26, 2025, outlining a roughly 75% reduction in force, agency wide.

- Workforce Innovation and Opportunity Act (WIOA) Title I Grant funding will remain available through advance funding.
- Job Corps centers will remain operational in all locations that involve housing of students.

To view the DOL shutdown contingency plan, click [here](#).

U.S. Department of Transportation (USDOT)

- Counties are involved in a third of the nation's public airports. If a shutdown occurs, TSA agents working without pay may not report to work, creating congestion and safety concerns.
- Further impacting air travel, thousands of Federal Aviation Administration (FAA) employees who are not air traffic controllers or safety inspectors will not report to work. This will include personnel who conduct facility security inspections, evaluations and audits; capital planning for facilities and equipment; financial operations; law enforcement assistance support; and most administrative support functions — among many others.

To view the USDOT shutdown contingency plan, click [here](#).

U.S. Environmental Protection Agency (EPA)

- Funding for Clean Water/Drinking Water State Revolving Fund (SRF) programs and brownfields grants will be halted.
- Most inspections of hazardous waste management sites and chemical facilities will be stopped.

To view the EPA shutdown contingency plan, click [here](#).

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 7.B.	<u>Item Title:</u> Risk Management Update
<u>Presenter (s):</u> Grace Philips, Risk Management Director	

Memorandum

Date: October 22, 2025
To: NMCIA Board
From: Grace Philips, NMCIA Risk Management Director
Re: RM Update

- We have received letters from Bernalillo, Santa Fe, and Roosevelt counties notifying us of their intent to go to market for ML and LE coverage.
- We are scheduled to attend a mediation with Bernalillo County concerning the 1 occurrence issue on November 13.
- The arbitration with Bernalillo County on the single occurrence issue is scheduled for January, 2026.
- The dispute with Quay County regarding coverage for their low crossing bridge has been resolved.
- We have expanded our scope of work with Origami to provide deductible billing in workers' compensation in advance of next year's renewal.
- The NM WCA EDI is now requiring the use of EDI Release 3.1 standards, previously Release 1. Staff is working with the WCA and the Origami EDI team to get our claims system ready for the scheduled release on November 7, 2025.
- Joy Esparsen and I met with WCA director, Heather Jordon, to resolve our concerns with the proposed certificate of coverage.
- Robin Martinez and I visited Catron and Lincoln Counties to meet with elected officials and staff
- Senior staff attended the AGRiP staff forum focused on AI in pooling as well as other pooling topics. It gave us an opportunity to meet with our Benchmark, Origami, Gallagher, CBIZ, SAA, and Lexipol partners.
- I attended the fall CRL board and property plus meetings and was elected to the board.
- Joy Esparsen, Greg Reese, Robin Martinez, Brandon Huss, Mark Allen and I presented to the Sheriff's Association regarding the litigation climate and law enforcement claims
- I reported to the NMC Board regarding the NMCIA pool and our proposed policy to exclude certain high-risk employees and elected officials from coverage.

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NMCOUNTIES.ORG

- CRL will host its September 22-24, 2026 board meeting in Santa Fe.
- We conducted two mock trials on law enforcement cases.
- Praxis has completed its audit (attached) of the ML claims program. Praxis audited 120 claim files (44 liability claims, 28 property claims, and 48 LE claims). Approximately 16 categories are reviewed for compliance with the Coverage Agreement, Multi-Line Claims Manual, and best practices in the industry. NMC staff exceeds expectations in many categories and meets expectations in all other categories. This resulted in a 93% or higher rating for all categories, except for (a) defense counsel's adherence to the litigation reporting requirements, despite appropriate request and follow-up by the claims staff (65% for liability and 77% for LE); and (b) claims staff prompt identification, evaluation and pursuit of subrogation or salvage recovery for property claims (78%).
- Sandoval County is utilizing Origami Risk through NMCIA's contract partnership. They are entering all of their claims into the system, using it as a central repository for both claims and related documents. By partnering with NMCIA, they were able to save significantly compared to the cost of a stand-alone contract.
- AGRiP will be hosting their annual governance conference on March 1-4. This will be an excellent opportunity for board member training so please think about whether you would be able to attend. We will identify board member attendees at our next meeting in January so that we can register prior to the early registration deadline.
- On October 14, 2025 Greg Shaffer, Robin Martinez, Brandon Huss, and I met with our captive broker, Jim English, and the actuary for Hannover Re in Santa Fe.

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SENT VIA E-MAIL- October 17, 2025

Grace Phillips
Risk Management Director
New Mexico Association of Counties
444 Galisteo Street
Santa Fe, NM 87501

**RE: NEW MEXICO COUNTIES LIABILITY & PROPERTY
CLAIMS MANAGEMENT AUDIT**

Audit Dates: September 8-15, 2025
Remote Audit

Ms. Phillips:

This narrative will serve as Praxis' report of findings following the remote audit and claims handling review for New Mexico Counties. The claim files are self-administered by New Mexico County Insurance Authority (NMCIA) employees. Upon the commencement of litigation, the NMC Legal Bureau or outside legal counsel are assigned to handle the matter depending upon staff capacity and the area of expertise required.

The following executive summary outlines Praxis' overall observations, current recommendations, as well as NMCIA's progress made in addressing the 2023 audit recommendations.

EXECUTIVE SUMMARY

Observations:

Exceeds Expectations

- The claim files are set-up timely and initial contacts are made within forty-eight hours.

- Potential coverage issues are documented and addressed; reservation of rights letters are issued when appropriate.
- The management of independent adjusters in terms of prompt assignment, consistent communication, and timely reporting is appropriate.
- Co-defendants are identified, and cross complaints are filed when appropriate. Tender of defense & indemnity are pursued in applicable cases.
- The submittal of invoices, evaluation, and issuance of payments is within specified guidelines in all of the claim files reviewed.

Meets Expectations

- With one exception (*law enforcement*), the files showed an appropriate assessment of coverage and applicable immunities.
- With one exception (*property*), investigations are timely and comprehensive.
- Overall, liability assessments are timely and comprehensive taking into consideration government codes, immunities, case law, etc. There are two liability claim files where an evaluation of liability could not be located.
- The claim activity notes consistently outline interactions with claimants, members, legal counsel, and vendors.
- Current status and plan of action are noted in nearly all of the claim files. There are five files (*three liability; one law enforcement; one property*) in which the plan of action/ current status could not be located.
- Praxis identified six files with overdue diaries (*three property; two liability; one law enforcement*) as well as one property claim that was off-diary.
- Relevant claim file documentation is attached in Origami, the claims management system.
- With four exceptions (*two law enforcement; one property; one liability*), damage evaluations are present within the claim files and take into consideration both compensatory and general damages.
- The management of litigation in terms of assignment, defense strategy, and disposition is appropriate.
- With one exception, initial and status reporting to reinsurance/excess is in accordance with reporting requirements as well as industry best practices. There is one liability claim in which the current excess status report is overdue.
- With one exception (*liability*), the claim files reviewed contain evidence of consistent supervisory involvement and review.
- Overall, reserves are established taking into account the liability and damage evaluations to reflect the expected outcome. Praxis recommends three loss reserve recommendations as well as one legal and one expense reserve recommendation. Claim specific recommendations are outlined within the audit review worksheets.
- Reserves are re-evaluated when new facts are presented. There is no evidence of suppression or stair-stepping of reserves.
- Overall, negotiations and settlements are appropriately pursued which helps mitigate damages and legal expenses. Praxis identified one property file exception.

- The claim files reviewed exhibit an appropriate evaluation of claim exposure and potential for dismissal through motion practice or defense verdict.

Opportunities for Improvement

- The submittal of initial case evaluations as well as subsequent litigation status reports by defense counsel have either not been received or were significantly delayed in eighteen (*nine liability; nine law enforcement*) of the claim files reviewed. These exceptions occurred despite appropriate requests and follow up by the claim handler.
- Specific to property claim files, two of the nine applicable files reviewed did not contain the appropriate identification, evaluation, pursuit, and resolution of subrogation/salvage.

Current Recommendations:

- Defense counsel adherence to NMCIA litigation reporting requirements continues to be an area in need of improvement. Despite appropriate requests by the assigned claims handlers, defense counsel reporting continues to be out of compliance in a number of files. These findings are consistent with the results of the 2021 & 2023 claim audits. Praxis does not have additional recommendations to address beyond those which have been outlined in the prior narrative reports.
- Specific to property claims, while there are only two exceptions, Praxis recommends that supervisory reviews focus on the claim handler's prompt identification, evaluation, pursuit, and resolution of subrogation/ salvage.

2023 Recommendations:

The findings of the 2025 audit are in blue font below.

- Specific to litigated files, Praxis recommends that NMCIA provide the litigation reporting requirements to defense counsel upon initial assignment of each case as well as developing procedures on how to address the lack of timely reporting or communication by defense counsel. These procedures could include delaying the issuance of payment on legal invoices until receipt of the required documentation or affecting the appointment of defense counsel for future cases.

Defense counsel reporting continues to be an area in need of improvement. The submittal of initial case evaluations as well as subsequent litigation status reports by defense counsel have either not been received or were significantly delayed in eighteen (*nine liability; nine law enforcement*) of the claim files reviewed. These exceptions occurred despite appropriate requests and follow up by the claim handler.

- Specific to property claims, Praxis recommends that supervisory reviews focus on the claim handler's prompt identification, evaluation, pursuit, and resolution of subrogation.

Two of the nine applicable files reviewed did not contain the appropriate identification, evaluation, pursuit, and resolution of subrogation/salvage.

AUDIT LOGISTICS

A pre-audit introductory phone call was conducted with Cynthia Stevenson and Lori Urban on July 24, 2025. Ms. Urban supplied credentials for access to NMCIA's claims management system, Origami.

Praxis remotely reviewed 120 claim files. The files were reviewed by Timothy Vincent, CPCU, of Praxis.

Prior to the commencement of the audit, Praxis was provided with the following:

Multi-Line Claims Staff Bios
Multi-Line Organizational Chart
2024 Attorney Billing Requirements
2024 Legal Bureau Billing Requirements
ML & Finance Department Duties involving ML
ML Claims Manual
ML Claims Procedures-Auto
ML Staff Authority Levels
Settlement Payment Procedure
Claim Examiner Caseloads- 7/28/25
NMC Vendor Contacts
2023-2025 NMCIA Coverage Agreements
2023-2025 ML Excess Liability Reinsurance Endorsement
2023-2024 Reinsurance Treaty
Defense Attorney List
2023-2025 LE Coverage & Layers
Loss Runs

EXHIBITS

The following exhibit is included with this report:

- 1) Audit review spreadsheet - Exhibit 1.

TECHNICAL REVIEW

The technical review and assessment of claims handling practices is separated into three coverage specific sections (*Liability, Property, and Law Enforcement*). Praxis reviewed forty-four liability files, twenty-eight property files, and forty-eight law enforcement files.

LIABILITY

Timely Set-up of Claims & Initial Contacts

This category considers the adequacy of member reporting, file set-up, and initial contacts.

The NMCI claims manual indicates initial review by the claim examiner needs to occur within 48 hours.

Findings

The claim files are set up timely and initial contacts are made within forty-eight hours.

Coverage:

This category evaluates the assessment of coverage, applicable immunities, potential exclusions, limitations, and sub-limits. Praxis also assesses whether reservation of rights letters are drafted timely to address potential coverage concerns.

Findings

The files showed an appropriate assessment of coverage and applicable immunities.

Potential coverage issues are documented and addressed; reservation of rights letters are issued when appropriate.

Liability Determination/Investigation:

The liability determination takes into consideration government codes and immunities as well as case law. Following that initial assessment, the claim examiner needs to evaluate the duties owed as well as the duties breached. In determining comparative aspects, the importance of each duty is also evaluated. If there is evidence of a breach of duty owed, the claims handler then evaluates whether there was notice, either actual or constructive. Each of these components make up the overall liability assessment.

Findings

Investigations are timely and comprehensive in the claim files reviewed.

Overall, liability assessments are timely and comprehensive taking into consideration government codes, immunities, case law, etc. There are two liability claim files where an evaluation of liability could not be located.

File Documentation/ Action Plan:

Throughout the life of the claim or litigated case, the file activity notes should contain chronological documentation of activities, and the cause and effect of these activities as they relate to exposure. Received and generated correspondence should be uniformly stored and identified for ease of access.

A properly documented claim file or litigated case, as applicable, should contain activity notes that contain at a minimum:

- A clear, detailed description of the claim being made.
- An initial analysis of coverage and any applicable immunities.
- Known facts and unknown information needed.
- An initial plan of action.
- A prompt and detailed initial investigation with documented results.
- An assessment of that investigation as it relates to liability and damages.
- A detailed documented rationale supporting the loss reserve and as needed, expense reserves.
- An updated assessment of liability, damages and reserve changes as needed, and a revised detailed plan of action based on the results of any new or developing information.
- Files in litigation should contain an initial case evaluation report from defense counsel that details initial case analysis, a litigation budget, and a proposed litigation plan.
- Defense counsel should provide a meaningful updated status every three to six months depending on the stage in the life of the file.
- The file notes should contain a summary and analysis of all documents received. The notes should reflect that the document has been read and its effect on the exposure.
- An activity diary that is set at an interval commensurate with the needs of the file, and the file notes should be updated periodically by the examiner depending on what stage it is in, or if there is a significant change or event.
- A summary of any roundtable discussions or supervisory direction as applicable.

Findings

The claim activity notes consistently outline interactions with claimants, members, legal counsel, and vendors.

The current status and plan of action are noted in nearly all of the claim files. There are three files in which the plan of action/ current status could not be located.

Praxis identified two files with overdue diaries.

Relevant claim file documentation is attached in Origami, the claims management system.

Damage Evaluation:

This category measures the evaluation and potential financial impact of each claim and the documentation within the claim file to support the evaluation. Industry claims handling practices require the claims handler to develop and document liability probabilities together with an estimate of reasonable economic and general damages. Further, the claims handler must adjust the evaluation as additional facts are developed. The claims handler, as early as possible, should form an opinion as to liability by applying the facts to the law, and estimate the probable outcomes to reach a reasonable range for settlement value. This process should also form the basis for ultimate reserve development. Evaluations should be properly documented to clearly explain and convey the claim handler's view of liability, damages and other factors that may influence the settlement value.

Findings

With one exception, damage evaluations are present within the claim files and take into consideration both compensatory and general damages.

Excess Reporting:

In addition to the reporting of specific category type losses (*fatality, spinal cord injuries with paralysis, serious burns, brain injuries, amputations, sexual harassment or molestation claims, class action suits, serious sensory impairments, serious disfigurement or scarring, extra contractual obligation or excess judgment claims, major organ injuries, multiple fractures*), the excess carrier requires the reporting of any loss with an incurred amount equal to or greater than 50% of the pool's retention.

Findings

With one exception, initial and status reporting to reinsurance/excess is in accordance with reporting requirements as well as industry best practices. There is one claim in which the current excess status report is overdue.

Litigation Management:

This category evaluates whether files being litigated are being handled in accordance with NMCIA's Claims Manual as well as industry best practices.

The claim examiner should engage counsel and interact in all aspects of the case, as well as ensure that litigation defense strategy, defense budget, reporting, and billing are timely and complete.

Findings

The management of litigation in terms of assignment, defense strategy, and disposition is appropriate.

The submittal of initial case evaluations as well as subsequent litigation status reports by defense counsel have either not been received or were significantly delayed in nine of the claim files reviewed. These exceptions occurred despite appropriate requests and follow up by the claim handler.

Recommendation

Praxis recommends that NMCIA provide the litigation reporting requirements to defense counsel upon initial assignment of each case as well as developing procedures on how to address the lack of timely reporting or communication by defense counsel. These procedures could include delaying the issuance of payment on legal invoices until receipt of the required documentation or affecting the appointment of defense counsel for future cases.

Vendor Management:

This category evaluates whether the assignment, communication, and reporting from vendors is in accordance with expected standards and industry best practices.

Findings

The management of independent adjusters in terms of prompt assignment, consistent communication, and timely reporting is appropriate.

Contribution/Subrogation:

This category measures whether opportunities for subrogation, third party contribution and indemnity are identified and pursued.

Findings

Co-defendants are identified, and cross complaints are filed when appropriate. Tender of defense & indemnity are pursued in applicable cases.

Settlement Factors:

This category evaluates the claims handler's evaluation of the liability and damages evaluation, potential for dismissal through motion practice or a defense verdict, and their communication with the claimant/plaintiff/counsel. In matters of adverse liability, we look to see if the claim examiner is aggressive in attempting to settle cases versus having prolonged litigation and increased defense expenses.

Findings

Negotiations and settlements are appropriately pursued, which helps mitigate damages and legal expenses.

The claim files reviewed exhibit an appropriate evaluation of claim exposure and potential for dismissal through motion practice or defense verdict.

Supervision:

The role of the manager and/or supervisor is to guide the process from claim receipt through resolution to ensure consistent claim management processes are implemented and to act as a "second set of eyes" specific to the claim examiner actions and decisions. The supervisor should document the claim file notes with any supervisory activity and instructions for future claim handling.

Findings

With one exception, the claim files reviewed contain evidence of consistent supervisory involvement and review.

Timeliness of Payments:

NMCIA supplied Praxis with guidelines that indicate legal invoices are to be submitted by legal counsel within 45 days of the dates of service. Payment is to be issued by the claim examiner within 30 days of receipt.

Praxis reviewed the dates of service and invoice date in comparison to the payment date in the claims management system.

Findings

The submittal of invoices, evaluation, and issuance of payments is within specified guidelines in all but one instance in one of the claim files reviewed.

Reserves & Reserve Adequacy:

This category confirms that initial reserves are posted timely and in accordance with the claim examiner's best estimate of exposure at the time the loss is received.

Loss reserves should reflect neither the best nor worst possible result, but a realistic assessment of the most likely outcome with any unresolved or disputed factors considered. The loss reserve should at all times reflect the analyzed settlement value of the case.

Expense/legal reserves should reflect assigned defense counsel's litigation budget as well as the claim examiner's evaluation of that budget.

Findings

Reserves are established taking into account the liability and damage evaluations to reflect the expected outcome. Praxis recommends one loss reserve recommendation as well as one legal reserve recommendation. Claim specific recommendations are outlined within the audit review worksheet.

Reserves are re-evaluated when new facts are presented. There is no evidence of suppression or stair-stepping of reserves.

PROPERTY

Timely Set-up of Claims & Initial Contacts

This category considers the adequacy of member reporting, file set-up, and initial contacts.

The NMCI claims manual indicates initial review by the claim examiner needs to occur within 48 hours.

Findings

The claim files are set-up timely and initial contacts are made within forty-eight hours.

Coverage:

This category evaluates the assessment and documentation of coverage while addressing potential exclusions, limitations, and sub-limits.

Findings

All files reviewed reflect coverage analysis and confirmation in the file notes. Any potential coverage questions or concerns were addressed immediately with the member and the issues were clarified and documented.

Investigation:

This category evaluates the adequacy of investigation into the member's property damage. This entails determining the cause of loss and evaluating the damage to member property

Findings

With one exception, each file demonstrated that contact was being made timely with either the member or the member's designated contact. Field investigations were assigned promptly and resulting reports were complete and timely received.

File Documentation/ Action Plan:

Throughout the life of the claim or litigated case, the file activity notes should contain chronological documentation of activities, and the cause and effect of these activities as they relate to exposure. Received and generated correspondence should be uniformly stored and identified for ease of access.

A properly documented claim file or litigated case, as applicable, should contain activity notes that contain at a minimum:

- A clear, detailed description of the claim being made.
- An initial analysis of coverage and any policy limitations.
- Known facts and documented information needed.
- Prompt follow-up with member to schedule inspections if needed.
- Timely on-site inspection and a summary list of damages.
- A reassessment of coverage if needed as it relates to the cause & origin of damages.
- A detailed documented rationale supporting the loss reserve and expense reserves.
- An updated assessment of damages and reserve changes as needed, and a revised detailed plan of action based on the results of any new or developing information.
- The field adjuster or IA should provide a meaningful updated status as repairs progress.
- The file notes should contain a summary and analysis of all documents received. The notes should reflect that the document has been read and its effect on the exposure.

- An activity diary that is set at an interval commensurate with the needs of the file, and the file notes should be updated periodically by the examiner depending on what stage it is in, or if there is a significant change or event.
- A summary of any roundtable discussions or supervisory direction as applicable.

Findings

The claim activity notes consistently outline interactions with members and vendors.

Current status and plan of action are noted in nearly all of the claim files. There is one file in which the plan of action/ current status could not be located.

Praxis identified three files with overdue diaries as well as one claim that was off-diary.

Relevant claim file documentation is attached in Origami, the claims management system.

Damage Evaluation:

This category measures evaluation of the potential financial impact of a particular claim and the documentation within the claim file to support the evaluation. Acceptable claims handling practices require the claim examiner to develop and document an estimate of reasonable damages. Further, the claim examiner must adjust the evaluation as additional facts are developed. The adjuster, as early as possible, should form an opinion as to the damage evaluation either through direct investigation or the use of an independent adjuster. Evaluations should be properly documented in order to clearly explain and convey the claim examiner's view of damages and other factors that may influence the settlement value.

Findings

With one exception, damage evaluations are present within the claim files and clearly outline the claim handler's rationale.

Vendor Management:

This category evaluates whether the assignment, communication, and reporting from vendors is in accordance with expected standards and industry best practices.

Findings

The management of independent adjusters in terms of prompt assignment, consistent communication, and timely reporting is appropriate.

Excess Reporting:

NMCIA's required excess/reinsurance reporting triggers are in accordance with industry standard practices. Claim handlers must report all claims that meet the reporting criteria to reinsurers in accordance with the reporting requirements.

Findings

Initial and status reporting to reinsurance/excess is in accordance with reporting requirements as well as industry best practices.

Subrogation/Recovery:

This category measures whether opportunities for subrogation, restitution, and recovery are identified, evaluated, pursued, and resolved.

Findings

Two of the nine applicable files reviewed did not contain the appropriate identification, evaluation, pursuit, and resolution of subrogation/salvage.

Recommendation

Praxis recommends that supervisory reviews focus on the claim handler's prompt identification, evaluation, pursuit, and resolution of subrogation/salvage.

Settlement Factors:

This category measures the claim file disposition process to be sure claims are being settled promptly and in accordance with the coverage agreements. It also comments on proper closing documentation including signed proof of loss. This category also measures whether negotiations to settle claims are conducted promptly and aggressively.

Findings

With one exception, settlements are appropriately pursued which helps mitigate damages and expenses.

Supervision:

The role of the manager and/or supervisor is to guide the process from claim receipt through resolution to ensure consistent claim management processes are implemented and to act as a "second set of eyes" specific to the claim examiner actions and decisions. The supervisor should

document the claim file notes with any supervisory activity and instructions for future claim handling.

Findings

Praxis found consistent evidence of supervisory involvement and review of claim files.

Timeliness of Payments:

This category evaluates the promptness of payments to members upon receipt of complete loss documentation as well as payments to vendors/experts who assist in the adjudication of the claim file.

Findings

The submittal of invoices, evaluation, and issuance of payments is within specified guidelines in all of the claim files reviewed.

Reserves & Reserve Adequacy:

This category confirms that initial reserves are posted timely and in accordance with the claim examiner's best estimate of exposure at the time the loss is received.

Loss reserves should reflect the potential exposure of the event based upon the investigation and evaluation conducted by the independent adjuster and/or claim examiner. The reserves should be re-evaluated at least every ninety days or sooner if there are significant developments.

Findings

Reserves are established taking into account the liability and damage evaluations to reflect the expected outcome. Praxis recommends one loss reserve recommendation as well as one expense reserve recommendation. Claim specific recommendations are outlined within the audit review worksheet.

Reserves are re-evaluated when new facts are presented. There is no evidence of suppression or stair-stepping of reserves.

LAW ENFORCEMENT

Timely Set-up of Claims & Initial Contacts

This category considers the adequacy of member reporting, file set-up, and initial contacts.

The NMCIA claims manual indicates initial review by the claim examiner needs to occur within 48 hours.

Findings

The claim files are set-up timely and initial contacts are made within forty-eight hours.

Coverage:

This category evaluates the assessment of coverage, applicable immunities, potential exclusions, limitations, and sub-limits. Praxis also assesses whether reservation of rights letters are drafted timely to address potential coverage concerns.

Findings

With one exception, the files showed an appropriate assessment of coverage and applicable immunities.

Potential coverage issues are documented and addressed; reservation of rights letters are issued when appropriate.

Liability Determination/Investigation:

The liability determination takes into consideration government codes and immunities as well as case law. Following that initial assessment, the claim examiner needs to evaluate the duties owed as well as the duties breached. In determining comparative aspects, the importance of each duty is also evaluated. If there is evidence of a breach of duty owed, the claims handler then evaluates whether there was notice, either actual or constructive. Each of these components make up the overall liability assessment.

Findings

Investigations are timely and comprehensive in the claim files reviewed.

Liability assessments are timely and comprehensive taking into consideration government codes, immunities, case law, etc.

File Documentation/ Action Plan:

Throughout the life of the claim or litigated case, the file activity notes should contain chronological documentation of activities, and the cause and effect of these activities as they relate to exposure. Received and generated correspondence should be uniformly stored and identified for ease of access.

A properly documented claim file or litigated case, as applicable, should contain activity notes that contain at a minimum:

- A clear, detailed description of the claim being made.
- An initial analysis of coverage and any applicable immunities.
- Known facts and unknown information needed.
- An initial plan of action.
- A prompt and detailed initial investigation with documented results.
- An assessment of that investigation as it relates to liability and damages.
- A detailed documented rationale supporting the loss reserve and as needed, expense reserves.
- An updated assessment of liability, damages and reserve changes as needed, and a revised detailed plan of action based on the results of any new or developing information.
- Files in litigation should contain an initial case evaluation report from defense counsel that details initial case analysis, a litigation budget, and a proposed litigation plan.
- Defense counsel should provide a meaningful updated status every three to six months depending on the stage in the life of the file.
- The file notes should contain a summary and analysis of all documents received. The notes should reflect that the document has been read and its effect on the exposure.
- An activity diary that is set at an interval commensurate with the needs of the file, and the file notes should be updated periodically by the examiner depending on what stage it is in, or if there is a significant change or event.
- A summary of any roundtable discussions or supervisory direction as applicable.

Findings

The claim activity notes consistently outline interactions with claimants, members, legal counsel, and vendors.

The current status and plan of action are noted in nearly all of the claim files. There is one file in which the plan of action/ current status could not be located.

Praxis identified one file with an overdue diary.

Relevant claim file documentation is attached in Origami, the claims management system.

Damage Evaluation:

This category measures the evaluation and potential financial impact of each claim and the documentation within the claim file to support the evaluation. Industry claims handling practices require the claims handler to develop and document liability probabilities together with an estimate of reasonable economic and general damages. Further, the claims handler must adjust the evaluation as additional facts are developed. The claims handler, as early as possible, should form an opinion as to liability by applying the facts to the law, and estimate the probable

outcomes to reach a reasonable range for settlement value. This process should also form the basis for ultimate reserve development. Evaluations should be properly documented to clearly explain and convey the claim handler's view of liability, damages and other factors that may influence the settlement value.

Findings

With one exception, a comprehensive damage evaluation was outlined in each of the property claim files reviewed.

Excess Reporting:

In addition to the reporting of specific category type losses (*fatality, spinal cord injuries with paralysis, serious burns, brain injuries, amputations, sexual harassment or molestation claims, class action suits, serious sensory impairments, serious disfigurement or scarring, extra contractual obligation or excess judgment claims, major organ injuries, multiple fractures*), the excess carrier requires the reporting of any loss with an incurred amount equal to or greater than 50% of the pool's retention.

Findings

Initial and status reporting to reinsurance/excess is in accordance with reporting requirements as well as industry best practices.

Litigation Management:

This category evaluates whether files being litigated are being handled in accordance with NMCIA's Claims Manual as well as industry best practices.

The claim examiner should engage counsel and interact in all aspects of the case, as well as ensure that litigation defense strategy, defense budget, reporting, and billing are timely and complete.

Findings

The management of litigation in terms of assignment, defense strategy, and disposition is appropriate.

The submittal of initial case evaluations as well as subsequent litigation status reports by defense counsel have either not been received or were significantly delayed in nine of the claim files reviewed. These exceptions occurred despite appropriate requests and follow up by the claim handler.

Recommendation

Praxis recommends that NMCI provide the litigation reporting requirements to defense counsel upon initial assignment of each case as well as developing procedures on how to address the lack of timely reporting or communication by defense counsel. These procedures could include delaying the issuance of payment on legal invoices until receipt of the required documentation or affecting the appointment of defense counsel for future cases.

Vendor Management:

This category evaluates whether the assignment, communication, and reporting from vendors is in accordance with expected standards and industry best practices.

Findings

The management of independent adjusters in terms of prompt assignment, consistent communication, and timely reporting is appropriate.

Contribution:

This category measures whether opportunities for third party contribution and indemnity are identified and pursued.

Findings

Co-defendants are identified, and cross complaints are filed when appropriate. Tender of defense & indemnity are pursued in applicable cases.

Settlement Factors:

This category evaluates the claims handler's evaluation of the liability and damages evaluation, potential for dismissal through motion practice or a defense verdict, and their communication with the claimant/plaintiff/counsel. In matters of adverse liability, we look to see if the claim examiner is aggressive in attempting to settle cases versus having prolonged litigation and increased defense expenses.

Findings

Negotiations and settlements are appropriately pursued, which helps mitigate damages and legal expenses.

The claim files reviewed exhibit an appropriate evaluation of claim exposure and potential for dismissal through motion practice or defense verdict.

Supervision:

The role of the manager and/or supervisor is to guide the process from claim receipt through resolution to ensure consistent claim management processes are implemented and to act as a “second set of eyes” specific to the claim examiner actions and decisions. The supervisor should document the claim file notes with any supervisory activity and instructions for future claim handling.

Findings

Praxis found consistent evidence of supervisory involvement and review of claim files.

Timeliness of Payments:

NMCIA supplied Praxis with guidelines that indicate legal invoices are to be submitted by legal counsel within 45 days of the dates of service. Payment is to be issued by the claim examiner within 30 days of receipt.

Praxis reviewed the dates of service and invoice date in comparison to the payment date in the claims management system.

Findings

The submittal of invoices, evaluation, and issuance of payments is within specified guidelines in all of the claim files reviewed.

Reserves & Reserve Adequacy:

This category confirms that initial reserves are posted timely and in accordance with the claim examiner’s best estimate of exposure at the time the loss is received.

Loss reserves should reflect neither the best nor worst possible result, but a realistic assessment of the most likely outcome with any unresolved or disputed factors considered. The loss reserve should at all times reflect the analyzed settlement value of the case.

Expense/legal reserves should reflect assigned defense counsel’s litigation budget as well as the claim examiner’s evaluation of that budget.

Findings

Reserves are established taking into account the liability and damage evaluations to reflect the expected outcome. Praxis recommends one loss reserve increase. The case specific recommendation can be found in the audit review worksheet.

Reserves are re-evaluated when new facts are presented. There is no evidence of suppression or stair-stepping of reserves.

Wrap-up Discussions:

Upon completion of the claim file review, the audit review worksheets were provided to NMCIA on September 15, 2025, for review and comment. A virtual wrap-up meeting was held on September 30, 2025 with Robin Martinez, Cynthia Stephenson, Lori Urban, and Jennifer Ortiz. Praxis' findings and observations were generally discussed.

CONCLUSION:

The NMCIA claims staff demonstrates the technical expertise and sophistication necessary to properly handle the Authority's claims to proper resolution.

Sincerely,



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CC:

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Cynthia Stephenson

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 7.C.	<u>Item Title:</u> Investment Update
<u>Presenter (s):</u> Ryan Salmon, Senior Vice President, Investment Officer / PIM Portfolio Manager Salmon Hauger Wealth Management Group of Wells Fargo Advisors	



LifeSync

Client Overview

Prepared for NMCI Board

October 14, 2025

Prepared by:

SALMON HAUGER WEALTH MGMT GROUP OF WELLS FARGO ADVISORS

This report is not complete without all sections noted in the Table of Contents. Please read each section carefully.

Investment and Insurance Products are:

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- **Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate**
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Estimated Net Worth Statement

\$108,821,698	\$0	\$108,821,698
Total assets	Total liabilities	Net worth

Internal investment assets

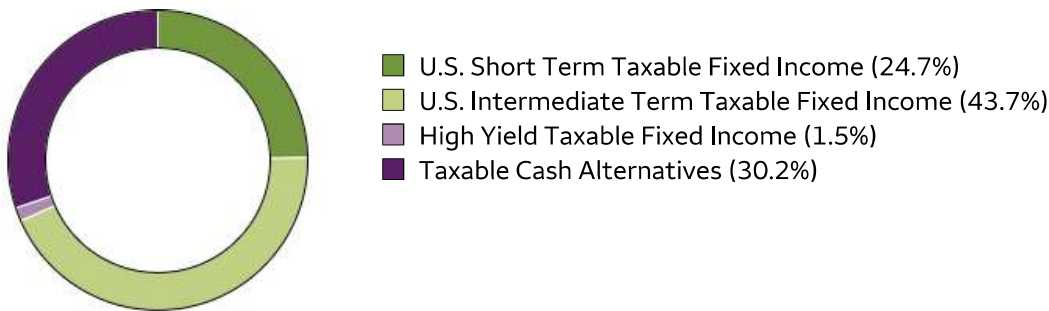
Account number	Description	Last updated	Market value
XXXX2461	NMCIA LE ^P	09/30/2025	\$43,611,869
XXXX2548	NMCIA WC ^P	09/30/2025	\$35,809,973
XXXX2635	NMCIA ML ^P	09/30/2025	\$29,399,856
			\$108,821,698

^P Indicates an account included in the performance information within the report.

"Last updated" date depicted represent the most recent date market values have been updated.
Internal investment assets and market values are automatically updated and based on market close of the previous business day. Please review the "Last updated" date for all other assets and liabilities and provide updated values to us.
This statement represents your securities portfolio and assets and liabilities based on holdings at our firm or information supplied by you. This report may not include all of your household accounts. The statement does not supersede your statements, policies, or trade confirmations, which we consider the official and accurate records of your accounts or policies. The information provided for assets not held at Wells Fargo Advisors has not been verified; these assets may not be covered by SIPC.

Asset Allocation: Asset Class Detail

As of 09/30/2025 for your combined accounts

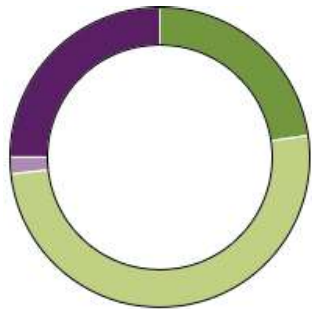


Asset class description	Market Value	Allocation %
U.S. Short Term Taxable Fixed Income	26,895,912	24.7%
U.S. Intermediate Term Taxable Fixed Income	47,501,995	43.7%
High Yield Taxable Fixed Income	1,587,565	1.5%
Taxable Cash Alternatives	32,836,227	30.2%
Portfolio Summary Total	\$108,821,698	100.0%

Each fund is assigned to a single asset class.

Asset Allocation: Asset Class Detail w/Holding(s)

As of 09/30/2025 for XXXX2635 - NMCIA ML



- U.S. Short Term Taxable Fixed Income (22.7%)
- U.S. Intermediate Term Taxable Fixed Income (50.5%)
- High Yield Taxable Fixed Income (1.8%)
- Taxable Cash Alternatives (25.0%)

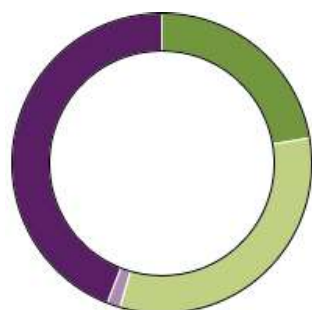
Asset class/Security description	Ticker/Cusip	Quantity	Price	Market value	Allocation %
■ U.S. Short Term Taxable Fixed Income				\$6,665,301	22.7%
FFCB 4.37% 041630	3133ETDA2	400,000	100.83	\$403,304	1.4%
FHLB 3.25% 111628	3130AFFX0	400,000	99.11	\$396,456	1.4%
FHLB 4.375% 030830	3130AV5P3	400,000	102.56	\$410,256	1.4%
FNMA 0.875% 080530	3135G05Q2	500,000	87.42	\$437,090	1.5%
FNMA 2.125% 042426	3135G0K36	400,000	99.05	\$396,180	1.4%
UST NTS 4% 011527	91282CJT9	400,000	100.38	\$401,500	1.4%
UST NTS 4.25%013126	91282CJV4	1,000,000	100.07	\$1,000,700	3.4%
UST NTS 3.75% 051528	91282CND9	535,000	100.32	\$536,712	1.8%
UST NTS 4.125%021527	91282CKA8	1,000,000	100.58	\$1,005,780	3.4%
UST NTS 4.25% 031527	91282CKE0	1,000,000	100.81	\$1,008,120	3.4%
UST NTS 3.875% 043030	91282CMZ1	665,000	100.63	\$669,203	2.3%
■ U.S. Intermediate Term Taxable Fixed Income				\$14,859,699	50.5%
FFCB 2.38% 031632	3133ENRW2	375,000	90.79	\$340,448	1.2%
FHLB 4.5% 061132	3130AUF33	265,000	102.80	\$272,420	0.9%
FHLMC 6.25% 7/15/32	3134A4KX1	410,000	113.51	\$465,403	1.6%
FHLMC 6.75% 3/15/2031	3134A4AA2	200,000	114.30	\$228,604	0.8%
FHR 4223 HB 3%071533	3137B3LP1	850,000	96.84	\$419,490	1.4%
FNR 24-103 MV 5.5%122535	3136BUPE4	260,000	102.06	\$251,661	0.9%
G2 3430 6% 8/20/33	36202DY39	600,000	103.78	\$5,610	0.0%
G2 3852 6% 05/20/36	36202EH51	1,000,000	104.78	\$12,464	0.0%

Asset class/Security description	Ticker/Cusip	Quantity	Price	Market value	Allocation %
G2 3966 6% 03/20/37	36202EMP1	1,000,000	104.98	\$9,867	0.0%
G2 4084 5.5% 02/20/38	36202ERD3	2,000,000	103.38	\$22,331	0.1%
G2 4097 5% 03/20/38	36202ERS0	1,200,000	102.34	\$14,949	0.1%
G2 4369 5% 022039	36202E2A6	1,000,000	102.28	\$15,108	0.1%
GNMA 781414 5.5% 3/15/32	36225BSB5	1,595,000	101.67	\$6,042	0.0%
GNMA II 3094 6% 06/20/31	36202DNK3	265,000	103.95	\$616	0.0%
GNR 25-51 AV 5%032036	38385DT55	390,000	101.21	\$380,993	1.3%
UST NTS 4% 043032	91282CNA5	400,000	100.58	\$402,328	1.4%
UST NTS 4.25% 051535	91282CNC1	790,000	100.92	\$797,276	2.7%
UST NTS 4.25% 111534	91282CLW9	400,000	101.13	\$404,512	1.4%
UST NTS 4.375%113030	91282CJM4	665,000	102.82	\$683,780	2.3%
UST NTS 4.25% 081535	91282CNT4	600,000	100.81	\$604,872	2.1%
UST NTS 4.375% 051534	91282CKQ3	440,000	102.31	\$450,173	1.5%
UST NTS 2.75% 081532	91282CFF3	700,000	92.96	\$650,748	2.2%
UST NTS 3.875% 081533	91282CHT1	665,000	99.17	\$659,487	2.2%
UST NTS 4.625% 021535	91282CMM0	650,000	103.92	\$675,487	2.3%
UST STRIP 0% 081534	912821QH1	375,000	69.76	\$261,608	0.9%
VANGUARD INTRMDT TERM CP	VCIT	81,125	84.11	\$6,823,424	23.2%
 High Yield Taxable Fixed Income				\$532,010	1.8%
AMERICAN HIGH INCM TR F2	AHIFX	27,296	9.95	\$271,595	0.9%
E/V FLTNG RT ADV FD CL I	EIFAX	26,573	9.80	\$260,415	0.9%
 Taxable Cash Alternatives				\$7,342,846	25.0%
Cash Alternative	-	1,434,853	1.00	\$1,434,853	4.9%
ALLSPRING 100% TREAS INS	WOTXX	1,440,737	1.00	\$1,440,737	4.9%
UST BILL 0% 112825	912797NL7	1,000,000	99.36	\$993,550	3.4%
UST BILL 0% 122625	912797NU7	2,500,000	99.08	\$2,476,975	8.4%
UST BILL 0.0 103025	912797NA1	1,000,000	99.67	\$996,730	3.4%
Portfolio Summary Total				\$29,399,856	100.0%

Each fund is assigned to a single asset class.

Asset Allocation: Asset Class Detail w/Holding(s)

As of 09/30/2025 for XXXX2461 - NMCIA LE



- U.S. Short Term Taxable Fixed Income (22.3%)
- U.S. Intermediate Term Taxable Fixed Income (32.2%)
- High Yield Taxable Fixed Income (1.4%)
- Taxable Cash Alternatives (44.1%)

Asset class/Security description	Ticker/Cusip	Quantity	Price	Market value	Allocation %
U.S. Short Term Taxable Fixed Income				\$9,727,138	22.3%
FHLB 4.125% 061430	3130AWGS3	450,000	101.53	\$456,890	1.1%
FHLB 4.15% 100328	3130B32K8	82,000	100.00	\$81,998	0.2%
FHLB 4.375% 030830	3130AV5P3	310,000	102.56	\$317,948	0.7%
FHLB 4.5% 030929	3130AVBD3	350,000	102.40	\$358,390	0.8%
FHLMC MTN 4.375% 011630	3134HA2L6	83,000	99.93	\$82,944	0.2%
FNMA 4.05% 091929	3135GAV99	83,000	99.63	\$82,694	0.2%
FNMA 4.45% 121228	3136GA3J6	82,000	99.97	\$81,976	0.2%
UST NTS 4.25%013126	91282CJV4	1,850,000	100.07	\$1,851,295	4.2%
UST NTS 3.25% 063029	91282CEV9	650,000	98.50	\$640,270	1.5%
UST NTS 3.75% 051528	91282CND9	700,000	100.32	\$702,240	1.6%
UST NTS 4.25% 113026	91282CLY5	300,000	100.59	\$301,767	0.7%
UST NTS 3.875% 043030	91282CMZ1	515,000	100.63	\$518,255	1.2%
UST NTS 3.875% 053127	91282CNE7	350,000	100.35	\$351,215	0.8%
UST NTS 3.875% 073130	91282CNN7	450,000	100.60	\$452,705	1.0%
UST NTS 3.875% 093029	91282CFLO	515,000	100.68	\$518,517	1.2%
UST NTS 4.125% 103127	91282CFU0	700,000	101.02	\$707,105	1.6%
UST NTS .5% 02/28/26	91282CBQ3	1,850,000	98.61	\$1,824,322	4.2%
UST NTS 3.5% 013130	91282CGJ4	400,000	99.15	\$396,608	0.9%
U.S. Intermediate Term Taxable Fixed Income				\$14,039,673	32.2%
FFCB 2.38% 031632	3133ENRW2	285,000	90.79	\$258,740	0.6%

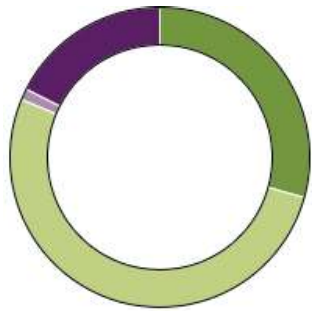
Asset class/Security description	Ticker/Cusip	Quantity	Price	Market value	Allocation %
FFCB 3.7% 072634	3133ENC81	166,000	95.16	\$157,959	0.4%
FFCB 4% 011331	3133ETGR2	200,000	100.72	\$201,430	0.5%
FFCB 5.26% 111433	3133ERA43	83,000	99.81	\$82,840	0.2%
FHLB 4.5% 061132	3130AUF33	225,000	102.80	\$231,300	0.5%
FHLB 4.75% 013031	3130AYQP4	83,000	100.36	\$83,302	0.2%
FHLB 5% 020934	3130AYUV6	83,000	100.17	\$83,144	0.2%
FHLB 5% 111334	3130B3NB5	83,000	99.37	\$82,476	0.2%
FHLMC 6.25% 7/15/32	3134A4KX1	310,000	113.51	\$351,890	0.8%
FHR 4223 HB 3%071533	3137B3LP1	650,000	96.84	\$320,786	0.7%
FNR 24-103 MV 5.5%122535	3136BUPE4	200,000	102.06	\$193,585	0.4%
G2 3735 5% 07/20/35	36202EEG0	1,879,718	102.03	\$26,703	0.1%
G2 3747 5% 08/20/35	36202EEU9	1,920,000	101.97	\$30,727	0.1%
G2 3852 6% 05/20/36	36202EH51	500,000	104.78	\$6,232	0.0%
G2 3966 6% 03/20/37	36202EMP1	500,000	104.98	\$4,934	0.0%
GN II 3403 5.5% 6/20/33	36202DX89	500,000	102.40	\$4,262	0.0%
GNR 25-51 AV 5%032036	38385DT55	300,000	101.21	\$293,072	0.7%
UST NTS 4% 013131	91282CJX0	515,000	101.04	\$520,366	1.2%
UST NTS 4% 043032	91282CNA5	560,000	100.58	\$563,259	1.3%
UST NTS 4% 073132	91282CNR8	450,000	100.47	\$452,106	1.0%
UST NTS 4.25% 051535	91282CNC1	610,000	100.92	\$615,618	1.4%
UST NTS 4.25% 111534	91282CLW9	350,000	101.13	\$353,948	0.8%
UST NTS 4.375%113030	91282CJM4	515,000	102.82	\$529,544	1.2%
UST NTS 4.25% 081535	91282CNT4	745,000	100.81	\$751,049	1.7%
UST NTS 4.375% 051534	91282CKQ3	350,000	102.31	\$358,092	0.8%
UST NTS 2.75% 081532	91282CFF3	550,000	92.96	\$511,302	1.2%
UST NTS 3.875% 081533	91282CHT1	515,000	99.17	\$510,731	1.2%
UST NTS 4.625% 021535	91282CMM0	575,000	103.92	\$597,546	1.4%
UST STRIP 0% 081534	912821QH1	660,000	69.76	\$460,429	1.1%
VANGUARD INTRMDT TERM CP	VCIT	64,229	84.11	\$5,402,301	12.4%
 High Yield Taxable Fixed Income				\$621,859	1.4%
AMERICAN HIGH INCM TR F2	AHIFX	31,772	9.95	\$316,132	0.7%
EATON VANCE FLTG RATE -I	EIBLX	37,284	8.20	\$305,727	0.7%
 Taxable Cash Alternatives				\$19,223,200	44.1%
Cash Alternative	-	5,587,816	1.00	\$5,587,816	12.8%
ALLSPRING 100% TREAS INS	WOTXX	2,126,125	1.00	\$2,126,125	4.9%

Asset class/Security description	Ticker/Cusip	Quantity	Price	Market value	Allocation %
UST BILL 0% 112825	912797NL7	1,850,000	99.36	\$1,838,068	4.2%
UST BILL 0% 122625	912797NU7	7,900,000	99.08	\$7,827,241	18.0%
UST BILL 0.0 103025	912797NA1	1,850,000	99.67	\$1,843,951	4.2%
Portfolio Summary Total				\$43,611,869	100.0%

Each fund is assigned to a single asset class.

Asset Allocation: Asset Class Detail w/Holding(s)

As of 09/30/2025 for XXXX2548 - NMCIA WC



- U.S. Short Term Taxable Fixed Income (29.3%)
- U.S. Intermediate Term Taxable Fixed Income (52.0%)
- High Yield Taxable Fixed Income (1.2%)
- Taxable Cash Alternatives (17.5%)

Asset class/Security description	Ticker/Cusip	Quantity	Price	Market value	Allocation %
■ U.S. Short Term Taxable Fixed Income				\$10,503,473	29.3%
FHLB 4.15% 100328	3130B32K8	155,000	100.00	\$154,997	0.4%
FHLB 4.375% 030830	3130AV5P3	430,000	102.56	\$441,025	1.2%
FHLMC MTN 4.375% 011630	3134HA2L6	155,000	99.93	\$154,896	0.4%
FNMA 4.05% 091929	3135GAV99	154,000	99.63	\$153,432	0.4%
FNMA 4.45% 121228	3136GA3J6	155,000	99.97	\$154,955	0.4%
UST BILL 0.0 011526	912797RJ8	700,000	98.89	\$692,195	1.9%
UST BILL 0.0 021226	912797RT6	700,000	98.61	\$690,270	1.9%
UST NTS .625%073126	91282CCP4	700,000	97.44	\$682,073	1.9%
UST NTS .875%063026	91282CCJ8	1,800,000	97.87	\$1,761,642	4.9%
UST NTS 4% 011527	91282CJT9	450,000	100.38	\$451,688	1.3%
UST NTS 2.75% 043027	91282CEN7	750,000	98.62	\$739,658	2.1%
UST NTS 3.75% 051528	91282CND9	570,000	100.32	\$571,824	1.6%
UST NTS 4.25% 031527	91282CKE0	750,000	100.81	\$756,090	2.1%
UST NTS 0.750% 033126	91282CBT7	700,000	98.48	\$689,374	1.9%
UST NTS 0.750% 053126	91282CCF6	700,000	97.99	\$685,958	1.9%
UST NTS 3.875% 043030	91282CMZ1	720,000	100.63	\$724,550	2.0%
UST NTS 3.875% 093029	91282CFLO	309,000	100.68	\$311,110	0.9%
UST NTS 0.75% 043026	91282CBW0	700,000	98.25	\$687,736	1.9%
■ U.S. Intermediate Term Taxable Fixed Income				\$18,602,622	52.0%
FFCB 3.7% 072634	3133ENC81	309,000	95.16	\$294,032	0.8%

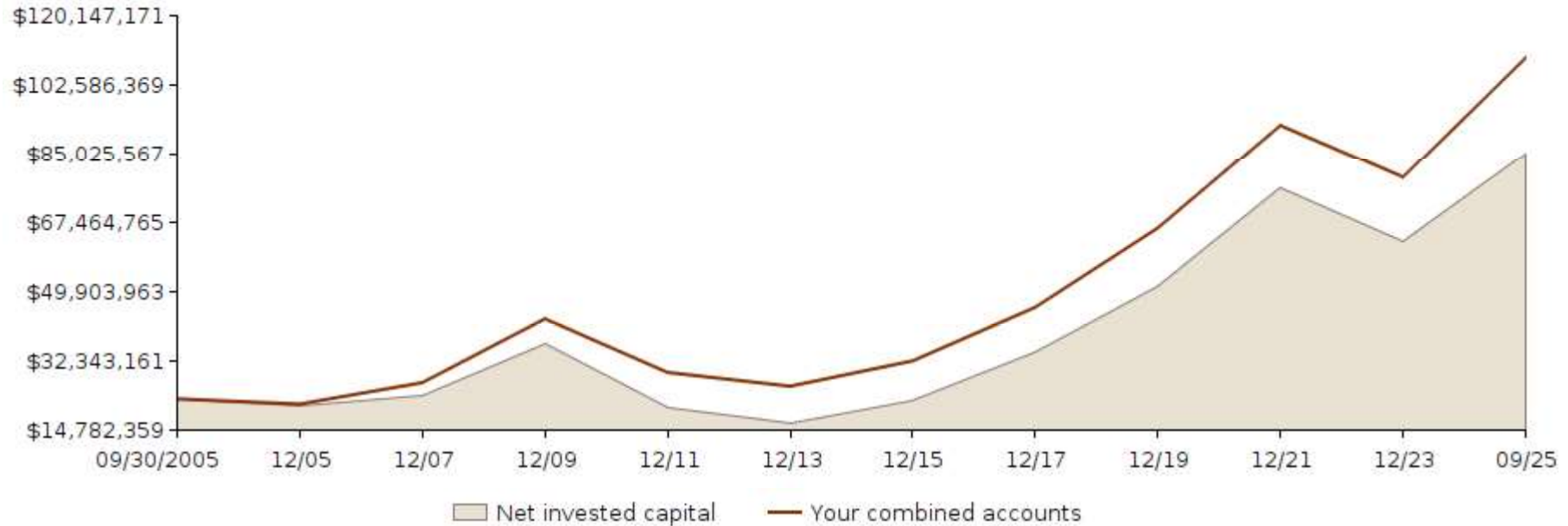
Asset class/Security description	Ticker/Cusip	Quantity	Price	Market value	Allocation %
FFCB 5.26% 111433	3133ERA43	155,000	99.81	\$154,701	0.4%
FHLB 4.5% 061132	3130AUF33	300,000	102.80	\$308,400	0.9%
FHLB 4.75% 013031	3130AYQP4	155,000	100.36	\$155,564	0.4%
FHLB 5% 020934	3130AYUV6	154,000	100.17	\$154,268	0.4%
FHLB 5% 111334	3130B3NB5	155,000	99.37	\$154,022	0.4%
FHLMC 6.25% 7/15/32	3134A4KX1	400,000	113.51	\$454,052	1.3%
FHR 4223 HB 3%071533	3137B3LP1	900,000	96.84	\$444,166	1.2%
FNR 24-103 MV 5.5%122535	3136BUPE4	280,000	102.06	\$271,019	0.8%
G2 3939 5% 01/20/37	36202ELU1	830,000	102.12	\$6,154	0.0%
G2 4084 5.5% 02/20/38	36202ERD3	1,000,000	103.38	\$11,166	0.0%
G2 4800 4% 092040	36202FKM7	1,000,000	96.79	\$45,371	0.1%
G2 781642 5.5% 08/20/33	36225BZF8	2,100,000	103.74	\$23,655	0.1%
GN II 3415 5.5% 7/20/33	36202DYL9	1,000,000	102.65	\$10,283	0.0%
GNR 25-51 AV 5%032036	38385DT55	420,000	101.21	\$410,300	1.2%
UST NTS 4% 013131	91282CJX0	484,000	101.04	\$489,043	1.4%
UST NTS 4% 043032	91282CNA5	430,000	100.58	\$432,503	1.2%
UST NTS 4.25% 051535	91282CNC1	850,000	100.92	\$857,829	2.4%
UST NTS 4.25% 111534	91282CLW9	785,000	101.13	\$793,855	2.2%
UST NTS 4.375%113030	91282CJM4	720,000	102.82	\$740,333	2.1%
UST NTS 4.25% 081535	91282CNT4	750,000	100.81	\$756,090	2.1%
UST NTS 4.375% 051534	91282CKQ3	475,000	102.31	\$485,982	1.4%
UST NTS 2.75% 081532	91282CFF3	635,000	92.96	\$590,321	1.7%
UST NTS 3.875% 081533	91282CHT1	720,000	99.17	\$714,031	2.0%
UST NTS 4.625% 021535	91282CMM0	315,000	103.92	\$327,351	0.9%
UST STRIP 0% 081534	912821QH1	955,000	69.76	\$666,227	1.9%
VANGUARD INTRMDT TERM CP	VCIT	105,242	84.11	\$8,851,905	24.7%
 High Yield Taxable Fixed Income				\$433,696	1.2%
AMERICAN HIGH INCM TR F2	AHIFX	22,145	9.95	\$220,346	0.6%
E/V FLTNG RT ADV FD CL I	EIFAX	21,770	9.80	\$213,350	0.6%
 Taxable Cash Alternatives				\$6,270,182	17.5%
Cash Alternative	-	2,771,010	1.00	\$2,771,010	7.7%
ALLSPRING 100% TREAS INS	WOTXX	1,410,471	1.00	\$1,410,471	3.9%
UST BILL 0.0 103025	912797NA1	700,000	99.67	\$697,711	2.0%
UST BILL 0.0 111325	912797QQ3	700,000	99.52	\$696,640	2.0%
UST BILL 0.0 121625	912797RX7	700,000	99.19	\$694,351	1.9%

Asset class/Security description	Ticker/Cusip	Quantity	Price	Market value	Allocation %
Portfolio Summary Total				\$35,809,973	100.0%

Each fund is assigned to a single asset class.

Value vs. Net Investment: Total Returns

As of date 09/30/2025 for your combined accounts



	MTD	QTD	YTD	2022	2023	2024	Annualized Since inception 09/30/05
Total beginning market value	\$109,114,397	\$108,685,391	\$77,639,069	\$92,120,616	\$71,060,494	\$78,756,183	\$22,501,115
Deposits minus withdrawals	-\$443,309	-\$1,051,421	\$27,012,712	-\$17,364,938	\$3,610,518	-\$4,521,980	\$62,593,698
Net invested capital	\$108,671,088	\$107,633,971	\$104,651,782	\$74,755,677	\$74,671,012	\$74,234,202	\$85,094,813
Investment results	\$553,610	\$1,590,727	\$4,572,916	-\$3,695,183	\$4,085,170	\$3,404,867	\$24,129,884
Total ending market value	\$109,224,697	\$109,224,697	\$109,224,697	\$71,060,494	\$78,756,183	\$77,639,069	\$109,224,697
Your net time-weighted returns	0.51%	1.47%	4.60%	-4.06%	5.55%	3.82%	2.62%

Net invested capital is your combined accounts' market value at the beginning of a stated time period plus deposits and minus withdrawals. Past performance is no guarantee of future results. Please see the Important Information section at the end of this report for details about your returns.

Performance Details by Account

As of 09/30/2025 for your combined accounts

	Beginning market value	Additions	Withdrawals	Net invested capital	Sep 30, 2025 market value	Investment results	Annualized return
NMCIA LE-XXXX2461							
YTD	\$25,060,778	\$37,741,283	-\$20,658,993	\$42,143,067	\$43,757,598	\$1,614,531	4.24%
Since inception date: Sep 30, 2005	\$7,536,439	\$322,415,977	-\$294,510,936	\$35,441,480	\$43,757,598	\$8,316,118	2.72%
NMCIA WC-XXXX2548							
YTD	\$24,562,971	\$18,523,971	-\$8,550,109	\$34,536,833	\$35,947,122	\$1,410,289	5.01%
Since inception date: Sep 30, 2005	\$4,888,875	\$164,818,221	-\$140,486,627	\$29,220,469	\$35,947,122	\$6,726,653	2.53%
NMCIA ML-XXXX2635							
YTD	\$28,015,320	\$13,487,510	-\$13,530,948	\$27,971,882	\$29,519,978	\$1,548,096	4.72%
Since inception date: Sep 30, 2005	\$10,075,801	\$208,280,784	-\$197,923,721	\$20,432,864	\$29,519,978	\$9,087,113	2.65%

Annualized, net time-weighted rates of return are depicted. The YTD return may represent performance for a period less than the full YTD time frame. Returns are annualized for the time periods greater than one year. Past performance is no guarantee of future results. This amount(s) may differ from your account statement and elsewhere within this report due to a variety of factors including the treatment of accrued income and dividends, rounding and other considerations. Please see the Important Information section for details about your returns.

Performance Returns by Account

As of 09/30/2025 for your combined accounts

Net Time-Weighted Returns

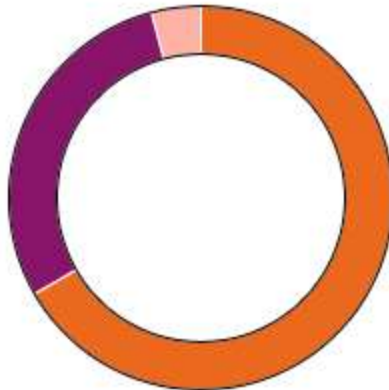
Description/Inception date	Market value	MTD	QTD	YTD	1 year	Annualized 3 year	Annualized 5 year	Annualized 10 year	Annualized Since inception
NMCIA LE - XXXX2461/ Sep 30, 2005	\$43,757,598	0.45%	1.37%	4.24%	3.6%	4.96%	1.91%	1.84%	2.72%
NMCIA WC - XXXX2548/ Sep 30, 2005	\$35,947,122	0.53%	1.48%	5.01%	4.88%	5.22%	1.9%	2.2%	2.53%
NMCIA ML - XXXX2635/ Sep 30, 2005	\$29,519,978	0.58%	1.61%	4.72%	3.99%	5.03%	1.87%	1.93%	2.65%

Annualized, net time-weighted rates of return are depicted. The YTD return may represent performance for a period less than the full YTD time frame. Returns are annualized for the time periods greater than one year. Past performance is no guarantee of future results.
This amount(s) may differ from your account statement and elsewhere within this report due to a variety of factors including the treatment of accrued income and dividends, rounding and other considerations. Please see the Important Information section for details about your returns.

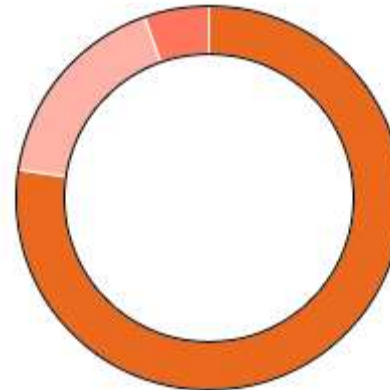
Fixed Income Summary

As of 10/13/2025 for your combined accounts

Security Sub Type



Credit Quality Ratings



Bond Statistics

Statistic	Taxable	Tax exempt
Weighted avg coupon	3.46%	-
Yield at purchase	4.19%	-
Yield to maturity	3.92%	-
Yield to worst	3.91%	-
Weighted avg maturity: 4.12 yrs		
Total duration: 3.96 yrs		

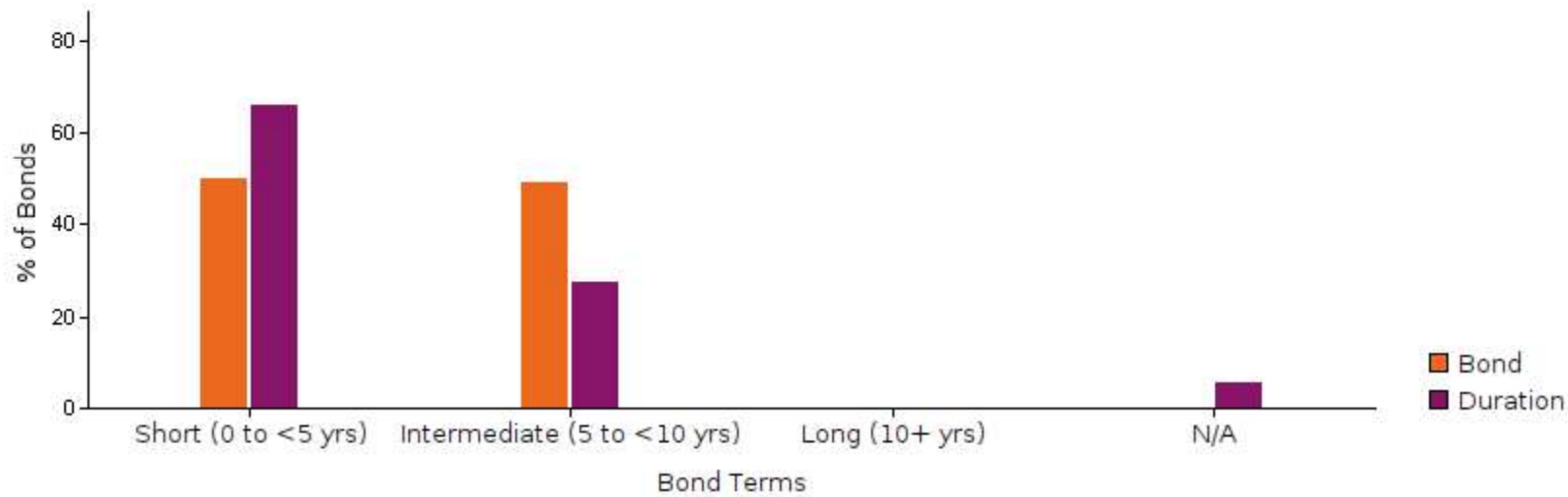
Estimated Income Annualized

Month	Estimated income annualized
11/2025	320,701
12/2025	151,537
01/2026	277,902
02/2026	304,987
03/2026	224,725
04/2026	205,748
05/2026	318,770
06/2026	151,537
07/2026	223,303
08/2026	285,495
09/2026	221,145
10/2026	198,873
Total	\$2,884,725
Taxable	\$2,884,725
Tax exempt	-
Subject to AMT	-

The asset classification of Corporate Bonds includes holdings of Certificates of Deposit. Funds include open end mutual funds, exchange-traded funds, closed end funds. Estimated Income Annualized (EIA) takes your current income, based on the current dividends or interest paid by your securities and multiplies it to create an annualized hypothetical figure. It does not reflect actual or future

performance and should not be relied upon when making financial decisions. All annualizations are based upon current positions using a simple mathematical calculation and assumes all figures remain constant for a year; any subsequent position changes will affect these calculations. Calculations for certain types of securities could include a return of principal or capital gain, in which case the figures would be overstated. Past performance is not a guarantee of future results. Dividend payments are made solely at the discretion of the issuer and are subject to be changed or eliminated at any time. Estimated Income is an estimate and the actual income might be lower or higher than the estimated amount. Estimated income reflects only the income generated by an investment. It does not reflect changes in price, which may fluctuate. The Credit Quality Rating shown takes the lower of the two credit agency ratings between Moody's and Standard & Poor's and converts it to the equivalent S&P major rating category. Credit Quality Ratings and Bond Statistics sections do not include bond funds. Bond Statistics are weighted averages based on market value of bonds in the portfolio. Yield calculations are based on yield prices that may change monthly. Fixed income holdings, where the information is not available, are excluded from the Yield at Purchase, Yield to worst, Yield to maturity, Total duration, Weighted average coupon and Weighted average maturity calculations. For more information, including fixed income descriptions, please see the Important Information section at the end of this report.

Bond Term vs. Duration



Bond: 50% of bonds with short bond terms (0 to <5 yrs), 49% of bonds with intermediate bond terms (5 to <10 yrs), 0% of bonds with long bond terms (10+ yrs), 0% of bonds with a N/A bond terms.

Duration: 66% of bonds with short bond terms (0 to <5 yrs), 28% of bonds with intermediate bond terms (5 to <10 yrs), 0% of bonds with long bond terms (10+ yrs), 6% of bonds with a N/A bond terms.

Total portfolio value: \$102,329,076

Bond term indicates years to redemption date as defined in the Important Information section. Mortgage-backed securities (MBSs) include asset-backed securities (ABSs), pass-throughs and collateralized mortgage obligations (CMOs). For MBSs, the full market value is displayed at the average life of each security, when available. Duration indicates calculated option adjusted duration. 'Bonds' include preferred stocks.

In the Callable Analysis chart, MBS includes all prepaying securities. Callable value applies next call price and date to the remaining principal. Call premiums may decline subsequent to the initial call date. Extraordinary call features may exist that are not represented in this report. Bond Term vs. Duration and Callable Analysis sections do not include bond funds. For more information, including fixed income descriptions, please see the Important Information section at the end of this report.

Callable Analysis

Term	Callable value	Market value
MBS	-	3,248,974
0 to <1 yrs	1,775,000	1,773,865
1 to <2 yrs	638,000	641,263
2 to <3 yrs	-	-
3 to <4 yrs	-	-
4 to <5 yrs	-	-
5 to <7 yrs	-	-
7+ yrs	-	-
Not Available	-	-
Non-Callable	-	49,433,636
Total	\$2,413,000	\$55,097,739

Important Information

Accounts Included:

Internal Accounts

XXXX2635 ^P NMCIA ML
XXXX2461 ^P NMCIA LE
XXXX2548 ^P NMCIA WC

^P Indicates an account included in the performance information within the report.

This Account listing represents a portfolio of assets and/or liabilities owned by you based on our records of transactions processed through us or supplemental information supplied by you. The information contained in this report may not reflect all holdings or transactions, their costs, or proceeds in your household. We rely on you to review the accuracy and completeness of your externally held account information, and to notify your advisor if any updates are needed. Any assets and liabilities you currently hold away from our Firm may not be covered by SIPC.

Transactions requiring tax consideration should be reviewed carefully with your accountant or tax advisor. Unless otherwise indicated, market prices are only indications of market values, are subject to change, and may not reflect the value at which securities could be sold.

This report is not the official record of your account. However, it has been prepared to assist you with your investment planning and is for informational purposes only. Your account statements and/or trade confirms are considered the official and accurate records of your account activity. Therefore, if there are any discrepancies between this report and your statements and/or trade confirms, you should rely on your statements and/or trade confirms.

For a complete list of accounts used in this report or if you have more questions related to this report, please contact your advisor.

Certain assets are excluded from performance calculations. Selected annuities, certain types of direct investments, mutual funds held outside

the firm, precious metals, coins, bullion, or any assets subject to tax-withholdings (TEFRA) are among the assets not included in values or performance calculations.

For performance market values, we include account accruals in the calculations. Accruals are accumulated interest or income that your individually held assets have earned over time but have not been recorded or paid out yet. Because you are legally entitled to receive this interest and income as the holder of the assets, we factor these accruals as part of the assets' appreciation value. For non-performance market values, we do not include accruals as part of the calculation.

Where your account holds alternative investments, the alternative investment valuations used to calculate the investment performance presented in this report are based on valuation reporting we receive from fund sponsors. In certain instances, the most recent valuations provided by fund sponsors may be delayed by as much as six months or more and may not reflect distributions made over the prior six-plus months. As a result, the performance returns shown may be based on stale valuations and may be higher or lower than performance returns based on current valuations. As such, if you own alternative investments, the account level and alternatives performance presented in this report may not reflect the current value of your holdings. Please refer to the statement provided by the applicable alternative fund sponsor for the most up-to-date valuation of holdings.

A portion of the financial data used to generate this report may be provided to Wells Fargo Advisors by third-party vendors. While this third-party information is believed to be reliable, it has not been verified.

Asset Classification

Asset Classes for mutual funds, variable annuities and exchange-traded funds are derived from Morningstar Categories. Underlying holdings classification provided by Morningstar. ©2025 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Asset classification of holdings in external accounts where classification is not readily available may be assigned to a multi-asset class category or reassigned into additional asset classes by your Financial Advisor which may not be the most accurate asset class based on the holding's characteristics and risk profile. It is your responsibility to review the asset classification for external accounts and notify us of any changes.

Account Return Methodology

Account returns are annualized for time periods greater than one year. Past performance is no guarantee of future results.

Net Time Weighted rates of return are independent of the timing and magnitude of your cash flow decisions and are calculated after the deduction of program fees. Each return period is given an equal weighting, regardless of the portfolio value. Gross Time Weighted rates of return are independent of the timing and magnitude of your cash flow decisions and are calculated before the deduction of all fees. Each return period is given an equal weighing, regardless of the portfolio value.

Money Weighted rates of return reflect your decisions to deposit assets to or withdraw assets from your accounts and are calculated after the deduction of all fees. They give more weight to returns in periods with higher portfolio values and, as a result, should not be used to measure performance of an investment manager.

Fixed Income Securities (Bonds)

Investments in fixed-income securities are subject to market, interest rate, credit/default, inflation and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Lower rated securities are speculative and involve greater risk of default.

YTW: Yield to worst is the lowest of all yields to calls or the yield to maturity. Yield to maturity is the yield that would be realized on a fixed income security if it were held to the maturity date. Yield at purchase is calculated based on the purchase date and price of each position (if available) and represents the yield to worst at the time of purchase. At the

subtotal and total levels, yields are weighted averages for that grouping.

Duration, if available, is option adjusted duration and is used to provide a measurement of price volatility. For example, a duration of 4 means that a shift in prevailing rates 100 basis points (1%) in a 1 year period should shift the price in the opposite direction by 4%. Duration will not be calculated on Structured Products or other securities for which required data is not available. Modified Duration, unlike Effective Duration, assumes cash flows do not change and does not take into account embedded call options.

YTM: Yield to Maturity is calculated to the redemption date based on the yield price and not on current market price.

Yield at purchase is the yield to worst based on original price and purchase date.

Weighted avg coupon: Weighted average coupon at the subtotal and total levels is the weighted average coupon that has been calculated based on the market value of the securities within that grouping.

Weighted avg maturity: Weighted average maturity is a measure of the overall maturity of the fixed income securities in a portfolio. The higher the weighted average maturity the longer it takes for all these securities in the portfolio to mature.

Term: Short-term bonds have effective maturities of five years or less, intermediate bonds have effective maturities between five and ten years; and long-term bonds have maturities of ten years or longer. Income from tax exempt bonds is generally free from federal and state taxes for residents of the issuing state. While the interest income is tax-free, capital gains if any are subject to taxes. Income of certain tax-exempt bonds may be subject to the Federal Alternative Minimum Tax (AMT).

Credit Quality Ratings: Bond rating firms, such as Moody's and Standard & Poor's, use different designations consisting of upper- and lower-case letters 'A' and 'B' to identify a bond's credit quality rating. 'AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings for bonds below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality, and are commonly referred to as junk bonds.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 7.D.	<u>Item Title:</u> Loss Prevention Update
<u>Presenter (s):</u> Greg Rees, Loss Prevention Manager	

Memorandum

Date: October 14, 2025
To: NMCI Board
From: Greg Rees, Loss Prevention Manager
Re: Loss Prevention Update

Accreditation Program Update

Accreditation Manager Jessica Tyler will be leaving New Mexico Counties at the end of October 2025. Her professionalism and dedication to NMC and its professional standards councils are appreciated. Recruitment efforts to fill this position will begin immediately to ensure a smooth transition.

Below is the most recent list of our member accreditation programs.

NMC ACCREDITATION LISTS			
ADULT DETENTION	EMERGENCY COMMUNICATIONS	MISDEMEANOR COMPLIANCE	SHERIFF'S OFFICE
Colfax County	Los Alamos County	Lea County	Valencia County
Curry County	Lea County	Sandoval County	
Doña Ana County	Sandoval County	San Juan County	
Roosevelt County		Santa Fe County	
Sandoval County		Valencia County	
San Juan County		Curry County	
Santa Fe County			
Valencia County			

UPDATED 10.13.25

National Institute of Corrections (NIC) Training Request

During the summer, NMC applied to the National Institute of Corrections (NIC) for leadership training previously provided to NMC Detention Administrators in 2013. On September 4, 2025, NIC notified us that our training request had been approved. However, as of October 1, 2025, NIC announced that no annual appropriations have been allocated for federal agencies, including NIC. Consequently, the agency is unable to proceed with our training request until federal funding is restored.

Lexipol Policy Management Project – Sheriff's Offices

In addition, the Lexipol policy solution's project for Sheriff's status report is attached to this memo. 18 of the 29 Law Enforcement Pool Sheriff Offices are complete. The remaining ten counties are at various stages of implementation.

Several of the Sheriff's Offices, including Chaves, Harding, Eddy, and Luna have shown slow and inconsistent progress throughout the implementation process. They have missed multiple months of scheduled meetings and have not maintained consistent engagement with their project managers. This irregular participation has delayed policy reviews and hindered workflow continuity and placed these counties at risk of missing their projected completion timelines.

Taos, Cibola, and Bernalillo County Sheriff Offices have shown a sustained lack of engagement, resulting in little to no measurable progress. Taos and Cibola County Sheriff Offices have not met with their assigned project managers for at least six months. Bernalillo County Sheriff's Office has not met with their project manager since July. This prolonging inactivity has stalled implementation efforts and undermined the overall momentum of the project. The lack of consistent communication and participation directly impacts each agency's ability to meet established timelines and demonstrates a continued absence of commitment to completing their policy updates.

Dona Ana County Sheriff's Office has opted out of participation in the Lexipol policy management program. However, the agency continues to maintain and update its policies through the Daigle Law Group, ensuring alignment with current best practices and legal standards. Notably, Dona Ana County is the only Sheriff's Office in New Mexico currently accredited by the Commission on Accreditation for Law Enforcement Agencies (CALEA), reflecting its commitment to maintaining nationally recognized operational standards.

With continued commitment and consistent engagement from each agency, it is feasible for all ten Sheriff's Offices to achieve full project implementation by August 2026.

Risk Awareness Program (RAP) Online Training Update

A ten-member workgroup of safety professionals from member counties and NMC staff have evaluated three different online training web platforms and curricula for the Risk Awareness Program (RAP). The workgroup is currently split between two of the vendors under consideration. To reach a majority consensus and develop a recommendation for the Board, additional test courses will be assigned and reviewed. This evaluation ensures that the final selection provides the best user experience, training content, and administrative functionality for county members.

Professional Development

In September 2025, I completed the Daigle Law Group Online Internal Affairs Training Certification Course. This 36-hour live online program, delivered over four weeks, includes weekly reading and writing assignments, with one and a half days of intensive instruction in the final week. The purpose of this training was to evaluate the course's suitability for future member participation and to enhance Administrative and Internal Affairs Investigations. I recommend this course for member agencies that currently lack a formalized or standardized internal investigation process.

Thank you for your continued support and attention to these important updates. Your time and commitment are appreciated.

Regards,

Greg Rees

LEXIPOL (Project Control - Monthly Summary Report)

GENERAL PROJECT INFORMATION

PROJECT NAME		SR PROJECT MANAGER	OPERATIONS MANAGER
New Mexico Counties (NMC)		Phil Holder	Richard Pascarella
EMAIL	PHONE	ORGANIZATIONAL UNIT(S)	
pholder@lexipol.com : rpascarella@lexipol.com	949-226-8074	Lexipol Professional Services	
AGREEMENT EFFECTIVE DATE	PROJECT STATUS REPORT DATES	EXPECTED START DATE	EXPECTED COMPLETION DATE
28-Dec-23	09/01/2025 - 09/30/2025	06/01/2024	02/28/2026

PROJECT SUMMARY - SEPTEMBER 2025

PURPOSE OF PROJECT	Establish and implement constitutionally sound Law Enforcement Policy Manuals for the New Mexico Counties consortium of twenty-nine individual counties supported and delivered using the Lexipol Knowledge Management System.
MONTHLY SUMMARY	Group 1 agencies - Nine of eleven have completed the policy implementation project and have issued their policy manuals. One agency completed their project this month; the other two are in Tier 3 and 5; the one in tier two started the project later than the rest of the group - slow progress again this month. Group 2 agencies - Five of ten have completed the policy implementation project and have issued their policy manuals. Of the remaining agencies: One agency is working in tier five, one is working in tier four, two are working in tier three or below. Some progress was made with most of this group, but it has been slow. Taos Co has not met since March and is still not responsive to emails or phone calls (*It should be noted that Taos called in early October and set a new date to meet). Group 3 agencies - Four of eight have completed the policy implementation project and have issued their policy manuals. Of the remaining three agencies, one is in tier five, one is in tier two, one is non-responsive but was last in tier one. The only agency that has not agreed to this project is Dona Ana CO SO; NMC staff continues to follow up with Dona Ana County staff to inquire about future participation. Cibola CO SO did not meet this month, but the agency PM has reached out and set a new date to meet in October. Of the 29 counties, 18 have completed the policy implementation process, while four additional counties are in the final phase of implementation or quality assurance and should be completed in the next couple of months.
TASK(S) COMPLETED	- The remaining Group 1 projects continue to work with their project managers and are making slow progress. One agency should be done within the next month or two; Santa Fe Co met this month and re-committed to the project. - Group 2 projects that are in progress continue - Agencies continue to progress slowly and will not finish within the one year date. Taos CO has not met with their project managers for several months (including Sept), but contacted their assigned PM in October to set up a date to meet. - Group 3 projects are moving at a steady pace - Four of eight are completed and one other is in the final tier of policies to review/edit. Cibola Co has not met with the project manager for several months, but recently contacted their PM and is set to meet in October. They are at the beginning of the project and will not be done for some time. Dona Ana CO SO has been cancelled for now.

TASK(S) DELAYED	• Taos CO did not meet from March - Sept. The Undersheriff recently reached out to meet in October. • Cibola CO only met once in May due to a scheduling conflict and vacation day. The agency did not meet for several months, but recently reached out to meet in October. • Eddy CO met twice this month with the new agency PM. The new Sgt has been directed to review all previously edited/completed policies to ensure the work was done correctly - this will delay the project completion time by several months. • Santa Fe CO met with their assigned PM on 9/29 to review the project. They discussed a plan to move forward and complete the project in the next 5 months. • Bernalillo CO did not meet in Aug or Sept regularly due to training, vacations, new promotions, and added responsibilities of PWG members. Although the agency started late, the progress is slow and they are still working in the first tier of policies.
UPCOMING TASKS	• Continue with updates for each of the Group participants status of implementation monthly. • Assess all projects and update estimated completion dates. • Review project hours and implementation status to update estimated completion date. • Follow-up with NMC to determine course of action for agencies that are non-responsive.
RISK LOG	• Continue to reach out to agencies that are missing meetings, not corresponding, or haven't started the process. • Document delays and communicate problems to NMC and customer agencies. • Monitor delays of individual projects - extended time frames to begin or continue should be evaluated and consider moving next project in line to implementation.
ISSUE LOG	• Any issues related to projects have been conveyed to the project manager and PS supervision for resolution.

TENTATIVE SCHEDULE

KEY MILESTONES - GROUP 1 (11 agencies)	START	FINISH
Project Discovery Meeting	06/11/2024	07/20/2024
Existing Content Received / Reviewed	June/July 24	08/01/2024
Finalize Project Plan / Kick Off	Jun-24	Jul-24
Completion of PWG Initial Edits to Tier 1	July/August 24	Mar-25
Completion of PWG Initial Edits to Tier 2	August/Sept 24	Sept-25
Completion of PWG Initial Edits to Tier 3	August/Sept 24	In Progress (1/11) Done (10/11)
Completion of PWG Initial Edits to Tier 4	Sept/Oct 24	In Progress (1/11) Done (9/11)
Completion of PWG Initial Edits to Tier 5	Sept/Oct 24	In Progress (1/11) Done (9/11)
Existing Content Cross-Reference (As needed)	July/Oct 24	October
Onboarding / KMS Orientation	July/Oct 24	In Progress

Administrative and End-User Training	July/Oct 24	In Progress
Initial Draft Completion of Procedural Documents	TBD	TBD
Go-Live with KMS	TBD	In Progress - Done (8/11)
KEY MILESTONES - GROUP 2 (10 agencies)	START	FINISH
Project Discovery Meeting	Aug/Sept 24	09/01/2024
Existing Content Received / Reviewed	Aug/Sept 24	10/01/2024
Finalize Project Plan / Kick Off	Jun-24	Jul-24
Completion of PWG Initial Edits to Tier 1	Aug/Sept 24	In Progress (2/10) Done (8/10)
Completion of PWG Initial Edits to Tier 2	Jan-25	In Progress (2/10) Done (7/10)
Completion of PWG Initial Edits to Tier 3	Mar-25	In Progress (4/10) Done (5/10)
Completion of PWG Initial Edits to Tier 4	Apr-25	In Progress (2/10) Done (5/10)
Completion of PWG Initial Edits to Tier 5	Apr-25	In Progress (1/10) Done (5/10)
Existing Content Cross-Reference (As needed)	Aug/Sept 24	October
Onboarding / KMS Orientation	September	In Progress
Administrative and End-User Training	TBD	In Progress
Initial Draft Completion of Procedural Documents	TBD	TBD
Go-Live with KMS	TBD	In Progress- Done (5/10)
KEY MILESTONES - GROUP 3 (8 agencies)	START	FINISH
Project Discovery Meeting	Nov/Dec 24	In Progress
Existing Content Received / Reviewed	Nov/Dec 24	In Progress
Finalize Project Plan / Kick Off	Jun-24	Jul-24
Completion of PWG Initial Edits to Tier 1	Nov/Dec 24	In Progress (2/8) Done (5/8)
Completion of PWG Initial Edits to Tier 2	Apr-25	In Progress (1/8) Done (5/8)
Completion of PWG Initial Edits to Tier 3	May-25	In Progress (0/8) Done (5/8)
Completion of PWG Initial Edits to Tier 4	May-25	In Progress (1/8) Done (4/8)

Completion of PWG Initial Edits to Tier 5	Jun-25	In Progress (1/8) Done (4/8)
Existing Content Cross-Reference (As needed)	Nov/Dec 24	TBD
Onboarding / KMS Orientation	Nov/Dec 24	TBD
Administrative and End-User Training	TBD	TBD
Initial Draft Completion of Procedural Documents	TBD	TBD
Go-Live with KMS	TBD	In Progress - Done (4/8)

RESOURCES

LEXIPOL PROJECT TEAM	ROLE	RESPONSIBILITY
Phil Holder	Sr Project Manager	Coordinate and facilitate Project Specialists, provide supervisory level support and oversight to each child project and make appropriate edits at direction of the department, overall management of the project.
Richard Pascarella	Director - Policy Operations / Project Sponsor	Oversee project needs and timelines, ensure proper resources are available and appropriately applied. Manage any items or issues escalated by project managers or counties. Maintain the Project Implementation Plan and Monthly Reports and regular contact with parent project. Provide executive level oversight as needed and communicate updates to Lexipol ELT.
Wendy Niebank	Sr Vice President, Professional Services	Provide executive level support and oversight to the Lexipol project management team to ensure goals are attained. Be available to the customer leadership and customer project manager if questions or concerns arise. Provide direction on any escalated risks or issues.
CUSTOMER PROJECT TEAM	ROLE	
Greg Reese	Project Manager	

PREPARED BY	TITLE	DATE
Richard Pascarella	Director - Policy Operations, Professional Services Division	10/03/2025

		Policy Implementation Stages - Progress												
Group #	Agency	MSA Signed / Review SoW	Pre-Implementation Meeting	EC Received & Reviewed	Kick-Off Meeting Completed	Recurring Mtg Schedule	Onboarding/KMS Orientation	Tier I - Review/Edits	Tier II - Review/Edits	Tier III - Review/Edits	Tier IV - Review/Edits	Tier V - Review/Edits	Quality Assurance Review	Policy Issuance / Handoff Meeting
1	NM Guadalupe County SO	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / Jan
	NM Hidalgo County SO	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / Jan
	NM Otero County SO	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / Jan
	NM Quay County SO	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / Dec
	NM Santa Fe County SO	✓	✓	✓	✓	✓	✓	✓	IP	IP	IP	IP		
	NM Sierra County SO	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / April
	NM Valencia County SO	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / Sept
	NM Sandoval County SO	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / Dec
	NM Lincoln County SO	✓	✓	✓	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓ (HO) / Dec
	NM Curry County SO	✓	✓	✓	✓	✓	IP	✓	✓	IP				
1	NM Grant County SO	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / June
2	NM McKinley County SO	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / July
	NM Luna County SO	✓	✓	✓	✓	✓	✓	IP	IP	IP	IP	IP		
2	NM Chaves County SO	✓	✓	✓	N/A	✓	IP	✓	IP	IP				
2	NM Taos County SO	✓	✓	No	✓	✓	IP	✓	✓	IP	NRP			
2	NM Socorro County SO	✓	✓	✓	✓	✓	IP	✓	✓	✓	✓	✓	✓	✓ / Aug
2	NM Catron County SO	✓	✓	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / Feb
2	NM Bernalillo County SO	✓	✓	✓	✓	✓	IP	IP						
2	NM Union County SO	✓	✓	✓	✓	✓	IP	✓	✓	IP	IP			
2	NM Colfax County SO	✓	✓	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / April
2	NM De Baca County SO	✓	✓	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / March
3	NM Harding County SO	✓	✓	✓	✓	✓	IP	IP	IP					
	NM Mora County SO	✓	✓	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / April
	NM San Miguel County SO	✓	✓	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / May
	NM Cibola County SO	✓	✓	N/A	✓	✓	IP	IP	NRP					
	NM Roosevelt County SO	✓	✓	N/A	✓	✓	IP	✓	✓	✓	✓	✓	✓	✓ / Aug
	NM Torrance County SO	✓	✓	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ / April
	NM Eddy County SO	✓	✓	N/A	✓	✓	IP	✓	✓	✓	IP	IP		
	NM Dona Ana County SO	No		Cancelled									296	

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 7.E.	<u>Item Title:</u> Legal Bureau Update
<u>Presenter (s):</u> Brandon Huss, Legal Bureau Director	

NMC LEGAL BUREAU UPDATE

Date: October 16, 2025
To: NMCA Board of Directors
From: Brandon Huss, Legal Bureau Director
Re: Legal Bureau Update

Overview

The Legal Bureau continues to represent member counties in a wide range of tort and civil rights matters in both state and federal court. As of this report, the Bureau is handling 99 active cases. During the last quarter, we closed 14 cases, with outcomes strongly favoring the Pool and member counties.

Of those 14 cases:

- Five were dismissed outright, either through a granted motion to dismiss or voluntary withdrawal by plaintiffs after review of our motions;
- Seven were settled for under \$100,000; and
- Two involved settlements exceeding \$1 million, both nearing final resolution and to be discussed during the meeting.

These outcomes reflect the Bureau's continued focus on early evaluation, effective motion practice, and targeted negotiation to minimize both exposure and defense costs.

Highlight: Oral Argument Before the Tenth Circuit – Roybal v. Zook (Santa Fe County)

On September 10, I presented oral argument before the U.S. Court of Appeals for the Tenth Circuit in *Scott Fuqua, Estate of Jason Roybal v. Corporal Zook, Deputy Martinez, and Deputy Guzman*. The case addresses a critical qualified immunity question arising from a deputy-involved shooting following a felony vehicle pursuit.

Our argument focused on correcting the district court's misapplication of the *Iqbal*/*Twombly* pleading standard and its failure to credit clear video evidence showing that the decedent fired at deputies immediately before the use of force. The appeal carries broader implications for qualified immunity jurisprudence

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within the Tenth Circuit because it may change the pleading standard in our favor or allow video to be considered at the earliest possible phase of a case.

Board members can access the full recording of the September 10 hearing by scanning the QR code below. The audio provides an interesting snapshot into the issues that seemed important to the Court and my theories on approaching the issues.



A decision from the Court is expected before year's end. I am optimistic about the outcome based on the oral argument. However, this is an important issue for all counties so it is likely that we will seek review from the United States Supreme Court if the Tenth Circuit affirms Judge Browning's ruling below. That ruling notably said that Judge Browning would like to have a truck driven through qualified immunity.

Case Resolutions

Estate of David Johnson v. Catron County

This case presented significant exposure arising from the operation of the county jail that functioned without dedicated corrections staff. Detainees were periodically monitored by deputies, and dispatchers occasionally provided food or responded to calls, but no full-time personnel were assigned as officers. Following targeted discovery and the filing of a summary judgment motion emphasizing the absence of actionable negligence, the Plaintiff agreed to settle for \$70,000.

Estate of Mario Diaz v. Bernalillo County

Mr. Diaz was shot after escaping the back of a patrol vehicle and assaulting deputies. Although the liability exposure was limited, the value of any death claim presented uncertainty. Our motion-driven strategy and early engagement led Plaintiff to offer a \$75,000 settlement, which the County accepted. The resolution avoided trial and saved substantial defense costs.

Dismissals and Voluntary Terminations

Five additional cases were dismissed outright, either by court order or through voluntary withdrawal by plaintiffs after reviewing our arguments or motions. These outcomes reflect the continued effectiveness of early engagement and precise motion practice in achieving cost-efficient resolutions for member counties.

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Outlook

The Bureau anticipates several dispositive rulings in the coming months, including the pending Roybal appeal decision. We remain focused on early resolution through technical motion work, active communication with member counties, and consistent litigation outcomes that safeguard the Pool's financial stability.

Very truly yours,

/s/ Brandon Huss

Brandon Huss

Legal Bureau Director

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**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 7.F.	<u>Item Title:</u> CRL Update
<u>Presenter (s):</u> Grace Philips, Risk Management Director	

Memorandum

Date: October 22, 2025
To: NMCIA Board
From: Grace Philips, NMCIA Risk Management Director
Re: CRL Update

Last month Robin Martinez and I attended the CRL property meeting in Atlanta. Below are updates on the property program discussed at that meeting.

For the current policy year, CRL made no changes to its policy, but we may see a revision to the bridge flood exclusion language in July 2026 to address a double negative language issue.

CRL's property program is in much better financial shape even though several members have left the program. We were advised that there will be no premium surcharges in the next renewal.

The property market is softening and there is more capacity and capital coming into the market. CRL's property broker Marsh feels bullish about the CRL pool with growth goals of 5% and 10%, but notes the market is still volatile.

The property plus program is in a very good position and has a stop loss protection of \$30M. The CRL Board approved a one-time \$20M Policyholder Dividend for current Policyholders as of October 1, 2025. The Dividend is based on the performance of the 2023-2024 underwriting year and paid from current year's income. Providing the dividend only to current policyholders will allow it to satisfy the VDFR requirements that every participant contribute capital to the program. The dividend that would otherwise be issued to non-owner participants will be reclassified as capital contributions where applicable.

The property plus committee will be meeting again in November, 2025 to consider contributed capital rebalancing.

In September 2026 CRL will host their board meeting in Santa Fe and it would be a great opportunity for NMCIA board members and staff to attend a CRL meeting and to meet the executive director, Micheon Hollier.

While NMCIA provides property coverage on a calendar year, CRL offers a fiscal year policy. This means NMCIA uses CRL's July 1, 2025 policy as its 2026 policy for our members. We can eliminate the possibility for nonconcurrence in our policies by transitioning our property program to a fiscal year renewal.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 8.	<u>Item Title:</u> Other Business
<u>Presenter (s):</u> Lance Pyle, Chair	

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 9.	<u>Item Title:</u> Adjournment
<u>Presenter (s):</u> Lance Pyle, Chair	
Motion to adjourn by: Seconded by: Adjournment time:	