

WASHINGTON COUNTIES RISK POOL  
**EXECUTIVE COMMITTEE WORKSHOP & MEETING**

Thursday, February 27 & Friday, February 28, 2014  
Red Lion Hotel, 18220 International Blvd. SeaTac, WA

**ATTENDANCE:**

President – Tammy Devlin, Alternate Director – Thurston County Risk Manager

Vice President – William “Drew” Woods, Director – Columbia County Public Works Director

Secretary/Treasurer – Not Present

Other Executive Committee Members Present –

Robert Koch, Director – Franklin County Commissioner

Steve Bartel, Director – Spokane County Director of Risk Management

Thad Duvall, Alternate Director – Douglas County Auditor

Dean Burton, Director – Garfield County Commissioner

David Alvarez, Alternate Director – Jefferson County Civil DPA

Lisa Young, Director – Kittitas County HR Director

Lee Grose, Director – Lewis County Commissioner

Lisa Ayers, Alternate Director – Pacific County Commissioner

Vyrle Hill – WCRP Executive Director (*ex-officio*)

PricewaterhouseCoopers, LLP (Actuary) –

Kevin Wick, Managing Director (*Friday only, left at 9:45 am*)

Craig Scukas, Director (*Friday only, left at 9:45 am*)

Arthur J. Gallagher RMS, Inc. (Producer) --

Dorothy Gjerdrum, Sr. Managing Director, Public Sector Practice Group (*Thursday's workshop only, left at 4:25 pm*)

John Chino, Area Senior Vice President

Elizabeth Miser, Area Vice President

Robin Flint, Executive Director, Public Sector Practice Group (*Thursday's workshop only, left at 4:25 pm*)

Risk Pool Staff –

Susan Looker – Claims Manager

Jill Lowe – Loss Control Coordinator

David Goldsmith – Specialty Services

Stacey Spears – Administrative Assistant

Others –

J. William Ashbaugh, Coverage Counsel – Hackett Beecher & Hart (*Thursday's meeting only, left at 5:50 pm*)

Amy Magnano, Attorney – Bennett Bigelow & Leedom (*Thursday's meeting only, left at 5:00 pm*)

Bill Leedom, Attorney – Bennett Bigelow & Leedom (*via telephone, Thursday only, from 4:38 pm to 5:00 pm*)

William Fligeltaub – Attorney for Mr. Davalos (*Thursday only, from 5:15 pm, to 5:50 pm*)

Frank Davalos – Appellant (*Thursday only, from 5:15 pm, to 5:50 pm*)

***Thursday, February 27, 2014***

**Welcome:** President Devlin opened the workshop at 12:55 pm and welcomed those attending. She then yielded the floor to those attending from Arthur J. Gallagher. Ms. Gjerdrum conducted the Risk Mapping and Enterprise Risk Management discussion with the group. The workshop began with a review from the previous session last July and continued with a discussion of expectations for the workshop, goals for the Pool and charting of the seven key risks that were identified in July. Following the charting of the risks, participants were asked to rank the likelihood and consequence of each risk and scores were obtained from the rankings. At the end of the workshop, some of the possible next steps were discussed. President Devlin closed the workshop at 4:20 pm.

**Call to Order, Welcome & Roll Call:** President Devlin called the meeting to order at 4:25 pm and welcomed those attending. She stated that she could visually confirm a quorum.

MINUTES – WCRP EXECUTIVE COMMITTEE

February 27 & 28, 2014 - Page 1 of 6

**Agenda:** President Devlin asked if there were any changes to the preliminary agenda earlier circulated electronically. Hearing none, Mr. Grose moved and Mr. Bartel seconded for approval of the preliminary agenda: the motion passed.

**Executive Session:** Mr. Woods moved to convene in executive session under the appropriate statutory authorities to discuss pending litigation for an estimated forty-five (45) minute session, seconded by Mr. Bartel; the motion passed.

Acting in accordance with the WCRP Bylaws and RCWs 48.62.101(1) and 42.30.110(1) (i), and recognizing that public discussion would impair the Committee's ability to conduct its business effectively, **President Devlin recognized all those participating at the time to be pertinent to the privileged discussion and moved the Executive Committee into executive session at 4:30 PM.**

**At 5:12 PM President Devlin reconvened the Executive Committee in regular session and announced that no decisions were made or actions taken.**

**President Devlin recessed the meeting for five (5) minutes at 5:12 pm.**

**Coverage Determination Appeal Hearing:** Pacheco v. Davalos, *et al* – USDC Cause No. 3:13-cv-057972 BHS At 5:17 pm, President Devlin opened the hearing regarding Mr. Davalos' appeal of the Executive Director's decision affirming the withdrawal of coverage for the Pacheco v. Davalos lawsuit. Mr. Davalos' attorney presented evidence, argument and legal authorities on behalf of Mr. Davalos, a former employee of Kitsap County. Mr. Hill presented evidence, argument and legal authorities on behalf of Pool staff. The Executive Committee questioned the parties.

Mr. Bartel moved to excuse all but Board-elected Committee members and convene in executive session under the appropriate statutory authorities to discuss the appeal with counsel for an estimated 10 minute session, seconded by Mr. Duvall; the motion passed.

Acting in accordance with the WCRP Bylaws and RCWs 48.62.101(1) and 42.30.110(1) (i), and recognizing that public discussion would impair the Committee's ability to conduct its business effectively, **President Devlin moved the Executive Committee into executive session at 5:36 PM with only Committee members and Coverage Counsel Ashbaugh present.**

**At 5:49 PM President Devlin reconvened the Executive Committee in regular session with all previous attendees to consider and vote on a motion to determine the appeal.**

Mr. Alvarez moved and Mr. Woods seconded to affirm the coverage withdrawal affirmation decision of the Executive Director. Mr. Bartel added the decision to affirm is based on the Pool's coverage document. The motion passed.

**President Devlin recessed the meeting for the day at 5:50 pm.**

*Friday, February 28, 2014*

**President Devlin reconvened the Executive Committee at 8:15 am. She announced she could visually re-verify a quorum. President Devlin appointed Thad Duvall acting Secretary/Treasurer due to Mr. Goehner's absence.**

**Consent Agenda:** Mr. Bartel moved to approve the meeting's consent agenda, Mr. Woods seconded. President Devlin asked if there was any discussion, Claims Manager Looker noted that the Claims Settlement Confirmation was not necessary as the matter was acted upon by the Committee during the November 1, 2013 meeting. With no further discussion, President Devlin called for a vote. The motion passed. Included were:

1. Minutes of November 7, 2013 Executive Committee meeting.
2. Voucher Approval Request No. 14-02 (Oct 2013 – Jan 2014), check numbers 7698 through 8028 (administrative) and 37087 through 37699 (claims) totaling \$12,188,621.58 and transfers in the amount of \$354,684.26.
3. Initiation of Legal Action Confirmation – Douglas County, Groseclose & Corter

4. Real Property Acquisition Confirmation – Mottman Plaza, Building 2558, Suite F/100
5. Confirmation of Claims Analyst & Sr. Claims Analyst Position Reclassifications

**Hearing: Proposal to Dispose of WCRP Property / Equipment** Mr. Hill stated the Pool was unable to trade in two vehicles as planned when the two replacement vehicles were purchased recently. He also noted there is a set of tires that should have been traded in with the Subaru but were not. In addition there are four old printers (two work, two do not) and a PC tower with a probable blown motherboard. Mr. Woods moved to open the public hearing on the property, Mr. Burton seconded; the motion passed and the public hearing began at 8:20 am with nobody from the general public present. Discussion regarding the property took place. Mr. Bartel suggested a county might be interested in purchasing the vehicles. Mr. Hill noted the vehicles and equipment could be offered for intergovernmental sale and suggested the vehicles and equipment be offered for a period of time, then any remaining items be sold through public surplus. Mr. Woods motioned to close the hearing, Mr. Duvall seconded; the motion passed and the hearing was closed at 8:27 am.

Mr. Duvall moved to declare the vehicles and equipment detailed by Mr. Hill surplus and authorize the sale of these properties through intergovernmental sale through March, then anything remaining to be disposed of through public consignment auction, Mr. Bartel seconded; the motion passed.

Mr. Alvarez moved to note that the minimum sale value be set at \$3750 for the Impala and \$5550 for the Blazer, seconded by Mr. Grose; the motion passed.

**Actuary's Report:** Mr. Scukas presented information on the Actuarial Reserve Review as of September 30, 2013. He noted the net reserves including the corridor are \$14.6 million. A 10% quota share was added for the Pool Year. He also noted a decrease in loss estimates since the September 30, 2012 report, which has resulted in savings for the Pool. The outlook regarding the corridor is favorable. Mr. Wick explained they are using the past to predict the future, and the actuarial estimates are going down due to the experience in 2012 and 2013.

Mr. Scukas then presented information on the Analysis of Alternative Retentions report and the projections were discussed. He explained the information in the \$400k xs \$100k, \$500k xs \$500k and \$1M xs \$1M Ultimate Loss charts. He also noted that there is greater uncertainty and variation in the higher layers and this means more capital is needed. Further discussion took place regarding reinsurance layers and reinsurance premiums.

Mr. Grose moved and Mr. Alvarez seconded to accept the Actuarial Reserve Review (dated September 30, 2013) and the Actuarial Review – Analysis of Alternative Retentions (dated September 30, 2013) and forward the same to the Board for approval with the Executive Committee's favorable recommendation; the motion passed.

The Target Fund Balance was discussed with Mr. Wick and Mr. Scukas. It was noted that the desired target fund balance for year-end 2013 was \$12.5 million at the low point, and \$23.5 million at the high point. The Pool's net position was \$16.5 million, in the mid-range of the targets. It was explained that the target fund was developed using a 1:50 year event with a \$500k retention for the low point to a 1:100 year event with a \$1M retention as the high point. Discussion took place and clarification was offered regarding the target fund balance.

**Producer's (aka Broker's) Report:** Ms. Miser provided the Producer's report and gave a summary of the loss control and risk management services agreed to in the fall, and then she gave an update on those services provided by Arthur J. Gallagher. She noted a White Paper had been delivered, the Risk Mapping session took place on 2/27/2014, and the development of the Insurance Requirements Manual has started. It was reported that Robin Flint will be a presenter at the Spring Conference next month. Ms. Miser also reported on the recent AJG webinars and pointed out that these are available to Pool members.

Ms. Miser then spoke about market conditions. Regarding the property program, she noted they will be looking at pricing, terms and potential insurers and will work with underwriters. For the casualty program, they are not seeing adjustments in pricing, but AJG will have more information this spring. There may be an aggregate added to the AIG excess policies in the upper layers, she will have further information on this soon. Ms. Miser noted AJG is closely following what is happening with the Terrorism Risk Insurance Act (TRIA) reauthorization. Ms. Miser also presented information on Violent Malicious Acts, a new product from Gallagher, and gave information on the

coverage. She noted the marketing visits are coming up, meetings will be held in San Francisco as part of the AGRiP conference in March and the East Coast marketing trip is being scheduled for the week of May 4<sup>th</sup>.

**President Devlin recessed the meeting at 9:43 am for ten (10) minutes.**

**Producer's (aka Broker's) Report (continued):** Mr. Chino presented info on Cyber Privacy/Media Liability Insurance coverage. The presentation included information on risks that are found in counties and case studies. He spoke about risk prevention and risk transfer. He also went over the Pool's current coverage for cyber liability regarding first and third party losses. He then spoke about potential coverage options and joint purchase v. individual purchase was discussed. Mr. Bartel moved to authorize the brokers to go to the marketplace for quotes based on guidelines from Mr. Chino's presentation so the organization can evaluate the pricing further; seconded by Ms. Young. Clarification was offered that the pricing will be for the entire group, not individual pricing. Mr. Chino noted that AJG has the information needed to get a quote. In order to bind coverage, there would be paperwork/application needed from every county. The motion passed.

**Investment Committee:** Mr. Hill reported in Mr. Goehner's absence. He noted that minutes from the Investment Committee are available in the notebook. He also noted that rates are still low but stable. The Investment Committee had directed that funds placed with Clark County be moved to Spokane County due to higher returns from the Spokane County Investment Pool. Mr. Hill informed the group that the State LGIP is insisting a new resolution be approved, and that a provision would be added to the suggested resolution that would rescind all previous potentially conflicting resolutions. The Pool has been a member of the LGIP since inception of the Pool. Currently funds in the LGIP are minimized, most of the funds are in the Spokane County Investment Pool.

Mr. Duvall moved and Mr. Bartel seconded to forward the updated LGIP Resolution to the Board for approval with the Executive Committee's favorable recommendation; the motion passed.

#### **Officer and Committee Member Reports**

- Finance – Chair Duvall asked Mr. Hill to provide information from the State Auditor's Office. Mr. Hill reported that the Audit's exit conference is scheduled with the SAO's office. The Auditor's Office said the rate stabilization accounts should be considered equity, not a liability, but this would go against the Pool Board's directives. This will be discussed further at the exit conference. If the SAO's office does not agree with the Pool, the accounts will be shown as a separate equity entry, and this won't change the bottom line (unrestricted net position). Mr. Duvall announced that the Finance Committee will meet on Wednesday afternoon, March 26<sup>th</sup> at Suncadia Lodge, prior to the New Member Orientation. Mr. Hill then reported that the ending first quarter 2014 Total Assets and Total Liabilities were \$38.4M and \$21.5M respectively, leaving the Net Position (formerly Net Assets) at \$16.9M. He also noted that Operating Income was nearly \$0.116M, that 22% of the operating (administrative) budget had been expended, and that the Pool would pass both SRM solvency tests. Mr. Alvarez moved and Mr. Koch seconded to accept the first quarter financial report; the motion passed.
- Personnel – Chair Young reported that due to staffing issues, especially in the Claims Division, the committee recommends using a consultant for a compensation study. Discussion took place regarding having the committee review current Pool personnel policies vs. using a consultant/attorney to review the personnel policies. Mr. Hill reported that the potential cost for both a compensation study and review of personnel policies would probably be around \$20k, and that he thinks this could take place within the current budget without additional burden. Mr. Bartel moved and Mr. Alvarez seconded to retain a third party attorney to review the Pool's personnel policies and a separate consulting firm to conduct a compensation study with the costs not to exceed \$20,000 total; the motion passed.
- Risk Management – Ms. Lowe reported that chair Perry does not have a report at this time. The Risk Management Committee is meeting on Wednesday, March 26<sup>th</sup> at Suncadia Lodge prior to the New Directors Orientation and expects the committee will have a report at the Spring Conference.
- Underwriting – Chair Woods reported the committee has not met recently but will meet prior to the Spring Conference. He asked Claims Manager Susan Looker to report on the discussion items for the committee. Ms. Looker noted the Underwriting Committee will review an issue with the penalty language, directly related to the

public records act and open public meetings act. She noted the Committee will also look at language regarding Directors suing the Pool and cross liability language. She also noted that Mr. Chino had a suggestion that will be discussed by the Underwriting Committee. Mr. Woods noted that the Committee will likely meet telephonically prior to the Spring Conference.

#### **Staff Reports / Action Items**

- Administrative Services – Mr. Hill referred to the Annual Report filing for the State Auditor’s Office and stated the report should be considered by the Executive Committee. Mr. Hill noted the report included an update on the Alicia Johnson fraud case and included the Pool’s confidence level. Mr. Duvall moved and Mr. Bartel seconded to accept the filing for the State Auditor’s Office; the motion passed.

Mr. Hill noted a summary of the State Risk Manager’s report was in the notebook along with a few of the filed documents. Mr. Grose moved and Mr. Duvall seconded to accept the State Risk Manager’s Report, the motion passed.

Mr. Hill reported on the preliminary leasing and renovation plans for the WCRP headquarters building. He noted the smaller suite’s current tenant has agreed to move to the newly acquired suite. Renovations for the building will likely be around \$65k, but staff still needs to brainstorm the functional renovations that are needed. The renovations are being driven by state archive requirements. Mr. Hill then noted three areas that appear underfunded in the current budget including new salaries for some Claims personnel. Vacancies should cover the overages in this area. Another area of concern is the need for a new electronic claims reporting form, \$12,700 is needed. The final area of concern is the capital funds needed for the purchase of the additional office suite and potential office renovations. He also noted the purchase of the new vehicles was higher than expected but the Pool should get some of these funds back with the surplus property sales. Drew Woods moved and Mr. Burton seconded to forward for the Board’s consideration a proposal to amend the WCRP Py2014 Budget by including supplemental Capital Outlay appropriations of up to \$258,100 offset by \$25,000 of estimated (additional) Non-Operating Revenues/Expenses, and with the remainder to be drawn from Unrestricted Net Position (fund balance); the motion passed.

Mr. Hill reported that the HCA property appraisals will begin in April or May. He asked that members notify him of any major property additions so they can be added to the appraisal list. With the appraisals this year, approximately 90% of the total value in the property program will be appraised, and this should assist with underwriting for the program.

Mr. Hill noted the costs associated with moving the Fall Conference currently scheduled to take place in Vancouver, WA. Mr. Woods moved and Mr. Duvall seconded to keep the Fall meeting at the Vancouver Hilton, the motion passed.

- **Claims Services** – Claims Manager Looker gave a staffing report and noted that all open positions have been filled. The new Claims Analyst and Senior Claims Analyst have significant claims experience. She noted that Ms. Sheerin resigned at the end of November. Ms. Looker reported that the three new employees in the Claims Division will attend the Spring Conference.

Ms. Looker went over Strategic Claims Direction’s Claims Audit Report from February 2014. The results were discussed, and Ms. Looker noted, with the hiring of new employees she plans to spend more time on management of the division. Travel by claims staff was briefly discussed in conjunction with de-centralized staff assignments, and Mr. Hill noted the report was just recently received and will be presented at the Spring Conference. He asked committee members to read the report prior to the Conference.

Mr. Woods moved and Mr. Bartel seconded to convene in executive session under the appropriate statutory authorities to discuss pending claims for an estimated five (5) minute session; the motion passed.

Acting in accordance with the WCRP Bylaws and RCWs 48.62.101(1) and 42.30.110(1)(i), and recognizing that public discussion would impair the Committee’s ability to conduct its business effectively, **President Devlin recognized all those still participating in the meeting to be pertinent to the privileged discussion and moved the Executive Committee into executive session at 11:18 AM.**

**At 11:26 AM President Devlin reconvened the Executive Committee in regular session. Mr. Woods moved and Mr. Grose seconded to provide settlement authorization in the amount suggested by the Claims Manager during the executive session for the Murphy v. Whatcom County matter; the motion passed.**

- **Loss Control** – Loss Control Coordinator Lowe reported the Sample Policy Library now has over 300 documents. A search engine has been added for the library and is working well. Ms. Lowe stated that Berkley's Rich Vincellete asked to see more recorded trainings and webinars on the Pool's website. Ms. Lowe is working on that goal but has run into a few technology glitches, but noted that there are many webinars and links now available on the Pool website. She then gave an update on the Email Etiquette class that was recently held in Chelan County. The class needs some refinements but was well received overall and well attended. Mr. Duvall noted that the class was helpful for everyone, not just employees in management positions.
- **Member Services** – Mr. Goldsmith reported it is time to re-apply with AGRiP for recognition as a Pool that is fully compliant with AGRiP's advisory standards. He noted that one of AGRiP's new requirements is a Code of Conduct that would need to be adopted by the Board. A draft Code of Conduct was provided. Mr. Goldsmith clarified that no changes to operations are required, but the Code of Conduct details how the Pool operates. Discussion took place regarding the Code of Conduct and if it should be considered a standalone policy or part of the Pool's Bylaws. Mr. Alvarez moved and Mr. Burton seconded to accept the draft Code of Conduct as an attachment to the Pool's existing Bylaws and forward to the Board for approval with the Executive Committee's favorable recommendation; the motion passed.

Mr. Bartel moved and Mr. Koch seconded to accept the AGRiP Advisory Standards application as presented with the red revisions and simple grammatical errors corrected, and authorize current President Devlin to sign the document; the motion passed.

**Future Meetings and Trainings:** Mr. Hill noted that he and Mr. Koch are attending the AGRiP Conference in early March. Ms. Lowe, Mr. Alvarez and Ms. Ayers are attending the PRIMA Conference in June. Mr. Bartel offered his travel spot to Committee Member Young as he is not available to travel to a conference this year. Mr. Grose moved and Mr. Bartel seconded to send Ms. Young to the PRIMA Conference in June as a representative of the Pool's executive committee; the motion passed. Mr. Hill provided a brief overview of the organizations and conferences offered that are applicable to Pool representatives. Future Risk Pool Conferences were briefly discussed. Mr. Woods suggested holding the Summer 2015 Conference in Walla Walla.

**Other Business:** Mr. Grose announced he does not intend to run for re-election as County Commissioner at the end of this term and will be leaving office (Pool eligibility) at the end of calendar 2014.

**Adjournment:** With no further business to address, President Devlin adjourned the meeting at 11:54 am.

MINUTES APPROVED this 28<sup>th</sup> day of March, 2014.

  
\_\_\_\_\_  
President

Attest:   
\_\_\_\_\_  
Secretary/Treasurer