



**Enduris
Board of Directors Meeting**

August 22, 2012

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

Call to Order: Mike Millikin, Chair, called the meeting to order at 8:30 a.m.

ROLL CALL

Board Members Present: Mike Millikin, Chair; Dick Gormley, Secretary/Treasurer; Vicki Carter, Board Member; Rick Mockler, Board Member; Kim Bedier, Board Member; Jeri Sevier, Board Member; and Mark A. Kammers, Executive Director. Noel Hardin was excused.

Others Present: Cheryl Duryea, Enduris General Counsel; David Dowers, Principal, Dowers Commercial Real Estate Group; Rafaela Ortiz, Enduris Chief Operating Officer; Sheryl Brandt, Enduris Director of Claims and Risk Management; and Joy Jelsing, Enduris Administrative Assistant.

ADOPT AGENDA

MOCKLER/SEVIER moved to adopt the Agenda. Motion carried.

ELECTION – COUNTING OF BALLOTS

Board Policy GC-3.14 states that the Board will ratify the annual Board election results.

On behalf of Mr. Hardin, Chair of the Board Development Committee, Mr. Mockler handed over the Board of Directors' election ballots to Ms. Scharff, Enduris' Director of Finance. Ms. Scharff, along with two other staff members, will open and count the ballots, and tabulate the results, which will be reported later in the meeting.

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

Minutes

May 16, 2012

BEDIER/SEVIER moved to approve all items on the Board Consent Agenda. Motion carried.

CEO Consent Agenda

Vouchers

April 2012 voucher numbers 206101 through 206109 amounting to \$641,609.18

May 2012 voucher numbers 206110 through 206122 amounting to \$555,579.32

June 2012 voucher numbers 206123 through 206130 amounting to \$1,858,170.63

July 2012 voucher numbers 206131 through 206139 amounting to \$1,472,813.48

BEDIER/MOCKLER moved to accept all items on the CEO Consent Agenda. Motion carried.

OPERATIONAL EXPECTATIONS MONITORING

Operational Expectations (OE) Policies are **operational policies** that are carried out by the Administration and change very little year after year. The Board has already approved the policies, the CEO interpretation of each policy, and Evidence of Compliance – the monitoring reports are provided each year to provide evidence to the Board that the Administration is in compliance with the policies. The policies have been updated but there are no substantive changes from Policy Year 2010.

As outlined in the Annual Work Plan, three (3) Operational Expectations (OE) Board policies are monitored by the Board at the August Board meeting.

Board Policy Operational Expectations (OE-8): Communicating with the Board – Monitoring Report Presentation

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.

Board Policy Operational Expectations (OE-9): Coverage – Monitoring Report Presentation

Board Policy OE-9 states that the CEO will assure the availability of coverage that best meets members' needs in the most cost-efficient manner.

Board Policy Operational Expectations (OE-10): Communicating with the Members – Monitoring Report Presentation

Board Policy OE-10 states that the CEO shall assure that the members are adequately informed about the condition and direction of the Pool.

Mr. Kammers presented the Monitoring Reports for Operational Policies OE-8, OE-9, and OE-10 with supporting evidence of compliance for the policies.

MOCKLER/GORMLEY moved to accept the monitoring reports for policies OE-8, OE-9, and OE-10 for Policy Year 2011 as evidence of being in compliance. Motion carried.

MOCKLER/GORMLEY moved to return to the practice of putting the OE's on the Consent Agenda in the future. Motion carried.

RESULTS MONITORING

The Board has already approved all the **results policies**, including the CEO interpretation of each policy, the indicators that are used, the baseline and the targets. The reports presented are used to determine if reasonable progress has been achieved in meeting the results.

As outlined in the Annual Work Plan, two Results (R) Board policies are monitored by the Board at the August Board meeting.

Board Policy Results (R-2): Rates – Monitoring Report Presentation

Board Policy R-2 states that members have the advantage of competitive, stable, and understandable rates.

Mr. Kammers presented the **Monitoring Report** for Policy R-2 for Policy Year 2011 and provided an overview of the following as evidence of progress in meeting Results Policy #2:

1. Results from the Five-Year Member Survey completed in 2009 indicates that 96% of members were satisfied or neutral with rates.
2. Retention patterns/trends – Enduris attained a 99.15% retention rate in PY 2011.
3. Growth patterns/trends
 - Membership: +3.77%
 - Contributions: +1.87%
 - Net Assets: +7.17%
4. The Liability Rate Setting Report uses an experience rating model.
5. The Enduris Rate Setting Policy mirrors inflationary market conditions, which was flat for Policy Year 2011.

SEVIER/MOCKLER moved to accept the monitoring report for R-2 for Policy Year 2011 as evidence reasonable progress has been achieved. Motion carried.

Board Policy Results (R-4): Coverage – Monitoring Report Presentation

Board Policy R-4 states that members have the advantage of broad coverage influenced by their needs.

Mr. Kammers presented the **Monitoring Report** for Policy R-4 for Policy Year 2011 and provided an overview of the following as evidence of progress in meeting Results Policy #4:

1. Results from the Five-Year Member Survey completed in 2009 indicates that 96% of members are satisfied or neutral with rates.
2. Retention patterns/trends – Enduris attained a 99.15% retention rate in PY 2011.
3. Growth patterns/trends
 - Membership: +3.77%
 - Contributions: +1.87%
 - Net Assets: +7.17%
4. Status of the commercial market – Enduris procured the broadest form of liability and property insurance possible at the best value.
 - Liability coverage with GEM and Genesis with an 80/20% quota share option and a \$1 million self-insured retention

- Property coverage with Public Entity Property Insurance Program (PEPIP) with a \$250,000 self-insured retention
- 5. Enduris remains reinsurance ready and can be promoted and accepted as a good risk to reinsurance companies.
- 6. Enduris continually evaluates the needs of the members and facilitates specialty coverage for those members whose requirements are outside the scope of coverage currently provided.

BEDIER/SEVIER moved to accept the monitoring report for R-4 for Policy Year 2011 as evidence reasonable progress has been achieved. Motion carried.

BOARD'S REPORT ON ASPEN GROUP'S GOVERNANCE BOOT CAMP

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. After attending conferences or events, directors will report back to the Board at the next quarterly meeting about what they have learned.

Vicki Carter, Rick Mockler, Kim Bedier, and Jeri Sevier attended Aspen Group's Governance Boot Camp in Palm Springs, California, on June 21, 2012. Because Ms. Sevier and Ms. Bedier had attended a couple of Enduris Board Meetings prior to attending the Governance Boot Camp, they found it extremely helpful in getting a better understanding of the governance model and its effectiveness in how Enduris operates. Mr. Mockler found the timing of the Governance Boot Camp useful in reviewing the Board's Governing Policies at yesterday's Board Workshop. The Boot Camp helped to reaffirm the principles of the governing model, but also allows the Board to reassess and modify the current policies.

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 and Vacant Office Space Updates

Mr. Kammers provided a brief update on the building project costs. Project Manager David Dowers will be in later to provide the Board with additional updates to the office building and the vacant office space.

AGRIP Governance & Leadership Conference – Newport Beach, CA – October 14-17, 2012

Mr. Kammers invited the Board to attend the upcoming AGRIP Governance & Leadership Conference.

Gem Update

The GEM 2011 Annual Report was distributed and a recap of the July Board Meeting was provided.

Pooling Update

Mr. Kammers informed the Board of recent pool audit reports.

MRSC Contract

The Municipal Research and Services Center contract with Enduris was renewed.

Business Continuity with WCIA

Copies of resolutions adopted in 2006 between Enduris and Washington Cities Insurance Authority (WCIA) to coordinate emergency communication plans to ensure business continuity were provided to the Board.

Marketing & Business Development Plan for PY2013

Mr. Kammers shared a Marketing & Business Development Plan developed by Shellie Klink, Enduris' Marketing Coordinator.

Membership Retention & Education Plan for PY2013

Mr. Kammers shared a Membership Retention & Education Plan developed by Joanne Bisquera, Enduris' Membership Services Coordinator.

Enduris Training Center Update

An activity report listing the events scheduled for the Enduris Training Center and Board Room was provided. Mr. Kammers explained the fee structure for the use of the training center – no charge for Enduris members and associations that support our members.

Surplus Inventory

Enduris has a surplus of office furniture that is currently being stored in the vacant office space. Mr. Kammers stated that Enduris will surplus the items to the membership by lottery.

Solvency Study

Enduris' actuary, Kevin Wick of PricewaterhouseCoopers, is promoting a solvency study for Enduris to consider. Mr. Kammers briefly explained the study's framework and its estimated cost.

Enduris Video

Mr. Kammers informed the Board that Enduris retained a video production company to create a promotional video. The video should be available by month's end and will be shown at association conferences and meetings with potential members, as well as be available on the Enduris website.

CEO Quarterly Update

Mr. Kammers presented the CEO quarterly status report for the 3rd Quarter of Policy Year 2012. The report included updates on Membership Growth Patterns, New Members, Upcoming Members, MRSC Activity, Member Training, Claims Opened, EPL Claims/Incidents, Budget Quarterly Trends, Budget and Claim Projections, Financial Comparisons, and Projections for Year-End 2012 and 2013.

Mr. Millikin recessed the Board meeting at 9:50 a.m. for a break and reconvened the meeting at 10:04 a.m.

DISCUSSION/ACTION ITEMS

State Risk Manager's Report – GC-3.7

Board Policy GC-3.7 states that the Board will review and understand the annual report of the State Auditor and any reviews conducted by the Washington Office of Risk Management-Local Government Self-Insurance Program.

Shannon Stuber, Program Administrator for the Local Government Self-Insurance Program, provided an oral report of her audit at the May 16 Board Meeting. Mr. Kammers furnished the Board with the written report issued July 19, 2012. The report is posted on the Local Government Self-Insurance Program's website as well as the Enduris website.

GORMLEY/BEDIER moved to accept the Report of the State Risk Manager's Review of Enduris dated July 19, 2012. Motion carried.

Election of Directors – GC-3.14

Board Policy GC-3.14 states that the Board will ratify the annual Board election results.

Mr. Mockler announced the following results:

Total Ballots Cast: 175
169 Votes for Vicki Carter (Position #2)
168 Votes for Mike Millikin (Position #5)
Write-in Votes: 1 for Gary Kessler

BEDIER/SEVIER moved to accept the Enduris Policy Year 2013 Election Results as recorded (169 votes for Vicki Carter, Position #2; 168 votes for Mike Millikin, Position #5; 1 write-in vote for Gary Kessler). Motion carried.

Board Development Committee Appointment

Ratification of Appointment to Board Committees

Board Policy GC-4.6 states that the Chair will appoint members of all Board committees with the ratification of the full Board. **Per Board Policy GC-4**, the Vice Chair is Chair of the Board Development Committee. **Board Policy GC-5** states that three members are appointed, none of whom are up for election.

Because Vice Chair Mr. Hardin is conflicted this year because he is up for election, Mr. Millikin appointed an acting chair of the Board Development Committee.

Mr. Millikin appointed the Board Development Committee for Policy Year 2013 as follows:

- Vicki Carter, Chair
- Jeri Sevier
- Rick Mockler

BEDIER/GORMLEY moved to ratify the Board Development Committee as appointed by the Board Chair (Vicki Carter, Chair; Jeri Sevier; Rick Mockler). Motion carried.

Approval of Actuary Contract Amendment for Policy Year 2013 - GC 3.13

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

Mr. Kammers recommended an approximate 5% increase to this year's contract with PricewaterhouseCoopers for a total amount of \$32,900.

MOCKLER/BEDIER moved to approve the Amendment for Policy Year 2013 with PricewaterhouseCoopers for professional services in the amount of \$32,900 and with direction to remind PwC that they report to the Board of Directors and not the CEO. Motion carried.

Approval of General Counsel Contract for Policy Year 2013 - GC 3.13

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

Mr. Kammers recommended a 5% adjustment to Cheryl Duryea's contract.

GORMLEY/SEVIER moved to renew the contract with Cheryl Duryea, PLLC for general counsel services for Policy Year 2013 in the amount of \$33,000. Motion carried.

There was discussion regarding a succession plan for legal counsel.

Financial Statements – OE-8.3

Board Policy OE-8.3 states that the CEO shall provide for the Board in a timely manner information about trends, facts and other information relevant to the Board's work and the health of the Pool.

Mr. Kammers distributed the July Financials and provided an overview of the Income Statement, Balance Sheet, and Budget Comparison. He presented the July 31, 2012 Financial Statements with total assets of \$23,921,295.85 and total members' net assets (surplus) of \$11,850,685.06. Expenses and Revenues to date are within budget. Mr. Kammers also reported that the Spokane County Investment Pool's rate of return is .923%.

SEVIER/GORMLEY moved to accept the financial statements as of 07/31/12 as presented by the Executive Director. Motion carried.

Reserve Analysis Report and Liability Rate Review – GC-3.10

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.

Enduris contracts with PricewaterhouseCoopers (PwC) to conduct an annual Liability Rate Review.

Mr. Kammers recommended that the Board accept PwC's Rate Review for Policy Year 2013. PwC has agreed with Management to propose a 5% increase in liability rates across the board for all Group Rates. There will be no property rate increase for PY 2013. It is estimated the overall blended rate adjustment for PY 2013 is 2.75%.

MOCKLER/CARTER moved to accept PricewaterhouseCoopers' Reserve Analysis Report and annual Liability Rate Review for Policy Year 2013 as provided to us by Kevin Wick and to request that in the future these be addressed to the Board and not the Executive Director. Motion carried.

Claims Audit

Board Policy OE-8.5 assures that the Board has adequate information from a variety of internal and external viewpoints to assure informed Board decisions.

Enduris hires Craig Bowlus of Aon Risk Insurance Services to conduct an annual independent claims audit for the pool. Mr. Kammers provides the audit report to the Board as Evidence of Compliance for several Board policies. Mr. Kammers added that the Administration has arranged for the claims audit to be conducted in July so that it is available to the Board at the August Board Meeting. This change will be made to the Policy Year 2013 Work Plan.

Ms. Carter requested that the staff report back to the Board on how Enduris will implement the seven recommendations made by Craig Bowlus.

CARTER/GORMLEY moved to accept the Policy Year 2012 Property and Casualty Claims Audit conducted by AON Risk Insurance Services with follow-up from staff to report back on the seven recommendations. Motion carried.

Property Coverage Renewal for Policy Year 2013 - GC-3.8

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 stated that at the May 16 Board Meeting the Board gave authorization to the Administration to renew coverage and report back at the August meeting. For PY 2013, PEPiP offered continuing coverage with a rate increase of 7.85% for non-HPR and an 11.64% increase for HPR over last year. Mr. Kammers noted that it is proposed the property rate increases for purchasing reinsurance are not being passed along to our members.

MOCKLER/SEVIER moved to accept the property coverage renewal for PY 2013 with PEPiP using the existing \$250,000 Self-Insured Retention for both HPR and Non HPR property classifications. Motion carried.

Liability Coverage Renewal for Policy Year 2013 – GC-3.8

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

Mr. Kammers stated that at the May 16 Board Meeting, the Board gave authorization to the Administration to renew coverage and report back at the August meeting. Genesis has agreed to renew Policy Year 2013 with the same coverage as Policy Year 2012 but with a 3% inflationary adjustment for Policy Year 2013. The Administration supports the inflation adjustment.

SEVIER/CARTER moved to accept the liability coverage renewal with Genesis and GEM with a 3% inflationary adjustment using a 80/20 percent quota share arrangement and a self-insured retention of \$1 million for Policy Year 2013. Motion carried.

Approval of Rating Policy for Policy Year 2013 - GC-3.10

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 Policy for Policy Year 2013. When the Board adopted the budget for PY 2013, they approved a revenue package equivalent to a 5% liability rate increase across the board, no increase for property rates, and a 2% Marshall-Swift increase for real estate values. Excluding experience rating, this formula is equivalent to an overall annual increase of approximately 2.75% pool-wide.

BEDIER/SEVIER moved to approve the draft Enduris Rating Policy for Policy Year 2013 as recommended by the Executive Director. Motion carried.

Approval of Memorandum of Coverage (MOC) for Policy Year 2013 - GC-3.11

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

Mr. Kammers explained and recommended two changes to the MOC as follows:

1. Delete Addendum E, which states that Enduris require approval authority of Public Facilities Districts' contracts. While Enduris continues to review many Public Facilities District contracts, it is no longer reasonable to require approval authority. Enduris is much more familiar with this district type than when they were first formed.
2. Following a request from a flood and diking district member, Enduris would like to amend Addendum F to include a limited amount of coverage for flooding/washouts losses (up to \$200,000 in defense costs and up to \$300,000 in indemnity).

SEVIER/GORMLEY moved to approve the draft Memorandum of Coverage for Policy Year 2013 as presented by the Executive Director. Motion carried.

Approval of Meeting Calendar for Policy Year 2013 - GC-6

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 policy year. All proposed meetings for Policy Year 2013 will be held at the Enduris office in Spokane.

CARTER/MOCKLER moved to approve the meeting dates of February 20, May 22, August 21, and November 20 for Policy Year 2013. Motion carried.

Approval of Work Plan for Policy Year 2013 - GC-6

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. Ortiz summarized the recommended changes to the Policy Year 2013 Work Plan as follows:

- Move Claims Audit Report from November to August
- Move the Liability Renewal Authorization from November to May
- Consolidate five Results policies to four Results policies and reschedule the monitoring reporting to February and November so that the information is more timely
- Move the Operational Expectations (OE) monitoring reports that pertain to financials to November and divide the other OE monitoring reports between February and August

MOCKLER/SEVIER moved to approve the 2013 Work Plan and ask that we amend it to include further discussion of revisions to the OEs and revisions to the Rs to the November agenda as discussed in the workshop yesterday. Motion carried.

Mr. Millikin recessed the Board meeting at 11:07 a.m. for a short break and reconvened the meeting at 11:15 a.m.

Approval of Board Policy Revisions for Policy Year 2013 – GC-2.4

The Board attended a workshop to review the board governing policies on August 21, 2012. Ms. Ortiz summarized the workshop's results of the changes to the policies as follows:

- GC-3.3 states that the Board will maintain constructive dialogue with the members as a means to engage them in the work of the Board and the Pool. *By consensus, the Board agreed to delete this policy; however, the Board will still be available for dialogue to Enduris' members.*

- GC-3.7 and GC-3.8 states that the Board will review and understand the annual report of the State Auditor and any reviews conducted by the Washington Office of Risk Management-Local Government Self-Insurance Program as well as the annual audit report of the independent claims auditor. *By consensus, the Board agreed to change "understand" to "accept" the annual reports.*
- GC-5.A.b states the appointments to the Board Development Committee. *By consensus, the Board agreed to revise the policy language to read, "Up to three members not up for election the next policy year."*
- OE-1 states that the CEO shall not cause, allow, or fail to take reasonable measures to prevent any practice, activity, decision or organizational condition that is unlawful, unethical, unsafe, disrespectful, and imprudent, in violation of Board policy or endangers the Pool's viability, credibility or public image. *By consensus, the Board agreed to add Policy OE-1.1 stating that the CEO shall assure that the organization meets all applicable audit standards. The Board also agreed to change the wording to Policy OE-1.2 to state that the CEO shall assure that the organization meets the AGRiP and GFOA recognition standards.*
- R-1 Mega Result states that members have long-term protection from property and liability loss. R-5 Stability and Confidence states that the members share in the long-term viability and financial stability of Enduris. *By consensus, the Board agreed to combine both policies by incorporating R-5 into R-1.*

In addition, Ms. Ortiz summarized the workshop's results of the changes to the Results policies as follows:

- R-1 Mega Result: Stability and Confidence. *By consensus, the Board agreed to delete the target percentages under Growth of the Pool (Membership, Contributions, and Retention); however, there was no decision of what will replace the percentages. The Administration will bring back a recommendation to the Board at the November Board Meeting.*
- R-1 Mega Result: Stability and Confidence. *By consensus, the Board suggested that Diversification of the Pool might be added as Indicator #7. The Administration will bring back a recommendation to the Board at the November Board Meeting.*
- R-2 Rates states that members have the advantage of competitive, stable and understandable rates. *By consensus, the Board agreed to move the Retention and Growth Patterns/Trends from R-2 to R-1 Mega Result.*

Mr. Kammers indicated that he is going to develop and present a Business Plan at the next Board Meeting, which will include target estimates for our growth. The plan will also address diversity of the Pool.

Finally, Ms. Ortiz noted that at yesterday's workshop, Mr. Mockler recommended that the CEO shall monitor any potential changes in the pooling industry and report to the Board. In addition, the CEO and staff shall play a role to enhance Enduris' position in the pooling industry and continue to take a leadership role. Mr. Mockler commended Mr. Kammers for being a key player in attempting to strengthen the State pooling industry and felt it is important to Enduris' success to continue such efforts. *The Administration will provide a policy recommendation regarding the visibility of Enduris at the November Board Meeting.*

GORMLEY/MOCKLER moved to approve the proposed policy changes in concept directing the Administration to finalize the detail with the intent to have final approval at the November 15th Board Meeting. Motion carried.

It was noted and confirmed that even though the proposed policy changes have yet to be approved, the Administration can proceed as if the changes are in place.

EXECUTIVE SESSION

Mr. Millikin convened in Executive Session at 11:44 a.m. to review the status of open claims. He expected to reconvene in Open Session at 12:15 p.m. Mr. Millikin reconvened in Open Session at 12:06 p.m.

The Board provided some suggestions about communicating and educating our members on the importance of sound employment practices because the trend is evident that Employment Practices Liability claims have been increasing and will continue to increase.

Mr. Millikin recessed the Board meeting at 12:17 p.m. for lunch and reconvened the meeting at 12:30 p.m.

Office Building and Vacant Office Space Updates (continued from earlier in the day)

Mr. Dowers expects that the office building project should be complete in four months or so, depending on when the punch list is finished. The final project cost is \$4.4 million, \$10,000 less than his last quarter projection.

Mr. Dowers provided an update on marketing the vacant office space and informed the Board of current vacant office spaces in the area and how the Enduris space compares.

DEBRIEF BY BOARD

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

There was consensus among the Board that yesterday's workshop and today's board meeting were very productive. The efficiency of both meetings are due to the governance model's process, the Board studying the material prior to the meeting and being well prepared, and the hard work of the staff in preparing the material.

ADJOURNMENT

Mr. Millikin adjourned the Board meeting at 1:07 p.m.



Michael R. Millikin, 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.