On the cover:

Clockwise, from upper left: Benton County Courthouse, Prosser; Kitsap County Courthouse, Port Orchard; Okanogan County Courthouse, Okanogan; and Skamania County Courthouse in Stevenson.

File photos
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The Washington Counties Risk Pool is pleased to present this 2007 Annual Report to its Members and Board of Directors, as well as the public served by Members throughout the State of Washington. WCRP is proud of its accomplishments over the past year.

- The Risk Pool has a new office building in Tumwater. The relocation was completed smoothly and without any impact on services. The new working environment is a vast improvement and will serve Pool staff and our Members for years to come.

- The Risk Pool is fully staffed for the first time in almost three years. Claims continued to be handled professionally and extremely effectively. The Loss Control Program has been fine-tuned and is now moving forward. Member compliance audits are on track and providing valuable information to the Risk Pool and feedback to Members. A suggested set of Risk Management Policies has been drafted that will be a terrific guideline for Members.

- The Risk Pool management team met with reinsurance companies in New York City and, with guidance and efforts of broker Mike Croke, was able to negotiate very favorable reinsurance premiums, with a three-year guaranteed rate on the Risk Pool's initial and most expensive reinsurance layer.

- The net equity of the Risk Pool's Members has skyrocketed over the past year. WCRP now has the highest ratio of assets to liabilities in its 19 years, leading to an underwriting confidence factor that is unprecedented.

The Risk Pool has accomplished all this while other self-insurance pools are experiencing double-digit rate increases and/or substantial program changes.

What makes the Washington Counties Risk Pool so successful? The Risk Pool staff and You! Working together. The Risk Pool's highly professional and dedicated staff, insurance brokers and underwriting actuaries cannot guarantee success working alone. You - the Members - make the difference by providing the knowledgeable and talented people who serve as officers, directors and committee members, and who make this team known as the Washington Counties Risk Pool complete. It's an unbeatable combination.

Thank you. And congratulations! You've earned it.

From **Steve Clem**, PY2007 President

It is an honor to serve and be a part of a great organization like the Washington Counties Risk Pool. This Annual Report is another indicator of the success that the Pool has attained and reflects on the foundation that has been laid.

As the commitment to training and risk control continue to be emphasized and implemented, sustained achievement will become the norm. Although there are many variables involved in providing insurance, the Pool strives to offer coverage with confidence and stability.

Continual awareness and assessment of the changing issues revolving around liability and property insurance is a strong suit of the staff and members of the Pool. Each year offers new challenges but the Washington Counties Risk Pool is rising to the challenge and is committed to long- term success.

We are proud of our accomplishments and are looking forward to continued achievement as we cooperatively focus our efforts toward even better risk management.

From **Keith Goehner**, PY2007 Secretary/Treasurer
Washington Counties Risk Pool

MEMBERSHIP

FOUNDING MEMBER COUNTIES (1988-89)

Benton  Franklin  Jefferson  Mason  Spokane
Chelan  Garfield  Kitsap  Pacific  Thurston
Clallam  Grays Harbor  Klickitat  San Juan  Whatcom
Cowlitz  Island  Lewis  Skamania

MEMBER COUNTIES - POOL YEAR 2007

Adams  Columbia  Grays Harbor  Lewis  San Juan
Benton  Cowlitz  Island  Mason  Skagit  Walla Walla
Chelan  Douglas  Jefferson  Okanogan  Skamania  Whatcom
Clallam  Franklin  Kitsap  Pacific  Spokane  Yakima
Clark  Garfield  Kittitas  Pend Oreille  Thurston
Washington Counties Risk Pool (WCRP) was formed August 18, 1988, by an Interlocal Agreement initially signed by 19 of Washington’s 39 counties. Thirteen of the original counties began using WCRP programs and services immediately, while the other six joined throughout the first year as their existing insurance programs expired. WCRP now serves 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 the state of Washington’s “pooling” laws, more specifically Chapters 48.62 and 39.34 RCW, and is overseen by the State Risk Manager with fiscal audits performed annually 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 obligations to support these goals through three major elements: membership involvement, risk control practices, and a targeted risk management program.

**The Risk Pool’s Mission**

- **To provide comprehensive and economical risk coverage**
- **Reduce the frequency and severity of losses, and**
- **Decrease costs incurred in the managing and litigation of claims.**

**Core Values**

WCRP is committed to learn, understand and respond to its members’ insurance needs.

WCRP is committed to establish a working relationship with all members that identifies business issues and jointly develops solutions.

WCRP members commit to allocate necessary resources to risk management in their own operations.

WCRP’s board of directors and professional staff share a commitment to manage the organization based on sound business principles, benchmarked industry standards, and measurable outcomes.

WCRP is committed to continuous planning and innovation in product development and service delivery.
STRICT PLAN

Each year, the Washington Counties Risk Pool faces challenging issues. Many are directly related to the diversity of the operations of its members and the challenges of providing insurance and risk management products in competition with a global industry. Pool members recognize that they are the best judges of their own operations and the ability to pool their financial and knowledge resources offers them a potential level of service not available from commercial insurers. The Risk Pool recognizes that it must continually use its member knowledge, professional staff expertise, and sound risk management principles to continuously upgrade its products and services.

LINES OF BUSINESS

WCRP delivers a number of products and services to its members. The products and services identified here are continuously being upgraded to enhance their value.

- Third-Party Liability: The base-line product, offered to members since the Pool was founded in 1988, with limits that have increased over the years from $1 million (first two months) to $20 million today (optional $25 million).
- Property: An expanding product line that the Risk Pool unveiled in 2005 with “AOP” limits of $500 million, and Earthquake and Flood sublimits each of $200 million.
- Member Services: Because WCRP is a pool, member services become opportunities for the Pool to focus the operational expertise of its members, its staff, and the industry on the risk needs of its members. Some of the services are:
  - Membership Compact Compliance: Pool staff periodically reviews its Member Counties’ risk management programs and operations. This program provides each member with a plan to improve the effectiveness of its program.
  - WCRP Certification: Pool staff work with Member Counties to insure risk management staffs receive WCRP certification within two years of assignment.
  - Risk Management and Claims Administration Roundtables: Member forums to discuss general risk management and claims handling challenges and opportunities.
  - Loss Control Programs: A wide variety of programs designed to improve the professional risk management, loss ratios, and insurance costs of Member Counties.

The Pool provides or sponsors training geared toward reducing incident frequency and severity rates of its members. This training is available to member entities and sometimes non-member entities. The risk management self-assessment process provides each Member County with a process to assess its own risk program and share results with the WCRP. Pool staff will continue to research risk products and loss control programs developed in industry and government that have shown promise in reducing the frequency and severity of losses, and provide a library of related resources.

Strategic planning can be a complicated and labor-intensive process. Rather than engage in a process that is staff- and paper-intensive, WCRP’s Board has focused on key strategic management objectives designed to deliver improved outcomes to WCRP and its members. The following broad strategic objectives are ongoing in nature. Each year, supporting operational plans are developed to focus the staff and membership on continuously improving the outcomes in each broad area:

**Strategic Management Objectives**

1) Reduce the frequency and severity of losses.
2) Decrease the costs incurred in the managing and litigation of claims.
3) Provide comprehensive and economical risk coverage.
4) Improve the efficiency and effectiveness of the WCRP business organization.
5) Use technology to increase organizational productivity and enhance membership access to programs and data.
6) Market WCRP products and services to current and potential members.
7) Implement a training program that supports the mission and objectives of WCRP and provides Member Counties with timely, relevant and comprehensive training opportunities.

The strategic management objects outlined in this plan can’t be achieved without clear definitions in respect to roles of the Board and professional staff. The Board recognizes that its role is to develop the strategic direction contained in the plan and evaluate the organization’s efforts to achieve that plan. The strategic and operational objectives are the centerpiece of each annual work plan implemented through the administrative budget. In this respect, the Board has committed to evaluating the progress being made and implementation of each work plan.
LEADERSHIP

WCRP BOARD OF DIRECTORS, POOL YEAR 2007

Member Director listed first, others are Alternate Directors

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

DOUGLAS
Steven Clem, Prosecuting Attorney
Ken Stanton, Commissioner
Thad Duvall, Auditor

KITTITAS
David Bowen, Commissioner
Kirk Esslinger, Human Resources Director

SKAGIT
Gary Rowe, County Administrator
Billie Kadmas, Director, Human Resources/Risk Manager

BENTON
Melina Wenner, Director, Human Resources/Risk Management
David Sparks, County Administrator

FRANKLIN
Neva Corkrum, Commissioner
Steve Lowe, Prosecuting Attorney

LEWIS
Dennis Hadaller, Commissioner
Kirk Esslinger, Human Resources Director

SKAMANIA
Marilyn Butler, Administrative Services Director
Debra Van Camp, Assistant Risk Manager

CHELAN
Keith Goehner, Commissioner
Cathy Mulhall, County Administrator

GRAYSON AMBULANCE DISTRICT
Vacant, awaiting designation

SPOKANE
Leon Long, Risk Manager
Rob Binger, Senior DPA
Steve Bartel, Risk Management Supervisor

CLALLAM
Marge Upham, Director, Human Resources/Risk Management
Toni Gilbert, Safety/Training Officer
James Jones, County Administrator

MASON
Dennis Hadaller, Commissioner
Lynda Ring-Erickson, Commissioner

THURSTON
Diane Oberquell, Commissioner
Ed Holm, Prosecuting Attorney
Tammy Devlin, Risk Manager

CLARK
Ed Pavone, Risk Mgr (thru April 07)
Mark Wilsdon, Risk Manager
Bronson Potter, Senior DPA

OKANOGAN
Andrew Lampe, Commissioner
Vacant, awaiting designation

PEND OREILLE
Ken Oliver, Commissioner
Dean Cummings, Commissioner

COLUMBIA
Andrew Woods, Co. Engr/Risk Mgr
Dwight Robanske, Commissioner

SAN JUAN
Donald “Pete” Rose, Administrator
David Zeretzke, Administrative Services Director

PEND OREGON
Gay Row, County Administrator
Billie Kadmas, Director, Human Resources/Risk Manager

JEFFERSON
John Fischbach, County Administrator
David Alvarez, Chief Civil DPA

WHATCOM
Randall Watts, Chief Civil DPA
Peter Kremen, County Executive

COWLITZ
Clyde Carpenter, Risk Manager
Claire Haig, Director, Office of Financial Management

YAKIMA
Ron Zirkle, Prosecuting Attorney
Larry Peterson, Senior DPA

Executive Committee
Pool Year 2007

Toni Gilbert
Clallam County

Keith Goehner
Chelan County

Steve Clem
Douglas County

Neva Corkrum
Franklin County

Rose Elway
Grays Harbor County

Mike Shelton
Island County

Mark Abernathy
Kitsap County

Leon Long
Spokane County

Diane Oberquell
Thurston County

Jay Winter
Walla Walla County

Randy Watts
Whatcom County
To the Board of Directors of the Washington Counties Risk Pool and its Member Counties:

When the Pool’s Board of Directors first met August 18, 1988, the Directors agreed to offer the original member counties occurrence-based, joint self-insured coverage for third-party liabilities with $1 million limits beginning October 1, 1988. Since then, the Pool’s membership has grown from 13 to 28 counties, the liability coverage limits have increased to $20 million, with another $5 million available as an individual option, and a property insurance line with $500 million in coverage has been added.

The Pool’s success over the years is the result of its member knowledge and the professional staff’s expertise, along with its holding to sound risk management principles. It is my pleasure to present this Annual Report of the Washington Counties Risk Pool for Policy Year 2007.

Financial Position: The following constitute the most significant highlights from the year ended September 30, 2007:

- **Total Assets** grew $5.2 million (23 percent) to $27.7 million. More specifically, cash (and investments) increased $6.6 million (36 percent) while receivables declined $1.4 million (40 percent).

- An **Operating Loss** of $0.2 million was experienced which represented a decrease of 106 percent from the prior year’s $3.2 million Operating Income. This was due largely to the prior year’s recovery of reinsurance receivables, and to increases in the independent actuary’s estimates of claims reserves (4.5 percent, from $8.4 to $8.8 million).

- **Interest Income** rose 57 percent ($0.28 million) due to the larger available surplus (funds not needed for current operations) to invest and the investment rates that remained high. Total Non-Operating Revenues, however, decreased by 3 percent ($0.03 million) in large part from last year’s sale of the former WCRP headquarters property which netted nearly $0.31 million.

- **Net Assets** (sometimes referred to as Members’ Equity) increased nearly $0.6 million to more than $5.3 million at September 30, 2007. $4.6 million remains “Restricted” to substantially satisfy the WCRP Underwriting Policy Section D provisions regarding actuarial Confidence Factor. The policy was revised by the Board of Directors in March 2007 to increase over time the desired goal from 85 percent to 98 percent. The remaining $0.7 million Net Assets is invested in Capital Assets (net of debt).

Claims Services: The Claims Division remained busy handling member counties’ third-party liability cases. The count of WCRP-to-date (cumulative) events rose to 14,556, an increase of 913 from the prior year. Another 533 claims for occurrences from all Pool years through September 30, 2007, are projected to be filed in independent actuarial estimates. Only 447 event files remained classified as “open” at year’s end, 169 lawsuits and 278 claims, carrying with them $3.5 million in outstanding WCRP reserves.

Washington Counties Property Program: Since October 1, 2005, when the Washington Counties Property Program was first offered as a WCRP joint-purchase insurance product, participation in this optional program has grown from the 17 counties that were individually purchasing the similar Pool-sponsored coverage to 25. (With the early 2008 additions, there are now 27 counties participating in this relatively new insurance coverage program.)


Compliance Audit: The Risk Management Division of the Washington State Office of Financial Management conducted its audit in April 2008 of the Pool’s operations and the Pool’s compliance with the terms of Chapter 48.62 RCW and WAC 82.60.
Designed to assist Member Counties with their general insurance needs, meet their WCRP membership requirements and to be the focal point for Poolwide membership issues, this division is broken into two major sections: Loss Control and Field Services. Loss Control is comprised of Risk Assessment and Management and Training Coordination; Field Services includes Marketing, Coverage Development, and Membership Compact Compliance.

- The WCRP continues to market itself to the eight non-member counties that logically would choose to seek our services. Site visits to two prospective counties have taken place, and discussions have been held with all eight. The Pool will continue to make itself available to these prospective members.

- The WCRP property program continues to grow. Three more counties joined in 2007 and two in early 2008, bringing the total to 27 counties, creating a self-insurance program allowing the Member Counties to enjoy a single point of contact for both their liability and property needs.

- In 1999, WCRP’s member counties adopted a Membership Compact, a document which established benchmarks for Member Involvement, Risk Control Audit. Audits were conducted for each of the 28 Member Counties in 2006-7.

  These audits consisted of evaluating internal policies and procedures in the areas of claims reporting, incident reporting and investigation, risk transfer and contract management, employment practices, facility use and safety, vehicle use and safety, special events, maintenance (vehicle, watercraft, equipment), law enforcement (SOPs Sheriff Office, SOPs Corrections, Community Supervision), road design and maintenance, land use, training, and professional development. Results of each audit were presented to the applicable County Council or Board of Commissioners.

  For the most part, Member Counties were found to be complying with WCRP’s risk management and claims administration policies. Areas where additional effort is needed include: policy development concerning risk transfer/contract management and special events, training in employment practices, and vehicle use and safety.

- Over the next three years, Pool staff will work with Member Counties to receive the training and complete the policy developments identified in the compliance audit. During the annual county visit, progress toward completion of any deficiencies found during the Compact audit will be reviewed.

The Member Services Division mission is to assist Member Counties in addressing their insurance and risk management needs while helping them comply with the policies and procedures of membership in the Pool. The trainings offered, the programs developed, and assistance provided are all aimed at strengthening the Member County’s ability to address potential areas of exposure and thereby enhancing the wellbeing of the Pool on the whole.
Loss control proactively preserves and protects the assets of county operations from losses in an economic and efficient manner. Member Counties and the Risk Pool understand that losses will occur, and we all strive to transfer risk when possible and address it when necessary. We actively participate in loss control every day. When we make sure vehicles are operating properly and employees are trained to address daily issues, we are practicing loss control.

In late 2006, the WCRP Board of Directors redefined the Pool’s loss control roles, responsibilities and focus, and in early PY 2007, the Pool hired a new Loss Control Coordinator who initially visited each County Risk Manager and asked what Loss Control could do to help them. Many of their suggestions for training, policy sharing and use of resources have been addressed or will be in the coming year(s).

**Training**

One of Loss Control’s strategic management objectives is to develop a program that identifies areas where training could reduce frequencies and severities of third-party liability losses. Loss Control has begun implementing a loss-reduction training program as part of the annual “targeted risk management program” required by the WCRP Membership Compact. Working to protect county assets, Loss Control provided training in *Understanding the Public Records Act*, *Sex in Litigation*, *Management and Supervisory* skills, and *Basic Collision Investigation* to 540 Member County employees. Substantial financial support for some of this training was provided by ACE Public Entity, which provides the Pool’s first layer of reinsurance coverage.

**New Policy in Use**

A Model Risk Management Policy was developed and distributed to Member Counties. Several have used it and adopted a Risk Management Policy specific to their county. Providing model policy information is something Member Counties frequently request. Loss Control has been able to address most of the requests. Development of a model policy library and/or links on the WCRP Web site is a goal for the coming year.

**Membership Compliance**

Twenty-four Member Counties have met the Risk Management Certification requirements in the Pool’s Membership Compact. Thirty-two county employees attended the Insurance Institute of America (IIA) course reviews provided by the Pool and/or took the exams to pass the certification-requirement classes. Many of the county employees now studying and passing exams are support staff offered the opportunity for new challenges in the loss control and claims fields. We plan to provide the five required IIA exams on a two-year cycle.

**Scholarships Providing Specialized Training**

Approximately $9,500 was provided in scholarship monies. These funds were used to send employees to classes involving jail and prisoner legal issues, driver safety instruction, civil rights litigation, land use and other issues of critical value. Attendees are asked to share what they have learned with other members.

**New Training Opportunities on Horizon**

Member counties are interested in distance and Web-based learning opportunities. The Pool is working with its Member Counties, presenters, training partners, and the community colleges to provide direct instruction as well as distance- and Web-based training soon. These new methods of presentation and the *Management and Supervisory* skills training are intended to decrease frequency and severity of losses in the areas of employment, vehicle operation, and various types of claims relating to customer service, such as civil rights, discrimination, open meetings and public records, and permit review.
The Washington Counties Risk Pool provides its member counties with liability insurance limits of $20 million (optional $25 million limit) per occurrence. Subject to the county-selected deductible, included is $10 million in joint self-insured coverage plus $10 (or $15) million in "following form" excess coverage.

Member counties select an occurrence deductible each policy year of either $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000. There are no annual aggregate limits to the payments the Pool might make for any one member county or all member counties combined.

The insuring document 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

## 2007-08 PROPERTY INSURANCE PROGRAM SUMMARY

### Participating Counties
- Adams
- Clallam
- Chelan
- Clark
- Cowlitz
- Douglas
- Franklin
- Columbia
- Garfield
- Grays Harbor
- Island
- Jefferson
- Kitsap
- Kittitas
- Lewis
- Mason
- Okanogan
- Pacific
- Pend Oreille
- San Juan
- Skagit
- Skamania
- Spokane
- Thurston
- Walla Walla
- Whatcom
- Yakima (March 08)

### PROPERTY - “All Other Perils”
Lexington Insurance Company
Limit of Liability - $500 million

### Lexington Insurance Co.
Earthquake & Flood
$200 million

### Deductibles - vary by county

### Program Limits

#### Total Insured Values
Approximately $2.4 billion
Includes: Building, Contents, Vehicles & Mobile/Contractors Equipment

#### Limit of Liability
- $500,000,000 - Lexington Insurance Company (All other Perils, excluding EQ & FL)
- $200,000,000 - Earthquake & Flood with:
  - $25,000,000 Flood for Special Flood Hazard Areas

#### Deductibles
- All Other Perils from $5,000 to $50,000 (county option)
- Earthquake - $100,000; except minimum of $100,000 or 2 percent of total values at time of loss for Puget Sound Earthquake Zone
- Flood - Special Flood Hazard Areas - $1,000,000 or 5 percent of total values at time of loss
  - Named Storms - $100,000 or 5 percent of total values at time of loss
  - All Other - $100,000
PROFESSIONAL SUPPORT

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

**PricewaterhouseCoopers LLP**, for independent actuarial & claims auditing 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

**Local Government Self Insurance Program - State of Washington**
- **Shannon Stuber**, Program Administrator

**Auditor - State of Washington**
- **Hon. Brian Sonntag**
Dear Directors:

Congratulations on the Washington Counties Risk Pool's nineteenth consecutive audit without a finding. This exceptional accomplishment clearly demonstrates the Risk Pool's commitment to sound financial operations and fiscal integrity.

The Risk Pool's proactive approach to operational and audit-related matters helps ensure the proper use of public resources. We recognize and appreciate the Risk Pool's willingness to work in cooperation with our Office in order to achieve that goal. We also appreciate management's constructive responses to recommendations made as a result of past audits.

A critical component of the Risk Pool's operations is its staff. We appreciate the open and cooperative working relationship we have. Our partnership with the Risk Pool is a model for relationships with other entities. We look forward to continuing this relationship so that we may best serve the citizens of member counties and Washington State.

Sincerely,

[Signature]

BRIAN SONNTAG
STATE AUDITOR

FINANCIAL EXAMINATION
BY THE STATE AUDITOR'S OFFICE
REPORTS FROM THE STATE AUDITOR’S OFFICE

The State Auditor’s staff recently conducted its annual audit of the Washington Counties Risk Pool. The complete audit reports (Accountability and Financial Statements) are available for viewing at

OPERATIONAL EXAMINATION BY THE
LOCAL GOVERNMENT SELF INSURANCE PROGRAM

Independent Examiner's Report

Mr. Vyrle Hill, Executive Director
Washington Counties Risk Pool
2558 R.W. Johnson Rd SW, Suite 106
Tumwater, WA 98512-6103

Dear Mr. Hill:

We have examined the Pool's compliance with RCW 48.62, WAC 82.60 and current guidelines established by the State Risk Manager for the years ended September 30, 2004, 2005, 2006 and 2007. The accuracy of information provided by Washington Counties Risk Pool (WCRP) is the responsibility of the Pool's management. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to examinations contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we examine, on a test basis, evidence supporting compliance and that we perform such other procedures as we consider necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, Washington Counties Risk Pool has complied, in all material respects, with laws, regulations and guidelines established by the State Risk Manager as set forth above.

Shannon Stuber
Program Administrator
Local Government Self Insurance Program
Office of Financial Management

Examination Summary

Washington Counties Risk Pool
Tumwater, Washington
May 8, 2008

Our Examination

This report contains the results of our independent compliance examination of Washington Counties Risk Pool (WCRP).

We performed procedures to determine whether the Pool complied with state laws and regulations, in addition to guidelines adopted by the State Risk Manager. The areas examined were selected based on an analysis of financial trends and transactions from the period October 1, 2003 through September 30, 2007.

Examination Results

The Pool complied with state laws and regulations and guidelines adopted by the State Risk Manager. Our report contains no findings or other communications to the management or Board of WCRP.

Examiner's Remarks

We appreciate the cooperation and assistance of the staff and management of WCRP during our examination.
ASSETS:

CURRENT ASSETS:
Cash and Cash Equivalents  $  24,902,986   $   18,262,637
Member Deductible & Reinsurance Receivables 898,868  1,106,316
Member Assessment Receivable 795,467  1,394,041
Retro Assessment Premium Receivable 332,708  1,022,823
Property Insurance Assessment Receivable 0  960
Other Accounts Receivables 100,600  1,598
TOTAL CURRENT ASSETS 27,030,628  21,788,375

NONCURRENT ASSETS:
Capital Assets (Net of Accumulated Depreciation) 716,338  758,932

TOTAL ASSETS $27,746,966  $22,547,307

LIABILITIES:

CURRENT LIABILITIES:
Claim Reserves
  Reserves for Open Claims $  3,250,952   $     2,680,897
  IBNR Claims Reserve 4,692,992  5,058,118
$400M xs $100M AL/GL Corridor Reserves
  Reserves for Open Claims 350,000
  IBNR Claims Reserve 1,650,000
Reserve for ULAE 819,633  644,672
Accounts Payable 182,130  224,319
Accrued Liabilities 52,821  41,870
Unearned Revenue - Members Assessments  11,430,175  9,141,407
TOTAL CURRENT LIABILITIES  $  22,428,702   $   17,791,283

NET ASSETS:
Restricted Net Assets - Underwriting Policy Section D $  4,601,926   $     3,134,357
Capital Assets Net of Debt 716,338  758,932
Non Restricted Net Assets 0  862,735

Total Net Assets  $  5,318,264   $  4,756,024

TOTAL NET ASSETS AND LIABILITIES $ 27,746,966  $22,547,307
## Washington Counties Risk Pool

### COMPARATIVE STATEMENT OF OPERATIONS

For the Fiscal Years Ended September 30, _____

### OPERATING REVENUES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Assessments -- Liability Insurance</td>
<td>$ 9,141,407</td>
<td>$ 9,800,082</td>
</tr>
<tr>
<td>Member Assessments -- Property Insurance</td>
<td>2,286,503</td>
<td>1,438,461</td>
</tr>
<tr>
<td>Insurance Recovery - Over SIR</td>
<td></td>
<td>1,152,678</td>
</tr>
<tr>
<td>Operating Revenues - Miscellaneous</td>
<td>28,776</td>
<td>329</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>$ 11,456,687</strong></td>
<td><strong>$ 12,391,550</strong></td>
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### OPERATING EXPENSES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Year's &quot;Claims&quot; Reserve</td>
<td>$ 1,182,993</td>
<td>$ 1,353,914</td>
</tr>
<tr>
<td>Current Year's &quot;Corridor&quot; Reserve</td>
<td>2,000,000</td>
<td></td>
</tr>
<tr>
<td>Adjustment of Prior Years' Claims Reserves</td>
<td>554,843</td>
<td>(1,520,697)</td>
</tr>
<tr>
<td>Reserve for ULAE</td>
<td>174,960</td>
<td>(83,139)</td>
</tr>
<tr>
<td>Reinsurance Premiums</td>
<td>3,772,810</td>
<td>6,398,438</td>
</tr>
<tr>
<td>Excess Insurance Premiums</td>
<td>384,790</td>
<td>373,681</td>
</tr>
<tr>
<td>Property Insurance Premiums</td>
<td>2,266,927</td>
<td>1,443,465</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>65,372</td>
<td>74,235</td>
</tr>
<tr>
<td>Operating Expenditures</td>
<td>1,256,874</td>
<td>1,147,102</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>$ 11,659,569</strong></td>
<td><strong>$ 9,186,999</strong></td>
</tr>
</tbody>
</table>

**Operating Income**

$ (202,882) $ 3,204,551

### NON OPERATING REVENUES (EXPENSES)

<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income</td>
<td>$ 760,477</td>
<td>$ 483,808</td>
</tr>
<tr>
<td>Gains (Losses) on Capital Asset Disposition</td>
<td>0</td>
<td>307,555</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>4,645</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Nonoperating Revenues (Expenses)</strong></td>
<td><strong>$ 765,122</strong></td>
<td><strong>$ 791,363</strong></td>
</tr>
</tbody>
</table>

**CHANGES IN NET ASSETS**

$ 562,240 $ 3,995,914

**TOTAL NET ASSETS, Beginning of Year**

$ 4,756,024 $ 760,110

**TOTAL NET ASSETS, End of Year**

$ 5,318,264 $ 4,756,024
## CASH FLOW STATEMENT
For the Fiscal Years Ended September 30, ___

### CASH FLOWS FROM OPERATING ACTIVITIES:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from members &amp; Insurers</td>
<td>$15,143,551</td>
<td>$11,995,129</td>
</tr>
<tr>
<td>Cash payments for goods and services</td>
<td>(8,580,328)</td>
<td>(9,367,268)</td>
</tr>
<tr>
<td>Cash payments to employees for services</td>
<td>(665,913)</td>
<td>(446,748)</td>
</tr>
<tr>
<td><strong>Net Cash Provided (Used) by Operating Activities</strong></td>
<td>$5,897,311</td>
<td>$2,181,113</td>
</tr>
</tbody>
</table>

### CASH FROM CAPITAL ACTIVITIES:

<table>
<thead>
<tr>
<th>Activity</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of Equipment</td>
<td>$22,778</td>
<td>$710,568</td>
</tr>
<tr>
<td>Sale of Building</td>
<td></td>
<td>705,135</td>
</tr>
<tr>
<td>Cash from Rental of Suite 104</td>
<td>5,339</td>
<td></td>
</tr>
<tr>
<td><strong>Net Cash Provided (Used) by Capital Activities</strong></td>
<td>$(17,439)</td>
<td>$(5,433)</td>
</tr>
</tbody>
</table>

### CASH FLOW FROM INVESTING ACTIVITIES:

<table>
<thead>
<tr>
<th>Activity</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sales of investments</td>
<td></td>
<td>150,000</td>
</tr>
<tr>
<td>Interest received</td>
<td>760,477</td>
<td>483,807</td>
</tr>
<tr>
<td><strong>Net Cash Provided (Used) by Investing Activities</strong></td>
<td>$760,477</td>
<td>$633,807</td>
</tr>
</tbody>
</table>

### RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Activity</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>$(202,882)</td>
<td>$3,204,551</td>
</tr>
<tr>
<td>Cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>65,372</td>
<td>74,235</td>
</tr>
<tr>
<td>Decrease (Increase) in Accounts Receivable</td>
<td>1,398,096</td>
<td>1,414,932</td>
</tr>
<tr>
<td>Increase (Decrease) in Claims Reserves</td>
<td>2,204,930</td>
<td>(1,952,585)</td>
</tr>
<tr>
<td>Increase (Decrease) in Reserve for ULAE</td>
<td>174,960</td>
<td>(83,139)</td>
</tr>
<tr>
<td>Increase (Decrease) in Unearned Revenue</td>
<td>2,288,768</td>
<td>(658,675)</td>
</tr>
<tr>
<td>Increase (Decrease) in Accounts Payable</td>
<td>(42,884)</td>
<td>177,361</td>
</tr>
<tr>
<td>Increase (Decrease) in Accrued Liabilities</td>
<td>10,951</td>
<td>4,432</td>
</tr>
<tr>
<td><strong>Net Cash Provided for Operating Activities</strong></td>
<td>$5,897,311</td>
<td>$2,181,113</td>
</tr>
</tbody>
</table>
# Washington Counties Risk Pool

## CLAIMS DEVELOPMENT

October 1, 1998 - September 30, 2007

<table>
<thead>
<tr>
<th>1 Net earned required contributions and investment revenues</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,617</td>
<td>$13,194</td>
<td>$6,342</td>
<td>$6,800</td>
<td>$7,056</td>
<td>$10,416</td>
<td>$11,716</td>
<td>$12,042</td>
<td>$12,391</td>
<td>$11,428</td>
<td></td>
</tr>
</tbody>
</table>

| 2 Unallocated expenses                                      | 1,753 | 3,765 | 3,734 | $4,216 | $4,531 | $5,635 | $8,071 | $9,678 | $9,437 | $7,747 |

| 3 Estimated incurred claims and expenses, end of policy year | $4,200 | $1,900 | $2,000 | $2,249 | $1,860 | $1,615 | $1,900 | $1,510 | $1,354 | $1,183 |

<table>
<thead>
<tr>
<th>4 Paid (cumulative) as of:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>End of Policy Year</td>
<td>$5</td>
<td>$10</td>
<td>$18</td>
<td>$3</td>
<td>$36</td>
<td>$51</td>
<td>$68</td>
<td>$-</td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>One year later</td>
<td>$362</td>
<td>$77</td>
<td>$205</td>
<td>$204</td>
<td>$160</td>
<td>$240</td>
<td>$274</td>
<td>$161</td>
<td>$443</td>
<td></td>
</tr>
<tr>
<td>Two years later</td>
<td>$1,366</td>
<td>$258</td>
<td>$365</td>
<td>$389</td>
<td>$282</td>
<td>$596</td>
<td>$426</td>
<td>$295</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Three years later</td>
<td>$2,474</td>
<td>$424</td>
<td>$680</td>
<td>$695</td>
<td>$618</td>
<td>$836</td>
<td>$655</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Four years later</td>
<td>$3,705</td>
<td>$636</td>
<td>$747</td>
<td>$725</td>
<td>$927</td>
<td>$1,103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Five years later</td>
<td>$3,985</td>
<td>$904</td>
<td>$788</td>
<td>$742</td>
<td>$1,075</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Six years later</td>
<td>$4,678</td>
<td>$926</td>
<td>$825</td>
<td>$753</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seven years later</td>
<td>$5,547</td>
<td>$926</td>
<td>$830</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eight years later</td>
<td>$6,073</td>
<td>$926</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nine years later</td>
<td>$6,235</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5 Reestimate incurred claims and expense:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>End of Policy Year</td>
<td>$4,200</td>
<td>$1,900</td>
<td>$2,000</td>
<td>$2,249</td>
<td>$1,860</td>
<td>$1,615</td>
<td>$1,900</td>
<td>$1,510</td>
<td>$1,354</td>
<td>$1,183</td>
</tr>
<tr>
<td>One year later</td>
<td>$4,700</td>
<td>$1,725</td>
<td>$1,985</td>
<td>$1,800</td>
<td>$1,685</td>
<td>$1,890</td>
<td>$1,765</td>
<td>$1,610</td>
<td>$2,345</td>
<td></td>
</tr>
<tr>
<td>Two years later</td>
<td>$5,100</td>
<td>$1,650</td>
<td>$1,580</td>
<td>$1,730</td>
<td>$1,380</td>
<td>$1,950</td>
<td>$1,510</td>
<td>$1,890</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Three years later</td>
<td>$5,675</td>
<td>$1,220</td>
<td>$1,460</td>
<td>$1,350</td>
<td>$1,445</td>
<td>$1,505</td>
<td>$1,335</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Four years later</td>
<td>$5,416</td>
<td>$1,115</td>
<td>$1,370</td>
<td>$1,150</td>
<td>$1,432</td>
<td>$1,343</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Five years later</td>
<td>$5,961</td>
<td>$1,142</td>
<td>$1,218</td>
<td>$935</td>
<td>$1,392</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Six years later</td>
<td>$6,943</td>
<td>$1,083</td>
<td>$1,031</td>
<td>$833</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seven years later</td>
<td>$6,593</td>
<td>$998</td>
<td>$946</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eight years later</td>
<td>$6,568</td>
<td>$961</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nine years later</td>
<td>$6,648</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 6 Increase (decrease) in estimated incurred claims and expenses from end of policy year | $2,448 | $(939) | $(1,054) | $(1,416) | $(468) | $(272) | $(565) | $380 | $991 | - |

---

CLAIMS DEVELOPMENT

October 1, 1998 - September 30, 2007

<table>
<thead>
<tr>
<th>Washington Counties Risk Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>-------------------------------</td>
</tr>
<tr>
<td>Washington Counties Risk Pool</td>
</tr>
</tbody>
</table>

---

CLAIMS DEVELOPMENT

October 1, 1998 - September 30, 2007

<table>
<thead>
<tr>
<th>Washington Counties Risk Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>-------------------------------</td>
</tr>
<tr>
<td>Washington Counties Risk Pool</td>
</tr>
</tbody>
</table>

---

CLAIMS DEVELOPMENT

October 1, 1998 - September 30, 2007

<table>
<thead>
<tr>
<th>Washington Counties Risk Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>-------------------------------</td>
</tr>
<tr>
<td>Washington Counties Risk Pool</td>
</tr>
</tbody>
</table>
WASHINGTON COUNTIES RISK POOL

LIABILITY EVENT FREQUENCY ANALYSIS and EXPOSURES
Open and Closed Events (10/1988 - 09/2007) at end of Py2007

<table>
<thead>
<tr>
<th>WCRP Policy Year</th>
<th>Reported</th>
<th>Projection (w/ IBNR)</th>
<th>Worker Hours (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>39.1</td>
<td>39.1</td>
<td>23.0</td>
</tr>
<tr>
<td>1998-99</td>
<td>31.3</td>
<td>31.3</td>
<td>23.3</td>
</tr>
<tr>
<td>1999-00</td>
<td>32.3</td>
<td>32.3</td>
<td>21.5</td>
</tr>
<tr>
<td>2000-01</td>
<td>30.0</td>
<td>30.1</td>
<td>24.2</td>
</tr>
<tr>
<td>2001-02</td>
<td>28.7</td>
<td>28.8</td>
<td>24.8</td>
</tr>
<tr>
<td>2002-03</td>
<td>30.2</td>
<td>30.5</td>
<td>27.3</td>
</tr>
<tr>
<td>2003-04</td>
<td>29.3</td>
<td>29.7</td>
<td>29.1</td>
</tr>
<tr>
<td>2004-05</td>
<td>29.3</td>
<td>31.2</td>
<td>29.4</td>
</tr>
<tr>
<td>2005-06</td>
<td>26.3</td>
<td>29.7</td>
<td>29.8</td>
</tr>
<tr>
<td>2006-07</td>
<td>20.7</td>
<td>32.3</td>
<td>29.9</td>
</tr>
</tbody>
</table>
LIABILITY EVENT SEVERITY ANALYSIS and EXPOSURES
Open and Closed Events (10/1988 - 09/2007) at end of Py2007

Washington Counties Risk Pool

Loss Amounts (per Million Worker Hours)

WCRP Policy Year

Worker Hours (Millions)


Projection with IBNR 515,388 324,973 153,934 327,634 424,292 568,487 345,464 334,675 254,501 168,609

Worker Hours (millions) 23.0 23.3 21.5 24.2 24.8 27.3 29.1 29.4 29.8 29.9

WCRP Policy Year
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.