



MINUTES
Enduris Board of Directors Meeting

May 9, 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; Kim Bedier, Board Member; Matt Schanz, Board Member; and Sheryl Brandt, Executive Director. Noel Hardin was excused.

Others Present: Kelly Allen, Enduris Legal Counsel; 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.

ADOPT AGENDA

MARTIN/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

Workshop Minutes – February 20, 2019

Meeting Minutes – February 21, 2019

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

Executive Director Consent Agenda

Expenses (February 2019, March 2019, April 2019)

MARTIN/CARTER 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.

Legal Counsel Kelly Allen conducted the ethics training emphasizing Enduris' commitment to ethics. He reminded the Board of key areas of ethics that they must abide by, such as no special privileges, no misuse of public resources or property, no gifts or rewards (with few exceptions), no disclosure of confidential information, and avoiding conflict of interest.

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.

Ms. Bedier attended AGRiP's Governance & Leadership Conference in St. Louis, MO, from March 3-6, 2019. She felt that the conference was of great value. Ms. Bedier will provide the Board with the following presentations from the sessions she attended, which she found relevant to effectively govern the Pool:

- Back of a Napkin – Actuarial Estimates
- Financial Statement Overview for Governing Bodies
- Conversations Every Pool Governing Body Should Have
- Weather and Climate: Volatility or Change in the Air?

Ms. Bedier suggested that Mujtaba Dattoo of Aon Global Risk Consulting present a condensed version of the *Back of the Napkin – Actuarial Estimates* presentation at the November Board meeting.

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) Board Meeting Update

A memo recapping the GEM April 2019 Board meeting was provided to the Board. Ms. Ortiz attended the April meeting in Washington, D.C., and reported that GEM's regulator, auditor, and

actuary gave their reports, showing that GEM is doing well. She also mentioned that GEM could be facing serious competition with one of California's largest pool forming a captive to compete nationwide in an effort to diversify their risk.

Water Rates Class Action Lawsuit

Ms. Brandt briefed the Board regarding a notice to Enduris of a Spokane Water Rates Class Action Lawsuit against the City of Spokane. We will research this class action and determine whether Enduris should request to be excluded from the lawsuit on or before the July 5 deadline. Ms. Brandt will provide an update at the August board meeting.

Staffing Update

Ms. Brandt noted that Kelly Allen has been working part-time for about a month now with his focus primarily on employment practice liability. It's been a very successful working relationship and he has been very responsive in assisting the staff as well as our members.

Mr. Schanz inquired whether the membership could be provided with new changes to employment law. Ms. Brandt stated that the template of an employee handbook, which is available to members, will be reviewed and updated by Kelly Allen. In addition, Enduris will put out notices of new statutory and regulatory changes as it occurs.

Ms. Brandt stated that with the significant increase in claims over the last several years, there was a need for an additional claims analyst. Therefore, Enduris recently hired a claims analyst who has 10 years of experience in risk pool claims. She will be working remotely from the west side of the state.

Evidence of Coverage Update

Ms. Brandt explained the issue of Enduris' providing our members an Evidence of Coverage with additional covered party. According to RCW 48.62 and WAC 200-100, it appears that this is not an acceptable practice and other risk pools in the state have changed how they handle additional insured. Enduris will also change its practice to make it more in line with the other Washington pools and to ensure we are in compliance with RCWs and WACs. Our legal counsel and risk manager are working on a communication plan to present to members affected by this practice. Mr. Schanz asked that the proposed strategy be shared with the Board.

Thurston Conservation District Update

Ms. Brandt summarized the events that the Thurston Conservation District experienced with a couple of commissioners which resulted in serious financial and operational damage to the District. Last year, Enduris had considered terminating the District's membership because of undue exposure to the Pool and decision-making that is contrary to good government and/or professional behavior. Since then, the two commissioners were either removed or not re-elected and Ms. Brandt is comfortable in allowing the District to remain in the Pool with the same conditions as last policy year outlined in a letter to the District dated June 1, 2018.

Pooling Update

Ms. Brandt informed the Board of a lawsuit involving another Washington risk pool for bad faith and breach of its contractual and legal insurance obligations. She is having Mr. Allen monitor this litigation.

Legislative Update

Ms. Brandt reported that the proposed legislation to RCW 48-62 relating to the Pilotage Commission had passed. Any new entity type requires Board approval.

Executive Director Quarterly Update

Ms. Brandt presented the executive director report with data as of April 30, 2019. It included a claims overview showing that the Pool has 323 open claims with a net incurred value of \$10.1 million. For PY 2019 year-to-date, there are 207 new claims and if the claims reported continue at the monthly average of 25 claims, we will end PY 2019 at approximately 310 claims.

Ms. Millikan reported on the Pool financials as of April 30, 2019, which shows a net position of \$11.6 million. The increase in net position is \$1.4 million and the forecast for PY 2019 is a \$1.5 million increase in net position. The operating income is \$10.1 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 March 31, 2019, with a current investment rate of 2.12%.

Ms. Sevier recessed the Board meeting at 10:35 a.m. for a break and reconvened the meeting at 10:45 a.m.

Ms. Sevier indicated that Ms. Carter will be leaving the Board meeting early so the Board will convene in Executive Session to discuss the Executive Director's evaluation process and incentive pay prior to reviewing open claims.

EXECUTIVE SESSION

The Board and Ms. Duryea convened in Executive Session at 10:45 a.m. for 30 minutes to discuss the Executive Director's evaluation process and incentive pay. At 11:15 a.m. Ms. Sevier extended the Executive Session for 45 minutes to continue discussions. At 12:00 p.m. Ms. Sevier excused everyone to get their lunch and the Board, Administration, and Susan Looker convened in Executive Session for 35 minutes to review the status of open claims. Ms. Sevier reconvened in Open Session at 12:35 p.m.

DISCUSSION/ACTION ITEMS

Claim Payment Approvals

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 #115-033 has been settled and presented to the Board.

MARTIN/ADAMS moved to ratify payment for up to \$1,940,000 for Claim 115-003. Motion carried.

Claim #115-205 2, 3, and 4 has been settled and presented to the Board.

SCHANZ/MARTIN moved to ratify payment for up to \$807,000 for Claim 115-205 2, 3, and 4. Motion carried.

Claim #116-052 2-9 has been settled and presented to the Board.

ADAMS/MARTIN moved to ratify payment for up to \$4,242,203.70 for Claim 116-052 2-9. 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 March 31, 2019 financial report. Ms. Millikan presented the April 30, 2019 financial report during the Executive Director quarterly report earlier in the meeting.

MARTIN/SCHANZ moved to approve the March 31, 2019 and April 30, 2019 financial report as presented. 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. Brandt explained that property coverage for Enduris renews July 1, 2019. Liability coverage renews September 1, 2019. 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.

Our broker, Doug Wozniak, has indicated the property renewal rates are expected to increase 12-15%, which is market driven and not because of the Pool's experience rating. The market has changed significantly from last year due to catastrophic losses globally and in the Midwest and South. It appears we are in a hard market, where nationally prices are increasing 20-40% on average, and limits and sub-limits are decreasing.

Liability renewal coverage for the Pool increases indicates a zero to 2% increase.

MARTIN/ADAMS moved to authorize the Executive Director to renew property coverage with APIP effective July 1, 2019 using the existing Self-Insured Retention of \$250,000 or higher providing a \$1 billion blanket policy. Motion carried.

MARTIN/SCHANZ moved to authorize the Executive Director to renew liability coverage effective September 1, 2019 using the existing Self-Insured Retention of \$1 million, with Munich RE and GEM in a quota share arrangement 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.

Budget Approval of Policy Year 2020

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

Ms. Brandt stated that she develops a budget that assures the fiscal soundness of the Pool, establishes rates, and monitor expenses of the organization. She provided the following highlights of the proposed budget for PY 2020:

- The PY 2020 budgeted financial target calculations move the Pool toward stronger target ratios and trends.
- The PY 2020 budgeted change in net position of \$1.7 million compared to \$0.9 million budgeted PY 2019.

- The budgeted ending net position is \$12.7 million. This represents a 15% increase in members' equity as we attempt to make up for decreases which occurred in prior years.
- The proposed PY 2020 budget reflects member contributions of \$16.5 million compared to actual PY 2019 contributions of \$15.2 million, a \$1.3 million (8.6%) increase. This increase is required given the expected 19% increase in claims expense per the actuary and 11% increase in reinsurance premiums.
- Other costs (insurance services & systems and administration & operation expenses) are budgeted to decline slightly, by 1%.

Ms. Millikan presented the proposed budget with detailed assumptions on claims expense, reinsurance premiums, insurance services and systems, administration and operation expenses, non-operating income, as well as comparisons to prior and current year financial information.

MARTIN/ADAMS moved to approve a budget with Member Contributions of \$16.5 million and Change in Net Position of \$1.6 million for Policy Year 2020 as proposed by the Executive Director. Motion carried.

Executive Director Evaluation Process and Incentive Plan

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 stated that the Board is not ready to finalize the evaluation form today and will defer it to the August Board meeting for adoption. There were discussions regarding "reasonable progress is measured over a five-year period" and how do you assess Ms. Brandt's performance one year into the job. Ms. Sevier asked the Board for suggested changes before the next Board meeting. She will also be working with Ms. Brandt on the incentive pay section.

Executive Director's Interpretations for Operational Expectations and Goal Policies

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

As discussed at the February meeting, Ms. Brandt was to review and propose revisions to the Executive Director's *Interpretations* of the **Operational Expectations** policies. She also revised the *Interpretation* of the **Goal** policy.

Ms. Brandt provided her proposed revisions and noted that there were no significant changes.

Ms. Sevier identified one policy that she wanted the Board to review – *OE-6.11 The Executive Director will keep the payroll expenditures within 10% of the budgeted line item per year*. After discussion, it was proposed to strike the policy altogether as there is no reason that this item should be called out as a separate policy.

SCHANZ/MARTIN move that Policy OE-6.11 be excluded. Motion carried.

MARTIN/ADAMS moved to approve the Executive Director's Interpretations of the Operational Expectations and Goal policies as amended, as presented by the Executive Director. 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.

Ms. Carter, Board Development Committee Chair, was excused from the Board meeting earlier due to a conflict she had. Ms. Sevier reported on her behalf by recommending the approval of the election ballot, which includes Noel Hardin, Patsy Martin, and Kim Bedier. There were no additional nominations from the membership.

SEVIER/SCHANZ moved to approve the Board of Directors election ballot which includes Noel Hardin for Position #1, Patsy Martin for Position #3, and Kim Bedier for Position #4 as recommended by the Board Development Committee. 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 unaudited Financial Statements Audit Report was made available to the Board. Ms. Brandt reported that we are still waiting for the State Auditor's Office to finalize the report, which we hope to receive by the end of May. We don't expect any findings to come from it.

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 communicated that Shannon Stuber, Program Administrator for the Local Government Self-Insurance Program, cannot complete the State Risk Manager's review of Enduris until the Financial Statements Audit Report from the State Auditor's Office is published.

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.

ADJOURNMENT

Ms. Sevier adjourned the Board meeting at 2:10 p.m.

MARTIN/SCHANZ moved to adjourn the meeting. Motion carried.



Jeri Sevier, 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.