



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

November 16, 2017

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

Call to Order: Jeri Sevier, Chair, called the meeting to order at 8:30 a.m.

ROLL CALL

Board Members Present: Jeri Sevier, Chair; Greg Brizendine, Vice Chair; Vicki Carter, Board Member; Noel Hardin, Board Member; Patsy Martin, Board Member; and Mark A. Kammers, Executive Director. André Fresco, Secretary/Treasurer, joined the meeting by phone. Kim Bedier was excused.

Others Present: Kevin Wick, Managing Director, PricewaterhouseCoopers LLP; Mark Littmann, Principal, PricewaterhouseCoopers LLP; Doug Wozniak, Senior Vice President, Alliant Insurance Services, Inc.; James Marta, Managing Partner, James Marta & Company LLP; Nick Scharff, Fire Chief, Spokane County FPD #10; Cheryl Duryea, Enduris General Counsel; Rafaela Ortiz, Enduris Chief Operating Officer; Sheryl Brandt, Enduris Chief Risk Officer; and Joy Jelsing, Enduris Administrative Assistant.

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

ADOPT AGENDA

BRIZENDINE/HARDIN 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 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

Meeting Minutes – August 17, 2017

Board Governance Workshop Minutes – August 16, 2017

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

CEO Consent Agenda

Vouchers

- August 2017
- September 2017
- October 2017

Closed Claims for PY 2017

HARDIN/MARTIN 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.

Mr. Wick from PricewaterhouseCoopers gave a presentation on Enduris' actuarial review as of August 31, 2017. He reported on the following:

- 1) Unpaid claim estimate and projected claim growth (total estimated outstanding claim liability for 8/31/17) is \$11.5 million
- 2) Perspective on prior unpaid claim estimates from FY 2010 through FY 2017
- 3) Net liability and property losses and summary of net losses and reserves for the total program as of 8/31/17
- 4) Perspective on projected loss levels that is normalized for size, retention, and trends
- 5) Solvency Standard Test Results (per WAC 200-100-03001) as of 8/31/17
 - a. Test 1 (primary assets): Passed
 - b. Test 2 (secondary assets): Passed
- 6) Actuarial adjustments over last five years
- 7) Perspective on 2017-18 Budget Comparison

Mr. Littmann from PricewaterhouseCoopers (PwC) delivered a statement regarding their decision to terminate the contract with Enduris for actuary services.

Ms. Sevier recessed the Board meeting at 9:42 a.m. for a break and reconvened the meeting at 9:51 a.m.

Mr. Marta from James Marta & Company LLP provided a financial overview for PY 2017 which included:

- 1) Net position as of 8/31/17 at \$8.9 million

- 2) Budget to actual with a loss of \$3,568,561
- 3) Primary and secondary asset tests were met
- 4) Summaries of liability and property claims
- 5) Reconciliation of claims by type of contract
- 6) Ten-year loss development
- 7) List of demands on capital since 2012 (pension liability, write-off of GEM investment, etc.)
- 8) Our position requires us to strengthen our funding by, first and foremost, passing the solvency tests, and then meeting long-term capital targets
- 9) Reviewed PY 2018 proposed budget with claim adjusted budget

Ms. Sevier recessed the Board meeting at 10:41 a.m. for a break and reconvened the meeting at 10:48 a.m.

Mr. Wozniak from Alliant Insurance Services gave a State of the Insurance Market presentation. Topics included: 1) highlights of the insurance industry; 2) catastrophic events (Harvey, Irma, Maria, and wildfires) will drive property premiums up; 3) data breaches and cyber attacks are increasing in costs and frequency, and smaller entities are now being targeted; 4) the APIP property program that Enduris participates in was minimally affected by this year's catastrophic events; 5) autonomous vehicles (smart cars) are expected to be in the commercial arena in the next five years; 6) sexual misconduct, employee theft, and impersonation fraud are increasing; 7) expect 5%-15% rate increases in property rates.

Discussion followed regarding options to address the current and future direction of Enduris. The Administration will provide options and/or recommendations to consider at the February meeting. Mr. Fresco feels it is important to communicate to the membership on why changes are being made. Ms. Sevier advised the Administration to notify the Board of board policies that require revision to implement operational changes to improve Enduris' financial position.

OPERATIONAL EXPECTATIONS MONITORING

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

Operational Expectations (OE) Policies are operational policies that are carried out by the Administration and change very little year after year. Mr. Kammers presented the monitoring reports for Policies OE-1, OE-5, OE-6, and OE-9 with supporting evidence of compliance for the policies and stated that he certifies all four OEs are in compliance.

Operational Expectations Policy OE-1: Global Operational Expectation – Monitoring Report for PY 2017

Board Policy OE-1 states that the CEO shall not cause, allow, or fail to take reasonable measures to prevent any practice, activity, decision or organizational condition that is unlawful, unethical, unsafe, disrespectful, imprudent, in violation of Board policy or endangers the Pool's viability, credibility or public image.

Operational Expectations Policy OE-5: Financial Planning – Monitoring Report for PY 2017

Board Policy OE-5 states that the CEO shall develop and maintain a financial plan 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 that avoids long-term fiscal jeopardy to the organization.

Operational Expectations Policy OE-6: Financial Administration – Monitoring Report for PY 2017

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.

Operational Expectations Policy OE-9: Coverage – Monitoring Report for PY 2017

Board Policy OE-9 states that the CEO will assure the availability of coverage that best meets members' needs in the most cost-efficient manner.

MARTIN/HARDIN moved to accept the monitoring reports for Policies OE-1, OE-5, OE-6, and OE-9 for Policy Year 2017 as evidence of being in compliance. Motion carried.

Board Comments (comments made by Board members that are reflected in today's minutes will be transferred to the CEO evaluation form for the February 2018 CEO evaluation)

Ms. Martin appreciates Mr. Kammers' communicating with the Board in a timely manner to inform them of the financial position; as well as bringing in the experts today to help the Board make sound decisions.

Ms. Sevier commented that the Enduris staff run a very transparent organization. The external audits and reviews continue to show there are no findings or exceptions and that it further supports Enduris being in compliance with the expectations set forth in the policies. With the recent setback of adverse claim development in PY 2017, we will need to adjust for the future. It's beneficial to have open discussion now and be proactive and not wait until we are getting audit exceptions and not meeting the tests. She looks forward to discussions on how we move forward.

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. Brizendine and Mr. Fresco attended AGRiP's Fall Educational Forum in Baltimore, MD, from October 1-4, 2017. Mr. Brizendine enjoyed and appreciated the opportunity to attend the conference; spending time with the Enduris staff, other pool members, and partners is valuable.

Ms. Sevier recessed the Board meeting at 11:35 a.m. for a break and reconvened the meeting at 11:45 a.m. Also, during this time, Ms. Carter and Mr. Fresco left the meeting and did not return, still leaving a quorum for the remainder of the meeting.

EXECUTIVE SESSION

Ms. Sevier convened in Executive Session at 11:45 a.m. for 45 minutes to review the status of open claims. She reconvened in Open Session at 12:30 p.m. (Note: Executive Session was a working lunch.)

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.

Office Building Update

Mr. Kammers stated that there were a couple of inquiries since the last Board meeting.

Washington State Transit Insurance Pool (WSTIP)

Mr. Kammers mentioned that Tracey Christianson will be the new executive director for WSTIP as of January 1, 2018. Al Hatten will retire in March 2018. In addition, WSTIP has asked other state pools to support them on an amicus brief regarding a case before the Washington State Supreme Court. Enduris intends to provide its support.

Board Governing Policies

The PY 2018 Board Governing Policies are being made available to the Board at each meeting. This came as a recommendation from the August 2017 Aspen Group's governance training.

Government Entities Mutual, Inc. (GEM) Board Meeting Update

Ms. Ortiz attended the GEM Board meeting in October and reported that a strategic planning session is scheduled in February 2018; the new member accounting methodology is going to be put in place in May using the December 31 year-end actuals; and gave an update on GEM's reinsurance renewal for next year.

2017 Claims Satisfaction Survey Results

Ms. Ortiz indicated that the response rate to the survey was exceptional and respondents expressed general satisfaction in all areas surveyed. There were some individual comments that are being addressed; however, it didn't affect the survey results. Overall, the Enduris membership continues to be satisfied with claims services.

2017 Membership Survey Results

Ms. Ortiz stated that every two to three years we conduct a membership survey. We received an excellent response rate at 59%. Ninety-nine percent of the respondents are satisfied with their Enduris membership. A task force has been created to develop plans to improve areas of concern that were identified by individual comments.

Rating Consultant Update

Mr. Kammers briefed the Board on Marilyn Kelley's underwriting project in analyzing members' rates. Ms. Kelley will attend the February board meeting to present her initial analysis and bring forward her recommendations.

Behavioral Health Organization (BHO)/Regional Support Network (RSN) Underwriting

Mr. Kammers and Ms. Brandt notified the Board that they have recently learned some BHOs are planning changes in their operations to perform direct professional medical services. These services will require additional coverage, such as medical malpractice, which we do not provide. We are actively working to manage how we will handle the potential risk with our BHO members that is a win/win for all.

Information System Software Update

Ms. Ortiz updated the Board on the new information system software. We went live with Origami at the beginning of the month. Although the claims side of the system is set and staff is working and getting comfortable with it, the policy side is not yet ready. We are already seeing the

benefits of the system with reporting of data, etc. Ms. Brandt added that our claims adjustment services vendor was trained on the system and eventually our members will be able to access their policy documents once the policy side of the system is up and running.

Staffing Levels

Ms. Ortiz anticipates that the new information system will eventually free up staff time and in six months or so the Administration will re-evaluate staffing needs and modify job descriptions accordingly. Mr. Kammers noted that Shellie Klink has absorbed the membership services job responsibilities. Marketing efforts will be scaled back, so we might not achieve the goal of getting 10 new members for the year. At this time, it is more important to retain members than to bring in new members.

CEO Year in Review for PY 2017

Mr. Kammers gave the "Year in Review" presentation for PY 2017 by providing a summation of operations and finances, which included a pool profile, growth in membership, marketing and retention stats, claims data, claims expense, EPL data, risk management details, year-end financials, outlook for PY 2018, accomplishments to date, and strategies for long term success.

PY 2017 brought in 17 new members to the Pool with annualized contributions of \$354,618. Retention rate of existing members was 99.07%. However, because Enduris suffered its largest claims (both in numbers and costs), the total net loss for PY 2017 was (\$3,014,561).

Board Comments (*comments made by Board members that are reflected in today's minutes will be transferred to the CEO evaluation form for the February 2018 CEO evaluation*)

No comments made.

DISCUSSION/ACTION ITEMS

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.

Mr. Kammers provided the Board with the Actuarial Review of Enduris as of August 31, 2017, which was conducted by PricewaterhouseCoopers.

MARTIN/HARDIN moved to recognize the receipt of the 2017 Reserve Analysis Report conducted by PricewaterhouseCoopers 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.

Mr. Marta reported on the financial reports for September 30, 2017 and October 31, 2017. The October 31, 2017 total assets were \$31,908,474 and the total members' net assets were \$9,110,228.

Also provided to the Board was the September 30, 2017 Spokane County Treasurer's Report, which included the Rate of Return on Investments.

HARDIN/MARTIN moved to approve the PY 2017 Year End Financial Report as presented. Motion carried.

HARDIN/MARTIN moved to approve the September 30, 2017 and October 31, 2017 Financial Reports as presented. Motion carried.

RFP For Actuarial Services

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.

Mr. Kammers recommended that the Board authorize the Administration to solicit proposals for an actuary. A draft of the Request for Proposals for Actuary Services including scope of work was provided to the Board for review. The RFP is being fine tuned and will include a specific timeline to receive the annual actuarial study.

MARTIN/HARDIN moved to direct the Administration to proceed with an RFP for actuarial services pursuant to WAC 200-100-215 and to present a recommendation at the February Board meeting. 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 GC and BCR policies. Board assessment of progress on the Goal and the CEO's summative evaluation will drive targets for the following year.

The Board self-assessment policy was addressed at the August 16 governance training with the Aspen Group. The Aspen Group strongly advised the Board to assess themselves. The Board agreed to use a 1-3 rating system (1-on target, 2-needs improvement, and 3-not meeting standard).

Ms. Sevier noted that prior to this meeting, the Board was provided with the GC and BCR policies to review and rate each policy. She asked the Board if anyone rated a policy with a 2 or 3 so it can be further discussed. As there were none, it was determined that the Board is on target for PY 2017.

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 CFO provided valuable information which will be helpful to the Board in making decisions for the future. Mr. Kammers expressed his appreciation to the Board for their trust and confidence, especially in difficult times. The Board and Administration are looking forward to implement changes that will bring long term success to the organization.

ADJOURNMENT

Ms. Sevier adjourned the Board meeting at 1:58 p.m.

MARTIN/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.