



*Brenda Heineman,
City of Auburn*

Message from the President

My years as an Executive Committee member prepared me well to serve as your president and I thank you for this opportunity. Your Executive Committee members have shown their leadership and diligence in maintaining an insurance pool that is unique in its services and financial strength. We welcome your input and appreciate your support.

To remain strong the committee at the 2012 retreat committed to a capital modeling study through PricewaterhouseCoopers (PwC) in 2013 to perform an in-depth analysis of adequacy of funds after reviewing all potential financial risk to WCIA. In addition to the annual member assessment study, the results will be reported at an upcoming full board meeting. For 2012, we received another clean audit from the State Accounting Office which represents 30 plus years of no findings, a clean claims audit on 2012 claims by Marsh USA and a clean audit on regulatory compliance by the State Risk Manager. In addition, liability rates were kept to a zero percent increase for a third year in a row—mainly due to lower than expected losses. Property/auto rates have remained stable for the last eight years due to positive results in those programs. Claims/lawsuit payments were

approximately \$2 million more than 2011; however, 2011 was lower than average—2012 still a good result in terms of claims.

I would be remiss if I did not acknowledge our excellent WCIA staff and their leader, Lew Leigh, for the many things they go out of their way to do to make sure we have the best information, advice, legal representation and insurance coverage to keep our entities viable in an uncertain economic environment.



Lewis Leigh, WCIA

From the Executive Director

The Executive Committee continued the mission of member services expansion. Members benefited from individual risk management attention through two additional staff in the Member Services and Risk Services departments. Three service-related budget items were increased to \$1.8 million to ensure risk management momentum as the economic crisis continues.

Systematic reviews of pool programs have begun, including an effort to improve our 20+ year-old COMPACT training program, making it more sophisticated and relevant to economic times. Correspondingly, the investment policy was modified to reflect a changing global economy and research began on additional group insurance products for purchase.

The Authority parallels national trends of diminished internal growth. New membership increases with stronger risk profiles have offset those reductions. The net improvement has benefited our financial position.

The balance sheet showed historical highs in total assets and equity. Operational ratios were all positive. This keeps us well ahead of the State's regulatory emphasis on solvency.

The new website's utility to reduce member staff time in training registrations and property program scheduling is already apparent. Additional upgrades satisfy regulatory requirements of member communication and enhance exposure to marketing activities.

Claims and litigation had a particularly strong year, producing successful case challenges and defense verdicts. The Pre-Defense Review program continued to expand with particular success in current exposures. A Resolution funding a member's political position during litigation found value with the Full Board.

The property program improved member schedule valuations through a new appraisal vendor, finding approval with the London underwriters.

The Authority continues to strategically manage the economic crisis. It is establishing an operational advantage keyed to economic recovery. It also takes this opportunity to critically review and modify established operation for greater pool sophistication.

EDUCATING THE MASSES

City of Washougal



WCIA has broadened its training mission to include strategic momentum as individual member training budgets become limited. It now extends to the membership's day-to-day training and staff development. With an administrative budget of \$550,000 and a staff of three, the department annually trains approximately 7,000 member employees at 300 sites across the state. Topics range from regional geographical areas to stand-alone sessions exclusive to a single member.

Topics relate both to liability issues, such as police, employment practices, land use exposures and to near-tort topics such as Public Disclosure Act, public works contracts and flagger training as required by law. The mission further extends to professional certifications, such as the Certified Municipal Clerks Professional Development Institute. WCIA also collaborates with other training institutions such as the Criminal Justice Training Commission and the Department of Enterprise Services.

A cadre of instructors come from defense attorney firms that defend WCIA litigation, and experts from employment practices to technical report writing. There are approximately 47 course topics available, organized into nine academies, all of which qualify for COMPACT compliance. The courses are free to members, attracting a significant number of non-members such as counties, state agencies and special districts. Participation by non-members and other pools help supplement class sizes in hard to administrate areas.

As the population of potential trainees declines, maintaining the program's volume and quality becomes a challenge. One solution utilizes partnerships with 19 municipal associations and three risk pools. This practice follows the municipal employee population as they assemble for professional development conferences. WCIA supports an association's attendance goals through scholarships and session speaker sponsorships, to a full-day pre-conference session on liability issues consistent with the conference's theme. The purpose is to collaborate rather than compete with the conference, improve the conferences potential success and facilitate our membership's own risk management and training. The pre-day sessions utilize the Authority's own litigation case results, such as an expansion of police liability crisis intervention training requirements.



City of Richland



COMPREHENSIVE RISK MANAGEMENT SERVICE

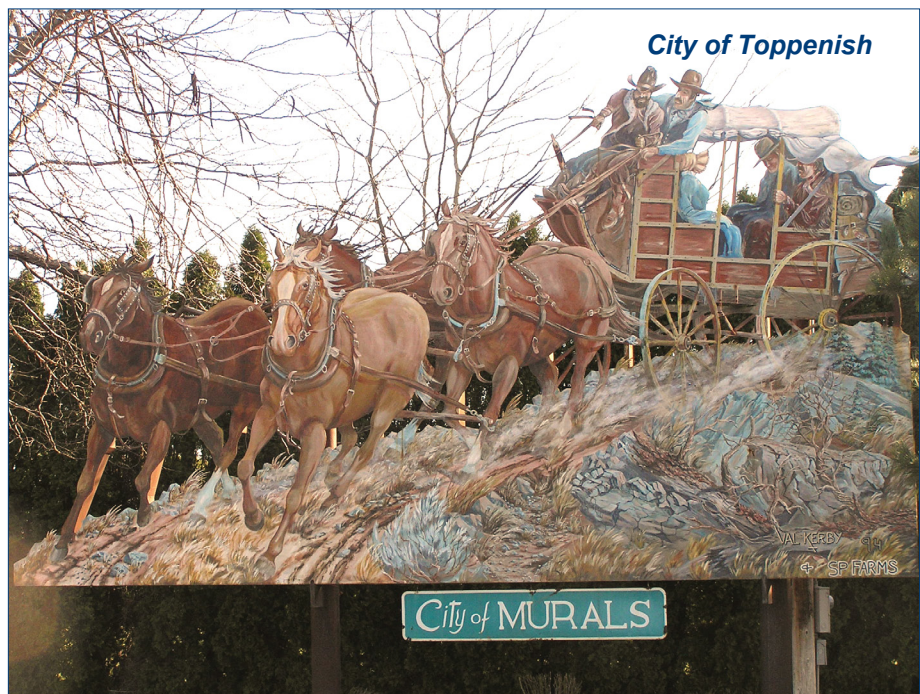
Membership with WCIA includes the vital function of risk consulting services. It provides in-depth analysis of a member's exposure to reduce future liability. WCIA staff responded to 260 inquiries in 2012 from a budget of \$250,000. Inquiries are anticipated to increase to 360 following a 40 percent budget increase next year.

Heavy usage comes from employment practice, land use, police and general one-of-a-kind situations. For example, a member received assistance in crafting a sidewalk ordinance to ensure free speech rights and council education. Another assignment analyzed a city council's lack of authority to manage unlicensed group homes, potential misrepresentation to neighbor special interest groups and the need for state agency intervention. Help was provided to direct an appropriate council response to

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the Toyota Town Center Bond default. Other challenging assignments addressed the ability of non-police employees to carry weapons and tasers and the resultant training requirements, the creation of confidential informant liability waivers and consent agreements and other constitutional issues regarding police body cameras and automatic defibrillators.

The entire membership benefits from these inquiries and assessments as these analyses are often converted into Risk Management Bulletins. Topics are broken into categories, addressing timely issues in personnel, administration, law enforcement, parks and recreation and public works. Most recent subjects included law enforcement response to citizen political activity on private property and protecting property from copper theft.



MEMBERS IN 2012

<i>ARCH</i>	<i>Fife</i>	<i>Moses Lake</i>	<i>SERS</i>
<i>Aberdeen</i>	<i>George</i>	<i>Mount Vernon</i>	<i>SNOPAC</i>
<i>Anacortes</i>	<i>Goldendale</i>	<i>Mountlake Terrace</i>	<i>Snoqualmie</i>
<i>Arlington</i>	<i>Grandview</i>	<i>Mountlake Terrace</i>	<i>Snoqualmie Transportation</i>
<i>Auburn</i>	<i>Grandview Transportation</i>	<i>Transportation Benefit District</i>	<i>Benefit District</i>
<i>Bainbridge Island</i>	<i>Benefit District</i>	<i>Mukilteo</i>	<i>Soap Lake</i>
<i>Battle Ground</i>	<i>Grays Harbor Communications</i>	<i>Newcastle</i>	<i>Spokane Valley</i>
<i>Benton City</i>	<i>Hoquiam</i>	<i>Normandy Park</i>	<i>Stanwood</i>
<i>Benton County Emergency</i>	<i>Issaquah</i>	<i>Normandy Park Metro Park</i>	<i>Steilacoom</i>
<i>Services</i>	<i>Jefferson County 911</i>	<i>District</i>	<i>Sumner</i>
<i>Bonney Lake</i>	<i>Kelso</i>	<i>North Bonneville</i>	<i>Sunnyside</i>
<i>Bothell</i>	<i>Kenmore</i>	<i>Northshore Utility District</i>	<i>Three Rivers Regional</i>
<i>Brier</i>	<i>Kirkland</i>	<i>NW Incident Management</i>	<i>Wastewater Authority</i>
<i>Burien</i>	<i>Kitsap Regional Coordinating</i>	<i>Team</i>	<i>Thurston 911 Communications</i>
<i>Burlington</i>	<i>Council</i>	<i>Oak Harbor</i>	<i>Thurston Public Utilities District</i>
<i>Camas</i>	<i>Lacey</i>	<i>Ocean Shores</i>	<i>Thurston Regional Planning</i>
<i>Cashmere</i>	<i>La Conner</i>	<i>Olympia</i>	<i>Council</i>
<i>Centralia</i>	<i>Lake Forest Park</i>	<i>Olympia Transportation Benefit</i>	<i>Toppenish</i>
<i>Chehalis</i>	<i>Lake Forest Park Transportation</i>	<i>District</i>	<i>Tukwila</i>
<i>Chelan</i>	<i>Benefit District</i>	<i>Othello</i>	<i>Tukwila Pool Metro Park District</i>
<i>Cheney</i>	<i>Lake Stevens</i>	<i>Pasco</i>	<i>Tumwater</i>
<i>Chewelah</i>	<i>Lakewood</i>	<i>PENCOM</i>	<i>Union Gap</i>
<i>CRESA</i>	<i>Leavenworth</i>	<i>Port Angeles</i>	<i>University Place</i>
<i>Clarkston</i>	<i>Leavenworth Transportation</i>	<i>Port Townsend</i>	<i>Valley Communications</i>
<i>Cle Elum</i>	<i>Benefit District</i>	<i>Pullman</i>	<i>Center</i>
<i>Clyde Hill</i>	<i>Long Beach</i>	<i>Pullman Metropolitan Park</i>	<i>Valley Regional Fire Authority</i>
<i>Coupeville</i>	<i>Longview</i>	<i>District</i>	<i>Walla Walla</i>
<i>Covington</i>	<i>LOTT Clean Water Alliance</i>	<i>Pullman-Moscow Regional</i>	<i>Walla Walla Joint Community</i>
<i>Cowlitz-Wahkiakum Council of</i>	<i>Mabton</i>	<i>Airport Board</i>	<i>Development Agency</i>
<i>Governments</i>	<i>MACC 911</i>	<i>Puyallup</i>	<i>Warden</i>
<i>Des Moines</i>	<i>MACECOM</i>	<i>Renton</i>	<i>Washougal</i>
<i>Des Moines Pool Metro Park</i>	<i>Maple Valley</i>	<i>Richland</i>	<i>Water Operating Board</i>
<i>District</i>	<i>Marysville</i>	<i>Ridgefield</i>	<i>Westport</i>
<i>Des Moines Transportation</i>	<i>Marysville Fire District</i>	<i>Sammamish</i>	<i>West Richland</i>
<i>Benefit District</i>	<i>McCleary</i>	<i>SCORE</i>	<i>WHITCOM 911</i>
<i>EPSCA</i>	<i>Medical Lake</i>	<i>Shelton</i>	<i>William Shore Memorial Pool</i>
<i>eCity Gov Alliance</i>	<i>Medina</i>	<i>Shelton Metropolitan Park</i>	<i>District</i>
<i>Edgewood</i>	<i>Mercer Island</i>	<i>District</i>	<i>Woodinville</i>
<i>Edmonds</i>	<i>Metropolitan Parks District of</i>	<i>Shoreline</i>	<i>Woodway</i>
<i>Edmonds Transportation Benefit</i>	<i>Tacoma</i>	<i>Shoreline Transportation Benefit</i>	<i>Yakima Valley COG</i>
<i>District</i>	<i>Mill Creek</i>	<i>District</i>	<i>Yarrow Point</i>
<i>Elma</i>	<i>Millwood</i>	<i>Silver Lake Water & Sewer</i>	<i>Zillah</i>
<i>ESCA</i>	<i>Milton</i>	<i>District</i>	
<i>Enumclaw</i>	<i>Monroe</i>	<i>Skagit 911</i>	
<i>Federal Way</i>	<i>Monroe Fire District</i>	<i>SNOCOM</i>	
		<i>Snohomish</i>	

WCIA Staff

Executive Director

LEWIS LEIGH

JASON BARNEY
Senior Adjuster

ANN BENNETT
Deputy Director, Claims & Litigation

LA TONYA BRELAND
Claims Representative

PATTI CRANE
Member Services Manager

TANYA CRITES
Senior Risk Management Rep

REED HARDESTY
Senior Adjuster

LISA KNAPTON
Senior Risk Management Rep

ERIC B. LARSON
Deputy Director, Insurance Programs

JENNIFER LAWSON
Office Assistant/Receptionist

KATIE MADSEN
Member Services Assistant

JILL MARCELL
Deputy Director, Admin Services

SHELLEY O'KEEFE
Claims Assistant

MARIA OROZCO
Member Services Coordinator

LISA ROBERTS
Risk Services Manager

DEBBI SELLERS
Senior Risk Management Rep

TINA SMITH
Administrative Services Assistant

DANIELLE STEPHENS
Claims Office Assistant

GORDY VAN
Senior Adjuster

TIFFANY WOODS
Programs Assistant



2012 EXECUTIVE COMMITTEE & STAFF — *L-R: Eric Larson, Jared Burbidge (TRPC), Mark Bucklin, John Caulfield (Mountlake Terrace), Lisa Roberts, Brenda Heineman (Auburn), Stan Strebel (Pasco), Jill Marcell, Dave Timmons (Port Townsend), Ann Bennett, Allen Johnson (Arlington), Paul Loveless (Steilacoom), Arlene Fisher (Cheney), Tina Smith, Joan Durgin (Camas), Patti Crane and Lewis Leigh*

Contracted Service Vendors

Accountant: Baber & Mason, CPAs

Actuary: PriceWaterhouseCoopers

Claims Service Company: Evergreen Adjustment Service

General Counsel: Keating, Bucklin & McCormack Inc., P.S.

Independent Claims Auditor: Marsh Risk Consulting

Insurance Broker: Marsh USA, Inc.

Lobbyist: Lisa Thatcher, Inc.

City of Mountlake Terrace



City of Shelton



City of Tukwila



LOTT Clean Water Alliance



STATEMENT OF NET POSITION**AS OF DECEMBER 31,****2012****2011****ASSETS**Current Assets

Cash and Cash Equivalents	\$106,062,369	\$26,517,622
Accrued Interest	75,306	554,829
Investments	57,218,533	128,742,223
Accounts Receivable	230,435	90,223
Prepaid Expenses	<u>5,377,998</u>	<u>3,839,393</u>
TOTAL CURRENT ASSETS	\$168,964,641	\$159,744,290

Non-current Assets

Investments in GEM	1,067,082	1,067,082
Capital Assets	6,211,795	6,181,732
Accumulated Depreciation	<u>(1,438,064)</u>	<u>(1,284,924)</u>
TOTAL NON-CURRENT ASSETS	\$5,840,813	\$5,923,890

TOTAL ASSETS**\$174,805,454****\$165,708,180****LIABILITIES AND NET POSITION**Current Liabilities

Accounts Payable	\$93,811	\$159,196
Deposits Payable	330,304	307,841
Property & Vehicle Claims Reserve	2,629,872	1,251,885
Reserve for Liability Claims		
IBNR	9,774,631	10,696,450
Open Claims (Case Reserve)	6,628,097	4,933,039
Unallocated Loss Adjustment Expenses	624,223	607,256
Reserve for Increased Confidence Level	<u>15,941,220</u>	<u>14,950,904</u>
TOTAL CURRENT LIABILITIES	\$36,022,158	\$32,906,571

Non-current Liabilities

Compensated Absences	\$153,494	\$94,822
Claim Reserve:		
IBNR	\$26,427,706	\$28,920,032
Open Claims (Case Reserves)	\$17,920,410	\$13,337,477
Unallocated Loss Adjustment Expense	<u>\$1,687,713</u>	<u>\$1,641,842</u>
TOTAL NON-CURRENT LIABILITIES	\$46,189,323	\$43,994,173

TOTAL LIABILITIES**\$82,211,481****\$76,900,744****NET POSITION**

Invested in Capital Assets	\$4,773,731	\$4,896,808
Unrestricted	<u>87,820,242</u>	<u>83,910,628</u>
TOTAL NET POSITION	\$92,593,973	\$88,807,436

TOTAL LIABILITIES AND NET POSITION**\$174,805,454****\$165,708,180**

Comparative Statement of Revenues, Expenses & Changes in Fund Net Position

FOR THE YEARS ENDING DECEMBER 31,	<u>2012</u>	<u>2011</u>
Operating Revenues		
Member Assessments - Liability	\$24,096,611	\$24,270,237
Member Assessments - Property	8,506,953	8,111,936
Member Assessments - Fidelity	156,921	121,956
Seminar Revenues	<u>27,135</u>	<u>24,665</u>
<u>Total Operating Revenues</u>	<u>\$32,787,620</u>	<u>\$32,528,794</u>
Operating Expenses		
Loss and Loss Adjustment Expenses	\$21,627,349	\$9,840,163
Confidence Level Expense (Reduction)	990,316	(435,447)
Insurance - Members	7,026,955	6,556,008
Salaries and Wages	1,900,200	1,736,629
Personnel Benefits	616,264	569,490
Professional Services:		
Claims Adjusting	374,442	329,752
Pre-Defense Review	921,662	906,045
Consultant	331,616	376,132
Legal	30,052	55,464
Actuarial	32,500	31,000
Audit	29,210	15,672
Financial Services	19,519	19,179
Risk Management Audit	5,867	11,734
Rent	120,000	120,000
Transportation	83,314	88,684
Printing	10,578	6,976
Communications	25,460	21,163
Supplies	50,669	47,255
Dues and Conferences	22,520	19,527
Retreat/Board Meetings	29,472	23,820
Depreciation	55,532	50,744
Miscellaneous	39,930	33,480
Repair and Maintenance	10,463	12,144
Seminars and Training	<u>532,428</u>	<u>412,689</u>
<u>Total Operating Expenses</u>	<u>\$34,888,318</u>	<u>\$20,848,303</u>
Operating Income (Loss)	(\$2,100,698)	\$11,680,491
Non-Operating Revenue (Loss)		
Interest Income	3,445,864	5,339,538
Net Increase (Decrease) in the Fair Value Investments	2,387,615	6,946,001
Income (loss) from Investment in GEM	-	34,612
Net Profit (Loss) from Building Operations	53,756	47,156
Total Non-Operating Revenue	<u>\$5,887,235</u>	<u>\$12,367,307</u>
Net Income	\$3,786,537	\$24,047,798
Net Position - January 1	\$88,807,436	64,759,638
NET POSITION AS OF DECEMBER 31	<u>\$92,593,976</u>	<u>\$88,772,824</u>