

Auto Physical Damage  
Joint Protection Program

2015



## WASHINGTON CITIES INSURANCE AUTHORITY

### Auto Physical Damage Joint Protection Program for the Coverage Year December 31, 2014 to December 31, 2015

#### I. AUTO PHYSICAL DAMAGE COVERAGE

Washington Cities Insurance Authority (WCIA) provides an optional program to its members whereby they may obtain protection for losses or damages to member owned, leased or rented autos.

##### A. COVERAGE LAYERS

There are three layers in the Auto Physical Damage Program:

1. The first layer is an *Individual Member Deductible* where each member has a choice of individual deductible layers for each program.
2. The second layer is the *WCIA Self-Insured Auto Physical Damage Retention Layer*, which attaches from the individual deductible.
3. The third layer is the *Insured layer*, which provides \$100,000,000 per occurrence limits which attaches at \$250,000 per occurrence above the *Self-Insured Auto Physical Damage Retention Layer*.

The Board, at its discretion, may choose to self insure or purchase insurance in any of the layers. Purchased insurance policies may differ from each other in language, exclusions, conditions and underwriter's intent. Coverage among the various policies may not be continuous.

##### B. COVERAGE TERMS, EXCLUSIONS, AND CONDITIONS

The terms, definitions, exclusions and conditions of the Auto Physical Damage program are outlined in the WCIA Self Insured Coverage Document for Auto Physical Damage APDCov2015 and is hereby incorporated by reference and adopted herein to this document.

Replacement cost coverage in the third layer shall be extended to all member's specifying replacement cost coverage on the Member's Schedule of Values on file with WCIA regardless of auto age in accordance with Auto Physical Damage Coverage Document II, C, 2.

##### C. MEMBERS

Current members include the following and new members approved by the Executive Committee electing coverage during the Coverage Year:

|                                  |  |
|----------------------------------|--|
| Aberdeen                         | Chelan                                       |
| Arlington                        | Cheney                                       |
| Auburn                           | Chewelah                                     |
| Bainbridge Island                | Clark Regional Emergency Services Agency     |
| Battle Ground                    | (CRESA)                                      |
| Benton City                      | Clarkston                                    |
| Benton County Emergency Services | Cle Elum                                     |
| Bonney Lake                      | Clyde Hill                                   |
| Bothell                          | Coupeville                                   |
| Brewster                         | Covington                                    |
| Brier                            | Cowlitz-Wahkiakum Council of Governments     |
| Burien                           | Des Moines                                   |
| Burlington                       | Eastside Public Safety Communications Agency |
| Camas                            | (EPSCA)                                      |
| Cashmere                         | Edgewood                                     |
| Centralia                        | Edmonds                                      |
| Chehalis                         | Ellensburg                                   |

|                                      |  |
|--------------------------------------|--|
| Elma                                 | Poulsbo  |
| Enumclaw                             | Pullman-Moscow Regional Airport Board                        |
| Ferndale                             | Puyallup   |
| Fife                                 | Renton   |
| George                               | Richland   |
| Goldendale                           | Ridgefield   |
| Hoquiam                              | Sammamish  |
| Issaquah                             | Shelton  |
| Kelso                                | Shoreline  |
| Kenmore                              | Silver Lake Water and Sewer District                         |
| Kennewick                            | Skagit 9-1-1   |
| Kirkland                             | Snohomish  |
| La Conner                            | Snohomish County Emergency Radio System (SERS)               |
| Lacey                                | Snohomish County Fire District #3 (dba Monroe Fire District) |
| Lake Forest Park                     | Snohomish County Police Auxiliary Services Center (SNOPAC)   |
| Lake Stevens                         | Snoqualmie   |
| Lakewood                             | Soap Lake  |
| Leavenworth                          | South Correctional Entity Facility PDA (SCORE)               |
| Long Beach                           | SW Snohomish County Communications Agency (SNOCOM)           |
| Longview                             | Spokane Valley   |
| LOTT Clean Water Alliance            | Stanwood   |
| Mabton                               | Steilacoom   |
| Maple Valley                         | Sumner   |
| Marysville                           | Sunnyside  |
| Marysville Fire District             | Three Rivers Regional Wastewater Authority                   |
| McCleary                             | Thurston 9-1-1 Communications                                |
| Medical Lake                         | Thurston Public Utilities District                           |
| Medina                               | Thurston Regional Planning Council                           |
| Mercer Island                        | Toppenish  |
| Metropolitan Park District of Tacoma | Tukwila  |
| Mill Creek                           | Tumwater   |
| Millwood                             | Union Gap  |
| Milton                               | University Place   |
| Monroe                               | Valley Regional Fire Authority                               |
| Moses Lake                           | Walla Walla  |
| Mount Vernon                         | Walla Walla Valley Metropolitan Planning Organization        |
| Mountlake Terrace                    | Warden   |
| Mukilteo                             | Washougal  |
| Multi Agency Communications Center   | West Richland  |
| Newcastle                            | Westport   |
| Normandy Park                        | Woodinville  |
| North Bonneville                     | Woodway  |
| Northshore Utility District          | Yarrow Point   |
| Oak Harbor                           | Zillah   |
| Ocean Shores                         |  |
| Olympia                              |  |
| Othello                              |  |
| Port Angeles                         |  |
| Port Townsend                        |  |

**II. DESCRIPTION OF SERVICES AND COST ALLOCATION**

**A. COVERAGE ASSESSMENT BASIS**

Assessment costs per member is based on scheduled values of member owned autos.

**B. AUTOMOBILE SCHEDULES**

Each member is responsible for reporting any changes in automobile values as soon as practicable to WCIA.

C. WCIA ADMINISTRATION

The Executive Director shall administer WCIA operations and be accountable to the Board in the areas of insurance purchases, claims and loss control administration, coverage determinations and new membership.

D. LEGAL SERVICES

WCIA Legal Counsel is appointed by the Board to provide legal assistance concerning WCIA operations to the Board and Executive Director. WCIA Legal Counsel is an administrative expense.

E. SUBROGATION

WCIA shall be subrogated to all legal rights to seek and recover damages for injury, theft, loss or destruction of member owned Autos which the member may have against any person or other entity with respect to any payment made under this Auto Physical Damage Joint Protection Program. The member shall execute all papers required by WCIA and shall cooperate with WCIA to secure and protect WCIA's rights. WCIA shall have the exclusive right to select, retain and pay attorneys as necessary to pursue legal remedies for recovery of its subrogation interests. In case any reimbursement is obtained or recovery is made by the member or WCIA on account of any loss covered by this Auto Physical Damage Joint Protection Program, the distribution of such reimbursement or recovery, shall be first applied in the following order:

1. Payment of legal costs and attorney fees incurred by WCIA in making the recovery.
2. Second, to recover the member's loss because of application of their deductible;
3. Third, to recover WCIA's payments until WCIA is fully reimbursed.

F. CLAIMS COSTS

Administration of the Auto Physical Damage claims program is conducted in-house by WCIA staff and is an administrative expense. Some losses are assigned by staff to an outside claims service company for resolution. The service company's fees are administrative costs.

**III. MEMBER ASSESSMENTS**

Each member's assessments with WCIA is due within thirty (30) days of billing. Claims reports will be distributed annually to the membership. Mid-year (new) membership will be prorated against the remaining coverage year premium, payable within thirty (30) days. Any assessment paid is not refundable or short rated in the event of a member withdrawal from Auto Physical Damage Joint Protection Program prior to the end of a policy year.

**IV. CLAIMS PROCESS**

The Authority retains control of claims and settlement authority within the *Self-Insured Auto Physical Damage Retention Layer*. The claims process is supervised by WCIA and includes development and implementation of claims procedures which members agree to follow.

Members shall cooperate by promptly reporting all property claims, by participating fully in any investigation conducted by WCIA or its claims administrator, and by adhering to the claims procedures as set forth in the *WCIA Claims Manual*. The Executive Director may settle any claim within the *WCIA Self-Insured Auto Physical Damage Retention Layer*. Failure of a member to cooperate in good faith with WCIA in the investigation and administration of any claim will constitute grounds for denial of the claim.

**V. COVERAGE DETERMINATION**

The Executive Director shall be responsible for making all coverage determinations within the WCIA Self-Insured Auto Physical Damage Retention Layer in regard to all claims filed by the member in which a question of coverage exists.

Any member aggrieved by a coverage determination of the Executive Director shall follow the appeal process which has been adopted in the *By-Laws*, Article VII, Section 2, to allow members to bring before the Executive Committee any coverage decisions which they may contest. Respective requirements of each participating party are detailed as appropriate in the *By-Laws*. Failure to follow the stated requirements may result in a waiver of legal rights.

**VI. OTHER-INSURANCE**

If any member has other valid and collectible insurance which is written by another insurer, and such insurance is available to the member covering a loss also covered by this Auto Physical Damage Joint Protection Program, other than insurance that is provided in excess of this program, the protection and excess insurance afforded by this Auto Physical Damage Joint Protection Program shall be in excess of and shall not contribute with such other insurance.

**VII. CANCELLATION OR TERMINATION OF MEMBER AUTO PHYSICAL DAMAGE COVERAGE**

A member's participation and coverage in the Auto Physical Damage Joint Protection Program may terminate or cease in one of the following ways:

- A. A member withdraws from WCIA by giving its one year notice in advance of withdrawal from WCIA's Interlocal Agreement pursuant to Article 20 (a) thereto.
- B. A member gives 60 days advance written notice to WCIA of its intent to cease participation in the Auto Physical Damage Joint Protection Program.
- C. Immediate termination of coverage will occur if a member's membership in WCIA is terminated by vote of the Board of Directors as provided in Article 20 (b) of the Interlocal Agreement.
- D. Termination of coverage will occur if a member fails to pay assessments when due as required by Article IV, Section 10 of the *By-Laws* of WCIA and Article 21 of the Interlocal Agreement.
- E. Coverage will cease if the Executive Committee or Board of Directors votes to cease offering coverage for Auto Physical Damage to a member as provided by Article 21(b) of the Interlocal, or if either votes to cease offering the Auto Physical Damage Joint Protection Program to all members.

No member shall be entitled to any return of assessment or premium or "short rate" assessment or premium in the event of termination of coverage under the Auto Physical Damage Joint Protection Program or termination of membership in WCIA.

Coverage under this program may be terminated by WCIA by a majority vote of the Board present at the meeting whereby such termination is proposed, or by the Auto Physical Damage insurance company. Notice of termination shall be provided to the member, in writing, not less than sixty (60) days prior to the effective date of the termination, except that, if the member fails to pay any assessment when due, this coverage may be terminated by providing, in writing, ten (10) days notice.

It is understood that cancellation or termination of coverage under this program shall constitute cancellation of coverage in all WCIA self-insured and group insured programs. Limits, terms and conditions of coverage is restricted to those in force at time of cancellation or termination. Should any premium credit for an individual member be returned to WCIA as a result of the cancellation in any insurance policy, it will be retained by WCIA and may be applied toward any outstanding or anticipated debts of the member to WCIA. Any assessment or premium adjustments due to property additions during the last year of participation shall be payable after the assessment/premium audit of that year.

**VIII. ESTABLISHMENT OF CONTINGENCY FUND**

The Board may establish a contingency fund from money accumulated in excess of losses in WCIA's Retention Layer each year, to offset future Auto Physical Damage premiums, expand program enhancements, and/or build up funds for unallocated loss reserves.

**VIX. FURTHER CONDITIONS AND LIMITATIONS OF COVERAGE**

In the event that the Authority is unable for any reason to recover from insurers any portion of a loss otherwise payable to a member under the terms of the Authority's Auto Physical Damage Coverage Document, the Authority's obligation to the member shall be reduced by the amount of such non-recovery. The Authority shall make a reasonable effort to obtain insurance recovery, but nothing in this Agreement shall obligate it to instigate judicial or other proceedings, nor to take any particular action to obtain indemnification from insurers.

Any member seeking coverage and/or indemnification from any insurance company or reinsurer for any loss and occurrence within the Insured Layer is responsible for all costs and expenses, including legal costs, incurred in obtaining indemnification from insurers. If requested by a member, the Authority may, in its sole discretion, elect to participate with a member in any legal effort by a member to seek or enforce indemnification from any insurance company or reinsurer and, if it does so, the Authority will be responsible for payment of 50% of any legal costs and expenses incurred in such effort and the member will be responsible for the remainder of all costs. Subject to the preceding sentence, any costs incurred by the Authority or individuals acting on its behalf and at its discretion in obtaining indemnification for the loss, including but not limited to legal expenses, costs associated with hearings, arbitrations, mediations, negotiations or other proceedings, and any other expenses shall reduce any recovery by the member accordingly. Coverage determination costs less than \$1,000 per occurrence shall be a WCIA administrative cost.

In the event that a loss exceeds the combined self insured, and insured layer coverage limits, or if any self insured or insured aggregate limit has been exhausted within the coverage term, any remaining obligation will be the sole responsibility of the applicable member and shall not be the responsibility of the Authority nor any other member.

Further, money available for losses within WCIA Self-Insured Auto Physical Damage Retention Layer is limited to budgeted funds and a high frequency of losses may result in the exhaustion of all WCIA funds. Replenishment of WCIA Self-Insured Auto Physical Damage Retention Layer may be made by special assessment as approved by the Board at its discretion.

It is also understood and agreed that any auto loss not within the coverage definitions or terms of the Auto Physical Damage Insurance policies or Self Insured Coverage Document for Auto Physical Damage shall be the sole responsibility of the applicable member and not the responsibility of WCIA nor any other member.

In the event of an insurer's financial failure the total liability of the Authority for the policy years shall remain at \$250,000 per occurrence. Any remaining obligation over the \$250,000 coverage limit is the responsibility of the applicable member. The Board may authorize the purchase of new insurance or self insure the coverage layer.