



**MINUTES**  
**Enduris Board of Directors Meeting**

August 22, 2019

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; Patsy Martin, Vice-Chair; Vicki Carter, Secretary/Treasurer; BiJay Adams, Board Member; Noel Hardin, Board Member; Matt Schanz, Board Member; and Sheryl Brandt, Executive Director. Board Member Kim Bedier joined in by phone.

Others Present: Doug Wozniak, Senior Vice President, Alliant Insurance Services; Cheryl Duryea, Enduris General Counsel; Rafaela Ortiz, Enduris Chief Operating Officer; Kimberly Millikan, Enduris Director of Finance; Susan Looker, Enduris Claims Manager; and Joy Jelsing, Enduris Administrative Associate.

*Ms. Sevier started the meeting with introductions of Board and staff. New staff members – Lisa McMeekin and Matt Krull – stepped in for a brief introduction.*

**ADOPT AGENDA**

Ms. Brandt made a recommendation to have Enduris' Broker Doug Wozniak provide a State of the Insurance Market presentation following the Executive Director's report.

**HARDIN/SCHANZ 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 Executive Director 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 9, 2019

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

## **Executive Director Consent Agenda**

Expenses (May 2019, June 2019, July 2019)

**HARDIN/MARTIN moved to approve all items on the Executive Director Consent Agenda. Motion carried.**

## **EXECUTIVE DIRECTOR REPORT**

**Board Policy OE-8** states that the Executive Director shall assure that the Board is fully and adequately informed about matters relating to Board work and significant organizational concern.

### Government Entities Mutual, Inc. (GEM) Cyber Summit and Board Meeting Update

A memo recapping GEM's July 2019 Board meeting was provided to the Board. Ms. Ortiz attended the GEM Cyber Summit and Board Meeting in Madison, WI. She reported that three speakers addressed a range of topics providing the scope and scale of cyber risk that we are currently facing. Ms. Ortiz indicated that she would like to bring in one of the speakers, a detective from the Seattle Police Department, to conduct cyber security training for our membership.

### Evidence of Coverage Update

Ms. Brandt reported that to be in compliance with RCW 48.62 and WAC 200-100, Enduris has changed its practice when members request an additional insured endorsement. Risk Manager Joe Davis continues to work with individual members affected by this change, wrote an article in the Enduris newsletter, and conducted a webinar on this topic, which will be available on the website.

### City of Spokane Water Rates Class Action Lawsuit Update

Ms. Brandt provided an update regarding a notice Enduris received on a Spokane Water Rates Class Action Lawsuit against the City of Spokane. We did not submit a request to be excluded from the lawsuit and will continue to monitor it. Mediation is scheduled in November 2019 with a trial set for January 2020.

### Pooling and Membership Updates

Ms. Brandt noted that Policy Year 2020 renewals are nearly complete. For the first time, the entire renewal process was done electronically through the Origami system.

Several years ago, Washington State risk pools established a Risk Pool Leadership Development Program for succession planning and leadership development for current pool staff. Ms. Brandt indicated that Alric Balka, Information Systems Coordinator, will be a participant in the program.

### Legislative Update

Ms. Brandt provided an update regarding the Pilotage Commission's interest in joining the Pool. She will have further discussions with the Commission's executive director.

The passage of the bill to permit the Pilotage Commission to participate in local government joint self-insurance programs allows consideration of other changes to the WAC. State Risk Manager

Shannon Stuber encouraged Enduris to review possible changes and provide her with recommendations.

#### Staffing Update

New staff members Lisa McMeekin, Claims Analyst; and Matt Krull, Financial Analyst; were introduced to the Board at the start of the meeting.

#### Association of Governmental Risk Pools (AGRiP) CEO & Sr Staff Institute

Ms. Brandt and Ms. Ortiz attended AGRiP's CEO & Senior Staff Institute in Grand Rapids, MI, from August 4-7. It is a great opportunity to network with risk pools' senior level staff from across the nation. Some of the discussions and sessions included challenges with high rate increases for upcoming renewals, diversity and inclusion of board members, and "generative thinking." Generative thinking is not about what tasks need to be completed now or soon; it is "big picture" thinking, such as pondering deep questions about what could make the most difference to the future of the organization. Ms. Ortiz said it is a valuable process although time-consuming. The Administration will present ideas to the Board regarding a generative thinking plan.

#### Executive Director Quarterly Update

Ms. Brandt presented the executive director report with data as of July 31, 2019. It included a claims overview showing that the Pool has 333 open claims with a net incurred value of \$8.7 million. For PY 2019 year-to-date, 288 new claims with a net incurred value of \$2.4 million have been reported compared to 359 new claims with a net incurred value of \$3.8 million in PY 2018. If new claims reported continue at the current monthly average, we will end PY 2019 at approximately 305 claims.

Ms. Millikan reported on the Pool financials as of July 31, 2019, which shows a net position of \$11.2 million. The increase in net position is \$1 million and the forecast for PY 2019 is a \$1.4 million increase in net position. The operating income is \$13.9 million with a forecast at the end of the year at \$15.2 million. Claims expense of \$6.6 million for the full year is an actuarial estimate. The Board was provided with a report of Enduris' investment in the Spokane County Investment Pool as of June 30, 2019, with a current investment rate of 2.18%.

### **STATE OF THE INSURANCE MARKET**

Ms. Brandt was informed in early August that our liability reinsurance rates were going to be increased significantly higher than expected – 20-25%. She instructed Enduris' Broker, Doug Wozniak with Alliant Insurance Services, to obtain lower cost quotes from other reinsurers. Ms. Brandt also asked Mr. Wozniak to attend the August Board meeting to provide a State of the Insurance Market so the Board understands the current volatile market conditions.

Mr. Wozniak reported that 2017 was the worst loss year in history for the insurance marketplace, followed by another bad year in 2018. As there were no appropriate rate increases during that period to correspond to the losses, it caused rapid and unusually high rate increases in 2019 for most lines of business. A few states in the U.S. are being impacted more than others. For example, California is seeing 40-60% rate increases for public entities and some carriers are abandoning the state altogether. Washington State is beginning to be looked at the same way as California due to a recent \$65 million settlement for a lawsuit against a public entity in Seattle. Large settlements are becoming more common.

In summary, we are in a "hard" market, where it's more difficult to get affordable coverage. Payouts have increased and profits have declined in the global insurance marketplace. The marketplace is seeing some significant capacity reduction, resulting in higher premiums with less

coverage, or even worse, insurers are not renewing business. The importance of risk pools has increased tremendously this past year.

Mr. Wozniak distributed a "2019-2020 Liability Reinsurance Renewal Options" spreadsheet to the Board and reviewed the various quotes from reinsurers. He recommended that Enduris renew with Government Entities Mutual (GEM) as its primary insurance carrier at 100% (no quota share as in previous years) and Great American as its secondary layer for the \$10 million excess.

*Ms. Sevier recessed the Board meeting at 10:20 a.m. for a break and reconvened the meeting at 10:30 a.m.*

## **EXECUTIVE SESSION**

*The Board, Administration, and Susan Looker convened in Executive Session at 10:35 a.m. for 20 minutes to review the status of open claims. The Administration and Ms. Looker were excused at 10:55 a.m. The Board convened in Executive Session for 30 minutes to discuss the Executive Director's evaluation process and incentive pay. At 11:25 a.m. Ms. Sevier extended the Executive Session for 15 minutes to continue discussions. At 11:40 a.m. Ms. Sevier extended the Executive Session for another 20 minutes to continue discussions. At 12:00 p.m. Ms. Sevier excused everyone for lunch and reconvened in Open Session at 12:30 p.m.*

## **DISCUSSION/ACTION ITEMS**

### Claim Payment Approval

**Board Policy OE-6.10** states that the Executive Director 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 ratification.

Claim #118-184 has been settled and presented to the Board.

**MARTIN/SCHANZ moved to ratify payment of up to \$470,000.00 in indemnity for Claim 118-184, which accounts for \$464,553.45 in indemnity paid to date. Motion carried.**

### Financial Statements

**Board Policy OE-6** states that the Executive Director 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 June 30, 2019 financial report. Ms. Millikan presented the July 31, 2019 financial report during the Executive Director quarterly report earlier in the meeting.

**MARTIN/ADAMS moved to approve the June 30, 2019 and July 31, 2019 financial reports as presented. Motion carried.**

### Property Coverage Renewal for Policy Year 2020

**Board Policy GC-3.8** states that the Board will approve levels of self-insured retention and the level and providers of re-insurance and blanket coverage.

At the May Board meeting, the Board authorized the Executive Director to renew property coverage with Alliant Property Insurance Program (APIP) effective July 1, 2019 using the existing

Self-Insured Retention of \$250,000 or higher providing a \$1 billion blanket policy and report back to the Board with the results.

For PY 2020, APIP offered the same continuing coverage as PY 2019 for \$3,315,060, which is approximately a 27% premium increase for both non-HPR and HPR properties. This increase is due to a 11% increase in total insured value (TIV) and a 17% rate increase. The renewal premium was not within the projected budget line item by \$299,000, which is a 9% negative variance. Given that some of the variance is related to increases in TIV, the realized variance to budget will be offset by increased member contributions.

The Administration recommended that the Board approve the property coverage renewal with APIP using the existing Self-Insured Retention of \$250,000 per occurrence.

**HARDIN/CARTER moved to approve the property coverage renewal for Policy Year 2020 with APIP using the existing \$250,000 Self-Insured Retention for both HPR and Non-HPR property classifications. Motion carried.**

#### Liability Coverage Renewal for Policy Year 2020

**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.

The Administration recommended that the Board approve the liability coverage renewal with Government Entities Mutual (GEM) as its primary insurance carrier (no quota share as in previous years) and Great American as its secondary layer for the \$10 million excess.

**CARTER/MARTIN moved to renew the liability coverage for Policy Year 2020 with Government Entities Mutual for the first layer of \$9 million excess of \$1 million in coverage and Great American for the second layer of \$10 million for a total of \$961,101. Motion carried.**

#### Executive Director Evaluation Process

**Board Policy B/EDR-5** states that the Board considers Executive Director performance on the *Goal* and *Operational Expectations* 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 Executive Director performance. In addition, the Board will evaluate the Executive Director on core competencies and performance based on individual goals.

Ms. Sevier reported that the Board discussed the evaluation process in Executive Session earlier today and agreed that there are some recommended changes to be presented to Ms. Brandt before they are ready to adopt the evaluation form.

**MARTIN/SCHANZ moved to direct the current Board Chair to work with Sheryl Brandt to make modifications as was discussed in Executive Session. Motion carried.**

Ms. Sevier stated that the evaluation process will be on the November meeting agenda for adoption keeping in mind that the evaluation plan will take effect September 1, 2019 because there are no material changes to the evaluation criteria that is in the packet today.

Approval of Enduris Memorandum of Coverage (MOC) for Policy Year 2020

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

The Board was provided with the following proposed changes to the MOC for review:

1. Liability Coverage, Exclusion C.4 (clarification) – Recommendation: “front pay, future wages” be added to this exclusion.
2. Liability Coverage, Exclusion C.31 (clarification) – Recommendation: “by or” be removed from this exclusion.
3. Vehicle Comprehensive & Collision Coverage Vehicle Physical Damage Other Provisions, A. Actual Cash Value Definitions – Recommendation: Change Actual Cash Value (ACV) definition to be compatible with the industry definition and APIP loss evaluation definition.
4. Addendum A – Terrorism Coverage – Recommendation: Modify addendum as incorrect exclusion referenced.
5. Addendum B – Additional Covered Party – Recommendation: Removal from policy effective September 1, 2019. This is an additional insured endorsement and no longer applied at Enduris due to WAC 200-100.
6. Addendum BRR – Additional Insured Railroad – Recommendation: Removal from policy effective September 1, 2019. This is an additional insured endorsement and no longer applied at Enduris due to WAC 200-100.
7. Addendum P – Other Coverage – Recommendation: Removal from policy as the same language is found in the Memorandum of Coverage under Section 5, Conditions, B. Other Coverage. This addendum applies to all members. Addendum P appears redundant.
8. Addendum U – Notice of Property Loss – Recommendation: Addition to policy. APIP Policy, Section 2, Property Damage, B. Extension of Coverage, 5. Architects and Engineer Fees and Loss Adjustment Expenses. Enduris is adding Addendum U as replacement language to clarify our intent on coverage for loss adjustment expenses.

Ms. Brandt stated that there were no substantial material changes and recommended that the Board approve the changes to the MOC for PY 2020.

**HARDIN/ADAMS moved to approve the Policy Year 2020 Memorandum of Coverage as presented by the Executive Director. Motion carried.**

Approval of Enduris Rating and Underwriting Policy for Policy Year 2020

**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.

Ms. Brandt provided the Board with the draft Rating and Underwriting Policy for PY 2020. The proposed changes include a 10-11% rate increase for property coverage; a 4.62% Marshall-Swift increase for structures, and 3.82% increase for contents, mobile equipment, and replacement cost vehicles; liability rate increase by 5-7%; minimum accounts increase 15% for property, 5% for liability; crime increase 5%; and auto physical damage increase by 10-11%. In addition, the Administration recommends that no member increases more than 20% unless caused by increases in exposure.

**ADAMS/HARDIN moved to approve the Enduris Rating and Underwriting Policy for Policy Year 2020 as presented. Motion carried.**

Approval of Legal Counsel Contract for Policy Year 2020

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

The Enduris Board contracts annually with the law firm of Cheryl Duryea, PLLC for general legal counsel services.

*(Ms. Duryea stepped out of the meeting.)*

The Board discussed options to restructure the contract and to have a succession plan in place.

*(Ms. Duryea returned to the meeting.)*

**CARTER/HARDIN moved to approve the legal counsel contract for Policy Year 2020 with Cheryl Duryea, PLLC with a 2% increase. Motion carried.**

Ms. Carter asked Ms. Duryea for ideas for a succession plan, including an estimate of time she spends providing legal counsel services to the Board, and present it at the November Board meeting.

Approval of 2020 Meeting Calendar

**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 year. All meetings for 2020 will be held at the Enduris office in Spokane.

**SCHANZ/ADAMS moved to approve meeting dates for February 20, May 13, August 20 and November 19 for 2020. Motion carried.**

Board Policy Indicators

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

Ms. Ortiz indicated that the Board approved changes to the Board Governing Policies in February 2019 and the Executive Director's "Interpretations" for the *Operational Expectations* and *Goal* policies in May 2019. She provided the Board with policy "Indicators" for review and approval. Once the "Indicators" are approved, Ms. Ortiz will prepare the monitoring reports that are due at the November meeting.

Ms. Sevier had questions on some of the "Indicators", and after some discussion it was agreed that Ms. Sevier will work with Ms. Ortiz to get clarification on those in question. It is understood that the "Indicators" will now be approved at the November 21, 2019 meeting and the monitoring reports will be presented at the February 20, 2020 meeting.

Approval of Work Plan for Policy Year 2020

**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.

The Board was provided with a draft Work Plan for PY 2020 for review and approval. Ms. Sevier noted some additional revisions: 1) move the Monitoring Reports from November 2019 to

February 2020 and 2) delete the Executive Director Evaluation/Compensation from the November 2019 meeting (it will be added back in November 2020).

**MARTIN/CARTER moved to approve the Board Work Plan for Policy Year 2020 as revised. Motion carried.**

Election of Directors for Policy Year 2020

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

Ms. Carter, filling in as the Board Development Committee Chair, read the results for the PY 2020 Board of Directors' elections.

Total ballots counted: 156

Results: Position #1 – Noel Hardin: 152 votes

Position #3 – Patsy Martin: 147 votes

Position #4 – Kim Bedier: 148 votes

**CARTER/SCHANZ moved to ratify the results of the Enduris election of directors for Policy Year 2020 for Noel Hardin, Patsy Martin, and Kim Bedier. Motion carried.**

Election of Board Officers for Policy Years 2020 and 2021

**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.

**SEVIER/HARDIN moved to approve a slate of board officers consisting of Patsy Martin for Chair, Vicki Carter for Vice-Chair, and BiJay Adams for Secretary/Treasurer for Policy Years 2020 and 2021. Motion carried.**

Board Development Committee Appointments for Policy Year 2020

**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-5.5** states that three members of the Board Development Committee are appointed by the Chair, none of whom are up for election the next policy year.

Ms. Sevier recommended the appointments of Vicki Carter as Chair, Kim Bedier, and Noel Hardin to the Board Development Committee for PY 2020.

**SEVIER/MARTIN moved to ratify the appointments of Vicki Carter as Chair, Kim Bedier and Noel Hardin to the Board Development Committee for Policy Year 2020. Motion carried.**

Claims Audit Report

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

The Board was provided with and reviewed the 2019 Claims Audit report that was conducted by Craig Bowlus of Aon Risk Insurance Services on June 24-26, 2019. In the report's summary, Mr. Bowlus stated that the claims operation at Enduris is now operating at a best practices level.

Ms. Brandt said that it was a good audit and Claims Manager Susan Looker is doing a remarkable job.

**CARTER/MARTIN moved to formally recognize the receipt of the 2019 Claims Audit conducted on June 24-26, 2019 by AON Risk Insurance Services. Motion carried.**

#### 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 State Audit Reports were published on August 19 and the reports distributed to the Board that day. Although it was a favorable audit, there were some challenges earlier in the process regarding a financial reporting issue that was eventually resolved. Additional costs were incurred because of the time it required to research and work through this issue. The State Auditor's Office submitted an amendment to the engagement letter to cover the costs and required board approval and signature.

**MARTIN/CARTER moved to approve the amendment for an additional \$800 and authorize the Board Chair to sign it. Motion carried.**

**MARTIN/CARTER moved to accept the Financial Statements Audit Report and Accountability Audit Report as recommended by the Executive Director. Motion carried.**

#### State Risk Manager's Review

**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.

Ms. Brandt explained that Shannon Stuber, Program Administrator for the Local Government Self-Insurance Program, is not able to complete the State Risk Manager's review of Enduris until the Financial Statements Audit Report from the State Auditor's Office is published. Since the auditor's report was published a few days ago, Ms. Stuber will now have the opportunity to review it and complete her review of Enduris. We expect that she will attend the November Board meeting to present her assessment.

Ms. Brandt added that, for the first time, the Department of Enterprise Services retained a consultant to conduct an actuarial assessment of Washington State pools' regarding rate adequacy and assessing that rates are consistent and nondiscriminatory. The Enduris report, which was provided to the Board, determined that Enduris met the requirements of WAC 200-100-033.

### **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-Executive Director Relations (B/EDR) policies. Board assessment of progress on Results and the Executive Director's summative evaluation will drive targets for the following year.

A survey was sent to Board members prior to the meeting to carry out the Board's self-assessment. Ms. Sevier read through the results of the 26 questions and comments, of which most were favorable. The Board discussed results that weren't as favorable; although, some of the issues are already being addressed.

#### **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. They applauded Ms. Sevier for a job well done as Chair the past two years. Other comments included: impressed with how well the transition has been with the leadership and staff; appreciated Mr. Wozniak's attendance to explain the paradigm shift in the insurance marketplace; everyone agreed that we are headed in the right direction.

#### **ADJOURNMENT**

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

**ADAMS/HARDIN moved to adjourn the meeting. Motion carried.**

  
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**Jeri Sevier, Chair**

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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.