



**Enduris
Annual Members and Board of Directors
Meeting Minutes**

November 17, 2016

Enduris Office
1610 S. Technology Boulevard, Spokane, WA 99224

Call to Order: Jeri Sevier, Vice Chair, called the meeting to order at 8:34 a.m.

ROLL CALL

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

Others Present: Kevin Wick, Managing Director, PricewaterhouseCoopers LLP; Doug Wozniak, Senior Vice President, Alliant Insurance Services, Inc.; Carl Oswald, Second Vice President & West Regional Manager, Genesis/General Reinsurance Corporation; Andrew Halsall, President & Chief Executive Officer, Government Entities Mutual, Inc.; Cheryl Duryea, Enduris General Counsel; Rafaela Ortiz, Enduris Chief Operating Officer; Sheryl Brandt, Enduris Chief Risk Officer; and Joy Jelsing, Enduris Administrative Assistant.

Ms. Sevier started the meeting with introductions of Board and staff.

Mr. Kammers shared a plaque that Enduris received from our member, Port of Friday Harbor, recognizing the efforts in the fire reconstruction of its Spring Street Landing Building.

ADOPT AGENDA

HARDIN/FRESCO 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 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 – August 18, 2016

HARDIN/FRESCO moved to approve the minutes from the August 18 meeting as presented. Motion carried.

CEO Consent Agenda

Vouchers

- August 2016
- September 2016
- October 2016

Closed Claims for PY 2016

HARDIN/BRIZENDINE moved to approve the vouchers and the closed claims as presented. Motion carried.

ANNUAL PROFESSIONAL REPORTS

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.

Mr. Wick from PricewaterhouseCoopers gave a presentation on Enduris' actuarial review as of August 31, 2016. He reported on the following: 1) estimated cost to settle outstanding claim obligations and future projections totaling \$7.8 million; 2) comparative differences in past estimates from 2010 to 2015; 3) net liability and property losses; and summary of net losses and reserves on the total program; 4) ceded losses and premium which shows the extent to which reinsurance and excess insurance have been used and their cost to the Pool; 5) historical net position; 6) evaluating financial health of pools; and 7) Enduris' financial position in meeting the WAC standards for the two solvency tests (WAC 200-100-03001).

Mr. Wozniak from Alliant Insurance Services gave a State of the Insurance Market presentation. Some topics included: 1) highlights of the insurance industry; 2) commercial insurance prices are nearly flat in first quarter of 2016 with workers comp, commercial property, and D&O coverages reporting modest price decreases; however, commercial auto, flood, employment practices, and law enforcement prices continue to increase; 3) issues of interest in the insurance market are data breaches, cyber insurance, flood, police shootings, drones; 4) autonomous vehicles (smart cars) are coming soon, benefits and drawbacks of self-driving cars are still being analyzed; and 5) expectations are that rates for reinsurance coverage will remain flat to slightly down into 2017 and lines of coverage that may see price increases are law enforcement liability, flood, commercial automobile liability, and employment practices liability.

Mr. Oswald provided a synopsis of claim losses Genesis/General Reinsurance Co. is experiencing, in particular, very large auto claim losses. In addition, he announced his upcoming retirement in March 2017.

Mr. Halsall from Government Entities Mutual, Inc. (GEM) gave a presentation, which included a brief history of GEM; its governance and management; recent performance; member surplus

initiative; recent developments; liability reinsurance structure; and expected outcomes of GEM pool member surplus. GEM's mission is to be a long-term risk financing partner to its member public entities.

Ms. Sevier recessed the Board meeting at 10:25 a.m. for a break and reconvened the meeting at 10:43 a.m.

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.

As outlined in the Annual Work Plan, OE-1 Global Operational Expectation, OE-5 Financial Planning, OE-6 Financial Administration, and OE-9 Coverage are monitored by the Board at the November board meeting.

Operational Expectations (OE) Policies are operational policies that are carried out by the Administration and change very little year after year. Mr. Kammers presented the monitoring reports for Policies OE-1, OE-5, OE-6, and OE-9 with supporting evidence of compliance for the policies and stated that he certifies all four OEs are in compliance.

Operational Expectations Policy OE-1: Global Operational Expectation – Monitoring Report

Board Policy OE-1 states that the CEO shall not cause, allow, or fail to take reasonable measures to prevent any practice, activity, decision or organizational condition that is unlawful, unethical, unsafe, disrespectful, imprudent, in violation of Board policy or endangers the Pool's viability, credibility or public image.

Operational Expectations Policy OE-5: Financial Planning – Monitoring Report

Board Policy OE-5 states that the CEO shall develop and maintain a financial plan that is related directly to the Board's *Goal* priorities and *Operational Expectations* goals, minimizes the dependency upon the forces of the excess or reinsurance markets, and that avoids long-term fiscal jeopardy to the organization.

Operational Expectations Policy OE-6: Financial Administration – Monitoring Report

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.

Operational Expectations Policy OE-9: Coverage – Monitoring Report

Board Policy OE-9 states that the CEO will assure the availability of coverage that best meets members' needs in the most cost-efficient manner.

BRIZENDINE/HARDIN moved to accept the monitoring reports for Policies OE-1, OE-5, OE-6, and OE-9 for Policy Year 2016 as evidence of being in compliance. Motion carried.

Board Comments (*comments made by Board members that are reflected in today's minutes will be transferred to the CEO evaluation form for the February 2017 CEO evaluation*)

In regards to OE-6 Financial Administration, Ms. Sevier appreciates the staff and leadership in being recognized for the great things they have done, such as through the financial reporting, etc.

In regards to OE-5 Financial Planning, Mr. Fresco commented that Mr. Kammers, with the support of the Administration, have been good at explaining that the financial plan is directly related to the strategic operations, and so there is a goal and an expectation that financial success is really the success of the entire organization, and it's not just a quarter or a year that matters, it's the overall strength and financial stability of the pool.

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. Martin attended AGRiP's Fall Educational Forum in Denver, CO, from October 2-5, 2016. With her absence at the Board meeting, Mr. Kammers delivered Ms. Martin's conference notes to the Board. Mr. Kammers and Ms. Ortiz also noted that in recent AGRiP conferences, the emphasis has been on how to look for weak signals (trends) that can provide valuable clues on how to prepare for the future of pooling operations.

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

Mr. Kammers stated that there were two inquiries since the last Board meeting, although both were interested in just a portion of the space. By consensus it was agreed that Enduris prefers to rent the entire space to one tenant to be more cost effective.

Pooling/Washington Risk Pool Advisory Council (WRAC) Update

Mr. Kammers provided an update on the Washington Counties Risk Pool court case. He also briefed the Board on the recent WRAC meeting, which included the new self-insurance portal (on-line data collection tool for the self-insurance programs) and the State risk manager is seeking a consulting firm to audit all of the Washington Pools' rates.

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

Mr. Kammers provided the Board with the GEM memo recapping the October 27-28 Board meeting. Updates were provided by Mr. Halsall earlier in the meeting.

2016 Claims Satisfaction Survey

Mr. Kammers provided the Board with the PY 2016 claims satisfaction survey results, which were very favorable with *overall service satisfaction* coming in at 98% in the good to excellent range; and very favorable with *overall claims satisfaction* coming in at 97% in the good to excellent range. He also noted the positive survey response rate of 63%. The staff will follow up on survey participants' comments on how to improve the claims process.

Expense Reimbursement Direct Deposit

Mr. Kammers offered the Board an option to receive expense reimbursements with automatic deposits to their bank account.

Data Management Software System Update

Ms. Ortiz reported that Enduris, with the assistance of our consultant Future Point of View, is currently in contract negotiations with Origami, the successful bidder who will provide the new data management software system.

CEO Year in Review

Mr. Kammers gave the "Year in Review" presentation for PY 2016 by providing a summation of operations and finances. Enduris had another positive year in meeting its targeted goals as well as making reasonable progress toward the *Goal* established by the Board. Policy Year 2016 brought in 23 new members to the Pool with an annual contribution of \$1,092,774. Retention rate of existing members was 98.85%. However, because of the Government Entities Mutual equity write-down of \$411,142 and prior years' loss adjustment of \$650,000 that is determined by our actuary, the total net loss for PY 2016 was (\$623,393.50).

Board Comments (*comments made by Board members that are reflected in today's minutes will be transferred to the CEO evaluation form for the February 2017 CEO evaluation*)

Ms. Sevier congratulated the staff for the membership growth while keeping the high retention rate.

Mr. Fresco noted the planned growth including the staff's recommendation to increase liability limits to \$20 million and proving it was the right decision.

EXECUTIVE SESSION

Ms. Sevier convened in Executive Session at 11:40 a.m. for 15 minutes to review the status of open claims. She reconvened in Open Session at 11:55 p.m.

Ms. Sevier recessed the Board meeting at 12:00 p.m. for lunch and reconvened the meeting at 12:30 p.m.

DISCUSSION/ACTION ITEMS

Spokane County Investment Policy Review

Board Policy OE-6.7 states that the CEO will invest funds with the Spokane County Investment Pool to obtain the maximum yield.

AGRiP recognition standards require that the Pool's governing body annually review the Pool's investment policies. Enduris' signed an agreement with the Spokane County Investment Pool (SCIP) in April 1995 to manage investments. In 2016, Spokane County hired an outside investment firm to manage its portfolio. All SCIP participants were asked to sign a new agreement. The Board passed a resolution to sign the new agreement in May 2016. This agreement will now be brought before the Enduris Board for its annual review. Monitoring reports of the investments will be provided at quarterly Board meetings.

HARDIN/FRESCO moved to accept the Spokane County Investment Policy. Motion carried.

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 #113-184 has been settled and presented to the Board.

FRESCO/BRIZENDINE moved to authorize payment of up to \$3,271,200 for Claim 113-184. Motion carried.

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

BRIZENDINE/FRESCO moved to authorize payment of up to \$640,000 for Claim 115-099. Motion carried.

Claim #115-212 has been settled and presented to the Board.

FRESCO/HARDIN moved to authorize payment of up to \$460,000 for Claim 115-212. Motion carried.

Approval of Enduris Memorandum of Coverage (MOC) for Policy Year 2017

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

The Administration is recommending one change to the PY 2017 MOC. The current Addendum L (Distribution of Flood, Earthquake, and Terrorism Coverage) language is being revised from "reasonable time period" to "one year."

HARDIN/FRESCO moved to approve the Policy Year 2017 Memorandum of Coverage as presented by the Executive Director. Motion carried.

Reserve Analysis Report

Board Policy GC-3.14 states that the Board will contract independently with an actuary to provide the Board with an annual reserve analysis and an annual liability rating study.

Mr. Kammers provided the Board with the Actuarial Review of Enduris as of August 31, 2016, which was conducted by PricewaterhouseCoopers.

BRIZENDINE/HARDIN moved to recognize the receipt of the 2016 Reserve Analysis Report conducted by PricewaterhouseCoopers as presented. Motion carried.

Financial Statements/Spokane County Investment Report

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.

Mr. Kammers provided the Income Statement, Balance Sheet, and Budget Comparison for August 31, 2016, September 30, 2016, and October 31, 2016. He presented an overview of the August 31, 2016 financial statement showing total assets of \$34,363,341.40 and total members' net assets

(surplus) of \$13,069,743.19. He also provided the Board with the September 30, 2016 Spokane County Treasurer's Report, which included the Rate of Return on Investments.

Mr. Kammers continued with an overview of the October 31, 2016 financial statement showing total assets of \$32,525,207.12 and total members' net assets (surplus) of \$13,263,361.38.

Before approving the PY 2016 year-end financial statement and subsequent financial statements, Mr. Kammers asked the Board to consider whether Enduris' equity in Government Entities Mutual should remain as an asset on the financial statements. Mr. Kammers requested more time for the Administration to review options and explore the support from the State Regulator and then make a recommendation to the Board's Executive Committee for them to act on the final amount.

BRIZENDINE/FRESCO moved to approve the financial statements of 8/31/16, 9/30/16, and 10/31/16 with the exception of the value of the GEM equity which will be determined by the Executive Committee pending the staff's recommendation. Motion carried.

DEBRIEF BY BOARD

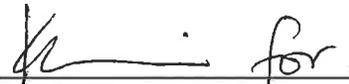
Board Policy GC-2.4 states that as a means to assure continuous improvement, the Board regularly and systematically will monitor all policies, and will assess the quality of each meeting by debriefing the meeting following its conclusion.

The Board provided comments and an assessment of the meeting.

ADJOURNMENT

Ms. Sevier adjourned the Board meeting at 1:07 p.m.

HARDIN/BRIZENDINE moved to adjourn the Board meeting.



Jeri Sevier, Vice 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.