

# Annual Report 2009



**WASHINGTON  
COUNTIES  
RISK POOL**

*Created by Counties for Counties*

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[www.wcrp.info](http://www.wcrp.info)



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On the front cover: *Colorful sunrise over Mt. Rainier*  
On the back cover: *Sunrise from Olympia*  
(Photos ~ C. Thompson)



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## Washington Counties Risk Pool

Created *by* Counties *for* Counties

# Annual Report 2009

### CONTENTS

Governance. . . . .	4
Officers' Messages . . . . .	5
Membership. . . . .	6
Organization Summary. . . . .	7-8
SAO/OFM Financial Examinations . . . . .	9
Administrative Staff. . . . .	10
Executive Director's Message . . . . .	11
Liability Insurance Summary. . . . .	12
Property Insurance Summary. . . . .	13
Claims Summary. . . . .	14-15
Member Services Summary. . . . .	16
Loss Control Summary. . . . .	17
Financial Summaries. . . . .	18-20
Claims Development . . . . .	21
10 Year Claims Summary Charts . . . . .	22-23



## GOVERNANCE

### WCRP BOARD OF DIRECTORS, POOL YEAR 2009

Member Director listed first, others are Alternate Directors

#### ADAMS

*Jeffrey Stevens*, Commissioner  
*Linda Reimer*, Clerk of the Board

#### BENTON

*Melina Wenner*, HR Dir./Risk Mgr.  
*Bryan Perry*, Safety/Training  
*David Sparks*, Co. Adm.

#### CHELAN

*Keith Goehner*, Commissioner  
*Cathy Mulhall*, Co. Adm.

#### CLALLAM

*Marge Upham*, HR Dir./Risk Mgr.  
*Toni Gilbert*, Safety/Training  
Officer  
*James Jones*, Co. Adm.

#### CLARK

*Mark Wilsdon*, Risk Manager  
*Bronson Potter*, Senior DPA

#### COLUMBIA

*Andrew Woods*, Co. Engr/Risk  
Manager  
*Dwight Robanske*, Commissioner

#### COWLITZ

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

#### DOUGLAS

*Steven Clem*, Pros. Atty.  
*Ken Stanton*, Commissioner  
*Thad Duvall*, Auditor

#### FRANKLIN

*Bob Koch*, Commissioner  
*Steve Lowe*, Pros. Atty.  
*Ryan Verhulp*, Chief Civil DPA/  
Risk Manager

#### GARFIELD

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

#### GRAYS HARBOR

*Mike Wilson*, Commissioner  
*Rose Elway*, Director,  
Management Services & Budget  
*Dale Gowan*, Director, Central  
Services

#### ISLAND

*Angie Homola*, Commissioner  
*Betty Kemp*, Director, General  
Services Adm.

#### JEFFERSON

*Philip Morley*, County Adm.  
*David Alvarez*, Chief Civil DPA

#### KITSAP

*Mark Abernathy*, Risk Manager  
*Ione George*, Senior DPA

#### KITTITAS

*Lisa Young*, HR Manager  
*Joseph Whalen, III*, HR Dir.  
*Judy Pless*, Budget & Finance  
Manager

#### LEWIS

*F. Lee Grose*, Commissioner  
*Harry Green*, Risk Manager  
*Paulette Young*, Safety Officer

#### MASON

*Lynda Ring Erickson*,  
Commissioner  
*Vacant*, awaiting designation  
*Ross Gallagher*, Commissioner

#### OKANOGAN

*Andrew Lampe*, Commissioner  
*Vacant*, awaiting designation

#### PACIFIC

*Bryan Harrison*, Co. Adm.  
*Jon Kaino*, Commissioner  
*David Burke*, Pros. Atty.

#### PEND OREILLE

*Diane Wear*, Commissioner  
*Laura Merrill*, Commissioner

#### SAN JUAN

*Donald "Pete" Rose*, Co. Adm.  
*Adina Cunningham*, Deputy Dir.,  
Administrative Services

#### SKAGIT

*Billia Kadrmas*, HR Dir./Risk  
Manager  
*Paul Reilly*, Civil DPA  
*Tim Holloran*, County Adm.

#### SKAMANIA

*Jim Richardson*, Commissioner  
*Marilyn Butler*, Admin. Services  
Director

#### SPOKANE

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

#### THURSTON

*Sandra Romero*, Commissioner  
*Tammy Devlin*, Risk Manager  
*Ed Holm*, Pros. Atty.

#### WALLA WALLA

*Jay Winter*, Personnel/Risk  
Manager  
*Gregg Loney*, Commissioner

#### WHATCOM

*Randall Watts*, Chief Civil DPA  
*Peter Kremen*, Co. Executive

#### YAKIMA

*Larry Peterson*, Senior DPA  
*Janet Kelley*, HR Program Analyst  
*James Hagarty*, Pros. Atty.

### Executive Committee Pool Year 2009 (Term Ending 9/30/XXXX)



**Mark Abernathy**  
Kitsap  
County  
2009



**Jay Winter**  
Walla Walla  
County  
2010



**Steve Clem**  
Douglas  
County  
2009



**Andrew Lampe**  
Okanogan  
County  
2010



**Rose Elway**  
Grays Harbor  
County  
2011



**Keith Goehner**  
Chelan  
County  
2011



**Marilyn Butler**  
Skamania  
County  
2010



**Steve Bartel**  
Spokane  
County  
2010



**Randy Watts**  
Whatcom  
County  
2009



**Lee Grose**  
Lewis  
County  
2011



**Tammy Devlin**  
Thurston  
County  
2011



## Washington Counties Risk Pool

*From Mark Abernathy, PY-2009 President*



**Mark  
Abernathy**  
Kitsap County,  
President 2009

On behalf of the Washington Counties Risk Pool, I am pleased to present the 2009 Annual Report. The integrity and determination of this organization and its employees were instrumental in meeting the risk management and insurance needs of its members in the face of the financial volatility experienced in our economy during the year. That integrity and determination is also reflected in the financial results for the 12-month fiscal period ending September 30, 2009. The WCRP ended the period with total assets of more than \$35 million, greater than a fifteen percent increase during the fiscal year. The actuarial confidence level grew to better than 98%, exceeding the goal set by the Pool's Board of Directors.

To remain successful, the Pool recognizes that the organization must continuously adapt to address an ever-changing risk environment, improve risk and insurance services, and continue to deliver real value to all its members. The guiding principle at WCRP is focused on financial viability, while providing stability in an insurance market that can be quite unstable. The delivery of viable insurance and risk management services is intended to bring peace of mind to the member counties through broad coverage and stable premiums.

The Pool's governing Board of Directors, eleven-member Executive Committee, multiple subcommittees, and ten-person staff further enhance the membership experience through regular meetings, networking, site visitations, training programs, surveys and audits. These programs, while not inexpensive, contribute greatly to the success of the WCRP by reducing claims, thereby ensuring the Pool's long term stability and viability.

Given the continuing financial challenges that are facing the membership in the next few years, the dedicated and capable staff remains ready to explore and find solutions to address these problems. I am very thankful for the experiences and opportunity for professional growth that serving as President of this tremendous organization provided me over the last year.

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*From Jay Winter, PY-2009 Secretary/Treasurer  
and PY-2010 President*



**Jay Winter**  
Walla Walla  
County,  
Secretary/  
Treasurer 2009  
and 2010  
President

Important opportunities and privileges come along from time to time in the assorted environments which many of us are involved with or serve in because of our roles. As the Risk Pool continues to evolve in its maturation process, I consider it a privilege to be engaged in leadership functions with those who are part of this organization and, in what I term, a team-oriented endeavor for counties.

Recent financial challenges occurring in the national and international arenas are indicative of stressful outcomes that are tied to previously made decisions. These have then produced major negative financial impacts to organizations and individuals on a national scale. Thus, these circumstances require the Risk Pool to maintain an acute awareness during our planning and decision-making processes. The ripples, or waves, from these influences have the potential for ultimate impacts on our being able to maintain a fiscally viable and beneficial risk management program for our counties, which we must evaluate in preparing for the future.

Finding the balance of funding the increasing costs for risk coverage and claims costs in the most appropriate ways without depleting further the local county budgets so drastically that the program may no longer be affordable must be a focus of continued study and analyses. As stated in one of our mission goals—"To provide comprehensive and economical risk coverage"—it makes sense to keep that in the forefront of our planning and decision-making discussions. That can only occur by keeping abreast of critical factors that will influence results for our decision paths.

Based on our Fall 2009 Board of Directors Conference, the above mission goal and another feature to "decrease costs in managing and litigation of claims," are really guiding principles for the ongoing discussions by the appointed task force reviewing our organizational business plan. It is with existing anticipation and confidence that our Executive Committee, Board of Directors, and Risk Pool staff will find solutions and responses that foster subsequent decisions producing the ability to move our Risk Pool along a path to achieve positive outcomes in concert with our defined mission. I look forward to being a part of that important, challenging process.





# Washington Counties Risk Pool

## Organization Summary 2009



**W**ashington Counties Risk Pool (WCRP) was formed August 18, 1988, by an Interlocal Agreement with an initial voting membership of 15 of Washington's 39 counties. Thirteen of the original counties began using WCRP programs and services immediately (October 1st), while the other two, along with four more, joined throughout the first year as their existing insurance programs expired. WCRP membership now stands at 28 counties.

WCRP was established to provide its member counties with "joint" programs and services, including self-insurance, purchasing of insurance, and contracting for or hiring of personnel to provide administrative services, claims handling and risk management. The WCRP operates under Washington's "pooling" laws, more specifically Chapter 48.62 via Chapter 39.34 RCW. It is overseen by the State Risk Manager with fiscal audits regularly performed by the State Auditor.

The Pool's enabling Interlocal Agreement was amended once in 2000 to add the Membership Compact, a commitment to strengthen the WCRP by helping its member counties implement and/or enhance local risk management efforts to reduce losses and support the best management of the WCRP and its resources. The Compact established member county obligations to support these goals through three major elements: membership involvement, risk control practices, and a targeted risk management program.

Members contract initially to remain in the Pool for at least five years. New members are also required to pay the Pool modest admittance fees to cover the members' share of organizational expenses and the costs to analyze data and risk profiles. Following the initial 5-year term, a county may terminate its membership at the conclusion of any Pool fiscal year if the county timely files the required advance written notice. Otherwise, the Interlocal Agreement is renewed automatically for another year. Even after termination, former members remain responsible for assessments from the Pool for any unresolved, unreported, and in-process claims for the periods they were signatories to the Interlocal Agreement.

The Pool is a cooperative program with joint liability amongst its participating members. Such contingent liabilities are established when assets are not sufficient to cover liabilities. This includes establishing reserves for both reported and unreported covered events, as well as estimates of the undiscounted future cash payments for losses and related claims adjustment expenses. Deficits resulting from any Pool fiscal year are financed by proportional reassessments against that year's membership. **The Pool's (re)assessments receivable balance at September 30, 2009 was ZERO.**

Member counties presently acquire \$20 million (with another \$5 million optional) of joint 3<sup>rd</sup>-party liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury, and includes public officials' errors and omissions, on an "occurrence" basis. And members select "occurrence" deductibles of \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. The initial \$10 million of coverage, less the Pool's retention (the greater of the member's deductible or \$100,000), is fully reinsured. The remaining limit, up to \$15 million, is

(Continued on page 8)



*(Continued from page 7)*

*acquired as "following form" excess insurance. There are no aggregate limits to the payments being made for any one member county or all member counties combined.*

*Member counties are required to timely submit their 3<sup>rd</sup>-party liability claims. Over half of the Pool's 10-person staff handles and/or manages the several hundred liability cases filed upon and submitted by the Pool's member counties annually. These claims professionals have more than seventy-five years combined claims-handling experience. The Pool's "open" file count remains fairly constant, hovering under 500 cases. Other staffers provide various member services including conducting risk assessments and compliance audits, coordinating numerous trainings, and researching other coverages and marketing, with some simply supporting the organization's administrative needs.*

*Property insurance, with composite limits of \$500 million for normal ("All Other Perils") coverage and \$250 million for catastrophe coverage, and with participant deductibles between \$5,000 and \$50,000, was added to the Pool coverage lines for Py2006 as an individual county option. Twenty-six counties purchased this program during some or all of 2009. Scheduled structures, vehicles, mobile equipment, EDP equipment, and equipment breakdown, etc., are covered. Participating jurisdictions are responsible for their claims' deductibles. The insurers are responsible for covered losses exceeding the participant deductibles to the maximum limits of the policy.*

*In addition, many members used the Pool's producer (broker) services to assist with other insurance coverage placements, e.g. public officials bonds, crime – fidelity, special events – concessionaires, and environmental hazards.*

*The Pool is governed by a board of directors consisting of one director (and at least one alternate director) designated by each member county's legislative authority. The board of directors, made up of both elected and appointed officials from the member counties, meets three times each year with the summer meeting being the Annual Meeting. The board is responsible for determining the 3<sup>rd</sup>-party liability coverage being offered (approving the insuring agreement or coverage document), the reinsurance program to acquire, the excess insurances to be jointly purchased or offered for optional purchase, and approving the Pool's annual operating budgets and work programs, as well as the member contribution/deposit/assessment formulas.*

*Oversight is furnished by an 11-person executive committee. The committee persons are elected by the Pool's board of directors from its membership during each Annual Meeting to staggered 3-year terms. The committee meets several times throughout the year to: approve all disbursements and examine the Pool's financial health; approve case settlements exceeding members' deductibles by more than \$50,000; evaluate the Executive Director's performance, the Pool's operations and its program deliverables; and participate in the standing committees (finance, personnel, risk management, and underwriting) for development or review/revision of the operational policies and coverage documents.*

*Professionals from some of the most respected organizations worldwide are called upon periodically to address specific needs of the Pool. For example, independent actuarial services have been furnished by PricewaterhouseCoopers, LLP; insurance brokerage and advanced loss control services are being provided by Arthur J. Gallagher Risk Management Services, Inc.; coverage counsel is provided by Stafford Frey Cooper; and special claims audits are performed regularly by the Pool's insurers and re-insurers. These professionals are in addition to the many counselors assigned by the Pool to defend tort cases.*





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## FINANCIAL EXAMINATION AND REPORTS FROM THE STATE AUDITOR



The State Auditor's Office independently serves the citizens of Washington by promoting accountability, fiscal integrity and openness in state and local government. Working with governments and citizens, it strives to ensure the efficient and effective use of public resources. According to RCW 43.09.26, "The examination of the financial affairs of all local governments shall be made at such reasonable, periodic intervals as the state auditor shall determine. ...local government self-insurance programs shall be made at least once every two years.

On every examination, inquiry shall be made as to the financial condition and resources of the local government; whether the Constitution and laws of the state, the ordinances and orders of the local government, and the requirement of the state auditor have been properly complied with; and into the methods and accuracy of the accounts and reports."

*The most recently published audit reports are available for viewing at:*

<http://www.sao.wa.gov/EN/Audits/Pages/Search/AuditReportSearch.aspx?AuditNumber=32368>

(In the left-side box labeled "*Entity Type*," select **Insurance Pool/Risk Management** before selecting **Washington Counties Risk Pool** from the right-side box.  
Select from the listed reports.)

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## LOCAL GOVERNMENT SELF INSURANCE PROGRAM EXAMINATION

The Office of Financial Management, 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 and individual or joint self-insured local government employee health/welfare (medical) benefit programs as provided in Chapter 48.62 RCW and WAC 82-60.

The mission of LGSI is to protect taxpayer resources by ensuring that local government owner/members are informed about the program's financial condition, participate in decisions which affect insurance services for entities they represent, and ensure compliance with laws and regulations designed to foster financially sound management practices. Their mission is accomplished through review and approval of new programs and continuing on-site examinations of approved programs. Collection of financial, membership and key data between examinations allows continuous monitoring of the programs.

*The most recently published examination reports are available for viewing at:*

<http://www.ofm.wa.gov/rmd/lgsi/poolrpts.asp>



# Washington Counties Risk Pool

## ADMINISTRATIVE STAFF

### ADMINISTRATION



**EXECUTIVE  
DIRECTOR**  
Vyrle Hill



**AUDITING/  
ACCOUNTING  
OFFICER**  
Sue Colbo



**ADMIN  
ASSISTANT**  
Claire Thompson

### MEMBER SERVICES DIVISION



**MANAGER**  
David Goldsmith



**LOSS CONTROL  
COORDINATOR**  
Jill Lowe

### CLAIMS DIVISION



**MANAGER**  
Susan Looker



**CLAIMS  
ANALYST**  
Mike Cook



**CLAIMS  
ANALYST**  
Candy Drews



**CLAIMS  
REPRESENTATIVE**  
Tammy Cahill



**CLAIMS  
ASSISTANT**  
Lisa Daly

## PROFESSIONAL SUPPORT

WCRP is backed by professionals with some of the best organizations worldwide:

**PricewaterhouseCoopers LLP**, for independent actuarial services

*Kevin Wick, FCAS, MAAA*  
*Craig Scukas, FCAS, MAAA*

**Arthur J Gallagher, Risk Management Services, Inc.**, for insurance brokerage  
& loss control services

*Mike Croke, ARM, Senior Vice President & Elizabeth Miser, Area Vice President*  
*Julie McCallum, Vice President, Risk Management Services & Tim Chace, Director of Risk Control*

**Local Government Self Insurance Program - State of Washington**

*Shannon Stuber, Program Administrator*

**Auditor - State of Washington**

*Hon. Brian Sonntag*



# Washington Counties Risk Pool

## From WCRP Executive Director *Vyrle Hill*

The presentation of this 2009 Annual Report of the Washington Counties Risk Pool (“the Pool” or “WCRP”) represents the formal conclusion of the Pool’s 21<sup>st</sup> operating year; that is, except for resolving some lingering cases. It has been my distinct pleasure to have been a part of this fine service organization throughout those years.

The Pool was created when a Steering Committee formed by the Washington State Association of Counties adopted a resolution and approved a motion during a meeting held August 18, 1988. 15 Washington counties were recognized as the Pool’s initial voting members. Membership grew to 19 counties during the first year of operation, and continued to grow – reaching the present 28 member counties mark six years ago. We’re hopeful that recent marketing efforts will result in even more of Washington State’s 39 counties becoming members of the Washington Counties Risk Pool over the course of the next few years.

The Pool’s success in part has resulted from the combined efforts of the professionals – actuaries, auditors, brokers and insurers – the Pool’s board of directors has employed, and to its professional and highly dedicated staff. Still, the contributions and involvement of the member counties’ elected and appointed officials and their employees serving as directors and alternate directors, officers and committeepersons has been the key to the Pool’s success, and it is this attribute that sets the Washington Counties Risk Pool apart from most of the other municipal pools. We would like to recognize and extend our special thanks to the longer-tenured board members still serving EOPy2009, along with their counties () of appointment. With at least...

20 Years: Marge Upham (Clallam), Rose Elway (Grays Harbor), Marilyn Butler (Skamania), and Steve Lowe (Franklin/Benton);

15 Years: Jay Winter (Walla Walla/WCRP/Lewis), Betty Kemp (Island), and Melina Wenner (Benton);

10 Years: Claire Hauge (Cowlitz), Randy Watts (Whatcom), Dean Burton (Garfield), Clyde Carpenter (Cowlitz), and Tammy Devlin (Thurston/Lewis); and

5 Years: Linda Reimer (Adams), Harry Green (Lewis), Mark Abernathy (Kitsap), Keith Goehner and Cathy Mulhall (Chelan), Steve Clem and Thad Duvall (Douglas), Bryan Harrison (Pacific), Billie Kadrmas (Skagit) and Rob Binger (Spokane).

**Joint Self-Insurance Liability Program:** The Pool has been providing its membership with occurrence-based, joint self-insured coverage for 3<sup>rd</sup>-party liabilities since October 1, 1988. Coverage limits have grown over time, from the \$1 million limit that existed during the initial two months, to \$5 million, then \$10 million and on to \$15 million before reaching the \$20 million limit that has existed the past six years. (Note: \$5 million additional limits were available several years as individual county options.)

With the 966 cases submitted in Py2009, a total of 16,471 third-party liability claims and lawsuits have been reported to and handled by the Pool during its first 21 years in operation (October 1988 through September 2009). 492 remained “open” at the end of Py2009, but independent actuarial estimates suggest that another 533 claims will ultimately be filed for occurrences from all Pool years through September 30, 2009. Nearly \$168 million has been paid-to-date by the Pool addressing these cases, and another \$35 million is reserved to address the open cases. That includes nearly \$79 million in reimbursements for member deductibles, insurance recoveries of more than \$70 million, and nearly \$55 million in “pooled” funds for the Pool’s share of the cases.

**Washington Counties Property Program:** 26 member counties participated in the property program during Py2009 with covered properties totaling \$2.45 billion. Since October 2005 when the Pool began offering this optional, jointly-purchased property insurance coverage, participation has more than doubled and the total value of covered properties has grown by two-thirds. And with the inclusion of the Historic Properties Valuation Amendment in Py2008, reproduction coverage is now available to cover participating members’ historic properties.

**Financial Position:** The following are some highlights from Fiscal (and Policy) Years 2009, along with some 5-year comparables:

Operating Income of \$1.15 million was experienced, a 40% improvement from the prior year. Another 2.75% reduction in the estimates for claims reserves (\$7.09 vs. \$7.29 million) by the independent actuary contributed to the improvement. During the 5-year window, claims reserves were reduced 38%, more than \$4.25 million from Fy2004’s \$11.35 million in total claims reserves.

Interest Income slipped 65% to just \$0.22 million due  
*(Continued on page 15)*

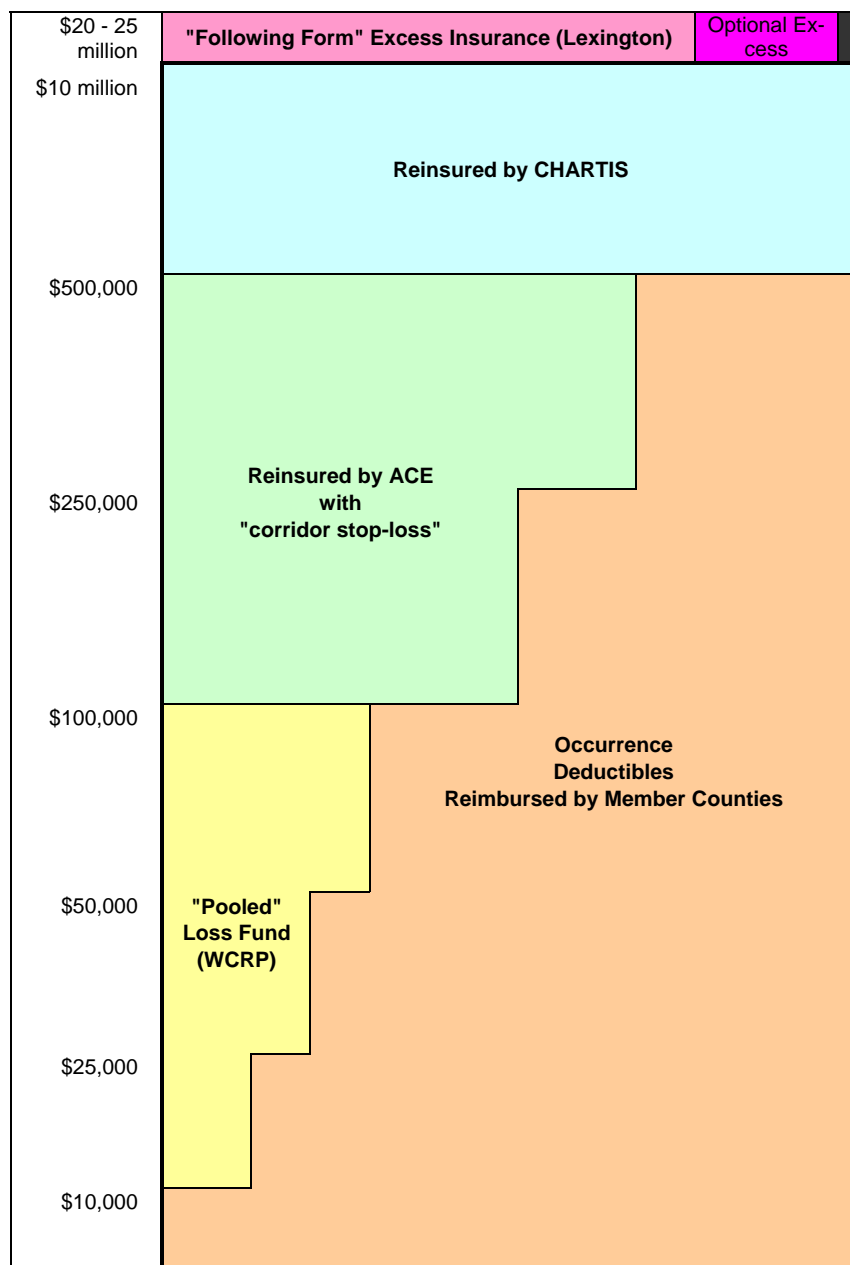


## Washington Counties Risk Pool

### SUMMARY OF 2008-09 LIABILITY INSURANCE PROGRAM

The Washington Counties Risk Pool provides its member counties with tort liability limits of \$20-\$25 million per occurrence. Subject to member-selected deductibles, this includes \$10 million in joint (self-insured) financial protection plus \$10-\$15 million in "following form" excess coverage. Member counties select their occurrence deductibles each policy year from either \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000 options. There are no annual aggregate limits to the payments the Pool might make for any one member county or all member counties combined.

The coverage form for the Pool's joint self-insurance liability policy covers bodily injury, personal injury, property damage, errors and omissions, and advertising injury.



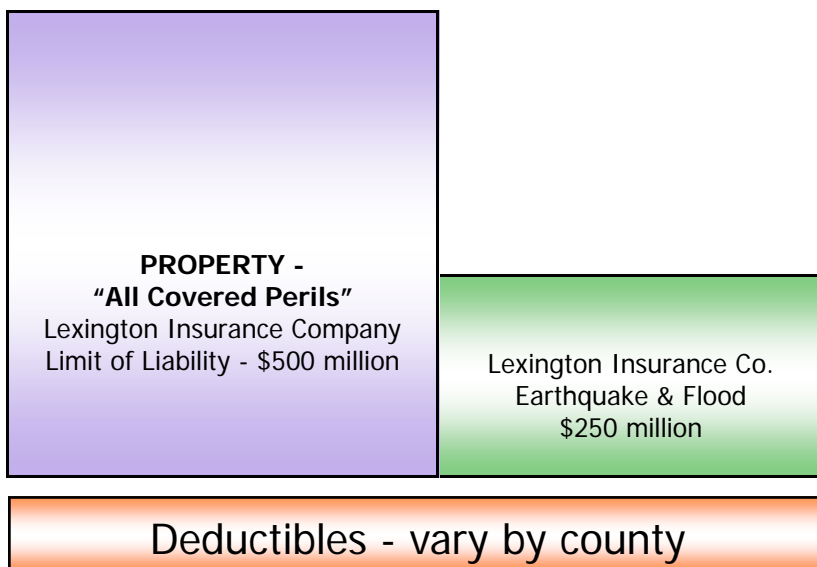


# Washington Counties Risk Pool

## SUMMARY OF 2008-09 PROPERTY INSURANCE PROGRAM

### Participating Counties

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



### Program Limits

#### **Total Insured Values**

Composite schedules total \$2.45 billion

Covered Perils Include: 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.

#### **Limits of Liability**

\$500,000,000 - All covered Perils, excluding EQ & FL

\$250,000,000 - Earthquake & Flood with:

\$25,000,000 Special Flood Hazard Areas

### Deductibles

All Covered Perils: \$5,000 to \$50,000 (county option). Earthquake and Flood deductibles vary with specific circumstances.



## Washington Counties Risk Pool

### From Claims Manager *Susan Looker, AIC*

Claims are the inevitable result of the Pool's member counties conducting business on a day-to-day basis. When claims are filed, it is the purpose of the Claims Department to review, determine coverage, investigate, set adequate reserves, and resolve claims in a manner that is fair while at the same time controlling costs. The Claims Department must also keep accurate records of all activities in such a way that the information is useful for underwriting, actuarial and loss control functions.

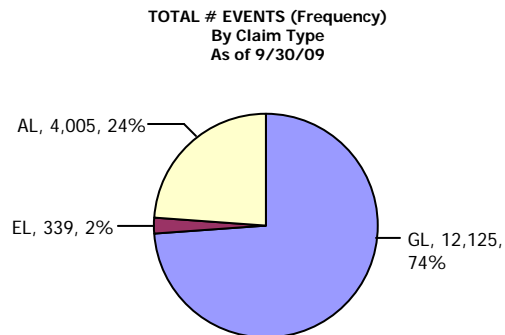
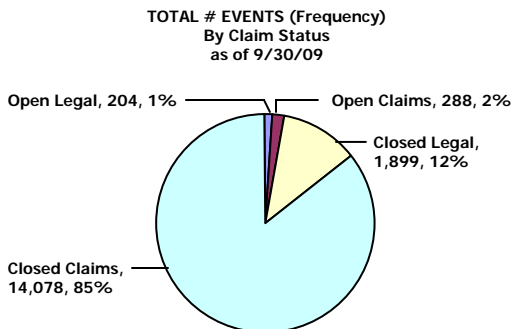
Assisting with the claims functions listed is a staff of five dedicated employees who demonstrate exceptional skills in their work habits, organization, time management, decision making, and analytical abilities. Mike Cook (Claims Analyst) began his

CASE DISTRIBUTION (Severity)			
Value Range (between)		Count	Percentage
\$0	\$0	6,568	39.88
\$.01	\$5,000	7,819	47.48
\$5,000	\$10,000	534	3.24
\$10,000	\$25,000	517	3.14
\$25,000	\$50,000	368	2.23
\$50,000	\$100,000	273	1.66
\$100,000	\$250,000	221	1.34
\$250,000	\$500,000	81	0.55
\$500,000	\$1,000,000	51	0.31
\$1,000,000	Over	27	0.16

career in insurance in 1982; Candy Drews (Senior Claims Analyst) in 1998; Tammy Cahill (Claims Representative) in 1987; and Lisa Daly (Claims Assistant) in 2008. Combined with me (1990), there are a total of over 75 years of insurance experience addressing the Pool's

*(Continued on page 15)*

ALLOCATION OF INCURRED LOSSES by Claim Status, as of 9/30/09						
Status	Incurred	Count	WCRP SIR	Corridor	Total SIR	Insurers
Open Legal	\$ 29,535,850	\$ 15,615,350	\$ 2,274,500	\$ 2,510,000	\$ 20,399,850	\$ 9,136,000
Open Claims	11,008,684	6,153,184	1,493,500	966,000	8,612,684	2,396,000
Closed Legal	135,459,110	38,700,000	41,017,476	400,000	80,117,475	55,341,635
Closed Claims	27,593,983	18,275,083	6,282,778	114,786	24,672,647	2,921,336
<b>TOTAL</b>	<b>\$ 203,597,627</b>	<b>\$ 78,743,617</b>	<b>\$ 51,068,254</b>	<b>\$ 5,990,786</b>	<b>\$ 133,802,656</b>	<b>\$ 69,794,971</b>





Washington Counties Risk Pool—Total of all Member Counties, as of 7/09

Claim Type	# of Claims	Paid + Reserved	Average Cost Per Claim	% of Total Claims	% of Costs
Law Enforcement	2281	\$34,611,040	\$15,173	13%	18%
Negligent Vehicle Operation	2154	\$24,848,433	\$11,535	12%	13%
Employment Law Claims	446	\$37,082,973	\$83,145	2%	19%
Land Use Planning & Permits	511	\$ 9,563,255	\$18,714	3%	5%
Road Design & Maintenance	8679	\$32,913,461	\$ 3,792	48%	17%
All Other Allegations	4001	\$54,262,634	\$13,562	22%	29%

(Continued from page 14)

member county files.

The Risk Pool received 965 claims in Py2009, closed 950 (approximately 50 more than the previous pool year), and continues to work on the 478 that remain open. There were no open claims preceding Py1999 at the end of Py2009. The Pool paid \$25.5 million in indemnity and expenses during Py2009.

During Py2009, about 95 of the open 478 claims took up about 90% of the claims staff time and were valued at \$32.5 million. 11 cases went to trial—8 ended in defense verdicts, and 3 resulted in verdicts for the plaintiffs for a total of \$9.5 million. 26 cases are valued over \$1 million, and all 26 cases total \$52 million. Of those 26 cases, 12 involve joint and several liability.

Open Events as of 9/30/09	
Pool Year	Open Claims
A-J (88-98)	0
K (98-99)	1
L (99-00)	0
M (00-01)	1
N (01-02)	6
O (02-03)	10
P (03-04)	13
Q (04-05)	45
R (05-06)	65
S (06-07)	71
T (07-08)	110
U (08-09)	156
Total Open	478

(Continued from page 11)

in substantial part to the nearly non-existent rates available to municipal investors under Washington State’s regulations and the lowering of interest rates to address the declining national and worldwide economies.

Total Assets grew \$4.64 million (15%) to nearly \$35.71 million during Fy2009. The 5-year increase was \$15.18 million (74%). During Fy2009, current assets increased \$4.69 million (16%) while non-current assets decreased \$0.05 million (-4%).

Claims Reserves totaled \$13.13 million at the end of Py2009. This included \$7.09 million for losses in the Pool’s retained layer, \$5.14 million for losses under the aggregated stop loss for automobile/general liability referred to as the “corridor” program, and \$0.90 million for unallocated loss adjustment expenses.

The actuarial *Confidence Level* has grown steadily

and now exceeds the Board of Directors’ 98% goal. After enduring two membership reassessments, the Board of Directors revised the Pool’s Underwriting Policy in March 2007 to increase the desired actuarial *Confidence Factor* goal over time from 85% to 98%.

Net Assets (aka *Members’ Equity*) increased \$1.38 million in Fy2009 and \$9.41 million during the past five years to more than \$8.16 million at September 30, 2009. \$6.35 million is held as “Restricted Net Assets” to satisfy the actuarial *Confidence Factor* provisions in the Pool’s Underwriting Policy. \$1.06 million is invested in Capital Assets (net of debt), and the remaining \$0.76 million is listed as “Non-Restricted”. The Pool’s board of directors retains authority to determine if, how much, and when distributions of the Net Assets are made.



## Washington Counties Risk Pool

From Member Services Manager *David Goldsmith*

The Member Services Division includes both Field Services and Loss Control activities. Field Services includes Pool marketing efforts (internal and external), Membership Compact compliance, Strategic Plan administration, Property Program appraisal services, and other activities designed to assist Member Counties with administering their risk management and insurance program, or to further products and services identified in the Strategic Plan.

### **County Visitations**

A cornerstone to the success of the WCRP program is communications with each of its member counties' elected leadership. To this end, Executive Director Vyrle Hill and Member Services Manager David Goldsmith met with each of the 28 WCRP member counties beginning in the spring and following the (summer) annual meeting. The focus of discussion was the pending increases in member assessments caused by premium increases for reinsurance and excess insurance, and what the Pool's directors intended to do to curb these rising costs. Also a focus was the specific changes to the language of the insuring agreement that had been adopted by the membership. In addition, each county's loss experience was examined and discussed, having been compared with the Pool as a whole and with similar (peer) members. Moreover, the financial and operational health of the Pool, its loss control programs, and other assistance provided by the Pool for its membership were also reviewed.

### **Marketing/Partnerships**

A formal membership offer was developed and extended to one Non-member County. Unfortunately, the county was unable to adequately review and consider the Pool's offer within the timeframe afforded by its existing insurance program. A marketing visit was conducted with another non-member county, and the Pool was represented at WSAC and WACO conferences, as well as a WAPA meeting, to further its presence as a resource to and partner with these organizations.

### **Risk Management Basics**

The document titled Risk Management Basic was produced and published as a treatise for newly-appointed risk managers and Pool directors, as well as serving as a basic reference guide for seasoned personnel. This publication has been used by the County Training Institute in its (Certified Public Officials) trainings as a reference document to deal effectively with risk management in the public sector.

### **Compact Compliance**

Throughout PY 2009 Member Counties received follow-up assistance with addressing deficiencies identified in the initial Membership Compact audits. Assistance ranged from broad issue trainings to specific one-on-one consultations. Progress was tracked and presented to the Board of Directors.

### **Membership Satisfaction Survey**

A membership satisfaction survey was conducted for the purpose of tracking and assessing satisfaction with the program and services offered, to look for new opportunities to assist the membership, and to bench mark against similar surveys conducted every two years. Overall, the Pool is viewed as being an outstanding resource and of great value to its membership. The results of the survey were woven into a revision of the Strategic Plan and into the PY 2010 operational work plan.

### **Property Program Insurance Appraisals**

In PY 2009, the property program began a formal appraisal of the properties being included in the participating counties' Statements of Values of County-owned Property. The purpose of these appraisals is to assure that the proper level of insurance is provided for the participating membership, and to equitably distribute insurance and program costs. A little more than 10% of the properties throughout the 26 participating counties were appraised during the initial effort. Phase II of the appraisal program will be conducted in PY 2010.





## Washington Counties Risk Pool

### From Loss Control Coordinator *Jill Lowe*



At WCRP, we know that training county officials, employees and volunteers aids significantly in the reduction of losses and decreasing costs. The result is more economical risk coverage. The Risk Pool offers numerous training and loss control opportunities for its members, including:

**Management & Supervisory Training** – WCRP's instructors guide supervisory staffers through a curriculum addressing a myriad of current issues, and how to constructively hone their skills in areas including establishing/maintaining a leadership atmosphere, managing a diverse workforce, conducting pre-employment inquiries and employee performance reviews, avoiding/responding to claims of harassment, bullying, discrimination, and a review of employment-related liability legal cases. During Py2009, the Pool offered 5 Management & Supervisory Training seminars with staff from 19 different counties participating; 140 persons attending.

**Law Enforcement Training** – WCRP hired Mr. Gordon Graham of Lexipol, Inc. to present two full day workshops on law enforcement liability issues. Nearly 500 law enforcement officers across the state attended this training. Working in conjunction with the Washington Association of Sheriffs and Police Chiefs, the Pool reimburses the cost of the annual maintenance fee of those counties contracting with Lexipol and utilizing Daily Training Module.

**Public Records Act Training** – The Public Records Act supports full access to information concerning the conduct of government. This class was offered in five locations throughout the state and was attended by nearly 400 county employees. Comprehensive Public Records Officer Certification and Training was offered in five locations and attended by more than 200 County Public Records Officers, prosecutors and associated county employees..

**Membership Compact** – WCRP's Membership Compact, an agreement amongst and between the member counties, outlines educational courses required for each member's designated risk management and claims administration personnel, which includes both introductory and advanced-level courses offered through the American Institute for Chartered Property Casualty Underwriters/Insurance Institute of America. Study reviews and exams are given by WCRP several times a year. During Py2009, 6 County Risk Managers met Basic Certification requirements, 19 County Risk Managers met Advanced Certification requirements and 3 County Risk Managers are working toward meeting the certification requirements. Twenty-four county employees passed Insurance Institute of America courses during Py2009.

**Scholarships/Train-the-Trainer/Sponsorships** – Funds have been approved yearly to help provide extensive, highly specialized and/or instructor-level risk management-related training that WCRP is unable to provide directly. Individual member county employees can apply for scholarship funds with approval from the respective county's designated risk manager. The Pool also supports special training requests from/and/or in conjunction with its member counties including 29 human resource professionals and elected officials who attended the Association of Washington Cities Labor Relations Institute.

**New County Public Officials Training Program** (formerly Certified Public Officials) – WCRP is one of the sponsoring agencies offering "core" and "elective" courses in county/public entity operations and management for the counties, their officials and personnel of Washington state. The program helps familiarize and acquaint elected and appointed officials and county staffs with the responsibilities and potential liabilities related to serving in public office. The Risk Pool worked closely with the County Training Institute to develop an on-line Risk Management course as well as offering a full day risk management course in conjunction with the Spring Conference.

**Member Roundtables** – Usually scheduled with the thrice-yearly Board Meetings, WCRP staff with assistance from the Pool's Risk Management and Underwriting committees, host legal liability trainings and facilitate roundtable discussions. In an informal setting, county Risk Managers and Claims Administrators share successes, concerns and various risk-related issues, and learn of new trends in the insurance industry.

**Model Policies/Reference Library** – WCRP's website features an extensive up-to-date electronic library of model policies and procedures covering the broad range of issues its counties must offer.

**County case data is reviewed frequently and used to determine case trends and develop legal concepts training.** "Avoiding County Liability in Land Use Disputes," "Risk and Roads Workshops" and "Reductions in Force" training were all offered in 2009 to address developing loss control trends.



**WASHINGTON COUNTIES RISK POOL  
COMPARATIVE STATEMENT OF NET ASSETS  
as of September 30, 2009 and September 30, 2008**

<b>ASSETS:</b>	<b>Year Ended 9/30/2009</b>	<b>Year Ended 9/30/2008</b>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 22,767,431	\$ 19,317,651
Member Deductible	787,861	955,451
Excess/Reinsurance Recoverable	8,193,385	1,683,997
Member Liability Assessment Receivable	2,086,033	943,787
Property Insurance Assessment Receivable	706,987	412,721
Prepaid Expenses	0	6,647,495
Other Accounts Receivables	109,009	0
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 34,650,705</b>	<b>\$ 29,961,102</b>
NONCURRENT ASSETS:		
Capital Assets (Net of Accumulated Depreciation)	\$ 1,058,202	\$ 1,103,766
<b>TOTAL ASSETS</b>	<b><u>\$35,708,908</u></b>	<b><u>\$31,064,868</u></b>
<b>LIABILITIES:</b>		
CURRENT LIABILITIES:		
Claim Reserves		
Reserves for Open Claims	\$ 3,354,196	\$ 2,898,097
IBNR Claims Reserve	3,738,490	4,395,431
\$400M xs \$100M AL/GL Corridor Reserves		
Reserves for Open Claims	3,476,000	1,225,000
IBNR Claims Reserve	1,659,214	2,577,571
Reserve for ULAE	904,149	860,564
Accounts Payable	81,019	591,462
Accrued Liabilities	72,808	57,684
Unearned Revenue - Members Assessments	14,260,668	11,680,555
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 27,546,544</b>	<b>\$ 24,286,364</b>
<b>NET ASSETS:</b>		
Restricted Net Assets - Underwriting Policy Section D	\$ 6,345,958	\$ 5,674,738
Non-Restricted Net Assets	758,203	
Capital Assets Net of Debt	1,058,202	1,103,766
<b>TOTAL NET ASSETS</b>	<b>\$ 8,162,363</b>	<b>\$ 6,778,504</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>	<b><u>\$ 35,708,908</u></b>	<b><u>\$ 31,064,868</u></b>



**WASHINGTON COUNTIES RISK POOL**  
**STATEMENT OF REVENUES AND EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**For the Fiscal Years Ended September 30, 2009 and September 30, 2008**

	<u>Year Ended</u> <u>9/30/2009</u>	<u>Year Ended</u> <u>9/30/2008</u>
<b>OPERATING REVENUES:</b>		
Member Assessments -- Liability Insurance	\$ 9,139,429	\$ 9,141,287
Member Assessments -- Property Insurance	2,546,189	2,322,429
Member Services - Revenues	70,566	100,000
Total Operating Revenues	<u>\$ 11,756,184</u>	<u>\$ 11,563,716</u>
<b>OPERATING EXPENSES:</b>		
Current Year's "Claims" Reserve	\$ 1,437,299	\$ 1,264,343
Current Year's "Corridor" Reserve	1,825,000	1,825,000
Adjustment of Prior Years' Claims Reserves	- 878,038	-251,088
Reserve for ULAE	43,585	40,932
Reinsurance Premiums	3,697,000	3,806,063
Excess Insurance Premiums	369,661	384,790
Property Insurance Premiums	2,460,925	2,260,094
Depreciation Expense	45,564	70,947
Operating Expenditures	1,608,706	1,341,814
Total Operating Expenses	<u>\$ 10,609,703</u>	<u>\$ 10,742,895</u>
<b>OPERATING INCOME</b>	<u>\$ 1,146,481</u>	<u>\$ 820,821</u>
<b>NON OPERATING REVENUES (EXPENSES)</b>		
Interest Income	\$ 221,392	\$ 630,365
Rental Income	20,518	10,314
Rental Expense	-4,533	-2,114
Miscellaneous Income	0	855
Total Nonoperating Revenues (Expenses)	<u>\$ 237,378</u>	<u>\$ 639,420</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ 1,383,859</u>	<u>\$ 1,460,241</u>
<b>TOTAL NET ASSETS, Beginning of Year</b>	<u>\$ 6,778,504</u>	<u>\$ 5,318,263</u>
<b>TOTAL NET ASSETS, End of Year</b>	<u><b>\$ 8,162,363</b></u>	<u><b>\$ 6,778,504</b></u>



**WASHINGTON COUNTIES RISK POOL  
COMPARATIVE STATEMENT OF CASH FLOW  
AND CHANGES IN FUND NET ASSETS  
For the Fiscal Years Ended September 30, 2009 and September 30, 2008**

	Year Ended 9/30/2009	Year Ended 9/30/2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from members & insurers	\$ 6,448,979	\$ 9,945,781
Cash payments for goods and services	-2,439,853	-14,966,278
Cash payments to employees for services	-796,724	-745,883
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ 3,212,402	\$ -5,766,380
<b>CASH FROM CAPITAL ACTIVITIES:</b>		
Purchase of Equipment & Building	\$ -	\$ -458,374
Miscellaneous Revenues	\$ -	\$ 855
Cash from Rental of Office (net)	15,985	8,199
	<hr/>	<hr/>
Net Cash Provided (Used) by Capital Activities	\$ 15,985	\$ -449,320
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	\$ -	\$ -
Interest received	221,392	630,365
	<hr/>	<hr/>
Net Cash Provided (Used) by Investing Activities	\$ 221,392	\$ 630,365
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 3,449,780</b>	<b>\$ -5,585,335</b>
<b>Cash and Cash Equivalents - Beginning of the Year</b>	<b>\$ 19,317,651</b>	<b>\$ 24,902,986</b>
	<hr/>	<hr/>
<b>Cash and Cash Equivalents - End of the Year</b>	<b>\$ 22,767,431</b>	<b>\$ 19,317,651</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>OPERATING INCOME</b>	<b>\$ 1,146,481</b>	<b>\$ 820,821</b>
<b>Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Depreciation Expense	45,564	70,946
Decrease (Increase) in Accounts Receivable	-7,887,318	-1,868,314
Increase (Decrease) in Claims Reserves	1,131,801	1,152,154
Increase (Decrease) in Reserve for ULAE	43,585	40,932
Increase (Decrease) in Unearned Revenue	2,580,113	250,380
Increase (Decrease) in Accounts Payable	-510,444	-6,237,468
Increase (Decrease) in Accrued Liabilities	15,125	4,169
Increase (Decrease) in Prepaid Expenses	6,647,495	
	<hr/>	<hr/>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 3,212,402</b>	<b>\$ -5,766,380</b>

# Washington Counties Risk Pool

## CLAIMS DEVELOPMENT

October 1, 2000 - September 30, 2009 (in thousands)

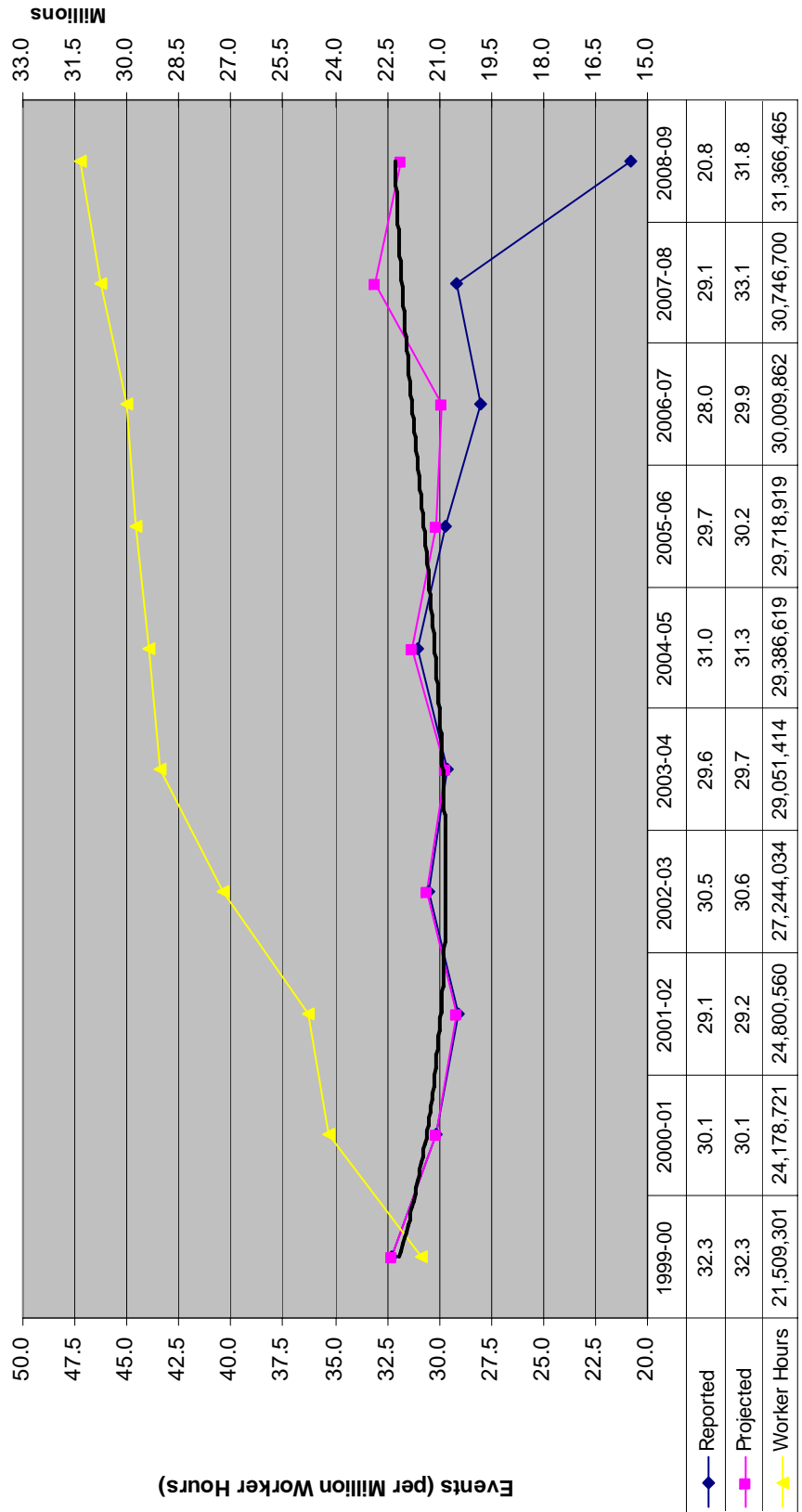
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1 Net earned required contributions and investment revenues	\$ 6,342	\$ 6,800	\$ 7,056	\$ 10,416	\$ 11,716	\$ 12,042	\$ 12,391	\$ 11,428	\$ 11,564	\$ 11,756
2 Unallocated expenses	\$ 3,734	\$ 4,216	\$ 4,531	\$ 5,635	\$ 8,071	\$ 9,678	\$ 9,437	\$ 7,747	\$ 7,864	\$ 8,182
3 Estimated incurred claims and expenses, end of policy year	\$ 2,000	\$ 2,249	\$ 1,860	\$ 1,615	\$ 1,900	\$ 1,510	\$ 1,354	\$ 1,183	\$ 1,264	\$ 1,437
4 Paid (cumulative) as of:										
End of Policy Year	\$ 18	\$ 3	\$ 36	\$ 51	\$ 68	\$ -	\$ 100	\$ -	\$ 87	\$ -
One year later	\$ 205	\$ 204	\$ 160	\$ 240	\$ 274	\$ 161	\$ 443	\$ 185	\$ 175	
Two years later	\$ 365	\$ 389	\$ 282	\$ 596	\$ 426	\$ 295	\$ 1,001	\$ 288		
Three years later	\$ 680	\$ 695	\$ 618	\$ 836	\$ 655	\$ 773	\$ 1,251			
Four years later	\$ 747	\$ 725	\$ 927	\$ 1,103	\$ 928	\$ 974				
Five years later	\$ 788	\$ 742	\$ 1,075	\$ 1,202	\$ 957					
Six years later	\$ 825	\$ 753	\$ 1,096	\$ 1,279						
Seven years later	\$ 830	\$ 753	\$ 1,107							
Eight years later	\$ 830	\$ 753								
Nine years later	\$ 830									
5 Reestimate incurred claims and expense:										
End of Policy Year	\$ 2,000	\$ 2,249	\$ 1,860	\$ 1,615	\$ 1,900	\$ 1,510	\$ 1,354	\$ 1,183	\$ 1,264	\$ 1,437
One year later	\$ 1,985	\$ 1,800	\$ 1,685	\$ 1,890	\$ 1,765	\$ 1,610	\$ 2,345	\$ 1,770	\$ 1,875	
Two years later	\$ 1,580	\$ 1,730	\$ 1,380	\$ 1,950	\$ 1,510	\$ 1,890	\$ 2,575	\$ 1,350		
Three years later	\$ 1,460	\$ 1,350	\$ 1,445	\$ 1,505	\$ 1,335	\$ 1,540	\$ 2,060			
Four years later	\$ 1,370	\$ 1,150	\$ 1,432	\$ 1,343	\$ 1,168	\$ 1,320				
Five years later	\$ 1,218	\$ 935	\$ 1,392	\$ 1,348	\$ 1,084					
Six years later	\$ 1,031	\$ 833	\$ 1,275	\$ 1,348						
Seven years later	\$ 946	\$ 793	\$ 1,230							
Eight years later	\$ 896	\$ 783								
Nine years later	\$ 833									
6 Increase (decrease) in estimated incurred claims and expenses from end of policy year	\$ (1,167)	\$ (1,466)	\$ (630)	\$ (267)	\$ (816)	\$ (190)	\$ 706	\$ 167	\$ 611	\$ -





## Washington Counties Risk Pool

**FREQUENCY OF 3rd-PARTY LIABILITY EVENTS with EXPOSURE DATA**  
 10-Year Summary (at close of Py2009)

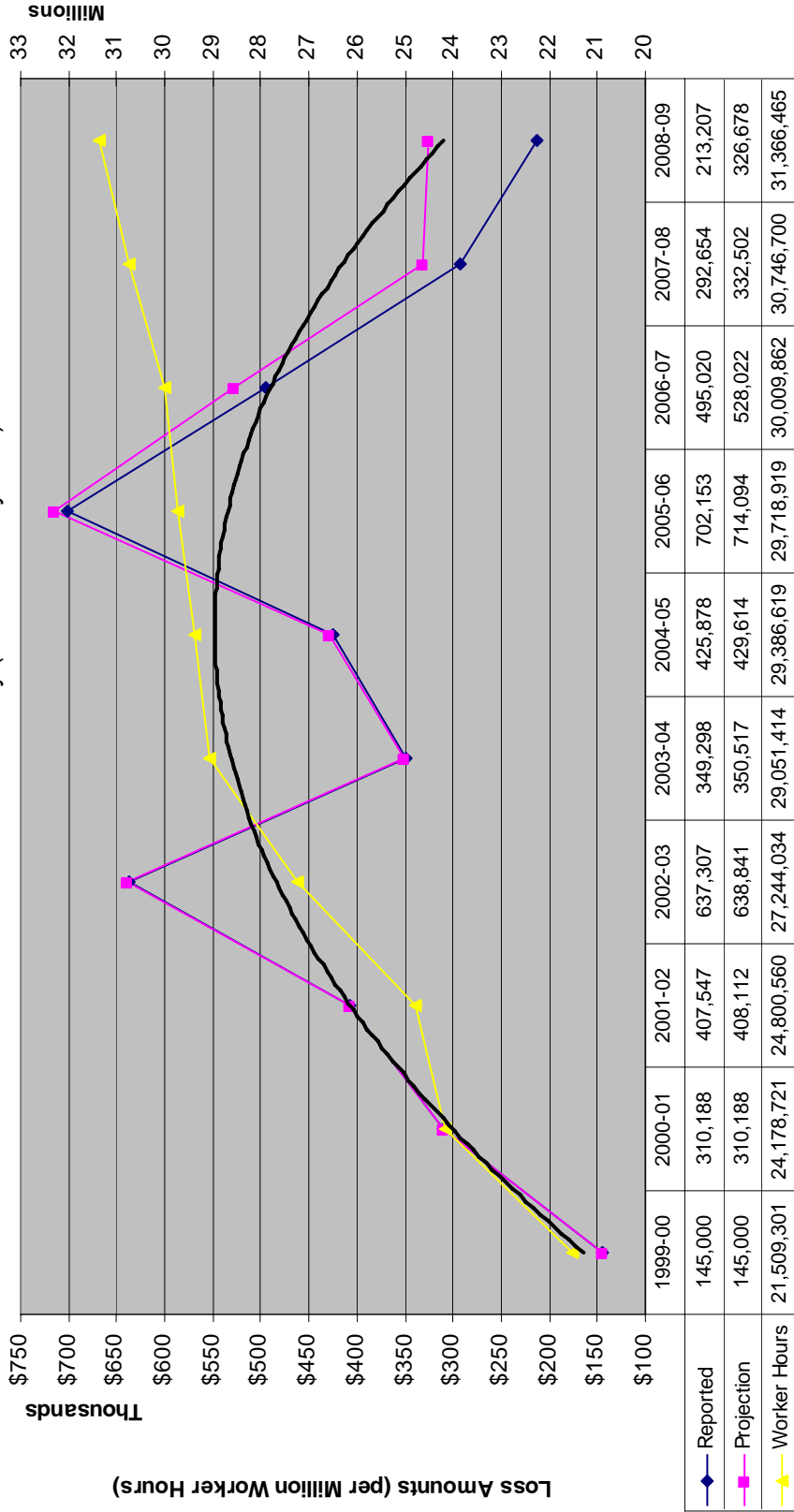


# Washington Counties Risk Pool



## SEVERITY of 3rd-PARTY LIABILITY EVENTS with EXPOSURE DATA

10-Year Events Summary (at close of Py2009)





**WASHINGTON  
COUNTIES  
RISK POOL**

*Created by Counties for Counties*

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**[www.wcrp.info](http://www.wcrp.info)**

***REQUEST FOR INFORMATION:***

The information included 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/Auditing Officer Sue Colbo.

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