

Annual Report 2007



**WASHINGTON COUNTIES
RISK POOL**

Created by Counties for Counties



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



Washington Counties Risk Pool

Created *by* Counties *for* Counties

Annual Report 2007

CONTENTS

Officers' Messages.....	4
Membership.....	5
Mission & Core Values.....	6
Strategic Plan.....	7
Organizational Governance.....	8
Executive Director's Message.....	9
Member Services Division.....	10
Loss Control.....	11
Insurance Program Summaries.....	12
Administrative Staff.....	14
State Auditor's Comments.....	15
State Office of Financial Management Comments.....	17
Financial Summary.....	18
Claims Information.....	21



Washington Counties Risk Pool

Created by Counties for Counties

From **Steve Clem**, PY2007 President

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.



Steve Clem
Douglas County
President 2007

- 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 **Keith Goehner**, PY2007 Secretary/Treasurer



Keith Goehner
Chelan County
Secretary/
Treasurer 2007

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.

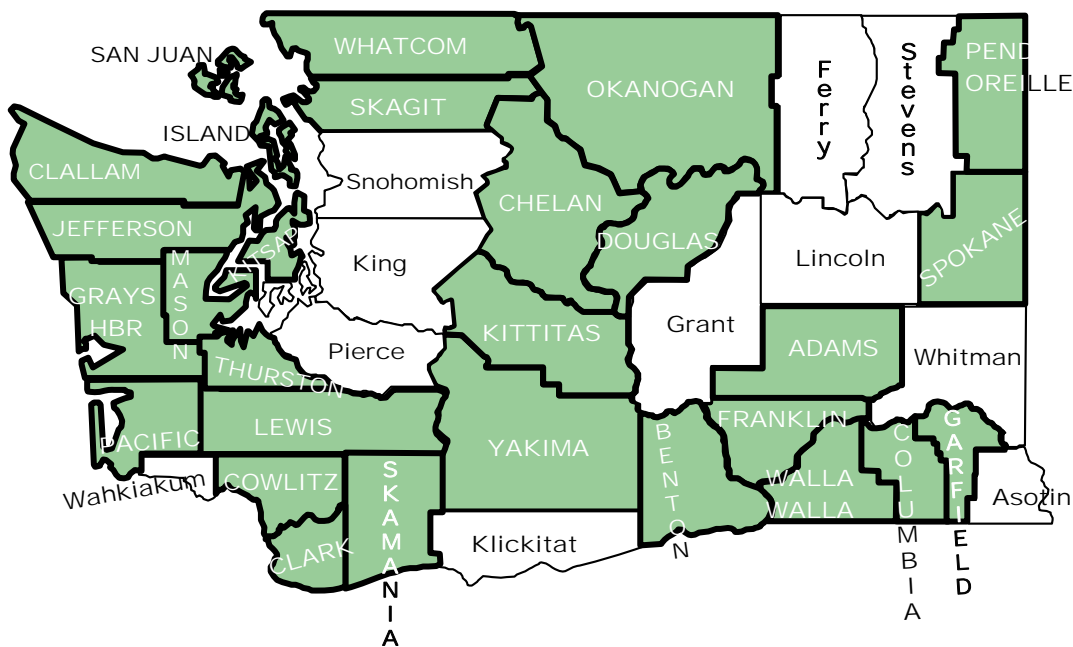


Washington Counties Risk Pool

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

Created by Counties for Counties

Annual Report 2007



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.



Washington Counties Risk Pool

STRATEGIC 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 Eslinger, Human Resources Director

SKAGIT

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

BENTON

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

FRANKLIN

Neva Corkrum, Commissioner
Steve Lowe, Prosecuting Attorney

LEWIS

Dennis Hadaller, Commissioner (thru December 2006)
F. Lee Grose, Commissioner
Harry Green, Risk Manager

SKAMANIA

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

CHELAN

Keith Goehner, Commissioner
Cathy Mulhall, County Administrator

GARFIELD

Dean Burton, Commissioner
Vacant, awaiting designation

MASON

Tim Sheldon, Commissioner
Lynda Ring-Erickson, Commissioner
Ione Siegler, Budget/Finance Director

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

GRAYS HARBOR

Bob Beerbower, Commissioner
Rose Elway, Director, Management Services & Budget
Anne Sullivan, Risk/ER Mgr

OKANOGAN

Andrew Lampe, Commissioner
Vacant, awaiting designation

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

ISLAND

Mike Shelton, Commissioner (thru August 2007)
John Dean, Commissioner
Betty Kemp, Director, General Services Administration

PACIFIC

Bryan Harrison, County Administrative Officer
Jon Kaino, Commissioner

WALLA WALLA

Jay Winter, Personnel/Risk Manager
Greg Tompkins, Commissioner

COLUMBIA

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

JEFFERSON

John Fischbach, County Administrator
David Alvarez, Chief Civil DPA

PEND OREILLE

Ken Oliver, Commissioner
Dean Cummings, Commissioner

WHATCOM

Randall Watts, Chief Civil DPA
Peter Kremen, County Executive

COWLITZ

Clyde Carpenter, Risk Manager
Claire Hauge, Director, Office of Financial Management

KITSAP

Mark Abernathy, Risk Manager
Neil Wachter, Civil DPA
Jacquelyn Aufderheide, Chief Civil DPA

SAN JUAN

Donald "Pete" Rose, Administrator
David Zeretzke, Administrative Services Director

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
(thru August 07)



Mark Abernathy
Kitsap
County



Leon Long
Spokane
County



Diane Oberquell
Thurston
County



Jay Winter
Walla Walla
County



Randy Watts
Whatcom
County



Washington Counties Risk Pool

From WCRP Executive Director *Vyrle Hill*

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 Mem-

bers' 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 still relatively new insurance coverage program.)*

Financial Audit: The Washington State Auditor's Office conducted the annual audit of the Pool's Year 2007 financial activities in early 2008. Copies of the actual audit reports, once completed, will be published by the State Auditor's Office's and available from its website at: <http://www.sao.wa.gov/reports/auditfinding/>

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.



Washington Counties Risk Pool



From Member Services Manager *David Goldsmith*

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.



Washington Counties Risk Pool

From Loss Control Coordinator *Jill Lowe*

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.



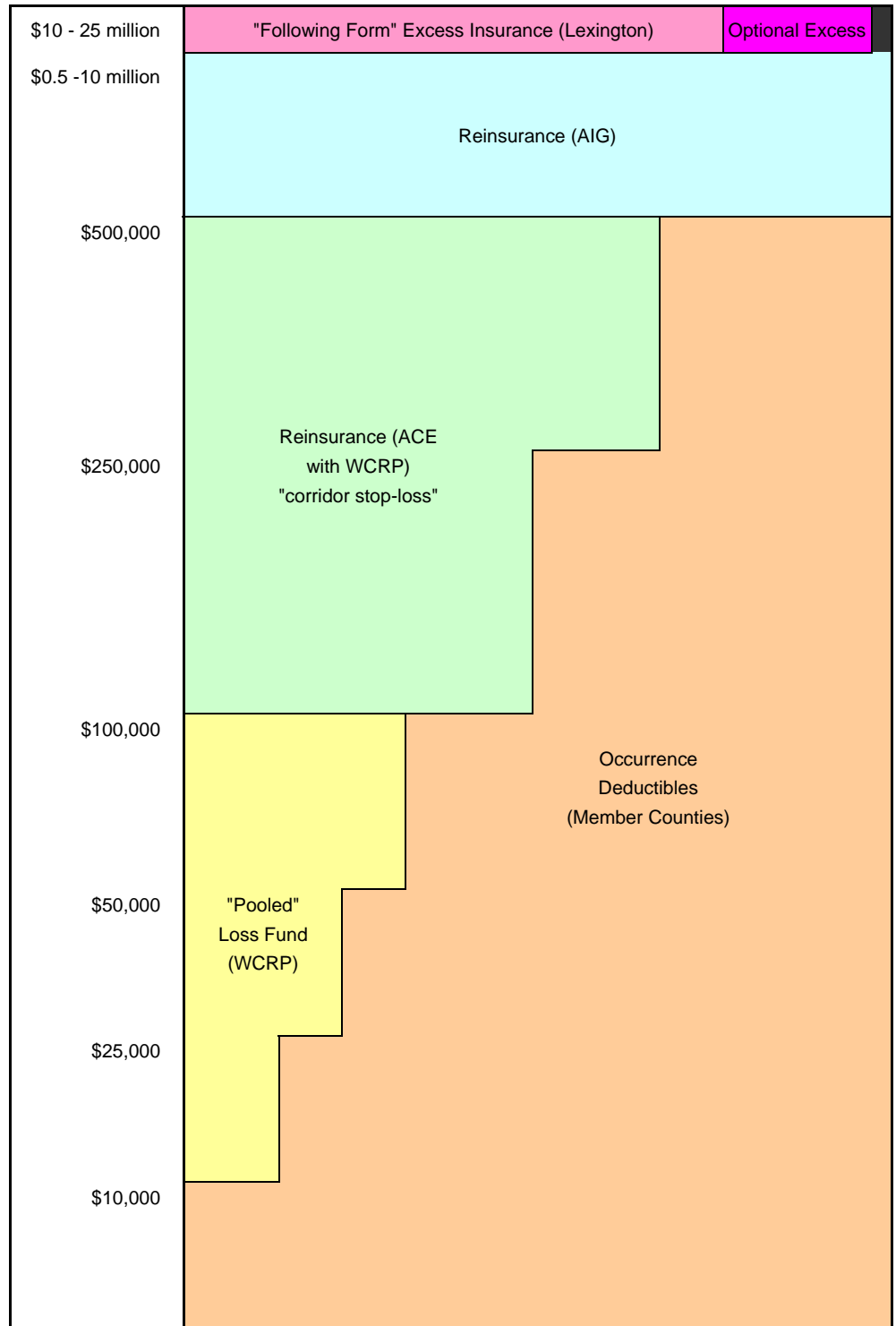
Washington Counties Risk Pool

SUMMARY OF 2007-08 LIABILITY INSURANCE PROGRAM

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.



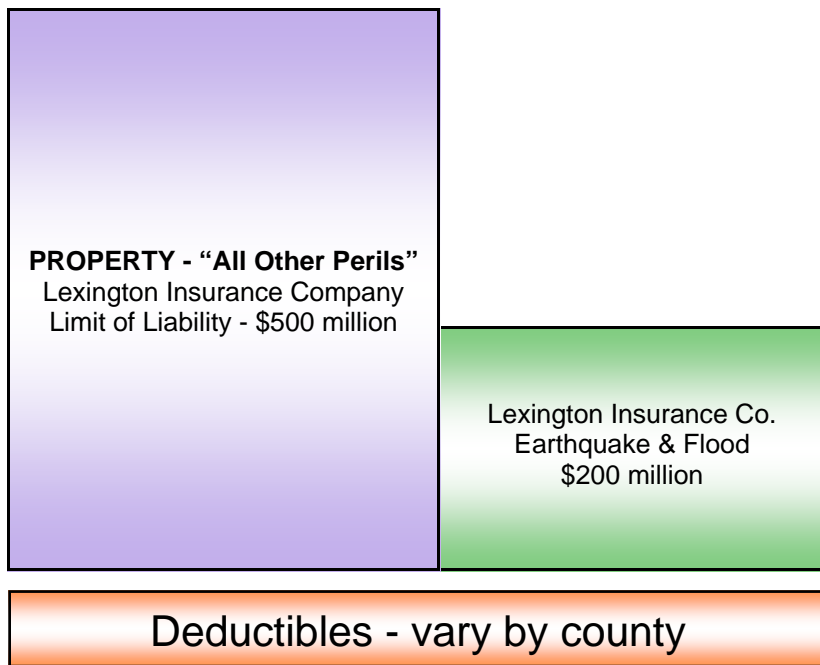


Washington Counties Risk Pool

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)



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



Washington Counties Risk Pool

ADMINISTRATIVE STAFF

ADMINISTRATION



EXECUTIVE DIRECTOR
Vyrle Hill



**AUDITING/
ACCOUNTING
OFFICER**
Sue Colbo



MANAGER
David Goldsmith



**EVENTS/EXEC.
ASSISTANT**
Kitty Bottemiller



**LOSS CONTROL
COORDINATOR**
Jill Lowe

MEMBER SERVICES DIVISION

CLAIMS DIVISION



MANAGER
Susan Looker



**CLAIMS
ANALYST**
Mike Cook



**CLAIMS
ANALYST**
Candy Drews



**CLAIMS
ASSISTANT**
Claire
Thompson



**CLAIMS
REPRESENTATIVE**
Tammy Cahill

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



FINANCIAL EXAMINATION
BY THE STATE AUDITOR'S OFFICE



Washington State Auditor
Brian Sonntag

April 24, 2008

Board of Directors
Washington Counties
Risk Pool 2558 RW
Johnson Rd SW
Tumwater, WA 98512

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,

BRIAN SONNTAG
STATE AUDITOR

Insurance Building, PO Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • (866) 902-3900 • TDD Relay
(800) 833-6388
FAX (360) 753-0646 • <http://www.sao.wa.gov>



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

[http://www.sao.wa.gov/applications/InternetReportSearch/
AuditReportSearch.aspx](http://www.sao.wa.gov/applications/InternetReportSearch/AuditReportSearch.aspx)



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.



Washington Counties Risk Pool

BALANCE SHEET

As of September 30, _____

ASSETS:

	<u>2007</u>	<u>2006</u>
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:	2007	2006
Member Assessments -- Liability Insurance	\$ 9,141,407	\$ 9,800,082
Member Assessments -- Property Insurance	2,286,503	1,438,461
Insurance Recovery - Over SIR		1,152,678
Operating Revenues - Miscellaneous	28,776	329
Total Operating Revenues	\$ 11,456,687	\$ 12,391,550
OPERATING EXPENSES:		
Current Year's "Claims" Reserve	\$ 1,182,993	\$ 1,353,914
Current Year's "Corridor" Reserve	2,000,000	
Adjustment of Prior Years' Claims Reserves	554,843	(1,520,697)
Reserve for ULAE	174,960	(83,139)
Reinsurance Premiums	3,772,810	6,398,438
Excess Insurance Premiums	384,790	373,681
Property Insurance Premiums	2,266,927	1,443,465
Depreciation Expense	65,372	74,235
Operating Expenditures	1,256,874	1,147,102
Total Operating Expenses	\$ 11,659,569	\$ 9,186,999
Operating Income	\$ (202,882)	\$ 3,204,551
NON OPERATING REVENUES (EXPENSES)		
Interest Income	\$ 760,477	\$ 483,808
Gains (Losses) on Capital Asset Disposition	0	307,555
Miscellaneous Income	4,645	0
Total Nonoperating Revenues (Expenses)	\$ 765,122	\$ 791,363
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



Washington Counties Risk Pool

CASH FLOW STATEMENT

For the Fiscal Years Ended September 30, ____

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members & Insurers	\$ 15,143,551	\$ 11,995,129
Cash payments for goods and services	(8,580,328)	(9,367,268)
Cash payments to employees for services	(665,913)	(446,748)
Net Cash Provided (Used) by Operating Activities	\$ 5,897,311	\$ 2,181,113
CASH FROM CAPITAL ACTIVITIES:		
Purchase of Equipment	\$ (22,778)	\$ (710,568)
Sale of Building		705,135
Cash from Rental of Suite 104	5,339	
Net Cash Provided (Used) by Capital Activities	\$ (17,439)	\$ (5,433)
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	\$ -	\$ 150,000
Interest received	760,477	483,807
Net Cash Provided (Used) by Investing Activities	\$ 760,477	\$ 633,807
Increase (Decrease) in Cash and Cash Equivalents	\$ 6,640,350	\$ 2,809,487
Cash and Cash Equivalents - Beginning of the Year	\$ 18,262,636	\$ 15,453,149
Cash and Cash Equivalents - End of the Year	<u>\$ 24,902,986</u>	<u>\$ 18,262,636</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income	\$ (202,882)	\$ 3,204,551
Adjustments to reconcile net income to net cash:		
Cash provided by operating activities:		
Depreciation expense	65,372	74,235
Decrease (Increase) in Accounts Receivable	1,398,096	1,414,932
Increase (Decrease) in Claims Reserves	2,204,930	(1,952,585)
Increase (Decrease) in Reserve for ULAE	174,960	(83,139)
Increase (Decrease) in Unearned Revenue	2,288,768	(658,675)
Increase (Decrease) in Accounts Payable	(42,884)	177,361
Increase (Decrease) in Accrued Liabilities	10,951	4,432
Net Cash Provided for Operating Activities	<u>\$ 5,897,311</u>	<u>\$ 2,181,113</u>

Washington Counties Risk Pool

CLAIMS DEVELOPMENT

October 1, 1998 - September 30, 2007

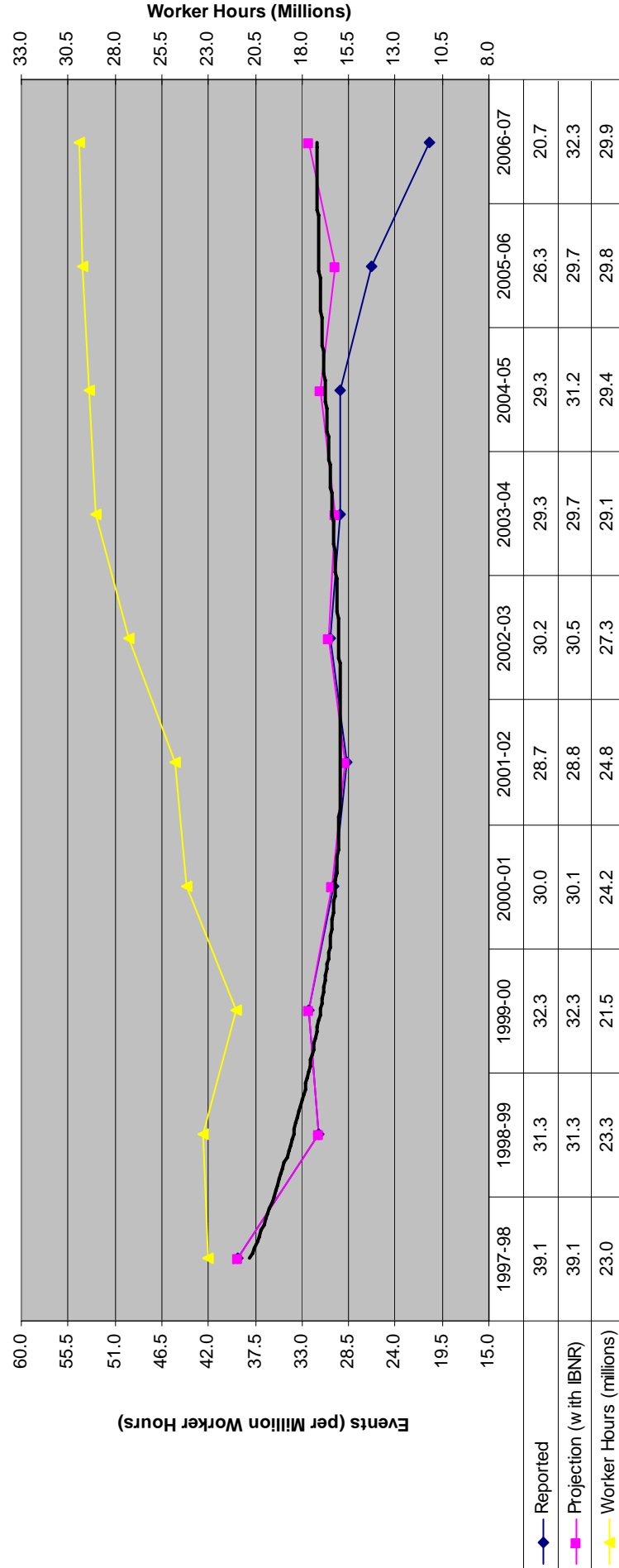


	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
1 Net earned required contributions and investment revenues	\$ 6,617	\$ 13,194	\$ 6,342	\$ 6,800	\$ 7,056	\$ 10,416	\$ 11,716	\$ 12,042	\$ 12,391	\$ 11,428
2 Unallocated expenses	\$ 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
4 Paid (cumulative) as of:										
End of Policy Year	\$ 5	\$ 10	\$ 18	\$ 3	\$ 36	\$ 51	\$ 68	\$ -	\$ 100	
One year later	\$ 362	\$ 77	\$ 205	\$ 204	\$ 160	\$ 240	\$ 274	\$ 161	\$ 443	
Two years later	\$ 1,366	\$ 258	\$ 365	\$ 389	\$ 282	\$ 596	\$ 426	\$ 295		
Three years later	\$ 2,474	\$ 424	\$ 680	\$ 695	\$ 618	\$ 836	\$ 655			
Four years later	\$ 3,705	\$ 636	\$ 747	\$ 725	\$ 927	\$ 1,103				
Five years later	\$ 3,985	\$ 904	\$ 788	\$ 742	\$ 1,075					
Six years later	\$ 4,687	\$ 926	\$ 825	\$ 753						
Seven years later	\$ 5,547	\$ 926	\$ 830							
Eight years later	\$ 6,073	\$ 926								
Nine years later	\$ 6,235									
5 Reestimate incurred claims and expense:										
End of Policy Year	\$ 4,200	\$ 1,900	\$ 2,000	\$ 2,249	\$ 1,860	\$ 1,615	\$ 1,900	\$ 1,510	\$ 1,354	\$ 1,183
One year later	\$ 4,700	\$ 1,725	\$ 1,985	\$ 1,800	\$ 1,685	\$ 1,890	\$ 1,765	\$ 1,610	\$ 2,345	
Two years later	\$ 5,100	\$ 1,650	\$ 1,580	\$ 1,730	\$ 1,380	\$ 1,950	\$ 1,510	\$ 1,890		
Three years later	\$ 5,675	\$ 1,220	\$ 1,460	\$ 1,350	\$ 1,445	\$ 1,505	\$ 1,335			
Four years later	\$ 5,416	\$ 1,115	\$ 1,370	\$ 1,150	\$ 1,432	\$ 1,343				
Five years later	\$ 5,961	\$ 1,142	\$ 1,218	\$ 935	\$ 1,392					
Six years later	\$ 6,943	\$ 1,083	\$ 1,031	\$ 833						
Seven years later	\$ 6,593	\$ 998	\$ 946							
Eight years later	\$ 6,568	\$ 961								
Nine years later	\$ 6,648									
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	\$ -



Washington Counties Risk Pool

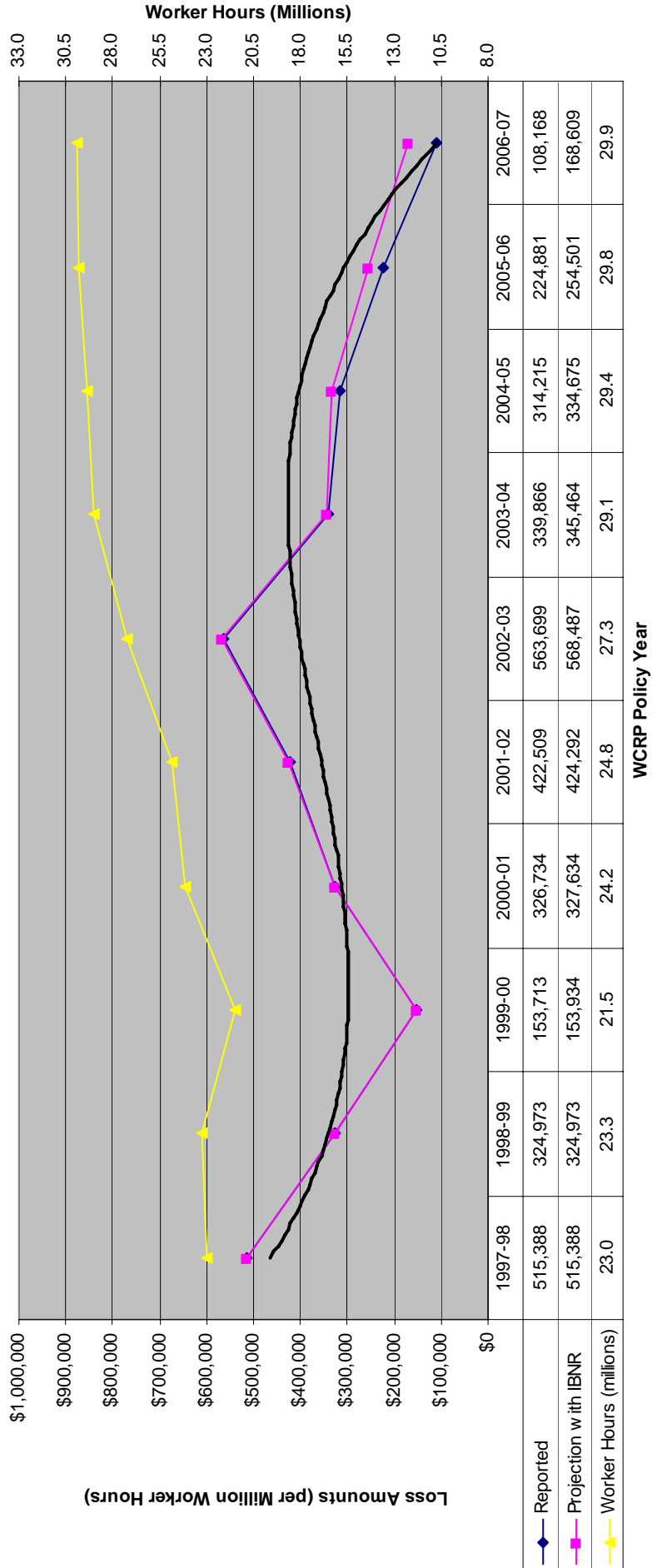
LIABILITY EVENT FREQUENCY ANALYSIS and EXPOSURES Open and Closed Events (10/1988 - 09/2007) at end of Py2007





Washington Counties Risk Pool

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





**WASHINGTON COUNTIES
RISK POOL**

Created by Counties for Counties

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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.
