

WASHINGTON COUNTIES RISK POOL
BOARD OF DIRECTORS EXECUTIVE COMMITTEE

MINUTES

Special Meeting 10:00 a.m.
Thursday, September 22, 1988
Washington Counties Building, Olympia, Washington

Attendance:

President - Bill Vogler, Grays Harbor County Commissioner
Vice-President - Shirley Van Zanten, Whatcom County Executive
Treasurer - absent
Secretary - Vyrle Hill, Pacific County Administrative Officer

Benton County - John Crawford, Deputy Prosecuting Attorney - Dir.
- Ray Isaacson, County Commissioner - Alt.

Cowlitz County - Frank Bishop, Budget/Personnel Director - Alt.

Franklin County - Bruce Whitemarsh, County Commissioner - Dir.

Jefferson County - B.G. Brown, County Commissioner - Dir.

Spokane County - Claude Cox, Safety/Loss Control Manager - Alt.

Clallam County - Marjorie Upham, Personnel/Risk Management Dir - Dir.

Garfield County - Ronald E. Crawford, County Commissioner - Dir.

Kitsap County - Al Hatten, Risk Manager

Thurston County - Steve Zimmerman, Dep Chief Admin Officer - Alt.

Washington State Association of Counties - Gary Lowe - Interim Director

ARM Tech - John Haywood - Consultant

Corroon & Black - John McCadam - Broker

- Steven Hullin - Broker

The meeting was called to order at 10:00 a.m. by Bill Vogler, President of the Washington Counties Risk Pool. The Committee immediately began working through the agenda.

FINANCES:

Understatement of early years' income:

Mr. Haywood distributed a spread sheet of each county's start-up deposit and the 1989 deposit adjusted upward from the earlier 1989 quote. The increase is from \$1,835,182 to \$2,659,738. Actuarially, the Pool is solvent with a first year operating profit of \$2.25 million because of the lag in claims settlement. In the second and third years, about \$50,000 can be added to reserves to a total of \$887,000 and a decline of operating profit to \$24,000. These numbers assume \$3,785,975 income from 15 or 16 counties in year one, \$1,835,182 in year two, and \$3,200,000 in year three.

Mrs. Van Zanten asked about the \$3.2 million year three premium. Mr. Haywood said most pools would smooth the highs and lows by not dropping the second year so precipitously - in the Ports case by 50%.

Mrs. Van Zanten asked about the costs of excess insurance. Mr. Haywood said it is not reflected but that excess insurance would lower Pool losses and the \$800,00 actuarial difference between the Pool's self-retention levels of \$1 Million and \$500,000 would pay most of the excess policy cost.

Mr. Isaacson asked if savings due to structured settlements authorized by the 1986 Tort Reform Act were in the calculation. Mr. Haywood said the actuary calculated very conservatively and has not included any Tort Reform Act savings.

Mr. Isaacson asked about an initiation fee for new members which, after the first year, makes each late comer pay a share. Mr. Brown said late comers should pay a fair start-up fee the same as counties originally in the Pool plus their annual premium, and the initial amount as constituted in the 1987 study costs. He said each new county is going to change all other members' costs. Mr. Isaacson said the three-year plan financial statement needs a statement concerning an initiation fee. Mr. Hill said the current actuarial report and the assessment (to cover initial actuarial impact on the Pool) should be added to the plan for sharing with new counties.

Mr. Whitemarsh moved to refer to the Finance Committee for review and recommendation to the Executive Committee.

THE MOTION WAS SECONDED AND APPROVED

CLAIMS:

Mr. Crawford reported on a September 21st meeting with GAB, Mr. Haywood and Mr. Hullin concerning training of county personnel who will be using incident and claims forms. GAB has its own form which is similar to the insurance industries "Acord" form. It was decided to use GAB's form, at least initially, plus the incident and claims forms adopted on August 18th as part of the Claims Manual. Mr. Vogler asked about getting these forms and information about them to the counties. Mr. Crawford said a schedule, beginning with Spokane on September 23rd is being prepared. Mr. Whitemarsh asked about distribution of all three forms to the counties. Mr. Crawford said they could be in the mail by late next week to the commissioners, risk staff, and county prosecutors. Mr. Crawford said training of county personnel will begin with phone calls, and by mail.

GAB SELECTION:

Mr. Lowe distributed a memo concerning selection of GAB for Pool claims arrangement which concludes with an accommodation for a 10/1/88 - 9/30/89 agreement. Mr. Hill moved the Operation Committee recommendation to offer GAB a one year contract for Pool claims adjusting.

THE MOTION WAS SECONDED AND APPROVED

INSURANCE--EXCESS POLICY:

Mr. McCadam said Corroon & Black sent copies of the Pool's underwriting specifications to twenty-seven carriers on Thursday, September 15th, 1988. Mr. McCadam described the underwriting specification. Mr. McCadam said C & B has offered an \$800,000 premium for \$4.5 Million coverage excess of \$500,000. He estimated the premium will be \$1.0 to \$1.2 Million and the excess carriers will except some policy coverages. No quote will come before the first week of October. Each of the four most likely companies have the capacities and insurance to handle the Pool. The likely effective date of excess coverage will be November 1st.

President Vogler asked about Errors and Omissions coverage for Pool Directors. Mr. Hullin said fidelity coverage, directors and officers, errors and omissions, and general liability are being sought and a report will be in for the September 28th meeting in Long Beach.

INSURANCE--TAIL COVERAGE:

Mr. Hullin said tail coverage is available for PENCO policy holders at 20-35% of premium. For counties with other coverages, tail should be no less. In accordance with Spokane County's request for tail coverage, "retroactive" coverage is being sought. At least one excess underwriter is seriously considering the request. Coopers & Lybrand actuaries are calculating the cost of the Pool providing tail coverage.

President Vogler said the Pool cannot accept responsibility for reported claims - only incurred but not reported should be covered. Mr. Haywood said each county with current insurance should ask their carriers to give a quote for tail. He said the Pool probably should handle the risk. Mr. Whitmarsh said each county could elect to go without if commercial coverage is too expensive. Mr. Haywood said the tail would be a separate fund for Pool members wishing to participate. Mr. Hill knows of no policy being offered as the Pool's and that a Pool tail should not be so broad or any broader than what is now available in the market place.

President Vogler said there is insufficient information to decide on Pool tail coverage and, like it or not, many counties will be bare on the pre-Pool tail. Mr. Hill said each county now self-insured will pay any claim settled from the pre-Pool period. If tail coverage is available, then the decision is who to pay--the Pool or from the county's own reserves anticipating claims from that period. Mrs. Van Zanten echoed Mr. Hill's remarks.

INSURANCE-EFFECTIVE DATE:

President Vogler voiced his confidence that the Pool can begin coverage October 1st. Mr. Bishop said Cowlitz County is relying on the October 1st date and so are other counties. Mr. Cox said he has a personal letter from Commissioner Keith Shepard voicing his opinion that the Pool is unorganized and lacks professional insurance management. Mr. Hill said the Operations Committee concern was that claims management

were the weak part of the Pool presently and that to remedy it without delay, staffing should occur immediately. Mr. Hill said he is comfortable that the claims mechanism is in place and only requires distribution of information to member counties. Mrs. Van Zanten said the Pool should hold to its October 1st coverage date and that problems will be worked out. President Vogler announced a consensus to stay with October 1st, and that member counties must get their money in.

Mr. Brown asked about computation for tail coverage premium. President Vogler said the tail coverage from the Pool must have a separate premium and can not be offered if too few counties ask for it.

INSURANCE-POLICY DOCUMENT:

Mr. Crawford distributed a draft policy for each member county. He said it is based on the ARM Tech feasibility report document, as modified by models from other states, the WCIA document, and revisions based on the Bylaws and Interlocal Agreement of the Pool. The policy offers full coverage to staff and officers of the Pool. It describes the policy period of three months for \$1 Million per occurrence. In January, 1989, when the excess coverage is known, a \$500,000 policy and an excess policy from \$500,001 to \$5 Million will be provided each member. At that point the Pool will need to decide how to cover above the \$500,000 claims for coverages not provided by the excess policy. Mr. Crawford said the Bylaws require Executive Committee approval of the Policy and its distribution to each county.

Mr. Hullin said by October 1, 1988, if the policy is not distributed, then a statement guaranteeing coverage must be in each counties possession. Mr. Haywood said that with some editorial change, each county has seen this document. Mr. Bishop moved acceptance of the policy as distributed. Mr. Whitemarsh said in Franklin County an employee brought claim against the county for under-insured motorist and was successful. Mr. Haywood said there is a \$1 Million coverage, the greater question is whether uninsured motorists should be included.

Mr. Hill asked about health professional coverage except for physicians and medical clinic malpractice. Mr. Haywood said all are covered except physicians and hospitals.

Mr. Hill asked about the amount of a three month policy and a full year's premium is on the front page. Mr. Haywood said a declaration page, not part of the policy, needs to be added to explain the policy period as a full year with endorsements for the excess policy once acquired.

Mr. Zimmerman asked for detail on health departments and what current medical malpractice covers. Mr. Haywood said on page 15 of the policy there is an exclusion for physicians and clinics covered elsewhere. Mr. Crawford said there is no intention to cover any doctor, but to cover all serving below the doctor.

President Vogler asked about the date on the policy. Mr. Isaacson said the effective date should be October 1st. Mr. Hill moved to amend and have one full year of coverage through September 30, 1989.

THE MOTION WAS SECONDED AND APPROVED.

Mr. Isaacson asked about endorsement once excess coverage is attained. Mr. Haywood said the policy, until amended by endorsement, will be \$1 Million per occurrence. Mr. Isaacson moved that the Pool adopt the insurance policy and the President and Secretary sign each county's policy on behalf of the Pool.

THE MOTION WAS SECONDED AND APPROVED

INSURANCE--COVERAGE QUESTIONS:

Okanogan County: response letter approved.

Skamania County: unlicensed off-road vehicles included in rate base?
Answer is no.

Garfield County: collision is not covered

STATE APPROVAL:

Mr. Haywood said the response will wait until excess coverage is in place.

STAFFING:

Mrs. Van Zanten introduced the staffing discussion of the Planning Committee to rely on borrowed and consultant staff until a hiring process could result in an Executive Director and subsequently, an Administrative Assistant as soon as possible. Mr. Hill said the issue of staffing was raised in the Operations Committee (9/16) by Mr. Cox's analysis of risk and claims management needs with an October 1st start date for Pool coverages. The Operations Committee discussed whether the Pool contained in its members persons able to staff the Pool permanently with help from WSAC borrowed staff. The consensus was that direct full-time staff was needed as soon as possible. The Operations Committee approved a recommendation that Mr. Crawford be hired as Pool Executive Director.

Mr. Brown asked if a job description is ready for approval. Mr. Hill said no. Mr. Hill said the Planning Committee recommendation was to expand the Executive Director position to risk management. If Mr. Crawford is hired, the other staff position would be a risk/loss expert. Mrs. Van Zanten said she has been uncomfortable with the lack of job descriptions, lack of salary schedule and lack of process to hire at the present. The Planning Committee's recommendation was that a Risk Manager be added too. Mr. Hill expressed his desire that the Executive Committee approve a negotiation process with Mr. Crawford and not simply a decision to hire. Mr. Brown said a negotiation is better or the job description could place all responsibility for Pool functions on the Executive Director with hiring of other employees left to the Executive Director.

Mr. Hill said delay pushes the date when risk/loss programs can be initiated into 1989.

Mr. Bishop, referring to the draft job description, said Mr. Crawford's experience, relationship with all prosecutors in the state, and work on behalf of the Pool made him eminently qualified. Mrs. Van Zanten said her sole objection to the Operations Committee recommendation is on lack of procedure and appearance of fairness. Ms. Upham said some of the flap over hiring GAB should be instructive for the hiring of Pool staff and she felt the Pool had made a commitment to a clean process. Mr. Isaacson said the need for staff is great and can not be accomplished by October 1st, using any process which is open to all who might be interested. The Pool is out of time. Mr. Hill said the urgency of the Operations Committee was for staff direction. The Committee's intent was to move, without a selection process, to hire as soon as possible. Mr. Haywood said Mr. Crawford is as qualified as any and anyone hired would have to hire help in areas where he/she is not qualified. President Vogler asked if the Pool is creating a situation where criticism is going to surface because of lack of due process.

Mr. Brown asked if an eight day process which could hire an Executive Director would satisfy the complaint. He said the Executive Committee needs to decide if an Executive Director is going to be hired by October 1st. President Vogler said these are questions of urgency. Maybe the date should be moved to October 15th. Mr. Brown asked if three weeks are sufficient. President Vogler asked whether Benton County would give Mr. Crawford a leave of absence. Mr. Brown moved to offer Mr. Crawford the Executive Director position as soon as available in the salary range up to \$46,679. The Motion was seconded by Mr. Bishop. Mrs. Van Zanten said that the record should show two factors recognized and considered by the Committee: 1. An Executive Director must be hired immediately because part-time staff can not administer the Pool adequately after the joint self-insurance program begins on October 1st, and 2. The urgency posed by the immediate deadline requires the Pool to hire an Executive Director from within without following normal selection procedures.

THE MOTION WAS APPROVED. (1 no vote, Mrs. Van Zanten.)

Mrs. Van Zanten moved adoption of the job description and a salary not to exceed the amount in the approved budget of \$46,679. The Motion was seconded by Mr. Whitmarsh.

THE MOTION WAS APPROVED.

Mr. Brown moved that the Pool offer the position of Executive Director to Mr. Crawford for the amount of \$46,679, and to begin work as soon as possible. President Vogler said a full benefit package should be attached to all salary positions. The Motion was amended to include a benefit package equal to the WSAC benefit package.

THE MOTION WAS SECONDED AND APPROVED.

Mr. Crawford accepted the position of Executive Director, to start in two weeks on October 10, 1988.

The meeting adjourned at 3:30 p.m.

RESPECTFULLY SUBMITTED

Vyrle J. Hill, Secretary

APPROVED: _____ / _____ / _____

William F. Vogler, President