



2016 ANNUAL REPORT

# A COMMITMENT TO REDUCING RISKS



Since 1981, Washington Cities Insurance Authority has empowered, protected, defended, and restored municipal entities across Washington State. By being a member-driven organization with a strong financial foundation, as well as offering innovative education programs, WCIA helps reduce the risks its members face, while increasing their security and savings.

WCIA offers generous coverage and stable rates, with a member-run board and committees to ensure that each member has a voice in decisions. WCIA helps to minimize risks for its members, so they can focus on maintaining outstanding communities.

## PRESIDENT'S MESSAGE

It is a pleasure to report that once again as we close out last year and begin another, WCIA is strong and we should all be proud of what WCIA has accomplished the past year. We've had some ups and downs, no different than anything we all experience in our own organizations. Though, we've had mostly "ups" particularly in the arena of litigation. If not for WCIA and the policy advice, direction and training they provide the membership, who knows where many of these cases would have landed.

WCIA continues to be a leader in the field of risk management services. We are recognized regionally and nationally as a risk pool known for its expertise, innovation and a passion for serving its membership. The systems and programs we have put in place such as our annual COMPACT, pre-defense and grant program continue to pay dividends.

WCIA continues to be goal-oriented with a strategic focus on: maintaining financial stability; enhancing member involvement; being a leader in risk pooling; fostering sound risk management practices; and containing adverse loss exposure.

Our dedicated team of employees under the leadership of Executive Director Ann Bennett continues to deliver top-notch customer service with integrity and purpose. They continue WCIA's outstanding legacy and commitment to serving the membership.

On behalf of the entire Executive Committee, I thank all of you who have worked and devoted your time, expertise and energy to lend to the vision that makes WCIA the strong, successful organization it is today and will be for the foreseeable future. WCIA has a clear mission, and together we will continue our efforts to provide services that meet the needs of our membership.

**John Caulfield**  
CITY MANAGER, CITY OF LAKEWOOD



John Caulfield

## A MESSAGE FROM THE EXECUTIVE DIRECTOR



Ann Bennett

WCIA continued its strong dedication to members through active risk management, robust training and responsive claim handling in 2016. While the year saw record claim payments, the membership's long term commitment to prudent financial stewardship allowed the pool to remain resilient. The payments allowed for WCIA's future reserve needs to be reduced, thereby increasing net equity by \$17 million.

The WCIA COMPACT celebrated its 21st year while being updated to deliver customized risk management services to the membership. Risk Management Representatives provided members with traditional audits, targeted risk management reviews and loss exposure plans tailored to address specific risk exposures facing the community. Recognizing that one size did not fit all, the update provided responsiveness to trends immediately facing the individual member.

In 2016, WCIA's renowned training program continued through regional, exclusive, co-sponsored and reimbursed instruction. Over 460 training opportunities were available with over 13,000 member employees trained. The new *WCIA Supervisory Skills Credentialed Program* assisted members in the development of their supervisory and management staff through a series of classes and a testing component. This innovative new program targets the front line exposures in employment liability - supervisors and managers.

A record year in claim payments of over \$31 million, highlighted the importance of WCIA's financial stability. The dollar amount was largely due to five claims that were resolved for amounts well over \$1 million. Continuing to stand by members, WCIA oversaw eight trials in 2016, going 5-2-1. Five were defense verdicts (four police practices and one free speech limitation), two were plaintiff verdicts (both employment practices) and one was settled during trial (street design defect). This was in addition to the handling of approximately 1700 new claims, over 100 new lawsuits and over 250 legal consultations under the Pre-Defense Review program.

Through the dedication of our member run boards and committees and the hard work of staff, WCIA continued its mission of providing professional risk management and stable risk financing while being responsive to membership needs.

**Ann Bennett**  
EXECUTIVE DIRECTOR



### RISK MANAGEMENT

**\$150,000**

Risk Reduction Grants paid to members

**329**

Pre-defense reviews and Risk Management Legal Consultations



### INSURANCE PROGRAMS

**168**

Number of members



### CLAIMS LITIGATION

**\$31,213,170**

Claim and lawsuit payments

**1,698**

Number of new claims and lawsuits

**8**

Trials defended



### TRAINING

**466**

Trainings offered

**\$210,208**

Paid for member educational and accreditation reimbursements

**13,140**

Participants in on-site and on-line trainings

**66**

Programs eligible for reimbursement

## STATEMENT OF NET POSITION

| <b>As of December 31,</b>   | <b>2016*</b>         | <b>2015</b>          |
|---|----------------------|----------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                          |                      |                      |
| <b>Current Assets</b>   |                      |                      |
| Cash and Cash Equivalents   | \$15,647,308         | \$24,570,408         |
| Accrued Interest  | 407,498              | 302,650              |
| Investments   | 139,180,024          | 136,270,951          |
| Accounts Receivable   | 102,627              | 53,765               |
| Prepaid Expenses  | 5,912,986            | 4,770,648            |
| TOTAL CURRENT ASSETS  | \$161,250,443        | \$165,968,422        |
| <b>Noncurrent Assets</b>  |                      |                      |
| Investment in GEM   | \$923,432            | \$848,389            |
| Capital Assets  | 6,392,761            | 6,392,587            |
| Accumulated Depreciation  | (2,023,181)          | (1,857,783)          |
| TOTAL NONCURRENT ASSETS   | \$5,293,012          | \$5,383,193          |
| <b>TOTAL ASSETS</b>   | <b>\$166,543,455</b> | <b>\$171,351,615</b> |
| Deferred Outflows of Resources - Pension                                  | \$341,034            | \$203,135            |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b>\$166,884,489</b> | <b>\$171,554,750</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>       |                      |                      |
| <b>Current Liabilities</b>  |                      |                      |
| Accounts Payable & Accrued Expenses                                       | \$166,059            | \$116,451            |
| Compensated Absences  | 92,114               | 109,278              |
| Deposits Payable  | 276,636              | 326,636              |
| Property & Vehicle Claims Reserve   | 2,701,237            | 2,032,214            |
| Claim Reserves  |                      |                      |
| IBNR  | 12,368,642           | 12,598,147           |
| Open Claims (Case Reserves)   | 6,160,515            | 8,537,045            |
| Unallocated Loss Adjustment Expenses                                      | 597,997              | 731,177              |
| Reserve for Increased Confidence Level                                    | 16,985,000           | 28,864,000           |
| TOTAL CURRENT LIABILITIES   | \$39,348,200         | \$53,314,948         |
| <b>Noncurrent Liabilities</b>   |                      |                      |
| Compensated Absences  | \$50,760             | \$50,754             |
| Claim Reserves  |                      |                      |
| IBNR  | 37,105,926           | 37,794,440           |
| Open Claims (Case Reserves)   | 18,481,545           | 25,611,138           |
| Unallocated Loss Adjustment Expenses                                      | 1,793,992            | 2,193,532            |
| Net Pension Liability   | 2,092,658            | 1,730,961            |
| TOTAL NONCURRENT LIABILITIES  | \$59,524,881         | \$67,380,825         |
| <b>TOTAL LIABILITIES</b>  | <b>\$98,873,081</b>  | <b>\$120,695,773</b> |
| Deferred Inflows of Resources - Pension                                   | \$37,722             | \$284,561            |
| <b>NET POSITION</b>   |                      |                      |
| Investment in Capital Assets  | \$4,369,580          | \$4,534,804          |
| Unrestricted  | 63,604,106           | 46,039,612           |
| TOTAL NET POSITION  | \$67,973,686         | \$50,574,416         |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$166,884,489</b> | <b>\$171,554,750</b> |

\*Unaudited - subject to change

## STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET POSITION

| <b>For the years ending December 31,</b>                  | <b>2016*</b>        | <b>2015</b>           |
|---|---------------------|-----------------------|
| <b>Operating Revenues</b>                                 |                     |                       |
| Member Assessments - Liability                            | \$27,075,985        | \$26,319,889          |
| Member Assessments - Property                             | 9,862,676           | 9,816,612             |
| Member Assessments - Fidelity                             | 126,190             | 130,223               |
| Building Revenues   | 343,858             | 447,434               |
| Seminar Revenues  | 20,843              | 30,030                |
| <b>Total Operating Revenues</b>                           | <b>\$37,429,552</b> | <b>\$36,744,188</b>   |
| <b>Operating Expenses</b>                                 |                     |                       |
| Loss & Loss Adjustment Expenses                           | \$18,859,838        | \$37,792,183          |
| Confidence Level Expense (Reduction)                      | (11,879,000)        | 5,099,000             |
| Insurance - Members                                       | 8,335,904           | 7,047,497             |
| Salaries and Wages  | 2,095,777           | 2,086,134             |
| Personnel Benefits  | 723,085             | 482,888               |
| Professional Services                                     |                     |                       |
| Claims Adjusting  | 425,527             | 420,637               |
| Pre-Defense Review  | 653,712             | 686,678               |
| Consultants   | 239,597             | 269,424               |
| Legal   | 89,128              | 86,402                |
| Actuarial   | 87,900              | 36,400                |
| Audit   | 24,961              | 14,926                |
| Financial Services  | 24,909              | 17,737                |
| Risk Management Audit                                     | 11,734              | 11,734                |
| Rent  | -                   | 120,000               |
| Transportation  | 101,430             | 114,013               |
| Printing  | 14,798              | 6,532                 |
| Communications  | 19,442              | 24,620                |
| Supplies  | 45,832              | 49,360                |
| Dues and Conferences                                      | 30,387              | 29,786                |
| Retreat/Board Meetings                                    | 32,964              | 23,239                |
| Depreciation  | 170,622             | 175,004               |
| Miscellaneous   | 65,704              | 60,323                |
| Repair and Maintenance                                    | 2,929               | 5,229                 |
| Risk Grant Reduction                                      | 150,000             | 100,495               |
| Building Expenses   | 246,836             | 226,895               |
| Seminars and Training                                     | 787,819             | 702,729               |
| <b>Total Operating Expenses</b>                           | <b>\$21,361,835</b> | <b>\$55,689,865</b>   |
| <b>Operating Income (Loss)</b>                            | <b>\$16,067,717</b> | <b>(\$18,945,677)</b> |
| <b>Non-Operating Revenue (Loss)</b>                       |                     |                       |
| Interest Income   | 5,258,291           | 4,776,801             |
| Net Increase (Decrease) in the Fair Value of Investments  | (4,001,781)         | (6,107,178)           |
| Income (Loss) from Investment in GEM                      | 75,043              | (749,152)             |
| <b>Total Non-Operating Revenue</b>                        | <b>\$1,331,553</b>  | <b>(\$2,079,529)</b>  |
| Change in Net Position                                    | \$17,399,270        | (\$21,025,206)        |
| Net Position - January 1, as previously reported          | \$50,574,416        | \$73,407,842          |
| Cumulative Effect of Change in Accounting Principle       | -                   | (2,041,388)           |
| Adjustment for overstatement of insurance expense in 2014 | -                   | 233,168               |
| Net Position - January 1, as restated                     | <b>\$50,574,416</b> | <b>\$71,599,622</b>   |
| <b>NET POSITION AS OF DECEMBER 31</b>                     | <b>\$67,973,686</b> | <b>\$50,574,416</b>   |

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## OUR MISSION

WCIA will take a leadership role to provide professional risk management and stable risk financing programs that respond to members' needs.

## OUR CORE VALUES

Responsiveness • Integrity • Stewardship • Courage



# MEMBERS

|   |   |   |  |   |
|---|---|---|--|---|
| A Regional Coalition for Housing              | eCity Gov Alliance                          | Long Beach  | Olympia                                      | Three Rivers Regional Wastewater Authority        |
| Aberdeen                                      | Edgewood                                    | Longview  | Transportation Benefit District              | Thurston 9-1-1 Communications                     |
| Anacortes                                     | Edgewood Transportation Benefit District    | LOTT Clean Water Alliance                         | Othello                                      | Thurston Public Utility District                  |
| Arlington                                     | Edmonds                                     | Mabton  | Othello Transportation Benefit District      | Thurston Regional Planning Council                |
| Arlington Transportation Benefit District     | Edmonds Transportation Benefit District     | Maple Valley                                      | Pasco  | Toppenish   |
| Auburn  | Ellensburg                                  | Marysville  | PENCOM                                       | Tukwila   |
| Bainbridge Island                             | Elma  | Marysville Fire District                          | Port Angeles                                 | Tukwila Pool Metropolitan Park District           |
| Battle Ground                                 | Elma  | Mason County Emergency Communications             | Port Townsend                                | Tumwater  |
| Battle Ground Transportation Benefit District | Enumclaw                                    | McCleary  | Poulsbo                                      | Union Gap   |
| Benton City                                   | Enumclaw Transportation Benefit District    | Medical Lake                                      | Pullman                                      | University Place                                  |
| Benton County Emergency Services              | Everson                                     | Medina  | Pullman Metropolitan Park District           | Valley Communications Center                      |
| Bonney Lake                                   | Ferndale                                    | Mercer Island                                     | Pullman-Moscow Regional Airport Board        | Valley Regional Fire Authority                    |
| Bothell                                       | Fife  | Metropolitan Park Dist. of Tacoma                 | Puyallup                                     | Walla Walla                                       |
| Brewster                                      | Fife Transportation Benefit District        | Mill Creek  | Richland                                     | Walla Walla Transportation Benefit District       |
| Brier   | George                                      | Millwood  | Ridgefield                                   | Walla Walla Valley Metro Planning Organization    |
| Burien  | Goldendale                                  | Milton  | Sammamish                                    | Warden  |
| Burlington                                    | Grandview                                   | Monroe  | Seattle Southside Regional Tourism Authority | Washington Multi-City License & Tax Portal Agency |
| Camas   | Grays Harbor Communications Center, E9-1-1  | Monroe Fire District                              | Shelton                                      | Washougal   |
| Cashmere                                      | Hoquiam                                     | Monroe Transportation Benefit District            | Shelton Metropolitan Park District           | Water Operating Board                             |
| Centralia                                     | Issaquah                                    | Moses Lake  | Shoreline                                    | West Richland                                     |
| Chehalis                                      | Jefferson County 911                        | Mount Vernon                                      | Silver Lake Water and Sewer District         | Westport  |
| Chelan  | Kelso                                       | Mountlake Terrace                                 | Skagit 9-1-1                                 | WHITCOM 911                                       |
| Cheney  | Kenmore                                     | Mountlake Terrace Transportation Benefit District | Skagit Council of Governments                | William Shore Memorial Pool District              |
| Chewelah                                      | Kenmore Transportation Benefit District     | Mukilteo  | SNOCOM                                       | Woodinville                                       |
| Clark Regional Emergency Services Agency      | Kennewick                                   | Multi Agency Communications Center                | Snohomish                                    | Woodway   |
| Clarkston                                     | Kirkland                                    | Newcastle   | Snohomish County Emergency Radio System      | Yakima Valley Conference of Governments           |
| Cle Elum                                      | Kitsap 911 Public Authority                 | Normandy Park                                     | SNOPAC                                       | Yarrow Point                                      |
| Clyde Hill                                    | Kitsap Regional Coordinating Council        | Normandy Park Metropolitan Park District          | Snoqualmie                                   | Zillah  |
| Coupeville                                    | La Conner                                   | North Bonneville                                  | Soap Lake                                    |   |
| Covington                                     | Lacey                                       | Northshore Utility District                       | South Correctional Entity (SCORE)            |   |
| Cowlitz-Wahkiakum Council of Governments      | Lake Forest Park                            | Northwest Incident Management Team                | South Sound 911                              |   |
| Des Moines                                    | Lake Stevens                                | Oak Harbor  | Spokane Valley                               |   |
| Des Moines Pool Metropolitan Park District    | Lakewood                                    | Ocean Shores                                      | Stanwood                                     |   |
| Duvall  | Lakewood Transportation Benefit District    | Olympia   | Steilacoom                                   |   |
| Eastside Public Safety Communications Agency  | Leavenworth                                 | Olympia Metropolitan Park District                | Sumner                                       |   |
|   | Leavenworth Transportation Benefit District |   | Sunnyside                                    |   |

## COMMITTEE/VENDORS/STAFF

### WCIA EXECUTIVE COMMITTEE

|   |   |
|---|---|
| John Caulfield<br><i>City of Lakewood</i><br><b>President</b>         | Rob Roscoe<br><i>City of Auburn</i>           |
| Pete Rose<br><i>City of Lake Forest Park</i><br><b>Vice President</b> | David Timmons<br><i>City of Port Townsend</i> |
| Stan Strebel<br><i>City of Pasco</i>                                  | Deborah Knight<br><i>City of Stanwood</i>     |
| Lyman Howard<br><i>City of Sammamish</i>                              | Paul Loveless<br><i>Town of Steilacoom</i>    |
|   | Subir Mukerjee<br><i>City of Fife</i>         |



Executive Committee, from L-R Top Row: Lyman Howard, City of Sammamish; Pete Rose, Vice President, City of Lake Forest Park; John Caulfield, President, City of Lakewood; Deborah Knight, City of Stanwood. From L-R Bottom Row: Paul Loveless, Town of Steilacoom; Subir Mukerjee, City of Fife; Stan Strebel, City of Pasco.

Not Pictured: Rob Roscoe, City of Auburn and David Timmons, City of Port Townsend.

### CONTRACTED SERVICE VENDORS

|   |  |
|---|--|
| Baber & Mason, CPAs<br><i>Accountant</i>                          | JTConnex<br><i>Information Technology Services</i> |
| PricewaterhouseCoopers<br><i>Actuary</i>                          | Marsh USA, Inc.<br><i>Insurance Broker</i>         |
| Evergreen<br><i>Adjustment Service Claims Service Company</i>     | Lisa Thatcher, Inc.<br><i>Lobbyist</i>             |
| Keating, Bucklin & McCormack Inc., P.S.<br><i>General Counsel</i> |  |

### WCIA STAFF

|   |   |
|---|---|
| <b>Administration</b>   | <b>Risk Management</b>                              |
| Ann Bennett<br><i>Executive Director</i>                            | Robin Aronson<br><i>Risk Services Manager</i>       |
| Heidi Jones<br><i>Finance &amp; Administrative Services Manager</i> | Lisa Knapton<br><i>Senior Risk Management Rep</i>   |
| Eric B. Larson<br><i>Deputy Director, Insurance Programs</i>        | Debbi Sellers<br><i>Senior Risk Management Rep</i>  |
| Michele Neumann<br><i>Administrative Services Assistant</i>         | Tanya Crites<br><i>Senior Risk Management Rep</i>   |
| Tiffany Woods<br><i>Programs Assistant</i>                          | Carlene Brown<br><i>Risk Management Rep</i>         |
| Jennifer Lawson<br><i>Office Assistant/ Receptionist</i>            | <b>Claims</b>                                       |
| <b>Member Services</b>  | Reed Hardesty<br><i>Claims Manager</i>              |
| Patti Crane<br><i>Member Services Manager</i>                       | Gordy Van<br><i>Senior Adjuster</i>                 |
| Maria Orozco<br><i>Member Services Coordinator</i>                  | Jason Barney<br><i>Senior Adjuster</i>              |
| Katie Madsen<br><i>Member Services Assistant</i>                    | Luis Fragoso<br><i>Claims Adjuster</i>              |
|   | Doug Martin<br><i>Claims Representative</i>         |
|   | Shelley O'Keefe<br><i>Claims Assistant</i>          |
|   | Danielle Stephens<br><i>Claims Office Assistant</i> |



The Washington Cities Insurance Authority (WCIA) is a municipal organization of Washington public entities that join together for the purpose of providing liability and property financial protection to its members.



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