



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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February 2, 2009

Property and Liability Advisory Board Special 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 15, 2009 were approved.

OLD BUSINESS:

The Board began its discussion of proposed WAC revisions by reviewing the proposed rules in draft version number 6. Representatives of single entities who self-insure were invited in advance to the meeting and provided with a copy of the proposed revisions. The Board again discussed the difference between risk assumption and self-insurance and whether those single entities assuming risk under the definition in 48.62 were subject to 82.60. Joanne Nicolai mentioned that under 48.62.031(5), local governments that assume risk rather than self-insure are only required to have a report available to the state auditor about the types of risks they are assuming. Based on that information, the Board questioned whether the risk assumption single entities would be subject to any rules written for the self-insuring single entities. Shannon Stuber said that the rules would go for legal review after a working draft was developed, so rules could be added then if the state risk manager felt they were necessary.

The Board discussed using the term “provide” to mean provide electronically an annual membership report as opposed to requirements to mailing an annual membership report. Mark Kammers mentioned that these are costly to print and that they are costly to mail. He stated that Enduris includes their annual member reports on the public portion of their web site.

The group discussed the proposed revision that the pool develop a budget and provide a budget to actual analysis annually to the state risk manager (srm). It was determined that the requirement should be removed as the pools cannot determine a budget for claims and claims expenses, other than the estimates developed by an actuary. They would likely be required to adjust the budgets if an immediate settlement was required, and it would probably be after the fact, which might become an audit issue. Since budgets were not required in the statute, they should not be required in the WAC.

John Crawford suggested a revision in the meeting notifications to members. In the current version, it appeared that only regular meetings required notification, and by switching P8 and P9, the meeting notices requirements would become clearer in their application to special meetings.

Language in the proposed revision states that the state risk manager may require an independent second actuarial study if, in the estimation of the state risk manager, a study was needed. John Crawford expressed concerns about additional expense and said that the pool should be able to go back to their own actuary and ask that he or she make additional revisions. Dave Hayasaka stated that the state risk manager needed that tool because if the first study appeared to be wrong, there was no purpose in a second study by the same actuary. Loy Dale stated that he had seen a study in which the actuary projected a range for liabilities, and then chose a lower number that did not fall within the range. It was decided to leave the language in and make it similar to the provision that the state risk manager may require additional independent claims audit if a problem with claims is discovered, with the pool responsible for the cost.

Mark Kammers asked that the Board consider adding requirements for procurement. He stated that the pools have different requirements depending on their entity type, and that he would like the opportunity to discuss it further with his legal counsel and the state risk manager. Mark thought that 48.62.061 provides authority to the state risk manager to set standards for procurement, and that the State Auditor's Office had expressed to him during their audit that if the WAC stated that a pool could set an internal policy, SAO would look at whether they were following their internal policy. Lew Leigh said that WCIA often uses the state contract as they have multiple entity types which creates the same restrictions because pools are formed under interlocal agreements and are subject to the most restrictive statutes of their members. Shannon Stuber said that she was not sure that the srm had authority to make rules for procurement, but that she could review this with the Attorney General's office. Mark said, in discussing it with the pool's attorney, the state risk manager appears to have very broad authority granted by the legislature, and that he believed it was within the state risk manager's authority under setting standards for operation and management, and also under the authority to set standards for contracts. An additional concern was that about half of the pools stated they pay vendors directly rather than the member, and the group discussed whether this would constitute the pool bidding on property damage or replacement rather than the entity. For pools with multiple entity types, which bid and procurement statutes should be used; that of the member, or that of the most restrictive member's statutes per interlocal agreement. The group opted not to add language for procurement at this time. Stuber said she would ask for some legal advice.

Al Hatten asked that a clean copy of the proposed revisions to WAC 82.60 be provided prior to the Board making a recommendation. It was agreed that a copy would be sent out in advance of the next meeting.

NEXT MEETING

The next meeting date selected for a special meeting is February 10, 2009. A notice will be sent out by email prior to the meeting and posted on the website.

ADJOURN

Meeting adjourned 4:30 pm.