



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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January 7 & 8, 2009

Property and Liability Advisory Board Meeting Minutes

PROPERTY AND LIABILITY BOARD MEMBERS PRESENT

Mark Kammers	Washington Governmental Entities Pool
Joanne Nicolai	City of Bellevue
Allen Hatten	Washington State Transit Insurance Pool
Gayla Gjertsen	Association of Washington Cities
Jennifer Hills	King County

EX OFFICIO PRESENT

Shannon Stuber Office of Financial Management (OFM)

CALL TO ORDER

Joanne Nicolai called meeting to order on January 7 at 9:00 a.m.

APPROVAL OF PREVIOUS BOARD MEETING MINUTES

The draft December 11, 2008 Board meeting minutes were approved.

CURRENT BUSINESS:

The proposed WAC revisions were provided to all attendees. The document provided was WAC version #4. The Board continued in the definition section at “services”, where it had stopped at the December meeting.

Joanne Nicolai stated that the definition of services would preclude associate member programs, and asked if that was the intent. Stuber stated that the sale of insurance would be regulated by the Office of Insurance Commissioner, and that associate members could join a pool as members. Peggy Lesser asked why the change was needed in the definition for third party administrator. Stuber stated that the governing body of a program was responsible for the overall management and decisions of the program.

Revisions to rules for individual programs were discussed for 82.60.P1. Jennifer Hills stated that most of the individually insured entities were “pay as you go” entities and did not fully reserve. Stuber stated that 48.62.021(3) defined self insurance as “a formal program of advance funding and management of entity financial exposure to a risk of loss that is not transferred through the purchase of an insurance policy or contract”, and that risk assumption, per 48.62.021(2) is defined as “a decision to absorb the entity’s financial exposure to a risk of loss without the

creation of a formal program of advance funding of anticipated losses”. If the risk management note in the financial statements stated the entity was self-insuring, would the entity need to reserve and actuarially determine the amount to reserve? Joanne stated that, if the entity declared it was assuming risk, the bond rating of the entity could be affected. Peggy Lesser stated that adequate disclosure was provided in the risk management note. The Board decided to remove the requirement under 48.62.P1(1) which required individual entities to maintain case reserves for each claim. Stuber was asked whether 82.60.P1 was the only section which applied to individual self-insurers, and she replied that it was, and that the following rules only applied to joint self-insured programs.

The group reviewed 82.60.P2 and P3. Vyrle Hill expressed a concern that P.3 might be construed to allow “agents” of an entity to be insured. The Board discussed this and determined that, because the proposed rule required all members participating in insurance to sign the program’s foundation agreement with other members and agree to reassessments, the intent that only member entities could be insured was clear. The Board reviewed P.4 and added language to further define services from insurance, including language to clarify that non-members could purchase services, but could not participate in insurance unless they met the definition of “member”. Joanne stated she was concerned that there could be a number of entities that would be required to go out in the market to look for insurance due to the new definitions of member and services. Dave Hayasaka stated that this was the intention of self-insurance under 48.62 RCW, rather than sale of insurance to associate members.

The Board made a change in their order of review by choosing to skip to the revisions for actuarially determined liabilities in 82.60.031, since actuary Kevin Wick was in attendance at that time. After discussion, the group agreed that maintaining liquid assets at the 70% confidence level was the minimum requirement necessary to provide reasonable assurance that the programs would be solvent. John Crawford requested that the formulas for the ratios in the WAC be included, rather than referred to in an operating manual. He addressed Stuber in stating that the results for his programs using the formulas and ratios had recently been sent to him, that he had found them helpful, but that he had never seen them before. Stuber asked whether other programs had seen them in the past, and Vyrle Hill and Al Hatten stated that most of the programs monitor the performance of their pools using the ratios. Mark Kammers said he had not seen the individual performances of the programs in the past, but that the aggregated performance of the programs had been presented at past meetings of the PL Advisory Board.

The group discussed the individual rate setting, and eliminated some requirements, stating that the assessment formula should be consistently applied among all members and should consider the differences in deductibles and choices among groups of members. The Board stated that the formula should be available for audit and risk manager review. Some concerns were expressed among the attendees that the WAC doesn’t address the problems in multiple quotes and competition. Stuber said the WAC’s could address market conduct if someone would like to provide a proposal for language at tomorrow’s meeting, since the meeting was nearly finished for the day.

The meeting was adjourned at 4:30 to reconvene at 9:00 am the next morning.

Joanne Nicolai called the meeting to order at 9:00 am.

Review began at the section requiring notification to members of meetings. The Board discussed the differences between the open public meetings act and notification to members. Peggy Lesser

asked why notification of members was necessary, and Stuber said that the state risk manager's office is only concerned that members are aware of the financial condition of the program in case a reassessment is required, and that members should not be surprised. She also stated that the requirement to inform members when a change is made to interlocal agreements and bylaws is necessary because the governing body of the member is required under 48.62 to approve the program by resolution or ordinance, as appropriate. If the interlocal agreement is changed, it is a new contract and should be approved by the governing body of the individual member. Members should be aware of any changes in the terms of their agreement and conditions for reassessments. Dick Rodruck stated that most of the programs have a meeting notification requirement, and that his pool is required to notify members 10 days in advance. The Board discussed whether posting notices on the web site of the program would be sufficient; Mark Kammers stated that members should be notified by email rather than checking the web site, and Dave Hayasaka agreed. The Board also added a requirement to notify members of special meetings.

The Board continued its review of proposed WAC revisions. The group included a requirement for a written plan for the termination of a member similar to that required for the termination of a program in 82.60.036. Third party administrator contracts were discussed per 82.60.038, with few changes. Gayla Gjertsen proposed an addition to require provisions in the contract for indemnification and insurance requirements between the parties. In discussing the preparation for inclusion of non-profit members per 82.60.039, Stuber requested an addition to those requirements which would include a determination of the anticipated federal and state tax liabilities when non profits are added to a municipal pool formerly exempt under IRC115.

At the suggestion of Mr. Crawford, the paragraphs in 82.60.050, which address claims administration, were reordered to first create the standards for claims administration, followed by an acknowledgement that programs could handle their own claims or contract out. The next paragraphs would include financial system and procedural requirements, followed by a requirement for an independent audit, and actions by the state risk manager. Debra Callahan suggested changes in the standards based on the perspective of a claims manager.

NEXT MEETING

A special meeting will be held on Thursday, January 15 to finish creating the proposed draft WAC 82.60. Notification will be sent out by email prior to the meeting.

ADJOURN

The meeting was adjourned at 4:30.