



**Enduris
Board of Directors
Meeting Minutes**

May 5, 2022

*To meet both the Open Public Meetings Act and COVID-19 requirements announced by Governor Inslee in **Proclamation No. 20-05**, the Board meeting was changed to a hybrid of in person and virtual video/telephone conference meeting. A link and access code were provided to those requesting to join the meeting.*

Call to Order: Vice Chair BiJay Adams called the meeting to order at 8:32 a.m.

ROLL CALL

Board Members Present: BiJay Adams, Vice-Chair; Vicki Carter Secretary/Treasurer; Noel Hardin, Board Member, Donna Watts, Board Member; Sara Young Board Member and Sheryl Brandt, Executive Director. *Matt Schanz was absent.*

Sara Young joined the meeting at 8:41am

Others Present: Kelly Williquette, General Manager of Spokane County Water District #3; Heather Yakely, Enduris General Counsel, Kutak Rock LLP; Alric Balka, Enduris Director of Operations; Kimberly Millikan, Enduris Director of Finance; Holly Nelson, Enduris Director of Claims; Shawna Masterton, Enduris Executive Assistant.

Mr. Adams started the meeting with introduction of attendees.

ADOPT AGENDA

Mr. Adams made a recommendation to move the Executive Session ahead of the Executive Director report, after the Discussion/Action Items.

CARTER/HARDIN moved to adopt the revised agenda as recommended. Motion carried.

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 Executive Director 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 Meeting Minutes – February 18, 2022

CARTER/WATTS moved to approve all items on the Board Consent Agenda. Motion carried.

Executive Director Consent Agenda

Expenses

- February 2022
- March 2022

WATTS/CARTER moved to approve all items on the Executive Director Consent Agenda. Motion carried.

DISCUSSION/ACTION ITEMS

Budget Approval for Policy Year 2023

Board Policy GC-3.9 states that the Board will adopt and monitor annual budgets.

Ms. Brandt and Ms. Millikan presented the proposed budget for FY 2023. The FY 2023 budget moves the Pool towards a stronger net position and target financial ratios. The fiscal soundness of the Pool, establishes rates, and monitor expenses of the organization, with detailed assumptions on member contributions, operating expenses, claims expense, administration and operation expenses, non-operating income, as well as comparing prior and current year financial information. The health of the Pool is measured by its growth in net assets, managed growth and strong retention, conservative confidence levels and consistent ratios in line with industry benchmarks.

The following is an overview of the proposed budget:

- The FY2023 budgeted change in Net Position is \$1.1M, with an ending Net Position of \$23.7M. This represents a 5% increase in Member's Equity over the FY2022 forecasted ending Net Position of \$22.6. The 5% increase is the minimum allowed under the current financial ratio targets. Most of the 1-year target financial ratios will improve or decline only slightly under the FY2023 budget but the 5-year average ratios will improve as FY2018 "falls off" and is no longer included in the calculations.
- Our primary goal for FY2023 is to minimize Member rate increases. Some members will see larger increases as we continue to implement the recommendations from the FY2018 actuarial rate study and in relation to their specific claims experience and risk factors.
- Member rate increases are necessary given the significant increases in both claims and reinsurance costs. There is a high level of risk inherent in the insurance market today (higher reinsurance premiums, potentially higher SIRs, etc.) at the same time our member claims are increasing in frequency and severity.
- The FY2023 Budget reflects increased Member Contributions of \$24.3 million compared to FY2022 contributions of \$21.9 million (up \$2.3M -10%). This increase is lower than the

operating cost increase of \$3.8M (19%) but still allows us to grow Net Position by the 5% minimum:

- \$9.6M Claims expense (up \$1.4M - 17%)
- \$9.7M Reinsurance cost (up \$2.0M - 26%)
- \$4.3M Admin/Operations costs reflect a return to pre-Covid levels (up \$0.4M – 2%)
- \$0.4M Non-Operating income is flat. Interest income is low due to nominal rates

We do not expect to have any significant capital expenditures during FY2023

CARTER/HARDIN moved to approve the Fiscal Year 2023 Budget as proposed by the Executive Director. Motion carried unanimously.

Board Development Committee – Elections – Slate of Candidates

Board Policy GC-5.5 states that the Board Development Committee (BDC) will recruit and nominate the slate of candidates for Board elections, whether for election or appointment, based upon their eligibility as a director. In addition, the policy states that the Board Development Committee will provide the full Board with a summary review of the candidates seeking office and the recommendation of the Committee.

Mr. Adams, Board Development Committee Chair, and Ms. Carter reported on recommending the approval of the election ballot, which includes Noel Hardin position #1, Sara Young position #3, and Donna Watts position #4. There were no additional nominations from the membership.

CARTER/ADAMS moved to approve the Board of Directors election ballot which include Noel Hardin for Position #1, Sara Young, for Position #3 and Donna Watts, for position #4 as recommended by the Board Development Committee. Motion carried unanimously.

Contract Selection for Actuarial Services

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. Brandt made mention that the Enduris Board currently contracts with Aon Global Risk Consulting (Aon) to conduct actuarial services. The principal Aon actuary passed away in July 2021 and has not been replaced by the firm. Enduris recommends cancelling the Aon contract in conjunction with the Board's approval to contract with a new actuary.

Ms. Brandt walked the board through the process in recommending the new actuary in compliance with the required standards. Four actuarial firms provided an RFP proposal; Aon and Pinnacle declined to propose. (a copy of the proposals is available upon request):

- Prime Actuarial Consulting LLC, dba Bickmore Actuarial
- Milliman, Inc.
- PricewaterhouseCoopers LLP ("PWC")
- Willis Towers Watson ("WTW")

In addition to their proposal, Ms. Brandt noted each firm participated in a conference call with management (Ms. Brandt, Ms. Millikan, and Mr. Balka) to review their proposal in detail and walk-through example reports for the requested services. In some cases, the proposals were updated to better reflect the requested services.

Ms. Brandt recommends that the Board award PricewaterhouseCoopers the contract for actuary services. PwC was the Pool's actuary from 1998 to 2017 and is in a unique position to provide the requested services to Enduris given their institutional knowledge, understanding of the Washington Pooling environment, experience with similar pools across the nation and a focus on informed decision-making including Capital Adequacy, relevant policies, and rate development. Ms. Carter stated that she is very pleased that PwC is back and looks forward to working with them again.

CARTER/WATTS moved to cancel the current actuarial services contract with Aon Global Risk Consulting effective immediately as recommended by the Executive Director. Motion carried unanimously.

CARTER/HARDIN moved to approve the PY2022 through PY2028 PricewaterhouseCoopers Engagement Letter for actuarial services and to direct the Executive Director to proceed with the finalization of the contract for signature by the Board chair. Motion carried unanimously.

Recommended Changes to the Bylaws

Board Policy GC2.8 The Board, by majority vote, may revise or amend its policies at any time

Ms. Brandt gave a brief overview of the recommendation changes to amend the bylaws as presented below.

As required by Enduris Bylaw Article VII, Amendments, these bylaws may be altered, amended, or repealed by a majority vote of the Directors. Notice of intent to change the bylaws, including a copy of the proposed change(s) were provided to each member by regular or electronic mail thirty (30) days in advance of this meeting.

1. *The first change is in response to member feedback regarding adequate time to respond to Enduris Board Elections.*

➤ ***The proposed changes are to (Article III, Section 4. Election of Directors).***

2. *The second change is regarding an open board discussion on recent board vacancies in addition to unforeseen circumstances (pandemic) could result in less than a quorum as currently stated in the bylaws.*

➤ ***The proposed changes are to (Article III, Section 9. Quorum)***

WATTS/CARTER moved to approve the amended changes to the Enduris Bylaws as presented. Motion carried.

Property and Liability Coverage Renewal Authorization

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

Ms. Brandt reported on the Property coverage for Enduris must renew July 1, 2022; Liability coverage renews September 1, 2022. Ms. Brandt noted the reason that the property renewal proposals for re-insurance comes in after the May board meeting, and the liability renewal proposal may need to be bound prior to the August 17, 2022, board meeting. The past practice is for the Board to give authorization to the Executive Director (Ms. Brandt) to procure property and liability insurance contracts at the best value and then report back to the Board at the August

meeting. Ms. Brandt outlined the Property and Liability Coverage indications below and reported that she will keep the board informed if there are any significant increases.

Property Renewal Indications

Doug Wozniak, our broker, has indicated that current market conditions warrant a 20-25% increase in the property reinsurance rates for both Highly Protected Risk (HPR) and non-HPR risk. The hard market in reinsurance and excess insurance continues to persist. The property market is showing signs of stabilizing; however, Enduris experienced a number of losses above our SIR in PY 2022. This adversely affects our renewal rate. We may have to determine if raising our \$250,000 SIR, or if a corridor will provide the best value.

Liability Renewal Indications

GEM will provide the first \$9 million of liability coverage above our \$1 million SIR. There will likely be an increase in rates of 5%-9%. Great American and Everest Re currently provides \$10 million excess of \$10 million with a 50% quota share. We will attempt to duplicate this layer at renewal and the cost is expected to increase about 5%-9%.

CARTER/HARDIN moved to authorize the Executive Director to renew property coverage with APIP effective July 1, 2022, and that any major outliers or significant increases will be reported back board. Motion carried unanimously.

Further discussion followed regarding the Self-Insured Retention.

WATTS/CARTER moved to authorize the Executive Director to renew liability coverage effective September 1, 2022, using the existing Self-Insured Retention of \$1 million, with GEM providing limits of \$9 million over our \$1 million SIR. In addition, procure \$10 million in excess of primary \$10M coverage for a total of \$20 million in liability coverage. Motion carried unanimously.

Generative Thinking; Strategic Planning Road Map Update

Board Policy GC-2.2 states that the Board is responsible for its own performance and commits itself to continuous improvement. The Board will assure that its directors are provided with training and professional support necessary to govern effectively, including ethics training.

Ms. Brandt gave an update on the February 16, 2022, Generative Thinking Workshop facilitated by Sedgwick, that was conducted with Management and the Board of Directors. Results from that workshop were compiled and used to create a set of 5 goals. The focus is on implementing and incorporating the goals, along with the board policies to the creation of a strategic plan based critical success factors. Ms. Brandt and the management team will work to refine the Critical Success Factors, Barriers, Strategies, Metrics and Timelines and present it to the board in August. Ms. Brandt referenced that she provided the board with a draft of how those Goals will be used in a strategic plan.

CARTER/WATTS moved to authorize the Executive Director to continue work with Sedgwick to produce a strategic plan based on the 5 Goals as presented. Motion carried.

State Audit Reports

GC-3.6 states that the Board will review and accept the annual report of the State Auditor and any reviews conducted by the Washington Office of Risk Management-Local Government Self Insurance Program.

Ms. Brandt reported The Washington State Auditor's Office began the Enduris audit in January of 2022. The draft reports for both the financial (FNCL) and accountability (GENL) are through final review and have been provided. The SAO's office has indicated that the final reports will be available on May 5, 2022. Ms. Brandt stated that the exit interview went very well; it was an excellent audit and results were very favorable for Enduris. Ms. Brandt recounted there were some positive comments made to Enduris; which included this was one of their more complex audits, but the cleanest; they liked the way Ms. Millikan and her team worked with them in being very responsive to their request; appreciated how information was reported back to them to allow the auditors to work within our systems with secure parameters.

Ms. Brandt specified that the WA Office of Risk Management-Local Government Self Insurance Program did not produce a report for PY 2022.

CARTER/WATTS moved to accept the Financial Statements Audit Report and Accountability Audit Report as recommended by the Executive Director. Motion carried unanimously.

Financial Report and Financial Statements/SCIP Report

Board Policy OE-5 The Executive Director shall develop and maintain a financial plan in the form of an Annual Budget that is related directly to the Board's **Goal** priorities and **Operational Expectations** goals, minimizes the dependency upon the forces of the excess or reinsurance markets, and avoids long-term fiscal jeopardy to the organization.

Board Policy OE-6 states that the Executive Director 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.

Ms. Brandt provided the board with the financial report for February 28, 2022. Also provided was the performance investment report as of March 31, 2022, from the Spokane County Investment Pool.

Ms. Millikan and Ms. Brandt presented the March 31, 2022, financial report.

CARTER/HARDIN moved to approve the January 31, 2022, February 28, 2022, and March 31, 2022; financial statements as presented. Motion carried unanimously.

WATTS/YOUNG moved to accept the activity report from the March 31, 2022, SCIP fund as presented. Motion carried unanimously.

Mr. Adams entered break at 10:26 a.m. Mr. Adams reconvened the meeting at 10:40 a.m.

EXECUTIVE SESSION

The Board entered Executive Session at 10:40 a.m. for 23 minutes to review the status of open claims. The meeting reconvened in Open Session at 11:03 a.m.

EXECUTIVE DIRECTOR REPORT

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

Pooling and Membership Updates

Ms. Brandt Updated the board on the 2022 AGRiP Governance Conference that was held in New Orleans; she noted that a few Enduris Directors attended in addition to some Board Members

which included Ms. Carter, Ms. Watts, and Ms. Yakely. Opened the discussion to the staff and board and directors to give a brief overview of their takeaways from the conference.

Ms. Carter and Ms. Young exited the meeting at 11:16 am due to prior commitments.

Staffing Update

In terms of staffing Ms. Brandt reported we have one more retirement coming up and that is Carrie Miller, she will be retiring at the end of July. In terms of planning for her replacement, we were ahead of that and hired Karen Easterday as a Claims Analyst. Ms. Nelson is in the process of training Ms. Easterday.

Quarterly Summary

Ms. Brandt presented the quarterly summary and reviewed key topics that we will be focused on which included:

- Actuarial RFP/ Kickoff new work with PwC on Capital Adequacy Assessment
- PY2023 member renewal and exposure data collection/Rate Development
- Reinsurance Renewals Property up 25% - Potential SIR Changes Liability up 8%
- Risk Management Strategies - appraisals and mini training webinars for the membership
- Training new staff and new board members
- Generative Thinking; Strategic work with the Board
- Website Redesign
- Hybrid Work Environment "New Normal"

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. Ms. Watts thought the meeting went very well even though we were pressed for time due to the concern of not having a quorum; however, the staff always does such a good job even with time constraints put forth. Mr. Hardin echoed Ms. Watts and appreciated that we were able to get through the entire agenda, agree on everything and carry all the motions forward. Mr. Adams thanked everyone for a very good meeting and specifically acknowledged the good work on the actuarial service contract to PwC; the excellent work that was done on the State Audit and PY2023 Budget. Ms. Brandt thanked Mr. Adams for chairing the meeting in Mr. Schanz absence.

ADJOURNMENT

Mr. Adams adjourned the Board meeting at 11:25am.

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



BiJay Adams, Vice 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.