



**Enduris  
Board of Directors Meeting**

May 24, 2018

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.*

**IN ATTENDANCE**

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

Others: Shannon Stuber, Program Administrator, Local Government Self-Insurance Program; 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**

Ms. Ortiz made a recommendation to add "MOC Addendum" to the CEO Report and "Change to Board Policy" to Discussion/Action Items.

**FRESCO/HARDIN 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 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 – February 22, 2018

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

## **CEO Consent Agenda**

### Vouchers

- February 2018
- March 2018
- April 2018

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

## **BOARD ETHICS TRAINING**

**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.

In accordance with the Annual Work Plan, the Board is scheduled to receive formal ethics training every other year and on the alternate year the Board will review the governing policies that address ethics.

The Board is scheduled to receive formal ethics training at the May meeting since the informal ethics review was conducted in 2017. Cheryl Duryea conducted the ethics training. Ms. Duryea handed out and reviewed *RCW 42.23.070 Prohibited acts*. She encouraged the Board to err on the conservative side when making decisions if you find yourself in a gray area situation.

## **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.

Shannon Stuber, Program Administrator for the Local Government Self-Insurance Program, explained the State Risk Manager's role in providing oversight to our local government property/liability programs. She looks at trends in assets and liabilities, as well as revenues and expenses. Ms. Stuber stated that claims were higher than expected for several years and the old normal may no longer be applicable to Enduris. In addition, Enduris may need to adjust its rates due to the higher than normal claims. However, Enduris continues to meet solvency requirements and is meeting the standards adopted by the State Risk Manager.

**BRIZENDINE/FRESCO moved to formally recognize the receipt of the State Risk Manager's Report of Enduris issued May 1, 2018. Motion carried.**

## **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.

Jeri Sevier attended AGRiP's Governance & Leadership Conference in San Diego, CA, from March 4-7, 2018. Ms. Sevier enjoyed both the HR and governing board sessions that she attended. Some

takeaways included learning of websites that recommend how to effectively perform board assessments, and how board members can be good ambassadors and advocates of the Pool by presenting at association conferences.

Ms. Ortiz attended a session emphasizing that board members have three modes of governance: fiduciary, strategic, and generative. Generative mode allows board members to make sense of problems and opportunities, and to encourage robust discussions and not quick consensus.

Ms. Ortiz commended AGRiP on how they have steadily improved its conferences over the years. She encouraged board members, who have not attended recently, to attend the Fall Educational Forum in Portland, Oregon.

### **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. The Board has already approved the policies, the CEO interpretation of each policy, and Evidence of Compliance. The monitoring reports are provided each year to provide evidence to the Board that the Administration is in compliance with the policies. The policies have been updated but there are no substantive changes from PY 2016.

As outlined in the Annual Work Plan, OE-4 Personnel Administration, OE-8 Communicating with the Board, and OE-10 Communicating with the Members are monitored by the Board at the May Board meeting.

Ms. Sevier recommended to postpone the approval of the monitoring reports for OE-4, OE-8, and OE-10. Ms. Carter supported the postponement for these OEs to be reviewed at a workshop to be scheduled the day prior to the August board meeting. Also included would be an evaluation of the OEs that have already been approved for PY 2017.

Mr. Fresco stated that the policies should not get in the way of what we do collectively on behalf of the members. If the policies are what keeps us from having the constructive relationship that allows us to make informed decisions, then we need to consider changing the policies. Ms. Carter added that it is the Board's due diligence responsibility to make decisions with adequate information, which is owed to our members of the Pool.

Mr. Kammers suggested that bringing in a facilitator for the workshop would be beneficial.

**CARTER/BRIZENDINE moved to table approval of OE-4, OE-8, and OE-10, and also request that the other OEs that have been approved for Policy Year 2017 be brought back at the August meeting for review. Motion carried.**

### **GOAL MONITORING**

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

The Board has already approved the *Goal* policy, including the CEO interpretation of the policy and the indicators that are used, including the baseline and the targets. The monitoring report is

used to determine if reasonable progress has been achieved in meeting the *Goal*. The measurement used is called the *Evidence of Progress*.

As outlined in the Annual Work Plan, the *Goal* is monitored by the Board at the May Board meeting.

Mr. Kammers provided the *Goal* monitoring report for PY 2017. There are five *Indicators* of long-term viability and financial stability: Growth, Net Assets, Confidence Levels, Ratio Trends, and Rating Trend. The *Target* is that Enduris will grow net assets to \$50 million in preparation for a 1 in 200-year event.

Ms. Sevier walked through the *Goal* policy. Ms. Carter suggested that the *Goal* also needs further evaluation and suggested it be deferred to the August meeting.

**CARTER/SEVIER moved that GC-2.4 and OE-8.1 Goal monitoring be tabled to the August meeting. Motion carried.**

There was full discussion regarding the different actuarial numbers provided by the former actuary and former contracted CFO, as well as the effect of the timing of receiving projected numbers. Mr. Fresco asked if it was possible for the Administration to have the new actuary review and verify the November 2017 actuarial number. Mr. Kammers said that this project would be outside of the actuarial contract but the Administration will check with Aon on cost and timing.

**MARTIN/FRESCO moved to authorize the Administration to contract with Aon to validate the November 2017 amount. Motion carried.**

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

## **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

Ms. Ortiz reported that there were no recent inquiries for the vacant space. Ms. Carter asked if there were any "For Lease" signs on the street and whether we should consider looking for a new realtor. The real estate market appears to be hot. Mr. Kammers mentioned that we could have our current realtor attend a board meeting to give us an update.

### AGRiP Recognition

Ms. Ortiz announced that Enduris was recently awarded AGRiP Recognition. Enduris was the first pool to submit its application with the new requirements, which we were already meeting. AGRiP would like to present a plaque to Enduris at one of its upcoming conferences. Ms. Ortiz asked that a board member(s) accept the plaque at the Fall Educational Forum in Portland (September 30 through October 3). Ms. Sevier and Ms. Carter stated their interest in attending the Portland forum.

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

The Board was provided with a memo recapping the April 2018 GEM board meeting. Ms. Ortiz attended the meeting and highlighted speaker Paul Walker, who presented "Risky World Lessons for Boards."

Ms. Ortiz mentioned that Mr. Walker may be available for consultations. Ms. Carter suggested that we find out before the August meeting what his fees are for a possible workshop or presentation. The Board agreed that this is something they are very interested in.

#### Pooling Updates

Mr. Kammers reported on another pool's aggressive marketing campaign positioned adversely toward Enduris. The Administration assured the Board that we have been and are prepared to positively counter the negative campaign. Ms. Martin asked if the board members could assist in any way. Mr. Kammers will call on them if a situation should arise where it makes sense.

#### Legislative Updates

Mr. Kammers stated that both legislation that was reported at the February Board meeting did not pass – RCW 48.62 to allow pools to provide insurance coverage to state boards and commissions, and the proposed revisions to HB 2489 to provide an open prescription for Narcan.

#### Risk Management Techniques

Ms. Ortiz noted that in addition to implementing strategies to provide the membership with risk management tools to mitigate risk, Enduris also seeks to protect the Pool from members that have a higher risk for claims. The Administration wants the Board to be aware of a member that is a cause for concern. Mr. Kammers recommended that we move this discussion to Executive Session due to the potential for litigation.

#### Risk and Insurance Management Society (RIMS) – Local Chapter

Ms. Brandt has been involved in the formation of a Spokane chapter of RIMS. They recently held their first meeting and it was well attended.

#### Memorandum of Coverage (MOC) Addendum

Ms. Brandt advised the Board of a request from a member health district to provide additional coverage, at an additional cost, for medical payments with a limit of \$10K involving injured passengers in an auto accident. This differs from member employees where these are passengers who are clients of the health district that need transportation to doctor appointments, etc. are covered for medical costs. An addendum to the MOC has been drafted to fill the need for the member. Ms. Brandt indicated that Board approval will be required at the August meeting.

#### Comprehensive Annual Financial Report (CAFR) Update

Ms. Ortiz reported that the CAFR is being processed; we are waiting for an update from Mr. Marta.

#### Information System Software Update

Ms. Ortiz informed the Board that the member renewal using Origami is going very well. We continue to work on report writing and the final project is finalizing the member portal so that members can log in to view their property and vehicle schedules as well as request changes.

#### CEO Quarterly Update

Because of time constraints, Ms. Ortiz did not present the CEO Quarterly Report.

## **EXECUTIVE SESSION**

*Ms. Sevier convened in Executive Session at 11:00 a.m. for 60 minutes to review the status of open claims, discuss the Executive Director's evaluation, and risk management concerns with a member. At 12:00 p.m. Ms. Sevier extended the Executive Session for 15 minutes to continue discussions. She reconvened in Open Session at 12:15 p.m.*

*Ms. Sevier announced that the Executive Director's evaluation will be the first item under Discussion/Action Items.*

## **DISCUSSION/ACTION ITEMS**

### Executive Director Annual Performance 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 and operation according to the values expressed in the Board's Operational Expectations 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.

**FRESCO/MARTIN moved to approve incentive pay of 10% of base salary in accordance with B/CR-5. Motion carried.**

*Ms. Sevier excused everyone at 12:20 p.m. for 10 minutes to get their lunches. She reconvened the meeting at 12:30 p.m.*

*Ms. Ortiz introduced the new Director of Finance Kimberly Millikan to the Board. Ms. Millikan gave a summary of her background.*

### Claim Payment Approvals

**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 #115-099 has been settled and presented to the Board.

**MARTIN/BRIZENDINE moved to authorize payment for up to \$785,000 for Claim 115-099. Motion carried.**

### 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.

Mr. Hardin (filling in as BDC Chair due to a conflict with BDC Chair Greg Brizendine running for re-election) reported that the BDC reviewed the slate of candidates. There were no additional nominations from the membership. The committee recommended that the Board approve the election ballot as presented.

**MARTIN/HARDIN moved to approve the Board of Directors election ballot which includes Vicki Carter for Position #2 and Greg Brizendine for Position #5 as recommended by the Board Development Committee. Motion carried.**

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.

Ms. Ortiz reported on property and liability renewal rate indications that were provided by our broker, Doug Wozniak of Alliant. The commercial property market experienced the worst loss year in history in 2017 but because there is a lot of surplus in the market, rates are expected to be reasonable.

**MARTIN/CARTER moved to authorize the Executive Director to renew property coverage with APIP effective July 1, 2018 using the existing Self-Insured Retention of \$250,000 or higher providing a \$1 billion blanket policy. Motion carried.**

**MARTIN/CARTER moved to authorize the Executive Director to renew liability coverage effective September 1, 2018 using the existing Self-Insured Retention of \$1 million or lower providing limits of \$20 million per occurrence, and a quota share arrangement with GEM. 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 Board was provided with the Financial Statements Audit Report and the Accountability Audit Report. Ms. Ortiz stated that Enduris was audited in January 2018, the reports were published in early March 2018, and there were no findings.

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

Financial Statements

**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.

The Board was provided with Mr. Marta's (Contracted Director of Finance) financial report for February 28, 2018 and for the six months then ended. Mr. Kammers presented an overview of the April 30, 2018 financial report provided by Ms. Millikan, the new Director of Finance. Total assets are \$27,155,103 and total members' net assets (surplus) are \$9,240,593. He also provided the Board with the March 31, 2018 Spokane County Treasurer's Report, which included the Rate of Return on Investments.

**HARDIN/FRESCO moved to accept the financial statements for February 28, 2018 as provided by the Contracted Director of Finance and the April 30, 2018 financial statements provided by the Enduris Director of Finance. Motion carried.**

### Board Policy Waivers

Board Policy GC-1 states that the Board of Directors of Enduris represents, leads, and serves the organization's members and holds itself accountable to them by committing to act in members' best interests and by ensuring that all Board and organizational action is consistent with law and the Board's policies.

The Board's purpose is to assure that the organization achieves the results described in the Board's Goal policy and that it operates according to the values expressed in the Board's Operational Expectations policies.

Board Policy B/CR-4 states the Board will provide direction to the CEO through written policies that define the organizational goal to be achieved and define operational conditions and actions to be accomplished or avoided.

Policy Year 2017 resulted in a loss of \$3 million. To identify ways to reinforce the Pool's financial condition, to bring in the expected revenue, and to increase the cushion in the primary asset test for PY 2018, Enduris hired Marilyn Kelley to do an underwriting analysis. Enduris will be implementing many of her suggestions but anticipated needing waivers to several board policies in order to implement these changes and to remain in compliance with the Board's expectations of the organization for PY 2018. Waivers were requested for one year with a determination to be made at the end of the policy year if an additional year of waivers is needed.

The waivers have to do with budget building: using the rate of inflation to determine rates, and directing 5% of revenue to net equity. It also addresses the results of a bad year: the primary asset test, confidence level, and Goal targets. The Administration had requested the waivers in order to develop a budget for PY 2018 that deviated from operational expectations. Based on financial information from Jim Marta and Marilyn Kelley's recommendations, the only waiver requested is OE-6.6 iv that requires a rate increase commensurate with the rate of inflation. The Board approved a 10% rate increase for PY 2018.

**HARDIN/CARTER moved to table the approval of waivers that are being recommended until the Board reviews the policies in August. Motion carried.**

### Change to Board Policy

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

After the resignation of Enduris' actuarial firm, Enduris went out for RFP's for a new actuary. It was decided after consultation with the CPA contractor and the Alliant consultant that the RFP would call for an annual reserve study but not an annual liability rating study as had been our practice. Because of this decision, two policies must be changed as recommended below:

GC 3.14—Contract independently with an actuary to provide the Board with an annual reserve analysis ~~and an annual liability rating study.~~

OE 6.6a—Present to the Board for its approval an annual rating schedule for all coverages that sets equitable rates for members, to include but not be limited to (a) liability rates for each member group ~~based on an annual rating study carried out by an actuary certified as a Fellow of the Casualty Actuarial Society.~~

**HARDIN/CARTER moved to table the approval of board policy changes that are being recommended until the Board reviews the policies in August. Motion carried.**

## **HOUSEKEEPING ITEMS**

### Board Self-Assessment

Ms. Sevier will share Board self-assessment websites with Ms. Ortiz prior to the August Board meeting so that staff can prepare for the self-assessment scheduled at the meeting.

### August Board Workshop

The workshop is confirmed for August 22 from 8:30 a.m. to 4:30 p.m. Board members should arrive in Spokane the night before. Ms. Sevier and Ms. Carter will prepare the workshop agenda with Ms. Ortiz. Ms. Jelsing will send the OE monitoring reports for PY 2017, the Goal monitoring report, and the Board Governing Policies to the Board members so they can review and determine policies that need further discussion at the workshop.

## **DEBRIEF BY BOARD**

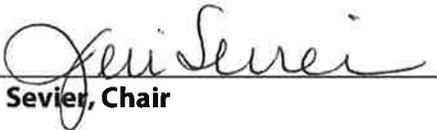
**Board Policy GC-2.4** states that as a means to assure continuous improvement, the Board regularly and systematically will monitor all policies, and will assess the quality of each meeting by debriefing the meeting following its conclusion.

The Board provided comments and an assessment of the meeting. Everyone appreciated the respectful yet frank discussions from yesterday's Board workshop and today's meeting. The Board and staff are committed to making the organization stronger. Improving communication between the Board and the Administration, providing more opportunities for the Board to fully understand the business, and performing a deep dive into the governing policies, will be the focus in the upcoming workshop and Board meetings. Ms. Sevier did a great job of chairing both days.

## **ADJOURNMENT**

*Ms. Sevier adjourned the Board meeting at 1:05 p.m.*

**HARDIN/CARTER 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.