

PRESENT

Executive Board Members:

Kirsten Parker, Dieringer SD
Dr. Ron Spanjer, Blaine SD
Diana Reaume, Quillayute Valley SD
Dr. Mark Anderson, Spokane Public Schools
Jason Thompson, Marysville SD
Krestin Bahr, Eatonville School District
Loy Dale, SWRMIC
Frank Ashby, PSESD 121 (Ex-Officio)
Jerry McDermott, NEWESD 101 (Ex-Officio)
Michelle Dearlove, ESD 123 (Ex-Officio)
Lisa Matthews, NWESD 189 (Ex-Officio)
Gavin Hottman, ESD 112 (Ex-Officio)

Others:

Chuck Hole, Board Treasurer
James Marta, James Marta & Co.
Mike Harrington, Bickmore Actuarial Services
Shaun Mettler, ESD 112
Jeff Boydston, ESD 112
Richard Staudt, Seattle Public Schools

Staff:

Deborah Callahan
Charles Upchurch
Bob Fulmer
Dawn Mayes

ABSENT:

Dr. Michelle Reid, Northshore SD
Monica Hunsaker, OESD 114 (Ex-Officio)
Tom Fleming, ESD 105 (Ex-Officio)

I. Call to Order

K. Parker called the meeting to order at 3:02 p.m.

II. Consideration of Consent Agenda

D. Callahan requested removing Item IV. Draft Notice to Membership from the agenda. She is still finishing the letter to members. D. Callahan also created an equity timeline that will accompany the letter. Letter and timeline will be sent to the Board for review and out to members by end of week.

J. Thompson made a motion, seconded by M. Anderson to amend the agenda as requested.

Motion approved.

III. Mid-Year Rate Adjustment

D. Callahan asked J. Marta to present the Special Report.

We are currently meeting the primary asset and the secondary asset test as of August 31 which does not include the 2017-18 year projected forward. After we prepared the budget in the spring, and saw claims grow and develop. The estimate of claims liabilities increased by \$3.5M for projected claims or a revised deficit of \$6.1M. Three things have driven the equity down: claims, security grants, and dividends (RAS credits), and rates have been low. The rate sufficiency is a contributor to why the trend is down. So, looking at how to treat this, there needs to be a rate action to bring them up to the current level.

Since the last actuarial study which was based on data from early last year, we have seen more development in E&O claims and expect it will continue to go up. The E&O increase is a recent phenomenon and only surfaced in the last two years. There was really nothing prior to indicate we were heading into rough waters. The change in the costs imply a 20% annual increasing trend. We are having to take significant action to account for it.

D. Callahan also clarified we've had 19 new sex abuse cases since September 1, 2017.

D. Callahan read M. Anderson's question: How will we determine the proportionate burden each district would bear for the increase?

J. Marta answered: When we calculated the amount, we used the underwriting that was originally developed for the 2017-18 policy year. Specifically, we allocated by pro-rata share, the total amount required between every member and each coverage based upon the premiums that were calculated during the rate study last year that formed the 2017-18 fiscal premium. First, we determined the pro-rata share that each member was invoiced for the 2017-18 contribution using the underwriting that was actuarially developed for that policy year.

Then, once the Board determines the total amount of the mid-year rate adjustment, invoices will be for each member's same proportional share of the whole. This provides consistency in the accounting. D. Callahan said from the standpoint of going out and talking to member districts receiving this notification would it be easier to just allocate the E&O? It's easier to explain this is where the bulk of the costs are coming from. J. Marta and M. Harrington's position is we can take out property and reapportion everything along the liability line, but because the increase is being affected across all lines of business, it should remain as is.

D. Callahan said the Finance Committee looked at all of the four proposed options and had a separate Finance Committee call prior to this Board meeting and got a lot of questions answered during that time. The committee recommended the \$10M bridging recommendation.

L. Dale agreed.

D. Callahan asked K. Parker if the Board should do a motion and have discussion?

K. Parker recommended a motion to accept the \$10M mid-year rate adjustment, with pending notice to membership. K. Bahr made the motion, seconded by D. Reaume. **Motion carried.**

D. Reaume, speaking as a district member representing small districts, said allowing members up to December 2018 to pay is a good plan.

R. Spanjer asked for a roll call vote.

Kirsten Parker - Aye

Dr. Ron Spanjer - Aye

Diana Reaume - Aye

Dr. Mark Anderson - Aye

Jason Thompson - Aye

L. Dale, SWRMIC - Aye

Krestin Bahr - Aye

Motion carried.

IV. Meeting Adjournment

At approximately 4:26 p.m. the meeting was adjourned.

The foregoing is a true and correct copy of the minutes of the December 12, 2017 meeting of the Board of Directors as approved by the Executive Board.



Deborah Callahan, Executive Director