



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

November 21, 2019

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

Call to Order: Chair Patsy Martin called the meeting to order at 8:30 a.m.

ROLL CALL

Board Members Present: Patsy Martin, Chair; Vicki Carter, Vice Chair; Noel Hardin, Board Member; Matt Schanz, Board Member; Jeri Sevier, Board Member; and Sheryl Brandt, Executive Director. BJay Adams and Kim Bedier were excused.

Others Present: Mujtaba Dattoo, Senior Vice President, Aon Global Risk Consulting; John Griffith, Associate Director, Aon Global Risk Consulting; 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 introductions of Board, staff, and guests.

ADOPT AGENDA

Ms. Martin made a recommendation to move Staff Survey to *Executive Session*.

SEVIER/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 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

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

Executive Director Consent Agenda

Expenses

- August 2019
- September 2019
- October 2019

CARTER/SEVIER moved to approve all items on the Executive Director Consent Agenda. Motion carried.

UNDERSTANDING ACTUARIAL ESTIMATES

Board Policy OE-8.3 states that the Executive Director will assure that the board has adequate information from a variety of internal and external viewpoints to assure informed Board decisions.

Mr. Dato from Aon Global Risk Consulting gave a “Back of a Napkin – Actuarial Estimates” presentation that identified and explained key information that pool board directors should look for when reviewing and approving their pool’s actuarial report.

ENDURIS ACTUARIAL RESERVE ANALYSIS

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 a liability and property rating study when appropriate.

Enduris actuary, Mr. Dato, gave a presentation on Enduris’ actuarial review as of August 31, 2019. In summary, Mr. Dato reported on the following:

1. The estimated outstanding losses and ULAE is \$12.1 million as of August 31, 2019
 - a. It decreased \$0.3 million from August 31, 2018 to August 31, 2019
 - b. This change is due primarily to the decrease in liability case reserves
2. The projected ultimate losses for FY 2020
 - a. \$4.2 million for liability program, and
 - b. \$2.9 million for property program
3. Enduris passed both primary and secondary solvency tests

Ms. Martin recessed the Board meeting at 10:15 a.m. for a break and reconvened the meeting at 10:30 a.m.

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. Sevier and Mr. Adams attended AGRiP's Fall Forum in Cleveland, OH, from October 6-9, 2019.

The following are sessions that Ms. Sevier, Ms. Brandt, and Ms. Ortiz found noteworthy.

- **Cyber Risk Management That Works** – Figuring out how best to help pool members mitigate cyber risk, which can be challenging because no two members have exactly the same systems, security, staffing, or sophistication when it comes to cyber risks.
- **Radical Candor** – This presentation was designed to help you enhance collaboration through the concept of radical candor – the idea that if you truly care about your team and its work, you must directly address tough situations.
- **Financial Benchmarking Initiative (FBI)** – The session provided context for the financial ratios used in AGRiP's FBI, offered new perspectives on how pools view and compare data, and starts the conversation about why pools operate the way they do. Information was provided about available industry financial data in the context of your pool's own results, so you can better understand how to use FBI information as part of important discussions with your governing body and staff. There is no industrywide set ratio, but a collection of ratios to compare pool to pool.

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.

Building Update

Ms. Brandt mentioned that one of Enduris' member has expressed interest in the entire vacant space. She will update the Board if more serious discussions come about.

State Risk Manager's Report Update

Ms. Brandt indicated that State Risk Manager Shannon Stuber will not be available before the end of the year to present her review to the Board. Ms. Brandt reminded the Board that they were provided with Pinnacle's Actuarial Assessment Report of Enduris at the August Board meeting. Ms. Ortiz noted that Ms. Stuber has requested that we consider a State Risk Manager review every two years instead of every year. The Board agreed to the new schedule.

City of Spokane Water Rates Class Action Lawsuit Update

Ms. Brandt stated that there is no update and we continue to monitor the class action lawsuit.

Pooling and Membership Updates

Ms. Brandt provided the Board with a white paper from AGRiP titled, "Court Ruling Underscores Importance of Precise Language in Pool Governing Documents." Although the case is Michigan law, there are several aspects of it that deserve attention from all pools. It underscores the importance of precise language in a pool's governing document about surplus equity, dividends, rate credits or stabilization, and withdrawal. Enduris is in a position to consider revising its Master Agreement to have more clarity in its language. This would be a huge undertaking to collect signed agreements from all 540+ members.

Ms. Brandt provided an update on the Pilotage Commission's interest in joining the Pool. She expressed concern on several issues, specifically regarding coverage. The Board agreed to have Ms. Brandt reach out to the Commission's executive director to deny her request to join the Pool.

2019 Claims Satisfaction Survey Results

Ms. Brandt provided the Board with the PY 2019 claims satisfaction survey results. She reported that the number of responses doubled from the prior year due to the successful transition in delivering the survey through Origami now that members are familiar with it. Overall, the survey reflects that most members are very satisfied with the claims process and service received.

Staff Survey

As recommended by Ms. Martin, the Staff Survey will be discussed in Executive Session.

Year in Review for PY 2019

Ms. Brandt began the "Year in Review" presentation for PY 2019 with an overview. Key points included an increase in net position by \$3.2 million, organic growth in member exposure and contributions, settled a significant number of high-risk open claims, opened member portal, staff additions to support claims and finance, created team workgroups, new actuary (Aon), and continued positive claims/financial/state risk manager audit results.

Ms. Millikan presented the Pool financials, which included financial ratios (expense, profitability, leverage, and liquidity) that illustrates comparisons between our own financial results as well as the statistics of other nationwide pools.

Ms. Brandt concluded the Year in Review with topics that Enduris will need to consider hereafter, such as the hard insurance market will continue, alignment of coverage with reinsurers, actuarial rate study impact, competition, future claim costs continues to increase significantly, and retirement of key staff members and potential board changes.

In summary, there were 547 members with an annual contribution of \$15.2 million, 315 claims reported with a net cost of \$2.8 million. The total net position equaled \$13.3 million as of August 31, 2019.

Ms. Ortiz indicated that the Administration will introduce a "generative thinking" plan at the February Board meeting to anticipate issues facing the Pool, such as decisions the Board will need to consider from the information provided in Aon's actuarial rate study.

Ms. Carter commented on the following: 1) expressed the immediate need for tenant improvements to the vacant space is important to help bring in long-term revenue for Enduris; 2) with the net position increase, how much of that came through the rate increase versus the expense reduction versus the member growth; 3) are there multi-year renewal contracts with members that could be considered. Ms. Brandt and Mr. Datoosaid that it is not uncommon but it's unlikely in the current hard market.

Ms. Martin recessed the Board meeting at 12:20 p.m. for lunch and reconvened the meeting at 12:30 p.m.

EXECUTIVE SESSION

The Board, Administration, and Susan Looker entered into Executive Session at 12:30 p.m. for 40 minutes to review the status of open claims. Ms. Ortiz and Ms. Looker were excused from Executive Session at 1:10 p.m. and the Board and Ms. Brandt continued its discussion on the staff survey. The meeting reconvened in

Open Session at 1:40 p.m.

DISCUSSION/ACTION ITEMS

Claim Payment Approval

Board Policy OE-6.10 states that the Executive Director may not settle any claim in excess of \$300,000 in indemnity per claimant without Board ratification.

Claim #118-229 1-9 has been settled and presented to the Board.

SEVIER/CARTER moved to ratify the indemnity payment of up to \$319,355.95 for Claim 118-229 1-9. Motion carried.

Claim #119-096 has been settled and presented to the Board.

HARDIN/SCHANZ moved to ratify the indemnity payment of up to \$396,269.11 for Claim 119-096. Motion carried.

Claim #119-101 has been settled and presented to the Board.

SEVIER/CARTER moved to ratify indemnity payment of up to \$617,842.88 for Claim 119-101. 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 PY 2019 Year End Financial Report, which was presented by Ms. Millikan in the Year in Review presentation. Ms. Brandt reviewed the highlights of the September 30, 2019 and October 31, 2019 financial reports.

SEVIER/CARTER moved to approve the PY 2019 Year End Financial Report as presented. Motion carried.

SCHANZ/CARTER moved to approve the September 30, 2019 and October 31, 2019 Financial Reports as presented. Motion carried.

Executive Director Evaluation Process

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. Martin added a statement, "The Board reserves the discretion to adjust this based on market or other factors" at the end of the Salary Matrix on Page 11 of the Executive Director Evaluation Form.

SCHANZ/SEVIER moved to approve the executive director evaluation form by adding “The Board reserves the discretion to adjust this based on market or other factors” at the end of the Salary Matrix on Page 11. Motion carried.

To allow time to conduct the Executive Director’s evaluation that was scheduled for this meeting (according to the PY 2020 Work Plan), the Board agreed to extend the February 2020 Board meeting to complete the evaluation by starting the day before the scheduled February 20 meeting. The meeting will begin at noon on February 19 and will also include the introduction of the “generative thinking” plan as recommended by Ms. Ortiz.

Ms. Carter stated that the Board is requesting a 360-degree survey to be completed by the staff for PY 2019. The survey will be delivered to the staff directly from Ms. Martin with the anonymous results to be received in time for the February meeting.

Legal Counsel Succession Plan

Board Policy GC-3.13 states that the Board will contract independently with legal counsel to support the Board in its work.

At the August meeting, the Board asked Ms. Duryea to present to the Board at the November meeting, ideas for a succession plan, which includes an estimate of time she spends providing legal counsel services to the Board.

Since Ms. Duryea left the meeting early, Ms. Martin shared Ms. Duryea’s idea for her succession plan, which is to continue her work for the next couple of years and then bring in her successor to get trained in a board meeting or two before Ms. Duryea’s contract expires. Mr. Schanz asked if the legal counsel contract for her successor needs to be reviewed prior to executing a new contract. Ms. Sevier believed that Ms. Duryea is to provide an estimate of her time to see if the contract needs adjusting based on her estimation. Ms. Carter suggested that it’s possible we have outlived the model of the Board having a legal counsel contract and we should add that as a discussion item at the February meeting.

Board Policy Indicators for PY 2020

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

The *Indicators* were to be approved at the August meeting; however, Ms. Sevier requested clarification on several *Indicators*. It was agreed that Ms. Sevier would get clarification from Ms. Ortiz, then it will go before the Board for approval at the November meeting.

Between Ms. Ortiz and Ms. Sevier, it was agreed to eliminate the busy work by not providing internal reports that are *Indicators* unless the Board request them.

SEVIER/SCHANZ moved to approve the Indicators in the Operational Expectations and Goal policies as presented. 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.

Ms. Martin indicated that the Reserve Analysis Report was provided to the Board and presented by Mr. Datoos earlier in the meeting.

HARDIN/CARTER moved to recognize the receipt of the 2019 Reserve Analysis Report conducted by Aon Risk Consultants as presented. 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. The "Back of a Napkin – Actuarial Estimates" presentation by Mr. Dato was outstanding. The Board now has a better understanding of what to look for in their actuarial report and have the knowledge in determining if the results are reasonable. Ms. Carter is confident in how information is being presented and the process that is used in the analysis. She praised the staff and hope they feel as encouraged as she does as a board member with the changes that have occurred. Ms. Sevier would like to understand member rates, such as whether individual members that have large claims are paying their fair share, etc. Ms. Ortiz pointed out that we will garner information from the rate study that Aon is developing.

ADJOURNMENT

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


~~Patsy Martin, Chair~~ VICKI CARTER, 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.