

Annual Report 2014



WASHINGTON
COUNTIES
RISK POOL

Created by Counties for Counties

www.wcrp.info



On the front cover (from left to right) : Pend Oreille County Courthouse, San Juan County Courthouse, Island County Courthouse, Kittitas County Courthouse, Skagit County Courthouse, Yakima County Courthouse, Adams County Courthouse, Cowlitz County Courthouse, Franklin County Courthouse, Garfield County Courthouse, Mason County Courthouse, Thurston County Courthouse, and Whatcom County Courthouse

On the back cover (from left to right): Benton County Courthouse, Grays Harbor County Courthouse, Spokane County Courthouse, Columbia County Courthouse, Clallam County Courthouse, Jefferson County Courthouse, Chelan County Courthouse, Lewis County Courthouse, Okanogan County Courthouse, Pacific County Courthouse, Skamania County Courthouse, Douglas County Courthouse, and Walla Walla County Courthouse.



Washington Counties Risk Pool

Created *by* Counties *for* Counties

Annual Report 2014

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*From **Tammy Devlin**, Py-2014 President*

YES, we had another successful year! Thank you for the opportunity to serve as your President.

2013-14 was a demanding year for the Risk Pool and for its organizational foundation. I believe our membership has learned and actually grown stronger due to the challenges of the litigation that it faced this past year. As members, you all rose to the challenge (very long and sometime tense meetings with some via phone) and your wishes were present and accounted for. The ability for the Risk Pool to continue to change and evolve during tough insuring times truly comes from the strength and vision of its Board of Directors; you.

Drew, Lisa and Keith will be leading the Board through an Executive Director Recruitment process this coming year. This will continue to test and challenge the Pool's principles and operating standards. I am confident that our membership will support a successful selection and hire a new leader that will inspire membership participation, fiscal stability and a renewed resolve for organizational strength.

We are truly a team. Members, please take an opportunity to thank your fellow county members. Also take the time to thank the Risk Pool staff that support our vision and mission as well as our Gallagher partners, Liz Miser, Darin Puryear, John Chino and Tim Chase, and our PricewaterhouseCoopers Actuaries, both Craig Scukas and Kevin Wick. You are without a doubt the best in your field. Thank You!

I am looking forward to 2014-15, let's roll up our sleeves and let's do it right!

*From **Andrew Woods**, Py-2014 Vice-President and PY-2015 President*

Being the Vice President of the Washington Counties Risk Pool has been a great honor. It is incredibly satisfying to be part of a personable, professional and knowledgeable team. This is exactly what we have with our staff, Board members and member counties. When you combine this with the great knowledge and support we receive from our broker, actuary and others, we are a great organization.

This past year has not been without challenges. The troubles with our former member Clark County have been stressful and not without anguish. It is always difficult when a "divorce" like this takes place. At the time of my writing this, the Risk Pool has prevailed in a number of legal matters, and I am hopeful that we are closer to resolution of the matter. I want to thank the Board members and member counties for their support of the Risk Pool through this time. But more importantly, I want to thank the incredible staff that we have who shouldered the majority of the work, stress, anguish, anger, frustration, etc. for the rest of us. It really is the incredible team that we are all a part of that makes this organization the success that it is.

I look forward to the upcoming year as your President. As we continue to work together on the challenges and enjoy our mutual successes, I know our wonderful organization will only continue to learn, grow, strengthen, and succeed in the important duties that we provide to our member counties, friends and partners across the great State of Washington.

*From **Keith Goehner**, Py-2014 Secretary/Treasurer*

In what was a year of change and challenge, the Pool emerged stronger as an organization and in its financial position. This past year brought a number of new individuals to the Board, and each one's commitment to the Pool's goals and purpose has ensured continued success for the Pool. Financially, we continue to see benefits from each county's efforts to reduce risk as our ability to secure affordable coverages is enhanced. In making hard decisions in difficult circumstances, we have become more aware of each member's worth to the Pool.

The Pool, through the Investment Committee's direction, has continued to build its reserves and has seen a good return on investment. We are primarily invested in Investment Pools, and shifted our funds from Clark County to the Spokane County Investment Pool to maximize our returns. We began to look for other longer term investment opportunities and strategies to strengthen our financial status.

It is a pleasure to serve in such a great organization that has members and staff who are all committed to a stronger Pool and working to create a safer work environment and better relationships in their respective counties. In my experience as a Board and Executive Committee member and as an officer of the Pool, I have seen continued growth and expansion of the services provided for the Pool members. As we continue to work together, I am confident the Pool will experience continued success.



Washington Counties Risk Pool

From WCRP Executive Director *Vyrle Hill*



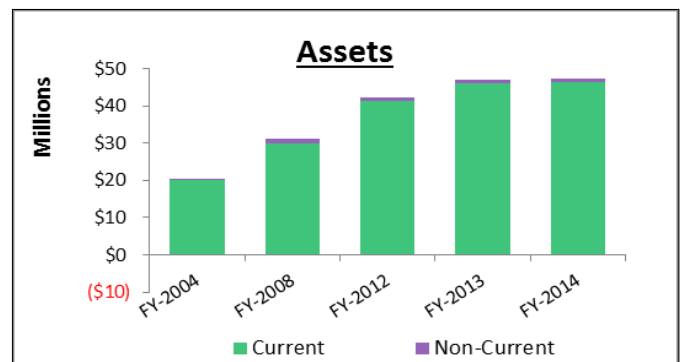
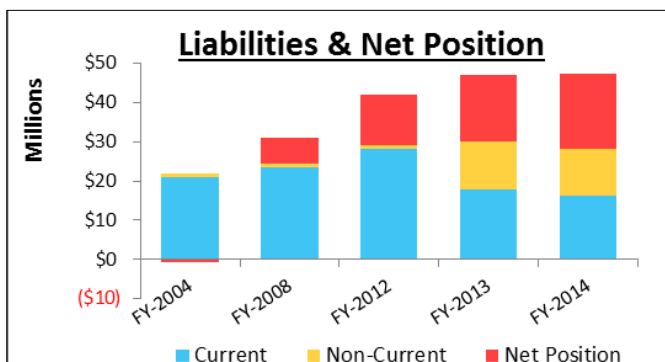
To the Member Counties of the Washington Counties Risk Pool and the Board of Directors as well as the Washington citizens served by the Member Counties:

Presenting each year's Annual Report is the culmination of another operating year for the Washington Counties Risk Pool ("Pool" or "WCRP"). This Annual Report, which pertains to the twenty-sixth operating year, means Pool Year 2013-14 (aka Py2014) is history; that is, except for resolving outstanding claims and lawsuits.

The Pool was "Created by Counties for Counties" in August 1988 with fifteen of Washington's thirty nine counties recognized as its initial voting members. Four more counties were quickly added (during the first operating year) and then the Pool's membership just continued to grow – two counties joined during the fifth year, one each in years six and seven, and two in year eight – until it leveled off with twenty five members. One more county joined during Py2002 while another withdrew, and four counties were added in Py2003 when one withdrew. This left the WCRP membership at twenty eight. Another withdrawal after Py2010 and a membership cancellation this past April left twenty six Washington counties as WCRP's membership at the conclusion of Py2014.

WCRP members' individual demographics vary immensely, yet diversity of WCRP's membership strengthens the organization. And their collective/pooled stats are impressive. For instance, their individual member county census estimates varied between 2,250 and 475,600, but the 2.65 million residents of WCRP member counties are nearly 40% of the state's total population. Likewise, WCRP's area (45,000 pooled square miles) represents nearly 70% of Washington, and the 23,000 pooled (WCRP) county centerline road miles are nearly 60% of those statewide. Its member counties and the membership *and the Pool itself* are truly impressive!

The Pool's governance, organization and coverages as well as various activities summaries are featured elsewhere in this report. So the remaining focus of this feature will be WCRP's exceptional finances with emphasis upon Py2014. Assets grew 1% to \$47.4 million while liabilities were reduced 7% to \$28.0 million. These combined to produce an "assets to liabilities" ratio of 1.69:1. For comparison, the Py2004 (ten years ago) ratio was 0.94:1 and would have been 0.74:1, except for the members' reassessments receivables ("retroactive assessments") that were part of the Py2004 assets. Net position (aka "net assets" or "owners' equity") improved 16% to \$19.4 million (as of September 30, 2014), a 10-year improvement exceeding \$20 million from the "negative" \$0.7 million at the end of Py2004. The "non-restricted" net position (\$18.3 million) fully satisfies the State Risk Manager's solvency provisions {WAC 200.100.03001(3)} and substantially satisfies the WCRP Board's own sufficiency requirements {section D.2 of the Underwriting Policy}. The charts following depict graphically the improvement in WCRP's financial status:



Operating income of \$1.7 million was realized in Py2014, lower year-over-year but still the fifth largest amount in recent years and 12% above the past ten years' (Pys2004 – 2013) average. And while revenues grew 7%, expenses increased 22% due in large part to actuarial adjustments to claims-related reserves and increased premiums for the reinsurance, excess liability insurance, and property insurance policies the Board of Directors decided to acquire.

Reported liability claims (and lawsuits) declined 5.5%, a continuation of the downward trend experienced in recent years. Claims reserves were estimated (as of September 30, 2014) by the independent actuary – net reserves at \$14.7 million, a modest 0.4% year-over-year increase; and gross reserves, with \$18.0 million ceded to commercial insurers, declining 3.3% to \$32.7 million.

The net reserve estimates included \$2.7 million for WCRP's SIR, \$10.8 million for the "corridor" program retentions, \$0.1 million for WCRP's 10% quota-shared (upper layer) losses, and \$1.0 million for unallocated loss adjustment expenses (ULAE). For comparison, Py2004's net reserves totaled \$12.0 million but included only the Pool's SIR (\$11.4 million) and ULAE (\$0.6 million) estimates. *NOTE: The "corridor" programs began eight years ago with (occurrence) coverage maximums of \$0.5 million during the first three years, \$1.0 million during the next three years, and both \$1.0 million and \$2.0 million the past two years, and occurrence minimums remained throughout as the greater of the applicable (member's) deductible or \$100,000.*

(Continued on page 7)



GOVERNANCE

WCRP Directors and Alternate Directors, Pool Year 2014

ADAMS

Jeffrey Stevens, Commissioner
²**Linda Reimer**, Clerk of the Board
Patricia Phillips, Clerk of the Board

BENTON

¹**Melina Wenner**, HR Director/Risk Manager
³**Bryan Perry**, Safety/Training
David Sparks, County Administrator
Ryan Lukson, Deputy Prosecutor

CHELAN

²**Keith Goehner**, Commissioner
²**Cathy Mulhall**, County Administrator

CLALLAM

Rich Sill, Code Enforcement Manager
James Jones, County Administrator
Mark Nichols, Chief Deputy Prosecutor

CLARK (thru 4-28-14)

³**Mark Wilsdon**, Risk Manager
Bernard Veljacic, Chief Civil DPA
Mark McCauley, General Services Director
Tom Mielke, Commissioner

COLUMBIA

³**Andrew Woods**, Public Works Director
Dwight Robanske, Commissioner

COWLITZ

¹**Clyde Carpenter**, Risk Manager
¹**Claire Hauge**, OFM Director

DOUGLAS

²**Steven Clem**, Prosecuting Attorney
²**Thad Duvall**, Auditor
Ken Stanton, Commissioner

FRANKLIN

³**Bob Koch**, Commissioner
Shawn Sant, Prosecuting Attorney
³**Ryan Verhulp**, Chief Civil DPA/Risk Manager
Timothy Dickerson, Civil DPA

GARFIELD

¹**Dean Burton**, Commissioner
Wynne McCabe, Commissioner
Robert K. Johnson, Commissioner

GRAYS HARBOR

Herb Welch, Commissioner
Wes Cormier, Commissioner
³**Dale Gowan**, Director, Central Services

ISLAND

Kelly Emerson, Commissioner
Elaine Marlow, Budget Director
Jill Johnson, Commissioner

JEFFERSON

³**Philip Morley**, County Administrator
³**David Alvarez**, Chief Civil DPA

KITTITAS

³**Lisa Young**, HR Manager
Judy Pless, Budget & Finance Manager

LEWIS

³**F. Lee Grose**, Commissioner
³**Paulette Young**, Safety Officer/RM
Michael Stroyzk, Central Services Director

MASON

Tim Sheldon, Commissioner
Randy Neatherlin, Commissioner
Terri Jeffreys, Commissioner
Dawn Twiddy, HR/Risk Manager

OKANOGAN

Sheilah Kennedy, Commissioner
Nanette Kallunki, Administration Director
Steve Bozarth, Chief Civil DPA
Tanya Craig, Deputy Clerk of the Board

PACIFIC

Kathy Spoor, County Administrative Officer
Lisa Ayers, Commissioner
David Burke, Prosecuting Attorney

PEND OREILLE

Mike Lithgow, Director of Community Dev.
Teresa Brooks, Adm. Assistant to the Director
Alan Botzheim, Sheriff

SAN JUAN

Mike Thomas, County Manager
Pamela Morais, Human Resources Manager

SKAGIT

Jessica Neill Hoyson, HR Director/Risk Mgr.
Arne Denny, Civil Deputy PA
Tim Holloran, County Administrator
Donnie LaPlante, Sr. HR/Risk Analyst

SKAMANIA

Doug McKenzie, Commissioner
Scott Pineo, Risk Manager

SPOKANE

³**Steve Bartel**, Risk Manager
³**Rob Binger**, Senior DPA

THURSTON

³**Sandra Romero**, Commissioner
¹**Tammy Devlin**, Risk Manager
Jon Tunheim, Prosecuting Attorney

WALLA WALLA

Jesse Nolte, Deputy PA
James K. Johnson, Commissioner
Lucy Schwallie, Personal/Risk Manager

WHATCOM

Karen Goens, HR Manager
Daniel Gibson, Chief Civil DPA

YAKIMA

James Hagarty, Prosecuting Attorney
Terry D. Austin, Chief Civil DPA
Cindy Erwin, Paralegal

Pool's longer-tenured board members:

- 1 = 15+ years
- 2 = 10+ years
- 3 = 5+ years

Unfortunately, farewells were conveyed during 2013-14 to eleven members of the Board of Directors as they departed their respective counties, which rendered them ineligible for further WCRP service. Our sincere thanks as well as good wishes are extended to all those serving the Pool, but we want to especially recognize those that served WCRP for at least five (5) years:

Melina Wenner (departed April 2014) – supported the WCRP Board as a director from Benton County for more than 19 years (1995 – 2014) and attended 42 Board of Directors meetings (67%). Melina was also appointed by the Benton County Commissioners to serve as both the county's claims administrator and its risk manager for WCRP relations. During her WCRP tenure, Melina was elected to and served a full (3-year) term on the Pool's executive committee. She also served on multiple standing committees including the Personnel Committee.

Linda Reimer (departed early 2014) – supported the WCRP Board as an alternate director from Adams County for more than 14 years (2000 – 2014) and attended 28 Board of Directors meetings (70%). She was also appointed by the Adams County Commissioners to serve as both the county's claims administrator and its risk manager for WCRP relations. During her WCRP tenure, Linda served as a WCRP standing committee member.

Mark Wilsdon (departed April 2014) – supported the WCRP Board as a director from Clark County for more than 7 years (2007 – 2014) and attended 20 Board of Directors meetings (91%). He was also appointed by the Clark County Commissioners to serve as both the county's claims administrator and its risk manager for WCRP relations. During his WCRP tenure, Mark was elected to and served two partial terms (4+ years) on the Pool's executive committee. He was also elected to preside over the Pool as the Py2013 President, which followed being elected to and serving a year-long term as Secretary-Treasurer (Py2012) and preceded being elected to and serving a fraction of a year again as Secretary-Treasurer (Py2014). He also served on multiple standing committees and co-chaired the Risk Management Committee.

Ryan Verhulp (departed April 2014) – supported the WCRP Board as an alternate director from Franklin County for more than 6 years (2007 – 2014) and attended 4 Board of Directors meetings (20%). He was also appointed by the Franklin County Commissioners to serve as both the county's claims administrator and its risk manager for WCRP relations. During his WCRP tenure, Ryan served on multiple WCRP standing committees including several years on the Risk Management Committee.



Washington Counties Risk Pool

Executive Committee Py2014

(Term Ending 9/30/XXXX)

2014



Lee Grose
Lewis County



Dean Burton
Garfield County



Keith Goehner
Chelan County
President: 2007-08



Tammy Devlin
Thurston County
President: 2013-14

2015



Thad Duvall
Douglas County



Lisa Young
Kittitas County



Robert Koch
Franklin County
From 11/8/2013



Mark Wilsdon
Clark County
Thru 11/1/2013
President: 2012-13

2016



Lisa Ayers
Pacific County



David Alvarez
Jefferson County



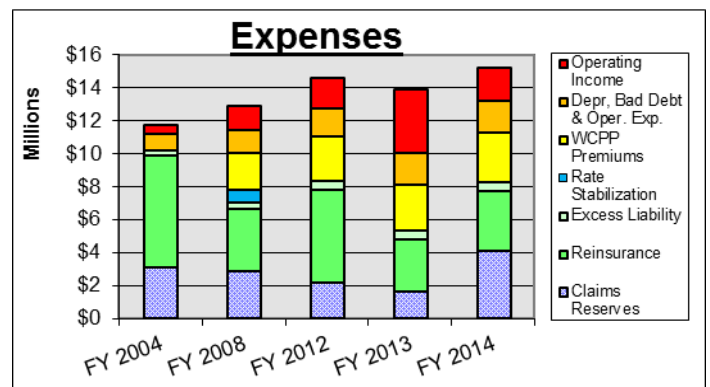
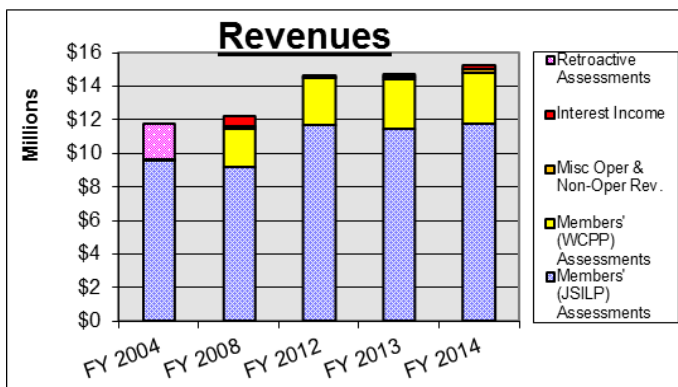
Steve Bartel
Spokane County
President: 2011-12



Drew Woods
Columbia County
President: 2014-15

(Continued from page 5)

The following charts depict WCRP revenues, expenses and operating income over the years:



With extraordinary finances as well as the coverages, resources and services it provides for and to its membership, the Washington Counties Risk Pool continues to be a very viable entity. I am pleased to have been associated with this public service organization since its creation years ago, honored to have been selected to serve the past ten years as its Executive Director, and most importantly, to be able to share the ever-growing WCRP optimism.



2558 RW Johnson Rd SW, Suite 106 Tumwater, WA 98512-6103

Organizational Summary

The Washington Counties Risk Pool (“WCRP” or “Pool”) was “Created by Counties for Counties” in August 1988 as an association of member counties independent of all other associations of which the counties are members. The foundational agreement authorized the Pool’s creation pursuant to Chapters 48.62 and 39.34 Revised Code of Washington (“RCW”) “to provide member counties programs of joint self-insurance, joint purchasing of insurance, and joint contracting for or hiring of personnel to provide risk management, claims handling, and administrative services.” Twenty seven Washington counties started 2013-14, this reporting year, as WCRP members. But the cancellation of one membership by the Board of Directors effective April 29, 2014 resulted in the year concluding with twenty six WCRP members.

WCRP is not an “insurer” (RCW 48.01.050) or an insurance company, and it is not subject to the special laws and rules that govern insurers and insurance companies. Washington’s pools are risk-sharing entities that must first be approved by, and are thereafter overseen by and report to, the State Risk Manager. They are not regulated by the Office of the Insurance Commissioner. They operate under the state’s “pooling” laws and regulations, specifically RCW 48.62 and Washington Administrative Code (“WAC”) 200-100. Since they are public entities, pools are subject to audits at least annually by the State Auditor’s Office.

The Pool’s mission is to:

- provide comprehensive and economical risk coverage;
- reduce the frequency and severity of losses; and
- decrease the costs incurred in the managing and litigation of claims.

Its core values consist of commitments:

- to learn, understand and respond to members’ insurance needs;
- to establish a working relationship with all members that identifies business issues and jointly develops solutions;
- from its members to allocate necessary resources for risk management in their own operations;
- to manage the organization based on sound business principles, industry standards, and measurable outcomes; and
- to continuous planning and innovation in product development and service delivery.

Except for the Membership Compact that was added as an addendum in 2000, the WCRP Interlocal (foundational) Agreement remains without change since it was initially approved by the members in 1988. The Compact is a commitment to strengthen the Pool by helping members implement and/or enhance their local risk management efforts to reduce losses and support the best management of the Pool and its resources. Pool members are obligated under the Compact to support its goals in three ways – membership involvement, risk control practices, and a targeted risk management program(s).

New WCRP memberships must be approved by majority votes of the Board however, the Board delegated its authority to the Executive Committee to approve the (membership) admission, fees and initial deposit assessments/contributions for counties with populations of less than 125,000. New members must make 60-month commitments when joining the Pool. After the initial commitment period, a member county may withdraw at the end of any WCRP fiscal year provided it has furnished the Pool written notice of its intent to withdraw at least twelve months in advance of the fiscal year-end.

(Continued on page 9)



(Continued from page 8)

Joint Self-Insurance Liability Program (“JSILP”): The JSILP is the Pool’s original and predominant coverage. It consists of risk-shared (jointly purchased and/or jointly self-insured) and occurrence-based coverage for 3rd-party liability claims against the member counties. The JSILP includes coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury. Further JSILP details are found on page 12.

Washington Counties Property Program (“WCPP”): WCRP also provides administrative support for (1st-party) property coverages jointly-purchased through the insurance producer as member-by-member options from a consortium of higher-rated commercial carriers. All but one of WCRP’s 2013-14 membership participated, and the composite value of their covered properties totaled more than \$2.7 billion. Further details of the WCPP are found on page 13.

Other Coverages: Several members utilize the producer (broker) retained by WCRP to secure other (specialty) insuring products. Examples include crime, special events/concessionaires, underground storage tanks and other environmental hazards, even airport, ferry or railroad operations, as well as public officials surety bonds. Additionally, the Board of Directors decided to jointly-purchase cyber risk and security coverage from a higher-rated commercial carrier beginning with the 2014-15 policy year.

Governance and Support / Oversight: The Pool is governed by a board of directors consisting of one director (and at least one alternate director) from each member county that represent their county and are appointed by their county’s legislative authority. The Board of Directors, which includes both elected and appointed officials, meets at least three times each year with the Pool’s Annual Meeting being held each summer. The Board’s responsibilities include: a) determining the risk-sharing extent of the 3rd-party self-insured liability coverage by approving the insuring document (coverage form), b) selecting the reinsurance (s) to acquire and the excess insurance(s) to jointly-purchase or offer for “member option” purchase, c) approving the Pool’s annual operating budget(s) and work program(s), and d) approving the members’ deposit assessments and, when necessary, reassessments.

The Board retains several professionals from some of the most respected organizations worldwide to address both regulatory requirements and specific needs of the Pool. PricewaterhouseCoopers, LLP furnishes independent rate-setting and reserving actuarial services; Strategic Claims Direction, LLC conducts independent claims auditing services; Arthur J. Gallagher Risk Management Services, Inc. provides both insurance producer (broker) and advanced loss control services; and J. William Ashbaugh of Hackett Beecher & Hart serves as coverage counsel. Note: Claims audits are occasionally performed by a commercial insurer(s).

Ongoing oversight of the Pool is furnished by its 11-person executive committee elected by and from the Board to staggered, 3-year terms. The committee meets throughout the year to: a) approve all WCRP disbursements and monitor its financial health; b) approve case settlements exceeding the applicable member’s deductible by at least \$50,000; c) review all claims with incurred loss estimates exceeding \$100,000; and d) evaluate the Pool’s operations and program deliverables, as well as the Executive Director’s performance. Committee members are also expected to participate in the Board’s standing committees (finance, personnel, risk management, and underwriting) which develop or review/revise proposals for and/or recommendations to the Pool’s policies and coverages for formal Board consideration.

Staffing and Support: The Board employs an Executive Director who is given the general administrative responsibility for the Pool’s activities including risk management, claims handling and administrative services. The Executive Director is the chief executive officer and administrator of the Pool and, in general: a) supervises and controls the Pool’s business and affairs, b) carries out the Board’s orders, c) is responsible to the Board for the efficient administration of the Pool’s affairs, and d) hires all necessary employees.

A 10-person staff is authorized to support the Executive Director. Six handle and/or manage the several hundred liability cases annually filed upon and then submitted by the member counties for coverage consideration from the Pool’s risk-shared joint self-insurance liability program. There are also numerous attorneys/legal firms retained to defend covered cases that are assigned to them. The remaining staff supports the administrative needs of the Pool and the other coverages, or provide services including assessing the various risks of members and potential members, coordinating trainings, conducting compliance audits, developing coverage options and marketing the Pool’s coverage programs and services.





FINANCIAL EXAMINATION AND REPORTS FROM THE STATE AUDITOR



The State Auditor's Office is established in the state's Constitution as part of the executive branch of state government. Through statutes established by the Washington Legislature and more recently by citizen initiative, the State Auditor has the statutory authority to audit every and all governments in the state. State law (Chapter 43.09 RCW) requires the State Auditor's Office to examine the financial affairs of local governments. The SAO reports objectively and directly to the taxpayers about all levels of government regarding their stewardship of public funds. The audits look at financial information and compliance with state, federal and local laws on the part of all local governments. The SAO conducts a range of audits that include accountability and financial audits. The audit information is available on the State Auditor's Office website for public use through the Local Government Financial Reporting System.

The most recently published audit reports are available for viewing at www.sao.wa.gov Select the tab "Search Reports" and under search options enter: Washington Counties Risk Pool.

OR... you can find them on the WCRP website at: http://www.wcrp.info/sao_reports.asp

LOCAL GOVERNMENT SELF INSURANCE PROGRAM EXAMINATION

The Department of Enterprise Services, through the Risk Management Division, administers the Local Government Self-Insurance Program (LGSI). The program provides approval and oversight of joint self-insured local government property/liability programs under the provisions of Chapter 48.62 RCW and WAC 200-100.

The mission of LGSI is to protect their resources by ensuring that local government self-insurers are informed about program's financial condition, participate in decisions which affect insuring services for entities they represent, and ensure compliance with laws and regulations designed to foster financially sound management practices.

The most recently published examination reports are available for viewing at: <http://www.des.wa.gov/services/Risk/Self-Insurance/Pages/poolReports.aspx>



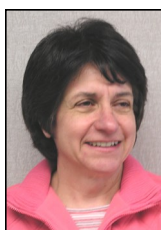
Washington Counties Risk Pool

OPERATIONAL STAFF

ADMINISTRATION



EXECUTIVE DIRECTOR
Vyrle Hill



ACCOUNTING OFFICER
Sue Colbo



ADMIN ASSISTANT
Stacey Spears

MEMBER SERVICES DIVISION



SPECIALTY SERVICES
David Goldsmith



LOSS CONTROL COORDINATOR
Jill Lowe

CLAIMS DIVISION



CLAIMS MANAGER
Susan Looker



SR. CLAIMS ANALYST
Mike Cook



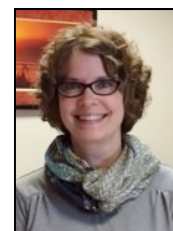
SR. CLAIMS ANALYST
Joe Campeau



CLAIMS ANALYST
Holly Fierro



CLAIMS REPRESENTATIVE
Lisa McMeekin



CLAIMS ASSISTANT
Jeri Woods

PROFESSIONAL SUPPORT

WCRP is supported by professionals from some of the better organizations worldwide:

PricewaterhouseCoopers LLP, for independent actuarial services

Kevin Wick, Managing Director, FCAS, MAAA

Craig Scukas, Director, FCAS, MAAA

Strategic Claims Direction, for independent claims auditing services

Gary Jennings, Principal

Arthur J Gallagher Risk Management Services, Inc., for insurance producer (broker)

and advanced loss control services

Elizabeth Miser, Area Vice President, John Chino, Area Senior Vice President & Darin Puryear, Area President

Tim Chace, Director of Risk Control & Julie McCallum, Vice President, Risk Management Services

DES Local Government Self Insurance Program - State of Washington

Shannon Stuber, Program Administrator

Auditor - State of Washington

Hon. Troy Kelly



Washington Counties Risk Pool

WCRP's JOINT SELF-INSURANCE LIABILITY PROGRAM ("JSILP")

From the (Member) County's Perspective

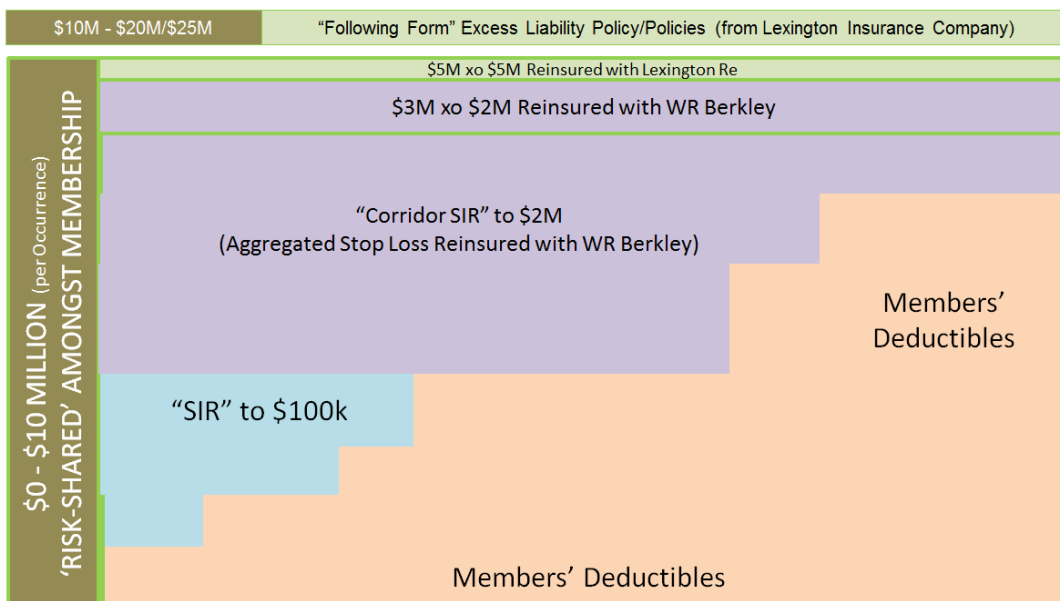
Since October 1, 1988, the Washington Counties Risk Pool has furnished its member counties' jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits per occurrence have grown from the \$1 million existing during the Pool's initial two months to \$5 million, then to \$10 million and onto \$15 million before reaching the \$20 million limit that has existed since October 2003. Additional \$5 million limits were available during many recent years, including 2013-14, as individual county-by-county options.

For 2013-14, the initial \$10 million occurrence limits were in the form of jointly self-insured liability coverage which is "risk shared" amongst the membership and subject to the deductible amounts selected by the applicable member counties, either (in thousands) \$10, \$25, \$50, \$100, \$250 or \$500. The remaining JSILP occurrence limits (up to \$15 million) were acquired as "following form" excess insurance policies from a superior-rated commercial insurance carrier. There were no aggregate limits to the payments the Pool might make for any one member county or for all member counties combined.

\$20 - 25 MILLION	<u>'OPTIONAL' ADDITIONAL LIMITS (per occurrence):</u> 'FOLLOWING FORM' EXCESS (xo \$20 MILLION) LIABILITY POLICY JOINTLY (GROUP) PURCHASED from COMMERCIAL INSURER by WCRP with PARTICIPATING COUNTIES also INDIVIDUALLY NAMED
\$10 - \$20 MILLION	<u>UPPER LIMITS (per occurrence):</u> 'FOLLOWING FORM' EXCESS (xo \$10 MILLION) LIABILITY POLICY JOINTLY (GROUP) PURCHASED from COMMERCIAL INSURER by WCRP with COUNTIES also INDIVIDUALLY NAMED
\$0 - \$10 MILLION	<u>LOWER/BASIC LIMITS (per occurrence):</u> SUBJECT TO MEMBER DEDUCTIBLES (6 options from \$10,000 to \$500,000) RISK-SHARED AMONGST MEMBERSHIP

What Protects the Pool and its Member Counties?

The Pool's Board of Directors again decided for 2013-14 to acquire reinsurance as added protection for both the Pool from the larger losses and the member counties from the contingent liabilities that would result otherwise from the risk-shared losses. The reinsurance agreements were written with a self-insured retention ("SIR") equal to the greater of the claim's deductible or \$100,000. But the agreements also included "corridor retentions" effectively increasing the SIR with aggregated stop loss provisions. There were two (2) such "corridors" – the first raised the occurrence SIR to \$1 million and included an aggregated stop loss of \$2.9 million. The other increased the SIR even further, to \$2 million, and included an aggregated stop loss of \$0.6 million.





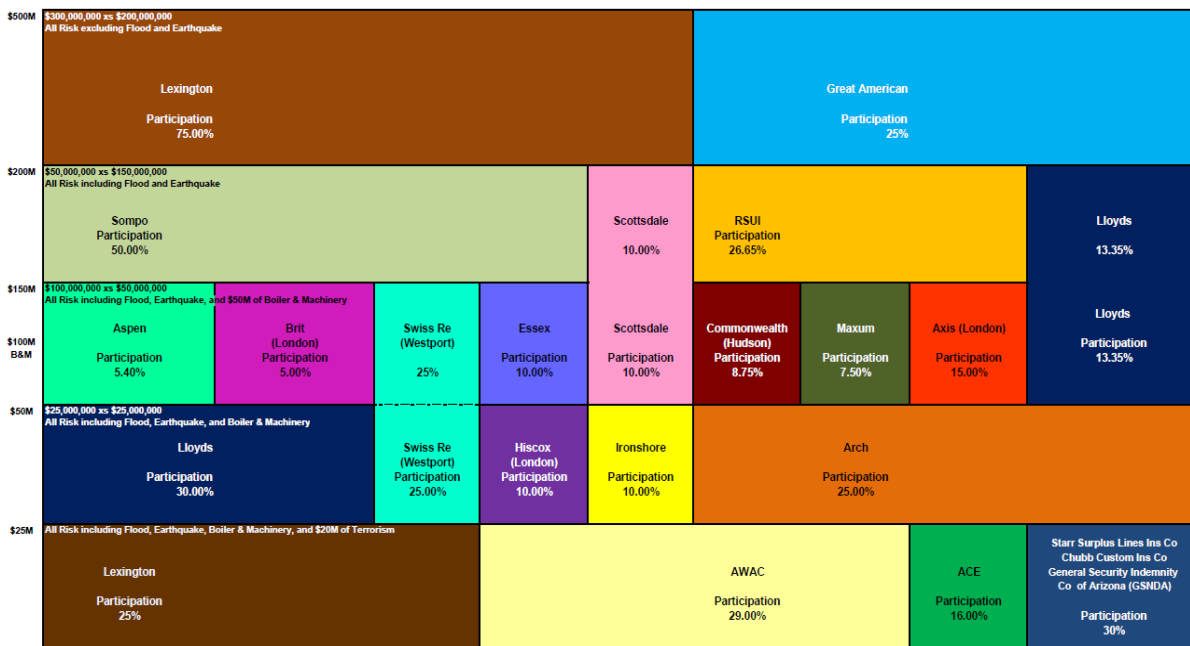
Washington Counties Risk Pool

WCRP's Washington Counties Property Program ("WCPP")

Starting with 2006-07, coverage for participating counties' property losses was added to the Pool's programs as a member-by-member option. It has been jointly-purchased from highly-rated commercial carriers. For 2013-14, the WCPP coverage was acquired from the following consortium of carriers:

WCPP Participating Counties

- Adams
- Benton
- Chelan
- Clallam
- Clark
- Columbia
- Cowlitz
- Douglas
- Franklin
- Garfield
- Grays Harbor
- Island
- Jefferson
- Kittitas
- Lewis
- Mason
- Okanogan
- Pacific
- Pend Oreille
- San Juan
- Skagit
- Skamania
- Spokane
- Thurston
- Walla Walla
- Whatcom



Program Elements

Total Insured Values

Composite total \$2.7 billion.

Covered Peril: Real and personal property, business interruption, extra expense, rental value, demolition and increased cost of construction, valuable papers, accounts receivable, transit, EDP (Equipment/Media/Extra Expense), newly acquired property, course of construction, contractors equipment, errors and omissions, offsite storage and personal property of the insured's officers and employees while on the premises of the insured. Endorsements are included for Green Construction Upgrades and for Reproduction Coverage for Historic Structures.

Coverage Limits

\$500 million - All covered Perils, excluding EQ & FL

\$200 million - Earthquake

\$200 million - Flood with:

\$25 million Special Flood Hazard Areas

Noted Sublimits:

\$100 million - Equipment Breakdown / Boiler & Machinery

\$20 million - Terrorism

Deductibles and Aggregated Limits

All Covered Perils: Participating counties selected their occurrence deductible amounts from the following options (in thousands): \$5, \$25 or \$50. Earthquake and Flood deductibles vary with specific circumstances as catastrophe losses were subject to higher deductibles. The AOP coverage limit applied to any occurrence regardless of whether losses affected one or multiple participating counties, and there were no annual aggregated limitations. Flood and Earthquake coverages had annual aggregate limits of \$200 million each.



Washington Counties Risk Pool

From Claims Manager *Susan Looker, AIC*

Member counties continue to manage their operations and risks as their resources and budgets get tighter. WCRP strives to support its members in as many ways possible. WCRP provides its members assistance through its pre-defense review program. This allows the counties access to resources or certain expertise that may not otherwise be available. This assistance occurs prior to actual claims being filed when certain criteria is met. Claims staff also provide various trainings and one on one consultations. We recently created a Contracts Manual, in conjunction with the pool’s broker, to assist counties in assessing their contracts’ adequacies, and then provided trainings on both the east and west sides of our state.

There are multiple offices and departments that make up county government, each with risks. In the automobile liability (AL) area, there are many county drivers including public works personnel and sheriff deputies. In the general liability (GL) area, there are miles of county roads to design and maintain, permits regarding land use that are issued, jails that are operated, and executive decisions that are made. In the employment/public officials liability area (EL) (PO) there are unions, contracts, line and management employees, as well as elected officials.

When claims are reported to WCRP, claims staff must timely review each claim and determine coverage, investigate allegations, set appropriate reserves, report to proper authorities, and resolve the claim in a fair and cost effective manner. Performing these functions is a dedicated staff of five. Mike Cook (Senior Claims Analyst) began his career in insurance in 1982; Joe Campeau (Senior Claims Analyst) in 1986; Holly Fierro (Claims Analyst) 1996; and Lisa McMeekin (Claims Representative) 2008. Combined with me (1989), there are more than 114 years of claims/insurance experience addressing the member county claims.

588 claims (and lawsuits) were added to the Pool’s claims database during Py2014 and raised the 26 years-to-date total of third-party liability claims submitted by WCRP member counties to 19,820. Four cases went to trial during PY2014, with two resulting in defense verdicts and two resulting in plaintiff verdicts. The Pool paid \$12.6 million in indemnities and expenses during Py2014.

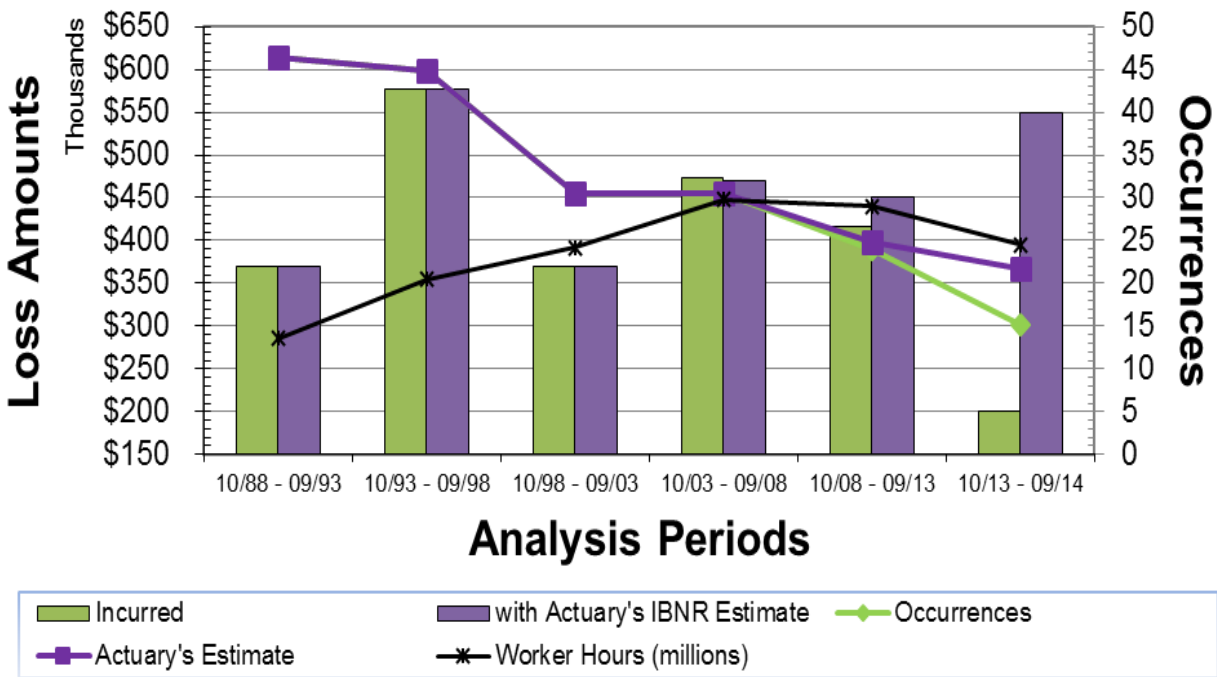
With 19,461 designated as *closed*, only 359 claims remained classified as *open* at year’s end. Six of the open claims have loss dates preceding Py2004. 89 of the 359 claims open at the end of Py2014 were valued at approximately \$38.1 million. Eight open cases were valued over \$1 million; the collective value of these cases was \$16.2 million. Of those eight cases, five involve joint and several liability potentials.

Even though nearly 40% of submitted cases are resolved without any payments, \$228.9 has been paid addressing the Pool’s claims to-date. 41% of the amounts paid (\$93.7 million) were deductibles reimbursed by the applicable member counties. 3% (\$6.8 million) was covered under excess insurance policies and paid by the applicable commercial insurers. The remaining 56% (\$128.4 million) represents the “risk shared” portion of the joint self-insurance coverage and paid from “pooled” funds—\$61.6 million retained by the Pool itself and \$66.9 million reimbursed by the commercial reinsurers.

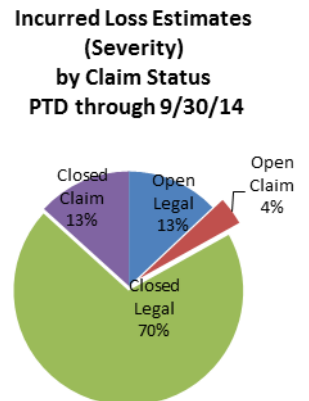
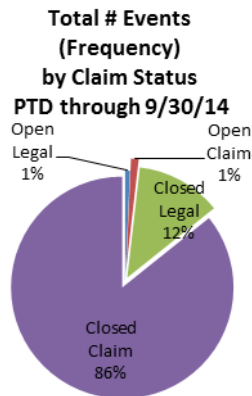
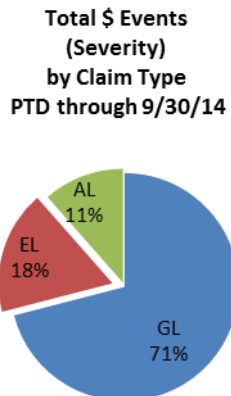
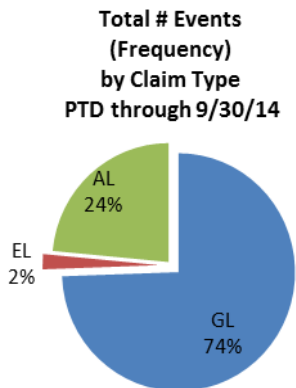
CASE DISTRIBUTION (Severity)			
Value Range (between)		Count	Percentage
\$0	\$0	7,905	39.9%
\$.01	\$10,000	10,007	50.5%
\$10,000	\$25,000	645	3.2%
\$25,000	\$50,000	424	2.1%
\$50,000	\$100,000	353	1.8%
\$100,000	\$250,000	263	1.3%
\$250,000	\$500,000	124	0.6%
\$500,000	\$1,000,000	60	0.3%
\$1,000,000	Over	39	0.2%

Open Events as of 9/30/14	
Pool Year	Open Claims
A-P (88-04)	6
Q (04-05)	3
R (05-06)	2
S (06-07)	4
T (07-08)	9
U (08-09)	11
V (09-10)	26
W (10-11)	34
X (11-12)	49
Y (12-13)	68
Z (13-14)	147
Total Open	359

**SEVERITIES and FREQUENCIES
of 3rd-PARTY LIABILITIES**
Data at the close of Py2014
PRESENTED "Per Million Worker Hours"



ALLOCATION OF INCURRED LOSSES by Claim Status, PTD through 9/30/14						
Status	Incurred	Deductions	WCRP SIR	Corridor	Total SIR	Insurers
Open Legal	\$ 34,328,954	\$ 12,645,200	\$ 2,134,270	\$ 6,846,718	\$ 21,626,188	\$ 12,702,766
Open Claims	10,411,674	6,404,174	1,072,500	2,935,000	10,411,674	0
Closed Legal	184,742,883	63,434,159	44,446,188	7,215,447	115,095,794	69,647,089
Closed Claims	35,101,207	24,476,626	6,846,759	277,424	31,600,809	3,500,398
TOTAL	\$ 264,584,718	\$ 106,960,159	\$ 54,499,717	\$ 17,274,589	\$ 178,734,465	\$ 85,850,254





Washington Counties Risk Pool

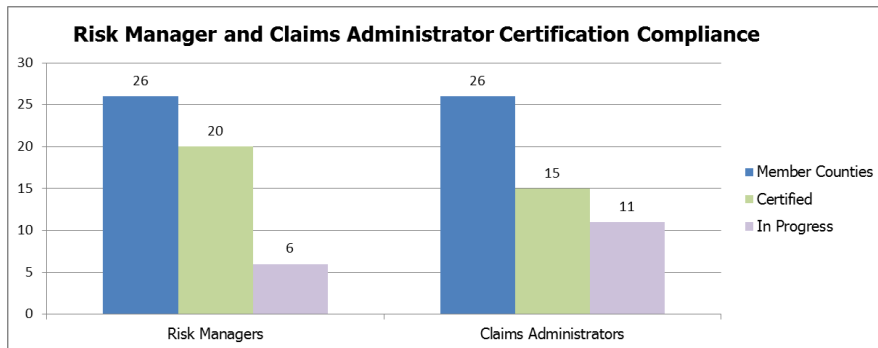
Member Services

The Member Services Division includes operational support as well as loss control, field services and other Pool-wide risk management activities. This includes marketing efforts, membership compact compliance, strategic plan administration, agency partnerships, and other activities designed to assist Member Counties with administering their self-insurance and related risk management programs. The Pool is visible in members' communities offering assistance with risk analysis and suggesting changes. Pool staff speak at conferences or provide speakers and they also meet with county officials to provide insight regarding losses and what can be done to stop those losses. WCRP normally holds three conferences each year during which training is provided to assist Board members as well as risk managers, claims administrators and other county officials in performing their duties including orientations for newer appointees. Because of the training topics offered and the valuable networking opportunities, over a 95% rate of attendance by member counties at conferences is experienced.

Membership Compact

The *Membership Compact* is a commitment to strengthen the Washington Counties Risk Pool by helping its member counties implement local Risk Management Programs to reduce losses and support the best management of the WCRP and its resources. Jill Lowe, Loss Control Coordinator, meets yearly with each county risk manager to discuss how incurred losses can be reduced.

Member counties must appoint a Pool director and alternate director, a Risk Manager and Claims Administrator. The Risk Managers and Claims Administrators are expected to work with elected officials and other administrators in their counties to reduce risks. These appointees must meet specific certification requirements within two years of appointment to their positions. Most Risk Managers and Claims Administrators serve in other capacities such as county attorneys, clerks of the board, budget and human resource officers, etc. Certification includes passing exams for AICPCU introductory courses. Five member Risk Managers are currently taking or have been certified as Associates in Risk Management (ARM).



David Goldsmith
Specialty Services

Pool marketing efforts (internal and external), Strategic Plan administration, and other activities designed to assist the Pool's Member Counties are included under this broad umbrella.

County Visitations

Membership in the WCRP is not unlike being a member of a cooperative. The strength of the cooperative lies in the knowledge and participation of each individual member. Annually, Executive Director, Vyrle Hill, and Specialty Services Representative, David Goldsmith, meet with each member county's leadership, County Commissioners/Councils and elected/appointed officials, to update them on the health of the Pool,



Jill Lowe
Loss Control Coordinator

The Pool, based in part upon recommendations from the Board's Risk Management subcommittee, provides cutting edge training throughout the state based on loss trends. The Pool also offers scholarships and grant funds for training opportunities, which are frequently used to address specific areas of concern and enable county employees to attend specialized liability related trainings. For example, Parks and Recreation, Human Resources, Law Enforcement, Corrections and other areas of liability concern.

Loss Control works closely with the Claims Division and the Risk Management Committee to develop trainings,



Washington Counties Risk Pool

David Goldsmith, Continued from page 16

emerging areas of risks and exposures, claims activities, and costs for the WCRP coverage programs (liability, property, cyber risk/security).

Marketing/Partnerships

Part of the services offered by the WCRP is its breadth of county risk and claim knowledge. To this end, WCRP staff meets with partner organizations such as the Washington State Association of Counties, Washington Association of County Officials, Washington Association of Prosecuting Attorneys, and Washington State Association of Sheriffs and Police Chiefs to share and participate as a resource. Additionally, relatively passive marketing efforts are directed towards the eight counties in the state that belong to the Washington Rural Counties Insurance Pool. We reach out to these non-member counties and inform them of WCRP's program and services that are available through membership.

Organizational Development

Organizational development had three areas of focus in 2014: board development and recruitment, strategic planning, and member satisfaction. The Pool is experiencing a relatively high turnover of its members' appointees resulting in a loss of institutional knowledge. Greater emphasis is being placed on succession planning for and orientation of the members' appointees to the Pool's Board and liaison agents. Annually, the Board of Directors reviews the strategic plan, modifying it as appropriate, and then reviews the annual work program and the approach to implementing specific strategic elements. This feedback system assures that the strategic plan serves to guide the organization towards its mission.

Finally, the biennial membership satisfaction survey was conducted at the conclusion of 2014. As in past years, the WCRP was rated as an effective and well run organization by its membership. With each successive survey, the ratings for the organization by the membership continue to grow, reaching an overall high rating of 4.71 (out of 5) in 2014. This satisfaction survey also provides specific information from which to review program and product delivery for each functional division.

Continued on page 18

Jill Lowe, Continued from page 16

conduct site visits and offer loss control expertise that will positively impact Pool losses. Staff work with members to integrate innovative practices and to ensure positive loss control change.

Loss Control Workshops offered in Pool Year 2014:

Employment Law Related Claims - Employment law related claims, while relatively few in number, account for the highest average per claim cost. *Staying Out of Court On Employment Claims* training was offered in three locations throughout Washington State. In addition, *Conducting Difficult Conversations*, *Conducting Effective Performance Evaluations*, and *Management and Supervisory Training* workshops were presented. Val Van Brocklin, a nationally recognized presenter, spoke on *Emerging Technology Risks* and provided Leadership Tools to over 100 elected officials and managers in both eastern and western Washington.

Cyber Security, Risk and Liability - A workshop on Cyber Security, Risk and Liability was offered. The first 90 minutes provided county officials with information on current cyber risks, the liability landscape, and potential losses. The remainder of the class time provided IT officials with a deeper technical review and a three to five year roadmap for cyber security implementation. The presentation was videotaped and placed on the Pool's website to facilitate ongoing cyber education.

Other Loss Control Programs

Risk Manager, Claims Administrator, Board Members - The Pool Board meets three times during the year to discuss Pool business and receive training. Property Insuring Alternatives, Contract Risk Management, Managing Disabled or Injured Worker and, Sexual Harassment were topics presented to meeting attendees. The summer meeting Roundtable included a full three hours dedicated to the sharing of challenges and achievements, and short presentations made by scholarship recipients.

Law Enforcement/Corrections - Eighteen member county law enforcement and corrections agencies participated in the Lexipol program. Law enforcement deputies receive daily training in low frequency and high severity issues.

Sample Policy Library, White Papers and

Continued on page 18



Washington Counties Risk Pool

David Goldsmith, Continued from page 17

AGRiP Re-certification

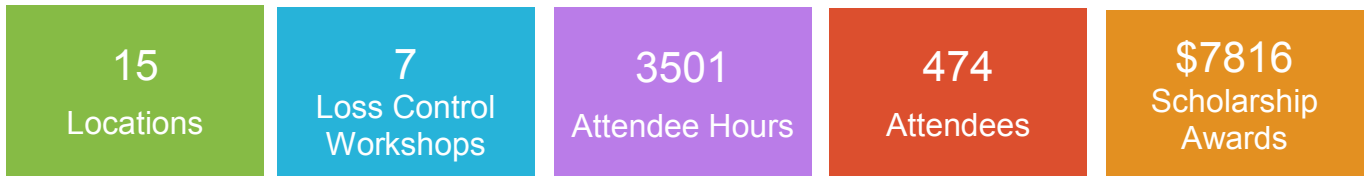
WCRP was one of the first self-insured public pools to receive certification by the (national/international) Association of Governmental Risk Pools (AGRiP), by meeting advisory standards of excellence set by this peer organization. Over the years WCRP has continued to meet certification standards, and in 2014 application was submitted against an expanded and more rigorous set of standards. Once reviewed and approved, WCRP will continue its unbroken tradition as an AGRiP recognized organization of excellence.

Jill Lowe, Continued from page 17

Webinars – A search engine has been added to the Pool’s website due to the large number of sample policies and white papers available for member counties. WCRP continues to focus efforts on recording training sessions and webinars for its website.

HELPLine, Certified Public Officials Program, and Labor Relations Institute – These programs provide additional resources specific to Washington State employment law, and provide county officials the tools to enhance leadership and decision-making ability.

2013-14 TRAINING SNAPSHOT

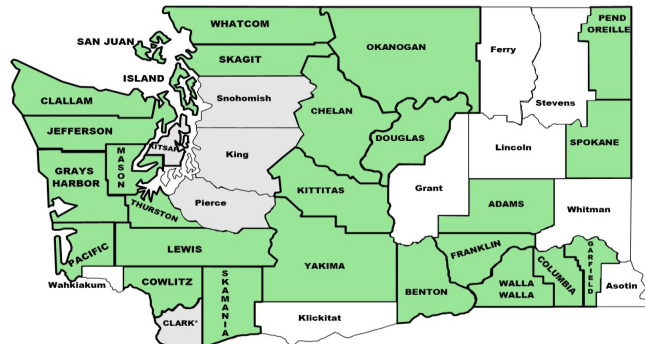


MEMBERSHIP Py2014

- Adams
 - Benton *
 - Chelan
 - Clallam *
 - Clark (thru 4-28-14)
 - Columbia
 - Cowlitz *
 - Douglas
 - Franklin *
 - Garfield *
 - Grays Harbor*
 - Island
 - Jefferson *
 - Kittitas
- Lewis *
 - Mason *
 - Okanogan
 - Pacific *
 - Pend Oreille
 - San Juan
 - Skagit
 - Skamania *
 - Spokane *
 - Thurston *
 - Walla Walla
 - Whatcom *
 - Yakima

* Founding Member

2013 - 2014 WCRP Members (from 4-29-2014)



Element	WCRP	
Population	2,409,555 (35%)	WCRP Member Counties
Square Miles	44,958 (68%)	Individually Self-Insured
County Road Miles	22,320 (57%)	* Clark County, as of 4-29-2014

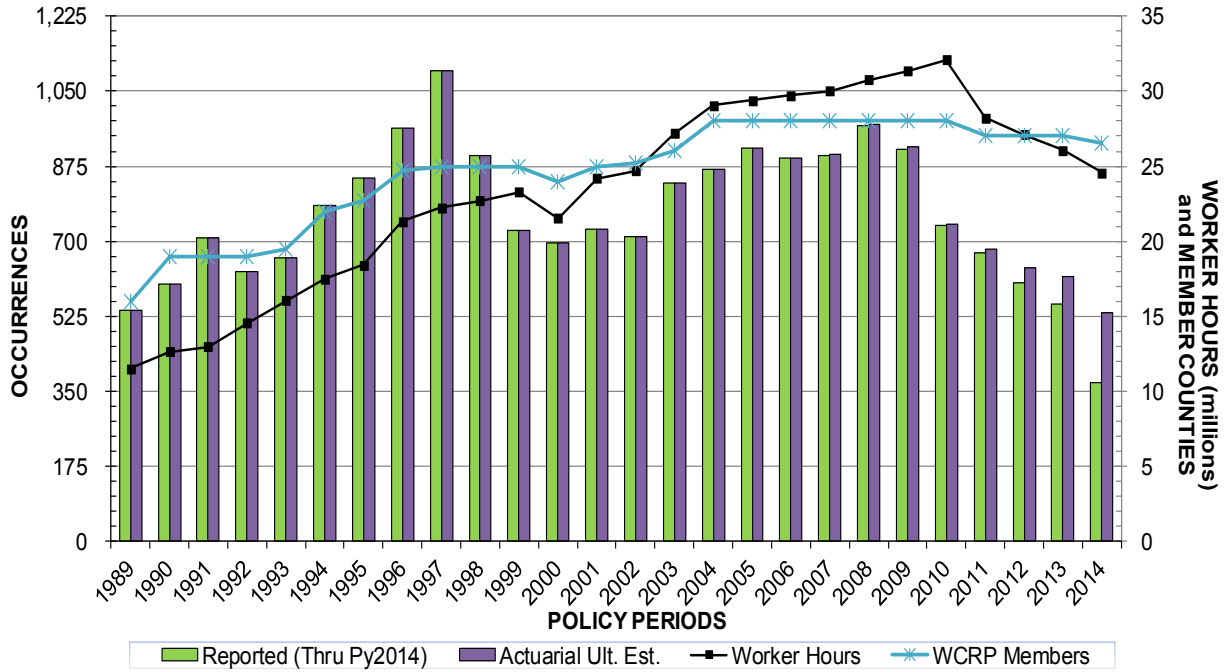
	WCRP Members	State	% of State
Population	2,441,450	6,968,170	35%
Area (Sq. Miles)	44,958	66,456	68%
County Road Mileage	22,308	39,207	57%
# Bridges	2,063	3,281	63%
# Vehicles	6,956		
# Worker Hours	22,682,358	N/A	N/A



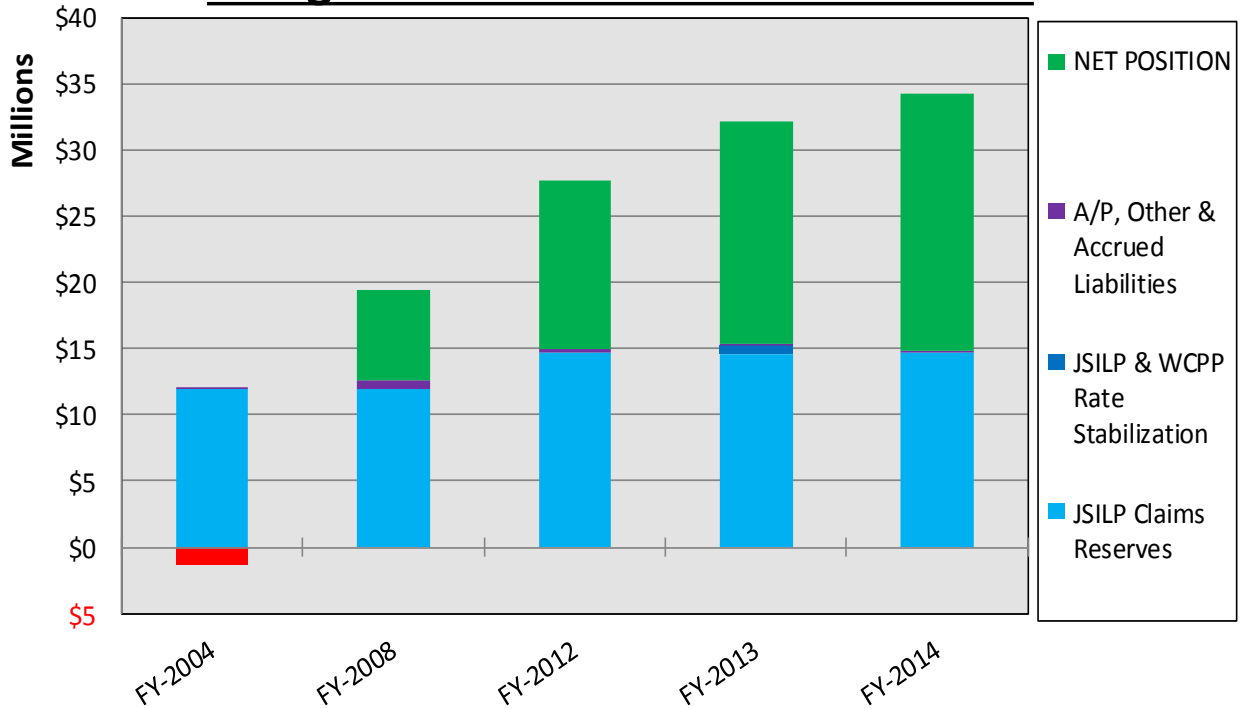
Washington Counties Risk Pool

FREQUENCY of 3rd-PARTY LIABILITY OCCURRENCES

Summarized Data at the close of Py2014



Categorized Liabilities & Net Position



WASHINGTON COUNTIES RISK POOL
COMPARATIVE STATEMENT OF NET POSITION



AUDITED				
FY-2004	FY-2008	FY-2012	FY-2013	FY-2014

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 10,897,279	\$ 19,317,651	\$ 21,544,798	\$ 17,745,096	\$ 8,733,724
Cash and Cash Equivalents - Restricted			14,695,575		
Investments	300,000	-		26,135,502	33,265,546
JSILP Deductibles, Reinsurance & Excess Recepta-	1,966,318	2,639,448	1,019,378	524,721	2,697,024
JSILP Assessments Receivable	2,460,710	943,787	897,477	892,124	1,263,222
Member Reassessments Receivable	4,350,187	-			
WCPP Assessments Receivable		412,721	2,857,829	702,421	369,702
Prepaid Expenses	-	6,647,496	3,500	4,375	2,960
Other Accounts Receivables	-	-	140,530	13,569	11,672
TOTAL CURRENT ASSETS	\$ 19,974,494	\$ 29,961,103	\$ 41,159,087	\$ 46,017,808	\$ 46,343,850

NONCURRENT ASSETS:

Total NonCurrent Assets	\$ 558,386	\$ 1,103,766	\$ 950,134	\$ 919,442	\$ 1,069,560
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TOTAL ASSETS	\$20,532,880	\$31,064,869	\$42,109,221	\$46,937,250	\$47,413,410
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LIABILITIES:

CURRENT LIABILITIES:

Claims Reserves - "SIR"					
Reserves for Open Claims	\$ 4,023,310	\$ 2,898,097	\$ 2,486,685	\$ 1,029,553	\$ 807,091
IBNR Claims Reserve	7,326,163	4,395,431	1,814,161		
Claims Reserves - "Corridor(s)"					
Reserves for Open Claims		1,225,000	4,853,147	2,017,431	2,106,958
IBNR Claims Reserve		2,577,571	4,554,868		
Accounts Payable	35,990	591,462	117,772	44,729	103,385
Unearned Revenue - Members Assessments	9,692,978	11,680,556	14,339,071	14,797,219	13,148,498
TOTAL CURRENT LIABILITIES	\$ 21,078,441	\$ 23,368,117	\$ 28,165,704	\$ 17,888,932	\$ 16,165,933

NONCURRENT LIABILITIES:

Claims Reserves - "SIR"					
Reserves for Open Claims				\$ 1,973,957	\$ 1,611,469
IBNR Claims Reserve				410,985	274,425
Claims Reserves - "Corridor(s)"					
Reserves for Open Claims				2,545,642	4,501,089
IBNR Claims Reserve				5,472,852	4,232,871
"\$8Mx\$2M 10% Quota Share" Reserve				150,000	130,000
Reserve for ULAE	\$ 643,552	\$ 860,564	\$ 986,717	1,015,285	1,015,858
Accrued Liabilities (Compensated Absences)	60,820	57,684	93,783	93,662	112,594
JSILP Rate Stabilization Account				661,000	-
WCPP Rate Stabilization Account				2,090	-
TOTAL NONCURRENT LIABILITIES	\$ 704,372	\$ 918,248	\$ 1,080,500	\$ 12,325,473	\$ 11,878,306

TOTAL LIABILITIES	\$ 21,782,813	\$ 24,286,365	\$ 29,246,204	\$ 30,214,405	\$ 28,044,239
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NET POSITION:

Restricted - WAC 200.100.03001(3) Compliance			\$ 797,841	\$ 920,000	
Restricted - WCRP Underwriting Policy Section D	\$ (1,808,319)	\$ 5,674,738	4,036,935	11,580,000	
Restricted - Franjo Beach Property Recovery			-	-	
Capital Assets Net of Debt	558,386	1,103,766	950,134	919,442	1,069,560
Non Restricted Net Position	-	-	7,078,107	3,303,403	18,299,611

Total Net Position	\$ (1,249,933)	\$ 6,778,504	\$ 12,863,017	\$ 16,722,845	\$ 19,369,171
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TOTAL LIABILITIES AND NET POSITION	\$20,532,880	\$31,064,869	\$ 42,109,221	\$ 46,937,250	\$ 47,413,410
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WASHINGTON COUNTIES RISK POOL
STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN WCRP NET POSITION

	AUDITED				
	FY 2004	FY 2008	FY 2012	FY 2013	FY 2014

OPERATING REVENUES:

Member Assessments -- Liability Coverage	\$ 9,544,842	\$ 9,141,287	\$ 11,648,053	\$ 11,487,536	\$ 11,727,035
Member Assessments -- Property Insurance		2,322,428	2,799,807	2,927,485	3,072,645
Reassessments for Prior Years	2,100,000				
Miscellaneous Operating Income	42	100,000	107,627	150,000	150,000
Total Operating Revenues	\$ 11,644,885	\$ 11,563,716	\$ 14,555,487	\$ 14,565,021	\$ 14,949,680

OPERATING EXPENSES:

Current Year's SIR Reserve	\$ 1,900,000	\$ 1,264,343	\$ 1,605,472	\$ 1,531,606	\$ 1,259,129
Prior Years' SIR Reserves Adjustment	1,150,769	(251,088)	(1,913,306)	(1,905,071)	(1,075,806)
Current Year's "Corridor" Reserve		1,825,000	2,375,000	3,600,000	3,625,000
Prior Years' "Corridor" Reserves Adjustment				(1,795,695)	360,768
Current Year's "10% \$8Mx\$2M QS" Reserve				150,000	-
Prior Years' "Quota-Shared" Reserve Adjustment					(20,000)
Reserve for ULAE	93,552	40,932	142,510	28,568	573
Reinsurance Premiums	6,790,566	3,806,063	5,602,250	3,199,125	3,593,317
10x10 Excess Insurance Premiums	303,025	302,581	454,345	480,125	505,630
Optional 5x20 Excess Insurance Premiums		82,209	56,513	66,365	70,205
JSILP Rate Stabilization Account				730,000	-
Property Insurance Premiums		2,260,094	2,726,208	2,798,095	2,959,396
WCPP Rate Stabilization Account				2,090	-
Depreciation Expense	64,282	70,947	55,831	51,673	70,000
Operating Expenditures	915,451	1,341,814	1,677,653	1,879,943	1,884,321
Total Operating Expenses	\$ 11,217,645	\$ 10,742,895	\$ 12,782,476	\$ 10,816,824	\$ 13,232,533

Operating Income	\$ 427,240	\$ 820,821	\$ 1,773,011	\$ 3,748,197	\$ 1,717,147
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NON OPERATING REVENUES (EXPENSES):

Interest Income	\$ 74,129	\$ 630,365	\$ 47,004	\$ 150,638	\$ 219,858
Rental Income on Suites 104 & 110		10,314	17,269	30,731	34,996
Suite Rental Expenses		(2,114)	(6,319)	(5,215)	(8,587)
Gain (Losses) on Capital Asset Disposition	2,700	-	2,000		19,778
Miscellaneous Income		855	-	1,487	2,133
Fraud: Recovery of Franjo Beach Property				(66,010)	
Total Nonoperating Revenues (Expenses)	\$ 76,829	\$ 639,420	\$ 59,954	\$ 111,631	\$ 268,177

CHANGES IN NET POSITION	\$ 504,069	\$ 1,460,241	\$ 1,832,965	\$ 3,859,828	\$ 1,985,325
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TOTAL NET POSITION, Beginning of Year	\$ (1,754,002)	\$ 5,318,264	\$ 11,030,052	\$ 12,863,017	\$ 16,722,845
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Prior Year Adjustment 661,000

TOTAL NET POSITION, End of Year	\$ (1,249,933)	\$ 6,778,505	\$ 12,863,017	\$ 16,722,845	\$ 19,369,171
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Statement of Cash Flow



For the Fiscal Years Ended September 30, 2014 and 2013

	<u>Year Ended</u> <u>9/30/2014</u>	<u>Year Ended</u> <u>9/30/2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from Members & Insurers	\$ 11,092,175	\$ 17,085,548
Cash payments for goods and services	(12,089,617)	(8,639,520)
Cash payments to employees for services	(931,946)	(896,452)
Net Cash Provided (Used) by Operating Activities	\$ (1,929,388)	\$ 7,549,576
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Equipment & Building	\$ (234,811)	\$ (20,981)
Cash from Rental of Office (net)	26,409	25,516
Non Operating Miscellaneous Income	2,133	1,485
Bad Debt Expense -- Franjo Beach Property Recovery	-	(66,010)
Gain on Sale of Assets	34,472	-
Net Cash Provided (Used) from Capital and Related Financing Activities	\$ (171,797)	\$ (59,989)
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest Income	\$ 219,858	\$ 150,638
Net Cash Provided (Used) by Investing Activities	\$ 219,858	\$ 150,638
Increase (Decrease) in Cash and Cash Equivalents	\$ (1,881,327)	\$ 7,640,225
Cash and Cash Equivalents - Beginning of the Year	\$ 43,880,599	\$ 36,240,373
Cash and Cash Equivalents (including restricted) - End of the Year	\$ 41,999,271	\$ 43,880,599
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 1,717,147	\$ 3,748,197
Adjustments to Reconcile Net Operating Income to Net Cash provided (used) by Operating Activities:		
Depreciation Expense	70,000	51,672
Decrease (Increase) in Accounts Receivable	(2,208,784)	2,782,378
Increase (Decrease) in "SIR" Reserves	(721,509)	(886,350)
Increase (Decrease) in "8x2 10% Quota Share" Reserve	(20,000)	150,000
Increase (Decrease) in "1st/2nd Layers' Corridor" Reserves	804,992	627,910
Increase (Decrease) in Reserve for ULAE	573	28,568
Increase (Decrease) in JSILP Stabilization Account	-	661,000
Increase (Decrease) In WCPP Stabilization Account	(2,090)	2,090
Increase (Decrease) in Unearned Revenue	(1,648,721)	458,148
Increase (Decrease) in Accounts Payable	58,656	(73,043)
Increase (Decrease) in Accrued Liabilities	18,932	(121)
Increase (Decrease) in Prepaid Expenses	1,415	(876)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (1,929,388)	\$ 7,549,577
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	\$ -	\$ -



Washington Counties Risk Pool

CLAIMS DEVELOPMENT October 1, 2005 - September 30, 2014

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1. Required Contribution and investment revenue:										
Earned	12,042,031	13,182,912	12,221,809	12,203,136	11,993,561	14,732,223	14,122,973	14,602,491	14,715,659	15,169,538
Ceded	7,019,288	6,398,439	3,772,810	3,806,063	3,697,000	5,480,000	5,480,000	5,602,250	3,199,125	3,593,317
Net earned	5,022,743	6,784,473	8,448,999	8,397,073	8,296,561	9,252,223	8,642,973	9,000,241	11,516,534	11,576,221
2. Unallocated expenses	1,590,008	2,955,343	4,148,923	4,098,577	4,528,441	4,880,297	4,728,089	5,113,060	6,036,859	5,490,125
3. Estimated claims and expenses end of policy year:										
Incurred						14,000,000	13,000,000	10,200,000	8,000,000	7,300,000
Ceded						9,750,000	8,950,000	6,375,000	3,125,000	2,875,000
Net incurred	1,510,000	1,850,000	3,895,000	3,875,000	4,075,000	4,250,000	4,050,000	3,825,000	4,875,000	4,425,000
4. Net paid (cumulative) as of:										
End of policy year:	0	100,676	75,153	87,032	0	41,325	42,951	193,680	19,510	0
One year later	161,478	443,146	207,883	227,021	197,532	519,161	648,326	380,131	929,023	
Two years later	294,511	1,001,021	751,102	541,119	605,051	477,611	959,084	1,133,512		
Three years later	773,209	1,251,293	1,278,211	1,244,824	1,071,363	1,049,714	1,664,193			
Four years later	974,077	1,414,271	1,654,586	2,066,751	1,437,932	2,180,521				
Five years later	1,066,499	1,462,579	2,071,627	2,267,997	1,951,969					
Six years later	1,068,789	1,488,882	2,113,346	2,336,472						
Seven years later	1,068,789	1,488,881	2,123,298							
Eight years later	1,068,789	1,488,881								
Nine years later	1,068,789									
5. Reestimated ceded claims and expenses	5,587,673	12,224,511	9,910,450	6,528,605	9,140,000	8,700,000	8,950,000	6,375,000	3,125,000	2,875,000
6. Reestimated net incurred claims and expenses:										
End of policy year:	1,510,000	1,850,000	3,895,000	3,875,000	4,075,000	4,250,000	4,050,000	3,825,000	4,875,000	4,425,000
One year later	1,610,000	2,345,000	3,770,000	3,700,000	3,875,000	4,300,000	3,575,000	3,500,000	4,670,000	
Two years later	1,890,000	2,575,000	3,350,000	3,200,000	3,660,000	3,745,000	3,235,000	3,175,000		
Three years later	1,540,000	2,060,000	3,519,745	2,971,395	3,472,159	2,475,172	3,015,000			
Four years later	1,320,000	1,579,433	3,089,550	2,664,731	2,694,107	3,014,417				
Five years later	1,103,064	1,575,489	2,946,327	2,547,037	2,434,747					
Six years later	1,069,664	1,488,882	2,481,812	2,617,037						
Seven years later	1,068,789	1,488,881	2,568,243							
Eight years later	1,068,789	1,488,881								
Nine years later	1,068,789									
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	(441,211)	(361,119)	(1,326,757)	(1,257,963)	(1,640,253)	(1,235,583)	(1,035,000)	(650,000)	(205,000)	0



The Washington Counties Risk Pool
 2558 R.W. Johnson Rd SW, Suite 106; Tumwater WA 98512-6103
 Phone: (360) 292-4500
www.wcrp.info

REQUEST FOR INFORMATION:

The information included in this report is designed to provide a general overview of the Washington Counties Risk Pool. Questions concerning this information, or requests for additional information, should be addressed to Executive Director Vyrle Hill or Accounting Officer Sue Colbo.