



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

November 15, 2012

Enduris Office
1610 S Technology Blvd, 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; Noel Hardin, Vice Chair; Rick Mockler, Director; Vicki Carter, Director; Jeri Sevier, Director; and Mark A. Kammers, Executive Director. Dick Gormley and Kim Bedier were excused.

Others Present: Doug Wozniak, Sr. Vice President, Alliant Insurance Services; Carl Oswald, 2nd Vice President, Genesis; David Dowers, Principal, Dowers Commercial Real Estate Group; Cheryl Duryea, Enduris General Counsel; Rafaela Ortiz, Enduris Chief Operating Officer; Sheryl Brandt, Enduris Chief Risk Officer; and Joy Jelsing, Enduris Administrative Assistant.

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

ADOPT AGENDA

Mr. Kammers made a recommendation to amend the agenda by adding Board Travel Policy and Pooling Update to the CEO Report.

CARTER/HARDIN moved to adopt the Agenda as amended. Motion carried.

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

Board Workshop Minutes – August 21, 2012

Board Meeting Minutes – August 22, 2012

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

CEO Consent Agenda

Vouchers:

August 2012 voucher numbers 206140 through 206151 amounting to \$489,527.63

September 2012 voucher numbers 206152 through 206161 amounting to \$1,226,262.69

October 2012 voucher numbers 206162 through 206173 amounting to \$2,524,469.85

OE Monitoring Reports for Policy Year 2012:

OE-1 Global Operational Expectation

OE-5 Financial Planning

OE-6 Financial Administration

OE-9 Coverage

Closed Claims for Policy Year 2012:

At year-end, claims that were closed for Policy Year 2012 are presented so the Board can once again review all claim activity for the year and formally act on the closed files for the fiscal year.

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

STATE OF THE MARKET PRESENTATION

Mr. Wozniak from Alliant Insurance Services gave a presentation on property and casualty insurance market conditions, including insurance industry predictions for 2012-13. An updated presentation that covers the impact of Superstorm Sandy will be provided in January. In summary, Mr. Wozniak reported that the property insurance market outlook should remain stable.

Mr. Wozniak also reported on Emerging Risks (an issue that is perceived to be potentially significant but which may not be fully understood or allowed for in insurance terms and conditions, pricing, reserving or capital setting). The current Emerging Risks include pharmaceutical, social media, cyber, and ARKStorms.

Mr. Oswald from Genesis provided a brief overview on Genesis Reinsurance.

Mr. Millikin recessed the Board meeting at 9:33 a.m. for a break and reconvened the meeting at 9:45 a.m.

RESULTS MONITORING

The Results monitoring 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 November 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 notified the Board of additions to the indicator, baseline, and target for Results Policy 2 that the Board needs to approve before reviewing the report.

HARDIN/SEVIER moved to approve Indicator #2, Baseline #2, and Target #2 in monitoring report R-2 for Policy Year 2012. Motion carried.

Discussion followed regarding the Five-Year Member Survey and the possibility of conducting the survey sooner.

Mr. Kammers presented the Monitoring Report for Policy R-2 for Policy Year 2012 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. The Liability Rate Setting Report and Enduris Rating Policy use an experience rating model.
3. The Enduris Rate Setting Policy mirrors inflationary market conditions. For Policy Year 2012, the average of the property and liability rate combined was 2%.

SEVIER/MOCKLER moved to accept the monitoring report for R-2 for Policy Year 2012 as evidence reasonable progress has been achieved. Motion carried.

Board Policy Results (R-1): Mega Result: Stability and Confidence – Monitoring Report Presentation

Board Policy R-1 states that members have long-term protection from property and liability loss through the long-term viability and financial stability of Enduris.

Mr. Kammers presented the Monitoring Report for Policy R-1 for Policy Year 2012 and provided an overview of evidence of progress in meeting Results Policy 1.

Six indicators and year-end data are used to show evidence of progress for Policy R-1:

1. R-1 Benchmarks
 - a. Growth
 - Membership Growth = +1.9%
 - Growth in Contributions = +5.1%
 - Retention = 98.74%
 - b. Net Assets = +11.4%
 - c. Confidence Level = 97%
 - d. Ratio Trends
 - Reserves to net assets = .59
 - Premium to net assets = .53
 - Net assets to prior net assets = 1.11
 - e. Rating (Loss Ratios) = <1.0
 - f. Cost Drivers = 66%
 - g. Insurance Costs = 8% increase
2. Maintained "A" Rated or equivalent reinsurer ratings

3. Maintained AGRiP Recognition
4. Allocation to Members Fund Balance = 11.4% increase
5. Passed State Risk Manager Audit, Financial and Compliance Audits, and Claim Audit with no findings, management letter or recommendations
6. Hired and retained highly qualified professionals as Pool employees

There was further discussion regarding the R-1 Benchmark indicators and their validity, specifically Cost Drivers. The Administration will inform Kevin Wick, PricewaterhouseCoopers' actuary, to provide a review of the benchmark indicators at the next scheduled Board Meeting in February 2013.

HARDIN/SEVIER moved to accept the monitoring report for R-1 for PY 2012 as evidence reasonable progress has been achieved. Motion carried.

BOARD'S REPORT

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.

Mr. Mockler and Ms. Sevier attended AGRiP's Governance & Leadership Conference in Newport Beach, CA, from October 15-17, 2012. Pooling Basics and CEO Succession Planning are some of the sessions they attended. Both found the conference to be very informative and valuable.

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.

Board Member Status

Mr. Kammers informed the Board that Ms. Bedier was offered and took a position with the City of Tacoma. Ms. Bedier will continue to serve on the Enduris Board of Directors, due to her involvement with the Edmonds Public Facilities District Volunteer Program as a volunteer. Edmonds PFD is an Enduris member.

Enduris Training Center Update

Mr. Kammers provided a list of activities scheduled for the Enduris Training Center and Board Room.

Tree Planting

Mr. Kammers thanked Ms. Carter and the Spokane Conservation District for providing Douglas Fir trees for the Enduris landscaping. In a half day, some of the Enduris staff planted the trees around the building.

Claims Satisfaction Survey for PY2012

The satisfaction survey results for claims settled in 2012 were provided to the Board. Mr. Kammers expressed the need to update the survey. The Administration will engage Desautel Hege, the firm

that developed the survey, to evaluate the questions to see how we can capture more results as well as to influence more members to fill out the survey.

Payroll Account

Mr. Kammers informed the Board of the increase in the Payroll Account from \$70,000 to \$120,000 beginning in November 2012 because of the addition of two new employees.

Surplus Furniture

Mr. Kammers provided an update of the Enduris furniture surplus lottery.

Claims Audit Recommendations Follow-Up

Mr. Kammers presented Ms. Brandt's response to the recommendations from the Claims Audit.

Enduris Business Plan

Mr. Kammers provided the Enduris Business Plan and explained how it corresponds with the Results policies, specifically the Growth benchmarks for R-1 (Mega Result), which includes Membership, Contributions, and Retention. In addition, the plan addresses Diversity in Indicator #7. Every year, the Administration will update the Enduris Business Plan with recommended targets for the Growth benchmarks and Diversity.

Mr. Mockler asked that the Administration consider adding percentages to member types as another measurement of diversity to limit exposure with the large member types.

Board Travel Policy

Mr. Kammers presented an idea that the Board of Directors' travel expense forms be approved by the Executive Director instead of the Board Chair. This would allow for more timely compensation for board expenses. There were no objections.

Solvency Study Update

Mr. Kammers briefed the Board on the solvency study being promoted by Kevin Wick of PricewaterhouseCoopers.

GFOA – Certificate of Achievement

Enduris received a Certificate of Achievement for Excellence in Financial Reporting for the sixth consecutive year. This certificate is for the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended August 31, 2011, and is presented by the Government Finance Officers Association. This distinction is evidence that Enduris has once again achieved the highest standards in government accounting and financial reporting.

Washington Risk Pool Advisory Council (WRAC) Update

Mr. Kammers noted that the next WRAC meeting is scheduled for December 13.

SMART Act

Mr. Kammers provided a copy of the letter he sent to Senator Cantwell, Senator Murray and Representative McMorris Rodgers regarding the SMART Act. This legislation will significantly improve the efficiency of the current Medicare Secondary Payer system and speed repayment of amounts owed to the Medicare Trust Fund.

AGRIP Nomination

Mr. Kammers accepted former AGRIP Executive Director Harold Pumford's request to consider running for the AGRIP Board. Mr. Kammers has submitted his application. The results of the election are not yet known.

GEM Board Meeting Recap

Mr. Kammers provided the Board with a memo from GEM recapping its October Board Meeting.

Pooling Update

Mr. Kammers provided an update on the status of the State's pools.

Enduris Video

The Enduris promotional video was shown to the Board. It was very well received.

CEO Year in Review

Because this is the Enduris Annual Members and Board Meeting, the Executive Director gave the "Year in Review" presentation for Policy Year 2012 by providing a summation of operations and finances. The organization had a favorable year in meeting its targeted goals, both operationally and financially. The Administration made reasonable progress toward the Results established by the Board and added surplus to members' equity. In addition, all audits were favorable and visibility of the Pool has significantly increased.

Office Building/Vacant Office Space Updates (David Dowers)

Mr. Dowers reported that the construction punch list is complete, the Notice of Completion was submitted to the required State agencies, and he expects the contractor's final retainage payment will be in approximately 45-60 days.

Mr. Dowers continued with an update on leasing the office space. There are no serious prospects to report.

Mr. Millikin recessed the Board meeting at 11:50 p.m. for lunch and reconvened the meeting at 12:23 p.m.

DISCUSSION/ACTION ITEMS

Financial Statements

Mr. Kammers provided an overview of the Income Statement, Balance Sheet, and Budget Comparison. He presented the August 31, 2012 Financial Statements with total assets of \$28,736,136.91 and total members' net assets of \$12,346,425.77. Expenses and Revenues to date are within budget. He also provided the Board with excerpts from the Spokane County Treasurer's Report, which included the rate of Return on Investments. The financial trends of Enduris continue to be positive.

CARTER/HARDIN moved to accept the financial statements as of August 31, 2012 as presented by the Executive Director. Motion carried.

Reserve Analysis Report

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

The Board of Directors hires PricewaterhouseCoopers (PwC) to conduct a reserve analysis at the end of the policy year. Mr. Kammers provided the Board with the results of the study dated August 31, 2012.

MOCKLER/SEVIER moved to accept the 2012 Reserve Analysis Report conducted by PricewaterhouseCoopers as presented. Motion carried.

Board Governing Policy Revisions for Policy Year 2013

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

The Board reviewed and discussed changes to the board governing policies at the August 21 Board Workshop and the August 22 Board Meeting. The Board approved to have the Administration finalize the details and present it to the Board for approval at the November Board Meeting. Ms. Ortiz presented the final proposed changes to the Board Governing Policies for PY2013.

MOCKLER/CARTER moved to amend GC-4 to add to the duties of the Vice Chair to review and update the CEO Succession Plan and present it to the Board annually. Motion carried.

To clarify the process of adding this duty to the Vice Chair, Ms. Ortiz recommended that since the CEO Succession Plan is reported in the OE-2 Monitoring Report, the Vice Chair would review and discuss the plan with the Administration prior to the board meeting where the OE-2 Monitoring Report is presented, and then present his findings at the board meeting.

SEVIER/CARTER moved to approve the proposed changes to the Board Governing Policies for Policy Year 2013. Motion carried.

Operational Expectations Monitoring Reports Revisions

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

The Board reviewed and discussed the changes to the Operational Expectations Monitoring Reports at the August 21 Board Workshop and the August 22 Board Meeting. The Board approved to have the Administration finalize the details and present it to the Board for approval at the November Board Meeting. Ms. Ortiz presented the final proposed changes to the Operational Expectations Monitoring Reports.

MOCKLER/CARTER moved to approve the proposed changes to the Operational Expectations Monitoring Reports. Motion carried.

Results Monitoring Reports Revisions

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

The Board reviewed and discussed the changes to the Results Monitoring Reports at the August 21 Board Workshop and the August 22 Board Meeting. The Board approved to have the Administration finalize the details and present it to the Board for approval at the November Board Meeting. Ms. Ortiz presented the final proposed changes to the Results Monitoring Reports.

SEVIER/HARDIN moved to approve the proposed changes to the Results Monitoring Reports. Motion carried.

Mr. Mockler emphasized that the Results is the basis for the CEO's compensation plan and the Board should continue to think about an improved method of determining the CEO's evaluation and compensation structure.

EXECUTIVE SESSION

Mr. Millikin convened in Executive Session at 12:45 p.m. to review the status of open claims. He expected to reconvene in Open Session at 1:15 p.m.

Mr. Millikin adjourned the Executive Session at 1:15 p.m. and reconvened in Open Session at 1:18 p.m.

APPROVAL OF CLAIM SETTLEMENT

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 110-044-2 has been settled in the amount of \$2,100,000 plus defense costs up to \$75,000 for a total of \$2,175,000; Enduris will recover all but \$250,000.

HARDIN/CARTER moved to authorize payment of up to \$2,175,000 for Claim 110-044-2. 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 and guests provided comments and an assessment of the meeting.

ADJOURNMENT

Mr. Millikin adjourned the Board meeting at 1:28 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.