

New Mexico Counties

Advancing Counties through Service, Education, Advocacy and Leadership



**NEW MEXICO
COUNTIES**

33 STRONG

NEW MEXICO COUNTY INSURANCE AUTHORITY

Special Board of Directors Meeting

July 7, 2026, 2:00 p.m.

Via Video

<https://us02web.zoom.us/j/86288561041?pwd=x8zAip7gCtpjMQGb8c6bwxJGouggtv.1>

Meeting ID: 862 8856 1041

Passcode: 940439

Serving New Mexico's Counties for More than 75 Years

New Mexico Counties

444 Galisteo Street

Santa Fe, NM 87501

1-877-983-2101

505-983-2101

www.nmcounties.org

**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/ Introductions
<u>Presenter (s):</u> Lance Pyle, Chair Lori Urban, Assistant Risk Management Director	
Call to order time:	



NMCIA Board of Directors 2026

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 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 1/2028

DOÑA ANA	SANDOVAL	SANTA FE
Deborah Weir <i>Assistant County Manager</i>	Michael Meek <i>County Commissioner</i>	Gregory S. Shaffer <i>County Manager</i>

GROUP III, POPULATION DIRECTORS

Term Expires 1/2028

SMALL COUNTY	MID-LEVEL-LOW COUNTY	MID-LEVEL-HIGH COUNTY
Amber Vaughn <i>Sierra 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>

Sheriffs' Affiliate Representative	Detention Administrators Affiliate Representative
Adan Mendoza <i>Santa Fe County Sheriff</i>	Bryan Baker <i>Dona Ana County Detention Administrator</i>



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

July 7, 2026, 2:00 p.m.

AGENDA

Via Video

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1. Call to Order / Pledge of Allegiance / Roll Call	Lance Pyle	Pg. 2
2. Approval of Agenda	Lance Pyle	Pg. 5
3. Approve Contract with Pinnacle Actuarial Services	Grace Philips	Pg. 7
4. Executive Session – Pending and Threatened Litigation Per New Mexico Open Meetings Act 10-15-7-H(7)	Lance Pyle	Pg. 24
• Jereme Manzanares v Dona Ana County		
• Joseph Alderete v Bernalillo County		
• Estate of Najera v Chaves County		
• Estate of Matthew Shetima-Joe v Bernalillo		
• Juan Carlos Lerma v. Otero County		
5. Other Business	Lance Pyle	Pg. 25
6. Adjournment	Lance Pyle	Pg. 26



Memorandum

Date: July 2, 2026
To: NMCIA Board
From: Grace Philips, NMCIA Risk Management Director
Re: CRL Update

A revised version of this engagement letter will be available Monday, but I wanted you to have the opportunity to review this draft ahead of time if you so choose. Amendments to this document will include:

1. creating two agreements (one for captive and one for pool)
2. 4 year price guarantee
3. capping travel reimbursement at \$1,500
4. clarifying that optimal member deductible analysis is included with pricing (equity analysis is additional service)
5. Removal of indemnity provision
6. change forum/venue provisions to First Judicial District of New Mexico

Hope you all have a good weekend and look forward to seeing you next week.

444 Galisteo Street
Santa Fe, NM 87501

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

NMCOUNTIES.ORG

DRAFT

**NEW MEXICO COUNTY
INSURANCE AUTHORITY**

2026 Engagement for Actuarial Services

June 24, 2026



3109 Cornelius Drive
Bloomington, IL 61704
309.807.2300
pinnacleactuarial.com

Commitment Beyond Numbers



3109 Cornelius Drive
Bloomington, IL 61704
309.807.2300
pinnacleactuaries.com

Daniel A. Linton, FCAS, MAAA
Director & Consulting Actuary
dlinton@pinnacleactuaries.com

June 24, 2026

Grace Philips
Risk Management Director
444 Galisteo Street
Santa Fe, NM 87501

RE: 2026 Engagement for Actuarial Services

Dear Grace,

Pinnacle Actuarial Resources, Inc. (Pinnacle) appreciates the opportunity to serve as an actuarial expert for the New Mexico County Insurance Authority (NMCIA, or the Pool). This engagement letter lays out a formal project scope and fee structure for the work we will perform.

BACKGROUND & SCOPE

NMCIA is a public entity risk-sharing pool administered by New Mexico Counties (NMC) and provides risk management and insurance programs for its member entities.

The Pool provides a comprehensive suite of coverages, including:

- Multi-line (ML): third-party auto liability, employee benefits liability, employment practices liability, general liability, and public officials' errors and omissions liability;
- Property: first-party auto and first-party property;
- Law enforcement (LE): detention and sheriff operations; and
- Workers' compensation (WC) coverage to over 9,500 member county employees.

The Pool is also the sole shareholder of a captive reinsurance company domiciled in the state of Utah. New Mexico County Reinsurance (NMCR) provides reinsurance for the Pool's LE, ML and WC programs.

The scope of this engagement is as follows:

1. Provide an estimate of ultimate & outstanding losses for all exposures assumed by the Pool using data valued as of December 31, 2026, and June 30, 2027 for the ML, property, LE, and WC lines of coverage. These studies will include deductible liability reports for all members with selected deductibles across each line of coverage.
2. Provide a funding analysis for the ML and LE lines of coverage for the policy period effective January 1, 2027. This study will include an analysis of deductible options.
3. Provide a funding analysis for the property and WC lines of coverage for the policy period effective July 1, 2027. This study will include an analysis of deductible options.
4. Provide an assessment of the adequacy of the Pool's capital position. The capital adequacy study will include an analysis of the Pool's Risk-Based Capital (RBC) level. This amount will be used in conjunction with a series of stress tests designed to gauge the appropriate level of capital for the Pool. We anticipate preparing two studies: one for the WC program and the other for the ML, LE, and property lines of coverage.
5. Prepare a member equity analysis with respect to contributions, benefits, and cost allocation.
6. Provide an estimate of the unpaid loss and loss adjustment expenses as of December 31, 2026, for NMCRé. The scope of this study will include submission of the Statement of Actuarial Opinion to Utah captive regulators.
7. Provide a projection of losses and NMCRé premiums for the upcoming renewal period.
8. If needed, the scope of this engagement can include an analysis of optimal deductible levels by member.

PROJECT DELIVERABLES

The reserving study will include an actuarial central estimate of indicated loss and loss adjustment expense reserves as well as estimates at higher confidence levels, if needed. The reserve estimates will be derived using generally accepted actuarial methodologies. Reserves will also be separately identified as case reserves or IBNR (incurred but not reported) reserves. The study will rely on Pool loss experience to the extent it is available and credible. Pinnacle has additional data that may be used to create appropriate industry benchmarks for the analysis as well.

The funding study will include best estimates of the overall indicated funding for the upcoming policy year. The funding estimate will be derived using generally accepted actuarial methodologies. We will rely on your own claim count, loss, and exposure data to the greatest extent possible. When this data is found to not be sufficiently credible, we will complement it with industry benchmarks that reflect the program's unique geographic and industry characteristics. Like the reserve study, the funding study will present results at the actuarial central estimate as well as at higher levels of confidence, if needed. The funding study will include undiscounted (nominal) funding levels at different self-insured retentions, if desired.

The capital adequacy study will be grounded on the Risk-Based Capital (RBC) framework established by the National Association of Insurance Commissioners (NAIC). While we acknowledge that the Pool is not regulated by the NAIC and are therefore not bound by RBC requirements, this will serve as valuable benchmark when assessing the Pool's carried capital. We will engage the Pool staff in meaningful conversations to gain insight into material risks, or rather, those risks that keep both the Board and staff "up at night." These discussions will form the foundation of our stress testing analysis, a strategic complement to the RBC evaluation. By integrating these two elements, our objective will be for the Pool to gain a firm understanding of the capital required to sustain its operations, as well as find assurance in knowing that excess capital, if any, can be utilized without jeopardizing the Pool's financial strength.

The member equity analyses will be supported by the reserve and funding studies. We will work with Pool management to develop a cost allocation model that fairly distributes claims costs and operating expenses, as well as investment income, by member to determine each member's impact on Pool surplus.

The deductible optimization study is an optional study that will evaluate each member's contribution to the overall exposure of the Pool. From these results, we can provide recommendations of optimal target deductible levels by member.

For each actuarial analysis, we expect to produce an actuarial report summarizing and supporting the findings of our analysis. This report will document the scope, data, methods, assumptions, findings, reliances and limitations of the analysis.

QUALIFICATIONS AND LIMITATIONS

In preparing our analysis, we will rely on historical insurance information provided by NM CIA and its service providers. We may also use data resulting from internal analyses of information provided by the A.M. Best Company and other industry sources. The conclusions and recommendations contained in our

report will be solely those of Pinnacle and are not endorsed by any party from whom we will obtain data. All of this information will be relied upon without our independent audit or verification, except for general tests of consistency and reasonableness.

Our report and the opinions and conclusions contained therein will be based on generally accepted actuarial practices and procedures. Readers should understand that the result of any actuarial analysis is the estimate of expected future loss payments based on a review of historical data for the entity under study and of other data for similar entities with a broader base of experience. Actual future claim emergence and payments will likely deviate, perhaps substantially, from our estimates due to statistical variation. However, we feel that the methodologies employed, and assumptions made in our analyses are appropriate and consistent with generally accepted actuarial principles and that our estimates and conclusions are reasonable, given the information currently available. Due to the nature of actuarial projections and the inherent degree of uncertainty involved in the prediction of future events, no assurance can be given as to the adequacy of any actuarial estimate for a given time period.

CONFIDENTIALITY

We recognize that during the course of these engagements we will likely become a holder of data and information confidential to NMICIA. We will take reasonable measures to protect the confidentiality of the data and information provided to us. All Pinnacle employees are required to sign a confidentiality agreement as a condition of employment that is designed to protect the confidentiality of our clients' data and information.

OWNERSHIP OF WORK PRODUCT

In the course of our engagement, we may utilize newly created or existing software, electronic worksheets, or analytical methods. We shall remain the sole owner of any software, worksheets, and analytical methods that were neither originally provided by you nor delivered to you for your continued use.

At the conclusion of each engagement, we are required by our governing professional body to maintain, for a reasonable period of time, sufficient documentation of our opinions and analyses. Those documentation files may be made available to you upon request, but the ownership of the documentation files shall remain the property of Pinnacle.

ABOUT THE FIRM

Pinnacle is an Illinois corporation, privately owned by its professional staff. We have been in property/casualty actuarial consulting since 1994. Today we have a total staff of more than 100, including 49 professional consultants and other credentialed actuaries. This staff serves clients that include insurers, captive insurers, risk retention groups, state regulators, insurance trade organizations, and self-insured businesses.

Pinnacle has extensive experience in funding and reserving studies for a wide variety of captives and self-insurance programs. This experience has included funding studies, loss reserve analyses, retention analysis/reinsurance optimization, capital adequacy, and captive feasibility studies.

Pinnacle prides itself on its long-standing reputation for exceptional customer service. Client referrals, renewals and expansions of services make up the vast majority of our clients. We have never had a contract cancelled for non-performance and Pinnacle has not had any professional liability claims made against it or any of its principals since it was formed. We like our clients to view us as a partner in their business, rather than the supplier of a product. Fundamentally, we are guided by four principles: **empathetic customer service, superior communication, expertise and better business decisions.**



PROJECT TEAM

The project will be managed by Mr. Daniel Linton, Director & Consulting Actuary. Mr. Matthew Kaufman, Consulting Actuary, will serve as a second point of contact throughout the engagement. Mr. Linton & Mr. Kaufman are members of the Casualty Actuarial Society (CAS) and the American Academy of Actuaries (AAA). Pinnacle maintains a large pool of talented actuarial analysts which will provide support throughout the engagement.

Pinnacle requires, and our governing professional organization encourages, all actuarial work products be peer reviewed before release. This peer review is important to our clients because it serves to increase the confidence in our opinions by all users of those opinions. The peer review will include all aspects of this project, including adherence to professional standards. Aaron Hillebrandt, Principal & Consulting Actuary, will peer review the study. Mr. Hillebrandt is also a member of the CAS and AAA.

Biographies of the team on this project are available upon request.

PROFESSIONAL FEES AND EXPENSES

Pinnacle’s fees will be based on our standard hourly professional rate of each person or job category to work on the project. Our fees for this work will be provided on a fixed fee basis and are summarized in the table below. We have bifurcated our fees to those pertaining to the Pool and those for NMCRé.

NMCIA	
Proposed Fees	
2026-2027 Actuarial Studies	
Title	Proposed Fees
December 2026 Reserve Study (ML, LE, Property)*	\$16,500
December 2026 Reserve Study (WC)*	10,000
June 2027 Reserve Study (ML, LE, Property)*	16,500
June 2027 Reserve Study (WC)*	10,000
Funding & Contribution Study (ML, LE, Property)	15,000
Funding & Contribution Study (WC)	9,000
Capital Adequacy Study (ML, LE, Property)	18,000
Capital Adequacy Study (WC)	10,000
Member Equity Analysis	8,000
Total	\$113,000

*Includes Member Deductible Analysis

NMCRé	
Proposed Fees	
2026-2027 Actuarial Studies	
Title	Proposed Fees
December 2026 Reserve Study & SAO (All Lines)	\$8,000
Funding & Contribution Study (All Lines)	7,000
Total	\$15,000

Rates are revised each year. You may request a separate engagement letter for any additional projects or scope of services expansions. Furthermore, Pinnacle may require a separate engagement letter for additional projects of sufficient size or complexity to necessitate this step. Pinnacle can provide fee estimates for additional projects once the project scope is well defined.

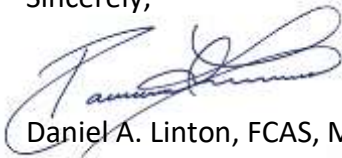
In addition to the professional fees, we will also bill separately for additional travel to meetings and other out-of-pocket expenses which include postage and handling (including overnight shipping expenses), any necessary external data costs, and any extraordinary photocopy charges. The external data costs relate to the cost associated with Pinnacle's access to industry annual statement data. We do not expect these expenses for a project of this nature to exceed \$250, unless travel is required.

Unless stated otherwise, it is Pinnacle's practice to invoice our clients monthly for all work in progress with invoices payable within 30 days. Amounts remaining unpaid at the time of preparing the next monthly invoice will be charged a 1% monthly administration charge.

CONCLUSION

If this proposal is acceptable as presented, including Pinnacle's Standard Terms & Conditions that are attached, please sign this letter and return it to me. Should you have any questions or concerns with this proposal, please feel free to call me at (309) 807-2335 or email me at dlinton@pinnacleactuaries.com. Again, we are pleased to have this opportunity to provide actuarial services to NMICIA.

Sincerely,



Daniel A. Linton, FCAS, MAAA
Director & Consulting Actuary

Acceptance

THE PARTIES EVIDENCE THEIR AGREEMENT WITH THE ABOVE TERMS AND CONDITIONS BY SIGNING BELOW.

Proposal Submitted by:



Daniel A. Linton, FCAS, MAAA

Director & Consulting Actuary

Pinnacle Actuarial Resources, Inc.

Proposal Accepted by:

Sign: _____

Name:

Title:

Company:

Date:



Aaron N. Hillebrandt, FCAS, MAAA, CPCU

Principal and Consulting Actuary

Pinnacle Actuarial Resources, Inc.

PINNACLE ACTUARIAL RESOURCES, INC.
Standard Terms and Conditions for Professional Services

1. Services and Client Responsibilities

It is understood and agreed that services rendered by Pinnacle Actuarial Resources, Inc. (Pinnacle or consultant) may include advice and recommendations; but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, the Client. Pinnacle will not perform management functions or make management decisions for Client. References herein to Client shall refer to the addressee named in the Proposal or Engagement Letter to which these Standard Terms and Conditions are attached (the "Engagement Letter").

In connection with Pinnacle's provision of services (the "Project") described in the Engagement Letter, it is agreed that Client, and not Pinnacle, shall perform the following functions: (i) make all management decisions and perform all management functions; (ii) designate an individual who possesses suitable skill, knowledge and experience, preferably within senior management, to oversee and coordinate with Pinnacle such services; (iii) accept full responsibility for the results of such services; and (iv) establish and maintain internal controls over the processes with which such services are related, including monitoring ongoing activities.

Subsequent to the completion of the Project, Pinnacle will not monitor or update its advice, recommendations or work product for changes or modifications to the law and regulations, or to the judicial and administrative interpretations thereof, or for subsequent events or transactions, unless Client separately engages Pinnacle to do so in writing after such changes or modifications, interpretations, events or transactions.

2. Compensation

The parties agree that Pinnacle will be compensated by Client for its professional fees and out-of-pocket expenses in connection with services provided within the scope of the Project, as described in the Engagement Letter. Expenses will include, but are not limited to, external costs such as travel, courier services, software/computer access charges, and data charges and other reasonable and necessary expenses. Compensation for any additional services provided by Pinnacle relating to the Project shall be as agreed in writing by the parties. Pinnacle will invoice monthly with invoice due upon receipt. Amounts outstanding more than 30 days after invoice date are past due and will accrue a 1% service charge for each month or part thereof overdue.

3. Termination

These Standard Terms and Conditions shall govern all services provided by Pinnacle as described in the Engagement Letter and any additional related

services as agreed in writing by the parties. Either party may terminate the Project by giving thirty (30) days' prior written notice to the other. In the event of any such termination, Pinnacle shall be compensated for professional fees and expenses incurred through the effective date of termination in accordance with Section 2, but will not be entitled to any additional compensation. Client may terminate this Agreement immediately only for (1) Pinnacle's actual misconduct, which shall be actual fraud, theft, dishonesty, harassment, unethical conduct; or (2) Pinnacle's breach of this Agreement. Pinnacle may suspend work if payment for services is more than 30 days past due.

4. Confidentiality

Pinnacle recognizes that certain confidential information concerning the Client will be furnished by the Client to Pinnacle in connection with the Project ("Confidential Information").

Pinnacle agrees that it will disclose Confidential Information only to those of its directors, officers, employees, advisors or agents who have a need to know such information, or as directed by the Client. Confidential Information shall not include information that (i) is in the possession of Pinnacle prior to its receipt of such information from the Client; (ii) is or becomes publicly available other than as a result of a breach of these Standard Terms and Conditions by Pinnacle; (iii) has been acquired from a third party which, in the reasonable belief of Pinnacle, is lawfully in possession of such information without being in breach of any obligation to Client; or (iv) has been or can be independently acquired or developed by Pinnacle without violating any of its obligations under these Standard Terms and Conditions.

The Client recognizes and acknowledges that Pinnacle (i) will use and rely primarily on the Confidential Information and on information available from public sources in performing the services contemplated by these Standard Terms and Conditions without having independently verified the same; and (ii) does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information.

In the event that Pinnacle receives a request to disclose all or any part of any Confidential Information under the terms of a valid and effective subpoena or order issued by a court of competent jurisdiction, judicial or administrative agency or by a legislative body or committee, such disclosure by Pinnacle shall not constitute a violation of these Standard Terms and Conditions provided that Pinnacle (i) promptly notifies Client of the existence, terms and circumstances surrounding such request; (ii) consults with Client on the advisability of taking available legal steps to resist or narrow such request with such expenses to be paid by Client; and (iii) if disclosure of such Confidential Information is required or deemed advisable, advises and consults with client (at clients' expense) regarding a limiting court order or other reliable assurance that confidential treatment will be accorded to such portion

PINNACLE ACTUARIAL RESOURCES, INC.
Standard Terms and Conditions for Professional Services

of the Confidential Information to be disclosed which Client designates.

5. Use of Pinnacle Name and Work Products

In connection with the Project, Pinnacle may furnish the Client with reports, customized software, electronic worksheets, analyses or other such materials (the "Pinnacle Materials"). The Client understands and agrees that any such Pinnacle Materials will be furnished, transferred or disclosed solely for its internal use and may not be transferred to or furnished in whole or in part to any other person other than its directors, officers and employees who in the course and scope of their responsibilities need to know and access the Pinnacle Materials, without the prior written consent of Pinnacle.

The Client may furnish Pinnacle Materials to its legal counsel, accountants or auditors who have been retained by the Client to provide services in connection with the Project and who need to know such information in the performance of such services, and to its insurance regulators as necessary. Provided that (i) the Client informs each person who receives the Pinnacle Materials of the confidential nature of the Pinnacle Materials; (ii) each such person agrees not to disclose the Pinnacle Materials to any other person and to use the Pinnacle Materials solely in connection with the performance of its services to the Client; and (iii) each such person agrees that in connection with discussions with or disclosures to other third parties, it will not attribute any information contained in the Pinnacle Materials to Pinnacle.

The Client further agrees not to refer to Pinnacle or attribute any information to Pinnacle (i) in the press; (ii) for advertising or promotional purposes; or (iii) for the purpose of informing or influencing any third party, including the investment community, without the prior written consent of Pinnacle.

In the event that the Client receives a request to disclose all or any part of any Pinnacle Materials under the terms of a valid and effective subpoena or order issued by a court of competent jurisdiction, judicial or administrative agency or by a legislative body or committee, such disclosure by the Client shall not constitute a violation of these Standard Terms and Conditions provided that the Client (i) promptly notifies Pinnacle of the existence, terms and circumstances surrounding such request; (ii) consults with Pinnacle on the advisability of taking available legal steps to resist or narrow such request; and (iii) if disclosure of such Pinnacle Materials is required or deemed advisable, exercises its best efforts (at Pinnacle's expense) to obtain an order or other reliable assurance that confidential treatment will be accorded to such portion of the Pinnacle Materials to be disclosed which Pinnacle designates.

6. Work Product

Client shall have a perpetual, irrevocable, nontransferable, paid-up right and license to use and copy the Pinnacle Materials and prepare derivative works based on the Pinnacle Materials for its internal use, subject to the terms of Section 5. All other rights in the Pinnacle Materials, subject to the terms of Section 4, remain in and/or are assigned to Pinnacle. The parties will cooperate with each other and execute such other documents as may be appropriate to achieve the objectives of this Section.

Client acknowledges and agrees that Pinnacle may develop for itself, or for others, problem solving approaches, frameworks or other tools or information similar to the Pinnacle Materials and processes developed in performing the Project and any additional services, and nothing contained herein precludes Pinnacle from developing or disclosing such approaches, frameworks, tools and information provided that the same do not contain or reflect Confidential Information.

7. Indemnification

In accordance with Sections 5 and 6 Client hereby agrees to indemnify and hold harmless Pinnacle, its directors, officers, stockholders, agents and employees (collectively "Indemnified Persons"), from and against all claims, liabilities, losses, damages, and expenses as incurred (including reasonable legal fees and disbursements of counsel and the costs of Pinnacle professional time), including actions or proceedings in respect thereof (collectively "Losses"), relating to or arising out of; (i) the Project (including without limitation the provision of consulting services); or (ii) any transaction or matter which is related to the subject matter of the Project. The Client shall not, however, be liable under the foregoing indemnity agreement to the extent that any such Losses are the result of a dispute between them and are determined pursuant to Section 15; or are otherwise finally determined, as the case may be, to have resulted primarily from the gross negligence or willful misconduct of any Indemnified Person in connection with the Project.

The Client also agrees that no entity or individual recognized as Indemnified Persons above shall have any liability (whether direct or indirect, in contract or in tort or otherwise) to the Client or any person claiming through the Client, including without limitation its owners, parents, affiliates, security holders or creditors, for any Losses suffered by the Client or any such other person relating to or arising out of (i) the Project (including without limitation the provision of consulting services); or (ii) any transaction or matter which is related to the subject matter of the Project, and further agrees that Pinnacle shall be reimbursed for any expenses as incurred relating to the foregoing (including reasonable legal fees and disbursements of counsel and the costs of Pinnacle professional time), except to the extent that any such Losses are determined by an arbitration pursuant to Section 15 or are otherwise finally determined, as the case may be, to have resulted primarily from the gross negligence, willful misconduct

PINNACLE ACTUARIAL RESOURCES, INC.
Standard Terms and Conditions for Professional Services

or bad faith of any Indemnified Person in connection with the Project.

The Client further agrees that it will not settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification may be sought hereunder (whether or not any entity or individual recognized as Indemnified Persons above is an actual or potential party to such claim, action or proceeding) unless the Client has given Pinnacle reasonable prior written notice thereof and obtained an unconditional release of each Indemnified Person from all liability arising there from, which unconditional release shall not place any non-financial obligations on any Indemnified Person. The Client acknowledges and agrees that its obligations hereunder shall be in addition to any rights that any Indemnified Person may have at law or otherwise.

Upon receipt by Pinnacle of notice of a claim, action or proceeding in respect of which indemnity may be sought hereunder, Pinnacle shall promptly notify the Client with respect thereto. If in Pinnacle's reasonable judgment there is no conflict of interest between Pinnacle (or any Indemnified Person) and the Client, the Client may at its option assume and control the defense of any litigation or proceeding in respect of which indemnity is sought hereunder with counsel reasonably acceptable to Pinnacle. If in Pinnacle's reasonable judgment there is a conflict of interest between Pinnacle (or any Indemnified Person) and the Client, Pinnacle shall as an Indemnified Person assume and control the defense of any litigation or proceeding (as it relates to Pinnacle or any such Indemnified Person) in respect of which indemnity is sought hereunder with counsel reasonably acceptable to the Client. The Client shall not be liable hereunder or otherwise for any settlement of any claim, action or proceeding effected without its written consent, which shall not be unreasonably withheld. Nothing contained herein shall prevent Pinnacle from retaining, at its own expense, legal counsel of its choice.

8. Client Acknowledgment

It is the practice of Pinnacle to serve multiple clients within industries, including those with opposing economic interests, as well as counter-parties in potential and actual merger, acquisition and alliance transactions. Pinnacle is committed to maintaining the confidentiality of each client's information (generally as described in these Standard Terms and Conditions) in all such situations. Accordingly, the Client acknowledges the possibility and agrees that Pinnacle may have served, may currently be serving or may in the future serve other companies whose interests are adverse to those of the Client, including parties with whom the Client (i) competes; (ii) has a commercial relationship or potential commercial relationship (e.g., suppliers, distributors); (iii) enters into competitive bidding situations; and (iv) enters into or considers entering

into merger, acquisition, divestiture, alliance or joint venture transactions.

9. Independent Contractor

It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is or shall be considered an employee, agent or representative of the other. Without limiting the foregoing, all income taxes arising from or in connection with professional fees paid by Client to Pinnacle for the services provided under these Standard Terms and Conditions shall be borne by Pinnacle. Neither party shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

10. Cooperation and Use of Information.

Client agrees to cooperate with Pinnacle in the performance of the services under the Engagement Letter and shall provide or arrange to provide Pinnacle with timely access to and use of the personnel, facilities, equipment, data and information to the extent necessary for Pinnacle to perform the services related to the Project. The Engagement Letter may set forth additional obligations of the Client in connection with the Project. Client acknowledges that Client's failure to perform these obligations could adversely affect Pinnacle's ability to provide the services described under the Engagement Letter.

Client acknowledges and agrees that Pinnacle will, in performing the services related to the Project, base its conclusions on the factors and assumptions that Client furnishes and that Pinnacle may use data, material, and other information furnished by, or at the request or direction of Client without independent investigation or verification and that Pinnacle shall be entitled to rely upon the accuracy and completeness of such data, material and other information furnished by client or at the request or direction of client to Pinnacle which could have a material effect on Pinnacle's findings and conclusions.

11. Warranties

Pinnacle's services under the Engagement Letter are subject to and will be performed in accordance with American Academy of Actuaries and other professional standards applicable to the services provided by Pinnacle. No other warranties, express or implied, are hereby granted or agreed upon under the Engagement Letter or these Standard Terms and Conditions.

12. Limitation on Damages

Except for each party's indemnification obligations herein, neither Client nor Pinnacle shall be liable to the other for any actions, damages, claims, liabilities, costs, expenses or losses in any way arising out of or relating to the Project or services performed under the Engagement Letter for an aggregate amount in excess of the fees paid or owing to Pinnacle under the Engagement Letter. In no event shall either party be

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liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs).

13. Governing Law and Severability

The Engagement Letter and these Standard Terms and Conditions shall be governed by and construed in accordance with the laws of the State of Illinois, excluding that body of law controlling conflicts of law. The various provisions and subparts of these Standard Terms and Conditions are severable and, if any provision or subpart or part thereof is held to be unenforceable by any court of competent jurisdiction, then such enforceability shall not affect the validity or enforceability of the remaining provisions or subpart or parts thereof in these Standard Terms and Conditions.

14. Assignment

Neither of the parties hereto shall assign or transfer its interest in these Standard Terms and Conditions or any portion thereof without the prior written consent of the other party except that (i) Client may assign or transfer its rights and obligations under these Standard Terms and Conditions to a subsidiary or entity controlling, controlled by or under common control with Client (an "Affiliate") or to any entity that acquires all or substantially all of the assets of Client or more than 50% of the current outstanding voting stock of Client provided that such assignment shall not relieve Client of any obligations which existed prior to assignment, and (ii) Pinnacle shall be entitled to assign the right to receive any compensation received hereunder to a third party without the prior written consent of Client, subject to restrictions of applicable law.

15. Dispute Resolution

In the event of a dispute between Pinnacle and the Client, the parties agree that any dispute resolution will occur first through negotiation. If attempts at negotiation break down, then mediation will be the next step and binding arbitration will be used as a last resort effort.

Negotiation. The parties will attempt in good faith to resolve any controversy, dispute, claim or question arising out of or in relation to this Agreement, including without limitation its interpretation, performance or non-performance by either party, termination, or any breach thereof (hereinafter, collectively "Controversy") promptly by negotiation between designated representatives of the parties who have authority to settle the Controversy and do not have direct responsibility for administration of this Agreement.

The disputing party shall give the other party written notice of the Controversy. Within twenty (20) days after receipt of the above notice, the receiving party shall submit to the other a written response. The notice and response shall include (i) a statement of each party's

position, and (ii) the name and title of each party's designated representative. The designated representatives will meet at a mutually acceptable time and place within thirty (30) days of the date of the disputing party's notice and thereafter as often as they reasonably deem necessary to exchange relevant information and to attempt to resolve the Controversy.

Mediation. If the Controversy has not been resolved by negotiation within forty-five (45) days of the disputing party's notice, or the party receiving the notice will not meet within thirty (30) days, either party may, upon written notice by one party to the other, initiate mediation of the Controversy in accordance with the Commercial Mediation Rules of the American Arbitration Association, to the extent that such provisions are not inconsistent with the provisions of this Section. The parties will jointly appoint a mutually acceptable mediator, seeking assistance in this regard from the American Arbitration Association if they are unable to agree upon such appointment within twenty (20) days of the notice of mediation. The parties agree to participate in good faith in the mediation and negotiations thereto for a period of thirty (30) days after the appointment of the mediator. The parties shall share equally the cost of the mediation.

Binding Arbitration. If the Controversy has not been resolved by mediation within thirty (30) days of the appointment of the mediator, or if a mediator is not appointed within thirty (30) days of the notice of mediation, upon written notice, either party may elect to submit the Controversy to binding arbitration conducted in Bloomington, McLean County, Illinois. The parties to this Agreement, by entering into it, are expressly waiving their rights to have any Controversy decided in a court of law and/or equity before a judge or jury, and instead are accepting the use of binding arbitration. Such arbitration shall be governed by the provision of the Commercial Arbitration Rules of the American Arbitration Association, to the extent that such provisions are not inconsistent with the provisions of this Section.

In the event the parties cannot agree upon a single arbitrator within thirty (30) days of the written notice of arbitration above, each party shall choose one (1) arbitrator within fifteen (15) working days after the expiration of such thirty (30) day period and the two (2) arbitrators so chosen shall choose a third arbitrator. If either party refuses or otherwise fails to choose an arbitrator within such fifteen (15) working day period, the requesting party may choose a total of two (2) arbitrators who shall choose the third. If the two (2) arbitrators chosen fail to select the third arbitrator within ten (10) working days after both have been named, each arbitrator shall name three (3) candidates, of whom the other shall decline two (2), and the decision shall be made by drawing lots. The arbitrator(s) chosen shall act as neutral arbitrator(s). In the event of the death, disability or incapacity of any arbitrator, a replacement shall be named pursuant to the process which resulted in the selection of the arbitrator to be replaced.

If the arbitrator(s) or the parties determine, at any stage of the proceedings, that specialized expertise is necessary to fully evaluate and decide the Controversy, a neutral advisor with the experience and qualifications necessary to assist the arbitrator(s) to decide the Controversy may be selected

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provided that the use of an expert neutral advisor is approved by all parties. Once the determination to utilize an expert neutral advisor is made, the arbitrator(s) shall propose such a neutral advisor. Either party may veto the neutral advisor proposed by the arbitrator(s) within five (5) working days of receiving notice of the proposal. Absent such a veto, the neutral advisor proposed by the arbitrator(s) shall be retained. If the neutral advisor proposed by the arbitrator(s) is vetoed by one or both of the parties, the arbitrator(s) shall continue to propose neutral advisors until one is accepted.

The arbitration hearing shall be held within thirty (30) days following appointment of the final arbitrator, unless otherwise agreed to by the parties. If either party refuses or otherwise fails to participate in such an arbitration hearing, such hearing shall proceed and shall be fully effective in accordance with this Section, notwithstanding the absence of such party. The arbitrator(s) shall determine the Controversy in accordance with the laws of the State of Illinois, excluding the conflicts provisions of such law. The arbitrator(s) may abstain from following the strict rules of evidence. The arbitrator(s) may grant any remedy or relief deemed just and equitable in accordance with and pursuant to the terms and conditions of the Engagement Letter and these Standard Terms and condition for Professional Services. The decision of the arbitrator, or a majority of the arbitration panel, shall be final and binding upon the parties with no right to appeal. Judgment may be entered upon the award of the arbitrator(s) in any court of competent jurisdiction. Each party shall assume its own costs, but the compensation and expenses of the arbitrator(s) and any administrative fees or costs shall be borne equally by each party.

This Dispute Resolution process shall be the sole and exclusive means for resolving any Controversy between Pinnacle and Client provided, however, that either party may seek a preliminary injunction, attachments or other provisional judicial relief if such action is necessary to avoid irreparable damage or to preserve the status quo. Despite such action the parties will continue to participate in good faith in this Dispute Resolution process. The initiation of this Dispute Resolution process shall toll the running of the statute of limitations for any cause of action arising from the Controversy. All time limitations contained in the Dispute Resolution sections above, may be altered by mutual agreement of the parties.

16. Attorney's Fees and Venue

If either party seeks judicial relief in respect to this Agreement, then the prevailing party in such action shall be entitled to recover reasonable attorney fees and the costs from the non-prevailing party.

The venue for any action and proceeding between the parties (for an arbitration award, equitable relief or otherwise) shall be solely in the Circuit Court of the Eleventh Judicial Circuit, McLean County, Illinois.

17. Survival and Succession

These Standard Terms and Conditions shall survive the completion or termination of the Project and any related services provided by Pinnacle. Further, these Standard Terms and Conditions, in its entirety, shall inure to the benefit of and be binding on the successors and assigns of the Client and Pinnacle.

18. Hiring Prohibition

Throughout the term of the Project and for a one (1) year period following the completion of the Project, both parties shall be prohibited from hiring any Prohibited Employee of the other party. With respect to Pinnacle, a Prohibited Employee shall be any employee of Pinnacle that has provided services in connection with the Project. With respect to Client, a Prohibited Employee shall be any employee who has had direct contact with any Pinnacle employee or agent in connection with the Project.

19. Entire Agreement

The Engagement Letter and these Standard Terms and Conditions (including all Exhibits and Addendums) constitute the entire agreement between Pinnacle and the Client with respect to the Project and supersedes all prior agreements and understandings, oral and written, related thereto and may not be modified or amended except in writing and signed by both parties.

20. Miscellaneous

- a. Any notices under these Standard Terms and Conditions will be sent by certified or registered mail, return receipt requested, or by facsimile (provided that the sender received electronic confirmation of receipt by recipient) to the addresses specified in the Engagement Letter or such other address as the party specifies in writing. Such notice will be effective upon being sent as specified in this Section.
- b. Except as otherwise set forth in the Engagement Letter, in accepting this engagement, Client acknowledges that completion of this engagement or acceptance of Pinnacle Materials resulting from this engagement will not constitute a basis for Client's assessment of evaluation of internal control over financial reporting and disclosure controls and procedures, or its compliance with its principle officer certification requirements under Section 302 of the Sarbanes-Oxley Act of 2002 ("the Act"). The services under the Engagement Letter shall not be construed to support Client's responsibilities under Section 404 of the Act requiring each annual report filed under Section 13(a) and 15(d) of the Securities Exchange Act of 1934 to contain an internal control report from management.
- c. Pinnacle may communicate with Client by electronic mail or otherwise transmit documents in electronic form during the course of this engagement. Client accepts the inherent risks of these forms of communication (including the security risks of interception of or unauthorized access to such communications, the risks

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of corruption of such communications and the risks of viruses or other harmful devices) and agrees that it may rely only upon the final version of the work product. Such final version may be transmitted either as a hard copy document or by electronic transmission. In the event that client accepts an electronic transmission of the final work product,

the version of such electronic file maintained by Pinnacle shall be conclusively deemed to be the final version of the work product in the event of any discrepancy between the version of such file maintained by Pinnacle and the version maintained by Client.

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

<u>Item Number:</u> 5.	<u>Item Title:</u> Other Business
<u>Presenter (s):</u> Lance Pyle, Chair	

