



**Enduris
Board of Directors Meeting**

August 23, 2018

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

Call to Order: Jeri Sevier, Chair, called the meeting to order at 8:32 a.m.

IN ATTENDANCE

Board Members: Jeri Sevier, Chair; Greg Brizendine, Vice Chair; Kim Bedier, Board Member; Noel Hardin, Board Member; and Patsy Martin, Board Member. André Fresco and Vicki Carter were excused.

Others: Cheryl Duryea, Enduris General Counsel; Rafaela Ortiz, Enduris Chief Operating Officer; Sheryl Brandt, Enduris Chief Risk Officer; Kimberly Millikan, Enduris Director of Finance; Alric Balka, Enduris Information Systems Coordinator; and Joy Jelsing, Enduris Administrative Assistant.

ADOPT AGENDA

MARTIN/HARDIN moved to adopt the agenda as presented. Motion carried.

ELECTION – COUNTING OF BALLOTS

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

Mr. Hardin filled in as Chair of the Board Development Committee due to a conflict with the Chair running for re-election. He delivered the Board of Directors' election ballots to Kimberly Millikan, Enduris' Director of Finance. In accordance with WAC 200-100-02023, Ms. Millikan, 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

Board Workshop Minutes of May 23, 2018

Board Meeting Minutes of May 24, 2018

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

CEO Consent Agenda

Vouchers

- May 2018
- June 2018
- July 2018

BEDIER/HARDIN moved to approve all items on 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

Ms. Ortiz informed the Board that David Dowers from Dowers Commercial Real Estate Group will attend the November meeting to provide an update on the marketing of the vacant office space. She added that we are not in a position to take on tenant improvements if we were to lease the space at this time.

AON Actuarial Services Contract Update

Ms. Ortiz reported that we are waiting for the actuarial services contract with Aon to be fully executed. It includes an addendum that allows Aon to provide a preliminary year-end ultimate loss number as well as projections for 2019.

Speaker Paul Walker Update

Professor Paul Walker is a national speaker who shares his studies on pooling. Ms. Ortiz believes it's a good option for further education in pooling (history, big picture, expectations). Mr. Walker was scheduled to present at the November meeting, but with the recent schedule changes, she suggested that we instead invite him to the February 2019 meeting. Ms. Bedier suggested the possibility of inviting other regional pools as well as the Enduris membership to hear Mr. Walker's presentation while he is in town.

GEM Board and Annual Meeting Update

Ms. Ortiz was not able to attend GEM's July Board meeting in Minneapolis but a meeting recap from Andrew Halsall, GEM's President and CEO, was provided to the Board. Ms. Ortiz also distributed GEM's 2017 Annual Report. Mr. Halsall will be attending the November board meeting.

Pooling and Membership Updates

Ms. Ortiz informed the Board that the majority of member invoices were sent out. Ms. Brandt indicated that there were a handful of inquiries from members regarding their rates. Members were satisfied with explanations given on how rates were calculated.

Another pool continues its aggressive marketing campaign against Enduris.

Legislative Update

Ms. Ortiz reported that the Pilotage Commission has been spearheading an insurance bill effort through the State Legislature that would allow state commissions to become members of insurance pools. Mr. Kammers had previously requested to add language to the bill stating that pooling is not insurance. After full discussion, the Board decided to support the bill but would reverse the request for the added language. Ms. Duryea has a conference call scheduled with the Pilotage Commission and will communicate the Board's decision.

BEDIER/MARTIN moved to direct Cheryl Duryea to notify the Pilotage Commission that Enduris supports its legislative insurance bill efforts but to remove the proposed language that was earlier requested. Motion carried.

Comprehensive Annual Financial Report (CAFR) Update

Ms. Ortiz noted that the former contracted CFO should be notifying us soon regarding the status of our CAFR's application to receive certification.

Information System Software Update

Ms. Ortiz reported that we continue to work with Origami to incorporate our financial software into Origami. Member renewal notices, which includes invoices and binders, are being distributed through Origami. Within the next several months, we expect to have our members access the member portal.

Actuarial Number Validation

Ms. Ortiz indicated that a chart showing the actuarial numbers from Aon, PricewaterhouseCoopers, and Enduris will be presented in the CEO Quarterly Report.

CEO Quarterly Update

Mr. Balka and Ms. Millikan presented the CEO Quarterly Report for the 3rd Quarter of PY 2018. The report included updates on membership growth, new members, members leaving the pool, member training, claims opened, claims reported, budget quarterly trend, Spokane County Investment Pool investment, financial comparisons, property and liability loss history, change in ultimate loss, liability and property claim development, and outlook for PY 2019-2020.

There was discussion regarding the timing for approval of the budget and the possibility of a mid-year adjustment to the budget. The approval of the budget in the current work plan of the governing policies is scheduled for the February meeting. The Board expressed concern that February is too soon and moving it to May gives an additional three months to gather more information and to have the numbers be as precise as possible. Ms. Ortiz explained that the budget is a rate-setting budget which allows time to notify the membership about the upcoming rates in May. She stated that the Board, through revisions of the governing policies, can approve the budget in May. In addition, she reminded the Board that at the November meeting, the new actuary will not only provide us with the ultimate loss for PY 2018 but also give us a projection for PY 2019.

Ms. Sevier recessed the Board meeting at 10:00 a.m. for a break and reconvened the meeting at 10:10 a.m.

EXECUTIVE SESSION

Ms. Sevier convened in Executive Session at 10:10 a.m. for 30 minutes to review the status of open claims. She reconvened in Open Session at 10:40 p.m.

DISCUSSION/ACTION ITEMS

Election of Directors for PY 2019

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

Mr. Hardin announced the following results that Ms. Millikan counted and tallied:

Total ballots counted: 166

Results:

Position #2 – Vicki Carter: 163 votes

Position #5 – Greg Brizendine: 162 votes

BEDIER/MARTIN moved to ratify the results of the Enduris election of directors for Policy Year 2019 with 163 votes for Vicki Carter and 162 votes for Greg Brizendine. Motion carried.

Election of Board Officers for 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.

For the record, Ms. Sevier affirmed that she would continue as Chair, Mr. Brizendine as Vice Chair, and Mr. Fresco as Secretary/Treasurer as Board Officers for PY 2019.

Board Development Committee Appointments for PY 2019

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.

Ms. Sevier recommended the appointments of Greg Brizendine as chair, André Fresco, and Vicki Carter to the Board Development Committee for PY 2019, and also appointed the Enduris Board Chair to fill in as chair when a conflict exists.

MARTIN/BEDIER moved to ratify the appointments of Greg Brizendine as chair, André Fresco, and Vicki Carter to the Board Development Committee for PY 2019, and the Board Chair as the alternate chair if there is a conflict, as recommended by the Board Chair. 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.

The Board was provided with and reviewed the 2018 Claims Audit report. Ms. Brandt stated that it was a favorable audit. She summarized the findings and addressed the recommendation on doing a cost-benefit analysis on fees paid to the claims adjusting contractor versus hiring another in-house adjuster.

BRIZENDINE/MARTIN moved to formally recognize the receipt of the 2018 Claims Audit conducted on June 25-27, 2018 by AON Risk Insurance Services. Motion carried.

Approval of Enduris Memorandum of Coverage (MOC) for Policy Year 2019

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

Ms. Brandt explained and recommended a change to the MOC as follows:

Addendum T – Non-Member Limited Automobile Medical Coverage

This addendum provides coverage for reasonable medical expenses for non-members due to an auto accident while in a member vehicle.

HARDIN/BRIZENDINE moved to approve the above proposed change to the Policy Year 2019 Memorandum of Coverage as presented by Sheryl Brandt. Motion carried.

Property Coverage Renewal for Policy Year 2019

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.

Ms. Ortiz reported that for PY 2019, Alliant Property Insurance Program (APIP) offered the same continuing coverage as PY 2018 for \$2,524,466, which is approximately a 9% rate increase for both non-HPR and HPR. There was a 11% increase in total insured value (TIV) due to increased exposures.

Ms. Bedier asked if we have seen many cyber claims. Ms. Brandt stated that cybercrime is currently a hot topic nationwide and discussed a recent claim that a conservation district experienced. Enduris will provide cybercrime webinars that will be presented by the computer forensics company that she has been working with.

HARDIN/BRIZENDINE moved to approve the property coverage renewal for Policy Year 2019 with APIP using the existing \$250,000 Self-Insured Retention for both HPR and Non-HPR property classifications. Motion carried.

Liability Coverage Renewal for Policy Year 2019

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.

Ms. Ortiz stated that the liability renewal for PY 2019 will go into effect September 1, 2018. Doug Wozniak, Enduris broker, was able to get favorable quotes to consider. Ms. Ortiz reviewed the options and stated that if Enduris kept the structure the same as PY 2018 with a \$1 million SIR and

switched the primary reinsurance carrier from Genesis to Munich Re, Enduris would save approximately \$125,000. Great American will renew flat for the secondary layer and the premium will increase \$8,793 to \$238,793 because of the approximate 4% growth of the Pool. The Administration made a recommendation to renew at the \$1 million SIR with MunichRe and GEM with a 75/25 quota share, and the \$10 million secondary layer with Great American.

HARDIN/BRIZENDINE moved to renew the liability coverage for Policy Year 2019 using the existing \$1 million SIR with Munich Re and GEM at a 75/25 quota share arrangement for the first layer of \$10 million in coverage and Great American for the second layer of \$10 million for a total of \$870,293. Motion carried.

Approval of Enduris Rating and Underwriting Policy for Policy Year 2019

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.

Ms. Ortiz provided the Board with the draft Rating and Underwriting Policy for PY 2019. The substantive changes include the 10% rate increase for all lines of coverage, a 2.66% Marshall-Swift inflationary adjustment, and the decision to handle the liability rating in-house rather than by the actuary.

MARTIN/HARDIN moved to approve the Enduris Rating and Underwriting Policy for Policy Year 2019. Motion carried.

Approval of Legal Counsel Contract for Policy Year 2019

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. The Administration recommended a 1.9% COLA increase to the PY 2019 contract.

BEDIER/MARTIN moved to renew the contract with Cheryl Duryea, PLLC for general counsel services for Policy Year 2019 in the amount of \$37,440, which is a 1.9% COLA increase. Motion carried.

Approval of 2019 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 2019 will be held at the Enduris office in Spokane. The Board considered scheduling the May meeting earlier in the month. Ms. Sevier advocated that the budget be moved to May. Ms. Ortiz supports the earlier date in May because it will allow enough time to notify the members of the proposed rates for the next policy year.

Ms. Sevier suggested that the Board block out the day prior to Board meetings in case they need more time to handle any necessary business that will require additional time.

HARDIN/MARTIN moved to approve meeting dates as revised for February 21, May 9, August 22, and November 21 for 2019. 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.

The Board was provided the July 31, 2018 Financial Report. Ms. Millikan presented an overview of the report, which included year to date numbers. Total assets are \$30,550,306 and total members' net assets (surplus) are \$9,611,668. Also provided to the Board was the July 31, 2018 Spokane County Treasurer's Report, which included the Rate of Return on Investments.

BRIZENDINE/HARDIN moved to accept the financial report for July 31, 2018 as presented by Kimberly Millikan. Motion carried.

Ms. Sevier recessed the Board meeting at 12:10 p.m. for lunch and reconvened the meeting at 12:40 p.m.

PY 2017 Monitoring Reports Review

Board Policy GC-2.4 states that as a means to assure continuous improvement, the Board regularly and systematically will monitor all policies.

Board Policy OE-8.1 states that the CEO will submit required monitoring data (see policy B/CR-5–Monitoring CEO Performance) in a thorough, accurate and understandable fashion, according to the Board's annual work plan schedule, and including both CEO interpretations and relevant data to substantiate compliance or reasonable progress.

At the May 24 meeting, the Board voted to postpone approvals for PY 2017 monitoring reports for OE-4 Personnel Administration, OE-8 Communicating with the Board, OE-10 Communicating with the Members, and the Goal until the Board evaluates these policies at the August 22 workshop. In addition, the Board voted to evaluate the PY 2017 monitoring reports that have already been accepted as being in compliance.

Ms. Sevier asked whether the Board should skip the review and/or approvals of the PY 2017 monitoring reports since there won't be an executive director to evaluate for that period. She would like the Administration to report back to the Board on if and how this decision would affect other operational functions and recommend options. The Board then agreed to pass up on the review of the PY 2017 monitoring reports.

The majority of staff have reached their maximum salary so the Board suggested doing a salary survey. Ms. Ortiz stated that she reviews data compiled from other regional pools who conducts market and salary surveys, and believes that our salaries are comparable.

The Board reached out to Mr. Kammers to have his retirement changed to September 1, 2018. Mr. Kammers kindly accepted the proposal with a revised retirement letter.

Board Policy Waiver

Board Policy OE-6.6 iv requires a rate increase commensurate with the rate of inflation. However, the Board approved a 10% rate increase for PY 2019 at the February 22, 2018 Board meeting so the Administration has requested a waiver for PY 2019 only.

OE-6.6 iv states: consideration of all rates and individual member adjustments based on: (iv) retention of stable and predictable rates that mitigate fluctuations in the market (rates that mirror the rate of inflation).

BEDIER/MARTIN moved to approve the waiver for Board Policy OE-6.6 iv for PY 2019. Motion carried.

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.

Ms. Ortiz noted that last year's actuarial RFP called for an annual reserve study but not an annual liability rating study as had been our practice. Therefore, two policies should be changed to delete the reference.

GC 3.14—Contract independently with an actuary to provide the Board with an annual reserve analysis ~~and an annual liability rating study~~ with the option for an update of projected contributions for the next fiscal year.

OE 6.6a—The CEO will present to the Board for its approval an annual rating schedule for all coverages that sets equitable rates for members, to include but not be limited to (a) liability rates for each member group ~~based on an annual rating study carried out by an actuary certified as a Fellow of the Casualty Actuarial Society.~~

BEDIER/MARTIN moved to accept the proposed changes to the Board Governing Policies that will include actions commencing November 16, 2017 as recommended. Motion carried.

Board Policy Revisions for PY 2019

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

Ms. Ortiz explained the past Board's decision to delete the *Executive Committee* from the governing policies. For future purposes, the Administration recommended to reinstate GC-4 and GC-5 regarding the *Executive Committee* for occasions where the committee might be of use. Although, Ms. Ortiz felt that because the Board will be looking at revising the policies, it's not necessary for the Board to take action today.

BEDIER/BRIZENDINE moved to table the reinstatement of policies in GC-4 and GC-5 relating to Executive Committee as presented. Motion carried.

Approval of Work Plan for Policy Year 2019

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.

Ms. Sevier noted some of the proposed changes to the Work Plan – moving the Executive Director evaluation to November, moving OE and Goal monitoring to November, moving the Budget to May. Again, since the Board's intention is to revise the policies, the Board should postpone approving the PY 2019 Work Plan.

HARDIN/MARTIN moved to table the approval the Board Work Plan for Policy Year 2019. 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.

Ms. Sevier had suggested a different approach in carrying out the Board's self-assessment from years' past. She collected some ideas from the last AGRiP Conference. She and Ms. Ortiz decided on developing a survey for the Board to fill out prior to today's Board meeting. Ms. Sevier reviewed the results with the Board. It was suggested that the Board receive monthly updates regarding monthly financials and any other relevant information to resolve the lack of communication between the Board and the Administration, which was an area of concern in the survey. The Board prefers the survey approach for future self-assessments.

OTHER BUSINESS

MARTIN/BEDIER moved to amend the motion made yesterday and make Mark A. Kammers' resignation effective September 1, 2018. Motion carried.

Discussion followed with a strategy to notify the membership of the Executive Director's departure.

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 comments and an assessment of the meeting. The execution of yesterday's Board workshop and today's meeting was well handled by everyone. Special thanks was given to Ms. Sevier for her capable guidance. The rework of the governing policies will assist the Board and the Administration to progress in a positive direction for the organization.

ADJOURNMENT

Ms. Sevier adjourned the Board meeting at 1:55 p.m.

BEDIER/HARDIN moved to adjourn the meeting. Motion carried.



Jeri Sevier, 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.