

WASHINGTON COUNTIES RISK POOL
BOARD OF DIRECTORS WORKSESSION and ANNUAL MEETING
MINUTES

Thursday - Friday, July 25 & 26, 2013
The Enzian Inn, Leavenworth, Washington

ATTENDANCE:

* denotes Executive Committee Member

Adams County: Linda Reimer, Clerk of the Board – Alt. Director
Benton County: Melina Wenner, HR/Risk Manager – Director
Chelan County: * Keith Goehner, Commissioner – Director
Cathy Mulhall, County Administrator – Alt. Director (*Thursday*)
Cindy Dietz, Administrative Supervisor (*Thursday*)
Clallam County: Rich Sill, HR Director – Director
Annie Achziger, Human Resources Analyst
Clark County: * Mark Wilsdon, Risk Manager – Director, President
Mark McCauley, General Services Director – Alt. Director
Columbia County: * Drew Woods, Public Works Director – Director
Cowlitz County: Claire Hauge, OFM Director – Alt. Director
Douglas County: Steve Clem, Prosecuting Attorney – Director
Franklin County: Robert Koch, Commissioner – Director
Shawn Sant, Prosecuting Attorney – Alt. Director (*Left at 10:00 am on Friday*)
Garfield County: * Dean Burton, Commissioner – Director
Grays Harbor County: Dale Gowan, Central Services Director – Alt. Director
Island County: Kelly Emerson, Commissioner – Director
Jefferson County: Philip Morley, County Administrator – Director
* David Alvarez, Chief Civil DPA – Alt. Director
Kittitas County: * Lisa Young, Human Resources Manager – Director
Lewis County: * Lee Grose, Commissioner – Director
Paulette Young, Safety Officer – Alt. Director
Mason County: Tim Sheldon, Commissioner – Director (*Friday*)
Dawn Twiddy, Risk Manager
Shannon Goudy, Clerk of the Board
Okanogan County: Steve Bozarth, Chief Civil DPA – Alt. Director
Nanette Kallunki, Administrative Services Director – Alt. Director (*Thursday*)
Pacific County: Kathy Spoor, Administrative Officer – Director
Lisa Ayers, Commissioner – Alt. Director
Pend Oreille County: Mike Lithgow, Community Development Director – Director (*Thursday*)
Tom Metzger, Prosecuting Attorney (*Thursday*)
San Juan County: Pamela Morais, Human Resources Manager – Alt. Director
Skagit County: Jessica Neill Hoyson, Human Resources/RM – Director
Skamania County: Scott Pineo, General Services Director – Alt. Director
Spokane County: * Steve Bartel, Risk Manager – Director, Secretary/Treasurer
Thurston County: * Tammy Devlin, Risk Manager – Alt. Director, Vice President
Walla Walla County: Jesse Nolte, Deputy PA - Director
Lucy Schwallie, Personnel/Risk Manager
Whatcom County: Karen Goens, Human Resources Manager – Director
Dan Gibson, Chief Civil DPA – Alt. Director (*Thursday*)
Yakima County: James Hagarty, Prosecuting Attorney – Director
Washington DES: Shannon Stuber, LGSi Program Administrator
Broker Services: Liz Miser, Area Vice President – AJGRMS, Inc.
Darin Puryear, Area President – AJGRMS, Inc. (*Thursday*)

Tim Chace, Director of Risk Control – AJGRMS, Inc. *(Thursday)*
Louie Lewis, Account Manager – AJGRMS, Inc. *(Friday)*
Janette Ladley, Account Manager – AJGRMS, Inc. *(Friday)*

Others: Richard Vincelette, Berkley *(Friday)*
Brian Whooley, Berkley *(Friday)*
Jennifer Kaye, Berkley *(Friday)*
Bill Davidson, AIG/Lexington *(Friday, left at 10:10)*
Leslie Conti, AIG *(Friday)*
Rebecca Wallinder, AIG/Lexington *(Friday)*
Kevin Wick, Managing Director, PwC,LLP *(Thursday)*
Craig Scukas, Director, PwC, LLP *(Thursday)*

WCRP Staff: Vyrle Hill, Executive Director
David Goldsmith, Specialty Services Representative
Jill Lowe, Loss Control Coordinator
Susan Looker, Claims Manager
Sue Colbo, Accounting Officer
Carli Easter, Claims Assistant *(Thursday)*
Stacey Spears, Administrative Assistant

CALL TO ORDER / WELCOME: WCRP President Mark Wilsdon called the Board of Directors Worksession to order Thursday, July 25, 2013 at 2:08 p.m. He welcomed all attendees.

STAFF REPORTS:

Claims: Claims Manager Susan Looker gave the claims report. She reported on claims frequency, claims by allegation codes, and developments in the Large Losses category. Ms. Looker gave detailed information regarding the Corridor status by year and provided an explanation for the group on how the Corridor works. She then detailed case outcomes from the past year: 49 cases were dismissed, 41 settled, there was one plaintiff verdict and three (3) defense verdicts. Finally, she presented a five year summary of pre-defense reviews.

Loss Control: Loss Control Coordinator Jill Lowe presented information on a new class that will be offered around the state in September on Cyber Liability. She noted that most of the Compact Compliance Audits have been completed, there are four remaining audits to be finalized and she thanked the counties for their participation. She is seeing some trends and areas of concern that are not being met and would like to bring those items up in discussion with the Risk Management Committee. Ms. Lowe then presented CPO certificates to seven conference attendees that recently earned their CPO designations (Shannon Goudy, Drew Woods, Nanette Kallunki, Mark Wilsdon, Tammy Devlin, Steve Bartel and Kathy Spoor).

Membership Activities: Specialty Services Representative David Goldsmith reported that most of the annual county visitations have been completed; there are a few counties remaining that will be done at the end of July and early August. Wahkiakum County underwriting is in the works. When visiting non-member counties, he stresses the Pool's member-driven philosophy and its financial strength.

Administrative & Financial Activities: Executive Director Vyrle Hill reported that the State Auditor's Report is complete and has been posted. The Auditor's Office changed the financial reporting rules this year regarding restricted assets, but after discussion with Pool management and the actuaries, the Auditor's office eventually retracted their position. Mr. Hill noted the Executive Committee has accepted the March quarterly report and he then presented the June quarterly report showing total assets of \$32,835,300 and total liabilities of \$19,766,396. Mr. Hill also noted that the reports will change a bit at the end of the year due to the previously mentioned changing State Auditor reporting requirements regarding

restricted assets. Mr. Hill gave detailed information on Operating Revenues and Expenses, Operating Income, Non-Operating Revenues, Changes in Net Assets, Total Net Position and the Solvency Ratio. The Solvency Ratio is computed quarterly and the Pool meets the state requirement of 70% Actuarial Confidence Level as well as the Pool's own requirement of 98%.

PRODUCER'S (BROKER) REPORT: Liz Miser of Arthur J. Gallagher Risk Management Services, Inc. congratulated the Pool on its 25th anniversary. She reported that the marketing trip this Spring was effective and reinsurers responded positively to the 10% quota share the Pool took on in the current year's liability structure. Ms. Miser reviewed the current liability program design and presented three options for the upcoming liability program renewal. Option No. 1 is the same as the current year's program with a total cost for all layers of \$7,605,375 – approximately a 5% increase. Option No. 2 divides the \$8M xs \$2M layer into two layers: \$3M xs \$2M (which would be placed with Berkley) and \$5M xs \$5M (which would be placed with Lexington). There is no 10% quota share for the Pool or Ironshore in Option No. 2 and the cost for this option is \$7,476,797. Option No. 3 proposes using Selective in the \$8M xs \$2M layer instead of Lexington. This option has an estimated cost of \$7,538,317. Discussion took place regarding the different options and program designs. President Wilsdon noted the Executive Committee is recommending Option No. 2.

Ms. Miser then presented information regarding the Property Program renewal (WCPP). She noted that Lexington is pushing for restructuring with their clients. Ms. Miser presented her recommended program chart detailing the layers of coverage and participating insurers. Lexington has reduced their share on the lowest layer (up to \$25M) from 40% to 25% for the upcoming year and Lexington has requested 100% of the top layer (\$200M-\$500M). There is a rate increase in the property program of 5.5795%, Ms. Miser stated she believed this was a good renewal based on the current market and the loss history.

Finally, the topic of cyber liability was discussed. Ms. Miser noted this is new, emerging coverage that is still developing. First party coverage for cyber liability is not covered through the property program. Initial price estimates were presented.

ACTUARIAL REPORT: Kevin Wick with PricewaterhouseCoopers presented the actuarial report. He noted there was continued favorable experience in all layers and this provides financial benefits. Loss rates are down around 12%. The 2013-14 projected pool layer losses are estimated to be \$1.3M for the Pool's \$100,000 SIR layer. The total cost of the 2013-14 liability program is projected to be \$18M (based on Option No. 2 as presented in the liability program design). Mr. Wick noted the experience ratings are based on a three year window (2008-09 through 2010-11) and they are designed to provide incentive as well as rate stability. Executive Director Hill noted that the summary of the Final Target Fund Balance Review is included in the conference notebook and the board will be asked to ratify the report on Friday.

NOMINATING COMMITTEE: President Wilsdon asked those in attendance to review the Nominating Committee's report in the notebook prior to the elections that will take place on Friday. Mr. Wilsdon noted that nominations will also be taken from the floor. There are four Executive Committee positions as well as the Vice-President and Secretary/Treasurer officer positions that will be up for election. It was explained that the Executive Committee elections will take place first, as officers must be chosen from the Executive Committee per the bylaws.

INVESTMENT COMMITTEE: Investment Committee Chair Steve Bartel reported that money was moved from the State Local Government Investment Pool to the Treasurers' Funds in Clark and Spokane Counties. As a result, investment interest income has increased significantly. The committee meets monthly to monitor returns and investments.

STANDING COMMITTEE REPORTS:

Finance: As Finance Committee Chair Thad Duvall was unable to attend the meeting, Executive Director Vyrle Hill gave the Finance Committee report. Mr. Hill stated the committee is recommending an amendment to the Underwriting Policy, Section D regarding when a surplus may be recognized by the Board of Directors. Mr. Hill noted this is a Board Policy, not a regulatory policy.

Mr. Hill then presented the proposed budget and noted it has been considered by the Finance and Executive Committees and recommended for approval. Mr. Hill noted the budget has revenues and expenses of \$14.8M and includes a COLA for staff based on the Personnel Policy, step increases for those employees that are eligible, required PERS increases, an additional part-time clerical staff person, property program appraisals and costs for CSC to host services for the Pool's Riskmaster products. The budget was discussed and questions were answered. Mr. Hill noted that administrative costs have increased and this is in part due to recommended staffing enhancements, increasing pre-defense reviews, as well as claims administration and loss control enhancements. It was noted that the enhancements appear to be paying off as the Pool's net position has increased significantly and claims show a downward trend.

Personnel: Chair Lisa Young gave the Personnel Committee report. Ms. Young noted WCIF has an updated trust agreement, the Board will be asked to approve the agreement. In addition, Pool staff has requested the option to participate in the Department of Retirement Systems Deferred Compensation Program, the Board will be asked to approve resolution 2013-07-01. Then Ms. Young presented information on the proposed new staff position, a part-time office assistant. This position will be authorized for up to 17.5 hours per week, no benefits. The Personnel Committee recommended changes to the education requirements and noted that a pay grade was added to the Proposed Salary Schedule to accommodate this new position.

Risk Management: Vice-Chair Dawn Twiddy gave the Risk Management Committee report. Ms. Twiddy noted the Targeted Risk Management Program for 2013-14 is Preventive Employment Practices. This has been approved by the Executive Committee and is being presented for Board approval. It was noted this is not being advanced as a compact requirement at this time.

Underwriting: Chair Drew Woods gave the Underwriting Committee report. Mr. Woods reported the committee is not recommending any changes to the Joint Self Insurance Liability Policy Coverage Form other than the date.

EXECUTIVE COMMITTEE REPORT: President Wilsdon asked Executive Director Hill and Craig Scukas from PricewaterhouseCoopers to present the Py2014 Deposit Assessments: Inputs & Methodologies. Mr. Hill explained the Executive Committee is recommending a break-even premium for the liability program. This keeps rates the same as the present year, offers stability for the members and any additional funds are contributed to a rate stabilization fund for the liability program. Options and prices were presented and explained. Mr. Hill reminded the group that experience modifiers only apply to the first \$2M. The total cost is projected to be \$11,419,865. This is the same total as the expiring 2012-13 program. Any rate changes to individual members are based on exposures and experience modification factors. Mr. Hill reported that Skagit County is considering a deductible change as are other counties. In addition, Wahkiakum County is considering joining the Pool. These changes might lead to small adjustments, final calculations will be done in a couple of weeks when all the information is finalized.

ADJOURNMENT: President Wilsdon adjourned the Thursday work session at 4:47 p.m.

CALL TO ORDER / WELCOME: WCRP President Mark Wilsdon called the 2013 Annual (Board of Directors) Meeting to order Friday, July 26, 2013 at 8:31 a.m. and welcomed all in attendance. President Wilsdon stated he could visually confirm a quorum.

AGENDA: Lee Grose moved accept the agenda; Lisa Young seconded; the motion passed without dissent.

CONSENT AGENDA: Dale Gowan moved to approve the consent agenda; Drew Woods seconded; the motion passed without dissent.

Consent Agenda

- Minutes of the Spring (March 28-29, 2013) Board Meeting
- Executive Committee Minutes

- June 20, 2013
- July 10-11, 2013
- July 19, 2013
- Q2 and Q3 Py2014 Financial Reports
- WCIF Amended Trust Agreement and Bylaws
- Resolution to authorize use of DRS Deferred Compensation Program
- Py2014 Targeted Risk Management Program
- Py2014 Joint Self-Insurance Liability Policy Coverage Form
- PwC (Final 2012-13) Target Fund Balance Review
- Amendment to Underwriting Policy Section D.2
- Actuarial Review of Loss Rates and Experience Modification Analysis for Py2014
- Estimated Py2014 Loss Funding Projections at Various WCRP Retentions

PRODUCER'S REPORT: Liz Miser recapped Options No. 1, No. 2 and No. 3 and pricing for the liability program as presented in the Worksession the previous day. Discussion took place regarding the options and a possible quota share with Ironshore. Kelly Emerson moved to approve Option No. 2 as presented; Steve Bartel offered a friendly amendment to ask the Broker to follow the structure and pricing as presented in Option No. 2 but to look for a possible quota share in the two (2) upper reinsurance layers (\$3M xs \$2M and \$5M xs \$5M); the friendly amendment was accepted; Keith Goehner seconded the amended motion; the motion passed without dissent.

Ms. Miser recapped the suggested property program. Drew Woods moved to approve the property program as presented; Lee Grose seconded; the motion passed without dissent.

Ms. Miser gave an overview of the services offered by Arthur J. Gallagher and Berkley including the Helpline, loss control services, local and national consultants/services.

President Wilsdon stated the group was not ready to proceed with a cyber liability policy and asked the Underwriting Committee to study the topic further. Underwriting Committee Chair Drew Woods confirmed it was on the committee's schedule for further discussions.

President Wilsdon thanked Berkley, AIG/Lexington and Arthur J. Gallagher for their participation in the program and their sponsorship of Thursday evening's 25th Anniversary Celebration dinner. The visiting insurance brokers were given the opportunity to address the group. Rich Vincelette with Berkley thanked the Pool for embracing him and said he enjoyed visiting many of the counties around the state. Leslie Conti with AIG thanked the Pool for the invitation to the conference and for the business. She then introduced her associate Rebecca Wallinder and introduced Bill Davidson from AIG/Lexington. Mr. Davidson thanked the group for its support and business.

DES-LGSIP (STATE RISK MANAGER) REPORT: Shannon Stuber thanked the group for the invitation to attend the conference. Ms. Stuber noted the Risk Pool is an active and transparent Pool as well as a safe and financially sound Pool. She noted the WRAC group has been meeting and is looking at possibly amending Pool regulations so all Pools in the state can be financially sound like the Risk Pool. Ms. Stuber reported she will be meeting with Executive Director Vyrle Hill and staff this fall for the annual Pool review.

ELECTIONS – EXECUTIVE COMMITTEE: Lisa Young moved to accept the Nominating Committee's report and slate of candidates for the four Executive Committee positions; Jesse Nolte seconded; the motion passed without dissent. President Wilsdon announced the four candidates for the Executive Committee positions from the report: Drew Woods, David Alvarez and Steve Bartel for re-election to the Committee and Bob Koch for full terms (10/1/2013 – 9/30/2016). President Wilsdon noted Bryan Perry earlier withdrew his name from re-election to the committee, and then he asked if there were any nominations from the Floor. Lee Grose nominated Lisa Ayers for the Executive Committee, Commissioner Ayers accepted the nomination. As there were no further nominations from the floor, ballots were passed out and voting instructions were given. David Goldsmith, Sue Colbo and Susan Looker were designated as

the counting agents by President Wilsdon. It was announced the meeting would continue and results would be announced when available.

Py2014 BUDGET: Executive Director Vyrle Hill reminded the group that a detailed overview of the budget was presented the previous day. He asked if there were any further questions or comments, there were none. Tammy Devlin moved to approve the budget including the new part-time position and updated salary schedule and the annual work plan as presented; Lee Grose seconded; the motion passed without dissent.

Py2014 DEPOSIT ASSESSMENTS:

JSILP Assessments: Executive Director Vyrle Hill explained to the group a motion was needed to adopt the input and allocation methodologies presented at the Worksession. He reminded the group that member counties will be given the opportunity to change and/or confirm their deductible selections as well as update their worker hours and licensed vehicle counts reported earlier. The assessment amounts presented yesterday will change slightly based on the final numbers. Executive Director Hill recommended a deadline of August 16, 2013 for member counties to confirm/change deductibles and report any needed updates. The deadline for initial payments would be the end of September with the remaining balance due by the end of January. Steve Bartel moved to utilize the PwC and column 2 methodologies subject to change based on the information submitted from member counties and the timeline recommendations for reporting and payment; Keith Goehner seconded; the motion passed without dissent.

EXECUTIVE COMMITTEE ELECTION RESULTS: President Wilsdon announced that Drew Woods, David Alvarez and Steve Bartel were re-elected and Lisa Ayers was elected to the Executive Committee for the four (4), 3-year terms 10/1/2013 – 9/30/2016.

ELECTIONS – OFFICERS: President Wilsdon announced that Drew Woods was nominated by the Nominating Committee for the position of Vice President (and President-Elect). There were no nominations from the floor. Keith Goehner moved to accept Drew Woods as the candidate and cast a unanimous ballot electing him as Vice President; Lee Grose seconded; the motion passed without dissent.

President Mark Wilsdon announced that he was the Nominating Committee's nominee for the position of Secretary/Treasurer. He asked for nominations from the floor, there were none. Lee Grose moved to close nominations and elect Mark Wilsdon for Secretary/Treasurer, Steve Bartel seconded. Mark Wilsdon passed the gavel to Vice President Tammy Devlin to take the vote. The motion passed without dissent. Vice President Devlin returned the gavel to President Wilsdon to continue the meeting.

Py2014 DEPOSIT ASSESSMENTS CONTINUED:

WCPP Assessments: Executive Director Vyrle Hill stated member counties need to review and update property values. He asked the counties to please use the appraised values from the appraiser (HCA) for the recent appraisals when available. Questions were raised regarding vehicle values and what property categories are excluded and need endorsements in order to have coverage. After a long discussion, President Wilsdon noted there is confusion on part of the members regarding property coverage. It was decided that Executive Director Hill, working with the brokers and the property insurers, will put together a fact sheet to assist member counties regarding the property program. In addition to the forthcoming fact sheet, Executive Director Hill asked members to call and email him with questions and assured those in attendance that all questions will be answered and resolved.

RECESS: President Wilsdon recessed the meeting at 10:10 a.m. and reconvened at 10:26 a.m.

Py2014 DEPOSIT ASSESSMENTS CONTINUED:

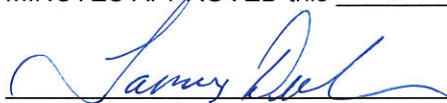
WCPP Assessments: Executive Director Vyrle Hill referred to the WCPP worksheet, he explained the columns and rates and noted the increased values, and that the total rate increase is actually closer to 9%. Steve Bartel motioned to accept the property program allocation methodologies presented using the deadline of August 23, 2013 for updates to the PIMS database and to apply the Py2013 WCPP rate stabilization fund balance of approximately \$2000 to the premium costs; Tammy Devlin seconded; the motion passed without dissent.

Steve Bartel moved to maintain the 2% APR interest rate for delinquent payments; Lee Grose seconded; the motion passed with one nay vote.

GAVEL EXCHANGE AND 25th ANNIVERSARY RECOGNITION: Executive Director Vyrle Hill recognized the Silver Anniversary of the Pool. He stated the original gavel that has been used by the Pool for the first 25 years came from Benton County and as the Director from Benton County agreed, the Pool would retire the gavel and put it in the Pool hall of fame. President Wilsdon passed the new gavel to Vice President/President-Elect Tammy Devlin, who then presented a plaque and certificate to Mr. Wilsdon commemorating his time as President. Liz Miser presented the Pool with a check from Berkley as its remaining 2012-13 contribution toward loss control activities. Executive Director Hill thanked the staff for an excellent conference.

With no further business, Philip Morley moved to adjourn the meeting, Drew Woods seconded, and President Wilsdon adjourned the board meeting at 10:43 a.m.

MINUTES APPROVED this 8th day of November, 2013.



President

Attest: 

Secretary/Treasurer