



**Enduris
Board of Directors Meeting**

August 21, 2013

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

Call to Order: Mike Millikin, Chair, called the meeting to order at 8:28 a.m.

ROLL CALL

Board Members Present: Mike Millikin, Chair; Noel Hardin, Vice Chair; Dick Gormley, Secretary/Treasurer; Vicki Carter, Board Member; Kim Bedier, Board Member; Rick Mockler, Board Member; Jeri Sevier, Board Member; and Mark A. Kammers, Executive Director.

Others Present: Thomas Kraft, Island County Diking District #1; Robert Winquist, Island County Diking District #1; Cheryl Duryea, Enduris General Counsel; Rafaela Ortiz, Enduris Chief Operating Officer; Sheryl Brandt, Enduris Chief Risk Officer; and Joy Jelsing, Enduris Administrative Assistant.

ADOPT AGENDA

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

ELECTION – COUNTING OF BALLOTS

Board Policy GC-3.15 states that the Board will ratify the annual Board election results.

Ms. Carter, Chair of the Board Development Committee, delivered the Board of Directors' election ballots to Ms. Scharff, Enduris' Director of Finance. Ms. Scharff, along with Suzanne Heath, Financial Services Coordinator, will open and count the ballots, and tabulate the results, which will be reported later in the meeting.

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

May 22, 2013

Operational Expectations Monitoring Reports for Policy Year 2012:

OE-4 Personnel Administration

OE-10 Communicating with the Members

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

CEO Consent Agenda

Vouchers

May 2013 voucher numbers 206229 through 206241 amounting to \$638,262.65

June 2013 voucher numbers 206242 through 206248 amounting to \$434,361.85

July 2013 voucher numbers 206249 through 206256 amounting to \$3,136,042.49

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

OPERATIONAL EXPECTATIONS MONITORING

Board Policy Operational Expectations (OE-8): Communicating with the Board – Monitoring Report Presentation

Board Policy OE-8.1 states that the CEO will submit required monitoring data in a thorough, accurate and understandable fashion, according to the Board's annual work plan schedule, and including both CEO interpretations and relevant data to substantiate compliance or reasonable progress.

Because the Board approved at the November 15, 2012 board meeting the addition of Policy OE-8.6, the OE-8 monitoring report is removed from the Board Consent Agenda for a separate review since it includes the initial evidence of compliance.

Board Policy OE-8.6 states that the CEO will monitor potential changes in the industry and report to the Board the changes and the actions that the CEO and staff have taken to enhance Enduris' position.

Mr. Kammers presented evidence of compliance for the new policy.

MOCKLER/BEDIER moved to approve the monitoring report for policy OE-8 for Policy Year 2012 as evidence of being in compliance. Motion carried.

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/Vacant Office Space Update

Mr. Kammers reported that we have not received any serious inquiries about the vacant office space since the last board meeting. Ms. Ortiz added that an architect contract is in place to expedite tenant improvements for a new tenant.

State Risk Manager's Report Update

Shannon Stuber, Program Administrator for the Local Government Self-Insurance Program, performed her onsite review of Enduris on August 15, 2013. There were no areas of concern during her visit. Ms. Stuber will provide a report in a few weeks.

Comprehensive Annual Financial Report (CAFR) Update

Now that the CAFR for fiscal year ending August 31, 2012 is completed, Enduris has submitted its application for the Certificate of Achievement for Excellence in Financial Reporting. Mr. Kammers noted that Enduris is the only Washington pool to produce the CAFR and one of only a handful in the nation.

Government Entities Mutual (GEM) Board Meeting Update

Mr. Kammers and Ms. Ortiz attended the GEM Board Meeting held in Lake Tahoe from July 24-26, 2013, which included a 10-year anniversary dinner. Mr. Kammers distributed the GEM 2012 Annual Report for the Board's information.

Aon Risk Pooling Symposium Update

Mr. Kammers, Ms. Ortiz, Ms. Brandt, and Ms. Duryea attended the 18th Annual Aon Risk Pooling Symposium in Avon, CO from July 30-August 2, 2013.

AGRiP Governance & Leadership Conference

Mr. Kammers distributed the upcoming AGRiP conference brochure and encouraged board members to attend. It will be held in San Antonio from October 6-9, 2013. Ms. Ortiz indicated that the October conference is tailored for board members.

Administrative Contracts Update

Mr. Kammers reported to the board on contracts that the Enduris signed with Municipal Research and Services Center (research, inquiry, consultative, educational, and training services to Enduris and its members), Alliant Insurance Services (broker services), Aon Risk Insurance Services (claims auditing services), and Cheryl Duryea (litigation management services).

Member Updates

Mr. Kammers informed the board that Enduris received two member termination notices.

Marketing & Business Development Plan for PY2014

Mr. Kammers shared the Marketing & Business Development Plan developed by Shellie Klink, Enduris' Marketing Coordinator. Ms. Carter commented that she was very pleased to see a plan so well defined.

Membership Retention & Education Plan for PY2014

Mr. Kammers shared the Membership Retention & Education Plan developed by Joanne Bisquera, Enduris' Membership Services Coordinator.

Mr. Millikin recessed the Board meeting at 9:10 a.m. for a break and reconvened the meeting at 9:20 a.m. with introductions of the Board, Staff and guests.

ISLAND COUNTY DIKING DISTRICT #1

Board Policy OE-3.5 states that the CEO will establish all procedures and required time frames for appeals, balancing the needs of members for a speedy and fair resolution and the needs of the Pool for due diligence.

On June 19, 2013, Mr. Kammers received an email from Mr. Thomas Kraft, Commissioner of Island County Diking District #1, requesting an opportunity to discuss with the Enduris Board of Directors their May 22, 2013 decision to terminate the Diking District's membership effective September 1, 2013.

Mr. Thomas Kraft and Mr. Robert Winqvist from Island County Diking District #1 attended the meeting. Mr. Kraft provided the history as well as current status of Island County Diking District #1. He explained the actions the current commissioners have taken to correct the district's legal issues and stated that a vast majority of the property owners have responded overwhelmingly in favor of the commissioners' actions to lead the District in a transparent and responsible manner. Most of the litigation against the District has been resolved. Questions and concerns were addressed by Mr. Kraft and Mr. Winqvist following the presentation.

Mr. Kraft reported to the Board that the District retains an independent service provider to inspect the District's pump and monitor the ditches. At the request of the Board, Mr. Kraft will verify that the contract has language that properly transfers risk to the service provider or will retain a service provider that will accept the transfer of risk.

MOCKER/BEDIER moved that ICDD#1 be allowed to remain in the pool for one year if the district agrees to obtain the agreement of Enduris' Risk Manager that the risk associated with their management contact has been properly transferred. The District agreed to this condition and the motion passed unanimously.

Mr. Millikin recessed the Board meeting at 10:52 a.m. for a break and reconvened the meeting at 11:02 a.m.

CEO Quarterly Update

Mr. Kammers presented the CEO quarterly status report for the 3rd Quarter of Policy Year 2013. The report included updates on Membership Growth Patterns, New Members, Upcoming Members, Member Training, Training Facility Use, Claims Opened, Budget Quarterly Trend, Financial Comparisons, and Projections for Year-End 2013 and 2014.

DISCUSSION/ACTION ITEMS

Election of Directors

Board Policy GC-3.15 states that the Board will ratify the annual Board election results.

- Ms. Carter announced the following results:

Total Ballots Received: 148

Total Ballots Counted: 139 (8 received after deadline; 1 received unsealed)

133 Votes for Noel Hardin (Position #1)

136 Votes for Dick Gormley (Position #3)

135 Votes for Kim Bedier (Position #4)

0 Write-in Votes

CARTER/SEVIER moved to accept the Enduris Policy Year 2014 Election Results as stated (133 votes for Noel Hardin, Position #1; 136 votes for Dick Gormley, Position #3; 135 votes for Kim Bedier, Position #4); no write-in votes. Motion carried.

Election of Board Officers

Board Policy GC-4 states that the officers of the Board are those listed in the Board Governing Policies. Their duties are those assigned by this policy, and others required by law.

In accordance with Article IV, Section 1 of the Enduris By-Laws, the Board of Directors shall select from among themselves a Chair, Vice-Chair, Secretary/Treasurer to serve for a term of two years beginning the next fiscal year.

MOCKLER/CARTER moved a slate of board officers of Noel Hardin for Chair, Dick Gormley for Vice-Chair, and Kim Bedier for Secretary/Treasurer for Policy Year 2014 and Policy Year 2015. Motion carried.

Board Development Committee Appointment

Ratification of Appointment to Board Committees

Board Policy GC-4.6 states that the Chair will appoint members of all Board committees with the ratification of the full Board. **Board Policy GC-4.9** states that the Vice Chair will serve as Chair of the Board Development Committee, unless there is a conflict of interest. **Board Policy GC-5** states that three members are appointed by the Chair, and ratified by the Board, none of whom are up for election.

HARDIN/MOCKLER moved to ratify the Board Development Committee as appointed by the Board Chair (Dick Gormley, Chair; Vicki Carter; Kim Bedier). Motion carried.

Aspen Group Governance Training – Draft Agenda

Board Policy GC-1 states that the Board and its directors are committed to effectively governing the organization, testing all of its decisions, maintaining director relationships with each other, evaluating the CEO, training new directors, working with subcontractors and serving members.

At the May 22, 2013 board meeting, the Board approved to hire Aspen Group for a refresher training on the governance model as a Board Workshop on November 19, 2013 with the draft

agenda to be reviewed at the August 21, 2013 board meeting. Mr. Kammers presented the draft agenda for approval by the Board.

CARTER/BEDIER moved to approve the November 19, 2013 Enduris Leadership Retreat Agenda. Motion carried.

Washington State Audit Reports

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.

The Washington State Auditor issued the Enduris Financial Statements Audit Report and the Enduris Accountability Audit Report on June 17, 2013. The full audit reports were emailed to the Board on June 19, 2013 for their review.

MOCKLER/CARTER moved to acknowledge receipt of the State Auditor's Report. Motion carried.

Claims Audit

Board Policy GC-3.7 states that the Board will review and accept the annual audit report of the independent claims auditor.

Craig Bowlus of Aon Risk Insurance Services conducted an annual independent claims audit for the pool on July 16 & 17, 2013. Mr. Kammers provided the audit report to the Board as Evidence of Compliance for several Board policies.

BEDIER/SEVIER moved to accept the Policy Year 2013 Property and Casualty Claims Audit. Motion carried.

Reserve Analysis Report and Liability Rate Review

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.

Enduris contracts with PricewaterhouseCoopers (PwC) to conduct an annual Liability Rate Review.

PwC has agreed with the Administration to propose a 2.9% increase in liability rates (only) for all group types, with the exception of fire districts, which will remain the same as last year.

GORMLEY/BEDIER moved to accept PricewaterhouseCoopers' Reserve Analysis Report and annual Liability Rate Review for Policy Year 2014. Motion carried.

Property Coverage Renewal for Policy Year 2014

Board Policy GC-3.8 states that the Board will approve levels of Self-Insured Retention (SIR) and the level and providers of reinsurance and blanket coverage.

At the May 16, 2013 Board Meeting, the Board gave authorization to the Administration to renew coverage and report back at the August meeting. Mr. Kammers reported that PEPiP, a public entity program, offered continuing coverage with rate increases of approximately 8% for HPR

properties and 12% for non-HPR properties over last year for Policy Year 2014. Due to rising "water" losses across the nation over the past three years, critical flood coverage pricing is increasing and capacity is decreasing.

CARTER/SEVIER moved to approve the property coverage renewal for PY 2014 with PEPIP using the existing \$250,000 Self-Insured Retention for both HPR and Non HPR property classifications. Motion carried.

Liability Coverage Renewal for Policy Year 2014

Board Policy GC-3.8 states that the Board will approve levels of Self-Insured Retention (SIR) and the level and providers of reinsurance and blanket coverage.

Mr. Kammers stated that at the May 16, 2013 Board Meeting, the Board gave authorization to the Administration to renew coverage and report back at the August meeting. Genesis has agreed to renew Policy Year 2014 with the same coverage as Policy Year 2013 but with a 3% inflationary adjustment for Policy Year 2014. Genesis will quota share with GEM on an 80/20 basis. The Administration supports the inflation adjustment.

MOCKLER/GORMLEY moved to approve the liability coverage renewal with Genesis and GEM with a 3% inflationary adjustment using a 80/20 percent quota share arrangement and a self-insured retention of \$1 million for Policy Year 2014. 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 financial statements for June and July and reviewed July's financial statement with the Board.

Mr. Kammers provided an overview of the Income Statement, Balance Sheet, and Budget Comparison. He presented the July 31, 2013 Financial Statements with total assets of \$30,451,195.90 and total members' net assets (surplus) of \$13,124,349.14. Expenses and Revenues to date are within budget and the pool assets are growing in a positive direction. He also provided the Board with excerpts from the Spokane County Treasurer's Report, which included the Rate of Return on Investments.

SEVIER/HARDIN moved to approve the financial statements as of 06/30/13 and 07/31/13 as presented by the Executive Director. Motion carried.

Approval of Actuary Contract Amendment for Policy Year 2014

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 a 3.3% increase to this year's contract with PwC for a total amount of \$34,000.

MOCKLER/SEVIER moved to approve the Amendment for Policy Year 2014 with PricewaterhouseCoopers for professional services in the amount of \$34,000. Motion carried.

Approval of General Counsel Contract for Policy Year 2014

Board Policy GC-3.13 states that the Board will contract independently with legal counsel to support the Board in its work.

Mr. Kammers recommended a 3.3% increase to this year's contract with Cheryl Duryea for a total amount of \$34,089.

HARDIN/SEVIER moved to renew the contract with Cheryl Duryea, PLLC, for general counsel services for Policy Year 2014 in the amount of \$34,089. Motion carried.

Approval of Rating Policy for Policy Year 2014

Board Policy GC-3.10 states that the Board will evaluate and approve member rates annually based on claims history, actuarial reports, and staff recommendations.

Mr. Kammers provided the Board with the draft Rating Policy for Policy Year 2014 and noted that the PwC's liability rate study is incorporated into this policy. When the Board adopted the budget for PY 2014, they approved a revenue package equivalent to a 2.9% rate increase for all lines of coverage, and a 2% Marshall-Swift increase for real estate values and replacement cost vehicle assets. Fire districts saw no increase in liability coverage.

GORMLEY/HARDIN moved to approve the draft Enduris Rating Policy for Policy Year 2014. Motion carried.

Approval of Memorandum of Coverage (MOC) for Policy Year 2014

Board Policy GC-3.11 states that the Board will evaluate and approve coverages, including any changes to the Memorandum of Coverage (MOC).

Mr. Kammers stated that there are no changes to the MOC for Policy Year 2014.

CARTER/SEVIER moved to approve the PY2014 Memorandum of Coverage. Motion carried.

Board Policy Revisions for Policy Year 2014

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

Ms. Ortiz provided a summary of the changes to the board governing policies that were made and approved throughout the year.

The Board is scheduled to attend a workshop that will be facilitated by the Aspen Group to review and make additional revisions to the board governing policies on November 19, 2013. The results of any additional changes to the policies will be presented at the November 20, 2013 board meeting for approval.

Approval of Work Plan for Policy Year 2014

Board Policy GC-6 states that the Board will follow an annual work plan that includes continued monitoring and review of all policies and activities to improve Board performance.

With the exception to add the Aspen Group training session to November's work plan, Ms. Ortiz stated that there were no changes to the Policy Year 2014 Work Plan.

HARDIN/BEDIER moved to approve the Board Work Plan for Policy Year 2014. Motion carried.

Approval of Meeting Calendar for Policy Year 2014

Board Policy GC-6 states that the Board will follow an annual work plan that includes continued monitoring and review of all policies and activities to improve Board performance.

August is the month to set Board meeting dates for the next policy year. All proposed meetings for Policy Year 2014 will be held at the Enduris office in Spokane.

CARTER/HARDIN moved to approve meeting dates of February 19, May 21, August 20, and November 19 for Policy Year 2014. Motion carried.

Mr. Millikin recessed the Board meeting at 12:00 p.m. for lunch.

EXECUTIVE SESSION

Mr. Millikin convened in Executive Session at 12:15 p.m. for 30 minutes to review the status of open claims. He reconvened in Open Session at 12:45 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 110-044-3 has been settled in the amount of \$1,300,000 plus defense costs up to \$40,000 for a total of \$1,340,000; Enduris will recover all but \$250,000.

MOCKLER/CARTER moved to authorize payment of up to \$1,340,000 for Claim 110-044-3. 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:

- Appreciated Mr. Kraft and Mr. Winfield's well-presented case to the board
- Exercised good boardsmanship in regards to Island County Diking District #1's presentation
- Suggested a framework for future member presentations (e.g. time limit)

ADJOURNMENT

Mr. Millikin adjourned the Board meeting at 1:11 p.m.



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.