

MINUTES
WASHINGTON COUNTIES RISK POOL
OLYMPIA, WA. - AUGUST 31, 1988

Attendance:

President - Bill Vogler, Grays Harbor County Commissioner
Vice President - Shirley Van Zanten, Whatcom County Executive
Treasurer - Deborah Cone, Kitsap County Dir. of Internal Mgmt.
Secretary - Vyrle Hill, Pacific County Administrative Officer
Benton County - John Crawford, Deputy Prosecuting Attorney - Dir.
Cowlitz County - Dick Maruhn, County Commissioner - Dir.
 Frank Bishop - Dir. of Budget/Personnel - Alt.
 Rick Spangenberg - Risk Manager
Franklin County - Bruce Whitemarsh, County Commissioner - Dir.
Jefferson County - B. G. Brown, County Commissioner - Dir.
Spokane County - Keith Shepard, County Commissioner - Dir.
 Claude Cox, Safety/Loss Control Manager - Alt.
Clallam County - Marjorie Upham, Risk Manager - Dir.
Grays Harbor County - Rose Elway, Director of CS/Budget - Alt.
Kitsap County - Al Hatton - Risk Manager
Lewis County - Gary Ely, County Commissioner - Dir.
Mason County - Mike Gibson, County Commissioner - Dir.
 Chris Freed - Budget Director - Alt.
Thurston County - Steve Zimmerman - Alt.
ARM Tech - John Haywood - Consultant
Corroon & Black - John McCadam - Broker
 Steve Hullin - Broker
 Angela Terry - Broker

The meeting was called to order at 10:00 a.m. by President Vogler. It was noted that the minutes of the August 18, 1988 WCRP Board of Directors meeting would need to be corrected to reflect a Board meeting today rather than an Executive Committee meeting.

Financial Report:

Barbara Stevens, WSAC, presented a current report for the activities of the WCRP Steering Committee. She noted that Cowlitz and Skamania Counties' payments totaling \$456,279.26 were invested in a 2-week CD through 9/1/88. The investment had earned \$1,248. Also, Grays Harbor and Whatcom Counties' payments were submitted today.

Financial Plans:

Treasurer Cone suggested that the checking account from the Steering Committee's operations be used for the interim WCRP expenses. She also noted that a 2-3 month cash flow needed to be determined and covered by the operating budget and suggested that all other WCRP funds be established in a special account within the Kitsap County treasury and invested by the Kitsap County Treasurer.

Excess Insurance:

Steve Hullin gave a quick report on their seeking excess

insurance for WCRP. He noted that eight counties still had not submitted their updated report on claims in excess of \$50,000. He also noted that the premium for the excess insurance would need to be paid within 20 days of the effective date of coverage. He said that is still expected to be between 10/15/88 and 11/1/88. As such, payment would probably be needed by 11/1/88.

Financial Plans (con't.):

Discussion focused upon various options for investment services. These included private institutions, a member County's Treasurer, and the State Treasurer's investment pool direct or through a member County's Treasurer.

John Crawford noted that county treasurers will usually want a resolution authorizing investments. John Haywood cautioned using a county treasurer. President Vogler noted that county treasurer would be convenient.

Treasurer Cone said that her suggestion was interim until WCRP is staffed; then investments could be handled by staff. John McCadam noted that the insurance industry takes a very "jaundice look" at investing in a manner other than through a private financial/banking firm.

While Haywood noted that the private institution will normally pay a higher rate, Crawford said the statute limits the types of investments the Pool can utilize. President Vogler said that we have to "toe the line" since the Pool would be subject to audit by the State Auditor.

Treasurer Cone moved to maintain the operating fund investments in the manner established and that the premium deposits being received from member counties be invested with the Kitsap County Treasurer for the interim. Director Shepard seconded the motion.

Director Brown expressed concern that the authorized signatures needed to be changed. Vice President Van Zanten asked for clarification of "interim".

Director Shepard moved to amend the motion to direct the investment of the current approximately \$1.3 million for a period of 60 days. The motion was seconded by Director Gibson.

Alternate Zimmerman questioned whether this investment would provide necessary liquidity and options for further investment policy.

The motion carried by voice vote.

The amended motion authorizing the interim investment of all premium deposits, present and due, with the Kitsap County Treasurer for a period of 60 days then carried by voice vote.

Alternate Zimmerman moved that the WCRP Treasurer be directed to invest WCRP funds with the advice of the Finance Committee keeping in mind the needs for excess insurance premium and liquidity for future financial policy modification. The motion was seconded by Director Whitemarsh and carried by voice vote.

Treasurer Cone noted that Bill Benson - Skamania County, Chris Freed - Mason County, and Tom Sutberry - Whatcom County were selected to serve on the Finance Committee.

A resolution authorizing and directing the Kitsap County Treasurer to invest WCRP funds with interest to be returned to WCRP will be prepared and ready for action before the end of the day.

Director Shepard asked for a copy of the bylaws and any other relative materials. He also asked if a travel policy for directors had been agreed to yet. President Vogler agreed to refer this to a committee for consideration soon.

Director Shepard also questioned fidelity bonding for those authorized to handle WCRP funds. John Haywood to work with Corroon and Black to obtain necessary coverages for directors, officers and employees of the Pool.

Okanogan County's Questions:

John Haywood noted that some formula should be established to handle obligations in excess of the Pool's available resources. Regarding retrospective rating, he noted that it would be permissible to tie some adjustment to future premiums based upon loss history. Director Shepard said that there has to be an assessment as the Pool is really just a reciprocal arrangement. President Vogler stated that a written policy would need to be formulated to deal with retrospective rating on future premium.

Question #2 was referred to the Planning Committee to prepare a position statement for the Board's consideration at a later meeting. John McCadam offered to draft the response for the Committee.

Regarding question #3, it was agreed that all except a physician

would be covered.

While it was generally accepted that coverage would be afforded for such things as improper spraying and unintentional use of the wrong chemical, but not for improper disposal of chemicals considered to be hazardous wastes, John Haywood noted that the Pool would eventually have to decide whether it would use its own policy form or that of the excess carrier. It was also generally agreed to that weed control/spraying risks should be transferred by contract as much as possible.

The Okanogan questions were referred by President Vogler to Corroon and Black to draft a response for the Planning Committee's consideration. Following Planning Committee's approval, President Vogler to sign and send to Okanogan County. Copy of response to be forwarded to each member county.

Effective Date of Coverages:

Consultant Haywood noted that the date that coverage is to become effective has slipped several times, that most pools start without any excess coverage, and that October 15th would be the earliest date that excess coverage would be available for the WCRP if we were to wait. He also noted that WCRP is actuarially sound up to \$1.0 million per occurrence and that one option that might be considered was to begin coverage October 1, 1988 with a \$1.0 million per occurrence WCRP-funded limit and tie in the excess coverage as soon as it becomes available.

President Vogler noted that this would mean the Pool would be subject to the additional \$500,000 coverage until the excess becomes effective with this proposal. He also said that a \$5.0 million plan has generally been sold.

Vice President Van Zanten said that if WCRP doesn't start with \$1.0 million coverage October 1st, then those member counties that are self-insured still have nothing for their premium.

B. G. Brown suggested that those with present policies better than the \$1.0 million should maintain them until excess coverage is available. He also noted that the Pool must be honest and direct and that he could see nothing negative with a \$1.0 million offer beginning October 1st.

Frank Bishop felt that the Pool must be clear and honest on the \$1.0 million initial coverage and that the \$5.0 million total coverage will be available later.

Concern was expressed about the State Risk Manager's approval. Mr. Haywood noted that the \$5.0 million coverage was simply a

goal. He also noted that offering less than that amount would not affect the approval of the Pool by the State.

The Brokers noted that the excess carriers had not yet been approached. Vice President Van Zanten asked if there would be any difficulty with obtaining excess insurance, was it available. John McCadam said excess insurance was available, that price would be the variable. Mr. Hullin said that the final excess amount agreed to may be less than the amount the \$4.5 million that has been planned for.

Claude Cox noted that the delays were not really the fault of the Pool, rather the delay on the part of the member counties to act officially upon the commitment.

President Vogler suggested that a cover letter be sent to each member county which was clear about coverage amounts and dates.

Director Ely expressed concern about the costs of excess coverage. Mr. Haywood noted that pool's tend to operate outside traditional insurance and if WCRP waits for excess then there is no real difference from the regular market. He said that WCRP may decide to purchase a lesser amount of excess, such as \$3.0-4.0 million, if it is found to be more reasonable. Mr. McCadam agreed. They noted that there would be excess coverage available, the actual amount agreed upon would be the question.

Director Shepard noted that Spokane County's decision to join was based upon a close representation of coverage purchased to premium paid, not 60% of coverage represented. He said, if given the chance, some counties may decline participation.

President Vogler again noted that a fair statement needed to be provided well in advance of October 1st stating that WCRP would have all the numbers including some options of coverages and costs.

Director Whitemarsh moved that the effective date for WCRP coverage be established as October 1, 1988 with the understanding that coverage would be limited to WCRP's \$1.0 million retention for each occurrence until such time that excess insurance can be provided. The motion was seconded by Director B. G. Brown and approved.

Interim Management:

Consultant Haywood's written report was circulated and reviewed by those present. He noted that there were various firms that could provide part or all of these services.

President Vogler noted that the next 60-90 days would be critical and that the Pool would have to operate without permanent staff. He mentioned that the ARM Tech proposal being reviewed was more inclusive, but similar to that that had been envisioned.

He said that Gary Lowe, WSAC Assistant Executive Director, would serve as interim Executive Director and John Crawford, Benton County's Deputy Prosecuting Attorney, would assist for the next 90 days while permanent staff was sought and obtained. He said that he felt WCRP couldn't work by committee and meet deadlines.

He said in his opinion, the question was "Do we ask ARM Tech to extend its contract to provide interim management services or do we use our own resources - WSAC, Crawford, etc.?"

Treasurer Cone said the idea sounded good. She suggested that we use the ARM Tech outline and give the work assignments to our staff (WSAC and Benton County).

Director Shepard asked if they idea had be discussed and cleared with appropriate officials? Jim Metcalf, WSAC Executive Director, was present to respond. He noted that 90 days should not cause a significant problem. He also noted that Mr. Lowe had given considerable time to the Pool's efforts already. Mr. Metcalf said that WSAC could accommodate up to one-half of Mr. Lowe's time for the Pool. He emphasized though that this was with the understanding that a new director would be on board by the 1st of November.

Mr. Crawford said he had discussed his options with his Prosecutor and his Board. He said they would allow him to commit approximately up to one-half time. Benton County also suggested keeping the accounting simple by just reimbursing the County for the Pool's portion of John's salary on a proportionate basis together with paying out-of-pocket expenses.

President Vogler mentioned that Claude Cox might be utilized for Loss Control/Risk Management efforts as well. He reiterated that the Pool would be responsible for up to 50% of salaries and benefits plus travel expenses for Gary, John and/or Claude.

Director Maruhn moved to appoint Gary Lowe as Interim Director under appropriate agreement with WSAC and John Crawford, under agreement with Benton County, to assist Mr. Lowe with those functions, each on a half-time basis.

Steve Zimmerman asked if staff would review Mr. Crawford's

proposal and provide the Board with and update for proceeding ahead. Mr. Vogler said they would, but they would proceed with the tasks unless there was some sort of "glowing omission".

The motion was seconded and carried.

Keith Shepard moved to authorize Gary Lowe and John Crawford to be signatures to the Pool's bank accounts and that it would require two signatures for action. The motion was seconded and passed.

Consultant Report:

A revised actuarial report was presented. The discussion focused upon the needs and resources in future years. Mr. Shepard raised questions about the viability of WCRP because the income seemed barely sufficient to pay administrative costs and buy excess insurance. John McCadam noted that there would be a lag between claims and settlements which would allow amounts to be carried forward to cover the losses as they are paid.

Steve Zimmerman noted the numbers weren't much different than those originally used. He asked if the counties billings would be adjusted. President Vogler responded, "No!"

Vice President Van Zanten noted that Whatcom County had struggled with the second and future year premiums. She noted that they had anticipated a second year premium somewhere between the first-year premium and the reduced deductible rate. She said that they realized that even with the worst case, the cost would be affordable compared to existing costs and coverages.

Frank Bishop said that the Pool had been marketed with the understanding that the 2nd year premium would be somewhere between the 1st year rate and the final deductible rate. He said that the Pool would need to be marketed to obtain more counties to reduce our costs.

Treasurer Cone said that Kitsap County had assumed the 2nd-year rate would be as shown in the deductible amount column.

President Vogler said that he had consistently expressed "no guarantees" on the second year rate, but that we would rely on the results of the actuarial report.

Mr. Haywood said he would review the concerns with the actuaries and report back at a future meeting.

Investment Resolution:

Treasurer Cone circulated a proposed investment resolution to

utilize the Kitsap County Treasurer's investment services.

Secretary Hill moved approval of the proposed resolution regarding investment of Pool funds in the Kitsap County Treasury. The motion seconded and passed.

Brokers' Report:

President Vogler asked about tail coverage. Mr. Hullin said tail coverage was only available in very limited fashion at 30-40% of regular premium and that the Pool should offer nothing which is more than the market would offer.

He said they see three phases. First, the county that presently has coverage can exercise their right to obtain tail coverage within 60 days of cancellation. Second, the actuary is presently evaluating a rate that the Pool might consider using to provide tail coverage. Last, they were examining the possibility of underwriting tail coverage for at least those counties that are not insured, especially Spokane, since they have expressed that as a condition to be met to join the Pool.

President Vogler noted that a separate premium would have to be collected from those wishing tail coverage. Mr. Haywood said the Pool would want a separate fund for paying claims from tail coverage as well as the separate premium.

President Vogler also noted that generally there was a period for filing claims upon cancellation and/or termination of the "claims made" policies. He said every possible claim should be filed to insure coverage.

Mr. Hullin also noted that Asotin, Franklin, Jefferson, Pacific and Skamania Counties had not yet responded to the request for an update of claims in excess of \$50,000. He said it was needed as soon as possible to complete underwriting proposal.

Contracts Review:

ARM Tech. President Vogler referred the issue to staff for its review and asked them to respond to the Board at the next meeting.

President Vogler also noted the need for contracts with Corroon and Black as Brokers and GAB for claims adjustment to formalize the relationships earlier established with the Steering Committee. He further noted that contracts/agreements with WSAC and Benton County for interim staff services were needed and asked staff to have proposals prepared for the next meeting.

Claude Cox noted that Spokane County would like to see consideration be given to the location of the permanent office, since they have an additional two and one-half hour travel, must work the airport, and must rent a car to commute to Olympia and back. President Vogler noted that consideration should be given to at least holding meetings at or near the airport and to begin at 9:00 instead of 10:00 a.m..

Other Business:

B. G. Brown moved to allow staff (Gary and/or John) to attend PRIMA's "Managing Pools" seminar in San Diego (October 20 and 21). The motion was seconded and passed.

Keith Shepard moved to have the Pool join PRIMA; the motion was seconded and carried.

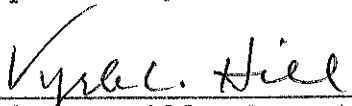
Steve Hullin was to obtain fidelity and other necessary coverages for the Pool. He suggested that the Pool pursue a CPA for use soon.

Meeting schedule: The Executive Committee will meeting in Long Beach September 28th at 1:00 p.m. prior to the joint Western/Puget Sound Districts WSAC meetings. Agenda items to include Tail Coverages, Excess Insurance and Committee reports.

The Planning Committee will meet at 9:30 a.m. September 15th at Sea-Tac; the Finance Committee the same day and location, but beginning at 3:30 p.m.; and the Operations Committee at the WA Co. Bldg. in Olympia September 16th at 9:00 a.m..

The meeting was adjourned at 2:40 p.m..

Respectfully submitted,


Vyrle L. Hill, Secretary

Approved: 10 / 28 / 88


William F. Vogler, President