



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

November 15, 2018

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

Call to Order: Chair Jeri Sevier called the meeting to order at 8:40 a.m.

ROLL CALL

Board Members Present: Jeri Sevier, Chair; Greg Brizendine, Vice Chair; Noel Hardin, Board Member; and Patsy Martin, Board Member. Kim Bedier and Vicki Carter were excused.

Others Present: Mujtaba Dattoo, Senior Vice President, Aon Global Risk Consulting; John Griffith, Associate Director, Aon Global Risk Consulting; Doug Wozniak, Senior Vice President, Alliant Insurance Services, Inc.; Gary Jackson, Vice President, Munich Re; Andrew Halsall, President & CEO, Government Entities Mutual; Cheryl Duryea, Enduris General Counsel; Rafaela Ortiz, Enduris Chief Operating Officer; Sheryl Brandt, Enduris Chief Risk Officer; Kimberly Millikan, Enduris Director of Finance; Alric Balka, Enduris Information Systems Coordinator; and Joy Jelsing, Enduris Administrative Assistant.

Ms. Sevier started the meeting with introductions of Board, staff, and guests.

ADOPT AGENDA

Ms. Sevier made a recommendation to add CEO Evaluation Process to *Discussion/Action Items*.

Ms. Brandt made a recommendation to add Member Termination to *Executive Session*.

HARDIN/MARTIN moved to adopt the revised agenda as recommended. 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 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 22, 2018

Board Meeting Minutes – August 23, 2018

MARTIN/HARDIN moved to approve all items on the Board Consent Agenda. Motion carried.

CEO Consent Agenda

Vouchers

- August 2018
- September 2018
- October 2018

MARTIN/BRIZENDINE moved to approve all items on the CEO Consent Agenda. Motion carried.

ANNUAL PROFESSIONAL REPORTS

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.

Enduris actuary, Mr. Mujtaba Datoos from Aon Global Risk Consulting, gave a presentation on Enduris' actuarial review as of August 31, 2018. He stated that the conclusions of the actuarial study consist of 1) outstanding losses as of August 31, 2018, 2) projected losses for 2018/19, and 3) solvency tests. He explained the standard actuarial methods for estimating ultimate losses and reported on each of the three items mentioned above regarding Enduris' property and liability programs.

In summary, Mr. Datoos reported on the following:

1. The estimated total outstanding losses are \$12.4 million as of August 31, 2018
 - a. An increase of about \$0.7 million from August 31, 2017
 - b. This change is mainly due to a change in case reserves of about \$0.8 million
2. The projected ultimate losses for 2018/19
 - a. \$3.9 million for the liability program
 - b. \$2.7 million for the property program
3. Passed both primary and secondary solvency tests

Mr. Datoos advised the Board on the following:

- It is the Board's fiduciary responsibility to understand the liabilities of the \$12.4 million that will be posted in the financial statements.
- Although Enduris passed both solvency tests, it was with a narrow margin. It is important for the Board to lead strategic discussions on increasing net position.
- Be aware of trends; what is driving the larger claims; perform data analysis

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

- The worse ever catastrophic losses were in 2017; losses totaled approximately \$340 billion, with insured losses around \$150 billion
- The amount of industry surplus stands at \$752 billion
- A lot of unsettling in the marketplace at the moment
- The new norm is more weather events; convective storms (thunderstorms) have great impact
- New active shooter response training is ALICE (Alert, Lockdown, Inform, Counter, Evacuate)
- Expect increase on property rates and recommend budgeting 10% increase
- Commercial auto liability and employment practices liability may see higher price increases
- 50% increase in the number of lawsuits for sexual molestation and harassment in one year; dramatic price increases and reductions in coverage can be expected
- Aging infrastructure is one of the issues looking forward 18+ month

Enduris' reinsurer, Mr. Gary Jackson with Munich RE, gave a brief background on himself and Munich RE. He is seeing large increases in California and along the West Coast from Seattle to Los Angeles, both in auto and GL lines. School risks and sexual abuse claims are seeing large losses of \$5 million and up.

Enduris' reinsurer, Mr. Andrew Halsall from GEM, presented an overview of GEM, some of which included:

- GEM is a pool of pools
- There is diversity in membership
- Coverages offered include general/auto liability and workers' compensation
- Benefits of membership
- Strategic goals outlined (building its financial strength; be a collaborative source of innovative solutions; and be a source of insight that enhances members' pool operations)

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.

Ms. Jeri Sevier attended AGRiP's Fall Educational Forum in Portland, OR, from September 30-October 2, 2018. On Enduris' behalf, Ms. Sevier accepted a plaque for the AGRiP Recognition.

Some takeaways and comments from Ms. Sevier and others that attended are:

- Hold workshops throughout the region to inform and engage the Pool's membership on services that Enduris provides
- Offer members incentives if they conduct specific requirements to help reduce claims
- The Governance and Leadership Conference in March and the Fall Educational Forum in October are geared toward boards so board members are encouraged to attend either session

- Great conference to learn of emerging risks such as sexual harassment and sexual assault; some pools are being proactive in employment practice liability area with services and training
- Prearrange a meeting with another pool to meet at AGRiP to discuss what is happening in an informal setting as well as build a relationship with each other
- Board members can learn from talking with other pools' board members at AGRiP conferences

Ms. Sevier recessed the Board meeting at 10:20 a.m. for a break and reconvened the meeting at 10:40 a.m.

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.

Comprehensive Annual Financial Report (CAFR) Update

Ms. Ortiz announced that Enduris was awarded the Certificate of Achievement for Excellence in Financial Reporting for its CAFR for fiscal year ended August 31, 2017.

2018 Claims Satisfaction Survey Results

Ms. Brandt provided the Board with the PY 2018 claims satisfaction survey results. She reported that the number of responses was one of the lowest we have had in several years. We believe it is due to the transition in sending the survey through Origami. Origami is still fairly new to the membership and we will continue to educate members in how information is delivered with the intent of realizing a higher response rate. Overall, the survey shows the Enduris membership continues to be satisfied with claims services. The staff will follow up on "Unsatisfactory" responses to improve the claims process.

Information System Software Update

Ms. Ortiz commended Alric Balka and Kimberly Millikan for the progress made and continue to make with Origami. Mr. Balka and Ms. Millikan briefed the Board on the process in working with Origami to customize our system, including creating the member portal that is scheduled to go live in the very near future.

CEO Year in Review for PY 2018

Ms. Brandt began the "Year in Review" presentation for PY 2018 with an overview. She indicated that it was a challenging year with staff exits, a major data system conversion, transitioning from an in-house accountant to a consultant and back to in-house; however, the year ended with a profit. The operations of the Pool, which included membership profile and changes to membership; claims data; risk management review; and Pool financials were presented by Ms. Brandt, Mr. Balka, and Ms. Millikan. In summary, there were 547 members with an annual contribution of \$13,258,770, 359 claims reported, and a total net position of \$9,154,630 as of August 31, 2018.

Ms. Sevier recessed the Board meeting at 12:00 p.m. for lunch and reconvened the meeting at 12:35 p.m.

EXECUTIVE SESSION

The Board entered into Executive Session at 12:35 p.m. for 65 minutes to review the status of open claims and to discuss a member termination. The meeting reconvened in Open Session at 1:40 p.m.

DISCUSSION/ACTION ITEMS

Approval of Operational Expectations (OE) and Goal Monitoring Reports for PY 2018
Indicators for Operational Expectations Policies for PY 2019
Board Governing Policies for PY 2109

Board Policy GC-2.4 states that as a means to assure continuous improvement, the Board regularly and systematically will monitor all policies.

Ms. Ortiz noted that at the August Board meeting, the Board requested that all the monitoring reports should be done at the November meeting, which she completed for the Board to approve. However, Ms. Ortiz stated that she doesn't expect them to approve them since the Board intends to revise the policies.

Ms. Ortiz also noted that the Board requested that she create *Indicators* for the OE policies, but it would be logical to work on these after the Board revises the policies.

Ms. Sevier suggested that these two items be tabled and the Board could possibly focus on the policies in February. She requested assistance from the Administration to propose changes in policies OE-5 Financial Planning, OE-6 Financial Administration, OE-7 Asset Protection, and OE-8 Communicating with the Board.

HARDIN/BRIZENDINE moved to table the approval of the monitoring reports for Policy Year 2018 and *Indicators* for the Operational Expectations for Policy Year 2019 policies. Motion carried.

Ms. Sevier also stated that time didn't allow the Board to discuss revisions to the governing policies at yesterday's Special Meeting and Workshop.

HARDIN/BRIZENDINE moved to amend the above motion to include tabling the Board Governing Policies for PY 2019. Motion carried.

Approval of Work Plan for PY 2019

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

Ms. Ortiz identified the following significant adjustments to the PY 2019 Work Plan based on the Board's discussion at the August meeting:

- Monitoring reports for all *Operational Expectations* and *Goal* moved to November
- Adopt Budget moved to May
- Delete Actuarial Study/Rate Study in August
- Executive Director Evaluation moved to November

Ms. Sevier questioned the need to review the budget and make adjustments if needed. After Board discussion, it was agreed to add "Budget Review" in either a November or February meeting, depending on when we receive projection numbers from the actuary.

MARTIN/HARDIN moved to approve the Work Plan for Policy Year 2019 as amended by adding the Budget Review in either November or February meetings. Motion carried.

Executive Director Search

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.

Ms. Sevier reviewed the discussion regarding the Executive Director search process from yesterday's meeting/workshop. She added that the internal candidate interviews will be conducted on December 17. The Board will begin the special meeting at 9:30 a.m. with an Executive Session to review the questions and then conduct interviews.

MARTIN/HARDIN moved to open the executive director position internally first and assess internal candidates before making a decision on whether to do an open recruitment. An email will be sent from Ms. Sevier to the Enduris staff to submit a letter of interest if they have interest in the position. The Board will return in December to conduct interviews and make a decision at that time. Motion carried.

CEO Evaluation Process

Board Policy BC/R-5 states that the Board considers CEO performance 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 CEO performance. These two components define the CEO's job responsibilities and are the basis for the CEO's performance evaluation.

Since Ms. Martin was not in attendance during yesterday's discussion regarding the Executive Director evaluation process, Ms. Sevier provided a recap on the two components and its weight that will comprise the evaluation process.

1. 30% for organizational performance based on the Board's *Operational Expectations* and *Goal* policies
2. 70% for competency performance (includes a 360 Degree feedback survey every other year and an employee job satisfaction survey in the alternating year; and meeting goals that the Board will set at the beginning of every year)

The Board agreed to further discuss the CEO evaluation process, and the CEO and staff compensation after the interviews are completed at the December 17 special meeting.

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.

Ms. Ortiz provided the Board with the Actuarial Study of Enduris as of August 31, 2018, which was conducted by Aon Risk Consultants.

MARTIN/HARDIN moved to recognize the receipt of the 2018 Actuarial Study conducted by Aon Risk Consultants as presented. Motion carried.

Financial Statements/Spokane County Investment Report

Board Policy OE-6 states that the CEO 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 PY 2018 Year End Financial Report ending August 31, 2018.

Ms. Ortiz provided highlights from the September 30, 2018 financial report. The total assets were \$36,661,827 and the total members' net position was \$9,107,817.

Also provided to the Board was the October 31, 2018 financial report and the Spokane County Treasurer's Report for September, which included the Rate of Return on Investments.

HARDIN/MARTIN moved to approve the PY 2018 Year End Financial Report as presented. Motion carried.

MARTIN/HARDIN moved to approve the October 31, 2018 Financial Report as presented. Motion carried.

OTHER BUSINESS

Ms. Sevier received a letter dated November 8, 2018 from Board Director André Fresco that he is regretfully resigning from the Enduris Board.

Board Development Committee (BDC Chair Greg Brizendine and Vicki Carter) is responsible to recruit and nominate candidate(s) to fill the vacancy as soon as possible.

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 presentations from the actuary, broker, and reinsurers provided valuable information which will be helpful to the Board in making decisions for the future. Great strides were made and we are moving in the right direction. Congratulations were given to Ms. Martin who was one of six women recently named Women of the Year in Skagit County.

ADJOURNMENT

Ms. Sevier adjourned the Board meeting at 2:12 p.m.

BRIZENDINE/HARDIN moved to adjourn the meeting.



Jeri Sevier, 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.