



**Enduris
Annual Members and Board of Directors
Meeting Minutes**

November 17, 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: Chair Mr. Matt Schanz called the meeting to order at 8:30 a.m.

ROLL CALL

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

Others Present: Andrew Halsall, President & CEO, Government Entities Mutual (GEM); Douglas Wozniak, Senior Vice President, Alliant Insurance Services, Inc.; Kevin L. Wick, FCAS, MAAA, Managing Director PricewaterhouseCoopers (PwC); Heather Yakely, Enduris General Counsel; Holly Nelson, Enduris Director of Claims; Kimberly Millikan, Enduris Director of Finance; Joe Davis, Enduris Director of Risk Management and Member Relations; Alric Balka, Director of Operations; Shawna Masterton, Executive Assistant; Ryan Wilson, Technology/Business Systems Coordinator

Mr. Schanz started the meeting with introductions.

Public Comments – RCW 42.30.340

➤ *No public present. – No comments were made.*

ADOPT AGENDA

ADAMS/CARTER moved to adopt the agenda as presented. 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 – August 18, 2022

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

Executive Director Consent Agenda

Expenses:

- July 2022
- August 2022
- September 2022
- October 2022

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

ANNUAL PROFESSIONAL PRESENTATIONS

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.

BROKER REPORT

Enduris' Broker, Mr. Doug Wozniak from Alliant Insurance Services, gave a State of the Public Entity Insurance Market presentation. Some noteworthy items included.

While the industry balance sheet is strong enough to meet the commitments to insureds, it is facing emerging challenges from the significant and increasing impact of catastrophic weather events, cyber risk and significant price and social inflation/lawsuit abuse.

Market Conditions; Impactful issues for insureds:

- Liability capacity pull back and withdrawals have been significant over the past two years.
- Property capacity reductions:
 - 15% to 30% reduction in capacity from incumbents
 - Coastal and wildfire capacity continues to be especially difficult.
- Cyber capacity is shrinking and particularly acute for certain industries (Public Entity)
- Insurers produced negligible profit in 2021 – \$112b in Global Insured CAT losses in 2021 – 4th Worst Loss Year on Record.
- U.S. Inflation-Adjusted Insured CAT Losses - Insured Cat Losses Are Increasing at An Alarming Rate – 700% Since 80's.
 - Average Insured Loss per Year* | 1980-2021: \$23.8 Billion | 2012-2021: \$44.1 Billion
- Workers Compensation remains stable.
- Historically low interest rates have hampered carrier investment returns.
- An increased pattern of major property catastrophes such as hurricanes, typhoons, wildfires, etc. over the past 5 years. Is this the new normal?
- Consistent increases in attritional property losses (fires, water damage, tornados, hail, wildfires)
- Increased inflation has added to the issue of valuation across all property classes.
- Auto Liability Bodily Injury Severity Trend Is Up, Frequency Plunge in 2020/21 - Due to COVID Has Ended and Is Reversing

- Social inflation & Litigation Financing driving up liability verdicts and settlements.
 - Ransomware cyber losses are systemic - \$6 Trillion Impact in 2021 – Expecting \$10 Trillion by 2025 – 2019 was \$2 Trillion.
- **Liability Renewal Outlook** - Excess liability continues to be a challenge.; Engage incumbent carriers early to gain commitment on renewal.
 - **Property Renewal Outlook** - Continued scrutiny of data (SOV, COPE, ITV with Increased Construction Cost) Increased retentions and caps on certain types of exposure; Property markets are affected differently across the nation.
 - **Cyber Renewal Outlook - Leading insurers have indicated “We may have hit rate equilibrium” 2023 Forecast:** 15% to 25% increases, at a minimum, for “good” risks and most starting much higher.

REINSURER REPORT

Enduris’ reinsurer, Mr. Andrew Halsall from (GEM) Government Entities Mutual presented an overview of some key factors of which GEM enhances members’ pool operations. Mr. Andrew Halsall described the GEM operations. There were no significant changes in operations or services compared to prior years.

Mr. Schanz recessed the Board meeting at 9:45am for a break. Mr. Schanz reconvened the meeting at 9:54am

ACTUARY REPORT

Board Policy GC-3.14 states that the Board will contract independently with an actuary to provide the Board with an actuarial study.

Enduris actuary, Mr. Kevin Wick, PricewaterhouseCoopers, gave a presentation on Enduris’ actuarial review as of August 31, 2022. In summary, Mr. Wick reported on the following Key Findings:

The Pool’s net unpaid claim liability is estimated to be \$16.9 million as of August 31, 2022. This represents a decrease of \$1.9 million (10%) from the amounts booked by the Pool as of August 31, 2021.

1. Since the August 31, 2021, Aon review, paid losses have come in \$1.5 million lower, but incurred losses have come in \$0.8 million higher. Compared to the October 31, 2021, Aon review, both paid and incurred losses have developed less than expected (\$1.9 million paid and \$1.6 million incurred). While the current liability estimates are \$3.9 million lower than Aon’s revised estimates, in the aggregate they are roughly equal to Aon’s initial estimates.
2. Property and auto physical damage estimates decreased by a combined \$1.3 million. In aggregate, incurred losses actually developed downward by \$64,000 for these coverages.
3. The estimated cost of claims for all coverages combined for accident year 2022 year is \$1.5 million higher than the estimate for 2021. Liability accounts for \$0.4 million of this increase Property accounts for the majority of the increase (\$1.0 million). In contrast, 2021 property actually developed downward over the past year.

Mr. Kevin Wick also presented the board with a Capital Adequacy Assessment presentation. In summary, Mr. Wick reported on the following Key Findings:

The capital needs are a function of the financial uncertainties of the program. It is recognized that other non-financial risks exist for the Pool, but they were not quantified as part of this review as they generally cannot be addressed through financial means.

Mr. Wick stated that these risks are often managed and monitored using more qualitative approaches. In the next one-year time horizon, there is 0.5% chance (1-in-200-year event) that the financial risks (current balance sheet and next year's business) will result in more than a \$26 million demand on program capital.

The capital needs at various thresholds can be used to construct a risk capital target range. Key considerations of a target range should include:

- Desired capability to withstand capital events.
- Tolerance for a retroactive assessment
- Options to replenish the capital and continue operations after a capital event.
- Member's expectations regarding rate stability
- Potential changes in the risk profile
- Any restrictions on the use of assets or net position to support a capital event.

Ms. Brandt and Mr. Wick acknowledged that this was lot of information to digest on both the Actuary Study and the Capital Adequacy Assessment; PwC and Enduris have a lot of good work to do together, and these studies will be a work in progress. Ms. Brandt noted the management team will continue to work with Mr. Wick, to make their recommendations known to the board; in addition, Ms. Brandt asks that the board thinks about the information that was presented and bring back their thoughts and recommendations; This study is a significant decision; what is our risk tolerance comfort level; this relies heavily on the importance of the overall health of the organization; For timing purposes, the hope is to have a board action with a proposed policy recommendation by the February 2023 board meeting so that substantial work can continue. Once decided, a board policy will be adopted into the Board Governing Policies. It was noted that all copies of the presentations/reports are available to the board members upon request, for reference.

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 Update

Ms. Brandt informed the Board that one of the key topics is that the COVID 19 Emergency Orders have been removed in the State of Washington; In anticipation of fielding questions from our members; we are being proactive in getting in front of the issues, to help manage employment questions. We have hired two attorneys; Brian Snure and Michelle Fossum, that have offered to write a "White Paper" on what actions are appropriate to take; The Member Relations Team is working through that process and how to roll it out.

The member renewal is complete for policy year 2023 and the renewal team did a fantastic job.

Association of Governmental Risk Pools (AGRiP) Updates

The AGRiP (Association of Government Risk Pools) Governance Conference will be held in-person in Orlando, Florida on March 5-8, 2023, and encouraged the Board to attend. The conference focus is on Governance and Boards. Ms. Masterton will let board know when registration opens.

2022 Claims Satisfaction Survey Results

Ms. Brandt provided the Board with the PY 2022 claims satisfaction survey results. She gave kudos to Holly Nelson and the claims team, who did a phenomenal job, which is reflective in the outstanding survey results. Mr. Schantz recognized the claims staff in the survey and expressed his appreciation of their work.

Year in Review for PY 2022

Ms. Brandt and Ms. Millikan presented the “Year in Review” for PY 2022, Optimizing Change. They touched on the following highlights:

- **Managing back to “Normal”:** Working through hybrid work environment; Revolving Changes; Hard Reinsurance Market; TIV inflation; Training new staff/Board Members
- **Management Initiatives:** Capital Funding Study; Generative/Strategic work with the Board; Website Redesign
- **Our Members:** Increased Member Engagement; In-person visits; Member Trainings/Conferences; Focus on Risk Management/Valuations
- **Strong Financial Results:** Net Position up by \$8.7 million; Positive impact on Financial Ratios; Allowed for lower rate increases in FY 2023
- **Claims:** Increased Frequency & Severity; Claims Paid; Increase in cost of goods and labor; Supply chain issues
- **Looking ahead to PY2023**

Ms. Brandt concluded the Year in Review with matters that Enduris will need to consider for PY 2023, which includes the following key points: Claim costs continues to increase with inflation and supply chain issues; The hard reinsurance/excess market will continue; Working with PwC actuarial rate study impacts on membership growth; In addition, Incorporating a Capital Adequacy Assessment Funding Study into the Plan, then work on implementing a board policy into the organization that will be included into our Board Governing Policies; Continuing the work on the Strategic Plan; Member Engagement; Preparing Members for the Cyber application at renewal time.

Mr. Schanz recessed the Board meeting at 12:05 p.m. for lunch. Mr. Schanz reconvened the meeting at 12:35p.m.

EXECUTIVE SESSION

The Board entered Executive Session at 12:36 p.m. to review the status of open claims and discuss the Executive Director’s Evaluation. Let the record show that Mr. Schanz reconvened in Open Session at 1:11 p.m.

DISCUSSION/ACTION ITEMS

Approval of Monitoring Reports for Operational Expectation Policies 1-10

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

Mr. Balka reported on the New Monitoring Dashboard that he created for the Operational Expectations (OE’s) Policies 1-10. These are operational policies that are carried out by the Administration and change very little year after year. Monitoring reports are provided each year to provide evidence to the Board that the Administration follows compliance within the policies. Last year the board of directors asked the Administration to work on shorting the reports to make them more concise. Mr. Balka presented the new Dashboard and how the document works. In

short, there is extra column for each (OE) with a 'Report Date/Evidence' and a box to check if the OE is:

- "In Compliance"
- "In Compliance with Exceptions"
- "Not in Compliance"

ADAMS/CARTER To approve the Operational Expectations Monitoring Dashboard for Policy Year 2022 as evidence of compliance with noted exceptions.

Approval of Goal Monitoring Report for PY 2022

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

- The **Goal** policy states that Members have long-term protection from property and liability loss through the long-term viability and financial stability of Enduris.
- The **Goal Indicator** is: Trend toward Target Goal based on a five-year rolling average.

We are making reasonable progress when the combined overall financial ratios, within the Executive Director's control, are reasonably trending towards the target over a five-year rolling average, to achieve the overall Goal. If there are outside forces causing variations, they will be identified. The health of the Pool is measured by its growth in net assets, managed growth and strong retention, conservative confidence level, and consistent financial ratios in line with industry benchmarks. Enduris will assure fiscal soundness in future years by striving to make reasonable progress towards the net position range defined by the capital funding study.

WATTS/CARTER moved to approve the Goal Policy Monitoring Report for Policy Year 2022 as evidence that reasonable progress has been achieved. Motion carried.

Financial Statements

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.

The Board was provided with the financials reports for July 31, 2022, and August 31, 2022. Also provided was the performance investment report as of October 31, 2022, from the Spokane County Investment Pool.

ADAMS/WILLIQUETTE moved to approve the July 31, 2022, and August 31, 2022, financial reports as presented. Motion carried.

WATTS/ADAMS moved to accept the activity report from the October 31, 2022, Spokane County Investment Pool fund as presented. Motion carried.

Actuarial Review/Capital Adequacy Assessment

Board Policy GC-3.14 states that the Board will contract independently with an actuary to provide the Board with an actuarial study.

The Enduris Board contracts with PricewaterhouseCoopers (PwC) to conduct an actuarial review at the end of the policy year. The report is included as Evidence of Compliance for several Board Policies. Each year the Board formally recognizes they have received the actuarial review and it is recorded as a Board motion.

- Actuarial Review
- Capital Adequacy Assessment ~ As of August 31, 2022

Ms. Brandt indicated that the actuarial study was provided to the Board and presented by Enduris' actuary, Mr. Wick, earlier in the meeting.

CARTER/WILLIQUETTE To recognize the receipt of the Actuarial Review as of August 31, 2022, Motion carried.

Board Generative Thinking Workshop/Amendment to PY23 Annual Work Plan

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.

On 2/16/2022 the board conducted a Generative Thinking Workshop facilitated by Sedgwick. Results from that workshop were compiled and used to create a set of 5 goals which the Executive Director used to create Enduris' Strategic Plan. The board has expressed an interest in continuing its work with Sedgwick, with facilitated Generative Thinking Workshops. Sedgwick has responded that they are available for a follow up workshop on February 15, 2023, ranging from a full to partial day session, with a two-hour re-cap the following day at the regularly scheduled board meeting. 11am-4pm followed by dinner.

CARTER/WATTS Moved to approve an amendment to the PY2023 Annual Work Plan to include a Generative Thinking Workshop on 2/15/2023 with Sedgwick. Motion Carried.

Executive Director Evaluation

Board Policy B/EDR-5 states that the Board considers Executive Director performance on the *Goal* and *Operational Expectations* to be identical to organizational performance. Organizational accomplishment of the Board's *Goal* policy and operation according to the values expressed in the Board's *Operational Expectations* policies will be considered successful Executive Director performance. In addition, the Board will evaluate the Executive Director on core competencies and performance based on individual goals.

Board Policy B/EDR-5.7 Each November, the Board will conduct a formal summative evaluation of the Executive Director. The written summative evaluation will be based upon data collected during the year.

The Board had expressed the time allotment for the Executive Director evaluation during the November meeting is often insufficient and the Board should consider scheduling a special meeting to accommodate a thoughtful review.

The Executive Director Evaluation Form is enclosed for the Board's reference and review prior to the special meeting.

Results from the Staff Satisfaction Survey will be sent to the board prior to the special meeting.

CARTER/WATTS Moved to schedule a Special Meeting of the Board Directors to conduct the summative evaluation of the Executive Director. Motion carried.

The special board of directors meeting was scheduled for December 16, 2022, at 10:00am

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 very positive comments. They expressed appreciation for the information they received in the board meeting. Ms. Carter gave a congratulations to the staff for their hard work over the last year; Ms. Carter stated, "I'm very happy to see that Mr. Kevin Wick, with PwC is back as the Actuary for Enduris"; Ms. Carter expressed her appreciation for the new Dashboard. Ms. Watts echoed Ms. Carter, she enjoys opening the packet and having everything so well laid out and prepared. Kudos were given to the Finance staff for a job well done; Ms. Watts stated she found this meeting very engaging with the professional presenters, Enduris' Broker, Reinsurer, and Actuary. Mr. Williquette noted that this was his first actual full meeting; there's a lot of information to digest, he is excited to learn the practices of the board, and he is looking forward to taking the Pooling Class. Mr. Adams stated that although Mr. Wozniak's message wasn't a positive one, it's always good to have the three professional presenters provide so much important information; their presentations were great, as it helps as the board members to understand so that they may help the members understand. Mr. Adams also appreciated the Dashboard. Ms. Young would have like to be there in the room with the fellow board members as she felt the energy; she reiterated what a great meeting this was; she found the three professional partners were exceptional, she specifically mentioned that Doug Wozniak's presentation was very eye opening and gives her a lot of "food for thought" about our economy from a different perspective; she appreciated the Dashboard as well; Ms. Young asserted that she learns a lot of quality practices from Enduris that she hopes to maybe implement with her team. Ms. Young also feels like she's getting a clear picture of the financials and can follow the track. Mr. Hardin is impressed with what he's seeing as far as staff and the production, which is incredible compared to years before. Mr. Hardin wanted to make a mention of the claims survey and gave kudos to the claim's teams. In addition, he attended the WFCA (Washington Fire Chief Association) conference that Enduris sponsored; Enduris was very well recognized. Mr. Schanz complimented and thanked our three professional presenters, especially, Enduris' Broker, Doug Wozniak's presentation; Mr. Schanz also resounded what Mr. Hardin said on the Claims Survey; that this just goes to show what an outstanding organization Enduris is, and it speaks to the quality of work and professionalism of the staff.

ADJOURNMENT

Mr. Schanz adjourned the Board meeting at 1:58 p.m.

CARTER/ADAMS moved to adjourn the meeting. Motion carried.



Matt Schanz, 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.