

# Annual Report 2010



**WASHINGTON  
COUNTIES  
RISK POOL**

*Created by Counties for Counties*

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[www.wcrp.info](http://www.wcrp.info)



On the front cover: *Capitol building with cherry blossoms*, C. Thompson  
On the back cover: *Capitol building from the park*, C. Thompson



# Washington Counties Risk Pool

Created *by* Counties *for* Counties

## Annual Report 2010

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# Washington Counties Risk Pool

## From WCRP Executive Director *Vyrle Hill*



### **T**o the Board of Directors of the Washington Counties Risk Pool and to its Member Counties and their citizens:

Presentation of this 2010 Annual Report of the Washington Counties Risk Pool ("the Pool" or "WCRP") represents the culmination of the Pool's 22<sup>nd</sup> operating year; that is, except for resolving lingering claims stemming from Policy Year 2010 ("Py2010"). It is my distinct pleasure to have been associated with this very unique service organization, from its establishment more than twenty two years ago through today.

I found the word *journey* partially defined as *process of development: a gradual passing from one state to another regarded as more advanced, e.g. from innocence to mature awareness*. That definition seems very fitting for the WCRP. Though the Pool's 22-year journey has been challenging with cyclical peaks and valleys and its fair share of obstacles, it has also provided considerable learning experiences intermixed with some pleasant rewards. And while we know more challenges lay ahead, the Pool's journey has most certainly provided maturation for many involved in this "pooling" concept – from innocence of infancy to the awareness customary of adulthood. Here are a few examples...

**Membership:** Fifteen of Washington's thirty nine counties were recognized as the initial voting members when the Pool was established in August 1988. The Pool's membership grew to nineteen counties during its first operating year. And it continued to grow with eleven counties being added, three counties departing, and one county returning by 2003 when its membership totaled twenty eight Washington counties. The Pool's membership remained stable until Kitsap County withdrew at the end of Py2010.

**Joint Self-Insurance Liability Program:** The Pool has been providing its member counties with occurrence-based, jointly self-insured and/or jointly purchased 3<sup>rd</sup>-party liability coverage since October 1, 1988. Total coverage limits have grown from the \$1 million limit existing during the Pool's initial two months to \$5 million, then to \$10 million and onto \$15 million before reaching the \$20 million occurrence limit existing the past seven years

The Pool's claims database increased during Py2010 with the addition of 769 new claims (and lawsuits) raising the third-party liability claims to-date total submitted by Member Counties to 17,238. Estimates of incurred losses (payments made plus reserve estimates for open claims) increased \$17.8 million during the year to \$221.4 million.

**Washington Counties Property Program:** Since the Pool began offering its membership an optional, fully-insured and jointly-purchased property insurance in October 2005, participation has grown by more than 50% and the total value of covered properties has nearly doubled. Twenty seven member counties with covered properties totaling \$2.76 billion participated in this program during Py2010.

There were 7 property claims submitted for processing during Py2010 with incurred losses-to-date totaling \$0.33 million. During its first five years as an optional WCRP insuring program, there have been 65 property claims filed with incurred losses-to-date totaling nearly \$9 million.

**Financial:** The Pool's financial position continues to improve and again considered the strongest it has ever been. Here are a few financial highlights:

**Net Operating Income** was realized during Py2010 of \$1.8 million, a 59% increase from the prior year. Substantially contributing to this improvement was the near million dollar reduction in the

independent actuary's claims reserve estimate for the Pool-only coverage layer (\$6.1 million from \$7.1 million). Of even greater significance is the more than \$9 million in Net Operating Income realized since Py2003.

**Interest Income** slipped further (-69%) to a measly \$0.1 million. This was due to the lower interest rates associated with the existing recession and the nearly non-existent rates available to municipal investors under Washington State's regulations.

**Total Assets** grew \$3.2 million (9%) during Py2010 to \$38.9 million. Current assets increased \$3.1 million (9%) while non-current assets increased \$0.1 million (12%). Since the low-point that existed at year end Py2003, the Pool's Total Assets have grown nearly \$30 million (+300%).

**Total Claims Reserves** for the Pool's direct reserving exposures increased to \$14.0 million, up 7% from Py2009 and 31% since Py2003. This total includes: \$6.1 million for losses in the Pool-only retained layer, down 13% from one year ago and 40% since Py2003; \$7.0 million for losses within the aggregated stop losses of the "corridor" program for automobile and general liabilities, up 37% from one year ago; and \$0.9 million for unallocated loss adjustment expenses, down 2% from one year ago but up 62% from Py2003 levels.

*NOTE: The corridor program is only four years old and not fully matured. Its occurrence coverage maximum was increased to one million dollars in Py2010, up from the half million level that existed during the program's first three years. The program's occurrence minimum remains the greater of the applicable member's deductible or \$100,000.*

**Net Assets** (aka "Members' Equity") increased \$2 million this past year and nearly \$12 million since Py2003 to \$10.2 million as of September 30, 2010. Of the total, \$5.8 million is classified as "Restricted Net Assets" — \$1.0 million to satisfy the State's solvency provisions (WAC 82.60.03001) plus \$4.8 million for the Pool's Underwriting Policy requirements; \$0.2 million invested in a real property (fraud) recovery; \$1.0 million in Capital Assets (net of debt); and \$3.2 million "Non-Restricted" that is available for use as directed by the Board of Directors.

**The Confidence Factor** determined annually by the Pool's independent actuary, which is typically referred to as the *actuarial confidence level*, tends to be the most telling measure of the entity's financial well-being. The WCRP *actuarial confidence level* has grown steadily the past several years and now far exceeds the 98% goal set by the Board of Directors in early 2007.

Py2003 year end current assets, excluding the member reassessments (aka retroactive assessments) receivables, represented a mere 52% of that year's current liabilities. Current assets at the end of Py2010 however totaled 131% of the year's current liabilities. As noted earlier, Py2010 ended with Net Assets of \$10.21 million. Py2003, on the other hand, ended with Net Liabilities of \$1.75 million. And the Py2003 Net Liabilities would have been much larger except for the \$2.88 million in member reassessments receivables included as assets.

The Pool's long arduous journey continues, but there's greater optimism and a truer sense of maturation. The Pool's membership now consists of twenty seven Washington counties. The Pool's qualities, the insuring options it makes available for its membership, and the very strong financial position that the Pool now possesses should convince several of the remaining Washington counties over the course of the next few years to "join our ranks" and become WCRP Member Counties.



## Washington Counties Risk Pool

*From Jay Winter, PY-2010 President*



**Jay Winter**  
Walla Walla  
County,  
President  
2010

Typical annual reports generally focus attention on the financial status of an organization as that is a critical foundation for short-term operational assessment and longer-term viability. However, sometimes reviewing an organization environment and its corresponding functional constructs may not only be a healthy experience but should be conducted from time-to-time. In following that idea this past year, the Risk Pool embarked on an analysis of our organization through the assistance of an appointed task force, our broker and actuary partners, and Risk Pool staff. A final report was provided to the WCRP Board of Directors that brought more insight, depth of understanding, and recognition about our structured program and also validated the decisions and efforts that have contributed to our successes.

In initiating organizational environments it often means there is a “stage setting” that occurs and without any review or on-going awareness, folks can tend to see and believe that the same constructs used initially are there for the life-time of that organization. In the insurance industry, for present days, “stage-setting” is out when you consider the impacts of globalization, deregulation, terrorist attacks, and the recent financial woes around the world. Those broad-based, world-wide ripples don’t exclude the WCRP from their affects and thus were factors contributing to creating a need to evaluate our business model and program plans.

Even though these larger insurance impacting elements exist and need consideration, our own internal structure, functions and design were also creating a need to assess whether our model and program was prepared for the present and the future. Our goals have always been to maintain a stable, viable organization and provide comprehensive and economical insurance provisions for participating counties so the review effort undertaken has supported the continuation of those goals. The WCRP has quality, experienced people in appointed County Directors and Risk Pool staff that are actively engaged in managing the WCRP that has been vital to maintaining its on-going health. It’s great to be a part and know that the WCRP is in good hands during these important, critical, decision-making times.



*From Marilyn Butler, PY-2010 Secretary/Treasurer  
and PY-2011 President*

**Marilyn Butler**  
Skamania  
County,  
Secretary/  
Treasurer 2010  
And 2011  
President

I find it exciting to be part of an organization with such committed members and staff, and I welcomed the opportunity to serve as your Secretary/Treasurer for the 2009-2010 Risk Pool Year.

Four important objectives met during the year brought increasing strength and stability to the Pool. First, in this year of examination and reflection, the Business Model Committee’s recommendations and the adoption of those recommendations by the Pool reaffirmed our essential pooling structure. It also created opportunities for improvement and clarification. Second, the claims management policy revisions should improve the management of claims by strengthening the reporting requirements, clarifying ownership of the claims, and providing member counties the opportunity to assume full financial and legal responsibility for claims when in disagreement with the Pool. Third, the Pool continued to provide extensive training to reduce the severity and frequency of losses, especially in the personnel liability arena. Finally, in spite of very trying national economic conditions, the Pool’s financial situation and outlook continued to improve. We have met our financial goal of a 98 percent confidence level for the first time and we expect this improvement to continue for the future. Additionally, our financial position meets the standards of the State Risk Manager that became effective in January 2010 and are expected to be confirmed by the legislature during the 2010-2011 Pool year.

Our challenge in the future will be “to provide comprehensive and economical risk coverage” to our members. As we face reduced revenues and increasing costs in our counties, protecting our counties through good loss control and insurance coverage remains at the forefront of our pooling efforts. In the coming year we will explore financial options for the property program and possibly other coverages as well as higher-yield investments.



# Washington Counties Risk Pool

## Executive Committee PY2010

(Term Ending 9/30/XXXX)



**Mark Wilsdon**  
Clark  
County  
7-23-10 to 2012



**Jay Winter**  
Walla Walla  
County  
2013



**Steve Clem**  
Douglas  
County  
2012



**Andrew Lampe**  
Okanogan  
County  
2013



**Rose Elway**  
Grays Harbor  
County  
2011



**Keith Goehner**  
Chelan  
County  
2011



**Mark Abernathy**  
Kitsap  
County  
through 7-22-10



**Marilyn Butler**  
Skamania  
County  
2013



**Steve Bartel**  
Spokane  
County  
2013



**Randy Watts**  
Whatcom  
County  
2012



**Lee Grose**  
Lewis  
County  
2011



**Tammy Devlin**  
Thurston  
County  
2011

### MEMBERSHIP PY2010

- |                |              |
|----------------|--------------|
| Adams          | Kittitas     |
| Benton *       | Lewis *      |
| Chelan         | Mason *      |
| Clallam *      | Okanogan     |
| Clark          | Pacific *    |
| Columbia       | Pend Oreille |
| Cowlitz *      | San Juan     |
| Douglas        | Skagit       |
| Franklin *     | Skamania *   |
| Garfield *     | Spokane *    |
| Grays Harbor * | Thurston *   |
| Island         | Walla Walla  |
| Jefferson *    | Whatcom *    |
| Kitsap *       | Yakima       |

\* denotes initial voting membership of Risk Pool



	WCRP Members	State	% of State
Population	3,033,850	6,733,250	45.1%
Area (Sq. Miles)	46,044	66,544	69.2%
County Road Mileage	24,408	39,550	61.7%
# Bridges	2,129	3,244	65.6%
# Vehicles	8,039	Unknown	
# Worker Hours	32,140,223	Unknown	



## GOVERNANCE

### WCRP BOARD OF DIRECTORS, POOL YEAR 2010

As of 9-30-10

Member Director listed first, others served as Alternate Directors

#### **ADAMS**

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

#### **BENTON**

*Melina Wenner*, HR Dir./Risk Mgr.  
*Bryan Perry*, Safety/Training  
*David Sparks*, Co. Adm.

#### **CHELAN**

*Keith Goehner*, Commissioner  
*Cathy Mulhall*, Co. Adm.

#### **CLALLAM**

*Marge Upham*, HR Dir./Risk Mgr.  
*James Jones*, Co. Adm.  
*Melissa Turner*, Safety/Training

#### **CLARK**

*Mark Wilsdon*, Risk Manager  
*Bronson Potter*, Senior DPA

#### **COLUMBIA**

*Andrew Woods*, Co. Engr/Risk Manager  
*Dwight Robanske*, Commissioner

#### **COWLITZ**

*Clyde Carpenter*, Risk Manager  
*Claire Hauge*, OFM Director

#### **DOUGLAS**

*Steven Clem*, Pros. Atty.  
*Ken Stanton*, Commissioner  
*Thad Duvall*, Auditor

#### **FRANKLIN**

*Bob Koch*, Commissioner  
*Steve Lowe*, Pros. Atty.  
*Ryan Verhulp*, Chief Civil DPA/Risk Manager

#### **GARFIELD**

*Dean Burton*, Commissioner  
*Wynne McCabe*, Commissioner  
*Robert K. Johnson*, Commissioner

#### **GRAYS HARBOR**

*Mike Wilson*, Commissioner  
*Rose Elway*, Director, Management Services  
& Budget  
*Dale Gowan*, Director, Central Services

#### **ISLAND**

*Angie Homola*, Commissioner  
*Betty Kemp*, Director, General Services Adm.

#### **JEFFERSON**

*Philip Morley*, County Adm.  
*David Alvarez*, Chief Civil DPA

#### **KITSAP**

*Mark Abernathy*, Risk Manager  
*Ione George*, Senior DPA

#### **KITTITAS**

*Lisa Young*, HR Manager  
*Judy Pless*, Budget & Finance Manager

#### **LEWIS**

*F. Lee Grose*, Commissioner  
*Harry Green*, Risk Manager  
*Paulette Young*, Safety Officer

#### **MASON**

*Ross Gallagher*, Commissioner  
*Monty Cobb*, Chief Civil DPA

#### **OKANOGAN**

*Andrew Lampe*, Commissioner  
*Nanette Kallunki*, Admin. Dir.  
*Steve Bozarth*, Chief Civil DPA

#### **PACIFIC**

*Bryan Harrison*, Co. Adm.  
*Jon Kaino*, Commissioner  
*David Burke*, Pros. Atty.

#### **PEND OREILLE**

*Laura Merrill*, Commissioner  
*Diane Wear*, Commissioner  
*John Hankey*, Commissioner

#### **SAN JUAN**

*Donald "Pete" Rose*, Co. Adm.  
*David Kelly*, Deputy Dir., Administrative  
Services

#### **SKAGIT**

*Billie Kadmas*, HR Dir./Risk Manager  
*Paul Reilly*, Civil DPA  
*Tim Holloran*, County Adm.

#### **SKAMANIA**

*Jim Richardson*, Commissioner  
*Marilyn Butler*, Risk Manager

#### **SPOKANE**

*Steve Bartel*, Risk Manager  
*Rob Binger*, Senior DPA

#### **THURSTON**

*Sandra Romero*, Commissioner  
*Tammy Devlin*, Risk Manager  
*Ed Holm*, Pros. Atty.

#### **WALLA WALLA**

*Jay Winter*, Personnel/Risk Manager  
*Gregg Loney*, Commissioner

#### **WHATCOM**

*Randall Watts*, Chief Civil DPA  
*Karen Goens*, HR Manager

#### **YAKIMA**

*Larry Peterson*, Senior DPA  
*Janet Kelley*, HR Program Analyst  
*James Hagarty*, Pros. Atty.

We would like to acknowledge the Pool's longest-tenured board members and thank them for the remarkable service they have provided. Listed hereafter, with the counties from which they are appointed in parentheses, are the Pool directors and alternate directors with at least...

20 Years: Marge Upham (Clallam), Rose Elway (Grays Harbor), Marilyn Butler (Skamania), and Steve Lowe (Franklin/Benton);

15 Years: Jay Winter (Walla Walla/WCRP/Lewis), Betty Kemp (Island), Melina Wenner (Benton), Claire Hauge (Cowlitz), and Randy Watts (Whatcom);

10 Years: Dean Burton (Garfield), Clyde Carpenter (Cowlitz), Tammy Devlin (Thurston/Lewis), and Linda Reimer (Adams); and

5 Years: Harry Green (Lewis), Mark Abernathy (Kitsap), Keith Goehner and Cathy Mulhall (Chelan), Steve Clem and Thad Duvall (Douglas), Bryan Harrison (Pacific), Billie Kadmas (Skagit), Rob Binger and Steve Bartel (Spokane), Ed Holm (Thurston), and Larry Peterson (Yakima).

Unfortunately, we recently had to bid farewell to three board members as they left their respective counties, or their county withdrew from the Pool and they were no longer eligible to serve. We extend our sincere thanks and good wishes to:

Steve Lowe – represented Franklin County (Prosecuting Attorney) and earlier Benton County (Civil Deputy Prosecuting Attorney) as WCRP director or alternate director from July 1989 through December 2010. During his tenure, Steve served three terms (9 years) on the Executive Committee and presided over the Pool as its Py2003 President following a term as its elected Secretary-Treasurer (Py2002);

Mark Abernathy - represented Kitsap County (Risk Manager) as WCRP director or alternate director from July 2002 through September 2010. During his board tenure, Mark served one plus terms (3.75 years) on the Executive Committee and presided over the Pool as its Py2009 President following a term as its elected Secretary-Treasurer (Py2008); and

Ed Holm – represented Thurston County (Prosecuting Attorney) as WCRP alternate director from Py2004 through December 2010.



## Washington Counties Risk Pool

### Organization Summary 2010



*Washington Counties Risk Pool was formed August 18, 1988, by an Interlocal Agreement signed by 15 of Washington's 39 counties. Thirteen of the original members began utilizing WCRP programs and services that October, while the other two and another four that joined the Pool began receiving coverage during that first year as their insurance programs expired. Over its 22 years of operation, the Risk Pool has grown and served 28 counties during PY2010.*

*The 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, specifically Chapters 48.62 and 39.34 of the RCW, and WAC 82.60, and is overseen by the State Risk Manager with fiscal audits performed annually by the State Auditor.*

*The WCRP mission:*

- *to provide comprehensive and economical risk coverage;*
- *to reduce the frequency and severity of losses; and*
- *to decrease costs incurred in the managing and litigation of claims.*

*The Pool's core values include:*

- *being committed to learn, understand and respond to member insurance needs;*
- *establishing working relationships with all members who identify business issues and jointly developing solutions; and*
- *allocating resources to risk management in their own member county operations.*

*The Pool's Board of Directors and staff share a commitment to manage the organization based on sound business principles, benchmarked industry standards and measurable outcomes; and to continuous planning and innovation in product development and service delivery.*

*The Pool's enabling Interlocal Agreement was amended once in 2000 to add the Membership Compact, a commitment to strengthen the Pool by helping its member counties implement local Risk Management Programs 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.*

*WCRP members presently acquire \$20 million (with a county-by-county option to \$25 million) of joint liability coverage on a "per occurrence" basis for third-party bodily injury, personal injury, property damage, errors and omissions, and advertising injury. The initial \$10 million of coverage is jointly self-insured. However, reinsurance is acquired to protect the Pool directly and its members indirectly from large losses. Members annually select a deductible amount of*

*(Continued on page 9)*



*(Continued from page 8)*

*\$10,000, \$25,000, \$50,000, \$100,000, \$250,000, or \$500,000 per occurrence. The remaining insurance, up to \$15 million, is acquired as "following form" excess insurance. There are no aggregate limits to the payments the WCRP makes for any one member county or all member counties combined.*

*Beginning with the 2005-06 policy year, the WCRP added property insurance with limits of \$500 million (normal) and \$200 million (catastrophic) to its coverage lines as a member county option. Twenty-seven counties purchased this coverage in PY2010. Some members also use the Pool's access to insurance for special events/concessionaires, environmental hazards, and other coverages.*

*The WCRP is governed by a Board of Directors consisting of one Director (and at least one Alternate Director) designated by each member county. The Pool Board, comprised of both elected and appointed county officials, meets three times a year with its Annual Meeting in the summer.*

*The Board is responsible for determining liability coverage to be offered (approving the insuring agreement or coverage document), the reinsurance to purchase, the excess insurance(s) to be jointly purchased or offered for purchase, and approving the Pool's annual operating budget, work programs and member-assessment formulae.*

*Regular oversight of the Pool is furnished by an 11-person Executive Committee, members of which are elected by the Pool Board from its membership to staggered three-year terms during the Annual Meetings. The present make-up includes over 100 combined years of experience working with the Pool. The Executive Committee meets several times throughout the year to approve all WCRP disbursements and examine the Pool's financial health; to approve case settlements that exceed member deductibles by at least \$50,000; and to review all claims with incurred loss estimates exceeding \$100,000. The Committee also evaluates the Executive Director, Pool operations and program deliverables. Committee members also participate in the Board's standing committees (Finance, Personnel, Risk Management and Underwriting) for development or review/revision of the organization's policies and coverage documents.*

*More than half of the Pool's nine-person staff handles and/or manages the several hundred liability cases submitted yearly. These claims professionals have more than 80 years of combined claims handling experience. The Pool's "open" file count remains between 400 and 500. Other staffers support Pool administrative needs and provide member services including assessments of risk, training, compliance auditing, coverage development and marketing.*

*Other professionals from some of the most respected organizations worldwide are called upon regularly to address specific needs of the Pool: PricewaterhouseCoopers, LLP, furnishes independent actuarial services; Arthur J. Gallagher Risk Management Service, Inc., provides insurance producer (broker) and advanced loss control services. Also, claims audits are regularly performed by the Pool's insurers and reinsurers. Those professionals are in addition to the many assigned defense counsel, the "pooling" oversight by the State Risk Manager, and the audits performed by the State Auditor.*





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## FINANCIAL EXAMINATION AND REPORTS FROM THE STATE AUDITOR



The State Auditor's Office independently serves the citizens of Washington by promoting accountability, fiscal integrity and openness in state and local government. Working with governments and citizens, it strives to ensure the efficient and effective use of public resources. According to RCW 43.09.26, "The examination of the financial affairs of all local governments shall be made at such reasonable, periodic intervals as the state auditor shall determine. ...local government self-insurance programs shall be made annually. On every examination, inquiry shall be made as to the financial condition and resources of the local government; whether the Constitution and laws of the state, the ordinances and orders of the local government, and the requirement of the state auditor have been properly complied with; and into the methods and accuracy of the accounts and reports."

*The most recently published audit reports are available for viewing at:*

<http://www.sao.wa.gov/applications/internetreportsearch/AuditReportSearch.aspx>

(In the left-side box labeled "Entity Type," select **Insurance Pool/Risk Management** before selecting **Washington Counties Risk Pool** from the right-side box.  
Select from the listed reports.)

OR... you can find them on the WCRP website at: [www.wcrp.info/reports](http://www.wcrp.info/reports)

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## LOCAL GOVERNMENT SELF INSURANCE PROGRAM EXAMINATION

The Office of Financial Management, through the Risk Management Division, administers the Local Government Self-Insurance Program (LGSI). The program provides approval and oversight of joint self-insured local government property/liability programs and individual or joint self-insured local government employee health/welfare (medical) benefit programs as provided in Chapter 48.62 RCW and WAC 82-60.

The mission of LGSI is to protect taxpayer resources by ensuring that local government owner/members are informed about the program's financial condition, participate in decisions which affect insurance services for entities they represent, and ensure compliance with laws and regulations designed to foster financially sound management practices. Their mission is accomplished through review and approval of new programs and continuing on-site examinations of approved programs. Collection of financial, membership and key data between examinations allows continuous monitoring of the programs.

*The most recently published examination reports are available for viewing at:*

<http://www.ofm.wa.gov/rmd/lgsi/poolrpts.asp>



# Washington Counties Risk Pool

## ADMINISTRATIVE STAFF

### ADMINISTRATION



**EXECUTIVE  
DIRECTOR**  
Vyrle Hill



**AUDITING/  
ACCOUNTING  
OFFICER**  
Sue Colbo

### MEMBER SERVICES DIVISION



**MANAGER**  
David Goldsmith



**LOSS CONTROL  
COORDINATOR**  
Jill Lowe



**ADMIN  
ASSISTANT**  
Claire Thompson

### CLAIMS DIVISION



**MANAGER**  
Susan Looker



**CLAIMS  
ANALYST**  
Mike Cook



**SR CLAIMS  
ANALYST**  
Candy Drews



**CLAIMS  
REPRESENTATIVE**  
Tammy Cahill



**CLAIMS  
ASSISTANT**  
Lisa Daly

## PROFESSIONAL SUPPORT

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

**PricewaterhouseCoopers LLP**, for independent actuarial services

*Kevin Wick, FCAS, MAAA*  
*Craig Scukas, FCAS, MAAA*

**Arthur J Gallagher, Risk Management Services, Inc.**, for insurance producer (broker)  
& loss control services

*Mike Croke, ARM, Senior Vice President & Elizabeth Miser, Area Vice President*  
*Julie McCallum, Vice President, Risk Management Services & Tim Chace, Director of Risk Control*

**OFM Local Government Self Insurance Program - State of Washington**

*Shannon Stuber, Program Administrator*

**Auditor - State of Washington**

*Hon. Brian Sonntag*

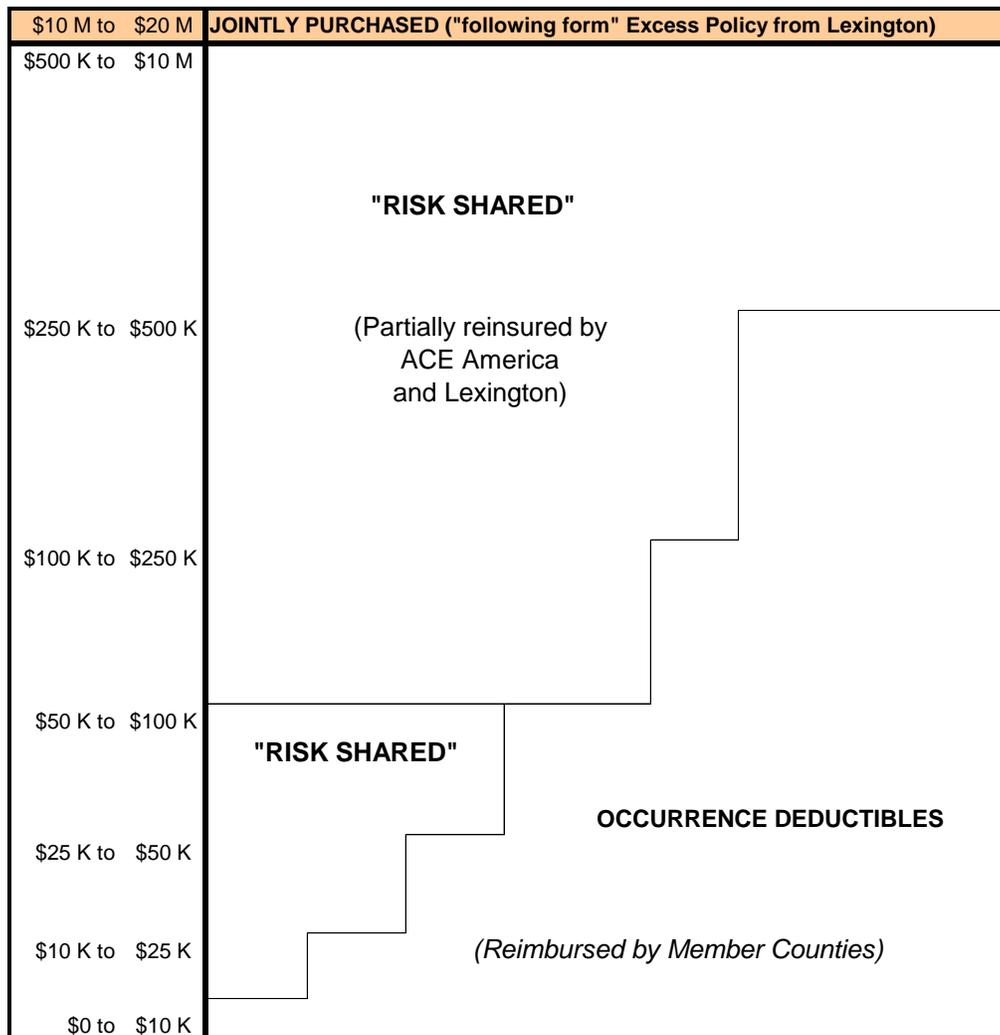


## Washington Counties Risk Pool

### SUMMARY OF 2009-10 LIABILITY INSURANCE PROGRAM

The Washington Counties Risk Pool provides its member counties with tort liability limits of \$20-\$25 million per occurrence. Subject to member-selected deductibles, this includes \$10 million in joint (self-insured) financial protection plus \$10-\$15 million in "following form" excess coverage. Member counties select their occurrence deductibles each policy year from either \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000 options. There are no annual aggregate limits to the payments the Pool might make for any one member county or all member counties combined.

The coverage form for the Pool's joint self-insurance liability policy covers bodily injury, personal injury, property damage, errors and omissions, and advertising injury.



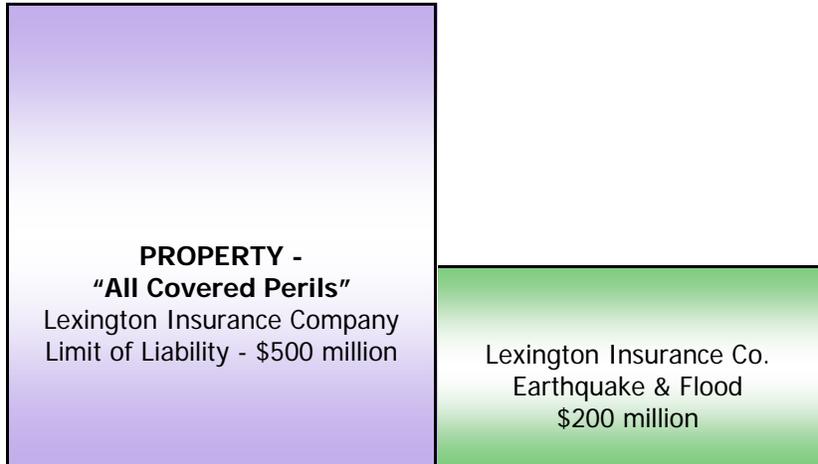


# Washington Counties Risk Pool

## SUMMARY OF 2009-10 PROPERTY INSURANCE PROGRAM

### Participating Counties

- Adams
- Benton (from 1/10)
- Chelan
- Clallam
- Clark
- Columbia
- Cowlitz
- Douglas
- Franklin
- Garfield
- Grays Harbor
- Island
- Jefferson
- Kitsap (through 6/10)
- Kittitas
- Lewis
- Mason
- Okanogan
- Pacific
- Pend Oreille
- San Juan
- Skagit
- Skamania
- Spokane
- Thurston
- Walla Walla
- Whatcom



**Deductibles - vary by county**

### Program Limits

#### **Total Insured Values**

Composite schedules total \$2.67 billion.

Covered Perils Include: Real and personal property, business interruption, extra expense rental value, demolition and increased cost of construction, valuable papers, accounts receivable, transit, EDP (Equipment/Media/Extra Expense), newly acquired property, course of construction, contractors equipment, errors and omissions, offsite storage and personal property of the insured's officers and employees while on the premises of the insured.

#### **Limits of Liability**

\$500,000,000 - All covered Perils, excluding EQ & FL

\$200,000,000 - Earthquake & Flood with:

\$25,000,000 Special Flood Hazard Areas

### Deductibles

All Covered Perils: \$5,000 to \$50,000 (county option). Earthquake and Flood deductibles vary with specific circumstances.



## Washington Counties Risk Pool

From Claims Manager *Susan Looker, AIC*

Our county members drive vehicles, design and repair roads, provide law enforcement, issue permits, and provide employment opportunities, to name a few of the day-to-day business operations they conduct. In the course of their business, claims result. When claims are filed, it is the purpose of the Claims Department to review, determine coverage, investigate, set adequate reserves, and resolve liability claims in a manner that is fair while at the same time controlling costs. The Claims Department must also keep accurate records of all activities in such a way that the information is useful for underwriting, actuarial and loss control functions.

Assisting with the claims functions listed is a staff of five dedicated employees who demonstrate exceptional skills in their work

### CASE DISTRIBUTION (Severity)

Value Range (between)		Count	Percentage
\$0	\$0	6,847	39.7
\$.01	\$5,000	8,248	47.8
\$5,000	\$10,000	552	3.2
\$10,000	\$25,000	524	3.0
\$25,000	\$50,000	378	2.2
\$50,000	\$100,000	283	1.6
\$100,000	\$250,000	229	1.3
\$250,000	\$500,000	97	0.6
\$500,000	\$1,000,000	49	0.3
\$1,000,000	Over	31	0.2

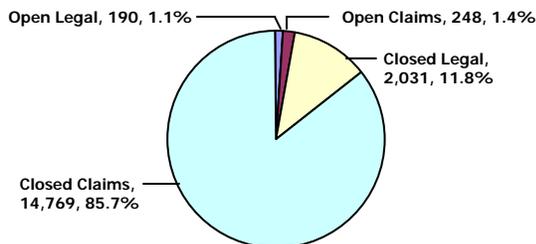
habits, organization, time management, decision making, and analytical abilities. Mike Cook (Claims Analyst) began his insurance career in 1982; Candy Drews (Senior Claims Analyst) in 1998; Tammy Cahill (Claims Representative) in

(Continued on page 15)

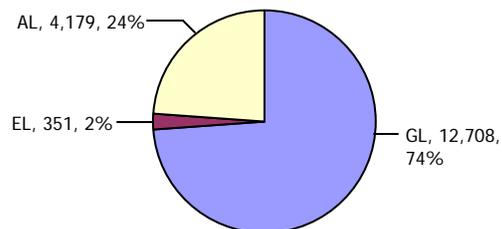
### ALLOCATION OF INCURRED LOSSES by Claim Status, as of 9/30/10

Status	Incurred	Counties	WCRP SIR	Corridor	Total SIR	Insurers
Open Legal	\$ 39,062,671	\$ 17,574,077	\$ 2,685,834	\$ 3,275,000	\$ 23,534,911	\$ 15,527,760
Open Claims	11,389,765	5,851,265	1,733,500	1,705,000	9,289,765	2,100,000
Closed Legal	141,313,667	42,522,942	41,585,681	874,933	84,983,556	56,339,111
Closed Claims	29,630,154	20,121,808	6,368,376	170,548	26,660,732	2,969,422
<b>TOTAL</b>	<b>\$ 221,396,257</b>	<b>\$ 86,070,092</b>	<b>\$ 52,373,391</b>	<b>\$ 6,025,481</b>	<b>\$ 144,468,964</b>	<b>\$ 76,927,293</b>

TOTAL # EVENTS (Frequency)  
By Claim Status  
as of 9/30/10



TOTAL # EVENTS (Frequency)  
By Claim Type  
As of 9/30/10





Washington Counties Risk Pool—Total of all Member Counties, as of 7/10

Claim Type	# of Claims	Paid + Reserved	Average Cost Per Claim	% of Total Claims	% of Costs
Law Enforcement	2403	\$ 36.5 M	\$15,200	13%	17%
Negligent Vehicle Operation	2262	\$ 25.5 M	\$11,535	12%	12%
Employment Law Claims	463	\$ 38.7 M	\$83,145	2%	18%
Land Use Planning & Permits	520	\$ 10.3 M	\$18,714	3%	5%
Road Design & Maintenance	8979	\$ 41.2 M	\$ 3,792	47%	19%
All Other Allegations	4287	\$ 61.7 M	\$13,562	23%	29%

(Continued from page 14)

1987; and Lisa Daly (Claims Assistant) in 2008. Combined with me (1990), over 80 years of insurance experience is drawn upon to address the Pool's member county files.

769 claims (and lawsuits) were added to the Pool's claims-related database during Py2010. This raised the to-date total (Oct 1988 – Sep 2010) of third-party liability claims submitted by WCRP member counties to 17,238. With 16,800 of the claims designated as *closed*, only 438 claims remained classified as *open* at year's end. There were no open claims preceding Py1999 at the end of Py2010. The Pool paid \$10.25 million in indemnity and expenses during Py2010.

The Pool's independent actuary estimates another 440 claims could be filed for covered occurrences from all WCRP years through September 2010. That would bring the estimated ultimate claims total to 17,678.

During Py2010, about 107 of the 492 claims open during the year were valued at \$42.5 million. Six cases went to trial—four ended in defense verdicts, and two resulted in verdicts for the plaintiffs for a total of over \$3.5 million. Individually, seven cases valued over \$1 million are valued collectively at \$13.05 million. Of those seven cases, three involve joint and several liability.

Even though nearly 40% of the claims are resolved without any payment, more than \$178.2 million has been paid addressing the Pool's claims to-date. 38% of the amounts paid (\$67.3 million) are deductibles (being)

Open Events as of 9/30/10	
Pool Year	Open Claims
A-L (88-00)	1
M (00-01)	1
N (01-02)	3
O (02-03)	4
P (03-04)	7
Q (04-05)	23
R (05-06)	21
S (06-07)	67
T (07-08)	62
U (08-09)	101
V (09-10)	148
Total Open	438

reimbursed by the applicable member counties. 4% (\$6.8 million) was covered under excess insurance policies and reimbursed by the applicable commercial insurers. The remaining 58% (\$104.1 million) represents the "risk shared" portion of the joint self-insurance coverage paid from "pooled" funds – \$49.6 million retained by the Pool itself and \$54.5 million reimbursed by its commercial reinsurers.

Estimates to resolve the *open* claims totaled nearly \$43.2 million at the end of Py2010. The independent actuary estimates an additional \$46.2 million may be needed to resolve the ultimate claims.



## Washington Counties Risk Pool

From Member Services Manager *David Goldsmith*

The Member Services Division includes both Field Services and Loss Control activities. Field Services includes Pool marketing efforts (internal and external), Membership Compact compliance, Strategic Plan administration, Property Program appraisal services, and other activities designed to assist Member Counties with administering their risk management and insurance program, or to further products and services identified in the Strategic Plan.

### **County Visitations**

A cornerstone to the success of the WCRP is communications with each of its member counties' elected leadership. To this end, Executive Director Vyrle Hill and Member Services Manager David Goldsmith met with each of the 27 WCRP member counties beginning in the spring and following throughout the summer. The focus of discussion was the Pool's overall claim experience and subsequent cost of reinsurance and excess insurance, and the changes implemented to the Claims Handling Policy and Procedures following the recommendations of the Business Model Task Force. Also discussed was the financial and operational health of the Pool, its loss control programs, and other assistance provided by the Pool to its membership.

### **Marketing/Partnerships**

Non-member Counties were approached to solicit their interest in joining the WCRP. Face to face meetings were held with Ferry, Grant and Klickitat Counties, and conversations are ongoing with Wahkiakum County. The Pool was represented at WSAC and WACO conferences, as well as the County Training Institute, to further the Pool's presence as a resource to and partner with these organizations.

### **Business Model Task Force**

A complete review of the business model which governs the WCRP insuring program structure and programs was conducted. This review involved a task force of Member Counties, large and small, east and west, chaired by Commissioner Keith Goehner, Chelan County. The task force concluded with an affirmation that the current insuring product structure is the most cost effective in terms of scope and coverage. In addition, a number of changes to the Claims Handling Policy and Procedures were recommended to strengthen the claim handling process in an attempt to gain better control of claims and their ultimate costs.

### **Member Assistance and Compact Compliance**

Throughout PY2010 Member Counties received assistance in addressing risk management and other risk transfer issues. Assistance ranged from trainings to specific one-on-one consultations. Follow-up to the Compact Compliance Audit was performed in conjunction with the field risk management assessments conducted by our brokerage firm AJG and Jill Lowe, WCRP Loss Control Coordinator.

### **Membership Satisfaction Survey**

A membership satisfaction survey was conducted for the purpose of tracking and assessing satisfaction with the programs and services offered, to look for new opportunities to assist the membership, and to bench mark against similar surveys conducted every two years. Overall, the Pool is viewed as being an outstanding resource and of great value to its membership. The results of the survey were woven into a revision of the Strategic Plan and into the PY2011 operational work plan.

### **Property Program Insurance Appraisals**

In PY2010, the appraisal of the properties in the WCRP Property Program entered into Phase II. An additional 15% of properties from the composite statement of values were appraised for insurance purposes, bringing the total properties appraised to about 25% of the structures and about 75% of the total insured property value in the program. The purpose of these appraisals is to assure that the proper level of insurance is provided for the participating membership, and to equitably distribute insurance and program costs.



## Washington Counties Risk Pool

From Loss Control Coordinator *Jill Lowe*



Loss Control works closely with the County Risk Managers, Claims Division and the Risk Management and Underwriting Committees to develop training that will positively impact Pool losses. Decreasing losses isn't easy. We are effective though. We offer cutting edge workshops with presenters who challenge as well as educate workshop attendees. Loss control spends time with each county risk manager, talking about loss control issues and looking closely at high risk functions that all counties must perform. Because our risk managers strive to meet educational compact requirements, to continually attend roundtables, and to network with each other as well as use the many website references available, we are decreasing claim losses.

Loss Control Workshops offered in Pool Year 2010:

**Management & Supervisory Training** – *WCRP's instructors guide supervisory staffers through a curriculum addressing a myriad of current issues, and how to constructively hone their skills in areas including establishing/maintaining a leadership atmosphere, managing a diverse workforce, conducting pre-employment inquiries and employee performance reviews, avoiding/responding to claims of harassment, bullying, discrimination, and a review of employment-related liability legal cases. Seventeen Management & Supervisory Training workshops were offered with staff from 25 different counties participating and 465 persons attending.*

**Public Records Act Training** – *The Public Records Act supports full access to information concerning the conduct of government. Unfortunately, this Act is routinely misused by a small percentage of the population resulting in overwhelmed county operations. Comprehensive Public Records Officer Training and Certification was offered in three locations throughout the state and was attended by over 150 county employees. Efficiencies and thoroughness in handling requests was a critical emphasis during these workshops.*

**Collision Investigation Training** – *In this workshop, risk managers, claims administrators and county employees involved in the oversight of claims and traffic related investigations were reminded of the documentation needed above and beyond what is provided in traditional collision reports. This workshop was taught by a detective with the Spokane County Sheriff's Office Traffic Unit.*

### Other Loss Control Programs

**On-Site Risk Assessments** - *Working with our brokers Loss Control Department, we are completing in-depth risk hazard assessments of all of our member counties. Transfer stations, inmate medical issues, quarries, parks and fairgrounds are just a few of the county functions that pose a significant potential loss control hazard. Without exception, we have found that counties are aware of the potential hazards posed and they are proactive in ensuring that the public is safe while utilizing county facilities.*

**Law Enforcement** – *As an incentive to developing written policies in each of the county sheriff offices, the Risk Pool paid administrative costs for counties who signed up with Lexipol, Inc. Lexipol provides model policies in all of the 144 subject areas for which written policies are recommended. Nearly one-third of member counties took advantage of this offering.*

**Membership Compact** – *WCRP's Membership Compact, an agreement amongst and between the member counties, outlines educational courses required for each member's designated risk*

*(Continued on page 18)*



(Continued from page 17)

management and claims administration personnel, which includes both introductory and advanced-level courses offered through the American Institute for Chartered Property Casualty Underwriters/Insurance Institute of America. Study reviews and exams are given by WCRP several times a year. In all, 27 of 28 County Risk Managers met Basic and/or Advanced Certification requirements by the end of PY2010.

**Scholarships/Sponsorships** – Funds have been approved yearly to help provide extensive, highly specialized and/or instructor-level risk management-related training that WCRP is unable to provide directly. County employees apply for scholarship funds with approval from the respective county's designated risk manager. The Pool also supports special training requests from/and/or in conjunction with its member counties including 16 human resource professionals and elected officials who attended the Association of Washington Cities Labor Relations Institute.

**New County Public Officials Training Program** (formerly Certified Public Officials) – WCRP is one of the sponsoring agencies offering "core" and "elective" courses in county/public entity operations and management for the counties, their officials and personnel of Washington state. The program helps familiarize and acquaint elected and appointed officials and county staffs with the responsibilities and potential liabilities related to serving in public office. The Risk Pool worked closely with the County Training Institute to develop an on-line Risk Management course.

**Member Roundtables** – Usually scheduled with the thrice-yearly Board Meetings, WCRP staff with assistance from the Pool's Risk Management and Underwriting committees, host legal liability trainings and facilitate roundtable discussions. In an informal setting, county Risk Managers and Claims Administrators share successes, concerns and various risk-related issues, and learn of new trends in the insurance industry. CLE credits are often earned by attorneys who are present.

**Model Policies/Reference Library** – WCRP's website features an extensive up-to-date electronic library of model policies and procedures covering the broad range of issues its counties must offer. Why reinvent the wheel when someone before us has already put in that time and effort? If the subject you need isn't there, just let us know and we'll find it.

### **Coming in Pool Year 2011:**

**Employment Law Related Claims** - Risk Pool claims are fairly consistent with claims experienced by public entities throughout the United States. Employment law related claims, while relatively few in number, account for the highest average per claim cost. The Risk Pool recognizes that the workplace completion of performance evaluations improves employee's performance by recognizing efficiency, productivity, good teamwork and informing employees of those areas where improvement is needed and expected. Performance evaluations are also an opportunity to identify employees who have performance and conduct issues and to counsel those employees whose performance over the evaluation period has fallen below expectations. During the upcoming pool year, "Conducting Performance Evaluations" workshops will receive a strong emphasis in the loss control arena.

**Law Enforcement** – Law Enforcement officers perform high risk work that most of us are uncomfortable doing. Due to the high risk nature of their work, law enforcement officers in Washington State are required to receive a minimum of 32 hours per year in training. WCRP contracts with Lexipol to provide its member counties' law enforcement officers with Daily Training Bulletins (DTB's). DTB's are accessed each day via computer and take approximately 5 minutes to complete. The subject matter is geared toward Washington State Law. The passing of each test offered at the end of the daily bulletin and the subject matter is documented. If all member counties signed up for the Daily Training Bulletins, nearly 1200 law enforcement officers in Washington State would be receiving daily training in high risk, high severity subjects.



**WASHINGTON COUNTIES RISK POOL**  
**COMPARATIVE STATEMENT OF NET ASSETS**  
As of September 30, XXXX

	AUDITED				
	FY 2010	FY2009 1 Year Ago	FY 2006 4 Years Ago	FY 2003 7 Years Ago	FY 2000 10 Years Ago
<b>ASSETS:</b>					
<b>CURRENT ASSETS:</b>					
Cash and Cash Equivalents	\$ 33,026,490	\$ 22,767,431	\$ 18,262,636	\$ 4,312,543	\$ 10,682,668
Investments	-	-	-	800,000	2,765,820
JSILP Deductibles & Reinsurance Receivables	2,105,001	8,981,245	1,106,316	464,749	623,060
JSILP Assessments Receivable	1,917,055	2,086,033	1,394,041	98,301	1,905,646
Member Reassessments Receivable	-	-	1,022,823	2,883,801	5,578,661
WCPP Assessments Receivable	535,517	706,987	960		
Prepaid Expenses	2,850	-	-	17,383	2,975
Other Accounts Receivables	116,230	109,009	1,598	-	365
A. Johnson Restitution Recovery	-				
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 37,703,143</b>	<b>\$ 34,650,705</b>	<b>\$ 21,788,374</b>	<b>\$ 8,576,777</b>	<b>\$ 21,559,195</b>
<b>NONCURRENT ASSETS:</b>					
Capital Assets (Net of Accumulated Depreciation)	\$ 1,183,510	\$ 1,058,202	\$ 758,932	\$ 593,395	\$ 534,572
<b>TOTAL ASSETS</b>	<b>\$38,886,653</b>	<b>\$35,708,907</b>	<b>\$22,547,306</b>	<b>\$9,170,172</b>	<b>\$22,093,767</b>
<b>LIABILITIES:</b>					
<b>CURRENT LIABILITIES:</b>					
Claim Reserves				\$ 10,184,040	\$ 12,110,095
Reserves for Open Claims	\$ 3,861,864	\$ 3,354,196	\$ 2,680,897		
IBNR Claims Reserve	2,283,272	3,738,490	5,058,118		
\$400M xs \$100M AL/GL Corridor Reserves					
Reserves for Open Claims	3,829,925	3,476,000			
IBNR Claims Reserve	3,180,914	1,659,214			
Reserve for ULAE	889,299	904,149	644,672	550,000	515,000
Accounts Payable	636,229	81,019	224,319	111,331	5,503
Accrued Liabilities	77,370	72,808	41,870	78,803	91,899
Unearned Revenue - Members Assessments	13,918,411	14,260,668	9,141,407	-	6,238,505
Custodial Account - L&I Retro Program					562,766
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 28,677,284</b>	<b>\$ 27,546,544</b>	<b>\$ 17,791,283</b>	<b>\$ 10,924,174</b>	<b>\$ 19,523,768</b>
<b>NET ASSETS:</b>					
Restricted Net Assets - Underwriting Policy Section D	\$ 5,847,409	\$ 6,345,958	\$ 3,134,357	\$ (2,347,397)	\$ 2,035,427
Restricted Net Assets - Franjo Beach Property	150,000				
Capital Assets Net of Debt	1,033,511	1,058,202	758,931	593,395	534,572
Non Restricted Net Assets	3,178,450	758,203	862,735	-	-
<b>Total Net Assets</b>	<b>\$ 10,209,370</b>	<b>\$ 8,162,363</b>	<b>\$ 4,756,023</b>	<b>\$ (1,754,002)</b>	<b>\$ 2,569,999</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>	<b>\$ 38,886,654</b>	<b>\$ 35,708,907</b>	<b>\$ 22,547,306</b>	<b>\$ 9,170,172</b>	<b>\$ 22,093,767</b>



WASHINGTON COUNTIES RISK POOL  
STATEMENT OF REVENUES AND EXPENSES  
AND CHANGES IN WCRP NET ASSETS  
For Fiscal Years Ending September 30, XXXX

	AUDITED				
	FY 2010	FY 2009	FY 2006	FY 2003	FY 2000
		1 Year Ago	4 Years Ago	7 Years Ago	10 Years Ago
<b>OPERATING REVENUES:</b>					
Member Assessments -- Liability Insurance	\$ 11,508,205	\$ 9,139,429	\$ 9,800,082	\$ 10,257,476	\$ 5,751,345
Member Assessments -- Property Insurance	2,890,723	2,546,189	1,438,461		
Insurance Recovery			1,152,677		
Reassessments for Prior Years				-	-
Miscellaneous Operating Income	110,964	70,566	-	6,367	42,976
Total Operating Revenues	\$ 14,509,892	\$ 11,756,184	\$ 12,391,221	\$ 10,263,844	\$ 5,794,322
<b>OPERATING EXPENSES:</b>					
Current Year's "Claims" Reserve	\$ 1,502,751	\$ 1,437,299	\$ 1,353,914		
Current Year's "Corridor" Reserve	2,475,000	1,825,000			
Adjustment of Prior Years' Claims Reserves	(1,652,831)	(878,038)	(1,520,697)	5,809,763	2,509,614
Over SIR Claims Expense (unbilled)					
Reserve for ULAE	(14,850)	43,585	(83,139)	-	(35,000)
Reinsurance Premiums	5,480,000	3,697,000	6,398,438	4,672,575	2,824,398
10x10 Excess Insurance Premiums	515,258	287,452	302,581		
Optional 5x20 Excess Insurance Premiums	64,500	82,209	71,100		
Property Insurance Premiums	2,787,059	2,460,925	1,443,465		
Depreciation Expense	53,666	45,564	74,236		
Bad Debt Expense	-	-	-		
Operating Expenditures	1,474,664	1,608,706	1,147,101	962,391	921,652
Total Operating Expenses	\$ 12,685,217	\$ 10,609,702	\$ 9,186,999	\$ 11,444,729	\$ 6,220,664
<b>Operating Income</b>	<b>\$ 1,824,675</b>	<b>\$ 1,146,482</b>	<b>\$ 3,204,222</b>	<b>\$ (1,180,885)</b>	<b>\$ (426,342)</b>
<b>NON OPERATING REVENUES (EXPENSES):</b>					
Interest Income	\$ 67,537	\$ 221,392	\$ 483,808	\$ 152,561	\$ 547,768
Rental Income on Suites 104 & 110	5,322	20,518			
Suite Rental Expenses	(528)	(4,533)			
Gain (Losses) on Capital Asset Disposition	-	-	307,555	-	-
Miscellaneous Income	-	-	329		
Fraud: Recovery of Franjo Beach Property	150,000				
Total Nonoperating Revenues (Expenses)	\$ 222,331	\$ 237,377	\$ 791,692	\$ 152,561	\$ 547,768
<b>CHANGES IN NET ASSETS</b>	<b>\$ 2,047,006</b>	<b>\$ 1,383,859</b>	<b>\$ 3,995,914</b>	<b>\$ (1,028,324)</b>	<b>\$ 121,426</b>
TOTAL NET ASSETS, Beginning of Year	\$ 8,162,363	\$ 6,778,505	\$ 760,110	\$ (725,678)	\$ 2,448,573
<b>TOTAL NET ASSETS, End of Year</b>	<b>\$ 10,209,369</b>	<b>\$ 8,162,363</b>	<b>\$ 4,756,024</b>	<b>\$ (1,754,002)</b>	<b>\$ 2,569,999</b>



**WASHINGTON COUNTIES RISK POOL  
COMPARATIVE STATEMENT OF CASH FLOW  
AND CHANGES IN FUND NET ASSETS**

For the Fiscal Years Ended September 30, 2010 and September 30, 2009

	<b>Year Ended 9/30/2010</b>	<b>Year Ended 9/30/2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from members & insurers	\$ 21,377,105	\$ 6,448,979
Cash payments for goods and services	(10,371,363)	(2,439,853)
Cash payments to employees for services	(790,039)	(796,724)
	\$ 10,215,703	\$ 3,212,402
<b>CASH FROM CAPITAL ACTIVITIES:</b>		
Purchase of Equipment & Building	\$ (28,974)	\$ -
Cash from Rental of Office (net)	4,793	15,985
	\$ (24,181)	\$ 15,985
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Interest received	\$ 67,536	\$ 221,392
	\$ 67,536	\$ 221,392
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 10,259,058</b>	<b>\$ 3,449,780</b>
<b>Cash and Cash Equivalents - Beginning of the Year</b>	<b>\$ 22,767,431</b>	<b>\$ 19,317,651</b>
<b>Cash and Cash Equivalents - End of the Year</b>	<b>\$ 33,026,490</b>	<b>\$ 22,767,431</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
<b>OPERATING INCOME</b>	\$ 1,824,675	\$ 1,146,481
<b>Adjustments to Reconcile Net Operating Income to Net Cash provided (used) by Operating Activities:</b>		
Depreciation Expense	53,666	45,564
Decrease (Increase) in Accounts Receivable	7,209,471	(7,887,318)
Increase (Decrease) in Claims Reserves	(947,550)	1,131,801
Increase (Decrease) in AL/GL Corridors Reserves	1,875,626	
Increase (Decrease) in Reserve for ULAE	(14,850)	43,585
Increase (Decrease) in Unearned Revenue	(342,257)	2,580,113
Increase (Decrease) in Accounts Payable	555,210	(510,444)
Increase (Decrease) in Accrued Liabilities	4,562	15,125
Increase (Decrease) in Prepaid Expenses	(2,850)	6,647,495
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 10,215,703</b>	<b>\$ 3,212,402</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>		
Investment Held for Resale - Franjo Beach Property	\$ 150,000	
Recovery of Franjo Beach Property	(150,000)	



# Washington Counties Risk Pool

## CLAIMS DEVELOPMENT

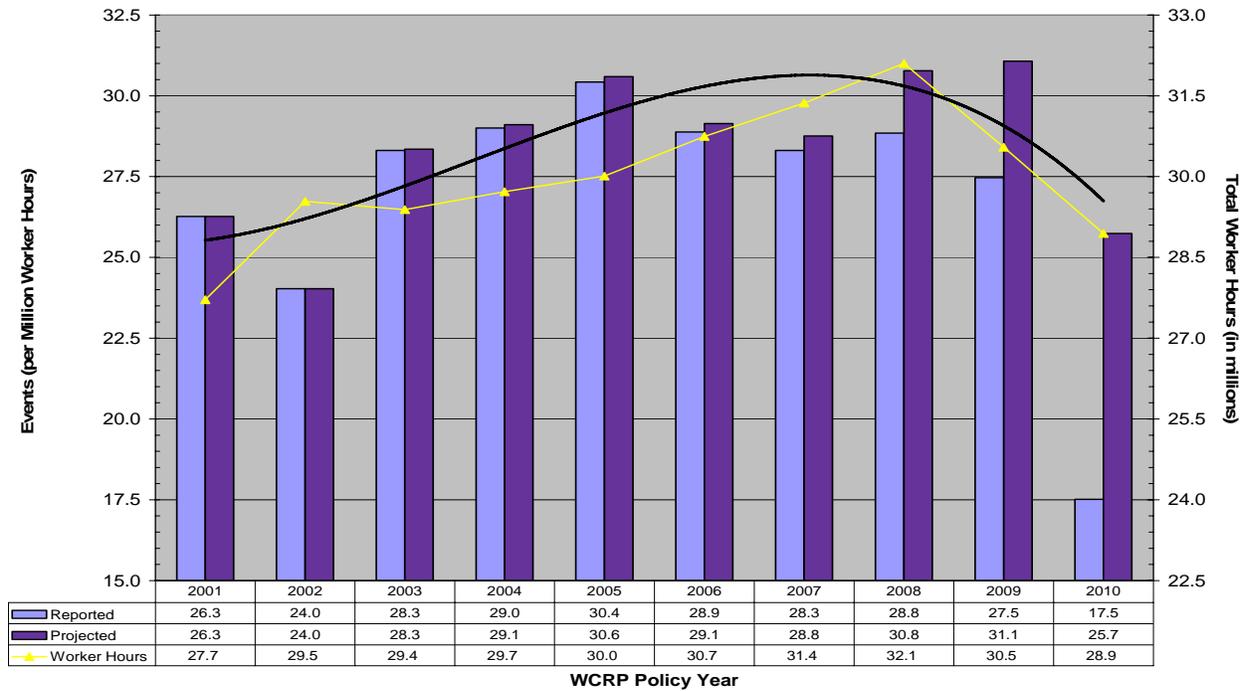
October 1, 2001 - September 30, 2010 (in thousands)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1. Required Contribution and investment revenue:										
Earned	6,800	7,056	10,416	11,722	12,042	13,183	12,222	12,203	11,994	14,732
Ceded	3,109	3,330	4,286	6,791	7,019	6,398	3,773	3,806	3,697	5,480
Net earned	3,691	3,725	6,130	4,931	5,023	6,784	8,449	8,397	8,297	9,252
2. Unallocated expenses	1,108	1,201	1,349	1,376	1,590	2,955	4,149	4,099	4,528	4,880
3. Estimated claims and expenses end of policy year:										
Earned										14,000
Ceded										9,750
Net incurred	2,250	1,860	1,615	1,900	1,510	1,850	3,895	3,875	4,075	4,250
4. Net paid (cumulative) as of:										
End of policy year:	4	36	5	68	-	101	75	87	-	41
One year later	204	160	240	274	161	443	208	227	198	
Two years later	394	282	596	426	295	1,001	751	541		
Three years later	695	618	836	655	773	1,251	1,278			
Four years later	725	927	1,103	928	974	1,414				
Five years later	742	1,075	1,202	957	1,066					
Six years later	753	1,096	1,279	1,006						
Seven years later	753	1,107	1,291							
Eight years later	753	1,108								
Nine years later	753									
5. Reestimated ceded claims and expenses	4,347	4,744	11,589	3,945	6,097	13,621	9,780	8,300	14,625	9,750
6. Reestimated net incurred claims and expenses:										
End of policy year:	2,250	1,860	1,615	1,900	1,510	1,850	3,895	3,875	4,075	4,250
One year later	1,800	1,685	1,890	1,765	1,610	2,345	3,770	3,700	3,875	
Two years later	1,730	1,380	1,950	1,510	1,890	2,575	3,350	3,200		
Three years later	1,350	1,445	1,505	1,335	1,540	2,060	3,520			
Four years later	1,150	1,432	1,343	1,168	1,320	1,579				
Five years later	935	1,392	1,348	1,084	1,103					
Six years later	833	1,275	1,348	1,055						
Seven years later	793	1,230	1,311							
Eight years later	783	1,206								
Nine years later	753									
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	(1,497)	(654)	(304)	(845)	(407)	(271)	(375)	(675)	(200)	-

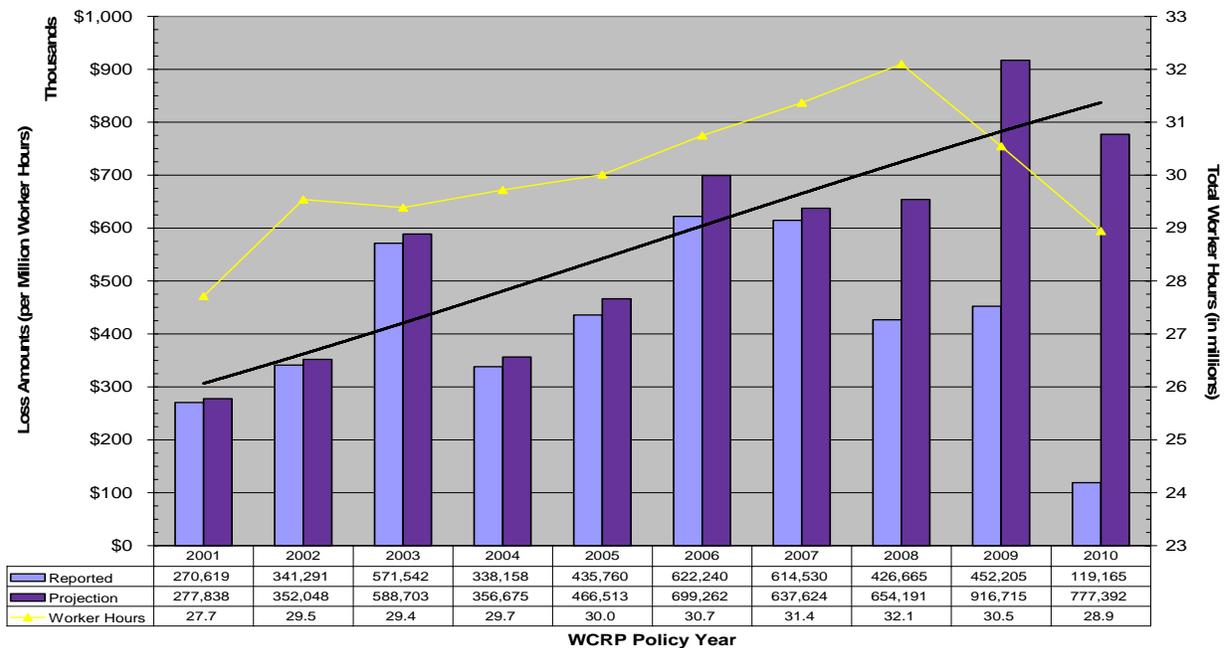


# Washington Counties Risk Pool

**FREQUENCY of 3rd-PARTY LIABILITY EVENTS with EXPOSURE DATA**  
10-Year Summary of Events at close of Py2010



**SEVERITY of 3rd-PARTY LIABILITY EVENTS with EXPOSURE DATA**  
10-Year Summary of Events at close of Py2010





**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.

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