



**Enduris
Board of Directors Meeting**

August 17, 2017

Enduris Office
1610 S. Technology Boulevard, Spokane, WA 99224

Call to Order: Kim Bedier, Chair, called the meeting to order at 8:31 a.m.

ROLL CALL

Board Members Present: Kim Bedier, Chair; Greg Brizendine, Secretary/Treasurer; Vicki Carter, Board Member; André Fresco, Board Member; Patsy Martin, Board Member; and Mark A. Kammers, Executive Director. Noel Hardin and Jeri Sevier were excused.

Others Present: Cheryl Duryea, Enduris General Counsel; Rafaela Ortiz, Enduris Chief Operating Officer; Sheryl Brandt, Enduris Chief Risk Officer; and Joy Jelsing, Enduris Administrative Assistant.

ADOPT AGENDA

Mr. Kammers made a recommendation to add "*rating consultant*" to Discussion/Action Items.

FRESCO/MARTIN moved to adopt the revised agenda as recommended. Motion carried.

ELECTION – COUNTING OF BALLOTS

Board Policy GC-3.15 states that the Board will ratify the annual Board election results.

Ms. Sevier was absent so Ms. Martin filled in as Chair of the Board Development Committee and delivered the Board of Directors' election ballots to Ms. Scharff, Enduris' Director of Finance. In accordance with WAC 200-100-02023, Ms. Scharff, along with Suzanne Heath, Financial Services Coordinator, opened and counted the ballots, and tabulated the results, which were reported later in the meeting. The physical ballots are on file at the Enduris office.

BOARD CONSENT AGENDA

Board Policy GC-2.6 states that the Board will use a Consent Agenda as a means to expedite the disposition of routine matters and to dispose of other items of business it chooses not to discuss. All administrative matters delegated to the CEO that are required to be approved by the Board will be acted upon by the Board via the Consent Agenda. An item may be removed from the Consent Agenda upon approval by a majority of the Board.

Board Consent Agenda

Meeting Minutes – May 25, 2017

MARTIN/BRIZENDINE moved to approve all items on the Board Consent Agenda. Motion carried.

CEO Consent Agenda

Vouchers

- May 2017
- June 2017
- July 2017

CARTER/FRESCO moved to approve the CEO Consent Agenda. Motion carried.

CEO REPORT

Board Policy OE-8 states that the CEO shall assure that the Board is fully and adequately informed about matters relating to Board work and significant organizational concern.

Office Building Update

Mr. Kammers reported that the party who was interested in the vacant office space he mentioned at the May meeting, might still have an interest. Otherwise, there were no other inquiries.

Pooling Update

Mr. Kammers informed the Board that the Water and Sewer Risk Management Pool has hired an executive director.

Government Entities Mutual, Inc. (GEM) Board Meeting Update

Ms. Ortiz attended the GEM Board meeting in July and noted some highlights: GEM will hold their October 2019 board meeting in Spokane; a strategic planning meeting is scheduled in February 2018; one of GEM's largest member has submitted their letter of intent to withdraw; GEM has offered to pay travel expenses for non-board members to attend two of their four meetings. She also reported that GEM gave kudos to Mr. Kammers, who initiated the dialogue regarding member accounting and surplus. It resulted in a greater understanding and clarity on GEM's actions moving forward. Mr. Kammers provided the Board with GEM's 2016 Annual Report.

Information System Software Update

Ms. Ortiz reported that progress is going very well. Implementation of the new software system was changed from September 1 to October 15 to allow time to train the staff prior to implementing the system.

AGRiP Fall Educational Forum

Mr. Kammers advised the Board of AGRIP's Fall Educational Forum in Baltimore, MD, from October 1-4, 2017. Ms. Ortiz mentioned that this forum will include *Pooling Basics* sessions and Sheryl Brandt will be a speaker in one of these sessions.

Board Packet

Mr. Kammers queried the Board to see if they would object to receiving the meeting packet a week prior to the meeting instead of the current target of two weeks prior. The Board agreed to receive the packet no later than seven days prior to the meeting.

CEO Quarterly Update

Mr. Kammers presented the CEO quarterly status report for the 3rd Quarter of PY 2017, which recorded the most claims ever received in a quarter mostly due to storm losses. The losses for the last half of PY 2017 are unprecedented both in severity and frequency. The claims started coming in right after the winter thaw. There were heavy storm losses from a record breaking winter snowfall and heavy rain and wind events over the winter months. Only a couple of claims were higher than the Self-Insured Retention and most were within Enduris' working layer. Based on the information we have to date, the Administration is projecting a loss of about \$2 million at year end. This activity is highly unusual and it raises the question could this be the new norm, especially regarding climate change events? Or is this a "one off" event? Time will tell and we need to pay close attention in monitoring our rates for potential future loss development. There was also higher claim activity due to the decisions of the former claims analyst. This combination of heavy claim activity exceeds any prior year claim activity and needs to be analyzed thoroughly. For many years the Pool has been adding to the members' equity or the rainy day fund for years like this. Enduris has approximately \$11 million in members' equity so there is time to monitor if changes are needed. At this time we do not anticipate any rate increases to the membership outside of the normal rate of inflation unless this highly unusual activity becomes a new norm and claim activity continues due to circumstances outside of Enduris' control.

In addition to the loss development, PwC has raised questions about the rating adequacy largely due to the growth of the Pool, unusual recent claim activity, and applied credits by the Administration. The Administration suggests our rates should be reviewed by an outside independent third party. There is a recommendation to the Board further on the agenda to contract with a rating consultant and hopefully have preliminary information available at the February Board meeting.

The CEO report included updates on membership growth, member training, claims opened, claims reported, Spokane County Investment Pool, budget quarterly trend, financial comparisons, history of IBNR projections, property loss history, liability loss history, rating adequacy, excess insurance costs vs contributions for PY 2016, dollar allocation for PY 2016, historical look at fund balance, exposure vs growth, PY 2016 analysis, outlook for PY 2018, and accomplishments to date.

Even though claim estimates are rough projections, the Board directed the Administration to inform the members as soon as possible, to be as transparent as possible, about the claim activity and the adverse impact on the members' net equity. The Administration will write an article in the next quarterly newsletter informing the members about the situation and the information will also be included in the Annual Report to the Membership.

Ms. Bedier recessed the Board meeting at 9:57 a.m. for a break and reconvened the meeting at 10:11 a.m.

Board Comments (comments made by Board members that are reflected in today's minutes will be transferred to the CEO evaluation form for the February 2018 CEO evaluation)

No comments provided.

EXECUTIVE SESSION

Ms. Bedier convened in Executive Session at 10:45 a.m. for 45 minutes to review the status of open claims and a personnel matter. Ms. Bedier extended the Executive Session for 30 minutes to continue discussions. She reconvened in Open Session at 12:00 p.m.

Ms. Bedier recessed the Board meeting at 12:00 p.m. for lunch and reconvened the meeting at 12:22 p.m.

DISCUSSION/ACTION ITEMS

Election of Directors for PY 2018

Board Policy GC-3.15 states that the Board will ratify the annual Board election results.

Ms. Martin announced the following results that Ms. Scharff counted and tallied:

Total ballots counted: 166

Results:

Position #6 – Jeri Sevier: 164 votes

Position #7 – André Fresco: 162 votes

MARTIN/CARTER moved to ratify the results of the Enduris election of directors for Policy Year 2018 with 164 votes for Jeri Sevier and 162 votes for André Fresco. Motion carried.

Election of Board Officers for PY 2018 and PY 2019

Board Policy GC-4 states that the officers of the Board are those listed in the Board Governing Policies. Their duties are those assigned by this policy, and others required by law.

In accordance with Article IV, Section 1 of the Enduris By-Laws, the Board of Directors shall select from among themselves a Chair, Vice-Chair, Secretary/Treasurer to serve for a term of two years beginning the next fiscal year.

BEDIER/CARTER moved to approve a slate of board officers consisting of Jeri Sevier for Chair, Greg Brizendine for Vice-Chair, and André Fresco for Secretary/Treasurer for Policy Year 2018 and Policy Year 2019. Motion carried.

Board Development Committee Appointments for PY 2018

Board Policy GC-4.6 states that the Chair will appoint members of all Board committees with the ratification of the full Board. **Board Policy GC-4.9** states that the Vice Chair will serve as Chair of the Board Development Committee, unless there is a conflict of interest. **Board Policy GC-5** states that three members are appointed by the Chair and ratified by the Board.

Jeri Sevier, as the newly elected Board Chair, appointed Greg Brizendine as Chair, Patsy Martin, and André Fresco to the Board Development Committee for PY 2018, and also appointed Noel Hardin to fill in as chair when a conflict exists.

BEDIER/CARTER moved to ratify the appointments of Greg Brizendine as Chair, Patsy Martin, and André Fresco to the Board Development Committee for PY 2018, and Noel Hardin as the alternate chair if there is a conflict, as presented by the newly elected Board Chair for PY 2018. Motion carried.

Claims Audit Report

Board Policy GC-3.7 states that the Board will review and accept the annual audit report of the independent claims auditor.

Mr. Kammers provided the Board with the 2017 Property and Casualty Claims Audit. Craig Bowlus of Aon Risk Insurance Services in San Francisco conducted the annual independent claims audit for the pool on June 27-29, 2017. In Mr. Bowlus' summary, he concluded that a combination of deterioration in adjuster level claims handling and a somewhat antiquated claims management software package led to a "perfect claims handling storm" over the past 12 months. This is in the process of being remedied through the addition of a state of the art claims management system and the search for a more experienced claims adjuster. Enduris will benefit from all of these changes, as it will from strengthening claims management protocols.

BRIZENDINE/MARTIN moved to formally recognize the receipt of the 2017 Property and Casualty Claims Audit conducted on June 27-29, 2017 by AON Risk Insurance Services. Motion carried.

PwC Reserve Analysis and Liability Rating Study

Board Policy GC-3.14 states that the Board will contract independently with an actuary to provide the Board with an annual reserve analysis and an annual liability rating study.

The Enduris Board contracts with PricewaterhouseCoopers (PwC) to conduct an annual liability rating study. Mr. Kammers provided the Board with PwC's Reserve Analysis and Liability Rating Study for PY 2018.

MARTIN/BRIZENDINE moved to formally recognize the receipt of PricewaterhouseCoopers' Reserve Analysis and Liability Rating Study for Policy Year 2018. In addition, we recognize further research is warranted on rating adequacy of the Pool; however, to maintain financial stability for the membership, Enduris shall apply a 2.9% rate of inflation adjustment across the board to all members for all lines for Policy Year 2018. Motion carried.

Approval of Enduris Rating and Underwriting Policy for Policy Year 2018

Board Policy GC-3.10 states that the Board will evaluate and approve member rates annually based on claims history, actuarial reports, and staff recommendations.

Mr. Kammers provided the Board with the draft Rating and Underwriting Policy for PY 2018. The Enduris staff revamped and reorganized the longstanding Enduris Rating Policy format in a much easier to use document. The proposed draft is mostly organizational and updating language. There are no substantive changes other than the proposed 2.9% COLA for all lines for PY 2018 and a 1% Marshall-Swift inflationary adjustment for property values. These budget decisions were incorporated into the 2018 Enduris Rating and Underwriting Policy.

CARTER/FRESCO moved to approve the Enduris Rating and Underwriting Policy for Policy Year 2018. Motion carried.

Approval of Enduris Memorandum of Coverage (MOC) for Policy Year 2018

Board Policy GC-3.11 states that the Board will evaluate and approve coverages, including any changes to the Memorandum of Coverage (MOC).

The Administration recommends the following changes among others:

1. Employee Benefits Liability
Language has been added to clarify this coverage, and to limit the coverage to 36 months.
2. Addendum R: Flood coverage
Language has been added to limit coverage for flood damage from first dollar to the first loss only. Thereafter, the flood coverage is subject to the policy deductible of \$250,000.
3. Breach of Contract
Language has been added to clarify Breach of Contract in the exclusions and in the definitions.

Ms. Brandt reported that Enduris retained Marilyn Kelley, an expert in risk pool coverage documents, to review the language of the recommended changes.

CARTER/MARTIN moved to approve the proposed changes to the Policy Year 2018 Memorandum of Coverage conceptually, allowing for additional wordsmithing, and based on approval of our excess carrier. Motion carried.

Property Coverage Renewal for Policy Year 2018

Board Policy GC-3.8 states that the Board will approve levels of self-insured retention (SIR) and the level and providers of re-insurance and blanket coverage.

Alliant Insurance Services has provided property coverage to Enduris since 2000. For PY 2018, Alliant Property Insurance Program (APIP) offered the same continuing coverage as PY 2017 for \$2,131,622, which is approximately a 7% decrease for non-HPR and a .20% decrease for HPR resulting in an approximate \$135,000 in savings. There was a 10% increase in total insured value.

MARTIN/FRESCO moved to approve the property coverage renewal for Policy Year 2018 with APIP using the existing \$250,000 Self-Insured Retention for both HPR and Non-HPR property classifications. Motion carried.

Risk Financing

Board Policy OE-6.8 states that the CEO may not indebt the organization.

Mr. Kammers indicated that due to the unprecedented amount of claims both in size and severity for PY 2017, the Administration recommended that a portion of the premium be financed to preserve cash for future unknown claims. This recommendation has the approval of the Enduris Executive Committee and requires ratification by the full Board.

Mr. Kammers added that the Administration contacted James Marta and Company in Sacramento, CA, Certified Public Accountants and experts in risk pooling, to verify this was a prudent and acceptable method of risk financing. Jim Marta recommended the practice and said many self-insured pools finance their annual premiums.

BRIZENDINE/MARTIN moved to approve the financing of the purchase of the PY 2018 property renewal program at the rate of 3.4% with the intent to pay the remaining amount in September 2017 as recommended by the Administration and the Executive Committee. Motion carried.

Liability Coverage Renewal for Policy Year 2018

Board Policy GC-3.8 states that the Board will approve levels of Self-Insured Retention (SIR) and the level and providers of reinsurance and blanket coverage.

Mr. Kammers showed the Board an illustration of Enduris' Liability Reinsurance Structure for PY 2018 and announced that the three reinsurance providers have agreed to renew with a 10% rate reduction amount of approximately \$75,000.

CARTER/MARTIN moved to authorize the Administration to renew liability coverage effective September 1, 2017 using the existing Self-Insured Retention of \$1 million or lower and providing limits of \$20 million with the best coverage options provided by the reinsurance carriers. Motion carried.

Approval of Legal Counsel Contract for Policy Year 2018

Board Policy GC-3.13 states that the Board will contract independently with legal counsel to support the Board in its work.

The Enduris Board contracts annually with the law firm of Cheryl Duryea, PLLC for general legal counsel services. Mr. Kammers recommended a 1.9% COLA increase to the PY 2018 contract.

MARTIN/CARTER moved to renew the contract with Cheryl Duryea, PLLC for general counsel services for Policy Year 2018 in the amount of \$36,744. Motion carried.

Approval of Work Plan for Policy Year 2018

Board Policy GC-6 states that the Board will follow an annual work plan that includes continued monitoring and review of all policies and activities to improve Board performance.

CARTER/BRIZENDINE moved to approve the Board Work Plan for Policy Year 2018. Motion carried.

Approval of 2018 Meeting Calendar

Board Policy GC-6 states that the Board will follow an annual work plan that includes continued monitoring and review of all policies and activities to improve Board performance.

August is the month to set Board meeting dates for the next year. All meetings for 2018 will be held at the Enduris office in Spokane.

CARTER/BRIZENDINE moved to approve meeting dates of February 22, May 24, August 23, and November 15 for 2018. Motion carried.

Board Policy Revisions for PY 2018

Board Policy GC-2.8 states that the Board, by majority vote, may revise or amend its policies at any time.

Ms. Ortiz reviewed the addition of the following policy that was already approved by the Board at the February 18, 2017 meeting:

Board Policy OE-6.4: Establish a credit card account for business use and a policy for the distribution, authorization, limits, and payments of credit cards.

In addition, the Administration recommended the deletion of Board Policy GC-4.9 stating that *"the Vice Chair will serve as Chair of the Board Development Committee (BDC), unless there is a conflict of interest."* This policy caused the Board Development Committee appointments to be difficult and confusing.

CARTER/MARTIN moved to accept the proposed changes to the Board Policies as recommended by the Executive Director. Motion carried.

Financial Statements

Board Policy OE-6 states that the CEO shall not cause or allow any financial activity or condition that materially deviates from the budget adopted by the Board; cause or allow any fiscal condition that is inconsistent with achieving the Board's Goal or meeting any Operational Expectations goals; or place the long-term financial health of the Pool in jeopardy.

Mr. Kammers provided the Income Statement, Balance Sheet, and Budget Comparison for May 31, 2017 and June 30, 2017. He presented an overview of the June 30, 2017 financial statement showing total assets of \$23,789,644.51 and total members' net assets (surplus) of \$10,943,131.91. He also provided the Board with the June 30, 2017 Spokane County Treasurer's Report, which included the Rate of Return on Investments.

FRESCO/BRIZENDINE moved to accept the financial statement of 5/31/17, 6/30/17, and 7/31/17 as presented by the Executive Director. Mr. Fresco asked for the motion to be amended to delete the 7/31/17 financial statement. Motion carried.

Rating Consultant

Board Policy OE-8 states that the CEO shall assure that the Board is fully and adequately informed about matters relating to Board work and significant organizational concern.

Mr. Kammers stated that basic rates have been used for the last 13 years and it has been quite successful. Under board policy, we will continue to use existing rates with annual cost of living adjustment until it can be confirmed there is a need to modify or change members' basic rates. The staff will continue to research data and provide recommendations (if any) to the Board. In addition, Mr. Kammers recommended the hiring of an outside independent consultant to analyze our current rating process and provide recommendations to Enduris.

FRESCO/MARTIN moved to authorize the Administration to hire a rating consultant. Motion carried.

BOARD SELF-ASSESSMENT

Board Policy GC-2.3 states that the Board will carry out a summative self-assessment with full, honest and timely participation by all directors. The assessment will include evaluation of the Board as a whole, based on Governance Culture (GC) and Board-CEO Relations (BCR) policies. Board assessment of progress on Results and the CEO's summative evaluation will drive targets for the following year.

As outlined in the Annual Work Plan, the Board self-assessment is scheduled in August. At last year's August meeting, the Board questioned the self-assessment's purpose and value. It was addressed at yesterday's governance training with the Aspen Group, where they strongly advised the Board to assess themselves and suggested using a grading system. The Board discussed several options and agreed to try a 1-3 rating system (1-on target, 2-needs improvement, and 3-not meeting standard) at the November meeting.

DEBRIEF BY BOARD

Board Policy GC-2.4 states that as a means to assure continuous improvement, the Board regularly and systematically will monitor all policies, and will assess the quality of each meeting by debriefing the meeting following its conclusion.

The Board provided an assessment of the meeting:

- The Aspen Group's session held the day before was very well received; learning the background on how Enduris decided to use Aspen Group's Coherent Governance model and how it developed through the years was insightful; reinforcing the model was valuable and important, especially when new board members are appointed or if there is a new CEO.
- Great leadership was evident with the difficult year Enduris endured; the confidence of the staff and Board was appreciated during this time
- Appreciates the proposed effort to communicate to the membership the events that led to this policy year's finances
- Thanked Ms. Bedier for her leadership as chair the last two years
- Mr. Kammers does a tremendous job educating the Board during board meetings.

ADJOURNMENT

Ms. Bedier adjourned the Board meeting at 1:37 p.m.



Kim Bedier, Chair

The Enduris Board meeting minutes are intended to be a reasonable summary of the Board's deliberations and action. The minutes are not a verbatim record of everything said at the meeting. The minutes include all actions taken by the Board.