



**Enduris  
Board of Directors  
Meeting Minutes**

May 16, 2023

To meet both the Open Public Meetings Act and COVID-19 social distancing requirement announced by Governor Inslee in Proclamation No. 20-05, the Board meeting was changed to an online video/telephone conference meeting via GoToMeeting. A link and access code were provided to those requesting to join the meeting.

**Call to Order:** Chair Matt Schanz called the meeting to order at 8:36a.m.

**ROLL CALL**

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

Others Present: Rob Peterson, Executive Director for Fidalgo Pool, and Fitness; Jeff Griffin, WHA Insurance, Service Representative. Alric Balka, Director of Operations; Kimberly Millikan, Enduris Director of Finance; Holly Nelson, Enduris Director of Claims; Joe Davis, Enduris Director of Risk Management and Member Relations and Shawna Masterton, Executive Assistant.

*Mr. Schanz started the meeting with introductions of attendees.*

- **Mr. BiJay Adams joined the meeting at 9:03am**

**ADOPT AGENDA**

**WILLIQUETTE /WATTS 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 – February 17, 2023

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

### **Executive Director Consent Agenda**

#### Expenses

- February 2023
- March 2023
- April 2023

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

### **BOARD ETHICS TRAINING**

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

Legal Counsel Heather Yakely conducted the ethics training emphasizing the Board's commitment to continue to uphold Enduris' good reputation by adhering to ethical standards and referred to the Enduris Code of Ethics. In addition, the Board's attendance at conferences is important to keep abreast of emerging issues, trends, and innovations in pooling.

### **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 activity and participation in the **Liability Reform Coalition Bill Tracker**. Ms. Brandt referred to the Bill Tracker that was provided to the board, which shows a list of the bills; Ms. Brandt gave a brief but high-level overview.

Ms. Brandt noted that one of the LRC's focuses was on '**Senate Bill 5059**' Related to **Prejudgment Interest**. This bill did not pass but will likely be back on the agenda next year.

#### Staffing Update

In terms of staffing, Ms. Brandt reported we have hired one new person in finance and moved one finance person to member relations.

#### GEM Members' Sessions and Board Meeting Recap ~ Washington, D.C., April 27, 2023

Ms. Brandt referenced and directed the board to the synopsis of the board discussions and decisions that occurred at the GEM Board Meeting in Washington, D.C., which was supplied to the Enduris board members prior to the meeting.

#### Office Restoration Update

Ms. Brandt informed the board that in late February 2023, a pipe burst due to freezing in the fire riser system. The team was able to get on top of it right away; however, it caused a fair amount of damage. We are currently in week one of a five-week project based on what the contractor estimates.

#### Enduris Strategic Plan Update

Ms. Brandt reported on the progress and provided a high-level overview of the main Strategic/Objectives/Action Items/Timelines/Status and Reporting Dates. It was noted by the board that the new Dashboard format is working great, and the board is pleased with the work. Ms. Brandt pointed out that most all the work on the Capital Adequacy Study has been completed. We are on track to make movement towards the targets this year.

#### Quarterly Summary

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

- Actuarial PwC on Capital Adequacy Assessment
- PY2024 member renewal and exposure data collection/Rate Development
- Strong Financial Position – Net position is up by \$2.6M to \$29.9M; Cash and Investment of \$48.1M and Unpaid claims reserves of \$17.7M
- Members we currently have 520 active members, down slightly from 527 in PY2022. Property TIV \$4.8B, up % from PY2022 Liability Exposure up 2%; EMS runs up 12% vs. PY2022.
- Risk Management Strategies – In-person visits, member trainings/conferences; focus on property valuations and Cyber Security
- Claims development has increased for PY21/PY22, open liability and property claims impact on property reinsurance will be significant.
- Upcoming Activities to include, Policy Year 2024 Renewal; Training New Employees; Underwriting/evaluating new member inquiries.

*Mr. Schanz recessed the meeting for a break at 10:05am*

#### **EXECUTIVE SESSION**

*The Board entered Executive Session at 10:19am for 44 minutes to review the status of open claims.*

*The meeting reconvened in Open Session at 11:03am*

#### **DISCUSSION/ACTION ITEMS**

##### Claim Payment Approval

**Board Policy OE-6.10** states that the CEO will settle any claim of \$300,000 or less in indemnity per claimant without authorization by the Board. Claims over \$300,000 are brought to the Board for ratification.

##### Claim Payment Approval #1

A property claim has been presented to the Board for approval. Property Water Loss - The member failed to close the valve to fill their pool prior to the city turning back on the water. It flooded the area causing damage to the boiler and electrical.



- A payment has been issued in the amount of \$329,111.43.

**CARTER/WATTS moved to authorize a property payment in the amount of \$329,111.43, for claim number C10213. Motion carried.**

**Claim Payment Approval #2**

An employment liability has been presented to the Board for approval - Employee alleges racial discrimination, wrongful termination, and retaliation.

- A payment has been issued in the amount of \$500,000.00.

**CARTER/WILLIQUETTE moved to authorize an indemnity payment in the amount of \$500,000.00, for claim number 120-148. Motion carried.**

**Claim Payment Approval #3**

A general liability has been presented to the Board for approval – The claimant was hit in a crosswalk by our member. He had injuries to his neck, back, and a broken hip and strongly maintained a (TBI) Traumatic Brain Injury. The claimant’s wife made a claim for loss of consortium.

- An insurance payment has been issued in the amount of **\$900,000.00** to settle with the claimant. In addition, the claimant’s wife had a loss of consortium claim that we were able to settle for **\$100,000.00**.
- A total payment has been issued in the amount of **\$1,000,000.00**.

**WATTS/ADAMS moved to authorize an indemnity payment in the amount of \$1,000,000.00, for claim number 119-076-1 and claim number 119-076-2. Motion carried.**

**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 the slate of candidates for the annual election and brought a recommendation to the board for approval of the ballot. Mr. Matt Schanz and Mr. Kelly Williquette are running as incumbents and unopposed.

There were no other nominations from the membership.

**CARTER/WATTS moved to approve the Board of Directors Election Ballot which includes Mr. Kelly Williquette, for Position #6, and Mr. Matt Schanz, for position #7 as recommended by the Board Development Committee. Motion carried.**

**Budget Approval for Policy Year 2024**

**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 2024. The focus of the budget is fiscal soundness of the Pool. Ms. Brandt stated this requirement has been met. The Fiscal Year 2024 proposed budget highlights are:

The FY2024 budgeted change in Net Position is \$2.4M, with an ending Net Position of \$34.0M. This stands for an 8% increase in Member's Equity over the FY2023 forecasted Net Position of \$31.6M. Under the FY2024 proposed budget, at the end of August 2024, the Pools Net Position will be at \$34 million which is the lower range in the Capital Adequacy Assessment Target Range Option #3 approved by the Board at the February 2023 meeting.

The target range will be updated by PWC this fall based on a review of certain factors. An increase in the Pool's self-insured retention is expected to cause the lower and upper bound to be \$1 to \$2 million higher.

Ms. Brandt stated that in addition to the Capital Adequacy Assessment Risk Capital Target range, the Budget also meets the required 5% change in net position ratio and other ratio targets under the current Board Policy and Executive Director interpretation and indicators.

Additionally, to improve the financial stability of the Pool, our primary goal for FY2024 is to minimize Member rate increases. Member base rate increase ranges by coverage:

- Liability Coverage - 2% to 5% Base Rate increase
- Property & Auto Physical Damage Replacement Cost (RC) Coverage - Between 15% to 17% total Cost Increases on Property and RC vehicles. This is made up of a 5% to 10% Base Rate increase for Property & APD Coverage plus 7.5% Marshall & Swift Inflation Factor applied to structures, contents, mobile equipment, and replacement cost (RC) vehicles.
- Auto Physical Damage (non-RC vehicles) Coverage - 5% to 10% Base Rate increase.
- Crime and Named Position Coverage - 2% to 5% Base Rate increase.

Ms. Millikan noted that selected members will see larger increases as we continue to implement the recommendations from the actuarial rate study and in relation to their specific claims experience and risk factors.

In addition to Member rate increases are necessary given the significant increases in both claims and reinsurance costs. There is an elevated level of risk inherent in the insurance market today (higher reinsurance premiums, potentially higher SIRs for property, etc.,) at the same time our member claims continue to increase in frequency and severity.

The FY2024 Budget reflects increased Member Contributions of \$27.93 million compared to FY2023 contributions of \$25.7 million (up \$2.1M -9%). This increase is lower than the operating cost increase of \$4.0M (18%) but still allows us to grow Net Position by 8%:

- \$10.3M Claims expense (up \$1.0M - 11%)
- \$11.8M Reinsurance cost (up \$2.7M - 29%)
- \$4.4M Admin/Operations cost (up \$0.3M – 7%)
- \$1.0M non-Operating income (up \$0.4M +68%)

We do not expect to have any significant capital expenditures during FY2024.

**YOUNG/WATTS moved to approve the Fiscal Year 2024 Budget as proposed by the Executive Director. Motion carried.**

*Mr. Shantz recessed the meeting for lunch at 12:05pm*

*Mr. Schantz reconvened the meeting at 12:31 pm*

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.

Property coverage for Enduris renews July 1, 2023. Liability coverage is renewed September 1, 2023. Because 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 board meeting, the past practice is for the Board to give authorization to the Executive Director to procure property and liability insurance contracts at the best value and then report back to the Board at the August meeting.

Property Renewal Indications

Ms. Brandt discussed renewal with Mr. Doug Wozniak, our broker, and he has indicated current market conditions have not improved from last year. Enduris has had various large property losses over the last few years. This has placed Enduris above the preferred loss ratio with Alliant and the APIP property program. If we renewed without changing our self-insured retention (SIR) or our current limits, Mr. Wozniak estimates our rate increase will be 35-45%.

Ms. Brandt detailed that we are working hard with Mr. Wozniak to find options to minimize the increase. This includes the option of increasing our SIR to \$500K, \$750K or \$1M. We are also considering decreasing our limit from \$1 billion. Currently, we are performing analysis on how potential changes may affect our ultimate losses, actuarial projections, and reinsurance costs.

The practical options and analysis will not be complete by the board meeting. It will be on-going, from now until June 30<sup>th</sup>, 2023. Coverage must be bound before July 1, 2023.

Liability Renewal Indications

Ms. Brandt described the liability market conditions are not as volatile as property, due in large part to our partnership with Government Entities Mutual (GEM). GEM will supply the first \$9 million in liability coverage above our \$1 million SIR. Early indications are rate increases of 5%-10%. 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 indications are rate increases of about 5%-10%. However, Mr. Wozniak presented a new reinsurer for consideration in the layers above GEM. We are determining if it will be a good fit.

**CARTER/WATTS moved to authorize the Executive Director to renew property coverage with APIP effective July 1, 2023. If the renewal proposals are outside expectations the Director will report back to the board prior to binding. Motion carried.**

**WILLIQUETTE/ADAMS moved to authorize the Executive Director to renew liability coverage effective September 1, 2023, 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.**

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.

The Washington State Auditor's Office began the Enduris audit in January of 2023. The exit interview for the audit is scheduled to occur on May 15, 2023. The Office of the Washington State Auditor (SAO) is working to have draft reports for both the financial and accountability audits available by the Board meeting on the May 16th, 2023. However, since that does not provide the Board with sufficient time to review the final reports we will wait until the August 17, 2023, Board meeting to present the final reports for approval. The auditors have not brought any issues to our attention that would result in any changes. The audit results are looking very favorable for Enduris. Included is the Annual Financial Report without the SAO Audit opinion.

Ms. Brandt reported that the '**Final**' Financial Statements Audit Report and the Accountability Audit Report will be available at the end of May 2023 and will be available to the Board of Directors, uploaded to the Board Portal once received.

#### **State Risk Manager's Report**

**Board Policy 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 informed the board that Shannon Stuber, Program Administrator for the Risk Management-Local Government Self-Insurance Program has not conducted a review therefore no report will be available for PY 2023.

#### **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, 2023. Also provided was the (SCIP) performance investment report as of March 31, 2023, from the Spokane County Investment Pool.

Ms. Brandt and Ms. Millikan presented the March 31, 2023, financial report.

**ADAMS/WILLIQUETTE moved to approve the January 31, 2023, February 28, 2023, and March 31, 2023; financial statements as presented. Motion carried.**

**WATTS/ WILLIQUETTE moved to accept the activity report from the March 31, 2023, Spokane County Investment Pool, (SCIP) fund as presented. Motion carried.**

#### **Capital Adequacy Assessment Discussion**

**Board Policy GC-3.14** states the board will Contract independently with an actuary to provide the Board with an annual reserve analysis and a liability and property rating study when appropriate.

Ms. Brandt noted that there were discussions at the February 16, 2023, board meeting regarding the Capital Adequacy Assessment. The board discussed the various capital target ranges set forth



by PricewaterhouseCoopers (PwC). The board moved to accept 'Option #3' as described in the report as the capital target range. With this range defined by the board, various board governing policies should be reviewed and updated to reflect the capital target range as a metric to measure the financial health of the pool and guide budgeting. Mr. Balka noted the recommended changes helped guide board discussions. Mr. Balka also informed the board that the 'finalized' Board Governing Policies changes will be provided for approval at the August 17, 2023, board meeting per the Board Annual Workplan.

#### **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 board appreciated the clear and visually appealing financial presentation and gave kudos to Ms. Millikan. Ms. Carter expressed her appreciation and continues to be extremely pleased that all board information is becoming more streamlined; she noted how happy she is that Enduris is now fully staffed; the Enduris team has done an excellent job at these meetings and providing board content. Ms. Watts stated overall, it was a very productive meeting and has a lot of takeaways; Ms. Watts is impressed with Enduris taking the strategic plan or any action item, and not only executing it, but making it easy for the board; she said its mind-blowing how efficient the Enduris staff truly is; she enjoyed the review of Liability Reform Coalition Bill Tracker; thanked Kimberly and Sheryl for integrating the member rates into the budget and she feels better about making decisions; the new board governing policies are great. Mr. Williquette was extremely impressed with the budget; they have done a fantastic job all around. Ms. Young echoed her fellow board members; she continues to be pleased with the team, and she was extremely impressed with the budget and the presentation. Mr. Adams complimented Ms. Nelson on her work with the claims, it is extremely stressful and challenging work; he also said how much he appreciated the transparency of the budget with included member rates. Mr. Schanz echoed his fellow board members on everything that was said. In addition, Mr. Schanz commended all the 'behind the scenes' work that goes into the board meetings; he thanked Ms. Masterton for all the work she does executing it in such a professionally fashion; Cindy Joseph in Member Relations, she does great work, and noted that his staff truly enjoys the trainings and supervisor's trainings that she organizes, and her professionalism.

Ms. Brandt ended the assessments by thanking the board for their kind comments; it means a lot to the team as we all do our best to present correct information in a concise, understandable manner. We feel we have the support of the board, and that means a great deal to the Enduris team.

#### **ADJOURNMENT**

Mr. Schantz adjourned the Board meeting at **1:29p.m.**

**WATTS/WILLIQUETTE moved to adjourn the meeting. Motion carried.**

  
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**Matt Schantz, Chairman**

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.