

enduris
WASHINGTON
2012 ANNUAL REPORT



*25 YEARS
OF EXCELLENCE*

ENDURIS PROFESSIONAL CENTRE

After 25 years of operations, Enduris took ownership of the Enduris Professional Centre.

The Enduris Professional Centre boasts a 2,500 square foot training facility with state of the art audio/visual capabilities. The training facility and other meeting rooms are available for use free of charge by any member or member association.

At the May 15, 2012 open house, Mary Selecky, one of Enduris' first Board Director and currently Washington's Secretary of Health, presented a proclamation signed by Governor Christine O. Gregoire, proclaiming May 15, 2012 as Local Government Risk Pool Day.

We would like to thank the Enduris members, present and past board members, and community members that joined us for the ribbon cutting ceremony.



Enduris Chief Executive Officer and Board Chair at Ribbon Cutting Ceremony
May 15, 2012

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MISSION STATEMENT

To provide
financial protection,
broad coverage,
and risk management services
responsive to members' needs.

CORE VALUES

Membership Focus
Expertise in Government Insurance
Doing What's Right
Making Insurance Uncomplicated
Financial Stability & Predictability



MESSAGE FROM THE CHAIR MICHAEL R. MILLIKIN



IT IS MY PRIVILEGE, as Chair of the Board of Directors, to present the Policy Year 2012 Members' Annual Report. I am pleased to report that Policy Year 2012, the 25th anniversary of the Pool, was another banner year for Enduris.

Success of the Pool is the result of the effort of many people. The Board of Directors, the staff, the members, and professional vendors worked together to ensure that Enduris finished the year in a strong financial position. Driven by its mission to provide members with long-term protection from property and liability loss, the Board of Directors established goals for the policy year for the administration to meet. Staff worked hard to meet these goals and was successful. The membership grew by 14 special purpose districts. Contributions from new members grew by \$321,495. Members' net assets grew by \$1,266,684.

This growth in members, contributions, and net assets are key factors in the financial stability of the Pool.

The membership also contributed to the success of the organization. By managing their risk and avoiding claims, members help the bottom line by reducing the single largest cost to the Pool. In Policy Year 2012, total claims costs were down from 2011. The number of claims fell by 15% and the cost of those claims fell by 11%.

Brokers, actuaries, and auditors also contributed to the success of the Pool by ensuring Enduris obtains the best coverage for its members at the best price, reserves are adequate to ensure financial solvency over the long term, and the Pool is in compliance with laws, regulations, policies, and best practices.

On behalf of the Enduris Board of Directors and staff, we thank you for placing your trust in Enduris as stewards of your assets. Please take a moment to read the enclosed Management's Discussion and Analysis. You can be assured that Enduris is financially and operationally poised for success for the next 25 years and beyond.

A handwritten signature in blue ink, appearing to read "MR Millikin".



MESSAGE FROM THE CEO MARK A. KAMMERS



POLICY YEAR 2012 was a year of milestones for Enduris. What began in 1987 as 2 cities and 2 counties combining their resources to purchase property and liability coverage is today a highly successful group of 477 diverse special purpose districts celebrating the 25th anniversary of the Pool.

In 25 years, Enduris has grown from 4 members representing 2 member types to 477 members representing 22 member types. Total insured value now totals \$2,172,335,031. Net assets have grown from \$110,048 in 1988 to \$12,346,426 in 2012. Pool employees have increased from 4 in 1998 (when Enduris moved from a third party administrator to an employee model) to 14 today.

Enduris is poised, financially and operationally, to add new members. There are currently 1,500 special purpose districts in Washington State

with approximately one-third Enduris members; there are still many more districts to welcome into the fold.

In preparation for the future, the Board concluded in 2009 that it made more financial sense to build a new office building than to continue to lease office space. Economic realities were that the return on investment was greater with owning rather than leasing because of the low rate of return on Enduris' investments (hovering around 1%) in the Spokane County Investment Pool. The building was planned with the future in mind and offers an additional 10,000 square foot wing that will be leased until ready for occupancy by the Enduris administration.

The Enduris building also includes a state of the art training room and conference room that are available for use free of charge by any member or member association. The staff welcomes your presence and will work to make your training experience an excellent one.

Enduris is prepared for what lies ahead. We are excited to begin the next 25 years of service to you, our members and owners of the Pool.

A handwritten signature in blue ink, which appears to read "Mark A. Kammers". The signature is fluid and cursive.



MEMBERSHIP BENEFITS

- Employment Practices Legal Services
- Membership and Loss Control Newsletters
- Municipal Research & Services
Center Partnership (MRSC)
- On-Going Training & Education
 - Live seminars
 - Online classes
 - Online webcasts
 - DVD and book library
- Risk Management & Loss Control Assistance
 - Free legal advice
 - Contract reviews
 - Evidence of coverages
 - Additional insured coverage
 - Local claims adjusting
- Sponsorship & Participation in Association
Conferences
- Ancillary Coverages
 - Marina Operators Legal Liability
 - Railroad Liability Insurance
 - Commercial Airport Insurance
 - Commercial Ocean Marine Cargo
 - Commercial Pollution Liability
 - Notary Bond
 - Miscellaneous Bonds
 - Accident and Health (fire districts)
 - Commercial Difference in
Conditions (excess quake)



Membership Services Coordinator and North Olympic Library System employee reviewing member benefits.
(Member since 1991)



MEMBERSHIP LIST

Aging/Mental Health Districts (10)

Aging & Adult Care of Central Washington
Aging & Long Term Care of Eastern WA
Greater Columbia Behavioral Health
Lewis-Mason-Thurston AAA
N Central WA Regional Support Network
North Sound Regional Support Network
Olympic Area Agency on Aging
Peninsula Regional Support Network
SW WA Council of Govts on Aging
Timberlands Regional Support Network

Clean Air Agencies (7)

Benton Clean Air Agency
Northwest Clean Air Agency
Olympic Region Clean Air Agency
Puget Sound Clean Air Agency
Southwest Clean Air Agency
Spokane Regional Clean Air Agency
Yakima Regional Clean Air Agency

Cemetery Districts (17)

Chelan County Cemetery District #4
Clark County Cemetery District #4
Clark County Cemetery District #6
Colfax Cemetery District #6
Cowlitz County Cemetery District #2
Cowlitz County Cemetery District #3
Cowlitz County Cemetery District #6
Garfield Cemetery District #2

King County Cemetery District #1
Lewis County Cemetery District #1
Pend Oreille Cemetery District #1
San Juan Cemetery District #3
Skagit Co Cemetery District #1
Skamania County Cemetery District #1
Thurston County Cemetery District #2
Whatcom County Cemetery District #6
Whatcom County Cemetery District #10

Conservation Districts (47)

Adams Conservation District
Asotin County Conservation District
Benton Conservation District
Cascadia Conservation District
Central Klickitat Conservation District
Clallam Conservation District
Clark Conservation District
Columbia Conservation District
Cowlitz Conservation District
Eastern Klickitat Conservation District
Ferry Conservation District
Foster Creek Conservation District
Franklin Conservation District
Grant Conservation District
Grays Harbor Conservation District
Jefferson County Conservation District
King Conservation District
Kitsap Conservation District
Kittitas County Conservation District

Lewis County Conservation District
Lincoln County Conservation District
Mason Conservation District
Moses Lake Conservation District
North Yakima Conservation District
Okanogan Conservation District
Pacific Conservation District
Palouse Conservation District
Palouse-Rock Lake Conservation District
Pend Oreille Conservation District
Pierce Conservation District
Pine Creek Conservation District
Pomeroy Conservation District
San Juan Islands Conservation District
Skagit Conservation District
Snohomish Conservation District
South Douglas Conservation District
South Yakima Conservation District
Spokane Conservation District
Stevens County Conservation District
Thurston Conservation District
Underwood Conservation District
Wahkiakum County Conservation District
Walla Walla County Conservation
Warden Conservation District
Whatcom Conservation District
Whidbey Island Conservation District
Whitman Conservation District

Diking & Drainage Districts (22)

Bertrand Watershed Improvement District
Clark County Diking District #14
Island County Diking District #1
King County Drainage District #1

King County Drainage District #7
Lewis County Flood District #1
Marshland Flood Control District
North Lynden Watershed Improvement Dist
Pacific County Drainage District #1
Port Ludlow Drainage District
Silver Lake Flood Control District
Skagit Co Consolidated Diking Dist #22
Skagit Co Drainage/Irrigation Dist #15
Skagit County Dike District #17
Skagit County Drainage District #19
Snohomish Co Drainage & Imp District #13
Snohomish County Diking District #1
Stillaguamish Flood Control District
Thurston Co Chambers Ditch District #3
Whatcom Co Flood Control Zone District
Yakima Co Drainage Improvement Dist #11
Yakima Co Drainage Improvement Dist #28

Fire Districts (116)

Adams County FPD #6
Asotin County FPD #1
Benton County FPD #1
Benton County FPD #2
Benton County FPD #4
Benton County FPD #5
Benton County FPD #6
Chelan County FPD #6
Chelan County FPD #8
Chelan County FPD #9
Chelan County FPD #10
Clallam County FPD #1
Clallam County FPD #4
Clallam County FPD #5

SOLVENCY

One could say health districts are the bedrock of the Pool. Although Enduris began with two cities and two counties, the state's health districts were approved by the Board as a new member type and began placing their trust in the Pool in 1989. Over the years, the health districts have contributed to the financial health and long term stability of Enduris. Today, all 10 health districts in Washington belong to Enduris and contribute 9% of the total annual premium.



Lloyd "Torney" Smith, Administrator, Spokane Regional Health District
(Member since 1989)



MEMBERSHIP LIST *CONTINUED*

Clark County FPD #3
Clark County FPD #13
Cowlitz County FPD #1
Cowlitz County FPD #6
Cowlitz County-Lewis County FPD #20
Cowlitz-Skamania FPD #7
Darrington Fire District #24
Douglas County FPD #3
Douglas County FPD #4
Douglas Okanogan County FPD #15
Ferry Co #3/Stevens Co #8 Joint FPD
Ferry County EMS District #1
Franklin County FPD #3
Grant County FPD #7
Grant County FPD #8
Grant County FPD #10
Grant County FPD #11
Grant County FPD #12
Grays Harbor County FPD #10
Grays Harbor County FPD #12
Grays Harbor County FPD #17
Grays Harbor/Pacific County FPD #15
King County FPD #45
Kittitas County FPD #7
Klickitat County FPD #1
Klickitat County FPD #3
Klickitat County FPD #4
Klickitat County FPD #11
Klickitat County FPD #13
Klickitat County FPD #14

Lake Stevens Fire
Lewis County FPD #2
Lewis County FPD #5
Lewis County FPD #8
Lewis County FPD #13
Lincoln County FPD #6
Lincoln-Adams County FPD #3
Mason County FPD #1
Mason County FPD #11
Mason County FPD #6
North Country Emergency Medical Service
Okanogan County FPD #2
Okanogan County FPD #7
Okanogan County FPD #8
Okanogan County FPD #10
Okanogan County FPD #11
Okanogan County FPD #12
Okanogan County Rural FPD #6
Pacific County FPD #1
Pacific County FPD #2
Pacific County FPD #4
Pacific County FPD #6
Pend Oreille County FPD #2
Pend Oreille County FPD #4
Pend Oreille County FPD #6
Pend Oreille County FPD #8
Pierce County FPD #18
Pierce County FPD #27
San Juan County FPD #4
Skagit County FPD #4

Skagit County FPD #5
Skagit County FPD #6
Skagit County FPD #7
Skagit County FPD #9
Skagit County FPD #12
Skagit County FPD #13
Skagit County FPD #14
Skagit County FPD #15
Skagit County FPD #16
Skagit County FPD #17
Skamania County FPD #5
Skamania County FPD #6
Snohomish County FPD #25
South Bay Fire Department
South King Fire & Rescue
South Pend Oreille Fire & Rescue
South Whidbey Fire & EMS
Spokane County FPD #2
Spokane County FPD #3
Spokane County FPD #5
Spokane County FPD #10
Spokane County FPD #12
Spokane County FPD #13
Stevens County FPD #1
Stevens County FPD #2
Stevens County FPD #5
Stevens County FPD #9
Stevens County FPD #11
Thurston County FPD #5
Thurston County FPD #9
Tonasket EMS District
Vashon Island Fire & Rescue
Wahkiakum County FPD #2
Whatcom County FPD #11

Whitman County FPD #5
Whitman County FPD #7
Whitman County FPD #10
Whitman County FPD #12
Whitman County FPD #14
Yakima County FPD #7
Yakima County FPD #9

Health Districts (10)

Asotin County Health District
Benton Franklin Health District
Chelan-Douglas Health District
Grant County Health District
Kitsap Public Health District
Northeast Tri County Health District
Okanogan County Public Health
Snohomish Health District
Spokane Regional Health District
Yakima County Health District

Irrigation/Reclamation Districts (42)

Agnew Irrigation District
Ahtanum Irrigation District
Alta Vista Irrigation District
Badger Mountain Irrigation District
Benton Irrigation District
Brewster Flat Irrigation District
Bridgeport Irrigation District #1
Carnhope Irrigation District #7
Cascade Irrigation District
Chelan Falls Irrigation District
Chelan River Irrigation District
Cline Irrigation District



PURCHASING POWER

In 2004, Lynnwood Public Facilities District was one of the first public facility districts (PFDs) to join Enduris. Since then, 13 other PFDs have joined the Pool. The PFDs bring significant property values that further strengthen purchasing power. Enduris' total insured value is over \$2 billion with PFDs contributing 21% of the total. This gives Enduris economies of scale and is a major reason for affordable and competitive property rates that benefit all members.



MEMBERSHIP LIST *CONTINUED*

Columbia Irrigation District
Dungeness Irrigation District
Eastside/Westside Irrigation District
Entiat Irrigation District
Greater Wenatchee Irrigation District
Helensdale Irrigation District
Highland Irrigation District
Hutchinson Irrigation District #16
Icicle Irrigation District
Isenhart Irrigation District
Kiona Irrigation District
Lake Chelan Reclamation District
Methow Valley Irrigation District
Methow-Okanogan Reclamation District
Model Irrigation District #18
Okanogan Irrigation District
Oroville Tonasket Irrigation District
Peshastin Irrigation District
Selah and Moxee Irrigation District
Terrace Heights Irrigation District
Union Gap Irrigation District
Wells Ranch Irrigation District
Wenas Irrigation District
Wenatchee Heights Reclamation District
Wenatchee Reclamation District
Wenatchee-Chiwawa Irrigation District
Whitestone Reclamation District
Wolf Creek Reclamation District
Yakima Reservation Irrigation District
Zillah Irrigation District

Library Districts (10)

Asotin County Library
Columbia County Rural Library District
King County Law Library
La Conner Regional Library
Lopez Island Library District
North Olympic Library System
Stevens County Rural Library District
Upper Skagit Library District
Walla Walla Co Rural Library District
Whitman County Rural Library District

Miscellaneous Districts (13)

Benton-Franklin Council of Governments
Franklin County Emergency Management
Grant County Hospital District #7
Island Co Emergency Services Comm Ctr
King County Ferry District
Kittcom
Lower Columbia Fish Recovery Board
Pend Oreille Co Hospital District #2
Public Hospital Dist #2 Snohomish County
Spokane Regional Transportation Council
Walla Walla Watershed Mgmt Partnership
Wenatchee Valley Transportation Council
Whatcom Council of Governments

Mosquito Control Districts (13)

Adams County Mosquito Control District
Benton County Mosquito Control Dist #1

Camano Island Mosquito Control Dist #1
Clark County Mosquito Control District
Columbia Mosquito Control District
Cowlitz County Mosquito Control District
Franklin County Mosquito Control
Grant County Mosquito Control Dist #1
Grant County Mosquito Control Dist #2
Leavenworth Mosquito Control District
Skamania County Mosquito Control Dist
Touchet-Lowden Mosquito Control District
Yakima County Mosquito Control Dist #1

Park and Recreation Districts (30)

Adams County Park & Rec Board #2
Adams County Park & Recreation Dist #4
Adams County Park District #1
Adams County Parks & Recreation Dist #3
Anderson Island Park & Recreation Dist
Bainbridge Island Metro Park & Rec Dist
Central Klickitat County Park & Rec
Clallam County Park & Recreation Dist #1
Coulee Area Parks and Recreation Dist
East County Park & Recreation District
Eastmont Metropolitan Park District
Fall City Metropolitan Park District
Fidalgo Pool & Fitness Center District
Key Peninsula Metropolitan Park District
Lincoln Co Park & Recreation District #2
Lincoln Co Park & Recreation District #3
Manson Park & Recreation District
Naches Park & Recreation District
North Whidbey Park & Recreation District
Northwest Park & Recreation District #2
Oakesdale Park & Recreation District #4

Orcas Island Park & Recreation District
Peninsula Metropolitan Park District
Quillayute Valley Park & Recreation Dist
San Juan Island Park & Recreation Dist
South Whidbey Park & Recreation District
Tekoa Park & Recreation District #6
Upper Valley Park & Rec Service Area
Vashon-Maury Island P&R District
Village Green Metropolitan Park District

Port Districts (56)

Grant County Port District #4
Grant County Port District #5
Grant County Port District #6
Grant County Port District #7
Grays Harbor Historical Seaport Auth
Klickitat County Port District
Pangborn Memorial Airport
Port District of South Whidbey Island
Port of Allyn
Port of Brownsville
Port of Camas-Washougal
Port of Centralia
Port of Chehalis
Port of Chehalis
Port of Chelan County
Port of Chinook
Port of Clarkston
Port of Columbia
Port of Coupeville
Port of Dewatto
Port of Douglas County
Port of Edmonds
Port of Eglon
Port of Ephrata



DIVERSITY

The spread of risk through diversity in member types is a key component of Enduris' long-term success. The Pool is composed of 22 member types located throughout all 39 of Washington's counties. This diversification in geography and member type limits the Pools' exposure to any one significant event or to claims that may be unique to a particular member type. Also, small budget districts with little risk exposures help balance the exposures the larger members bring to the Pool. Conversely, the larger members add to Enduris' massive purchasing power that benefits the entire membership.

Water and sewer districts are important to the make-up of Enduris. With 30% of the market share, member water and sewer districts have grown from 0 to 54 since 1990. Enduris members realize that spreading risks across a diverse membership base is an investment in long-term solvency.



MEMBERSHIP LIST *CONTINUED*

Port of Friday Harbor
Port of Garfield
Port of Grandview
Port of Grapeview
Port of Hoodspout
Port of Illahee
Port of Ilwaco
Port of Indianola
Port of Kingston
Port of Lopez
Port of Manchester
Port of Mattawa
Port of Olympia
Port of Orcas
Port of Othello
Port of Pend Oreille
Port of Peninsula
Port of Port Townsend
Port of Poulsbo
Port of Ridgeland
Port of Royal Slope
Port of Shelton
Port of Silverdale
Port of Skagit County
Port of Skamania County
Port of Tracyton
Port of Waterman
Port of Whitman County
Port of Willapa Harbor
Port of Woodland

Wahkiakum County Port District #1
Wahkiakum County Port District #2
Warden Port District #8

Public Development Authorities (7)

4Culture
East Lewis County PDA
Foss Waterway Development Authority
Grays Harbor Public Development Auth
Odessa Public Development Authority
Port Townsend Public Development Auth
Republic Public Development Authority

Public Facilities Districts (15)

Capital Area Regional PFD
City of Kent Special Events Ctr PFD
Clark County Public Facilities District
Cowlitz County Public Facilities Dist
Edmonds Public Facilities District
Everett Public Facilities District
Grays Harbor Co Public Facilities Dist
Greater Wenatchee Regional Events PFD
Kitsap Public Facilities District
Lewis County Public Facilities District
Lynnwood Public Facilities District
Richland Public Facilities District
Skagit County Regional PFD
Snohomish County Public Facilities Dist
Spokane Public Facilities District

Water and Sewer Districts (53)

Admiral's Cove Water District
Ashford Water District
Bayview Beach Water District
Blalock Orchards Water District #12
Cascade Valley Water District
Chelan Falls Water District
Chinook Water District
Clear Lake Water District
Crockett Lake Water District
Crystal Mountain Sewer District
Diamond Lake Water & Sewer District
East Wenatchee Water District
Four Lakes Water District
Freeland Water District
Grays Harbor County Water District #1
Hangman Hills Water District #15
Highland Water District
Highline Water District
Hydro Irrigation District #9
Kapowsin Water District
King County Water District #111
Kittitas County Water District #4
Kittitas County Water District #6
Lagoon Point Water District
Lake Chelan Sewer District
Lake Stevens Sewer District
Lewis County Water Sewer District #6
Liberty Lake Sewer and Water District
Loon Lake Sewer District #4
Manchester Water District
McKenna Water District
Midway Sewer District
Mukilteo Water & Wastewater District

North Beach Water District
Penn Cove Water & Sewer District
Sacheen Lake Sewer & Water District
Samish Water District
Scatchet Head Water District
Seaview Sewer District
Shoreline Water District
Silverdale Water District #16
Soos Creek Water & Sewer District
Southwest Suburban Sewer District
Stevens Pass Sewer District
Strathview Water District #16
SunLand Water District
Swantown Water District
Tri-City Estates Water District #45
Valley View Sewer District
Vel View Water District #13
Vera Water and Power
Whatcom County Water District #13
Willapa Valley Water District

Weed Districts (9)

Adams County Noxious Weed Board
Adams County Weed District #1
Intercounty Weed District #51
Intercounty Weed District #52
Kittitas County Weed District #5
Lincoln County Noxious Weed Ctrl Board
Spokane County Noxious Weed Board
Weed District #1 of Grant County
Weed District #3 of Grant County

FOCUS ON MEMBERS' NEEDS

Washington ports began to realize the financial savings and valuable benefits of Enduris in 1990 when the Port of Grandview became Enduris' first port district member. Over the years, the number of ports in the Pool has grown steadily. Today, 70% or 57 of all Washington ports are members of the Pool. seventy-five percent of these members have continued membership for over ten years.

Port districts have unique risks covered by policies such as Marina Operators Liability, Airport Liability, Pollution Liability, and others. Although these policies are not part of Enduris' Memorandum of Coverage, our strength in purchasing power allows Enduris to collaborate with the excess market to offer multi-line products based on members' needs.



Kim Noah, Finance Director and Auditor, Port of Camas-Washougal
(Member since 2008)

BOARD OF DIRECTORS



**Michael R.
Millikin**

Chair
Lewis County Water
Sewer District #6



**Noel
Hardin**

Vice Chair
Asotin County
FPD #1



**Dick
Gormley**

Secretary / Treasurer
Chelan County
FPD #6



**Kim
Bedier**

Director
Everett Public
Facilities District



**Vicki
Carter**

Director
Spokane
Conservation
District



**Mark A.
Kammers**

Chief Executive
Officer



**Rick
Mockler**

Director
Benton/Franklin
Health District



**Jeri
Sevier**

Director
Port of Olympia



MEMBERSHIP FOCUS

Simply put, we are member driven. We recognize that putting the membership first is our foundation for success. We frequently solicit feedback, listen to members' needs and implement corresponding changes by conducting a five-year membership satisfaction

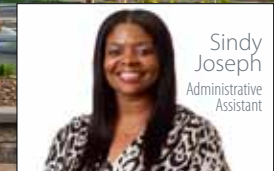
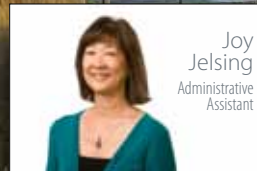
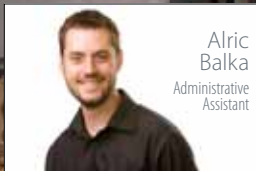
survey and a claims satisfaction survey after every claim is closed.

We support the members and their associations. In Policy Year 2012, we attended and sponsored 23 different conferences, offered more than 90 training seminars, and provided 2,000 licenses to online training courses, at no cost to the members. Staff responded and assisted in over

200 loss control requests including contract review, secured coverage for special events, and managed the renewal of 93 members' ancillary policies.

Like the membership, Enduris is a public entity. We understand your business because we're in your business.

STAFF



STRENGTH IN NUMBERS

Leading the Pool as largest member type by number are fire protection districts (FPDs). Enduris has grown from 20 FPDs to 116 since 1990. Cowlitz County FPD #6 was one of the first FPDs to join in 1990.

Although there are more fire district members than other member types, they remain the largest growth prospect and are the fastest growing member type for Enduris. New districts recognize the value in low, stable rates, and coverage specific to their industry.

Other benefits include:

- Accident and health policy

- Low deductible options

- Criminal liability coverage for “red-carded” endorsed responders

- Fire and EMS training support

- Local state management in coverage determination and claim handling

- Employment liability assistance

- Broader coverage at a lower cost



Mike Harris, Deputy Chief, Benton County FPD #1
(Member since 2010)



ENDURIS
WASHINGTON

1610 S. Technology Blvd.
Spokane, WA 99224

1-800-462-8418

www.enduris.us

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Management's Discussion & Analysis

Financial Statements

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE FISCAL YEAR ENDED AUGUST 31, 2012

**Enduris' financial statements are audited on an annual basis by the Washington State Auditor's Office. Due to the timing of the audit, the financial statements presented for the fiscal year ended August 31, 2012 have not been audited and are subject to change. Upon completion of the audit and issuance of the audit report, the comprehensive annual financial report (CAFR) will be available on the Enduris website or by contacting the Enduris office.*

Statement of cash flows, note disclosures, and required supplementary information are not included with the financial statements presented in conjunction with this MD & A. Please reference the CAFR for the complete financial report.

Enduris' management presents this narrative overview and analysis (MD & A) of the financial activities of Enduris for the fiscal year ended August 31, 2012. We encourage the use of this discussion and analysis in conjunction with Enduris' Comparative Balance Sheet and Comparative Statement of Revenues, Expenses, and Changes in Fund Net Position included in this report.

HIGHLIGHTS

- Enduris' overall financial position improved during Fiscal Year (FY) 2012. Net position increased by \$1,266,684 to \$12,346,426. This change represents an 11.4% increase in net position from prior year.
- Enduris continues to meet the solvency standards established by Washington Administrative Code (WAC) 200-100-03001.
- Enduris outperformed compared to budget. Total revenues were 3.2% over budgeted revenues. In total, expenses were 7.3% under budget. Enduris contributed 14.6% of revenue to net position. It is Board policy to allocate a minimum of 5% of contribution revenue to net position annually.
- Enduris is funded in excess of the 97% confidence level.
- Construction of the new office building was completed in FY 2012.
- Fourteen new members joined Enduris during FY 2012 for a total membership of 477.

FINANCIAL STATEMENT OVERVIEW

Enduris reports its activities as an enterprise fund. An enterprise fund is a proprietary fund, and as such uses full accrual accounting for its activities. Revenues are recognized when earned, and expenses are recognized when incurred. Enduris is not legally required to formally adopt a budget; however, it does so in order to monitor revenues and expenses and for rate setting purposes.

This MD & A is presented with two of Enduris' financial statements: Comparative Balance Sheet and Comparative Statement of Revenues, Expenses and Changes in Fund Net Position. The Comparative Balance Sheet presents information on the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of Enduris on August 31, the fiscal year end. Net position is equal to assets and deferred outflows of resources minus liabilities and deferred inflows of resources. The increases or decreases in net position over time may be a useful indicator in determining if the financial position of Enduris is improving or deteriorating. The Comparative Statement of Revenues, Expenses and Changes in Fund Net Position presents information on the change in net position (revenues minus expenses) for the fiscal year. Whereas, the Balance Sheet is a snap shot of the financial position of Enduris on August 31, the Statement of Revenues, Expenses, and Changes in Fund Net Position presents the activities of Enduris for the entire fiscal year September 1 through August 31.

FINANCIAL ANALYSIS

	<u>NET POSITION</u>		
	2012*	2011	2010
Current Assets	\$ 21,520,091	\$ 22,076,901	\$ 22,942,873
Capital Assets	5,666,691	3,837,285	993,812
Other Non Current Assets	<u>1,549,355</u>	<u>1,411,694</u>	<u>1,432,762</u>
Total Assets	\$ 28,736,137	\$ 27,325,880	\$ 25,369,447
Current Liabilities	\$ 11,279,583	\$ 11,005,130	\$ 10,065,073
Non Current Liabilities	<u>5,110,128</u>	<u>5,241,008</u>	<u>4,965,404</u>
Total Liabilities	\$ 16,389,711	\$ 16,246,138	\$ 15,030,477
Net Investment in Capital Assets	\$ 5,666,691	\$ 3,837,285	\$ 993,812
Unrestricted Net Position	<u>6,679,735</u>	<u>7,242,457</u>	<u>9,345,158</u>
Total Net Position	\$ 12,346,426	\$ 11,079,742	\$ 10,338,970

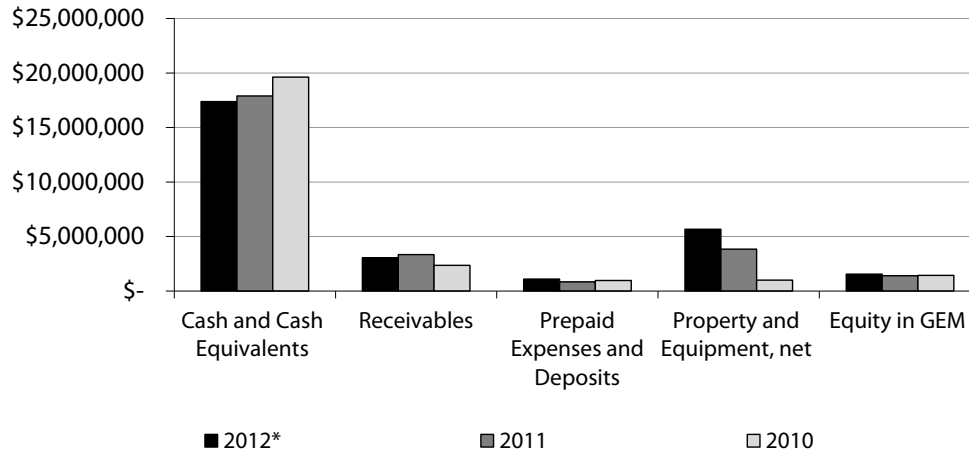
Assets –

Assets of Enduris increased 5.2% during FY 2012 and 7.7% during FY 2011. Cash and cash equivalents decreased slightly from FY 2011. FY 2011 cash and cash equivalents decreased from prior year due to payments for claims and construction cost as well as a decrease in cash received from member contributions. For FY 2012, cash from member contributions increased as compared to FY 2011 and construction costs remained constant while claim payments decreased. However, payments for excess/reinsurance premiums increased, as did payments for general and administrative expenses.

Excess and reinsurance recoverables decreased from FY 2011 due to the receipt of a large recoverable due from Enduris' reinsurer on a property claim.

Construction of Enduris' new building was completed in FY 2012 and the office was officially moved to the new building January 2012. Land and building costs were estimated at \$5,247,000. Final costs were 4.6% over estimated costs due to change orders.

ASSET MIX

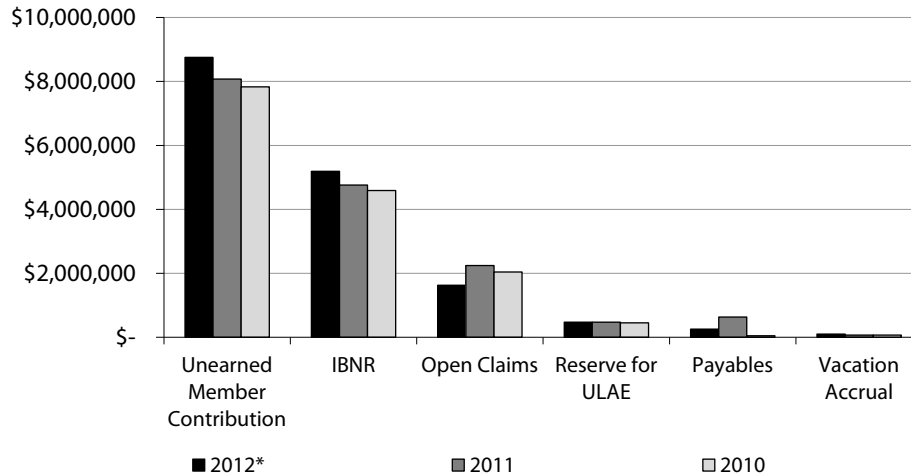


Liabilities –

In total, liabilities of Enduris were stable from FY 2011 to FY 2012. Liabilities increased 8.1% from FY 2010 to FY 2011. The primary liabilities are claim reserves (open claims, IBNR, and ULAE) and unearned member contributions. FY 2012 claim reserves decreased 2.7% from FY 2011. FY 2011 claim reserves increased 5.5% over FY 2010. The estimate for future claim costs (claim reserves) is based on various complex factors, and as such will vary. Claim reserves are evaluated biannually by the actuary, PricewaterhouseCoopers LLC (PwC).

Unearned member contributions are 2013 renewal billings that will be earned and recognized in FY 2013. FY 2012 accounts payable decreased due to payment of construction costs accrued at FY 2011 year end. Enduris has no long-term debt.

LIABILITY MIX



Net Position -

Assets exceeded liabilities by \$12,346,426 of which, \$6,679,735 is unrestricted and \$5,666,691 is invested in capital assets.

CHANGES IN NET POSITION

	2012*	2011	2010
Operating Revenues:			
Member Contributions/Assessments	\$ 8,403,104	\$ 7,998,344	\$ 7,851,830
Total Operating Revenue	\$ 8,403,104	\$ 7,998,344	\$ 7,851,830
Non Operating Revenues (Expenses):			
Interest Income	161,513	214,050	236,452
Change in Equity in GEM	137,661	(21,068)	221,189
Gain on Disposal of Equipment			3,018
Total Non Operating Revenue	\$ 299,174	\$ 192,982	\$ 460,659
Total Revenue	\$ 8,702,278	\$ 8,191,326	\$ 8,312,489
Operating Expenses:			
Incurred Loss and Allocated Loss			
Adjustment Expenses:			
Claims Paid, net of recoveries	\$ 3,231,648	\$ 3,065,756	\$ 1,841,042
Change in Liabilities for unpaid claims	(185,614)	370,516	365,763
Unallocated Loss Adjustment Expenses:			
Change in ULAE Reserve	-	20,000	25,000
Excess/Reinsurance Premiums	1,844,113	1,707,444	1,850,798

Insurance Services:			
Brokerage Fee	135,000	135,000	135,000
Actuarial Services	31,300	31,300	29,300
General & Administrative	634,042	425,282	405,908
Contracted Services	321,403	299,446	192,475
Payroll	1,385,563	1,390,043	1,256,598
Depreciation	<u>38,140</u>	<u>5,767</u>	<u>8,125</u>
Total Operating Expenses	<u>\$ 7,435,594</u>	<u>\$ 7,450,554</u>	<u>\$ 6,110,009</u>
Total Expenses	\$ 7,435,594	\$ 7,450,554	\$ 6,110,009
Change in Net Position	\$ 1,266,684	\$ 740,772	\$ 2,202,480
Ending Net Position	\$12,346,426	\$ 11,079,742	\$ 10,338,970

Revenues –

Operating revenue is generated from member contributions. FY 2012 member contribution revenue increased 5.1% over FY 2011. A significant portion of the increase in member contribution revenue for FY 2012 is attributed to new members. Also, a factor in the increase in member contributions was an inflationary 2% increase in both property and liability rates, as well as a 2% Marshall Swift adjustment to insured property values. Member contribution rates were flat from FY 2010 to FY 2011 resulting in member contribution revenue being relatively stable from FY 2010 to FY 2011.

Non operating revenue is interest earned on excess cash invested with the Spokane County Investment Pool (SCIP) and the change in Enduris' equity in Government Entities Mutual (GEM). FY 2012 non operating revenue increased 55.0% over FY 2011. This large increase is due to the change in Enduris' equity in GEM. GEM is a member owned reinsurer. As a member of GEM, member entities share in the income and losses of the reinsurer. Enduris' share of the net income of GEM is \$137,661 for FY 2012. During FY 2011, GEM incurred a loss. Interest rates earned on funds invested with SCIP continue to hover around 1%. For the fiscal years 2012, 2011 and 2010, interest rates were 1.091%, 1.002% and 1.499% at year end respectively.

Expenses –

In total, FY 2012 operating expenses remained stable as compared to FY 2011 which had increased 21.9% over FY 2010. Claim expense, which had increased significantly in FY 2011, decreased 11.4% in FY 2012. The economy, as well as growth in membership and an increase in self-insured retention, continues to play a crucial role in claim expense. The estimate for claim reserves is evaluated biannually by PwC and any adjustments are charged or credited to claim expense in the current year.

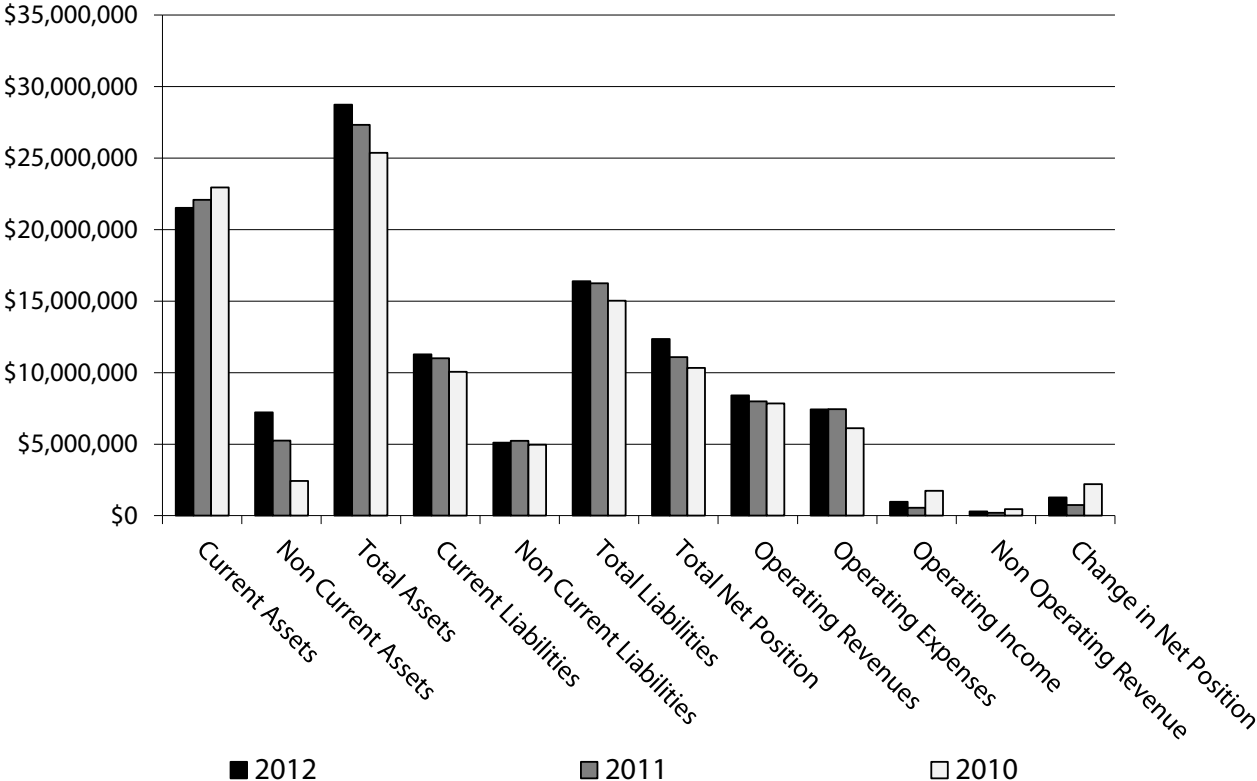
In total, FY 2012 excess insurance premiums increased 8.0% over FY 2011. Excess insurance premiums decreased 7.8% FY 2010 to FY 2011. Liability excess insurance premiums were stable from FY 2011 to FY 2012. The stability is attributed to maintaining the same liability excess insurance premium rate for FY 2012 and FY 2011. As in FY 2011, in FY 2012 market conditions, good loss history and self-insured retention played a major role in liability excess insurance premiums. Property excess insurance premiums increased 14.5% over FY 2011 premiums. An 8.1% increase in total insured values, as well as a small rate increase attributed to the increase in property excess insurance premiums. Loss history and market conditions were factors in the rate increase. For FY 2011, market conditions were favorable resulting in a rate decrease.

General and administrative expenses increased 49.1% over FY 2011 after relative stability for the prior two years. While the new office building reduced rent expense, Enduris incurred increased utilities and maintenance costs associated with the new building. Additionally, furnishings for the building were purchased during FY 2012.

Contracted services increased 7.3% over FY 2011. FY 2011 contracted services increased 55.6% over FY 2010. Increases in contracted services continue to be attributed to increases in pre-defense costs. The pre-defense program is designed to help mitigate and/or avoid a claim or lawsuit.

Payroll expenses were flat FY 2011 to FY 2012. Merit increases as well as severance expenses resulted in increased payroll expenses for FY 2011. For FY 2012, Enduris was down an employee for over half of the year.

COMPARATIVE FINANCIAL DATA



COMPARATIVE BALANCE SHEET

August 31, 2012 and 2011

	2012*	2011
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 17,374,686	\$ 17,895,677
Receivables:		
Member Contributions/Assessments	2,760,711	2,835,700
Accrued Copays/Deductible	108,058	99,060
Accrued Excess/Reinsurance	175,207	405,912
Prepaid Insurance	1,101,429	831,612
Prepaid Expenses	<u>-</u>	<u>8,939</u>
Total Current Assets	<u>\$ 21,520,091</u>	<u>\$ 22,076,901</u>
Non Current Assets		
Property and Equipment:		
Land	\$ 1,319,260	\$ 1,244,252
Other Capital Assets	28,041	
Work in Progress - Office Building		2,558,759
Office Building, net of accumulated depreciation	3,660,563	
Land Improvements, net of accumulated depreciation	478,317	
Equipment, net of accumulated depreciation	180,510	34,274
Equity in GEM	<u>1,549,355</u>	<u>1,411,694</u>
Total Non Current Assets	<u>\$ 7,216,046</u>	<u>\$ 5,248,979</u>
TOTAL ASSETS	<u>\$ 28,736,137</u>	<u>\$ 27,325,880</u>

LIABILITIES & NET POSITION

Current Liabilities

Accounts Payable	\$ 66,294	\$ 514,011
Retainage Payable	187,961	117,322
Payroll/Payroll Taxes Payable	839	665
Accrued Vacation Payable	89,119	56,117
Unearned Member Contributions/Assessments	8,749,830	8,075,791
Claim Reserves:		
IBNR	1,556,355	1,427,716
Open Claims	488,185	672,508
Unallocated Loss Adjustment Expenses	<u>141,000</u>	<u>141,000</u>
Total Current Liabilities	<u>\$ 11,279,583</u>	<u>\$ 11,005,130</u>

Non Current Liabilities

Accrued Vacation Payable	\$ 10,535	\$ 11,485
Claim Reserves:		
IBNR	3,631,495	3,331,338
Open Claims	1,139,098	1,569,185
Unallocated Loss Adjustment Expenses	<u>329,000</u>	<u>329,000</u>
Total Non Current Liabilities	<u>\$ 5,110,128</u>	<u>\$ 5,241,008</u>
Total Liabilities	<u>\$ 16,389,711</u>	<u>\$ 16,246,138</u>

Net Position

Net Investment in Capital Assets	\$ 5,666,691	\$ 3,837,285
Unrestricted	<u>6,679,735</u>	<u>7,242,457</u>
Total Net Position	<u>\$ 12,346,426</u>	<u>\$ 11,079,742</u>
TOTAL NET POSITION & LIABILITIES	<u>\$ 28,736,137</u>	<u>\$ 27,325,880</u>

COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION

For the fiscal years ended August 31, 2012 and 2011

	2012*	2011
OPERATING REVENUES:		
Member Contributions/Assessments	\$ 8,403,104	\$ 7,998,344
TOTAL OPERATING REVENUES	<u>\$ 8,403,104</u>	<u>\$ 7,998,344</u>
OPERATING EXPENSES:		
Incurred Loss and Allocated Loss Adjustment Expenses:		
Claims Paid, net of recoveries	\$ 3,231,648	\$ 3,065,756
Change in Liabilities for unpaid claims	(185,614)	370,516
Unallocated Loss Adjustment Expenses:		
Change in ULAE Reserve	-	20,000
Excess Insurance Premiums	1,844,113	1,707,444
Insurance Services:		
Brokerage Fee	135,000	135,000
Actuarial Services	31,300	31,300
General and Administrative	634,042	425,282
Contracted Services	321,403	299,446
Payroll Expense	1,385,563	1,390,043
Depreciation	38,140	5,767
TOTAL OPERATING EXPENSES	<u>\$ 7,435,594</u>	<u>\$ 7,450,554</u>
OPERATING INCOME	<u>\$ 967,510</u>	<u>\$ 547,790</u>

NON OPERATING REVENUES (EXPENSES):

Interest and Investment Income	\$ 161,513	\$ 214,050
Change in Equity in GEM	137,661	(21,068)
Gain on Disposal of Equipment	-	-
TOTAL NON OPERATING REVENUES and EXPENSES	<u>\$ 299,174</u>	<u>\$ 192,982</u>
CHANGE IN NET POSITION	<u>\$ 1,266,684</u>	<u>\$ 740,772</u>
NET POSITION, beginning of year September 1	<u>\$ 11,079,742</u>	<u>\$ 10,338,970</u>
NET POSITION, end of year August 31	<u>\$ 12,346,426</u>	<u>\$ 11,079,742</u>

FINANCIAL CONTACT

Questions concerning the information provided in the discussion and analysis and Enduris' financial statements or requests for additional information, should be addressed to:

Enduris
Mark A. Kammers, Chief Executive Officer
P.O. Box 19330
Spokane, WA 99219-9330
509-838-0910
800-462-8418

