

MINUTES OF THE SPECIAL MEETING OF  
THE BOARD OF DIRECTORS  
OF  
CAWCD INSURANCE COMPANY, INC.

April 16, 2019

At the Principal Office of  
CAWCD Insurance Company, Inc.  
745 Fort Street, Suite 1100  
Honolulu, Hawaii 96813

And by teleconference at the  
Central Arizona Project Headquarters Building  
Legal Conference Room  
23636 North Seventh Street  
Phoenix, Arizona 85024

**Directors Present:** Mark F. Taylor, Theodore Cooke, Christopher Hall, Douglas A. Dunlap, and Kimberly A. Grouse

**Others Present by Invitation:** Deborah Jo Maust (Vice President, Chief Operating Officer, and General Manager); Cheryl Visconti (Central Arizona Project (“CAP”)); Dennis Osuch and Jean Dietrich (both of CliftonLarsonAllen LLP (“CLA”)) (both attending for a portion of the meeting); Sanford Saito and Lucy Farinas (both of Marsh Management Services Inc.); and Gerald C. Yoshida and Arik M. Look (both of Goodsill Anderson Quinn & Stifel) (Mr. Yoshida attending for a portion of the meeting)

**CALL TO ORDER**

Pursuant to written notice of the same, the Special Meeting of the Board of Directors of CAWCD Insurance Company, Inc. (the “Corporation”), was called to order by Mark F. Taylor at approximately 10:08 a.m., Hawaiian Standard Time (1:08 p.m., Mountain Standard Time), immediately following the conclusion of the Special Meeting of the Membership of the Corporation. Mr. Taylor chaired the meeting.

Some attendees participated via conference call, by which all attendees could clearly and simultaneously hear each other for the duration of the conference call and the meeting.

**QUORUM PRESENT**

All of the Corporation’s directors (collectively, the “Board”) were present.

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**APPROVAL OF MINUTES OF THE ANNUAL MEETING OF THE BOARD OF DIRECTORS**

The first order of business was to approve the prior meeting minutes, included in the meeting materials. The Minutes of the Annual Meeting of the Board of the Corporation held on October 15, 2018 were presented and considered for approval.

*Motion, Seconded, and Carried ("MSC"): To approve the Minutes of the October 15, 2018 Annual Meeting of the Board of Directors, as written.*

**ELECTION OF NEW OFFICERS**

Mr. Taylor noted the proposed slate of individuals nominated for election or re-election as officers of the Corporation.

*MSC: To elect the following individuals, effective April 16, 2019, to their respective offices to serve until the next annual meeting, and thereafter, until their successors are duly elected and qualified:*

<u>Name</u>	<u>Position(s)</u>
<i>Mark F. Taylor</i>	<i>Chairman of the Board</i>
<i>Theodore C. Cooke</i>	<i>President and Chief Executive Officer</i>
<i>Christopher H. Hall</i>	<i>Executive Vice President</i>
<i>Douglas A. Dunlap</i>	<i>Vice President, Chief Financial Officer, and Treasurer</i>
<i>Kimberly A. Grouse</i>	<i>Vice President and Secretary</i>
<i>Deborah Jo Maust</i>	<i>Vice President, Chief Operating Officer, and General Manager</i>

**REVIEW AND AUTHORIZE PUBLICATION OF 2018 AUDITED FINANCIAL STATEMENTS**

Dennis Osuch and Jean Dietrich of CLA, the Corporation's independent auditor, presented drafts of: (a) the Corporation's audited financial statements as of and for the years ended December 31, 2018 and 2017; (b) the Independent Auditors' Report prepared by CLA; and (c) Management Discussion and Analysis (collectively, the "Draft 2018 Audited Financial Statements"). A draft of CLA's auditor communication letter prepared in connection with the same ("Draft Audit Letter") was also presented.

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Ms. Dietrich noted that CLA will issue a clean (unmodified) opinion, and proceeded to review various aspects of the Draft 2018 Audited Financial Statements, including items in Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows, and various notes to the same.

Ms. Dietrich summarized key aspects of the Draft Audit Letter wherein she noted that there were no findings of deficiencies, material weaknesses, fraud, or irregular transactions during the audit. She further noted that CLA did not encounter any difficulties with management and that the audit went smoothly.

*MSC: To authorize the publication of the 2018 Audited Financial Statements, as prepared and issued by CliftonLarsonAllen LLP, as presented.*

Mr. Osuch and Ms. Dietrich were excused from the meeting.

**REVIEW ACTUARIAL REPORTS AS OF DECEMBER 31, 2018**

Deborah Jo Maust presented the following two reports included in the meeting materials:

- 1) Select Actuarial Services' Reserve Analysis & Loss Forecast, dated January 11, 2019, ("Select Reserve Analysis & Loss Forecast") relating to the Corporation's workers' compensation, general liability, automobile liability, public officials liability with employment practices liability, property, fiduciary, police professional liability, and non-owned aircraft liability exposures; and
- 2) Segal Consulting's Plan Premium and Expense Report for January 2018 through November 2018, dated December 26, 2018 ("Segal Consulting Report"), relating to the CAP health benefits program.

Ms. Maust discussed the Select Reserve Analysis & Loss Forecast and commented on various items therein including the workers' compensation experience and a recent property loss.

Ms. Maust also commented on certain items in the Segal Consulting Report, wherein she noted that the results reflected in program-wide report were better than normal. Discussion ensued.

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**REVIEW AND ACCEPTANCE OF ACTUARIAL OPINIONS AS OF DECEMBER 31, 2018**

Ms. Maust presented and summarized key aspects of the Statement of Actuarial Opinion regarding the Corporation's reserves for losses and allocated loss adjustment expenses for the Corporation's various property and casualty lines of business exposures as of December 31, 2018, prepared by Thomas Meyer, FCAS, MAAA, of Select Actuarial Services ("2018 Select Statement of Actuarial Opinion").

Ms. Maust then presented and summarized key aspects of the letter prepared by Gary Peterson, FCA, ASA, MAAA, of Segal Consulting regarding the estimated Health Reserves (Medial/Rx, Dental, and Vision) for the CAP self-funded health program as of December 31, 2018 ("2018 Segal Actuarial Opinion Letter").

*MSC: To accept the 2018 Select Statement of Actuarial Opinion and 2018 Segal Actuarial Opinion Letter, both as presented.*

**CAPTIVE MANAGER'S REPORT**

Lucy Farinas referred to, and discussed, certain items in a summary of Corporation's unaudited, comparative balance sheet and statement of operating activities for the 3-month periods ended March 31, 2019 and 2018, and the 2018 calendar year. Among other things, she noted the changes in the Corporation's reserves due to a large property claim. Discussion ensued regarding the difference between the Corporation's booked reserves versus actual losses.

Ms. Farinas then presented and explained various items in the Statutory Compliance Worksheet included in the meeting materials and noted that, as of March 31, 2019, the Corporation was in compliance with the requirements for minimum capital and surplus, and investment of the of the same and reserves.

**FINANCIAL REPORT OF SELF-INSURED WORKERS' COMPENSATION TRUST**

Ms. Maust reported on and referenced various items in the financial statements of the Self-Insured Workers' Compensation Trust ("Trust") as of March 31, 2019, contained in the meeting materials. Among other items, she noted that, due to a recent change in Arizona law, the Corporation now has the ability to reach a full and final settlement of older, large workers' compensation claims. Discussion ensued regarding the same.

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**REPLACEMENT OF JAMES M. HOLWAY ON SELF-INSURED WORKERS' COMPENSATION BOARD OF TRUSTEES**

Ms. Maust provided a background on the election of Trustees to the Self-Insured Workers Compensation Board of Trustees. She further noted the recommended action to replace James M. Holway as a Trustee due to his failure to meet the qualifications pursuant to the terms of the Central Arizona Water Conservation District Workers' Compensation Trust Agreement ("Agreement"). Discussion ensued regarding the election of Mr. Taylor as a replacement Trustee to fill the noted vacancy. Further lengthy discussion was had regarding prior amendments to the Agreement and the qualifications for Trustees noted in the same. The Board decided to postpone all actions for this agenda item.

During the foregoing discussion, Gerald C. Yoshida joined the meeting.

**CHIEF FINANCIAL OFFICER'S REPORT**

Douglas A. Dunlap presented the Chief Financial Officer's report wherein he reported on the Corporations' insurance reserves and the erosion of the same resulting from larger claims. Discussion ensued regarding the Corporation's reserving practices and the gradual recovery of the Corporation's reserves over time.

**CHIEF OPERATIONS OFFICER'S REPORT**

Ms. Maust presented the Chief Operations Officer's report wherein she discussed the results from CAP's two-year loss control initiative pilot program ("Pilot Program"), which was partially funded by the Corporation. Discussion ensued regarding the effectiveness of the Pilot Program and conducting an analysis to determine the same.

**REVIEW AND CONSIDERATION OF TREASURY POLICY**

Ms. Maust presented a proposed Treasury Policy, a copy of which was contained in the meeting materials. She noted, among other things, that the proposed policy memorializes the Corporation's current practices and is the more formal alternative to an officer's delegation of duties. Discussion ensued regarding the purpose of the proposed Treasury Policy and the suggested amendments to the same. The Board decided to postpone all actions for this agenda item.

**OTHER BUSINESS**

**Legislative Update**

Mr. Yoshida presented and summarized various items in the Goodsell Anderson Quinn & Stifel 2019 1<sup>st</sup> Quarter Legislative Advisory contained in the meeting materials.

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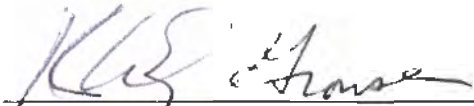
**Annual Meeting**

Ms. Maust noted that the next regular Board meeting is tentatively scheduled for Monday, October 21, 2019 at 10:00 a.m., Hawaiian Standard Time, (1:00 p.m., Mountain Standard Time), to coincide with the 2019 annual Hawai'i Captive Insurance Council Forum.

**ADJOURNMENT**

There being no further business to conduct the meeting was adjourned at approximately 12:41 p.m., Hawaiian Standard Time (3:41 p.m., Mountain Standard Time).

Respectfully submitted:

  
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Kimberly Grouse, Secretary