



**Enduris
Board of Directors Meeting**

November 18, 2015

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

Note: There was a severe windstorm across the state of Washington the late afternoon of November 17, 2015, which left a widespread power outage for several days across the Inland Northwest. The area was later declared a disaster by the governor. Since the Board members arrived in Spokane the afternoon of November 17 prior to the peak of the storm, the Chair of the Board decided to continue with the scheduled Board meeting on November 18th since there was a quorum in attendance and staff was available to provide assistance. The Board met at the regularly scheduled time at the Spokane Enduris office without the availability of power or heat. The Board meeting was adjourned at 12:05 pm.

Call to Order: Jeri Sevier, Vice Chair, called the meeting to order at 8:30 a.m.

ROLL CALL

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

Others Present: Doug Wozniak, Sr. Vice President, Alliant Insurance Services; Cheryl Duryea, Enduris General Counsel; Rafaela Ortiz, Enduris Chief Operating Officer; Sheryl Brandt, Enduris Chief Risk Officer; and Joy Jelsing, Enduris Administrative Assistant.

As vice chair, Ms. Sevier announced that she will chair today's meeting in Ms. Bedier's absence.

ADOPT AGENDA

Mr. Kammers made a recommendation to add Financial Solvency Study after the CEO Report.

MARTIN/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 – August 20, 2015

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

CEO Consent Agenda

Vouchers

- August 2015
- September 2015
- October 2015

Closed Claims for PY 2015

MARTIN/BRIZENDINE moved to approve the CEO Consent Agenda. Motion carried.

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-5: Financial Planning – Monitoring Report Presentation

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 Presentation

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.

MARTIN/HARDIN moved to accept the monitoring reports for Policies OE-5 and OE-6 for Policy Year 2015 as evidence of being in compliance. Motion carried.

Ms. Ortiz explained that in PY 2014, the Board approved moving several *Indicators* from *Results* to *Operational Expectations*. The *CEO Interpretation* is not required for *Results* but is required for *OEs*.

The Administration asks for approval of two policy changes to OE-1 and OE-9, and four *CEO Interpretations* in OE-9.

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

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, and imprudent, in violation of Board policy or endangers the Pool's viability, credibility or public image.

Ms. Ortiz presented the following change to OE-1:

The revised Policy 1.1 states, "The CEO will assure that the organization meets all applicable audit standards including the State Financial Audit, the State Risk Manager Audit, and the Claims Audit."

BRIZENDINE/MARTIN moved to accept the changes to Policy 1.1 in OE-1 and to accept the monitoring report for OE-1 for Policy Year 2015 as evidence of being in compliance. Motion carried.

Operational Expectations Policy OE-9: Coverage – Monitoring Report Presentation

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.

Ms. Ortiz presented the following changes to OE-9:

The new CEO Interpretation to Policy 9.1 states, "I interpret this policy to mean that Enduris can be promoted and accepted as a good risk to reinsurance companies. To be reinsurance ready, the reinsurance company must have confidence in Enduris. This results in Enduris receiving the best coverage at the best price with control of underwriting and claims management."

The revised CEO Interpretation to Policy 9.2 states, "I interpret this policy to mean that the CEO will use a cost benefit analysis and impact on members' contribution to determine a recommended change in the SIR considering the different types of coverage based on ultimate loss projection by the Actuary, price, form, and insurance rating. The results of the analysis are presented to the Board along with a recommendation."

The revised Policy 9.3 states, "The CEO will ensure reinsurers and excess carriers are A rated or equivalent, are occurrence form, and will meet Washington State and AGRiP pooling standards when applicable."

The new CEO Interpretation to Policy 9.3 states, "I interpret this policy to mean that property and liability coverage is to be provided by reinsurance carriers and/or excess insurance carriers when necessary that maintain an A.M. Best rating of at least A or equivalent, that are occurrence form rather than claims made, and that will meet the standards as established by the Washington State Risk Manager and/or the Association of Governmental Risk Pools as appropriate."

The new CEO Interpretation to Policy 9.4 states, "I interpret this policy to mean that Enduris will remain vigilant in identifying members' needs for coverage and/or limits other than what is currently offered and exploring the options available to them in the marketplace. Enduris will also assist member types in obtaining specialized coverage whenever possible."

MARTIN/BRIZENDINE moved to accept the changes to Policy 9.3 in OE-9; to accept the CEO Interpretation for Policies 9.1, 9.2, 9.3, and 9.4; and to accept the monitoring report for OE-9 for Policy Year 2015 as evidence of being in compliance. 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.

Mr. Brizendine attended AGRIP's Fall Educational Forum in Chicago, IL, from October 4-7, 2015. He felt the conference was well done and the session on drones was very interesting. He also appreciated the opportunity to attend and learn more about the insurance industry.

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 provided an update on the discussions with a possible tenant.

Land Purchase Update

Mr. Kammers informed the Board that the additional land purchase is still in various approval processes and he expects the purchase to be finalized by the next Board meeting.

Administrative System Software

Ms. Brandt and Ms. Ortiz indicated that the Administration has hired a consulting firm to assist Enduris in selecting a software platform to replace its current platforms that are outdated and inflexible.

Pooling Updates

Mr. Kammers provided the Board with information regarding pooling across the state, including: 1) Enduris will participate in a leadership development program that four Washington risk pools are developing to provide leadership training to mid-management staff; 2) update on the amicus brief in support of Washington Counties Risk Pool's effort to differentiate state risk pools from commercial insurers; and 3) summarize the recently passed Senate Bill 5119, which creates a new chapter in RCW 48 that separates nonprofit joint self-insurance programs from local government risk pools.

Regional Support Networks (RSNs) Transition to Behavioral Health Organizations (BHOs)

Ms. Ortiz informed the Board that BHOs will become single, local entities with responsibility and financial risk for providing substance use disorder treatment as well as mental health services currently managed by the RSNs. Since a majority of RSNs in the State are members of Enduris, Ms. Brandt discussed the Administration's concerns regarding possible risks to the Pool. Legal Counsel Cheryl Duryea and Ms. Brandt are reviewing member districts' contracts to ensure they have proper indemnification language and hold harmless language to reduce risks. Ms. Ortiz also mentioned that some of the RSNs are becoming LLCs (limited liability company) and it was

confirmed that government entities can be LLCs. Effective April 2016, RSNs will be transitioned to BHOs.

GASB 68 (Governmental Accounting Standards Board) Update

Mr. Kammers discussed GASB 68's implementation and its effect on Enduris' financial statements. It requires employers to report their proportionate share of net pension liability or asset in their financial statements. Mr. Kammers informed the Board that Enduris restated PY 2014 financial statement to include a negative adjustment of approximately \$1.2 million to account for GASB 68. PY 2015 also includes an adjustment for GASB 68.

Ethics Policies

Mr. Kammers announced that Consultant Michael Purdy will conduct the Board's ethics training in May 2016. Mr. Purdy is requesting ethics policies from each Board Member's district to be implemented in his training material. A reminder email will be sent to the Board.

Risk & Insurance Magazine Power Broker 2016

Mr. Kammers reported that Doug Wozniak was nominated for Risk & Insurance Power Broker for 2016 and Enduris sent a letter of support to Risk & Insurance Magazine.

GEM Update

Ms. Ortiz and Ms. Brandt attended GEM's October Board meeting and briefed the Board on the discussion regarding Mr. Kammers' letter addressing concerns about the process of the return on equity. The GEM Board decided to form a task force to explore options on how earnings on surplus are handled. Mr. Kammers was assigned to the task force. He will attend the next GEM Board meeting in early February 2016 and provide an update to the Board at the February 18, 2016 meeting.

2015 Claims Satisfaction Survey

Mr. Kammers provided the Board with the PY 2015 claims satisfaction survey results, which were very favorable with overall service and claim satisfaction coming in at 95+% in the good to excellent range. He also noted the very high survey response rate of 50%. The staff will follow up on comments to improve the claims process.

Spokane County Investment Pool (SCIP)

Enduris invests its assets in SCIP, a local government investment fund. SCIP recently hired a third-party administrator to manage approximately \$800 million in assets. Mr. Kammers provided the Board with an overview of SCIP and the primary objectives of the investment pool.

AGRiP 2016 Governance and Leadership Conference

Mr. Kammers advised the Board to notify Ms. Jelsing if they want to attend AGRiP's Governance and Leadership Conference in early March 2016 in Nashville, TN.

Financial Solvency Study

Mr. Kammers informed the Board of PricewaterhouseCoopers solvency study and gave his recommendation on the value of conducting a study in the foreseeable future.

Risk Management Video

Ms. Brandt described the Enduris risk management video project as another training resource for our members. To date, three 2-3 minute videos were produced – two focusing on employment issues and the other on contracts. Thank you to Alliant Insurance Services for assisting Enduris with the cost of the project. The videos will be available on the Enduris website.

Ms. Sevier recessed the Board meeting at 10:05 a.m. for a break and reconvened the meeting at 10:21 a.m.

CEO Year in Review

There were three absent Board Members and no power due to a windstorm; therefore, Mr. Kammers provided some highlights for the year instead of presenting the PY 2015 Year in Review. He noted PY 2015 was another positive year for Enduris. The Year in Review presentation will be presented at the February 18, 2016 Board meeting when all Board Members are expected to be in attendance.

EXECUTIVE SESSION

Ms. Sevier convened in Executive Session at 10:32 a.m. for 20 minutes to review the status of open claims. She reconvened in Open Session at 10:52 a.m.

Ms. Sevier recessed the Board meeting at 10:52 a.m. for lunch and reconvened the meeting at 11:37 a.m.

DISCUSSION/ACTION ITEMS

New Member Type – Solid Waste Disposal District

Board Policy OE-3.8 states that the CEO may not approve for membership any new type of entity without authorization.

Mr. Kammers indicated that a solid waste disposal district would like to be insured by Enduris. He deemed that the risk is similar to other members of the Pool and recommend the Board approve Solid Waste Disposal District as a member type of Enduris. In addition, the staff has made some minor risk management recommendations to the solid waste district if they are to join Enduris.

MARTIN/BRIZENDINE moved to approve Solid Waste Disposal District as a member type of Enduris as recommended by the Administration. Motion carried.

PY 2016 Work Plan Revision

Board Policy GC-6 states that the Board will follow an annual work plan that includes continued monitoring and review of all policies and activities to improve Board performance.

Several years ago, the Board made a change to receive formal ethics training every other year and on the alternate year the Board will review the governing policies that address ethics. The formal ethics training was inadvertently left off the Work Plan for PY 2016; therefore, Ethics Training will be added to the PY 2016 Board Work Plan.

HARDIN/MARTIN moved to add Ethics Training to the Board Work Plan in May 2016. 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, 2015, which was conducted by PricewaterhouseCoopers.

HARDIN/MARTIN moved to recognize the receipt of the 2015 Reserve Analysis Report conducted by PricewaterhouseCoopers as presented. Motion carried.

Financial Statements

Board Policy OE-8.3 states that the CEO shall provide for the Board in a timely manner information about trends, facts and other information relevant to the Board's work and the health of the Pool.

Mr. Kammers provided the Income Statement, Balance Sheet, and Budget Comparison for August 31, 2015, September 30, 2015, and October 31, 2015. He presented an overview of the PY 2015 year-end financial statement of August 31, 2015 with total assets of \$32,481,421.95 and total members' net assets (surplus) of \$13,693,136.69.

MARTIN/BRIZENDINE moved to accept the year-end financial statement (of August 31, 2015) as presented by the Executive Director. Motion carried.

In addition, Mr. Kammers presented an overview of the October 31, 2015 financial statement with total assets of \$30,819,265.34 and total members' net assets (surplus) of \$13,713,928.88. He also provided the Board with the September 30, 2015 Spokane County Treasurer's Report, which included the Rate of Return on Investments.

BRIZENDINE/HARDIN moved to accept the financial statement of 10/31/15 as presented by the Executive Director. 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. They appreciated proceeding with the meeting despite having no power due to the windstorm.

ADJOURNMENT

Ms. Sevier adjourned the Board meeting at 12:05 p.m.



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.