



**Enduris
Board of Directors Meeting**

February 19, 2015

Enduris Office
1610 S. Technology Blvd., Suite 100, Spokane, WA 99224

Call to Order: Noel Hardin, Chair, called the meeting to order at 8:34 a.m.

ROLL CALL

Board Members Present: Noel Hardin, Chair; Dick Gormley, Vice Chair; Rick Mockler, Board Member; Jeri Sevier, Board Member; Greg Brizendine, Board Member; and Mark A. Kammers, Executive Director. Kim Bedier and Vicki Carter were excused.

Others Present: André Fresco, Administrator, Yakima County Health District; Kenneth Woodrich PC, Attorney At Law; Cheryl Duryea, Enduris General Counsel; Rafaela Ortiz, Enduris Chief Operating Officer; Sheryl Brandt, Enduris Chief Risk Officer; Marc Antonietti, Enduris Claims Analyst; and Joy Jelsing, Enduris Administrative Assistant.

Mr. Hardin started the meeting with introductions of Board, staff, and guests.

ADOPT AGENDA

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

KENNETH WOODRICH, ATTORNEY AT LAW

Mr. Woodrich addressed the Board regarding UIM coverage for his client, who is an employee with one of Enduris' port district.

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

Workshop Minutes - November 18, 2014

Meeting Minutes - November 19, 2014

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

CEO Consent Agenda

Vouchers

November 2014 amounting to \$365,204.56

December 2014 amounting to \$713,052.89

January 2015 amounting to \$1,899,398.99

MOCKLER/SEVIER moved to approve 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 as evidence to the Board that the administration is in compliance with the policies.

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

OE-2: CEO Succession

Board Policy OE-2 states that the CEO shall prepare the organization for the loss of the CEO on a short-term or long-term basis.

Board Policy GC-4.11 states that one of the roles of the vice chair is to “review and update the Succession Plan and present to the Board annually.”

Vice Chair Mr. Gormley reported that he reviewed the CEO Succession Plan and has no changes to recommend.

OE-3 Treatment of Members

Board Policy OE-3 states that the CEO shall maintain an organizational culture that treats members with high professional standards and respect, dignity and courtesy.

Mr. Kammers presented the monitoring report for Policy OE-3 with supporting evidence of compliance of the policy.

OE-7 Asset Protection

Board Policy OE-7 states that the CEO will assure that all organizational assets are adequately protected, properly maintained, appropriately used and not placed at undue risk.

Mr. Kammers presented the monitoring report for Policy OE-7 with supporting evidence of compliance for the policies.

GORMLEY/MOCKLER moved to accept the monitoring reports for Policy OE-2 and OE-3 for Policy Year 2014 as evidence of being in compliance. Motion carried.

SEVIER/GORMLEY moved to accept the monitoring report for Policy OE-7 for Policy Year 2014 as evidence of being in compliance. Motion carried with four 'Yes' votes and one 'No' vote.

RESULTS MONITORING

The Board has already approved all the Results policies, including the CEO interpretation of each policy and the indicators that are used, including 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 policies are monitored by the Board at the February Board meeting.

R-3: Claims Administration

Board Policy R-3 states that members have the advantage of competent, responsive, fair, and balanced claims administration, including Board review when appropriate.

Mr. Kammers presented the monitoring report for Policy R-3 for Policy Year 2014 and provided an overview of the following as evidence of progress in meeting the goals of Results Policy R-3:

Indicator #1: Independent Claims Audit for PY 2014: The PY 2014 Independent Claims Audit stated: *We conclude that from a property and casualty claims handling standpoint, Enduris remains a well-managed and well-organized government entity pool.*

Indicator #2: Claims Satisfaction Survey for PY 2014: The Claims Satisfaction Survey results are:

- In PY 2014, 83% of respondents reported overall **service satisfaction** as excellent. An additional 14% reported service satisfaction as good and 2% were neutral.
- In PY 2014, 80% of respondents reported overall **claims satisfaction** as excellent. An additional 16% reported claims satisfaction as good and 1% were neutral.
- In PY 2014, 83% of respondents reported the **ease of reporting claims** as excellent. An additional 14% reported ease of reporting as good and 2% were neutral.

It was also noted in the claims audit report that *"The results of the survey associated with claims handling and related issues were very positive ... It is a conclusion of this audit that the member satisfaction survey is reflective of Enduris' performance as a claims management organization."*

Indicator #3: Process for appeals of denial of coverage: There were no appeals to claim decisions in PY 2014.

MOCKLER/SEVIER moved to accept the monitoring report for R-3 as evidence that reasonable progress has been achieved for Policy Year 2014. Motion carried.

R-4: Coverage

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 2014 and provided an overview of the following as evidence of progress in meeting the goals of Results Policy R-4:

Indicator #1: Five-Year Member Survey: The results from the multi-year Member Survey completed in June 2014 indicates 95% of members were very satisfied, satisfied or neutral with the rating policy and for property coverage and liability coverage, 97% were very satisfied, satisfied or neutral with coverage.

Indicator #2: Status of the commercial market: Enduris procured the broadest form of liability and property coverage possible at the best value.

- Liability Coverage - Enduris renewed with an inflationary rate increase of 3% for PY 2014.
- Property Coverage - For PY 2014, PEPIP offered continuing coverage for \$1,433,281 which is approximately a 12% increase for non-HPR and an 8% increase for HPR over last year. Part of the increase in property premium is that we are now charged for critical flood areas where in the past the coverage was included.

Indicator #3: Pool remains reinsurance ready: Enduris remains reinsurance ready and can be promoted and accepted as a good risk to reinsurance companies.

Indicator #4: Tailored coverage for specific risks: Coverage enhancements for PY 2014 included expanded crime insurance and cyber coverage. In addition, Enduris facilitated 128 specialized insurance contracts on behalf of our members in PY 2014, up from 118 in PY 2013.

SEVIER/BRIZENDINE moved to accept the monitoring report for R-4 as evidence that reasonable progress has been achieved for Policy Year 2014. Motion carried.

CEO REPORT – 9:30

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/Vacant Office Space Update

Mr. Kammers reported that there was no credible activity regarding the vacant office space. Two nearby vacant spaces have been leased or purchased so there is a probability of getting more interest this spring.

CAFR Letter of Transmittal

Mr. Kammers provided the Board with the Comprehensive Annual Financial Report (CAFR) Letter of Transmittal. It is an informative overview of the results of operations for fiscal year 2014 and summary of the financial position of the Pool as of August 31, 2014.

Washington Risk Pool Advisory Council (WRAC) Update

Mr. Kammers informed the Board that State Risk Manager Shannon Stuber will be conducting her annual review of Enduris next week. In addition, Mr. Kammers updated the Board on the rate-setting assessment by the State Risk Manager's office as well as the proposed change in RCW 48.62 to remove nonprofit pools from local government risk pool regulation.

Government Entities Mutual (GEM) Board Meeting Update

Mr. Kammers summarized GEM's task force recommendations and actions taken at the recent meeting by GEM's Board.

Pool Directors and Senior Staff Meeting Update

Mr. Kammers provided the Board with the Cowlitz County Superior Court's ruling on the October 10, 2014 Hearing on Washington Counties Risk Pool vs. Clark County. The ruling confirms risk

pools are separate from insurance companies and are not subject to insurance laws and/or rules. Clark County's motion for Partial Summary Judgment was denied. Ms. Duryea briefed the Board on the lawsuit.

Annual Report to the State Auditor's Office

Mr. Kammers furnished the annual financial report that Enduris submitted to the State Auditor's Office for fiscal year ended August 31, 2014.

Travel Policy

Mr. Kammers advised the Board that the Enduris travel policy for staff and Board was revised. One change was to remove the per diem for meals. Meal reimbursement will be for actual costs when provided a receipt.

Open Government Training

Mr. Kammers reminded the Board of last year's legislation requiring basic open government training (public records/records retention and open public meetings) for members of governing bodies, elected local and statewide officials, etc. Mr. Kammers believes that the Board most likely received trainings with their own entity and is requesting that they document the training with Enduris by providing a copy of their training certificate. Enduris will assist with online training for those who have yet to meet the Open Government Trainings Act requirement.

AGRiP Recognition

Mr. Kammers updated the Board on the progress of the renewal application seeking AGRiP Recognition. We expect to hear if Enduris was awarded this recognition by summer.

CEO Quarterly Report – 10:00

Mr. Kammers presented the CEO quarterly status report for the 1st Quarter of Policy Year 2015. The report included updates on Membership Growth, New Members, Upcoming Members, Member Training, Claims Opened, Claims Reported During Years, Budget Quarterly Trend, Spokane County Investment Pool, Financial Comparisons, Revenues/Equity Increase for 5/10 Years, Revenues and Expenses, Assets, Fund Balance – Historical Look, and Projections for 2015.

Mr. Hardin recessed the Board meeting at 10:18 a.m. for a break and reconvened the meeting at 10:29 a.m.

Board Development Committee (BDC) – Board Appointment

Both Article III of the Enduris Bylaws and Board Policy GC-5 pertain to Board vacancy. The Board Development Committee (Dick Gormley, chair; Jeri Sevier; and Kim Bedier) is charged with the recruitment and nomination of a slate of candidates for Board appointment or election.

There is a vacancy (Position #7) on the Board of Directors after the February meeting with the resignation of Rick Mockler representing Benton Franklin Health District. This position is to be filled by appointment for the unexpired term. André Fresco, Administrator with the Yakima County Health District, was invited to attend the February meeting and meet with the Board Development Committee.

Mr. Gormley reported that he and Ms. Sevier interviewed Mr. Fresco prior to the Board meeting and are recommending his appointment to fill the unexpired term of Position #7.

GORMLEY/MOCKLER moved to accept André Fresco as a board member of Enduris, replacing Rick Mockler, effective February 20, 2015. Motion carried.

EXECUTIVE SESSION

Mr. Hardin convened in Executive Session at 10:30 a.m. for 45 minutes to review the status of open claims, possible termination of two members, and potential litigation. At 11:15 a.m. Mr. Hardin extended the Executive Session for 30 minutes to continue discussions. Mr. Hardin reconvened in Open Session at 11:45 a.m.

DISCUSSION/ACTION ITEMS

Claim Payment Approvals

Board Policy OE-6.11 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 authorization.

- Claim #110-044-4: This claim has been settled in the amount of \$700,000 plus defense costs up to \$75,000 for a total of \$775,000; Enduris will recover the entire amount from excess insurance policies.
- Claim #110-044-5: This claim has been settled in the amount of \$700,000 plus defense costs up to \$75,000 for a total of \$775,000; Enduris will recover the entire amount from excess insurance policies.

MOCKLER/GORMLEY moved to approve payment of Claim 110-044-4 as recommended by staff of up to \$775,000. Motion carried.

GORMLEY/SEVIER moved to authorize payment of up to \$775,000 for Claim 110-044-5. Motion carried.

Self-Insured Retention Agreement with Fireman's Fund

Board Policy OE-6.11 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 authorization.

There have been five claims against a park and recreation district dating back to 1994. Throughout the litigation there has been a dispute with Fireman's Fund regarding the number of self-insured retentions that apply.

To facilitate settlement of claims through mediation, Enduris and Fireman's Fund agreed to an interim funding plan that settles all claims and the Administration is recommending approval.

MOCKLER/SEVIER moved to authorize approval of the agreement with Fireman's Fund. Motion carried.

Agent to Receive Claims Resolution

Board Policy OE-6.10 states the CEO may not allow any required reports to be overdue or inaccurately filed.

Mr. Kammers explained that the current Enduris record at the county auditor's office states that he is the agent to receive claims for the Pool. The Administration recently learned that RCW

48.62.031.6 states the State Risk Manager shall be the agent to receive claims for state risk pools. A resolution is required in order to correct the record at the county auditor's office.

MOCKLER/BRIZENDINE moved to approve Enduris' Agent to Receive Claims Resolution No. 15.01. Motion carried.

Approval of Actuary Contract

Board Policy GC-3.14 states that the Board will contract independently with an actuary to provide the Board annually with two reserve analyses and an annual liability rating study.

At the November 19, 2014 Board meeting, the Board authorized the Executive Director to execute a contract with PricewaterhouseCoopers within the parameters set by the Board. The Executive Director negotiated a 10% compensation decrease for all years within the agreement (PY 2015 through PY 2021).

GORMLEY/BRIZENDINE moved to approve the PY 2015 through PY 2021 PricewaterhouseCoopers Actuarial Services Agreement. Motion carried.

Financial Statements

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 provided the Income Statement, Balance Sheet, and Budget Comparison for November 30, 2014, December 31, 2014, and January 31, 2015. He presented an overview of the financial statements of January 31, 2015 with total assets of \$27,538,894.28 and total members' net assets (surplus) of \$14,389,293.52. The financial condition of the Pool remains very positive and all targets are on projection for PY 2015. He also provided the Board with the December 31, 2014 Spokane County Treasurer's Report, which included the Rate of Return on Investments.

BRIZENDINE/SEVIER moved to accept the financial statements of 11/30/14, 12/31/14, and 1/31/15 as presented by the Executive Director. Motion carried.

Policy Year 2016 Budget

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

Mr. Kammers stated that the purpose of the budget is to determine rates for the next policy year and to monitor expenses. He presented an overview of the PY 2016 proposed budget, including a review of anticipated revenue and expenditures. The proposed budget for PY 2016 is \$630,000 more than the PY 2015 budget. To keep pace with inflation, the PY 2016 budget projected a 1.9% rate increase for liability and property coverage, and a 2.0% Marshall-Swift inflationary increase for property values.

SEVIER/BRIZENDINE moved to approve a budget of \$10,370,000 for Policy Year 2016 as proposed by the Executive Director. Motion carried.

Member Terminations

Board Policy OE-3.7 states that the CEO may not terminate any existing member. Recommendation to the Board for termination will be based on any one or more of the following:

- a. undue exposure to the Pool;
- b. a loss history disproportionate to the member's contribution;
- c. failure to comply or cooperate with risk management requests;
- d. decision-making that is contrary to good government and/or professional behavior;
- e. failure to conform to Enduris' underwriting guidelines.

Mr. Kammers discussed the potential recommendation to terminate two members from pool membership. No action was taken by the Board today. Mr. Hardin tabled this agenda item to the May 21 board meeting.

Executive Director Annual Performance Evaluation

Board Policy B/CR-5 states that the Board considers CEO performance to be identical to organizational performance. Organizational accomplishment of the Board's Results policies and operation according to the values expressed in the Board's Operational Expectations policies will be considered successful CEO performance. These two components define the CEO's job responsibilities, and are the basis for the CEO's performance evaluation.

The majority of the Board agreed the CEO made reasonable progress on all four Results and is in compliance with all of the Operational Expectations. Mr. Mockler wants it noted that he is in favor of approving the CEO's accomplishments per policy, but does not agree that reasonable progress was made with all the content and results.

GORMLEY/SEVIER moved to approve the CEO's evaluation and performance in PY 2014 as presented in Board Policy B/CR-5 paragraph "d" that the CEO made reasonable progress on all four Results policies and is in compliance with all of the Operational Expectations policies. Motion carried.

Discussion followed regarding suggested improvements to the CEO Annual Evaluation Form. Suggestions were made that will be presented at the May Board meeting.

Mr. Hardin recessed the Board meeting at 12:30 p.m. for lunch and reconvened the meeting at 1:13 p.m.

Board Governing Policy Revisions

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

At the request of the Board, the Administration presented draft revisions of the Board Governing Policies to reflect the long-term vision developed by the Board at the November 18, 2014 Board workshop. The draft revisions include:

1. Draft Goal One with monitoring report
2. Draft Operational Expectations OE-1, OE-6, OE-9, and OE-10 with monitoring reports
3. Draft B/CR-5 with monitoring report

MOCKLER/SEVIER moved to approve the draft Board Governing Policy Goal One and the associated Monitoring Report, including the CEO Interpretation to be effective for implementation and monitoring of Policy Year 2015. Motion carried.

SEVIER/GORMLEY moved to approve the draft Board Governing Policies Operational Expectations (OE) 01, 06, 09, and 10 and the associated Monitoring Reports, including the CEO Interpretation to be effective for implementation and monitoring of Policy Year 2015. Motion carried.

MOCKLER/SEVIER moved to approve the draft Board Governing Policy Board/CEO Relationship #5 (B/CR-5) for implementation and monitoring of Policy Year 2015. Motion carried.

SEVIER/MOCKLER moved to approve the proposed changes to the Board Governing Policies to be effective for Policy Year 2015. Motion carried.

Board Self-Assessment

Board Policy GC-2.3 states that the Board will carry out a summative self-assessment with full, honest and timely participation by all directors. The assessment will include evaluation of the Board as a whole, based on Governance Culture (GC) and Board-CEO Relations (BCR) policies. Board assessment of progress on Results and the CEO's summative evaluation will drive targets for the following year.

The Board Self-Assessment for PY 2013 was rescheduled for the February 2015 meeting. The Board discussed some of the difficulties with the process of the board's self-assessment. There were several suggestions made to streamline the process. The Administration was directed to try and condense the process for the upcoming May Board meeting.

MOCKLER/GORMLEY moved that we table this item until May due to a lack of ongoing board members being present. Motion rescinded.

MOCKLER/GORMLEY moved to accept the board self-assessment monitoring GC and BCR policies in PY 2014 in their current form. Motion carried.

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 in this section, 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, some of which were:

- Mr. Fresco expressed his gratitude to be considered for the board position and is looking forward to continuing the good governance of Enduris.
- The Board and Administration shared their appreciation of Mr. Mockler's excellent boardmanship, dedication, and friendship that will truly be missed.
- Mr. Mockler said that he is proud of what the Board has accomplished and was glad to contribute to the Pool's success. He emphasized to the Board to challenge the status quo because the world is constantly changing and you need to change along with it.

GOOD OF THE ORDER

Mr. Kammers presented a plaque and card from the Board and staff to Mr. Mockler for his many years of service on the Enduris Board of Directors.

ADJOURNMENT

Mr. Hardin adjourned the Board meeting at 1:40 p.m.

A handwritten signature in blue ink, appearing to read "Noel Hardin", is written over a horizontal line.

Noel Hardin, 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.