



Insurance Authority

FULL BOARD MEETING

May 20, 2022

ZOOM

Members are attending this meeting remotely through Zoom. For those wishing to view the meeting, please click this link:

<https://us02web.zoom.us/j/87560631536?pwd=WDdrUWloRVB3eXQ1YVVVXYjk1U0p3QT09>

9:00 AM – 10:30 AM—Training Session: WCIA Coverage Programs from A to U
Presented by Rob Roscoe, WCIA Deputy Director

10:45 AM—Full Board Meeting
Call to Order/Roll Call

President's Message

Consent Calendar

Approval of January 2022 Full Board Meeting Minutes

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Action Item

2022 Liability Joint Protection Program and Coverage Document

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Director's Report

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- Insurance Updates: Liability, Cyber, Pollution Liability and Government Entities Mutual
- Legislative Update
- Risk Management Credentialing Program
- Collection Agency Usage for Recoveries

Risk Reduction Grant Recipients Presentation

(Risk Reduction Grant Committee Chair Farah Derosier)

Member Recognition

WCIA FULL BOARD MEETING

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Zoom

The regular meeting of the Full Board was attended by members, staff members and others virtually via Zoom. The public was provided access to view via Zoom with the link posted on the WCIA website.

MEMBERS PRESENT

Patricia Soule, Aberdeen; Paul Ellis, Arlington; James Trefry, Arlington; Candis Martinson, Auburn; Joseph Levan, Bainbridge Island; Rhonda Calkins, Battle Ground; Kay Kammer, Battle Ground; Julie Evans, Bothell; Melisa Folmer, Bremerton; Brett Jette, Bremerton; Misty Ruiz, Brewster; Lee Webster, Brewster; Paula Swisher, Brier; Nathan Hawthorne, Burien; Garmon Newsom, Burien; Cathy Huber Nickerson, Camas; Mitch Lackey, Camas; Steve Croci, Cashmere; Angie Stritmatter, Centralia; Glenn Schaffer, Chehalis; Wade Farris, Chelan; Mark Schuller, Cheney; Anthony Glenn, Clark Regional Emergency Services Agency; Steve Austin, Clarkston; Rob Omans, Cle Elum; John Greenwood, Clyde Hill; Dean Rohla, Clyde Hill; Shawn Doering, College Place; Mark Orthmann, Covington; Casey Parker, Covington; Janelle Edwards, Cowlitz 911; Rachael Young, Cowlitz 911; Anisa Kisamore, Cowlitz-Wahkiakum Council of Governments; Scott Deschenes, Des Moines Pool Metropolitan Park District; Dan Brewer, Des Moines; Kale Fong, Eastside Public Safety Communications; Tyler Running Deer, eCity Gov Alliance; Jessica Neil Hoyson, Edmonds; Terry Weiner, Ellensburg; Wendy Collins, Elma; Dianna Billingsley, Enumclaw; Chris Searcy, Enumclaw; Ryan Call, Federal Way; Brodie Rota, Fife; Cus Arteaga, Grandview; Anita Palacios, Grandview; Jeff Balentine, Granite Falls; Jaimie Green, Grays Harbor Communications Center; Steve Johnson, Hoquiam; Brian Shay, Hoquiam; Stephanie Johnson, Issaquah; Brian Butterfield, Kelso; Leticia Salcido, Kenmore; Anastasiya Warhol, Kenmore; Lisa Beaton, Kennewick; Truc Dever, Kirkland; Denise Golembiewski, Kirkland; Maria DeGoede, La Conner; Bracy DiLeonardo, Lacey; Leialani Jensen, Lacey; Max Roth, Lake Stevens; Anya Warrington, Lake Stevens; Mariah Low, Lake Stevens Sewer District; Tho Kraus, Lakewood; Mary McDougal, Lakewood; Chantell Steiner, Leavenworth; Brian Loos, Longview and Water Operating Board; David Glasson, Long Beach; Farah Derosier, LOTT Clean Water Alliance; Anthony Burrows, Lynden; Karen Fitzthum, Lynnwood; Sylvia Sanchez, Mabton; Julie Hunsaker, Maple Valley; Jeff Cole, Marysville Fire District; Steve Edin, Marysville Fire District; Doug Ross, Medical Lake; Julie Ketter, Medina; Ali Spietz, Mercer Island; Erwin Vidallon, Metropolitan Park District of Tacoma; Debbie Matkin, Millwood; Trisha Summers, Milton; Deborah Knight, Monroe and TBD; Tyler Christian, Monroe and TBD; Allison Williams, Moses Lake; Peter Donovan, Mount Vernon; Erin Keator, Mount Vernon; Steve Powers, Mukilteo; D.T. Donaldson, Multi Agency Communications Center; Sarah Jacobs, Newcastle; Alan Nelson, Northshore Utility District; Marianne Ledgerwood, Oak Harbor; Blaine Oborn, Oak Harbor; Scott Andersen, Ocean Shores; Connie Cobb, Olympia and MPD; Kelly Boswell, Olympic View Water and Sewer District; Shawn Logan, Othello; Angela Pashon, Pasco; Dave Zabell, Pasco; Abigail Fountain, Port Angeles; Heidi Greenwood, Port Townsend; Rhiannon Fernandez, Poulsbo; Dee Stiles-Elliott, Pullman and MPD and Pullman-Moscow Regional Airport Board; Joseph Beck, Puyallup; Heather Kintzley, Richland; Lee Knottnerus, Ridgefield; Joe Henne, Selah; Sue Hagener, Sequim; Kristina Nelson-Gross, Sequim; Rick Kirkwood, Shoreline; Curt Brees, Silver Lake Water and Sewer District; Helen Rasmussen, Skagit 911; Kevin Murphy, Skagit Council of Governments; Leah Schoof, Snohomish Regional Fire and Rescue; Rebekah Park, Snohomish; Reina McCauley, Snoqualmie; Lucinda Gibbon, South Correctional Entity; Cynthia Shaffer, South Sound 911; Jeff Tower, Spokane Regional Emergency Communications; David Hammond, Stanwood; Paul Loveless, Steilacoom; Leana Kinley, Stevenson; Jennifer Bell, Sumas; Jeff Steffens, Sumner; Jason Wilson, Sumner; Elizabeth Alba, Sunnyside; Duane Leaf, Three Rivers Regional Wastewater Authority; Carla Mai, Thurston 911 Communications; Aaron Moe, Thurston 911 Communications; Julie Parker, Thurston Public Utility District; TaSeana Tartt, Thurston Public Utility District; Veena Tabbutt, Thurston Regional Planning Council; Debbie Zabell, Toppenish; Heidi Riojas, Toppenish; Kristine Selleck, Tukwila Pool Metropolitan Park District; Vicky Carlsen, Tukwila; Sherry Wright, Tukwila; Arlene Fisher, Union Gap; Leslie Blaisdell, University Place; Jennifer Robinson,

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University Place; Mary Sue Robey, Valley Communications Center; Sarah Borden, Valley Regional Fire Authority; Mark Horaski, Valley Regional Fire Authority; Timothy Barrett, Walla Walla Valley Metropolitan Planning Organization; Elizabeth Chamberlain, Walla Walla; Pamela Taylor, Walla Walla; Teresa Stedman, Washougal; Lisa Strenge, Whitcom 911; Jessica Compton, William Shore Memorial Pool District; Blaine Fritts, Woodinville; Heidi Napolitano, Woodway; Chris Wickenhagen, Yakima Valley Conference of Governments; and Sharon Bounds, Zillah.

OTHERS PRESENT

Ann Bennett, Executive Director; Shannon Ragonesi, Counsel; Jared Burbidge, Treasurer/Finance and Administrative Services Manager; Michele Neumann, Authority Secretary; Robin Aronson, Risk Services Manager; Rob Roscoe, Deputy Director; Harlan Stientjes, Claims Manager; Tanya Crites, Senior Risk Management Representative; Lisa Knapton, Senior Risk Management Representative; Gordy Van, Senior Claims Adjuster; Drew Brien, Senior Claims Adjuster; Kelli du Pont, Claims Adjuster; Rachel Roberts, Claims Representative; Patti Crane, Member Services Manager; Debbi Sellers, Senior Risk Management Representative; Carlene Brown, Risk Management Representative; Maria Orozco, Member Services Coordinator; Katie Madsen, Member Services Assistant; Peter Kang, IT Administrator; and Tiffany Woods, Programs and IT Coordinator.

CALL TO ORDER

President Knight called the meeting to order at 10:15 a.m. and reviewed some housekeeping items regarding the asking of questions and the making, seconding and voting on motions.

Roll was called.

PRESIDENT'S MESSAGE

Welcoming everyone to the meeting, Knight recognized the nominees for the Executive Committee and thanked Vidallon (Metropolitan Park District of Tacoma) for his service to WCIA as an Executive Committee member and delegate. Knight addressed the Board, acknowledging the challenging insurance market and emphasizing that by working together, steps can be taken to lower claim costs. She pointed out that the best tool to lower rates is for members to take advantage of the trainings and services offered by WCIA. Stating that managing risk is difficult, Knight expressed her appreciation to the Full Board members for the things they do within their organizations to drive down claim costs and lower rates.

CONSENT CALENDAR

Consent calendar item: October 2021 Full Board meeting minutes. ***Blaisdell (University Place) moved to approve the consent calendar. Barrett (Walla Walla Valley Metropolitan Planning Organization) seconded. Motion carried unanimously.***

ACTION ITEMS

• 2022 Liability Joint Protection Program and Coverage Document

The Liability Joint Protection Program (LJPP) documents WCIA's responsibilities regarding coverage, service, cost allocation and claims process. The Self-insured Coverage Document is a subset of the LJPP and formalizes the coverage terms and conditions. Roscoe stated that the renewal for liability coverage was extremely difficult. He reviewed the changes to the LJPP, which include: increasing GEM's (Government Entities Mutual) participation up to \$11 million with WCIA taking on 10% of losses in the \$5 million x \$6 million layer; securing two domestic carriers and two Bermuda carriers to fill in the layer to \$15 million; WCIA adding an annual deductible of \$1 million in the \$4 million x \$11 million layer; and renewing Allied World

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Assurance Company (AWAC) for the \$15 million x \$20 million layer. Although WCIA has never reached the AWAC layer, Roscoe noted that the cost still increased by 64% over the previous year due to the difficult market.

Omans (Cle Elum) moved to approve the 2022 Liability Joint Protection Program and 2022 Self-insured Coverage Document as presented. Stiles-Elliott (Pullman) seconded.*

Responding to the inquiry of Ross (Medical Lake), Roscoe indicated that WCIA would only pay the \$1 million annual aggregate deductible in the \$4 million x \$11 million layer once per year.

****Motion carried unanimously.***

In response to the inquiry of Jensen (Lacey), Roscoe stated that the 2022 coverage documents will be posted to the WCIA website.

- **2022 Property Joint Protection Program**

The Property Joint Protection Program (PJPP) documents WCIA's responsibilities regarding coverage, service, cost allocation and claims process. The PJPP is elective for members and adopts the manuscript Lloyd's of London insurance policy for coverage. Roscoe reported that the 2022 property market renewed with a 5% rate increase from the previous year. The property market has stabilized; and as a result of the stabilization, carriers were able to extend WCIA's earthquake coverage from \$50 million to \$62.5 million in increased limits. Overall, WCIA's property values increased from \$10.7 billion in 2021 to \$13 billion in 2022.

Responding to the inquiry of Nelson-Gross (Sequim) as to whether WCIA partners with AWC (Association of WA Cities) to address liability issues, Bennett stated that WCIA employs its own lobbyist and works with the Liability Reform Coalition and AWC to address issues when the legislature is in session and potentially creating new liability risk.

Vidallon (Metropolitan Park District of Tacoma) moved to approve the 2022 Property Joint Protection Program as presented. Glasson (Long Beach) seconded.*

Responding to the inquiry of Ross (Medical Lake) regarding how tort reform and tort caps would help WCIA, Roscoe explained that WCIA would know its ultimate net loss on claims thus have more defined exposures rather than funding up to \$20 million on some losses. Reinsurers want to know what their ultimate loss is going to be and not have unfunded and unknown exposures.

****Motion carried unanimously.***

- **2022 Auto Physical Damage Joint Protection Program and Coverage Document**

The WCIA Auto Physical Damage Joint Protection Program is an optional program to the membership. Member rates increased in 2022 by 3% due to increased insurance costs and member losses. Roscoe said the auto industry is in flux due to inventory shortages, and he encouraged members to review their schedules. ***Napolitano (Woodway) moved to approve the 2022 Auto Physical Damage Joint Protection Program and 2022 Auto Physical Damage Self-insured Coverage Document as presented. Oborn (Oak Harbor) seconded. Motion carried unanimously.***

- **Election of Executive Committee Members**

The election must occur at the annual meeting in January. Counsel Ragonesi stated that the nominations for President and Vice President were closed at the Full Board meeting in October.

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Deborah Knight, Monroe, is the only candidate for President; and Brian Loos, Longview, is the only candidate for Vice President.

Ragonesi named the four current nominees for the three open positions on the Executive Committee as follows: Farah Derosier, LOTT Clean Water Alliance; Paul Ellis, Arlington; Arlene Fisher, Union Gap; and Blaine Fritts, Woodinville. She called for any further nominations from the floor for open positions on the Executive Committee. After calling three times for additional nominees, Ragonesi declared the nominations for Executive Committee to be closed.

Ragonesi explained that the election will be conducted via the Zoom polling feature and Zoom will calculate the preliminary results. Following the election, the Zoom poll report will be reviewed and verified by Neumann (Authority Secretary) and then reviewed and authenticated by the proctor of the election, Paul Loveless (Steilacoom). Once the preliminary results are authenticated, an email will be sent to members announcing the final results of the election.

Board members cast their votes and the poll was closed. The unverified preliminary results of the election were displayed to the Board as follows:

Executive Committee officers:

President: Deborah Knight, Monroe

Vice President: Brian Loos, Longview

Executive Committee positions (three):

Farah Derosier, LOTT Clean Water Alliance

Paul Ellis, Arlington

Arlene Fisher, Union Gap

REPORTS

Director's Report

Bennett welcomed WCIA's newest member, the City of Bremerton. Additionally, Bennett announced that WCIA Claims Adjuster Gordy Van is retiring on February 2 after 16 years of service. She stressed that his hard work and dedication to WCIA and its membership will be greatly missed. Bennett stated that WCIA staff began recruiting for an adjuster at the beginning of December and she introduced new Claims Adjuster Kelli du Pont who began work on January 10.

Turning to the topic of legislation impacting WCIA and the membership, Bennett voiced her hope that a public entity exclusion will be included in WA State HB 1754 concerning prejudgment interest. Another impactful bill is WA State HB 1202, titled the Police Officer Accountability Act, which was reintroduced after not passing in the last legislative session. Bennett reviewed the bill and informed that she has met with the bill's sponsor and testified against the bill at a Civil Rights and Judiciary Committee meeting. She stated that this bill will increase police liability exposure for WCIA as it will divide officers and the City in the defense of claims and add the additional exposure to attorney fees. Bennett warned that law enforcement risk is already the subject of high scrutiny by WCIA's reinsurers and should this bill pass, coverage for law enforcement will be extremely challenging. Bennett assured that she will continually monitor this bill, and others, that affect liability.

Responding to the inquiries of Logan (Othello) and Hammond (Stanwood), Bennett indicated that if HB 1202 passes, insurance carriers will immediately respond and WCIA has to anticipate what the cost would be. WCIA, as well as the carriers, will begin to run the numbers, as any

expansion to claims costs is problematic with the carriers. Bennett stated that she will forward information regarding the bill to the membership, including a sample letter to send to legislators.

Managers' Reports

- **Jared Burbidge, Treasurer/Finance and Administrative Services Manager**

Burbidge reviewed WCIA's revenues and expenses, and investment holdings. He pointed out the overall revenue increase of 10% from 2020 to 2021, and the liability assessments increase due to an average rate increase of 5% in 2021. Burbidge stated that one of the goals of the rate increase was to build equity; unfortunately, this has been tempered by adverse claims history and increased insurance costs. Regarding the administrative budget, he indicated that 25% of the expenses are returned to members in the form of consultations, grants, and training programs. Burbidge recognized administrative staff for their provision of high quality services to members during a global pandemic and noted WCIA's participation in the Association of WA Cities WellCity program that results in an employee medical plan discount. In conclusion, Burbidge reminded that the 2022 liability assessment payments are due by January 30.

- **Robin Aronson, Risk Services Manager**

Aronson reported that in 2021, the Risk Management Representatives conducted 89 fleet liability audits, 16 homelessness audits, and three personnel audits in addition to various targeted Risk Management Reviews. She expressed her appreciation for the members' time and attention during the audit process at which a risk profile is shared and the many services provided to each member are reviewed. Aronson stated that the Risk Management Committee got off to a strong start that resulted in the development of a Risk Credentialing Program. She also reported on the other services provided by Risk Services staff including delegate and alternate orientations; training classes; the Risk Management Grant Program that awarded 16 mitigation grants and 11 staff development grants; and the popular Risk Consultation and Pre-Defense programs. Aronson concluded by naming the traditional audit topics for 2022, which are fleet liability, homelessness, and police liability.

- **Patti Crane, Member Services Manager**

Crane began her report by congratulating all members for completing their 2021 COMPACT training requirements, and by expressing her appreciation to Member Services staff for their hard work in realizing a second year of virtual trainings. She reviewed the trainings offered in the areas of employment education and public safety; noted the success of the police chiefs, city attorney, and executive management forums; and highlighted the new education offerings in 2021 such as the series titled Risk Managing the Hybrid Workplace. Additionally, Crane informed that the 2021 Training Reimbursement Program returned \$262,992 to members through a total of 158 offerings. She ended her report by reviewing the training offerings slated for 2022, which include the Building Supervisory Skills courses in an online format and the self-paced Risk Management Credentialing Program.

- **Harlan Stientjes, Claims Manager**

Stientjes pointed out that although claim volumes declined during the pandemic, dropping from an average of 1,700 to 1,436 in 2020, WCIA is now experiencing a rise in claims receiving 1,591 in 2021. WCIA staff handles 85% of the claims and the rest are handled by WCIA's outside claims vendor Sedgwick. He highlighted the following: the nature of claims is cyclical; indemnity payments increased 289% compared to 2020, however, one-third is attributed to one claim; more severe (higher cost) claims are being filed; most lawsuits being filed are against law enforcement; the greatest amount of WCIA's financial exposure is from excessive force claims; staff closed 1,603 claims in 2021; 7.8% of the files closed in 2021 were litigated; 52.3% of files received were closed without indemnity payments made; and 71 of the 125 litigated files closed without indemnity payments made.

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Responding to the inquiries of Ross (Medical Lake) and Boswell (Olympic View Water and Sewer District), Stientjes answered that WCIA is receiving employment claims related to COVID-19 vaccine mandates. He pointed out that claims from employees injured by COVID are handled through WA State Labor and Industries. In answer to what is an example of a planning claim, Stientjes stated claims related to zoning and development.

• **Rob Roscoe, Deputy Director**

Roscoe reported that WCIA endured the impacts of the globally hardening liability markets in 2021, and fortunately, WCIA is well-positioned in the marketplace when compared to other state risk pools and to those buying insurance directly from carriers. Roscoe discussed the cyber policy, the cost of which is included in WCIA’s administrative budget. He advised that the troubling trend of restricting coverage and increasing deductibles in the cyber market is not due to WCIA but the coverage and carriers. Additionally, Roscoe noted the following: crime and fidelity coverage renewed on December 31 with a slight 3% increase in premiums; the membership’s 2021 property rate from WCIA increased by 4%; the 2021 auto physical damage rate from WCIA increased by 3%; and WCIA is still trying to find a carrier for premise pollution liability for 2022, for which the premiums are paid directly by WCIA. He concluded his report by thanking the Programs Department staff members for all of their work which included implementing the new WCIA website.

Roscoe responded to the inquiry of Nelson (Northshore Utility District) informing that the crime and fidelity coverage has a separate deductible of \$10,000. In response to Nelson’s inquiry regarding cyber issues, Bennett stated that WCIA is looking at areas such as reimbursement; asking carriers to help provide risk management to members; and discussing the issues with the pooling community.

There being no other business, Knight adjourned the meeting at 12:04 p.m.

Deborah Knight, WCIA President

Michele Neumann, Authority Secretary

Approved on: ____/____/2022

2022 Liability Joint Protection Program and Coverage Document

Background

The Liability Joint Protection Program (LJPP) documents the Authority's responsibilities regarding coverage, service, cost allocation, and claims process. Additionally, the LJPP outlines rules for the treatment of assessments, and coverage termination along with member responsibility for default judgments. Each year, the LJPP identifies the self-insurance and commercial insurance coverage layers, total dollar limits, carriers, and coverage provisions. The Self-Insured Coverage Document is a subset of the LJPP and formalizes the coverage terms and conditions.

Discussion

The liability reinsurance costs increased approximately 25% over the previous year and carriers placed further limitations and restrictions on the coverage they are willing to provide. WCIA increased our partnership with GEM (Government Entities Mutual) taking them up to \$7 million x \$4 million. Unfortunately, outside of the WCIA and GEM layers, the reinsurers refused to cover both property or bodily injury claims arising out of the gradual or sudden "subsidence" of earth.

This action item adds the peril of "bodily injury" to the subsidence exclusion above the \$11 million layer to reflect the 2022 reinsurance agreements. This change is retroactive to the beginning of the coverage on January 1, 2022.

Recommendation

Approval of the 2022 Liability Joint Protection Program and 2022 Self-Insured Coverage Document as presented.

Liability Joint Protection Program

2022



\$5,000,000 per occurrence limit and annual aggregate per member applying to Airport Errors and Omissions arising out of the operation, ownership, maintenance or use of any airport.

\$5,000,000 per occurrence limit and \$5,000,000 annual aggregate limit per member for any liability arising out of Land-Use Planning and Land-Use Regulation, zoning, and any other development review process.

\$11,000,000 per occurrence per member for any loss, liability cost, damage, expense, fine or penalty of any insured resulting from or arising out of or related to directly or indirectly or in whole or in part to bodily injury or property damage caused by the gradual or sudden "Subsidence" of the earth.

Reinsured Layer-Applied/Upland/Bermuda \$1,000,000 annual aggregate deductible and \$4,000,000 per occurrence with various aggregates per coverage and a \$20,000,000 Pool aggregate.

Reinsured Layer-Allied World Assurance Company \$5,000,000 aggregate per member and \$25,000,000 Pool aggregate.

Other aggregates may apply within the Coverage Document.

F. FURTHER CONDITIONS AND LIMITATIONS OF COVERAGE

Under no circumstances shall the Authority's obligation to any member exceed \$20 million per occurrence, inclusive of coverage or settlement determination costs, defense costs, and costs incurred by the Authority in obtaining indemnification from reinsurers for the occurrence.

Any member seeking coverage from any insurance company or reinsurer for any occurrence under the Authority's Coverage Document agrees to pay all costs and expenses incurred in obtaining indemnification and/or defense costs from any insurance company or reinsurers. If requested by a member, the Authority may, in its sole discretion, elect to participate with a member and/or, with the member's consent, take full control over any legal effort by or on behalf of a member to seek or enforce indemnification and/or defense cost coverage from any insurance company or reinsurer and, if it does so, the Authority will be responsible for payment of 100% of any legal costs and expenses incurred in such effort done at the direction and control of the Authority and the member will be responsible for 100% of all costs or expenses incurred by the member or incurred at its' direction. Subject to the preceding sentence, the Authority shall have a right of subrogation and a subrogation lien against any monetary recovery or judgment rendered against any insurer or reinsurer in favor of a member for any monetary advances (such as claim settlement, judgment payment, appeal bond payment and legal expenses) made on behalf of a member by the Authority in excess of the Self Insured layer as stated herein, including but not limited to legal expenses, costs associated with hearings, arbitrations, mediations, negotiations or other proceedings related to seeking coverage for a member from any insurer or reinsurer.

In the event that an occurrence exceeds the combined self insured, and all reinsured layer coverage limits, or if any self insured or reinsured 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 coverage limits in the self insured and reinsured layers are limited to budgeted funds. Possible scenarios resulting from frequency of losses or a severity of loss may result in the exhaustion of all Authority funds. Replenishment of the self insured and reinsured layers may be made by special assessment as approved by the Board.

Any occurrence not within the coverage definitions of the self insured or reinsured layer Coverage Document for the coverage years shall be the sole responsibility of the applicable member or employee against whom the claim is made and not the responsibility of the Authority nor any other member.

In the event that the Authority is unable for any reason to recover from reinsurers any portion of a liability claim otherwise payable to a member under the terms of the Authority's 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 reinsurance 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 reinsurers.

In the event of a reinsurer's financial failure, or the exhaustion of the self insured layer aggregate, the total liability of the Authority for the policy years shall remain at \$4 million per occurrence. Any remaining obligation over the \$4 million coverage limit is also the responsibility of the applicable member. The Board may authorize the purchase of new reinsurance or self insure coverage layer.

Liability coverage is subject to the terms, conditions and exclusions stated in the WCIA Coverage Document #CT-2022 for the self-insured coverage layer and to any reinsurance agreements, as well as all conditions and exclusions for liability coverage in the reinsured layer.

Self-Insured Coverage Document

#CT-2022



WASHINGTON CITIES INSURANCE AUTHORITY

Self-Insured Coverage Document CT-2022
January 1, 2022 to January 1, 2023
12:01 am Pacific Standard Time

LIMITS/ULTIMATE NET LOSS:

SELF-INSURED LAYER LIMIT:	\$4,000,000 PER OCCURRENCE
REINSURED LAYER GEM:	\$2,000,000 PER OCCURRENCE
REINSURED LAYER GEM 90% WCIA 10%:	\$5,000,000 PER OCCURRENCE
REINSURED LAYER Applied (50%), Upland (25%) and Ark and Arcadia (25%) Insurance Companies:	\$4,000,000 PER OCCURRENCE AND \$20,000,000 all lines of business POOL AGGREGATE \$1,000,000 ANNUAL AGGREGATE DEDUCTIBLE \$4,000,000 General Liability per occurrence and \$4,000,000 aggregate per member \$4,000,000 Auto Liability per occurrence \$4,000,000 Employee Benefits per occurrence \$4,000,000 Errors or Omissions liability per occurrence and \$4,000,000 aggregate per member \$4,000,000 Employment Practices Liability per occurrence and \$4,000,000 aggregate per member \$4,000,000 Police Professional Liability per occurrence and \$4,000,000 aggregate per member \$4,000,000 Stop Gap Coverage per occurrence and \$4,000,000 per member \$4,000,000 Prior Wrongful Acts per occurrence and \$4,000,000 aggregate per member \$4,000,000 Wildfire Liability POOL AGGREGATE
REINSURED LAYER Allied World Assurance Company:	\$5,000,000 PER OCCURRENCE AND \$5,000,000 AGGREGATE PER MEMBER and \$25,000,000 POOL AGGREGATE
TOTAL LIMIT:	\$20,000,000 PER OCCURRENCE, subject to aggregates and sub-limits below and in Section I.D, and Section I.E in the WCIA Joint Protection Program.

SPECIFIC AGGREGATE LIMITS/SUB-LIMITS:

\$4,000,000 per occurrence limit and \$4,000,000 annual aggregate per member applying to Terrorism.

\$5,000,000 per occurrence limit and \$5,000,000 annual aggregate limit per member for Errors or Omissions Coverage arising out of the operations, ownership, maintenance or use of any airport.

\$5,000,000 per occurrence limit and \$5,000,000 annual aggregate limit per member for any liability arising out of Land-Use Planning and Land-Use Regulation, zoning, and any other land use and permitting process.

\$11,000,000 per occurrence per member for any loss, liability cost, damage, expense, fine or penalty of any insured resulting from or arising out of or related to directly or indirectly or in whole or in part to property damage or bodily injury caused by the gradual or sudden "Subsidence" of the earth.

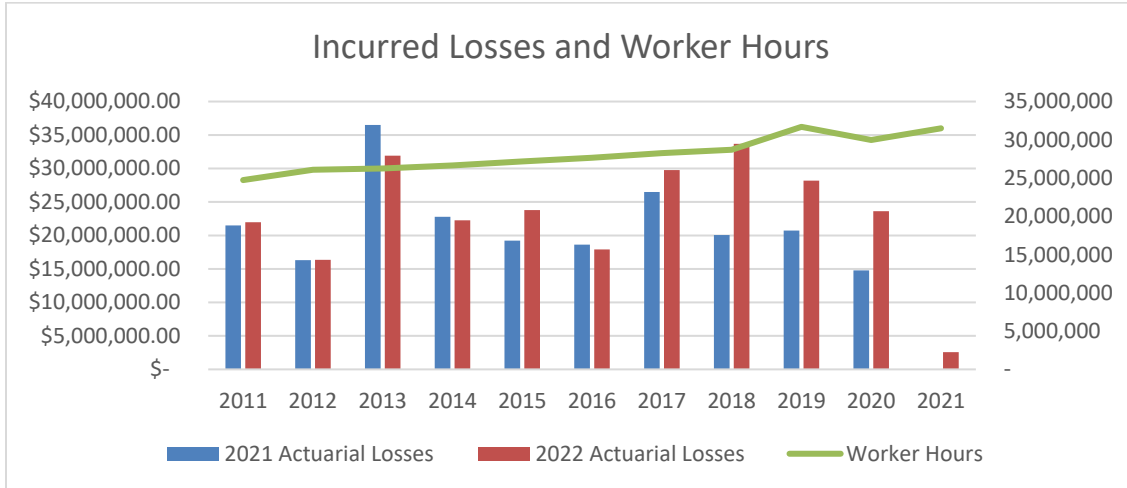
DESCRIPTION OF COVERAGE: General Liability, Automobile Liability, Stop-Gap Coverage, Errors or Omissions Liability, Employee Benefits Liability, Employment Practices Liability, Prior Wrongful Acts, and Police Professional Liability Coverage.

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Insurance Updates

Liability

The year-end 2021 ten year reported loss data given to the actuary showed that WCIA’s incurred losses (limited to WCIA’s SIR) increased by \$32 million for the years 2011-2020 compared to the same time period as reported year-end 2020. Claims over \$1 million dollars rose by 54% from 28 to 43 over this reporting period (2011 to 2020). 3.6% of WCIA’s current open claims have a total incurred over \$1 million. This small percentage of claims represents 58.5% of our total claim reserves.



Cyber

WCIA’s Cyber insurance policy is currently written by AIG Specialty Insurance Company and expires May 31, 2022. WCIA is working with our broker Marsh on renewing the policy; however, renewal is challenging due to market conditions. Last year WCIA saw our ransomware coverage limits reduced from \$1 million to \$100,000 and deductibles increased from \$25,000 to \$50,000. Carriers continue to reduce their risk tolerance for public entity cyber coverage and while WCIA has not received a “non-renewal” notice, it is a possibility that coverage will no longer be available at any price for risk pools soon. Staff will be working with the Long-Range Planning Committee to explore alternative coverage options if/when the commercial markets close their doors to risk pools.

Pollution Liability

WCIA’s previous carrier, Chubb, eliminated writing coverage for risk pools. Coverage was placed with similar terms and conditions with Allied World Assurance Company (AWAC) effective February 1, 2022. It is a two-year policy providing both first party clean-up cost and third-party property and bodily injury costs for covered claims. Members will have \$2 million covered pollution condition and a \$10 million pool aggregate with a \$100,000 per occurrence deductible. The two-year policy is costing WCIA \$290,239 compared to a one-year policy of \$193,493 thus saving WCIA 50% of the premium for two one-year policies. The two-year policy is sharing a single aggregate limit as it is not reinstated at the start of a new year. With no claims history to date, staff believes that the cost savings outweigh the benefit of two aggregate limits.

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Government Entities Mutual (GEM)

WCIA has been a member of GEM since 2003 which is a reinsurance captive of risk pools nationwide. This year, WCIA increased its participation in GEM significantly (now \$7 million x \$4 million SIR). GEM allows WCIA a reinsurance option that is most like our own operations. In meetings attended in Washington DC, staff (who sits on GEM's board) heard from the captive regulators regarding the stability and professionalism of GEM, additionally the audited financials show an increase in net income of over \$6 million. Currently GEM utilizes the London Markets to reinsure higher limits which has an impact on pricing. There is a review underway to determine if GEM can increase their own participation with a goal of being even more independent of the traditional marketplace. GEM continues to be a great option for reinsurance along with the ability to work with peers in the pooling community on common concerns.

Legislative Update

Staff worked closely with WCIA's lobbyist Lisa Thatcher, the Tort Reform Coalition and AWC (Association of WA Cities) to monitor and respond to any legislation that could impact tort liability during the recent legislative session. Staff provided input regarding several of the police reform correction legislation and actively worked to address bills that expanded liability such as the Police Accountability Act and the Prejudgment Interest Bill. Staff testified against the police bill which would have further expanded damages available to plaintiffs and allow for attorney fees. Several risk pools worked together to educate legislators regarding the Prejudgment Interest Bill. Thanks also to the membership who responded to WCIA's calls for action on these two pieces of legislation, and due to all these efforts, both bills did not pass.

Risk Management Credentialing Program

The Risk Management Committee created and introduced a new certification program, which is open to all members wishing to participate. This Risk Management Credentialing Program is self-paced, offering two levels of achievement. There are two levels of credentialing: Fundamentals of Risk Management and Risk Analysis and Implementation. The first level requires attendance at four specified trainings and the second level requires attendance at six trainings from a variety of offerings. This is a self-paced program that requires an application once all trainings are completed. With this morning's training completion, there are many people eligible to receive the Fundamentals of Risk Management credential. The goal is to create a culture of risk management throughout our member organizations.

Collection Agency Usage for Claim Recoveries

The Property and Auto Physical Damage Joint Protection Programs give WCIA, and its carriers, the right to collect for any monies paid to members, along with the member's deductible, from a party who caused the damages. If the party is insured, the adjusters work with the other party's carrier to receive reimbursement. In the past, staff has also dealt with collecting restitution awards, contacting uninsured and underinsured drivers to set up payment plans and/or obtaining judgments in court. Many of those responsible for property damage to our members can be difficult to track down and are often unresponsive to our attempts. Partnering with a collection agency allows their locating and asset-finding tools to be used to benefit our members at no cost to WCIA because the collection fee is added to amounts owed. A request for proposals was conducted and staff has selected a vendor with contract terms currently under review. WCIA expects this new partnership to increase the percentage of recoveries made which assists in keeping rates lower in both programs.