

BOARD OF DIRECTORS MEETING DECEMBER 10, 2021



Board of Directors Minutes

BOARD MEMBERS PRESENT:

Kristin Bennett, Kristen Colonell, David Crews, Brad Ray, Tom Turrell, Siri Vensel, Stephanie Watson, Jeff Gatlin, and Mike Page

POOL STAFF PRESENT:

Steve S. Fast, Tod Walkington, Craig Hein, Mary Lee Gibson, Audrey Mauser, Steve Armstrong, Lawrence Mundy, and Jillian Harclerode

I. Ground Rules:

GP-11 Board Director Covenants: All members will participate and contribute. We will be solution oriented, action oriented, and take risk. We will stay open, restate closure, and adhere to timelines.

II. Call To Order:

Kristen Colonell called the meeting to order at 9:04 a.m.

III. Discussion Items:

A. Claim Department Audit – Praxis Consulting

Tim Vincent addressed the Board regarding Praxis' Claims Audit. Praxis reviewed 76 claims files. Files were reviewed for coverage, file documentation, appropriate claim management, liability assessment, damage evaluation, excess reinsurance reporting, third party recovery opportunities, litigation management, settlement factors, supervision, financial reconciliation, and reserves. Recommendations included some specific claims file handling and documentation pointers especially in regard to memorializing documentation of older claims and suggestions on the subrogation side. Overall, Praxis found CSDSIP's claims handling to be above average in quality when compared to similar pools.

B. RMIS Selection Process – Redhand Consulting

Dave Tweedy and Patrick O'Neill addressed the Board on the work Redhand Advisors has done for CSDSIP to help select a Risk Management Information System (RMIS) for future use, including conducting a needs assessment and creating a roadmap for a potential system upgrade.

They identified shortcomings in current SimpleSolve technology including too many manual processes, lack of user friendliness, security concerns, lack of functionality, client portal limitations, reporting limitations, and database inconsistencies. Redhand recommended replacing SimpleSolve to increase workload efficiency.

Redhand identified three applications which offer additional functionality compared to SimpleSolve in the areas of automatic updates and user-friendliness in the form of reports and interactive dashboards. Configurable options are available on all three systems but none of the three are expected to require customization. Instead, they build flexibility into their

tools. Estimated costs of implementation range from \$300K-\$600K and an additional annual subscription cost of \$200K-\$250K.

C. 2020 – 2021 FY Audit Review (EL-7, EL-10) – Plante Moran

Kelly Kozeliski addressed the Board to review CSDSIP's FY 2020-21 Audit. Plante Moran is not reporting any material weaknesses to the Division of Insurance. They did find a segregation of duties weakness that did not rise to the level of a material weakness. This is a common issue in organizations of similar size and can be mitigated. CSDSIP is meeting next week to address noted issues.

Plante Moran found no significant complications or errors in performing the report. Plante Moran also provided a high-level overview of CSDSIP's financial statements.

Mr. Walkington noted a discrepancy with an audit footnote note and asked for a wording correction regarding "unearned" vs. "earned" premium in Plante Moran's audit report. This will also be discussed in next week's meeting.

In general, Plante Moran noted the audit went smoothly, though the timeline was extended due to it being the first audit by Plante Moran.

D. Capital Adequacy Study – Select Actuarial

Thomas Meyer and Betsy Southworth presented for Select Actuarial on CSDSIP's Capital Adequacy Study, which in general takes place every 3 years and helps determine CSDSIP's financial strength. Select Actuarial began with a broad overview of actuarial components. Currently CSDSIP's total assets sit at \$64.9M with \$26M in liabilities and \$38M in net assets. Appropriate surplus depends on CSDSIP's risk appetite and goals.

Mr. Meyer provided a broad overview of past decisions and tied them to CSDSIP's current fiscal choices. This review included the Board's decision in 2012 to retain significant economic capital in anticipation of flood losses which came to fruition in 2013 and the Board's 2018 decision to use surplus as contributions alone were insufficient to cover the spike in costs associated with convective storm losses. Projecting into 2021/22, CSDSIP is now in a position of financial strength after adjusting contributions in years 2018 through 2021, a decrease in exposures due to loss of 30 Members and favorable loss results. Additionally, the implementation of the Property Annual Aggregate helps cap worst-case scenario.

While the study is a useful tool to assess the Pool's solvency there are future risks and uncertainties to consider, such as reinsurance adjustments due to cyber, removal of statutes of limitations on sexual misconduct claims, or other weather-based catastrophic loss scenarios which may necessitate retaining capital in excess of what the model calls for in order to protect against unmodeled losses.

E. Investment Manager Service Contract – T. Walkington

Tod Walkington addressed the Board regarding CSDSIP's selection of an investment manager. RBC Global Asset Management (incumbent) and Madison Scottsdale were interviewed by the Finance Advisory Council in November 2021. Madison Scottsdale was by far the more expensive option but offered updated tracking tools. The incumbent also stated that it has additional reports and tracking tools that it will share with CSDSIP. The Finance Advisory Council recommended remaining with RBC Global Asset Management at this time.

IV. Agenda Approval

- A. Additions & Deletions to Agenda**
None.

V. Action Items:

A. *21-13 GP-3: Resolution to Approve September 24, 2021 Minutes

Be it resolved, that the Board Minutes of the September 24, 2021 Board Meeting are approved.

1st Dave Crews

2nd Brad Ray

Unanimous approval by Board Directors

B. *21-14 EL-7 / EL- 10 Resolution to Ratify the 2020 – 2021 FY Audit Report

Be it resolved, that the Board ratify the June 30, 2021 audit and governance letter prepared by Plante Moran, PLLC.

1st Stephanie Watson

2nd Siri Vensel

Unanimous approval by Board Members

C. *21-15 EL-10 Resolution to Ratify the Selection of Investment Manager

Be it resolved, that the Board ratify the selection of RBC Global Asset Management as the investment manager.

1st Dave Crews

2nd Jeff Gatlin

Unanimous approval by Board Members

VI. Standing Reports:

A. Executive Director's Report - S. Fast (EL-10)

1. Capital Surplus Discussion – S. Fast, T. Walkington (Pool Agreement Article VIII / EL-7)
Steve Fast addressed the Board regarding possible next steps in the capital surplus evaluation. The Board expressed a preference to retain surplus and ensure that losses and market adjustments had truly stabilized before considering options such as returning contribution to Membership in the form of a dividend. The overall view is to minimize base

rate increases next year, if needed, and avoid larger rate adjustments if possible. The Board did discuss the inflationary effect on building values and is aware Total Insured Value increases could be significant and unavoidable.

Additionally, the Board identified the urgent need to move forward with development and implementation of a new RMIS. The Board cautioned against an aggressive implementation, instead favoring a slower timetable to allow for thorough conversion from an older platform.

2. The Board reviewed and approved 2022 Board Meeting dates and Agenda discussion items.

B. Finance Report: T. Walkington (EL 7, 8 & 9)

1. Interim Financial Statements Review
Net income is at about \$4M for the year, which is comparable to last year. Mr. Walkington cautioned that Spring storm season is on the way. He advised that Finance will provide a more robust breakdown on operating expenses vs. budget at the April meeting.
2. Investment Policy Compliance Report
Mr. Walkington reported that we are in compliance with the investment policy.
3. Finance Advisory Council Update
The Finance Advisory Council meeting consisted of discussions of the draft audited financial statements and investment management services, both discussed previously during this Board meeting.

The Finance Team welcomed Lawrence Mundy in December as the Manager of Financial Services.

C. Claims Report – S. Armstrong (EL-10)

1. Activity & Status Report
Steve Armstrong presented on progress of the Claims Team and noted CSDSIP is well positioned going into storm season this year. He also updated the Board on some recent claims. Claims is working on amending statement of loss reports, updating approved vendors, panel attorney audits examiner site inspection reports and final transition of Rendall's open property files.

D. Risk Programs Report: A. Mauser (EL-10)

1. Activity & Status Report
Audrey Mauser updated the Board on Risk Programs progress. Preparing for the 2022 Renewal Season, building values have been run and went up on average 7% across the Membership. They are currently working on updating flood zones and plan to have the revised building values and flood zones complete by February when Renewal Schedules are sent to the Membership.

Sheila Wheeler joined the Risk Programs Team in October and is bringing a great energy to CSDSIP. Steve Clark Fast will be starting his 110's shortly.

E. Risk Control Report: ML Gibson (EL-10)

1. Activity & Status Report

Mary Lee Gibson reported that Risk Control has 45 Members signed up for CSDSIP's Vector Solutions Training Platform, close to their year 1 goal of 53 sign-ups. Her Team has been exploring ways to increase those numbers. She also covered Risk Control's metrics for the year and presented a new training idea focusing on school safety.

F. Legal Resources Report – C. Hein (EL-10)

1. Activity & Status Report

Craig Hein provided brief updates on recent legal matters.

VII. GP-3-6. Board Monitoring Report:

The Board will monitor its process and performance at each meeting. Self-monitoring will include comparison of Board activity and discipline to policies in the Governance Process and Board-Staff Relationship categories.

VIII. Information Items:

- a. 2021 – 2025 Strategic Plan (New Format)
- b. Employers Council Compensation Study Proposal

IX. Future Meeting Dates:

January 28, 2022 – Board Meeting
April 28-29, 2022 – Board Meeting and Work Session
July 9-12, 2022 – Member Conference and Board Meeting
September 23, 2022 – Board Meeting
December 16, 2022 – Board Meeting

X. Adjournment

The meeting was adjourned at 2:22pm.