



**Enduris
Board of Directors Meeting**

February 20, 2013

Enduris Office
1610 S. Technology Boulevard, 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; Dick Gormley, Secretary/Treasurer; Kim Bedier, Board Member; Jeri Sevier, Board Member; Vicki Carter, Board Member; Rick Mockler, Board Member; and Mark A. Kammers, Executive Director.

Others Present: Cheryl Duryea, Enduris General Counsel; Kevin Wick, Managing Director, PricewaterhouseCoopers LLP; 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 guest.

ADOPT AGENDA

HARDIN/CARTER moved to adopt the Agenda. 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. An item may be removed from the Consent Agenda upon approval of a majority of the Board.

Board Consent Agenda

Minutes

November 15, 2012

Operational Expectations Monitoring Reports for Policy Year 2012:

- OE-2 Emergency CEO Succession
- OE-3 Treatment of Members
- OE-7 Asset Protection

HARDIN/CARTER moved to accept all items on the Board Consent Agenda. Motion carried.

Discussion followed regarding Policy OE-2 Emergency CEO Succession. Mr. Mockler suggested the Board take ownership of the Succession Plan with the vice chair being knowledgeable of the plan and the board consenting to it. Several suggestions were made to rename the policy's title to better fit its definition, such as Replacement Plan or Progression Plan. Mr. Millikin suggested that the Board review Policy OE-2 prior to the next Board meeting and the Board can make any revisions to the Policy at the May 22nd meeting.

CEO Consent Agenda

Vouchers

November 2012 voucher numbers 206174 through 206184 amounting to \$694,100.97
December 2012 voucher numbers 206185 through 206191 amounting to \$496,627.08
January 2013 voucher numbers 206192 through 206201 amounting to \$596,111.86

CARTER/MOCKLER moved to approve the vouchers. Motion carried.

ACTUARY KEVIN WICK

Mr. Wick from PricewaterhouseCoopers gave a presentation on the Enduris Actuarial Review of losses and reserves based on data as of August 31, 2012. He reported on the following:
1) estimated outstanding claim obligations; 2) summary of losses and reserves for liability only, property only and total programs; 3) ceded losses and premium which explains the extent to which reinsurance and excess insurance are used and their cost to the pool; and 4) described Enduris' position in meeting the WAC's standards for solvency (WAC 200-100-03001).

Mr. Millikin recessed the Board meeting at 9:30 a.m. for a break and reconvened the meeting at 9:40 a.m.

RESULTS MONITORING

The Board has approved all the Results Policies, including the CEO interpretation of each policy and the indicators that are used, including the baseline and the targets. The reports presented are used to determine if reasonable progress has been achieved in meeting the results. The measurement used is called the Evidence of Progress.

As outlined in the Annual Work Plan, two Results policies are monitored by the Board at the February Board meeting.

Board Policy Results (R-3): Claims Administration – Monitoring Report Presentation

Board Policy R-3 states that members have the advantage of competent, responsive, fair, and balanced claims administration, including Board review when appropriate.

Mr. Kammers presented the Monitoring Report for Policy R-3 for Policy Year 2012 and provided an overview of the following as evidence of progress in meeting Results Policy 3:

1. PY 2012 Independent Claims Audit (report)
2. PY 2012 Claims Satisfaction Survey (report)
3. Process for appeals of denial of coverage (policy)

Mr. Kammers provided some excerpts from the PY 2012 Independent Claim Audit:

Enduris continues to follow the majority of "best practices" associated with government entity claims handling. There is ample evidence of a proactive approach to claims resolution.

We conclude that from a property and casualty claims handling standpoint, Enduris remains a well-managed and well-organized government entity pool.

The Claims Satisfaction Survey met or exceeded the industry standards as determined by the independent claims audit. Mr. Kammers verbally noted some excerpts from the claims audit report:

The results of the survey associated with claims handling and related issues were very positive. This is consistent with the audit findings.

Mr. Kammers mentioned that the Administration retained Desautel Hege to revise the Claims Satisfaction Survey to help increase member participation. In addition, the survey will no longer ask that the participant be anonymous. This will enable Enduris to address any specific issues identified in the survey.

Mr. Kammers indicated that there were no appeals of denials of coverage in Policy Year 2012.

MOCKLER/HARDIN moved to accept the Monitoring Report for R-3 as evidence that reasonable progress has been achieved for Policy Year 2012. Motion carried.

Board Policy Results (R-4): Coverage – Monitoring Report Presentation

Board Policy R-4 states that members have the advantage of broad coverage influenced by their needs.

Mr. Kammers presented the Monitoring Report for Policy R-4 for Policy Year 2012 and provided an overview of the following as evidence of progress in meeting Results Policy #4:

1. Results from the Five-Year Member Survey completed in 2009 indicates that 96% of members are satisfied or neutral with rates.
2. Status of the commercial market – Enduris procured the broadest form of liability and property insurance possible at the best value.
 - Enduris renewed Policy Year 2012 with no rate increase and the same coverage as Policy Year 2011.
 - Public Entity Property Insurance Program (PEPIP) offered continuing coverage to Enduris for \$997,935, which was approximately a 1% increase year over year.
3. Enduris remains reinsurance ready and can be promoted and accepted as a good risk to reinsurance companies.
4. Enduris continually evaluates the needs of the members and facilitates specialty coverage for members whose requirements are outside the scope of coverage currently provided.

GORMLEY/HARDIN moved to accept the monitoring report for R-4 as evidence that reasonable progress has been achieved for Policy Year 2012. 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.

Mercer Executive Benefit and Perquisite Practices Report

The Administration received a report from Mercer called *2012/2013 Mercer Executive Benefit and Perquisite Practices Report for Tax-Exempt Organizations*. Mr. Kammers provided a copy of the report for the Board's information.

Annual Report to the State Auditor's Office

The Board received a copy of the Enduris Annual Report to the State Auditor's Office. The State Auditor is currently conducting the annual audit of Enduris.

Government Entities Mutual, Inc. (GEM) Underwriting Review of Enduris

In October 2012, Joel Kress from GEM performed an underwriting review of Enduris. Mr. Kammers presented the Board with Mr. Kress' report of his review. The report is favorable to Enduris.

Washington Risk Pool Advisory Council (WRAC) Update

Mr. Kammers briefly reviewed the proposed changes to WAC 200-100. Proposed changes include a different requirement for counting ballots for Board elections and raising the required confidence level from 70% to 80%.

PRIMA 2013 Annual Conference

Mr. Kammers informed the Board that the PRIMA 2013 Annual Conference will be held June 2-5, 2013 in Tampa, FL.

Claims Satisfaction Survey

Mr. Kammers distributed Desautel-Hege's recommendations for this year's claims survey for the Board's review.

CAFR Update

Mr. Kammers mentioned that Enduris received an extension to submit the CAFR due to the delay of the State Auditor's Report.

GEM Board Meeting Update

Mr. Kammers informed the Board that due to sudden illness, he wasn't able to attend the GEM Board Meeting in Naples, FL. According to the recap of the Naples meeting, there was nothing of significance to report. Ms. Ortiz will be representing Enduris at the next GEM Board Meeting in April in Washington, D.C. GEM will also be celebrating its 10-year anniversary at a meeting in Lake Tahoe in July.

Office Building/Vacant Office Space Updates

Mr. Kammers provided an update of the office building construction project. He also discussed a couple of inquiries to lease the unoccupied office space.

Staff Retreat

The Enduris staff participated in a retreat to review the values of the organization.

CEO Quarterly Update

Mr. Kammers presented the CEO quarterly status report for the 1st 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.

Mr. Millikin recessed the Board meeting at 11:05 a.m. for a break and reconvened the meeting at 11:19 a.m.

DISCUSSION/ACTION ITEMS

Financial Statements – OE-8.3

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 an overview of the Income Statement, Balance Sheet, and Budget Comparison. He presented the January 30, 2013 Financial Statements with total assets of \$25,447,512.37 and total members' net assets (surplus) of \$12,937,211.87. 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 December 31, 2012 financial statements were also provided to the Board.

CARTER/GORMLEY moved to accept the financial statements as of 12/31/12 and 1/31/13 as presented by the Executive Director. Motion carried.

Policy Year 2014 Budget – GC-3.9

Board Policy GC-3.9 states that the Board will adopt and monitor annual budgets.

Mr. Kammers presented an overview of the proposed budget for Policy Year 2014, including a review of anticipated revenue and expenditures. The proposed budget for PY 2014 is \$451,000 more than the PY 2013 budget. To keep pace with inflation, the PY 2014 budget includes a 2.9% rate increase for liability and property coverage, and a 2% Marshall-Swift inflationary increase for property values.

HARDIN/MOCKLER moved to approve a budget of \$9,368,000 for Policy Year 2014 as proposed by the Executive Director. Motion carried.

Mr. Millikin recessed the Board meeting at 11:37 a.m. for lunch and reconvened the meeting at 12:30 p.m.

EXECUTIVE DIRECTOR EVALUATION

Board Policy B/CR-5 states that the Board considers CEO performance to be identical to organizational performance. Organizational accomplishment of the Board's Results policies (Rs) and operation according to the values expressed in the Board's Operational Expectations (OE) 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.

The Board discussed the CEO's performance on the Results and Operational Expectations and the priorities established by the Board for Policy Year 2012. The CEO made reasonable progress on all five Results and is in compliance with all of the Operational Expectations. In addition, the CEO made adequate progress on all of the priorities established by the Board for PY 2012.

The Board concluded the CEO evaluation by establishing the following priorities for Policy Year 2013:

- Continue the search for a tenant and also explore alternative uses for the unoccupied space
- Continue emphasis on the strengthening of the Marketing Coordinator position by continuing to bring the Marketing Coordinator up to speed
- Revisit the targets for Results Policies R-3 Claims Administration and R-4 Coverage for relevancy and bring back recommendations
- Develop a policy for Board approval for maximizing value and revenue of the Enduris Professional Centre

MOCKLER/HARDIN moved that the incentive pay for the CEO based on Policy Year 2012 be 10% (of the CEO's base salary) according to board governing policies. Motion carried.

EXECUTIVE SESSION

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

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:

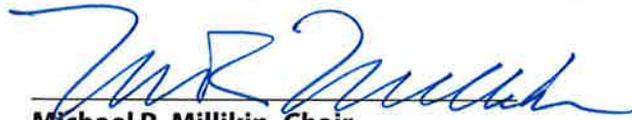
The importance of the Board making sure the governing board policies are revised to be relevant in the present time.

The Board and Administration agreed to schedule board workshops as needed.

As a member, Mr. Hardin commended Marc Antonietti (Enduris claims analyst) for his excellent handling of two claims that Mr. Hardin's fire district recently made.

ADJOURNMENT

Mr. Millikin adjourned the Board meeting at 2:00 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.