

“As for the future, your task is not to foresee it, but to enable it.” — *Antoine de Saint-Exupéry*

This was a year of visioning the future for WCIA. After 29 years of building WCIA into the largest municipal risk pool in the state, Executive Director Lew Leigh retired on July 31, 2013. With an eye toward the future, Lew spent the last 10 years working on a succession plan to develop in-house candidates for the Executive Director



(Above) Lew Leigh at his retirement celebration in July; (Right) Former President Brenda Heineman with new Executive Director Ann Bennett.

position upon his retirement.

The WCIA Board of Directors voted on November 8, 2013 to appoint Ann Bennett, a 17-year employee of WCIA, as their new Executive Director. Having served in many capacities at WCIA, the board believed she possessed an institutional knowledge, was dedicated to the continued success of WCIA, and would provide superior service to members to lead WCIA into the future.

The 2013 WCIA Executive Committee, well aware of the financial strength of WCIA, foresaw being asked the question of “how much reserve is too much.” The committee authorized a comprehensive actuarial study, conducted by PricewaterhouseCoopers, to evaluate all of the risks facing the pool and the funding levels needed to withstand those risks.

The pooling industry has, for many years, used confidence levels to measure solvency; however, it only measures one risk—claims exposures. What was learned is that there are multiple risks facing a pool that can drain equity, including reserving, underwriting, investments, and operational risks. The study tested WCIA’s equity needs against the occurrences of these possible risks. A secure rated insurance carrier should be able to withstand risks occurring between 1 in 100 years and 1 in 250 years.

What the study illustrated was that WCIA funding is within that range and the current equity is appropriate for the risk appetite of the membership. Though there may have been a perception of excess funding, an organization like WCIA, with 162 members and continual growth, needs a sufficient level of capital to survive and meet its commitments.

WCIA’s mission is to take a leadership role to provide professional risk management and stable risk financing programs that respond to its members’ needs. Even though 2013 was a year of transition and reflection on the past, WCIA was able to continue to respond to the membership through innovation, superior service and financial strength.



**“Success is never final,
failure is never fatal. It’s
courage that counts.”**

—John Wooden

reserves increased significantly with over \$17.5 million being paid out on behalf of members in settlements and over \$8.6 million spent on litigation defense costs. The increase was due in large part to significant settlements in a handful of cases. The types of losses were varied; however, several were due to unfavorable court rulings that reversed previous case law while others were the result of personnel actions during the recession.

WCIA is active in its defense of the membership with a goal to create good case law that benefits all public entities; with that philosophy comes risks. Seven cases were taken to trial with 3 defense verdicts, 4 plaintiff verdicts (one lower than an offer made in settlement) with 2 of the 4 plaintiff verdicts being reversed by the trial judges. The utilization of summary judgment motions resulted in the dismissal of multiple cases involving recreational immunity, landslides, excessive force and land use disputes.

To reduce the number of claims and lawsuits, WCIA offers pre-loss services, Pre-Defense Review, which allows members legal consultation on potential actions that could give rise to liability; i.e. employment practices and land use. The pool handled over 240 new requests for assistance from the membership in 2013. While significant losses were experienced in a handful of personnel cases, many more were avoided through the members’ usage of the program.

STRENGTH TO SHOULDER LOSS

In 2013, WCIA exceeded \$167 million in assets, of which over \$57 million was undesignated member reserves to handle contingencies beyond predicted events. These are the strongest financials of any risk pool in Washington state. Approximately one-third of WCIA’s 2013 administrative budget was allocated back to the members in the form of training, reimbursements and legal assistance.

WCIA was able to offer members an average rate decrease of 2.8% in their liability assessments and flat rates for their property and auto coverage in 2013. Overall revenues decreased slightly (or 1%) from 2012 to 2013. The pool saw investment income decline in 2013 as longer term investments continued to mature and were re-invested into current lower yielding or shorter term investments.

Operating expenses remained stable; however, claim payments and reserves increased significantly. Loss and loss adjustment expenses were \$17 million higher in 2013 than in 2012 and claim reserves increased \$22 million over last year. While the payments and reserve increases happened in 2013, the loss years in which they occurred in and the types of losses were varied. The net effect was a decrease in Unrestricted Net Assets of \$30 million.

Although 2013 was a very expensive year in terms of member claims, WCIA still remains well funded at a 98% actuarial confidence level.

PERSERVERING THROUGH CHALLENGES

WCIA distinguishes itself from the private insurance industry by evaluating claims based upon legal liability not financial expediency.

In 2013, claim payments and



**“Someone is sitting in the
shade today because
someone planted a tree a
long time ago.”**

—Warren Buffett



AHEAD OF EMERGING TRENDS

To advance effective risk management practices and procedures, and members are required to actively participate in an element of pool membership known as the COMPACT. Members annually undergo a risk management audit regarding a specific department or loss exposure.

In 2013, the COMPACT focused on the emerging trend of cyber exposures. With an exposure



checklist and audit, free vulnerability testing, policy development assistance and on-site Information Technology (IT) consultations, members were advised of their exposures and what controls could be implemented. Members participated in an IT committee who developed practical strategies to assist the membership, and prioritized the SANS Institute’s 20 Critical Controls to give members advice on where to start their remediation.

The WCIA Risk Management Representatives assisted the membership in 2013 by providing detailed risk analysis, on-site risk management advice and loss control inspections, along with being a daily resource for general risk management advice.

Members are assigned their own Risk Management Representative, and in 2013 the department saw the addition of another representative to continue the mission of superior service.

The Risk Management Consultation Program provided legal assistance in 2013 to 61% of the membership. Members used the program for employment policy review, land use code development, review of interlocal agreements and review of public safety procedures; the results of which were utilized to develop guidelines and Risk Management Bulletins to benefit the entire membership.

“Education is the most powerful weapon which you can use to change the world.”

—Nelson Mandela

EDUCATION AND DEVELOPMENT OF MEMBER EMPLOYEES

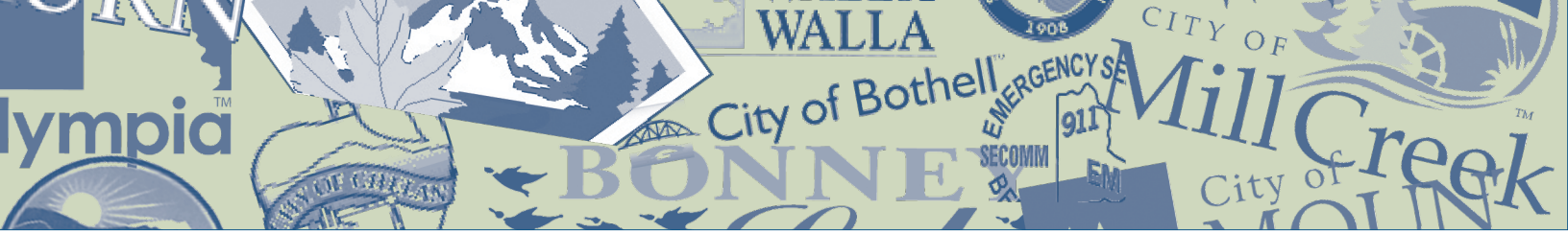
WCIA has developed an extensive training and education program offering municipal risk management trainings statewide. WCIA collaborates with municipal organizations resulting in an expanded offering of co-sponsored trainings. Members with travel restrictions benefit from our website’s virtual classroom that offers video check out or on-demand videos. In 2013, over 300 sessions were conducted with over 8,500 attendees, a record for WCIA.

Of WCIA’s classroom trainings, personnel was the most popular and increased by 25% from 2012. Public Safety training also increased primarily due to WCIA’s partnership with the Criminal Justice Training Commission (CJTC) and Law Enforcement Information and Records Association (LEIRA). Drawing from member loss experience, WCIA was proud to assist and promote the CJTC Crisis Intervention Team (CIT) trainings for law enforcement personnel on how to deal with individuals suffering from mental disabilities.

In addition to the comprehensive training programs offered, WCIA provides a Member Reimbursement program to assist members in the professional development and accreditation of their staff. Approximately 81% of the membership received reimbursements for municipal accreditations, individual and group certifications, and registration for association schools and institutes. The average amount each member received was approximately \$1,800.

“You cannot escape the responsibility of tomorrow by evading it today.”

—Abraham Lincoln



2013 Members

Aberdeen
Anacortes
ARCH
Arlington
Arlington TBD
Auburn
Bainbridge Island
Bainbridge Island TBD
Battle Ground
Benton City
Benton County Emergency Services
Bonney Lake
Bothell
Brewster
Brier
Burien
Burlington
Camas
Cashmere
Centralia
Chehalis
Chelan
Cheney
Chewelah
Clarkston
Cle Elum
Clyde Hill
Coupeville
Covington
Cowlitz-Wahkiakum COG
CRESA
Des Moines
Des Moines Pool MPD
Des Moines TBD
eCity Gov Alliance
Edgewood
Edmonds
Edmonds TBD
Ellensburg
Elma
Enumclaw
EPSCA
ESCA
Fife
George
Goldendale
Grandview
Grandview TBD
Grays Harbor Communications E-911
Hoquiam
Issaquah
Jefferson County 911
Kelso
Kenmore
Kenmore TBD
Kennewick

Kirkland
Kitsap Regional Coordinating Council
La Conner
Lacey
Lake Forest Park
Lake Forest Park TBD
Lake Stevens
Lakewood
Leavenworth
Leavenworth TBD
Long Beach
Longview
LOTT Clean Water Alliance
Mabton
MACC 911
MACECOM
Maple Valley
Marysville
Marysville Fire District
McCleary
Medical Lake
Medina
Mercer Island
Metropolitan Parks District of Tacoma
Mill Creek
Millwood
Milton
Monroe
Monroe Fire District
Moses Lake
Mount Vernon
Mountlake Terrace
Mountlake Terrace TBD
Mukilteo
Newcastle
Normandy Park
Normandy Park MPD
North Bonneville
Northshore Utility District
NW Incident Management Team
Oak Harbor
Ocean Shores
Olympia
Olympia TBD
Othello
Pasco
PENCOM
Port Angeles
Port Townsend
Pullman
Pullman MPD
Pullman-Moscow Regional Airport
Board
Puyallup
Renton
Richland

Ridgefield
Sammamish
SCORE
SERS
Shelton
Shelton MPD
Shoreline
Shoreline TBD
Silver Lake Water & Sewer District
Skagit 911
SNOCOM
Snohomish
SNOPAC
Snoqualmie
Snoqualmie TBD
Soap Lake
South Sound 911
Spokane Valley
Stanwood
Stanwood TBD
Steilacoom
Sumner
Sunnyside
Three Rivers Regional Wastewater
Authority
Thurston 911 Communications
Thurston Public Utilities District
Thurston Regional Planning Council
Toppenish
Tukwila
Tukwila Pool MPD
Tumwater
Union Gap
University Place
Valley Communications Center
Valley Regional Fire Authority
Walla Walla
Walla Walla Joint Community
Development Agency
Walla Walla Metropolitan Planning
Organization
Walla Walla TBD
Warden
Washougal
Water Operating Board
West Richland
Westport
WHITCOM 911
William Shore MPD
Woodinville
Woodway
Yakima Valley COG
Yarrow Point
Zillah

Statement of Net Position

STATEMENT OF NET POSITION

AS OF DECEMBER 31,

2013

2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$38,958,024	\$106,062,369
Accrued Interest	230,205	75,306
Investments	121,485,689	57,218,533
Accounts Receivable	79,582	230,435
Prepaid Expenses	662,220	5,377,998

TOTAL CURRENT ASSETS

\$161,415,720 \$168,964,641

Non-current Assets

Investments in GEM	\$1,172,586	1,169,015
Capital Assets	6,189,209	6,211,795
Accumulated Depreciation	(1,540,668)	(1,438,064)

TOTAL NON-CURRENT ASSETS

\$5,821,127 \$5,942,746

TOTAL ASSETS

\$167,236,847 **\$174,907,387**

LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable	\$491,691	\$93,811
Deposits Payable	330,304	330,304
Property & Vehicle Claims Reserve	2,713,306	2,629,872
Reserve for Liability Claims		
IBNR	9,384,486	9,810,159
Open Claims (Case Reserve)	10,210,758	6,644,747
Unallocated Loss Adjustment Expenses	689,750	624,223
Reserve for Increased Confidence Level	23,299,792	15,989,970

TOTAL CURRENT LIABILITIES

\$47,120,087 \$36,123,086

Non-current Liabilities

Compensated Absences	\$147,413	\$153,494
Claim Reserve:		
IBNR	26,709,690	26,523,762
Open Claims (Case Reserves)	29,061,388	17,965,426
Unallocated Loss Adjustment Expenses	1,963,136	1,687,713

TOTAL NON-CURRENT LIABILITIES

\$57,881,627 \$46,330,395

TOTAL LIABILITIES

\$105,001,714 **\$82,453,481**

NET POSITION

Invested in Capital Assets	\$4,648,541	\$4,773,731
Unrestricted	57,586,592	87,680,175

TOTAL NET POSITION

\$62,235,133 \$92,453,906

TOTAL LIABILITIES AND NET POSITION

\$167,236,847 **\$174,907,387**

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

FOR THE YEARS ENDING DECEMBER 31,	<u>2013</u>	<u>2012</u>
Operating Revenues		
Member Assessments - Liability	\$23,455,378	\$24,096,611
Member Assessments - Property	8,888,197	8,542,097
Member Assessments - Fidelity	129,508	121,777
Seminar Revenues	<u>29,790</u>	<u>27,135</u>
<u>Total Operating Revenues</u>	<u>\$32,502,873</u>	<u>\$32,787,620</u>
Operating Expenses		
Loss and Loss Adjustment Expenses	\$38,745,914	\$21,820,599
Confidence Level Expense (Reduction)	7,309,822	1,039,066
Insurance - Members	7,500,229	7,026,955
Salaries and Wages	1,958,647	1,900,200
Personnel Benefits	686,109	616,264
Professional Services:		
Claims Adjusting	366,297	374,442
Pre-Defense Review	770,540	921,662
Consultants	434,840	331,616
Legal	39,773	30,052
Actuarial	84,000	32,500
Audit	17,509	29,210
Financial Services	20,983	19,519
Risk Management Audit	11,734	5,867
Rent	120,000	120,000
Transportation	118,847	85,314
Printing	9,558	10,578
Communications	21,642	25,460
Supplies	51,502	50,669
Dues and Conferences	28,079	22,520
Retreat/Board Meetings	23,819	29,472
Depreciation	185,456	179,955
Miscellaneous	41,219	39,930
Repair and Maintenance	4,998	10,463
Seminars and Training	<u>733,756</u>	<u>532,428</u>
<u>Total Operating Expenses</u>	<u>\$59,285,273</u>	<u>\$35,254,741</u>
Operating Income (Loss)	(\$26,782,400)	(\$2,467,121)
Non-Operating Revenue (Loss)		
Interest Income	2,704,626	3,445,864
Net Increase (Decrease) in the Fair Value Investments	(6,368,963)	2,387,615
Income (Loss) from Investment in GEM	3,571	101,933
Net Profit (Loss) from Building Operations	<u>224,393</u>	<u>178,179</u>
<u>Total Non-Operating Revenue</u>	<u>(\$3,436,373)</u>	<u>\$6,113,591</u>
Net Income	(\$30,218,773)	\$3,646,470
Net Position - January 1	<u>92,453,906</u>	<u>88,807,436</u>
NET POSITION AS OF DECEMBER 31	<u>\$62,235,133</u>	<u>\$92,453,906</u>

WCIA Staff

ADMINISTRATION

LEWIS LEIGH

Executive Director

ANN BENNETT

Interim Executive Director

JILL MARCELL

Deputy Director, Admin Services

ERIC B. LARSON

Deputy Director, Programs

TINA SMITH

Administrative Services Assistant

TIFFANY WOODS

Programs Assistant

JENNIFER LAWSON

Office Assistant/Receptionist

MEMBER SERVICES

PATTI CRANE

Member Services Manager

MARIA OROZCO

Member Services Coordinator

KATIE MADSEN

Member Services Assistant

RISK MANAGEMENT

LISA ROBERTS

Risk Services Manager

LISA KNAPTON

Senior Risk Management Rep

DEBBI SELLERS

Senior Risk Management Rep

TANYA CRITES

Senior Risk Management Rep

CHIP MCKENNA

Senior Risk Management Rep

CLAIMS

REED HARDESTY

Claims Manager

GORDY VAN

Senior Adjuster

JASON BARNEY

Senior Adjuster

DOUG MARTIN

Senior Adjuster

CARLENE BROWN

Claims Representative

SHELLEY O'KEEFE

Claims Assistant

DANIELLE STEPHENS

Claims Office Assistant



2013 EXECUTIVE COMMITTEE & STAFF — L-R: Dave Zabell (Fife), Eric Larson, Jared Burbidge (TRPC), Reed Hardesty, Paul Loveless (Steilacoom), Mark Bucklin, Allen Johnson (Arlington), Lisa Roberts, Brenda Heineman (Auburn), Pete Rose (Lake Forest Park), Dave Timmons (Port Townsend), Jill Marcell, Patti Crane, Ann Bennett, and Arlene Fisher (Cheney).

Contracted Service Vendors

ACCOUNTANT:

Baber & Mason, CPAs

ACTUARY:

PricewaterhouseCoopers

CLAIMS SERVICE COMPANY:

Evergreen Adjustment Service

GENERAL COUNSEL:

Keating, Bucklin & McCormack Inc., P.S.

INSURANCE BROKER:

Marsh USA, Inc.

LOBBYIST:

Lisa Thatcher, Inc.