

**WASHINGTON COUNTIES RISK POOL
BOARD OF DIRECTORS WORKSHOP and MEETING
MINUTES**

Thursday - Friday, July 30 – July 31, 2009
Enzian Inn, Leavenworth, Washington

ATTENDANCE:

* denotes Executive Committeeperson

Adams County:	Linda Reimer, Clerk of the Board – Alt. Director
Benton County:	Melina Wenner, Human Resources/Risk Manager – Director Bryan Perry, Safety/Training Coordinator – Alt. Director (<i>Friday</i>)
Chelan County	* Keith Goehner, Commissioner – Director Cathy Mulhall, County Administrator – Alt. Director (<i>Friday</i>)
Clallam County:	Toni Gilbert, Safety/Training Officer – Alt. Director
Clark County:	Mark Wilsdon, Risk Manager – Director Mark McCauley, General Services Director
Columbia County:	Drew Woods, Public Works Director - Director
Cowlitz County:	Claire Hauge, OFM Director – Alt. Director
Douglas County:	* Steve Clem, Prosecuting Attorney/Coroner - Director
Franklin County:	Steve Lowe, Prosecuting Attorney – Alt. Director
Garfield County:	Dean Burton, Commissioner – Director
Grays Harbor County:	* Rose Elway, Director, Management Services/Budget – Alt. Director
Island County:	Angie Homola, Commissioner – Director Betty Kemp, GSA Director – Alt. Director
Jefferson County:	Philip Morley, County Administrator – Director
Kitsap County:	*Mark Abernathy, Risk Manager – Director/President Ione George, Senior Deputy Prosecuting Attorney – Alt. Director Tim Perez, Risk Management Specialist Anastasia Johnson, Claims Assistant (<i>Thursday</i>)
Kittitas County:	Lisa Young, Human Resources Manager/Safety Officer – Director
Lewis County:	* Lee Grose, Commissioner – Director Harry Green, Risk Manager – Alt. Director
Mason County:	Lynda Ring Erickson, Commissioner – Director (<i>Thursday</i>)
Okanogan County:	* Andrew Lampe, Commissioner - Director
Pacific County:	Bryan Harrison, Administrative Officer - Director
Pend Oreille County:	Laura Merrill, Commissioner
San Juan County:	<i>Not represented</i>
Skagit County:	Billie Kadrmas, HR/Risk Manager - Director
Skamania County:	* Marilyn Butler, Risk Manager – Alt. Director
Spokane County:	* Steve Bartel, Risk Manager - Director
Thurston County:	Sandra Romero, Commissioner – Director * Tammy Devlin, Risk Manager – Alt. Director
Walla Walla County	* Jay Winter, Personnel/Risk Manager – Director, Secretary/Treasurer Gregg Loney, Commissioner – Alt. Director
Whatcom County:	* Randy Watts, Chief Civil Deputy Prosecuting Attorney - Director
Yakima County:	Larry Peterson, Senior Deputy Prosecuting Attorney – Director
Washington OFM:	Shannon Stuber, LGSJ Program Administrator
Broker Services:	Mike Croke, Senior Area Vice President – AJGRMS, Inc. Liz Miser, Area Vice President – AJGRMS, Inc.
Insurers:	Rich Vincelette, Senior Vice President – ACE

Actuary Services: Kevin Wick, Director – PricewaterhouseCoopers LLP (*Thursday*)

WCRP Staff: Vyrle Hill, Executive Director
David Goldsmith, Member Services Manager
Jill Lowe, Loss Control Coordinator
Sue Colbo, Accounting/Auditor Officer
Susan Looker, Claims Manager
Candy Drews, Claims Analyst (*Thursday*)
Tammy Cahill, Claims Representative (*Thursday*)
Lisa Daly, Claims Assistant (*Thursday*)
Claire Thompson, Claims Assistant

CALL TO ORDER / WELCOME: WCRP President Mark Abernathy called the Board of Directors' work session to order Thursday, July 30, 2009 at 1:37 p.m. and welcomed all in attendance.

REPORTS AND RECOMMENDATIONS:

Actuary's Report: PricewaterhouseCoopers' Director Kevin Wick briefed the attendees with a PowerPoint presentation entitled "Actuarial Rating Review – Policy Year 2009-2010." He explained and recommended a new method to calculate experience rating modification (ERM) that he and the Finance Committee had spent considerable time developing. The new method looks at a loss window of the first three of the most recently completed four loss years, losses capped at \$100,000 and loss experience is weighted against the prior modification to determine the new modification factor. It is hoped these three changes will increase fairness, while at the same time be more responsive to changes in a county's loss experience. The new ERM method will be applied prospectively, not retroactively, with all counties getting a "fresh start." Steve Clem, Finance Committee Chair, thanked Kevin, his office, and members of the committee for their assistance. Executive Director Vyrle Hill noted that the Board would need to vote on three issues, 1) adoption of the Actuarial Rate Review, 2) method to determine experience rate modification factor, and 3) the distribution methodology for premiums.

Producer's Report: AJGRM's Mike Croke made a few comments: The insurance market, especially for larger entities, has gotten tougher. Hurricanes, wind storms, and flooding are up, world-wide. Reinsurers are now looking at WCRP's loss ratio that has increased from some substantial losses over the last few years. Taken together, rates are going up. Several carriers wanted to increase retentions, but Mike is not in favor of this option. He indicated premiums for the property program would be increasing too.

Recess: President Abernathy recessed the meeting at 3:10 p.m. and reconvened at 3:22 p.m.

Standing Committee Reports:

- **Finance:** Chair Steve Clem reported the ERM was the bulk of their work, in addition to the budget. He asked Mr. Hill to review the quarterly financial reports. Mr. Hill noted the total assets have grown, which was expected because only a small amount of corridor funds has been expended. Claims reserves are down slightly. Several members inquired about the use of equity to offset anticipated increases in assessments. Mr. Hill responded that a use of equity would decrease the confidence level, which might increase the chances of a reassessment in the future. He could not advise the release of any assets for rate stabilization. He also advised he anticipates rates may rise again because the investment market is so low that insurers are not getting the rate of return (interest) they would normally expect, causing them to increase rates. He noted government entities take longer to recover than the private market.

- **Nominating Committee:** Mr. Hill reported two actions will be necessary, the election of three Executive Committee persons, and the election of a President and Secretary/Treasurer. Nominations will be accepted from the floor.
- **Personnel:** Chair Tammy Devlin indicated leave laws had been reviewed and suggested the Personnel Policy comply with the new laws.
- **Risk Management:** Chair Steve Bartel reported the committee tabled several issues until they can get more complete attendance.
- **Underwriting:** Co-chair Randy Watts discussed changes to the Joint Self Insurance Liability Policy that had been recommended for adoption by the Executive Committee. Most changes were "housekeeping" to update the policy for a new policy year, but two changes are significant. The first is Section 1.A.5 which will specifically remove from coverage monetary damages for penalties imposed under the Public Records Act. The second significant change is Section 7.A.3, and following, related to an insured's right to waive coverage.

STAFF REPORTS:

- **Claims:** Susan Looker, Claims Manager, reviewed a summary of claims and reserves as of July 2009. In 20.75 years of operation, 18,072 claims have been filed with 478 remaining open. There have been 33 Auto Liability claims over \$100,000; 70 Employment Liability claims over \$100,000; and 227 General Liability claims over \$100,000. 21 claims, totaling \$43.2M have exceeded the \$1M level. During the last five years, 4047 claims have been closed, with over 96% of those either settled or denied.
- **Loss Control:** Jill Lowe, Loss Control Coordinator provided a summary of loss control and training activities during the last year. She stressed the funds set aside for scholarships are underutilized and would like to see more counties make use of them. She provided a summary of all the classes the Risk Pool offered during the year, with a breakdown by county attendance to each class.
- **Member Services:**
 1. David Goldsmith, Member Services Manager, announced that property claims can be submitted on line now. The Property Inventory Management System (PIMS) is now active and counties can add/delete/change information on line. He is working with the designer to develop a method to adjust values annually. David noted that the counties must still notify WCPP when they make changes/additions/deletions, as an entry into the system does not constitute notification. WCPP is working to add email notification for these changes. He also noted that counties can choose replacement value or reproduction value, and it is better to have an accurate value on the items the county wants covered, rather than a deflated value, as this affects all members.
 2. Mr. Hill and Mr. Goldsmith will be visiting all the counties in August and September.
 3. It is the end of the 3rd year for Compact compliance.
 4. The draft of "Risk Management Basics" is now available and Mr. Goldsmith asked for reviewers.
- **Administration:** Due to the lateness of the hour, Mr. Hill deferred his portion to precede the Friday Board Meeting.

ADJOURNMENT: President Abernathy adjourned the Thursday work session at 5:12 p.m.

CALL TO ORDER / WELCOME: WCRP President Mark Abernathy called the 2009 Annual (Board) Meeting to order Friday, July 31, 2009 at 8:32 a.m. and welcomed all in attendance. Introductions were conducted. There were 45 meeting attendees with all but Mason and San Juan Counties represented.

AGENDA: A discussion of the remaining items not covered at the previous day's work session was led by Executive Director Vyrle Hill. He reviewed the bylaws changes regarding service providers, reviewed three State Auditor's Office reports (including Fraud Report No. 1001789 regarding the misappropriation of real property by a former Risk Pool employee), reviewed the Cellular Telephone Policy which was a result of the state audit, reviewed the Py2010 budget, and led a discussion on allocation of premium (an increase of approximately 29%). He indicated the Board needed to make five decisions:

1. Funding level; how much and whether any assets will be used.
2. Adopt assessments computation methodology to include deductibles, data input, credits, and experience rating modification.
3. Set a deadline date for counties to review and select deductibles, plus optional layer of insurance (\$5M x \$20M).
4. Set a date for counties to pay assessments.
5. Decide if interest will be charged on unpaid premium balances after the payment deadline date, and how much interest will be charged.

Mr. Hill emphasized county cash flow concerns could be addressed by the Board.

Larry Peterson moved for approval of the proposed agenda; Marilyn Butler seconded; *the motion passed without dissent.*

MINUTES: Keith Goehner moved for approval of the minutes of the Spring Meeting (March 27, 2009) at Skamania Lodge, Stevenson, Washington. Rose Elway seconded; *the motion passed without dissent.*

Lee Grose moved to accept the Executive Committee minutes from four meetings held on March 26, 2009, June 23, 2009, July 16, 2009, and July 23, 2009. The motion was seconded by Randy Watts and *passed without dissent.*

FINANCIAL REPORT: Larry Peterson moved to approve the Quarterly Financial Reports for the second and third quarters of 2009. Marilyn Butler seconded; *the motion passed without dissent.*

NOMINATIONS FOR ELECTIONS: Marilyn Butler moved to accept the recommendations of the Nominating (Executive) Committee for the nominations of Mark Abernathy, Randy Watts, Steve Clem, Mark Wilsdon, and Larry Peterson as candidates for the three Executive Committee openings. Toni Gilbert seconded and *the motion passed without dissent.* Nominations were opened to the floor. Drew Woods moved, and Rose Elway seconded, to close the nominations; *the motion passed without dissent.* Ballots were taken, one vote per county except for Mason and San Juan counties, with results to be tabulated and presented later in the meeting.

OFM-LGSIP (STATE RISK MANAGER) REPORT: Shannon Stuber thanked everyone for allowing her to participate in the meeting. She commented, "It's great to see a fully represented, engaged Pool." She reported there are new proposed rules to replace temporary guidelines, the result of numerous meetings between 12/07 and 2/09, expected to be adopted in January 2010. Most pools already certified by AGRIP will have no problems complying with the new rules. Mr. Hill noted the Pool did not take an official position on the rules, but he did participate in the meetings.

ACTUARY'S REPORT: Lee Grose moved, and Randy Watts seconded, to approve the Actuarial Review of Loss Rates for Py2010 presented at the work session by Kevin Wick of PricewaterhouseCoopers; *the motion passed without dissent.* Larry Peterson moved, and Toni Gilbert seconded, to approve the Optional Experience Rating Modifier presented at the work session; *the motion passed without dissent.* The subject of the Deposit Assessment Distribution Methodology was tabled until later in the meeting, to be discussed at the same time as the JSILP Deposit Assessments and WCPP Participant Premiums Distribution and Invoicing.

PRODUCER'S (BROKER) REPORT: Mike Croke explained the corridor portion of the program and noted the cash flow advantage to the Pool. He noted there would be an increase in premiums. Steve Clem moved to place insurance as outlined in the work session (and asked Mike to continue to work on reducing the price); Randy Watts seconded and *the motion passed without dissent.*

ACKNOWLEDGEMENT: Mr. Hill introduced Rich Vincelette of ACE and thanked him for supporting the Pool's meeting venue. Mr. Vincelette commented it has been a very rough year for insurance and the economy as a whole. ACE is committed to decreasing losses and claims by making resources available. Mr. Hill also thanked Sue Colbo, and her husband Bob, for all their work to prepare a conference dinner the previous evening.

EXECUTIVE COMMITTEE ELECTION RESULTS: Mark Abernathy, Randy Watts, and Steve Clem were reelected to fill the three Executive Committee openings.

NOMINATIONS FOR PY2010 PRESIDENT AND SECRETARY/TREASURER: Rose Elway moved to accept the Committee's nominations of Jay Winter for President and Marilyn Butler for Secretary/Treasurer. Lee Grose seconded. *The motion passed without dissent.* Nominations were open to the floor. Randy Watts moved, and Lee Grose seconded, to close the nominations; *the motion passed without dissent.* As there were no further nominations, Jay Winter (Py2010 President) and Marilyn Butler (Py2010 Secretary/Treasurer) were selected by acclamation.

JSILP COVERAGE FORM: Marilyn Butler moved to approve the changes in the Joint Self Insurance Liability Policy recommended by the Executive Committee in the work session. Keith Goehner seconded.

Larry Peterson moved to amend the motion to not make any changes to Section 1.A.5 regarding the Public Records Act. He indicated the Underwriting Committee intended to look at data over a multi-year period to determine costs and he argued there was a benefit to the Pool acting as a whole instead of singularly. Drew Woods seconded the motion to amend, which was followed by a lengthy discussion. Several members argued PRA violations need to be handled internally because it is a core government function and the PRA levies penalties for not doing what is needed to be done. Other members commented the counties are trying to comply and not willfully taking issue with the provisions of PRA. *The amendment to the motion to retain 1.A.5 as written in Py2009 JSILP policy was defeated during a hand vote; the count was 8 Yes and 16 No.*

lone George moved to amend the motion to change the wording of Section 7.A.3-6 (regarding the insured's right to waive coverage afforded by the policy) to include an amount the Pool had reserved, plus expenses, at the time of settlement of the claim. Toni Gilbert seconded the motion to amend, which was followed by discussion. Randy Watts indicated the Underwriting Committee considered this possibility and conferred with coverage counsel, who noted the dollar amount would be difficult to determine and might open the door for legal action taken by the member against the Pool. Steve Clem noted the Board did not have approved wording in front of them for determination. *The amendment to the motion did not pass.*

The motion to approve the changes in the JSILP recommended by the Executive Committee passed with one dissent.

RECESS: Due to the need for timely check outs, President Abernathy recessed the meeting at 10:30 a.m. and reconvened at 10:50 a.m.

POLICIES AND OPERATIONAL ELEMENTS:

- **Competitive Solicitation for Pool Service Providers Amendments:** Marilyn Butler moved to approve the changes recommended by the Executive Committee to the Bylaws and the Financial Management Policy regarding service providers. Rose Elway seconded and *the motion passed without dissent.*
- **Claims Handling Policy:** Mr. Hill reminded the Board that all claims must be reported to the Pool, and that counties can adjust within their deductible limit up to \$50,000 if the claim is not reported to reinsurance or excess. He noted approximately 75% of all claims are adjusted by the counties; the Pool will decide if the other 25% can be defended in-house or assigned to outside counsel. This policy was approved in Richland, four years ago, and will now be followed more closely. No Board action was required.
- **Personnel Policy:** The Executive Committee recommended the approval of additional policies related to Leave Laws (Section I) that are consistent with federal and state laws. Steve Clem moved to approve the changes to the Personnel Policy; Lee Grose seconded and *the motion passed without dissent.*
- **Cellular Telephone Policy:** Rose Elway moved to adopt the Cellular Telephone Policy as recommended by the Executive Committee. Dean Burton seconded and *the motion passed without dissent.*
- **2009-2010 WCRP Strategic Plan:** Marilyn Butler moved, and Laura Merrill seconded, to approve minor changes; *the motion passed without dissent.*
- **Py2010 Budget:** Mr. Hill reviewed the updated totals summary. No one indicated a need for a more in-depth review of the separate schedules rolling into the summary. Lee Grose moved to approve the Py2010 Budget as presented; Randy Watts seconded and *the motion passed without dissent.*
- **Premium Calculation and Deposit Assessments:** Mr. Hill reviewed the Data Input as of 7/28/09. Larry Peterson moved to accept the premium calculation methodology presented; Steve Bartel seconded and *the motion passed without dissent.*

Regarding the premium deposit assessments, Rose Elway proposed using \$1M of Pool equity to reduce premiums and suspend the confidence level for one year. Steve Lowe so moved and Rose Elway seconded. The discussion that followed included concerns about how equity could be applied to the premiums, concerns for the need to retain funds for future increases, the desire to work collectively, fairness, and the desire to avoid future reassessments. When asked for his recommendation, Mr. Hill, speaking as a former county administrator, indicated he could not support the motion, but understood the need. After everyone had a chance to comment, *the motion to use \$1M of equity to reduce premiums and suspend the confidence level for one year was defeated.*

Steve Clem moved to require each member by September 30, 2009 to either pay their Py2010 deposit premium assessment in full, or 105% of their Py2009 deposit premium assessment with the balance due by September 1, 2010. *The motion passed without dissent.*

Lee Grose moved to require each member by 5:00 p.m. of August 28, 2009 to notify the WCRP Executive Director in writing of any corrections in their exposure data, their deductible selections, and whether their county wished to purchase the \$5M x \$20M excess insurance coverage. The motion was seconded by Steve Bartel and *the motion passed without dissent.*

Steve Clem moved to set the interest rate at 0% on any unpaid premium balance over 105% until September 1, 2010. Marilyn Butler seconded and the motion passed without dissent.

Marilyn Butler moved to charge 5% interest on the first 105% of premium assessments not paid by September 30, 2009. Mark Wilsdon seconded and the motion passed without dissent.

President Abernathy noted Toni Gilbert is retiring from her position with Clallam County, and gave her a card signed by the Pool members. Toni served on the Executive Committee from 11/4/04 to 9/30/08. Toni thanked the Board for their assistance and consideration, and said she would miss everyone.

GAVEL EXCHANGE: President-elect Winter presented WCRP President Abernathy with a recognition plaque and thanked Mark for the leadership he demonstrated throughout the year. President Abernathy expressed his thanks to all, then formally passed the gavel to President-elect Winter for the remainder of the meeting. President-elect Winter encouraged everyone to get involved, get exposed to information, and take every chance to give input into the decisions made for the good of the Pool.

FUTURE MEETINGS:

Autumn Conference: The conference will be held in the Tri-Cities at the Red Lion in Columbia Center on November 4-6, 2009.

Winter/Spring Conference: The Heathman Lodge in Vancouver, WA, was suggested. Members were asked to contact Mr. Hill or other WCRP staff with other suggestions.

2010 Summer Conference and Annual Meeting: Mark Wilsdon moved, and Tammy Devlin seconded, to hold the 2010 Conference and Annual Meeting in Ocean Shores, WA. The motion passed without dissent.

With the meeting's business concluded, President-elect Winter adjourned the meeting at 12:25 p.m. by acclaim.

MINUTES APPROVED this 6th day of November, 2009.

Jay Winter
President

Attest: Marilyn Butler
Secretary/Treasurer