



STATE OF WASHINGTON

**OFFICE OF FINANCIAL MANAGEMENT**

*Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555*

January 15, 2009

Property and Liability Advisory Board Special Meeting  
Meeting Minutes

**PROPERTY AND LIABILITY BOARD MEMBERS PRESENT**

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

**EX OFFICIO PRESENT**

Shannon Stuber      Office of Financial Management (OFM)

**CALL TO ORDER**

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

**APPROVAL OF PREVIOUS BOARD MEETING MINUTES**

The draft Board meeting minutes from January 7<sup>th</sup> and 8<sup>th</sup>, 2009 were approved.

**SPECIAL MEETING BUSINESS:**

The Board began with a discussion of the single entity WAC rules. Debra Callahan of WSRMP asked whether the definition of undiscounted jury verdict value was correct. Dave Hayasaka stated that the pool directors used the term “discounting” in reference to the time value of money, while claims people have a different use for the term. It was decided that the term should be simply “jury verdict value” as defined by the definition.

The Board discussed the difference between risk assumption and self-insurance if reference to the reserving practices of the single entities. The group discussed whether single entities who were “pay as you go” met the definition of self-insured as defined in 48.62.021(3) “. . . 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” or whether they were practicing “risk assumption” per 48.62.021(2) “. . . 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”. The group discussed that, while many programs were not maintaining a reserve equal to outstanding claims liabilities, single entities have the option of obtaining adequate funding through bond issuance, taxes or general fund as approved by their governing body.

It was also discussed that there should be disclosure regarding whether an entity was assuming risk or funding claims in advance, but that, if such a disclosure were made, it could affect bond ratings for a single entity. Stuber stated that, in the past, pools have been under-reserved and the legislature had gotten involved, creating 48.62 and requiring oversight for pools. She stated that if

an individual self-insurer were to encounter the same situation, lawmakers could become involved and increase regulation for individual programs. Dave Hayasaka stated that 48.62 was not created to regulate individual insurers, since the state risk manager has no authority for oversight. Stuber said that the State Auditor's Office reports on the financial condition of individual insurers and has authority to prescribe reporting and accounting practices, so the Auditor's Office would prescribe any disclosures in the financial statements of individual entities. The group discussed that the self-insurers should have rules which reflect single entity risks separately from pools, since joint programs may include hundreds of members. It was also proposed that the rules should be specific to single entities so that they were not required to meet the same regulation as the joint programs, and then request individual waivers from the state risk manager, since the practice of waivers has been removed from the WAC.

John Crawford suggested the member disclosure section include a requirement that members disclose the insurers and reinsurers, AM Best ratings, and inclusion in the state's insurance guarantee program. Lew Leigh stated that he provided a diagram to members showing their layers of coverage. After discussion, the group determined that including the AM Best information and other items should be left up to the pool, as much of it was included in the coverage document and that, with the new meeting notification revisions as proposed, the members would have meeting agendas and meeting notices and could attend any meeting that coverage would be discussed.

The group discussed contracts, conflict of interest, and broker services. Dick Rodruck said that he did not believe that the broker and the third party administrator should be the same entity. He stated that it is a conflict of interest, and that, though he is a third party administrator and also a broker, he does not act as a broker for the pool. He stated that there are times when the board asks him for assistance with broker related issues, which he is not able to provide due to a potential conflict of interest. The group felt that requiring a formal RFP procedure and the additional language in the conflict of interest section requiring separate contracts for consultants would be sufficient to ensure the pools obtained the most qualified consultants without a conflict of interest occurring.

Gayla Gjertsen asked what the State Risk Manager's office was doing regarding the associate member programs, since the guidelines had expired and a more clear definition of membership was being incorporated were being incorporated into WAC, and a definition of member had additional requisites. Stuber replied that the programs with associate member programs deserved to have ample notification in writing from LGSI, and that there had been written notification to the programs early in January. Stuber was asked about the timeline for wrapping up these programs, and she responded that the pools had been asked to notify their members and end their associate member programs by December 31, 2010.

Stuber asked the Board for a recommendation on how they wanted to move forward with the completed proposed revisions to the WACs. Joanne Nicolai stated that prior to recommending the changes, single entities should be notified and invited to participate in the discussions. Jennifer Hills and Joanne Nicolai will provide names of single entity self-insurers and Stuber will notify them of the meeting and send out the proposed WAC's.

#### **NEXT MEETING**

The next meeting was set for February 2, 2009. A notice will be sent out by email prior to the meeting and posted on the website.

#### **ADJOURN**

Meeting adjourned 4:30 pm.