



OFFICIAL MEETING MINUTES

BOARD OF PACE TRUSTEES MEETING

April 13, 2022 12:00pm - 4:30pm

The Grand Hotel - Lobby Room
201 Liberty St SE; Salem OR 97301

Or via Zoom

PACE Trustee members in attendance at meeting start*:

Brad Henry, Chief Ops & Financial Officer, Bend-La Pine 1; Brett Yancey (Board Chair) Director of Contracts and Risk, Springfield; David Kruse, North Clackamas; Dawn Moorefield, Assistant Superintendent, Cascade 5; Dawn Watson, Board Member, Phoenix-Talent 4; Paul Andrews, Superintendent, High Desert ESD; Sharla Andresen, Director of Contracts and Risk, Central Oregon CC; Sherry Ely, Director of Business Services; Grants Pass; Tim Belanger (Vice Chair), Business Services Director, Oregon Trail 46; John Rexford, Leadership Support Specialist, High Desert ESD

*Sharla Andresen, Alex Pulaski, and Kevin Pardy joined via Zoom

SDAO staff in attendance at meeting start:

Chris Hill, Underwriting; Dan Davenport, Risk Manager; Frank Stratton, Executive Director; Jens Jensen, Property Casualty Claims Manager; Kevin Pardy, Underwriting Manager; Michael Doherty, Chief Financial Officer; Scott Neufeld, Director of Claims & Risk Management

Guest(s) in attendance at meeting start:

Chris, Richard and Katie, Brown and Brown; Phil Koehler, Genesis; Tami Booth, Public Guest

OSBA staff in attendance at meeting start:

Dave Harvey, PACE Administrator; Haley Percell, Legal Services Director; Jim Green, Executive Director; Rachel Baker, Marketing and Communications Specialist; Chris Davidson, Chief Financial Officer; Meghan Peterson, PACE Sr. Administrative Assistant

Meeting called to order at 12:34pm.

I. Welcome

- a. Acknowledge any guests - Brett Yancey

II. Action Items

a. February 7, 2022 meeting minutes

- i. *Sample wording: "I move approval of the February 7, 2022 PACE Trust meeting minutes"*
Sherry Ely moves, Dawn Moorefield seconds approval of revised minutes. The motion passed without objection.

b. PACE Trust 2022-2023 Meeting Calendar

- i. *Sample wording: "I move approval of the 2022-2023 PACE Trust Meeting Calendar"*
Brad Henry moves, David Kruse seconds approval of the 2022-2023 Meeting Calendar. The motion passed without objection.

c. Underwriting – Kevin Pardy and Chris Hill

1. *Sample motion: "I move approval authorizing the purchase of property insurance as presented"* (moved up)

Discussion: *Current hard market, fourth quarter of 2017 of increased property rates globally. The industry is struggling, how to make profit on their books, growth in value, non peril events. Modeling hurricanes but not freezes and fires and the industry trying to figure out how to predict those.*

Unprecedented level of supply in the capital in the market place, the supply is breaking records on a quarterly basis, \$1 trillion dollars of surplus, capital set aside to pay claims. How do we keep rates from going up?

Some of the issues we are seeing today that are different, #1 on everyone's list is inflation. what that means to the insurance industry is that they get through claims inflation, and so repair is now so much more expensive. we have a much more disciplined approach from our appraisal of 1/5 properties and then using that info for the others.

- d. *it's been really important to get ahead of the market, and what have we done already and the market has responded well to us.*

Job as the broker is to push back against the forces who are taking more of the money. How does PACE Fit explicitly into the market?

Some of the wildfire loss did creep, their loss ratio went

from 85% to %118 and have to consider in non renewal as well. Can they pay our claims and can they use our service? CAN 2% rate increase,

Tim asks about increased capital. Increased 2017 to move liabilities to asset side in change in tax code. Assets in very conservative investments. Is that additional capital offsetting the hard market? We think there's enough capital that an insurance could

make a profit. The gross written premium is less than the surplus that we have. Write less property and put more money towards GL/cyber/etc. The industry has not paid a profit in the last decade. They haven't figured out how to make a profit on the underwriting side. What are they missing in profit?

Brett wants to make sure we don't have concerns closing gaps - and the answer is no. And then asks if we need to reach out to new markets to fill it in.

They say that we are always reaching out to any market that meets our needs.

#1 strategy is attract as much capacity as possible in a hard market. We'd love to have more than 100% and then see how we can narrow down for the lowest common denominator.

Trying to restructure the primary, because we'll pay for a lot of money for only the 25%. Alleviate pricing pressure is stretch the primary instead of having more separate next layer.

Once the hard market slows or stops, then we can stop stretching instead of adding in more buffer layers. Cyber is a market that is not in good shop.

Retentions/premiums are going up or not getting renewed. If not up to date on IT. Due to a lot of great communication about staff and what we're doing. And steady relationship. This much better than what we are saying the marketplace.

We send them reports of what they are doing. Cyber is all expense, not suits. Brett appreciates the clarity of the cyber coverage. 25% increase on liability. Excess liability - we've never used the \$10million layer,

so this higher price is not on us, but on the hard market.

Frank reminds us that we added an extra \$10m for very cheaply. But it's going up. And we don't want to take it away even if we have to increase rates. And we will probably need it at some point.

Dave Harvey exits at 1:42pm.

Genesis - Phil Koehler: bigger claims for sex abuse and other cases are contributing to the hard market.

- 1. Sample motion: "I move approval authorizing the purchase of property insurance as presented" (language reiterated from above)*

Tim Belanger moves, Paul Andrews seconds. The motion passes without objection.

Dave returns at 1:45pm.

ii. Coverage document changes

1. Sample motion: "I move approval of the presented changes to the coverage document effective July 1 2022

Equipment breakdown

Brad Henry moves, Sherry Ely seconds. The motion passes without objection.

Liability

Dawn Moorefield moves, David Kruse seconds. The motion passes without objection.

Crime

Brad Henry moves, David Kruse seconds. The motion passes without objection.

Cyber

Brad Henry moves, Dawn Moorefield seconds. The motion passes without objection.

Rate Increase - move to budget - it will be reflected. We will take action and it will be reflected.

Overall by average of 7% (premium), 5% average

1Sample motion: "I move approval of the presented changes to the coverage document effective July 1 2022 (reiterated from above for the entire motion)

David Kruse moves, Brad Henry seconds. The motion passes without objection.

Brett thanks everyone for working on this, and that this is better than anticipated.

Jim Green returns at 1:48pm

Discussion: *Solidified underwriting requirements for 2023, ask our members to commit implementing MFA behind VPN, cloudbased business applications, email, mfa for any privileged user accounts.*

Eide Bailly survey they think has increased agreement. Brett asks what is the plan to communicate to school board when a staff does not comply to adequate coverage?

Dave says we need to handle that situationally. We don't have a plan unless they talk to us.

Dawn agrees that as a board member that we have trust in our staff in taking care of those things, plus business manager and superintendent evaluations.

Agents are supposed to help district with this?

Board is ultimately responsible. Board has to be notified to if staff isn't protecting the asset.

But we do our due diligence by sending the coverage document. Those resolutions do go to the board.

Assuming too much about a healthy board? Better information going out to board members to make sure they look out for that info. Does OSBA need to send out reminders?

Brown and Brown exit at 2:02pm.

Jim says OSBA can send out info about July board meetings. Frank says that if the agent doesn't say "you don't have cyber coverage", then they are not doing their jobs as agents.

Paul mentions that giving board contexts (like 7% of districts did not renew cyber coverage).

Chris: Genesis wants us to include a couple of exclusions in our cyber coverage document (use their language)

- 2. Cyber liability exclusion*
- 3. BFAS in Teflon. Exclude in our pollution definition, stand out exclusion.*

Grant authority to make coverage document changes.

iii. General liability reinsurance

- 1. Sample motion: "I move approval authorizing the purchase of general liability insurance as presented"*

Tim Belanger moves, Paul Andrews seconds. The motion passes without objection.

d. 2023-2024 5% general liability discount – Scott Neufeld & Dan Davenport

i. Sample motion: "I move approval for the 5% general liability offered to members for the 2023-2024 fiscal year as presented"

Discussion:

123 toolkit completion.

Questionnaire for this year. Use that data to focus our efforts to prevent losses.

Success with McKenzie, more than toolkits.

Meeting with IT in the fall to go through RMIS system to complete those on that system and with a lot of notice.

Dawn Moorefield asks how does this information get shared

with HR. Dan says all info goes out to the key contact. Key contact should be sharing out this information. Is that information not getting to the right people? Bring up to agents, disseminate info in conferences. It goes in PACE News.

Make it clear to key contacts that they are responsible for this. Emphasize this more.

Scott talks about SAM, employment is a big issue. Base line set again, and then we'll do toolkits again once we get

data. 3-4 year plan and then you can pick what you want to do that year.

So much turnover right now. So we're trying to get back out there.

Tim: asks for succinctness

Motion: Sherry Ely moves , Dawn Moorefield seconds. The motion passes without objection.

- e. 2022-2023 Budget – Michael Doherty, Dave Harvey, Chris Davidson, Sherry Ely and Brad Henry

i. Sample motion: "I move approval for the 2022-2023 proposed budget as presented"

Brett thanks sherry and brad for robust review

Dave: on revised budget that we sent out yesterday.

Talked about line items.

Mike: we got additional info, numbers went up a little

bit. The bottom line is now \$3 instead of \$2.4, hedge an extra percent.

Brad Henry moves, Sherry Ely seconds. The

motion passes without objection. This includes the 7%.

Dan Davenport exits at 2:27pm.

Dan returns at 2:45pm.

2:45pm reconvened.

Tim returns at 2:55pm.

III. Department Reports and Presentations

a. Claims Report – *Jens Jensen*

b. Financial Report – *Mike Doherty*

i. Property claims are little higher than anticipated.

ii. Liability, no adjustment to current year yet. Wants to trickle out for a couple more months before making any adjustments.

iii. Overall net was a wash. (2019-20 up, but last year was down)

iv. Reinsurance will fall below budget.

v. Operating basis slightly profit.

vi. Interest earnings through December, and then hit by equities and bonds, we had a loss of 3.3 million.

vii. \$51 to \$48. Still in middle target the actuary has set.

c. 2022 Agent Survey Results – *Dave Harvey*

IV. Informational Reports These reports are information only and can be discussed at the request of any Trustee

- a. Legal Report – Haley Percell
 - b. Risk Report – Dan Davenport
 - c. Communications Report – Alex Pulaski
 - d. Legislative Report – Lori Sattenspiel
 - e. Russell Investment Report
- Brad exits at 3:14pm.

V. Discussion Items

a. Board Activity – Trustees

- i.* Discussion: Brett talks about AGRIP, highlight we were well represented from the trust and presentation standpoint. Emeritus presentation was well done and well received. Frank/Scott/Chris for firefighters on special districts side and found it very interesting and positive program.

Trusts are facing huge turnover or in the next four years, 50% of executive directors are retiring.

Attracting and compensation packages for getting new executive directors. Universally of maintaining turn over, continuity institutional.

How to measure your agency and benchmarks. Tim walked away very positive that there was no concept that our group has not talked about.

We had a dinner and I sat a table and there were five different from five different insurance trusts. And felt positive that we are in the right frame of mind.

Paul was blown away by the information, we play in the sandbox pretty well together.

Spending time socially with you was beneficial.

Sharla at OCCA are doing a session with Allen Bunch, topic: if you risk manager wins the lottery and how are you going to get insurance renewal done.

b. PACE Administrator Update – Dave Harvey

- i.* PACE is on the agenda for OCCA. Dave wants to expand the language in the bylaws in July. Ameritied.
- ii.* Southern Oregon visits, central Oregon, east Oregon.
- iii.* Opportunity to review our investment possibilities.
- iv.* Chris: need more revenue with greater cash flow. Looking outside the bonds and equities. And don't meet current guidelines. The Carl Group and companies that can't get bank financials. Making anywhere from 7-15% on these. Russell has a similar. And if you jump in before June.
- v.* Adjust investment guidelines to incorporate into the portfolio? Less risky than a stock.
- vi.* Early to mid June for proposed revisions.
- vii.* Will provide trusts with more information.

c. Future Trustee topics and activities requests – Trustees

i. Send those to Dave.

- VI. Upcoming Trust Meetings and Activities
 - a. April 14, 2022, PACE Day - Hybrid
 - b. July 29 & 30, 2022 - Bend (NEW)
 - c. September 26th Trust Meeting - Salem
 - d. December Trust Meeting 12/7/2022
- VII. Trustee Training Opportunities
 - A. *Association of Governmental Risk Pools (AGRiP)*
Governance and Leadership Conference,
March 5-8, 2023
- VIII. Adjourn
- IX. Dinner 6:00pm Rudy's Steakhouse

Adjourned at 4:04pm