

**WASHINGTON COUNTIES RISK POOL
BOARD OF DIRECTORS
AUTUMN MEETING**

MINUTES

**9:00 a.m. Thursday, November 6, 2003
Heathman Lodge, Vancouver**

ATTENDANCE:

President – Leon Long, Spokane County Risk Manager
Secretary-Treasurer – Craig L. Vejraska, Okanogan County Commissioner
Executive Committee –
 Rose Elway, Grays Harbor County Dir, Mgmt Services, Budget, Insurance & Risk Mgmt
 David Goldsmith, Jefferson County Administrator
 Vyrle L. Hill, Pacific County Administrative Officer
 Steve M. Lowe, Franklin County Prosecuting Attorney
 Mike Shelton, Island County Commissioner
 Si A. Stephens, San Juan County Auditor
 Randall J. Watts, Whatcom County Chief Civil Deputy Prosecuting Attorney
 R.S. Zirkle, Yakima County Prosecuting Attorney
Clallam County – Toni Gilbert, Safety / Training Specialist – Alternate
Clark County – Ed Pavone, Risk Manager – Director
Columbia County – Scott W. Smith, County Engineer – Alternate
Cowlitz County – Clyde W. Carpenter, Risk Manager – Director
Franklin County – Neva J. Corkrum, County Commissioner – Director
Grays Harbor County – Bob Beerbower, County Commissioner – Director
 Mary Davis, Dep. Director of Insurance & Risk Management – Alternate
Kitsap County – Mark Abernathy, Loss Control Engineer – Alternate
Lewis County – Harry B. Green, Risk Manager – Alternate
Mason County – Herb Baze, County Commissioner – Director
 Ione Siegler, Budget and Finance Director – Alternate
Pacific County – Bryan Harrison, Community Development Director – Alternate
Pend Oreille County – Jim Marthaller, Assistant County Engineer – Alternate
San Juan County – David L. Zeretzke, Director of Administrative Services – Alternate
Skagit County – Gary Rowe, County Administrator – Director
Skamania County – Marilyn J. Butler, Director of Administrative Services – Director
Thurston County – Tammy Devlin, Risk Manager – Alternate
Walla Walla County – Jay Winter, Personnel / Risk Manager – Alternate

Actuary – Kevin Wick, FCAS, MAAA, PricewaterhouseCoopers
Broker – Mike Croke, Senior Vice President, Willis of Seattle, Inc.
Risk Pool Staff - John Crawford, Executive Director
 Alicia Johnson, Claims Manager
 Rich Bodell, Programs Manager

WELCOME and ROLL CALL: The meeting was called to order at 9:07 a.m. by President Leon Long who welcomed all in attendance and noted that a quorum was present.

APPROVAL:

Minutes: Mike Shelton moved to approve the minutes of the August 1st Annual Meeting at Spokane. The motion was seconded by Si Stephens and approved.

REPORTS, DISCUSSION AND ACTION:

Report From Other Pools: Washington Schools Risk Management Pool Executive Director David Hayasaka related "the perfect storm" where \$16 million in surplus was drained in one year because of costly excess insurance renewals, the insolvency of an excess insurance company, and a \$7.5 million settlement from a single case that the pool unexpectedly had to pay by itself. The pool concluded from its experience that surplus is a valuable and fragile thing, and even with pooling there can still be premium increases at the last minute, and disagreements with excess insurers.

Executive Committee: The minutes of the September 19 meeting of the Executive Committee were placed in the meeting packet.

Committees: President Leon Long thanked directors and alternates who are willing to serve the Risk Pool by participating on committees, and announced the appointment of the following committees, chairs, and members:

- Budget and Finance Committee – Si Stephens and Vyrle Hill, co-chairs. Members are Neva Corkrum, Rose Elway, David Goldsmith, Leon Long, Steve Lowe, Mike Shelton and Craig Vejraska.
- Personnel Committee – Ron Zirkle, chair. Members are Tim Durkin, Karen Goens (Whatcom County), Harry Green, Ione Siegler, Marge Upham, Melina Wenner, and Jim Zdilar (Cowlitz County).
- Risk Management Committee – Tammy Devlin and Dave Zeretzke, co-chairs. Members are Clyde Carpenter, Mary Davis, Harry Green, Billy Kadrmas, Betty Kemp, Ed Pavone, Dan Powers, Barbara Razey, and Melina Wenner.
- Underwriting Committee – Marilyn Butler and Craig Vejraska, co-chairs. Members are Herb Baze, Steve Clem, Neva Corkrum, Tim Durkin, Mike Hanson, Steve Lowe, Randy Watts, Jay Winter, and Ron Zirkle.

Actuary Reserving Report: Kevin Wick's actuary reserving report was distributed as an e-mail attachment to the meeting reminder. Kevin gave the Board a PowerPoint "Actuarial Report" where he estimated the cost to settle all net outstanding claim obligations (including case, IBNR, and ULAE reserves) to be approximately \$10.8 million. He observed that overall the Pool's reserve requirements are in line with prior expectations, with some years looking better, and some looking worse. Vyrle Hill moved to accept the reserving report for filing. The motion was seconded by Si Stephens and approved.

Pooling Versus Private Insurance: Kevin Wick also compared the operations of risk pools with commercial insurance, showing the differences in cost structures and pointing out common attributes of good pools. They recognize that members have options, they have a healthy respect for completion, and they stay focused on member needs. Good pools understand the risks facing pools. They do not fall for the "it has not happened to us, therefore it cannot happen to us" logic. They proactively make plans to deal with emerging risks. They positively position themselves to

emphasize pooling strengths, turn intangible strengths into tangible benefits, and identify weaknesses in competitor's strengths. Good pools are willing to lose members because they are focused on long-term strategies, and not short-term membership rosters.

Financial Report: Vyrle Hill and Si Stephens reported that our financial report looks better this year than last year because the retroactive assessment strengthened the balance sheet and the reserving report did not warn of a deterioration of claims losses. The annual audit will take place during the last part of December and the printed report will be sent before the Spring Board Meeting.

Broker Report & Property Insurance: Mike Croke reported that the property and boiler & machinery insurance was placed this year with Lexington, one of the AIG companies, with an AM Best rating of A++ XV. 14 counties are participating in the property program and it is open to all members. Mike also reported that after the Summer Board Meeting, the liability program was marketed to 15 large excess and reinsurance companies. The Executive Committee approved the final placement as follows: Swiss Re reinsurance \$400,000 xs \$100,000, and also \$1,500,000 p/o \$5 million xs \$5 million. CV Starr / Insurance Company of Pennsylvania / AIG reinsurance \$4.5 million xs \$500,000. Everest Re reinsurance \$3,500,000 p/o \$5 million xs \$5 million. Lexington excess insurance \$10 million xs \$10 million. Jay Winter asked whether the Lexington excess insurance could be split into two separate layers of \$5 million each. Mike said that he would check with the company. Swiss Re and Everest Re each have an AM Best rating of A+ XV, and CV Starr and Lexington have the AIG group rating of A++ XV.

Underwriting Committee: Co-chairs Marilyn Butler and Craig Vejraska reported that the committee was still working on exclusionary language for landfill public nuisances. They will ask an environmental attorney to review proposed language, and will report back to the Executive Committee by January for Board review in April.

Programs Report: Rich Bodell reported that there had been a Risk Managers Roundtable in Vancouver on November 5th, with future roundtables planned for the days before the Board Spring and Summer Meetings. He related that there was great interest by members in scheduling an employment law supervisor and elected officials training at our courthouses. The training includes a review of each county's personnel policies and procedures. Third, he described that he is available to teach driver safety training to interested members using the Evergreen Safety Council's "Eversafe Driving Program." Finally, he reported that planning is moving forward on the winter training conference at Skamania Lodge on January 20-22 relating to liability arising out of pre-trial and post-conviction community supervision.

Personnel Committee: Chair Ron Zirkle reported that the Personnel Committee had met at the Risk Pool office in Tumwater on September 23rd to review revisions in staff job descriptions. The committee forwarded the revised descriptions to Thurston County Human Resources for a salary review. Proposed changes in the salary grids will be presented to the Board at the next meeting for inclusion in the budget for next year.

Ron also reported that the Personnel Committee had examined whether to join the recommendation of the Executive Director and Claims Manager to create a new "Senior Claims Analyst" position and delete the present unfilled "Claims Analyst" position. The new position has more reporting responsibilities to our excess and reinsurance carriers and excess insurance coverage issues arising out of a larger caseload of complex litigation. Herb Baze moved to create a new position and delete the existing vacant position as recommended. The motion was seconded by Rose Elway and approved without dissent. After discussion regarding the timing of the next Board Meeting, Mike Shelton moved to reclassify the present filled "Claims Analyst" position to "Senior Claims Analyst" effective as of November 1, 2003 and pre-approve a salary increase for the position. The motion was seconded by Neva Corkrum and approved with one

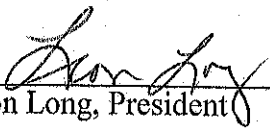
dissent. To clarify matters, Vyrle Hill moved to delegate to the Personnel Committee setting the salary for the new position, to report the salary amount to the Board at the next meeting for its approval, and to make the final salary increase effective retroactive to November 1, 2003. The motion was seconded by David Goldsmith and approved without dissent.

Claims Report: Alicia Johnson reported that the summary judgment motions in the lawsuit against Coregis were continued for thirty days until the end of November, with trial still scheduled in the spring.

FUTURE BOARD MEETINGS: The Spring Meeting will be at the Icicle Inn in Leavenworth on April 15th, and the Summer Workshop and Annual Meeting will be at the Shiloh Inn in Ocean Shores on Wednesday and Thursday, July 21st and 22nd.

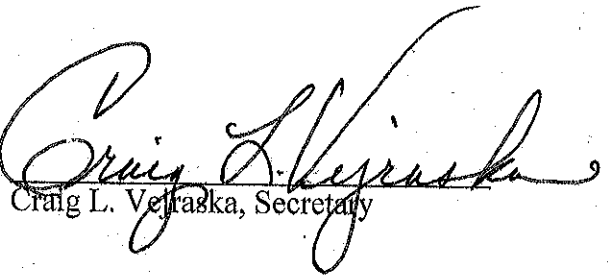
With no further business, the meeting was adjourned at 1:40 p.m.

MINUTES APPROVED:



Leon Long, President
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Attest:



Craig L. Vejraska, Secretary