



**Enduris
Board of Directors
Meeting Minutes**

May 13, 2020

To meet both the Open Public Meetings Act and COVID-19 social distancing requirement announced by Governor Inslee in Proclamation No. 20-05, the Board meeting was changed to an online video/telephone conference meeting via GoToMeeting. A link and access code were provided to those requesting to join the meeting.

Call to Order: Chair Patsy Martin called the meeting to order at 8:32 a.m.

ROLL CALL

Board Members Present: Patsy Martin, Chair; Vicki Carter, Vice-Chair; BiJay Adams, Secretary/Treasurer; Noel Hardin, Board Member; Matt Schanz, Board Member; Jeri Sevier, Board Member; and Sheryl Brandt, Executive Director. Kim Bedier was absent.

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

Ms. Martin started the meeting with a roll call.

ADOPT AGENDA

HARDIN/SCHANZ 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 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

Board Workshop Minutes – February 19, 2020

Board Meeting Minutes – February 20, 2020

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

Executive Director Consent Agenda

Expenses

- February 2020
- March 2020
- April 2020

SCHANZ/CARTER 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.

Property Renewal Update

Ms. Brandt stated that Enduris' property program renews on July 1, 2020. She asked our broker, Doug Wozniak with Alliant Insurance Services, to brief the Board on what to anticipate regarding rate increases and coverage options, as well as give an update on the current insurance market.

Mr. Wozniak indicated that Enduris' property reinsurance rates will increase 17-22% in the current market conditions. As property losses develop, the capacity for the property market has diminished and Mr. Wozniak has indicated our limit of \$1 billion per occurrence per member could change to \$500 million per occurrence per member for the first layer, and \$500 million shared limit for the second layer.

In addition, Mr. Wozniak noted that the liability renewal rate indicates a 10% increase for the excess layer (\$10M x of \$10M) and a 5-7% increase for the first excess layer (\$9M x of \$1M). He reiterated that the move to Government Entities Mutual (GEM) last year was the best decision. Remaining with the previous reinsurer would have likely resulted in a minimum increase of 25%.

Mr. Wozniak explained the coverage regarding business interruption claims due to COVID-19. Enduris' \$500,000 sublimit is subject to an overall annual aggregate in the \$10 million program. There are over 250 claims submitted against that annual aggregate, and therefore will be a shared allocation among all members. It will result in a small, actual dollar amount that any one single named insured would receive as the limits will clearly be exhausted on the \$10 million sublimit for that program.

COVID-19 Update

Ms. Brandt reported that Enduris has remained open, with the staff working from home. We were well prepared to work from home prior to the Stay Home order. We are also anticipating questions and concerns from members who might be adversely affected by the pandemic. Enduris' legal counsel, Kelly Allen, is keeping up on how to return to work and precautions to put in place.

Office Space Lease Update

Ms. Brandt provided an update on the ongoing discussions with the Spokane Regional Clean Air Agency on a possible lease of the empty wing. The agency plans to revisit the real estate market in its current environment. Whether or not the lease materializes, Ms. Brandt recommended that the Board consider building out the space to a “warm shell” to make it more appealing to lease.

Executive Director Quarterly Report

The Board was previously provided with the financial reports for February and March 2020. Also provided was the performance investment report as of February 29, 2020 from the Spokane County Investment Pool.

Ms. Brandt presented the executive director report, which included the April 30, 2020 financial report. Key points included a positive \$902,000 positive change in net position, a 3.4% organic growth in member exposure, claims expense of \$5.8 million was higher than the budget of \$4.9 million, the claims paid year to date is \$3.8 million, continued to work closely with our actuary on rate evaluation and development studies, and a lease prospect for the vacant office space.

Ms. Millikan presented the Pool financials as of April 30, 2020, which included financial ratio targets.

DISCUSSION/ACTION ITEMS

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.

HARDIN/ADAMS moved to approve the February 29, 2020, March 31, 2020, and April 30, 2020 financial reports as presented. Motion carried unanimously.

SCHANZ/SEVIER moved to accept the activity report from the SCIP fund as presented. Motion carried unanimously.

Budget Approval for Policy Year 2021

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

The Administration developed a budget that assures the fiscal soundness of the Pool, establishes rates, and monitors expenses of the organization. Ms. Brandt and Ms. Millikan presented the proposed budget with detailed assumptions on member contributions, operating expenses, claims expense, administration and operation expenses, non-operating income, as well as comparing prior and current year financial information. The proposed budget highlights for Policy Year 2021 are:

- The FY 2021 Budget moves the Pool toward stronger Net Position and target ratios and trends but at a slightly slower pace than the last two fiscal years in order to minimize increases in member rates and implement some of the recommendations from the recent AON rate study.
- The FY 2021 budgeted change in Net Position is \$1.8 million, resulting in an ending Net Position of \$17.2 million. This represents a 12% increase in Member’s Equity over the forecasted ending Net Position of \$15.4 million for FY 2020.

- The FY 2021 Budget reflects Member Contributions of \$18.7 million compared to actual FY 2020 contributions of \$17.4 million, a \$1.3 million (7%) increase compared to the FY 2020 Forecast. This increase is required given the expected cost increases vs. the FY 2020 Forecast:
 - \$315k (1.7%) increase in claims expense
 - \$800k (4.3%) increase in reinsurance premiums
 - \$382k (2.0%) increase in other costs (Administration/Operation Expenses)
 - Interest income is budgeted to decline significantly in the face of recent interest rate cuts and economic downturn

HARDIN/SEVIER moved to approve a budget with Member Contributions of \$18.7 million and Change in Net Position of \$1.8 million for Policy Year 2021 as proposed by the Executive Director. Motion carried unanimously.

Property and Liability Coverage Renewal Authorization

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.

Property coverage for Enduris renews July 1, 2020. Liability coverage renews September 1, 2020. Because renewal prices for re-insurance come in at the last minute, the past practice is for the Board to give authorization to the Executive Director to procure property and liability insurance contracts at the best value and then report back to the Board at the August meeting.

Earlier in the meeting, Mr. Wozniak provided indications for property and liability renewal rates.

CARTER/ADAMS moved to authorize the Executive Director to renew property coverage with APIP effective July 1, 2020 using the existing Self-Insured Retention of \$250,000 or higher and with limits of no less than a \$500 million blanket policy. Motion carried unanimously.

CARTER/SEVIER moved to authorize the Executive Director to renew liability coverage effective September 1, 2020 using the existing Self-Insured Retention of \$1 million, with GEM providing limits of \$9 million over our \$1 million SIR. In addition, \$10 million in coverage is provided by Great American for a total of \$20 million in liability coverage. Motion carried unanimously.

Status of Behavioral Health Organizations (BHOs)

Board Policy OE-3.5 states that the Executive Director may not terminate any existing member. Recommendations to the Board for termination will be based on any one or more of the following:

- Undue exposure to the Pool;
- A loss history disproportionate to the member's contribution;
- Failure to comply or cooperate with risk management requests;
- Decision-making that is contrary to good government and/or professional behavior;
- Failure to conform to Enduris' underwriting guidelines.

Ms. Brandt informed the Board that the Behavioral Health Organizations (BHOs) have been in transition for over two years. Two of our current BHO members are or will be providing direct services and clinics for drug and alcohol treatment including involuntary admissions, detoxification treatment and facilities, and mental health counseling. Previously, the BHOs contracted out these services to individual care providers.

The change in the scope of services provided by the BHOs does not meet our current risk management and underwriting guidelines. This change in the scope of work has resulted in significant BHO staff turnover and contracts constructed in a confusing manner that would potentially cause undue exposure to the Pool. We have been in discussion with these members and notified them of the concerns and the need to find coverage elsewhere beginning September 1, 2020.

SCHANZ/SEVIER moved to authorize the Executive Director to terminate the membership of two members, Great Rivers Behavioral Health Organization and Thurston Mason Behavioral Health Organization, for risks that fall outside the risk management and underwriting guidelines of Enduris. Motion carried unanimously.

Board Development Committee – Elections – Slate of Candidates

Board Policy GC-5.5 states that the Board Development Committee (BDC) will recruit and nominate the slate of candidates for Board elections, whether for election or appointment, based upon their eligibility as a director. In addition, the policy states that the Board Development Committee will provide the full Board with a summary review of the candidates seeking office and the recommendation of the Committee.

The BDC is comprised of the following Board members: Committee Chair Vicki Carter, Kim Bedier, and Noel Hardin. The BDC reviewed all applications and recommended the approval of the election ballot to include Jeri Sevier for Position #6 and Matt Schanz for Position #7. Ms. Carter stated that there were no other applications for either position.

ADAMS/HARDIN moved to approve the Board of Directors election ballot which includes Jeri Sevier for Position #6 and Matt Schanz for Position #7 as recommended by the Board Development Committee. Motion carried unanimously.

Ms. Martin recessed the Board meeting at 10:36 a.m. for a break and reconvened the meeting at 10:50 a.m.

EXECUTIVE SESSION

The Board entered into Executive Session at 10:50 a.m. for 40 minutes to review the status of open claims and discuss the office space lease. The meeting reconvened in Open Session at 11:30 a.m.

HARDIN/ADAMS moved to authorize the Executive Director to negotiate an office space lease within the parameters set in Executive Session and also to proceed with spending up to \$200,000 to complete the warm shell of the west wing. Motion carried unanimously.

ADJOURNMENT

Ms. Martin adjourned the Board meeting at 11:40 a.m.

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



Patsy Martin, 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.