



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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May 16, 2008

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
Margaret Lesser	City of Bremerton

BOARD MEMBERS ABSENT

Gayla Gjertsen	Association of Washington Cities
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EX OFFICIO PRESENT

Shannon Stuber	Office of Financial Management (OFM)
Dan Potapenko	State Auditor's Office (SAO)
Chris Carlson	Office of Insurance Commissioner

CALL TO ORDER

Peggy Lesser called the meeting to order at 10:00 a.m.

APPROVAL OF PREVIOUS BOARD MEETING MINUTES

The draft February 29, 2008 Board meeting minutes were approved.

ELECTION OF OFFICER AND NEW BOARD MEMBERS:

Shannon Stuber announced the appointment of Gayla Gjertsen to fill the position left vacant by David Canfield. Ms. Gjertsen had a previous commitment but will be attending next meeting. Board elections were held. Ms. Nicolai was elected as Board chair, and Mr. Kammers was elected as Vice Chair. Ms. Lesser announced that she would not be applying for a reappointment on the Board. Brief discussion was held on filling the position and attendees were asked to provide possible candidates from a single entity program that might be interested in serving on the Board.

BOARD REPORT:

Allen Hatten discussed driver abstracts and the impact on bargaining agreements for transits. Vyrle Hill informed the group that he had recently met with representatives from DOL, and that there is an active 24/7 web site at dol.wa.gov from which some information can be obtained.

LGSI REPORT:

Shannon Stuber updated the group on fire district mutual aid agreements which appeared to govern the purchase of group insurance. A copy of the agreement has been requested from the Lewis County auditor's office, and will be provided to the Assistant Attorney General, Mary Ellen Combo, for further analysis. More information will be provided during the next meeting.

CURRENT BUSINESS:

REVISIONS TO WAC FROM GUIDELINES

Associate Member Guidelines - Copies of the Guidelines, Associate Member Responses and a court case relevant to the Associate Member Guidelines were provided in anticipation of discussion of WAC revisions and expiration of the Guidelines. The Board discussed the Associate Member Guidelines. The Associate Member Responses were provided by the Directors of the P & L programs, and were compiled and sent out by e-mail in January. Copies of a state Supreme Court case "State v. Grays Harbor County and Lewis County" regarding District Court fees was discussed. The case cited 43.09.210 RCW (one fund cannot benefit another). Discussion was held about how this information might apply to the associate member programs since one group of municipalities assumed risk for another group by agreeing to be responsible for any assessments of the total group. Mr. Kammers recommended that, since the director of the pools that include associate member programs was not in attendance, the program should be notified and the discussion of associate member programs should be included in the next meeting when a representative is in attendance. Stuber said she would provide notification of the next meeting to those programs.

Interlocal Agreements - A discussion of the next agenda item, "interlocal agreements" included comments from Mr. Lew Leigh, who questioned whether the expiration of the guidelines would mean expiration of the coverage to the associate members at that time. Stuber stated that OFM did not have authority to interrupt coverage or change contracts, but has given a long period of notification to all of the programs through the Advisory Board meetings and has notified all stakeholders of the meetings so pools would be able to plan changes in their associate member programs for the renewal periods of 2009. The Board also discussed whether changes in an interlocal agreement would require that all members agree to changes through resolution of the governing body and re-sign the agreement. The Board and stakeholders attending discussed that any changes in the interlocal agreement were similar to changing a signed contract and should require re-signing after approval by the member's elected officials. Stuber said that process was not specifically addressed in the WAC, but could be clarified in the new WAC revisions.

Guidelines for Financial Safety and Soundness & Guidelines for Self-Insured Property and Liability pools Reporting Claim Liabilities - Vyrle Hill suggested that it might be more efficient to work from the related WACs and incorporate the principles from the guidelines. The Board then reviewed the rules for program financing included in WAC 82.60.031(1). The group discussed that the term "net" should be inserted in front of the word "liabilities" and that the annual actuarial study requirement mentioned in WAC 82.60.031(3) be applied to all pools without exception. The intent is that the total liabilities (IBNR) are determined by a qualified actuary, are fully funded through a combination of cash and investments and represented accurately on the financial statements of each program. The current solvency ratios are used by most programs to measure their compliance. The group indicated that these were important measures, but could be considered as best practices. Stuber said these ratios were considered in evaluating the financial trends during a review of the program, and adverse trends would require closer monitoring of a program, depending on the severity of the condition.

Guidelines for Claims Reserving – During a discussion of claims reserving methods, it was mentioned that the best indicator of appropriate reserving was to ensure the programs obtained a claims audit by a qualified and experienced claims auditor at least every three years, and that not all programs had been required to obtain this audit. The group discussed that the SRM should require every program to obtain a claims audit at least every three years as required. It was also mentioned that the accuracy of this information was important to the actuary in projecting the correct funding levels and losses for the programs.

Guidelines for Notification to State Risk Manager of Program Changes-Stuber stated that the current guidelines for notification to the state risk manager of program changes will be revised and clarified in the WAC, and that changes will be made to the annual reporting requirements to use the SAO reporting package to alleviate duplicate work by the programs. The annual report will include the annual financial statements and the actuarial report and a questionnaire. Program reviews will be done at least every two years. More frequent reviews may occur, depending on the risk analysis in the initial review of the reports submitted.

NEXT MEETING

The next meeting was set for September 11, 2008, and the following meeting was set for December 11, 2008. A notice will be sent out by email prior to each meeting.

ADJOURN

Meeting adjourned 2:45 pm.