

**PRESENT**

**Executive Board Members:**

Jason Thompson, Marysville SD  
Krestin Bahr, Eatonville School District  
Dr. Ron Spanjer, Blaine SD  
Diana Reaume, Quillayute Valley SD  
Dr. Mark Anderson, Spokane Public Schools  
Lydia Sellie, Northshore SD  
Thomas Jay, Skykomish SD  
Erin Murphy, Bainbridge Island SD  
Kathi Weight, Steilacoom Historical SD  
Loy Dale, SWRMIC  
Frank Ashby, PSESD 121 (Ex-Officio)  
Gavin Hottman, ESD 112 (Ex-Officio)  
Michelle Dearlove, ESD 123 (Ex-Officio)  
Lisa Matthews, NWESD 189 (Ex-Officio)  
Monica Hunsaker, OESD 114 (Ex-Officio)

**Others:**

Chuck Hole, Board Treasurer  
James Marta, James Marta & Co.  
Mike Harrington, Bickmore Risk Services  
Karen Graham, AJ Gallagher  
Ryan Rufener, Perkins & Assoc.  
Travis Irving, Perkins & Assoc.  
Craig Scukas, PriceWaterhouseCoopers LLP  
Richard Staudt, Seattle Public Schools

**Staff:**

Deborah Callahan  
Charles Upchurch  
Bob Fulmer  
Dana Grandey  
Gerald Martens  
Dawn Mayes  
Kenneth Curtis  
Suzanne Bissett  
Keith Kenway (for afternoon)

**ABSENT:**

Jerry McDermott, NEWESD 101 (Ex-Officio)  
Tom Fleming, ESD 105 (Ex-Officio)

**I. Call to Order**

J. Thompson called the meeting to order at 9:03 a.m.

**II. Consideration of Consent Agenda**

D. Callahan requested changing the Agenda to add a section for discussion under XIV., H. Coverage for Arming District Staff. While coverage is usually discussed in June, D. Callahan would like to have conversation with the Board regarding coverage for arming staff before June.

D. Reaume made a motion to approve the Consent Agenda with the addendum, seconded by L. Sellie, as requested. **Motion carried.**

**III. Consent Agenda**

R. Spanjer made a motion, seconded by M. Anderson to approve the Consent Agenda (Minutes for January 30, 2017, Pool Expenditures & Claims Payments, and Treasurer's Report).

**Motion carried.**

**IV. Executive Session – Claims and Executive Session – Executive Director Mid-Year Evaluation**

Executive Session for Claims began at 9:05 a.m., estimated to last 30 minutes. Executive Session will immediately move into the Executive Director Mid-Year Evaluation, estimated to last 30 minutes. At 10:05 am, the Board Chair returned to regular open session.

R. Spanjer made a motion to approve requested authorization for claims 30699 and 28390, seconded by D. Reaume. **Motion carried.**

**V. Renewal Indications**

K. Graham with A.J. Gallagher (AJG) presented early indications of the 2018 reinsurance renewal from the marketplace.

K. Graham will return in June to present findings and recommendations for renewal.

**VI. Q2 Financials**

J. Marta summarized the financial highlights.

He noted the numbers are reflective of the actuarial estimate from November, not the newest actuary number because we only just received it.

- Total Assets at \$77M; 85% of it is cash and investments
- Reinsurance/recoveries receivable at \$306K.
- Contributions receivable \$3.3M
- Prepaid expenses at \$7.2M related to insurance premiums for the last quarter.
- Investments at \$49.5M.
- Total Liabilities at \$60.9M
- Claims liabilities at \$51.3M.

- Net Position at \$16M, 80% confidence level.
- Primary and Secondary asset tests met.

R. Spanjer made a motion, seconded by K. Bahr to approve the Q2 Financial Statement.

**Motion carried.**

**VII. Solvency Report**

M. Harrington with Bickmore Risk Services provided a summary of the actuarial updates.

- Overall, the actual development vs. expected was \$6.4M better than expected development on an incurred basis.
- The overall case reserves decreased by \$7.3M while IBNR is up about \$4.9M. We also expect a \$2.6M reduction in equity. We have a smaller liability which increases the confidence level.
- Based upon where we are now, we are looking at next year being level and the decline is expected to stop.

R. Spanjer made a motion, seconded by D. Reaume to approve the Solvency Report.

**Motion carried.**

**VIII. Financial Audit**

Ryan Rufener and Travis Irving with Perkin & Associates presented their Financial Audit findings. There are no significant accounting policy changes, the financials are clear and consistent; no problems with management; no corrections or misstatements; and they did not see any material weaknesses. Management was very helpful with the audit.

Sandra Groshong with the State Auditor's Office may not be presenting her compliance report until the November Board meeting. She may also do so by conference call with the Board.

D. Reaume made a motion and seconded by K. Weight to accept the financial audit report.

**Motion carried.**

**IX. Member/Public Comments**

R. Staudt commented that later in the meeting there will be a conversation about raising rates. On behalf of Seattle Public Schools, he would like to see us return to an 90% confidence level instead of seeing multiple years of rate increases.

**X. Solvency Report – 2<sup>nd</sup> Review**

D. Callahan introduced Craig Scukas with PriceWaterhouseCoopers (PWC). D. Callahan asked PWC to perform a shadow actuary review to provide a second report for the Board regarding solvency as there has been a drop in solvency the past couple of years.

C. Scukas summarized by saying there were three parts to the scope of their review: data review, method and assumptions review, and an independent review.

#### Data Review

It's not that Origami doesn't have the data. How the data was being pulled out of the system and provided to the actuary was not as meaningful as what was provided from Risk 360. Origami will be correcting the system in May.

C. Scukas said he looked at reconciling claims data around the time of conversion (March 2016) from the old R360 to Origami and tried to map those two together and get them to reconcile. After making those adjustments, he got the claims listings and Origami to reconcile within \$200k at the time of conversion.

The \$200K is mostly made up of \$1k differences on deductibles, for auto claims.

#### Methods and Assumptions Review

Given what PWC saw with the data, it didn't make sense to work with the actuarial reports to do a methods and assumptions review.

#### Independent Review

The end result is a second opinion reserves study done as of February 28, 2018. PWC's estimate of reserves is \$47.8M compared to Bickmore's estimate of \$47.1M.

The estimate of the ultimate claims that have a payment on them shows a significant increase in other liability claims from 2015 to present.

Not only are losses going up but also in the last three years, the budgeting process has been set in a way to expect to lose money.

- Budgeted to lose \$9M for 2015-16 and 2016-17
- Claim costs came in \$14M higher than expected for 2015-16 and 2016-17
- About \$3M net benefit from variances in revenue & non-claim expenses for 2015-16 and 2016-17
- Early indication for 2017-18 is that claim costs are \$5.6M higher than expected
- Benefit from 2017-18 mid-year assessment basically got us back to break even

In summary, this resulted in a \$33M decline of net position.

Adjourned for Lunch at 12:22 PM.

## **XI. Rates**

M. Harrington with Bickmore Risk Services provided a summary of the rates.

Bickmore offered four rate options to the Board.

D. Callahan suggests holding off voting on the rates until after the budget presentation.

**XII. Budget**

J. Marta provided a presentation on the budget.

Indicated Rates

There are two big variables in the budget: claims and excess insurance increases. Budget projections are also tied to the actuarial projected rates.

Expected level rates (including RAS) are about 6.4% less than the current rates (including the mid-term adjustment) (favorable indication)

- A. Budgeted at the 75% rate confidence level (consistent with bridging)
- B. Budgeted at the 70% confidence level adjusted up to fix at 10% increase
- C. Budgeted at the 70% confidence level
- D. Budgeted at the 80% confidence level (Fundamental funding for pools)

M. Anderson made a motion to increase the rates by 4% to a 70% confidence level specific to Option C, seconded by R. Spanjer to approve the Rates.

L. Dale asked if M. Anderson's motion is for a 4% base rate increase, if we doubled it what kind of addition to equity will we have? J. Marta said if we did a 10% increase, that would add \$7.9M. He recommends we stair-step bigger the first year. L. Dale thinks given the discussion that might be a superior option.

M. Anderson amends the motion to Option A, to approve the Rates as aligned with the Budget, seconded by R. Spanjer. **Motion carried.**

L. Dale made a motion, seconded by D. Reaume to approve the Budget, Option A. **Motion carried.**

**XIII. Executive Director Report**

D. Callahan delivered the Executive Director's Report.

Targeted Strategies

D. Callahan gave an update on the progress of the two Targeted Strategies:

- 1) Ensure Stable Financial Strategies
  - We have completed the audit of the Origami system
  - We had a secondary actuarial review by PWC
  - We had an independent financial audit from Perkins & Co.
  - We had a claims technical audit
  - The SAO compliance audit is scheduled for June but it may require a special meeting.
  - Invoice and receive 100% of the mid-year rate adjustment. As of April, 58% of the membership has paid.
  - Maintain current membership.

- Quarterly report to the Board on the asset tests. Those tests are present on the actuary and CFO reports.
  - Working towards a sustainable 90% confidence level.
  - Review the program structure: These goals will be postponed until the Origami conversion happens in May. D. Callahan will bring findings to the January retreat.
- 2) Reduce Student Sexual Abuse in our Schools
- C. Upchurch presented the latest activities of the Sex Abuse Prevention Advisory Committee (SAPAC). He provided an update on the SafeSchools Child Sex Abuse Prevention Program. We have created 18 video vignettes; the scripts have been edited and approved and the audio portion is complete. It is currently in the storyboard production process, then it will go into the illustration process, and following that we will upload them onto the SafeSchools platform.

#### Risk Services Report

G. Martens gave an update on the Member Benefit Review (MBR) and the work with vendors on anonymous reporting tools.

#### Claims Update

D. Grandey presented an overview on the claims.

- Significant reduction in pending for 2/28 actuarial analysis.
- In March, a comprehensive technical claims audit of 100 files with a focus on sex abuse claim handling was completed, which resulted in a superior rating and no findings. They gave a handful of recommendations which will be discussed at the upcoming claims retreat. The audit report will be on the website.
- Nearly 1:1 closing ratio on sex abuse files.
- The number of claims coming in is still a challenge. There are two law suits pending, one is for sex abuse with 14 possible claimants and another law suit with 84 claimants. Counsel has been invited to the speak at the next Board meeting on those two law suits.

#### Member Withdrawal

Aberdeen SD has sent a letter of withdrawal. They shortly thereafter suffered a loss that we are helping them with.

#### AGRIP Spring Conference

Board members summarized their experiences from the conference.

#### Coverage - Arming Staff

Normally, coverage is discussed in June. However, the question of arming district staff has come up in the last couple of months. Our expectation is to add an affirmative exclusion that says we do not cover the use or misuse of any firearm when in the possession of any district employee or volunteer.

R. Spanjer wants us to be able to speak intelligently and factually to the issue.

D. Callahan will research the issue and will bring affirmative exclusion language to the Board in June. There will be a 30-day notice to members to comment on coverage, and then go into effect in September.

J. Thompson asked D. Callahan if it would be prudent to send out a broadcast letting members know we are thinking about this and the Board will be discussing decisions on coverage in June. D. Callahan agreed.

**XIV. Planning Calendar**

D. Callahan said the Planning Calendar is updated to includes the rest of 2018 meeting dates.

**XV. Meeting Adjournment**

At approximately 3:33 p.m. the meeting was adjourned.

The foregoing is a true and correct copy of the minutes of the April 30, 2018 Board meeting of the Board of Directors as approved by the Executive Board.



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Deborah Callahan, Executive Director