

**WASHINGTON COUNTIES RISK POOL
BOARD OF DIRECTORS WORK SESSION and MEETING
MINUTES**

Thursday - Friday, November 4 & 5, 2010
The Davenport Hotel, Spokane, Washington

ATTENDANCE:

* denotes Executive Committeeperson

Adams County:	Linda Reimer, Clerk of the Board – Alt. Director
Benton County:	Bryan Perry, Safety/Training Coordinator – Alt. Director
Chelan County:	* Keith Goehner, Commissioner – Director
Clallam County:	<i>Not represented</i>
Clark County:	* Mark Wilsdon, Risk Manager – Director
Columbia County:	Drew Woods, Public Works Director - Director
Cowlitz County:	Clyde Carpenter, Risk Manager - Director
Douglas County:	Thad Duvall, Auditor – Alt. Director
Franklin County:	Robert Koch, Commissioner – Director (<i>Friday</i>) Ryan Verhulp, Chief Civil DPA – Alt. Director (<i>Thursday</i>)
Garfield County:	Dean Burton, Commissioner – Director
Grays Harbor County:	* Rose Elway, Director, Management Services/Budget – Alt. Director Dale Gowan, Central Services Director – Alt. Director Joy Carossino, Safety Officer/RM Assistant
Island County:	Angie Homola, Commissioner – Director
Jefferson County:	David Alvarez, Chief Civil DPA – Alt. Director
Kittitas County:	Lisa Young, Human Resources Manager/Safety Officer – Director
Lewis County:	* Lee Grose, Commissioner – Director Harry Green, Risk Manager – Alt. Director Paulette Young, Safety Officer – Alt. Director
Mason County:	Ross Gallagher, Commissioner - Director Dawn Twiddy, Risk Manager Shannon Goudy, Claims Administrator
Okanogan County:	* Andrew Lampe, Commissioner – Director
Pacific County:	Bryan Harrison, Administrative Officer - Director
Pend Oreille County:	Laura Merrill, Commissioner – Director
San Juan County:	Pete Rose, County Administrator – Director David Kelly, Deputy County Administrator – Alt. Director
Skagit County:	Billie Kadrmas, HR/Risk Manager - Director
Skamania County:	* Marilyn Butler, Risk Manager – Alt. Director, President
Spokane County:	* Steve Bartel, Risk Manager – Director, Secretary/Treasurer
Thurston County:	* Tammy Devlin, Risk Manager – Alt. Director
Walla Walla County:	* Jay Winter, Personnel/Risk Manager – Director
Whatcom County:	* Randy Watts, Chief Civil DPA – Director Karen Goens, HR Manager – Alt. Director
Yakima County:	<i>Not represented</i>
Washington OFM:	<i>Not represented</i>
Broker Services:	Mike Croke, Senior Area Vice President – AJGRMS, Inc. Liz Miser, Area Vice President – AJGRMS, Inc.
Others:	Eric Johnson, Executive Director, WSAC (<i>Thursday</i>)
WCRP Staff:	Vyrle Hill, Executive Director David Goldsmith, Member Services Manager

Jill Lowe, Loss Control Coordinator
Susan Looker, Claims Manager
Sue Colbo, Accounting/Auditing Officer
Claire Thompson, Administrative Assistant

CALL TO ORDER / WELCOME: WCRP President Marilyn Butler called the Board of Directors' Work Session to order Thursday, November 4, 2010 at 2:32 p.m. She asked David Goldsmith to say a few words about his recent attendance at AGRIP. Mr. Goldsmith reported underwriters expect a soft market for a few years; they have few options for investments in the current market.

President Butler welcomed all attendees. 25 counties were represented; Clallam and Yakima Counties were not represented. A total of 42 representatives, staff, vendors and others attended the work session.

President Butler then asked Mr. Goldsmith to review organizational issues facing the Pool. He briefly identified the following: Succession Planning, Policy Limits, Tort Reform, Bylaws Changes, Continuity of Operations, and a Joint Property Program, which were discussed later in the meeting.

Membership Survey

Members were asked to complete a Membership Survey in October 2010. 39 member representatives responded to the survey. Using the results of this survey, Mr. Goldsmith led a discussion of the items where members indicated "Substandard/Requires Improvement" ratings.

The usefulness of the scholarship program was discussed. Steve Bartel, Harry Green, and Angie Homola commented they would like to see scholarship funds used for travel, room and board charges, in addition to class fees because county funds are extremely limited for these items. Mr. Hill commented the fund has opened up to encourage participants to get specialized training that can be brought back and shared with the membership.

Regarding risk management assessments and consultations provided by broker services, members found them to be helpful in dealing with department heads that were not responsive to recommendations made by the Risk Managers; an outside recommendation provided credibility to the Risk Managers position.

Several member representatives commented that training/orientation for new county designees could be made more formal and provided at the earliest possible time. Mr. Hill suggested all board members mentor new board members to help them get familiar with the work of the Pool.

Regarding keeping members informed about key issues, President Butler and Mr. Hill noted they would endeavor to explain actions of the Executive Committee during board meetings. Bryan Harrison noted there may not always be enough time during board meetings to discuss some of the tough issues dealt with by the Executive Committee. Steve Bartel noted he is always available to anyone who wants to discuss the issues, and Lee Grose said the Executive Committee has nothing to hide or conceal.

It should be noted that only 2 questions of the total 46 questions in the Membership Survey received two "Substandard/Requires Improvement" responses. The overall rating of the Pool from its members was 4.07 (Exceptional Service with Very Positive Results).

Strategic Management Plan Review:

Mr. Goldsmith led a discussion of the Strategic Management Plan. Susan Looker reported she informally reviews defense counsel costs (SMO 2.5) and Steve Bartel thought this SMO was unnecessary.

Mike Croke commented on exploring a 2-tier (layered) system of coverage (SMO 3.2); he indicated the price differential was inconsequential because the upper layers of coverage are so inexpensive and large losses are getting more common. Lee Grose felt the issue had already

been well discussed and it was not necessary to discuss again. Steve Bartel would like the Business Task Force to meet regularly, perhaps every two years, to discuss.

Drew Woods commented that the time is approaching when the Pool will need to prepare for costs associated with the Property Program--overhead, and claims management. He asked if the Pool needs an SIR for the Property Program. Mr. Hill commented if the Pool is going to go with an SIR in the Property Program, it will have to make economic sense and will need good underwriting review. Steve Bartel thought there should be a notice requirement to the Pool when a county member wanted to leave the Property Program.

Future Issues:

Succession Planning/Continuity of Operations – The Executive Committee has asked Mr. Hill to plan for succession in the Board, staff, and the Executive Committee. An SMO will be created for this item.

Policy Limits – no further discussion.

Tort Reform – Attorney Mike Patterson is pro-tort reform and will be attempting an initiative measure. The Risk Pool is prohibited from lobbying, however it can make its wishes and concerns known to WSAC, who can then go "to the hill" to promote change. Pete Rose would like to keep pressure on the legislature. Lee Grose suggested a letter be sent to WSAC stating the Pool's position. The Office of Financial Management is proposing amendments to the state's pooling laws that would give OFM more authority over pools who are experiencing financial problems. Attorney General McKenna may bring something to the legislature on the joint and several issue; Governor Gregoire wants to look at it.

Bylaws Changes – Mr. Hill noted telephonic meetings of the board would require a change in the bylaws. He also noted that telephonic meetings would be open to the public – they could not comment, only listen. Steve Bartel argued the board meetings are a valuable forum to network and meet fellow members, to see their faces, and have in-person contact. He was not willing to give that up. Mark Wilsdon agreed – he considers the board meetings to be learning and communicating events.

Joint Property Program – no further discussion.

Solvency:

President Butler reported on the recent meeting regarding Municipal Risk Pool Solvency. The WCRP is doing well regarding solvency. She asked others who attended to comment. Mr. Hill clarified that one of the Canfield pools was audited by the state, which led to a reassessment over the next five years. This raised concerns by the State Auditor and the State Risk Manager about the solvency of all pools in the state. They will be auditing the rest of the Canfield pools and issuing Certificates of Authority to continue operations if financials are provided in a timely way and are audited. They will issue conditional certificates if problems are found.

Independent Consultant Selections:

Mr. Hill announced the selections/recommendations for independent consultants made by the Executive Committee. Those recommended are: PricewaterhouseCoopers LLC for actuarial services, Strategic Claims Direction LLC for claims auditing services, and Arthur J. Gallagher Risk Management Services, Inc. for producer services. Mr. Hill noted the contracts are technically made with the board, but he asked the board to delegate contract negotiations to the Officers and Executive Director. He also noted that the method of payment for producer services will be a change from past years – the new contract will be on a fee for services basis, whereas in past years it was based on insurer paid commissions. Mr. Croke commented he did not always find the fee-based service contract advantageous to the insured. Steve Bartel commented he found the selection process to be very thorough and complete.

President Butler made some final comments regarding volunteers for standing committees. She noted several member representatives would be retiring and wanted others to participate on standing committees to gain experience serving and understanding the Pool. Mr. Hill noted all standing committees are open to all county employees. President Butler thanked all who have

served on committees, especially those who recently served on the screening and interview panels reviewing and recommending independent consultants.

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

CALL TO ORDER / WELCOME: WCRP President Marilyn Butler called the 2010 Autumn Board of Directors Meeting to order Friday, November 5, 2010 at 8:32 a.m. and welcomed all in attendance. Around-the-table introductions were conducted. There were 41 meeting attendees with all but Clallam and Yakima counties represented.

AGENDA: Rose Elway moved for approval of the proposed agenda; Keith Goehner seconded; the motion passed without dissent.

MINUTES: Steve Bartel moved for approval of the minutes of the Summer Meeting (July 22-23, 2010) at the Red Lion Hotel, Wenatchee, Washington. Andrew Lampe seconded; the motion passed without dissent. Regarding the Executive Committee minutes from September 8 and October 22, 2010, Mark Wilsdon noted he attended both meetings.

PRODUCER'S (BROKER) REPORT:

Mike Croke and Liz Miser supplied a Semi-Annual Activity Report to the members outlining significant activities performed from March 1, 2010 to October 1, 2010. They have begun meeting with underwriters for coverage placements in 2011-12.

OFM-LGSIP (STATE RISK MANAGER) REPORT: Shannon Stuber was unable to attend the meeting; no report.

STANDING COMMITTEE REPORTS:

Finance, Personnel and Underwriting committees - no reports.

Risk Management – Mark Wilsdon reported the committee met on Wednesday, November 3, before the beginning of the conference. The membership compact states the WCRP Board of Directors shall: Approve and fund annually a “targeted risk management program” based on WCRP loss history. The annual program will specify topic areas and audience populations to be trained. The committee discussed many different options for the 2011-12 targeted program and will recommend “vehicle use and safety policies and procedures.” Clark County is working on a similar policy and they will share the policy with the Pool during the Spring 2011 meeting. GPS systems have been recommended in the Phase II reports; Angie Homola suggested the Risk Management policy give guidance on the subject.

STAFF REPORTS:

Claims Services: Susan Looker reviewed claims loss summaries. 750 claims were received in 2009-10. Open claims are down from 491 to 437. Total cumulative incurred is now \$220,339,805. Of the current 437 open files, 104 are large losses over \$100,000 with a total incurred of \$40,000,000.

Member Services: David Goldsmith reported all county visits have been completed. Four non-member counties were also visited – Grant, Klickitat, Wahkiakum and Ferry. Goldsmith noted our composite price seems a bit higher than Canfield's, however that may change as the result of audits. During visits, it was evident that budgets were the main concerns of the counties. Mr. Hill noted Canfield members are getting the cost benefits of a blended account; some members may be paying more or less than if they went to the marketplace on an individual basis.

Member Services will be reviewing continuity of operations, working on a position paper on tort reform, and continuing to review the business model and revisions to the SIR, if/when necessary. Loss Control: Jill Lowe thanked everyone who attended the initial *Conducting Excellent Performance Evaluations* training on Wednesday, November 3, and especially for their comments

and input about improving the class before it goes on the road. She announced the class scheduled in Spokane on March 7th would be changed to another date to be determined. She reviewed several SMO's during the meeting.

SMO 1.5, Review the WCRP Risk Management Policy against recorded losses and emerging issues, and update policy as may be appropriate – the claims were analyzed by allegation codes and the Risk Management Committee decided to focus on vehicle use and safety for 2011-12.

SMO 1.6, Continue implementation of the Membership Compact and report results. Members received a spreadsheet showing the status of all county and staff employees regarding certifications.

SMO 5.1, Develop an online library of policies, procedures and risk management issues.

Members received a snapshot of the Model Policies page on the WCRP website, and directions on how to access the information.

SMO 7.2, Complete a formal evaluation of yearly training activities. A summary of responses to class surveys was provided to the members.

Jill also announced Helpline has a new online employee handbook template that can be used by the members to review their own employee policies, or to create new handbooks.

FINANCIAL REPORTS: Mr. Hill asked Sue Colbo, Auditing/Accounting Officer, to review the financial reports. Sue Colbo advised the YTD 9/30/10 reports are preliminary. She noted that the Pool recently received very favorable information from the actuaries about Adjustment of Prior Years' Claims Reserves that was not reflected on the preliminary report. Because of adjustments of those claims reserves, the Non Restricted Net Assets should increase by approximately \$1.6 million. In response to a question from the members, she reported taxes on the Franjo Beach property are minimal; the Pool will attempt to coordinate the sale of the property with Mason County or through another legal process. The land has worth, but the building is unsafe. Overall, the Pool spent 86% of the administrative funds budgeted for the 09-10 year. Costs were down in training because some of the scheduled classes did not take place. Mr. Hill noted the Assets to Liability Ratio was 1.28 five years ago; it is now 2.19 and the Pool's position has greatly improved. Randy Watts asked if the increase in Total Net Assets will increase the chances of migrating to a larger SIR. The answer was unclear without further study. Susan Looker asked about the timing of this increase in Total Net Assets. Mr. Hill noted the actuaries have agreed the first ten years of operation are done, and funds held for those years will no longer be restricted for claims reserves, and also the actuaries are providing more accurate and timely rating and reserving figures.

AMENDMENT 3 TO JULY 20, 2001 ACTUARIAL SERVICES AGREEMENT:

Mr. Hill asked the board to pass an amendment to the current contract for actuarial services to cover the additional costs, estimated to be \$5,000, for PricewaterhouseCoopers, LLP to provide an estimate of the amount of losses for each of the last ten years between the Pool's retention level and policy limit ("ceded losses"). It is expected the State Auditor will require this additional financial information. Pete Rose moved to approve Amendment 3 to the July 20, 2011 Actuarial Services Agreement; Tammy Devlin seconded. The motion passed without dissent.

RECESS: President Butler recessed the meeting at 9:50 a.m. and reconvened at 10:00 a.m.

Executive Session - INDEPENDENT CONSULTANTS SELECTION:

Jay Winter moved and Lee Grose seconded the motion to convene in executive session under the appropriate statutory authorities to review and discuss the selection committee's recommendations for independent consulting actuary, claims auditing, and insurance producer (broker) services. The motion passed without dissent.

Recognizing that public discussion would impair the board's ability to conduct its business effectively and acting in accordance with the WCRP Bylaws and RCW 42.30.110(1), President Butler moved the meeting into an estimated fifteen (15) minute executive session at 10:07 a.m. after determining all those present to be pertinent to the topic except Mike Croke and Liz Miser, who were excused.

President Butler reconvened in regular session at 10:24 a.m. to announce the executive session would be extended an additional five minutes.

President Butler reconvened in regular session at 10:36 a.m. to announce the executive session would be extended an additional ten minutes. President Butler reconvened the regular meeting at 10: 50 a.m. with all the earlier participants.

Lee Grose moved to authorize the Pool's officers and Executive Director to 1) negotiate the actual terms and conditions of the actuarial services contract with recommended selectee PricewaterhouseCoopers LLC, 2) negotiate the actual terms and conditions of the claims auditing services contract with recommended selectee Strategic Claims Direction LLC, and 3) negotiate the actual terms and conditions of the producer services contract with recommended selectee Arthur J. Gallagher Risk Management Services, Inc.; all three contracts subject to approval of the Executive Committee. Randy Watts seconded the motion; *the motion passed without dissent.*

LEGISLATIVE PROPOSALS:

Producer Mike Croke offered to help Attorney Mike Patterson with his efforts to effect tort reform. There was no objection from the members, as long as the Pool did not appear to be lobbying. Jay Winter commented the Pool has already been providing information to the state regarding wrongful death. David Goldsmith agreed to follow up on a tort reform white paper.

Mark Wilsdon made a motion to form an ad hoc task force regarding the feasibility of a Pool Property Program (with SIR) with Underwriting Committee Co-chair Randy Watts to take the lead; Keith Goehner seconded – *the motion passed without dissent.*

PRESENTATIONS: President Butler presented Certificates of Appreciation to Ross Gallagher (Mason County) and Ed Holm (Thurston County) as they will be leaving office at the end of the year.

FUTURE MEETINGS:

Already booked are:

- Spring Conference and Board Meeting, Mar. 23-25, 2011: Suncadia, Cle Elum
- Summer Conference and Annual Board of Directors Meeting, July 20-22, 2011: Marcus Whitman Hotel, Walla Walla

New:

President Butler asked for recommendations for the Autumn Board of Directors Meeting in November 2011. Keith Goehner suggested Chelan County. There were other comments about returning to the Davenport Hotel in Spokane, as everyone agreed it was a very pleasant venue. The staff will look into these options and determine what is available.

Lee Grose moved to adjourn the meeting; David Alvarez seconded. *The motion passed without dissent. President Butler adjourned the meeting at 11:09 a.m.*

MINUTES APPROVED this 25th day of March, 2011.

Marilyn Butler
President

Attest: [Signature]
Secretary/Treasurer