



2016 WA CITIES INSURANCE AUTHORITY (WCIA)

COMPACT REVIEW SUMMARY AND RISK PROFILE OBSERVATIONS

WCIA & its Mission?

- The Washington Cities Insurance Authority is a municipal organization of WA public entities that join together for the purpose of providing liability and property financial protection to its members. Currently 180 member agencies.
- Mission: WCIA will take a leadership role to provide professional risk management (RM) and stable financial programs that respond to members needs.

WCIA Annual Goals

- Protect and maintain the authorities financial stability.
- Sustain and enhance member commitment and involvement.
- Maintain the status as leading risk pool in the state and nation.
- Foster sound RM practices.
- Contain and manage adverse loss exposure in concert with members.

WCIA Membership Expectations

- The City of Longview enters into an annual WCIA COMPACT agreement. Intent of the COMPACT is to focus pool membership on a common goals to reduce and manage liability through:
 - Organizational Attentiveness
 - Educational & Training Elements
 - Annual Audit Requirements
 - Annual Review Elements

COMPACT – Organizational Attentiveness

- Component Requirements:
 - Full Board Meeting Attendance (Minimum 1 per year)
 - Delegate attended in January, and scheduled for October.
 - Timely assessment payment
 - 2016 was postmarked before January 31st deadline
 - 2017 must be postmarked by January 31st for cost avoidance benefit.
 - Timely reporting of claims
 - Kaylee Cody and Brian Loos work together to meet this requirement as per the WCIA claims manual.
 - Appointment of WCIA delegate and alternate.
 - Delegate switched from Gary Kessler to Brian Loos in June 2016. Alternate remains Chris Smith.

COMPACT – Education & Training

- Component Requirements:
 - Attend minimum of three WCIA educational sessions.
 - As of 9/1/16 – Approximately 18 different sessions were attended by 60 staff members. Yet scheduled, at least 7 more unique sessions by 20 more staff members.
 - 5 sessions were hosted by City of Longview in the Longview/Kelso area to reduce travel costs.
 - Attend one session in a core topic area; employment, law enforcement, land use or WCIA staff trainings.
 - As of 9/1/16 – Approximately 12 different sessions were attended by 22 staff members.
 - Two additional sessions on any topic area
 - Delegate & city attorney must attend one session
 - Delegate – 3 sessions, City Attorney – October 2016

COMPACT – Annual Audit

- Component Requirements:
 - Members will work with the assigned RM representative to select from one of the three options the best meets the members needs.
 - #1 – Traditional audit: Parks & Rec., Volunteers or Fleet
 - #2 – Targeted RM review: Contracts/ROW ordinances, Special Events & Facility Use Agreements and/or premises walk through and inspection for liability exposure.
 - *#3 – Loss & Exposure Reduction Plan – Work with RM rep, review risk profile and loss runs to identify member's top priority and develop an action plan addressing 1 to 4 issues.*

COMPACT – Annual Review

- Component Requirement met on 9/7/2016
 - Following staff present – Campbell, Sacha, McNamara, Smith, Cameron, Loos & Coleman.
 - Lisa Knapton, WCIA Risk Management Representative conducted the review.

- WCIA RM representative reviewed the following:
 - WCIA Liability, Auto, Property, Boiler and Machinery, Crime and Fidelity coverage, rates and deductibles and special programs (Excess Workers Compensation policy)
 - Property and auto schedules
 - Risk Profile and/or current liability loss runs
 - COMPACT Status Report/WCIA Services/Stewardship Report
 - Analysis of Loss History

COMPACT – Annual Audit

- Annual audit requirement was also conducted after the annual review. Topic – Highest frequency of claims for the City of Longview: Utilities - Sewer
- Waiting receipt of annual audit report, but initial observations from the exit briefing:
 - *Procedural change has already taken place on how utilities responds to sewer obstruction requests from the public. Frequencies are already starting to decline since implementation.*
 - *WCIA is requiring that we have a phone in triage plan on how to troubleshoot sewer line lateral backups with customers.*
 - *WCIA is requiring that we have a plan to educate those on who to contact if building/home connections are having sewer line problems, and a multiple prong approach on how to get the education and notifications out to those customers.*
 - *WCIA is suggesting that we engage council in this discussion and discuss other methodologies on how lateral line obstructions might be handled. WCIA will research the approaches that other agencies are using and provide City of Longview staff with their findings.*

Overall COMPACT Status

- All requirements are met for 2016 COMPACT, except for city attorney attendance at one training session. Mr. McNamara is scheduled to attend an all attorney training session put on by WCIA in Walla Walla in October. Upon his completion, the City of Longview will be eligible for the 2017 COMPACT cost avoidance.
- Failure to meet 2016 COMPACT requirements would result in an estimated 7.4% increase in liability portion of the annual assessment for 2017. The forecasted assessment for 2017 is estimated at \$830,649. Estimated cost avoidance for 2017 is valued at \$53,489.

Recent Assessment History

Description	2015	2016	** 2017
<i>Liability</i>	<i>\$520,544</i>	<i>\$569,974</i>	<i>\$722,828</i>
*Property	\$64,992	\$64,032	\$67,749
Auto Physical Damage	\$34,547	\$33,871	\$33,871
Crime & Fidelity	\$3,589	\$3,427	\$3,598
Boiler & Machinery	\$2,697	\$2,603	\$2,603
Total	\$626,369	\$673,907	\$830,649
COMPACT Cost Avoidance (7.4%)	<i>\$38,520</i>	<i>\$42,178</i>	<i>\$53,489</i>

* Property schedule value increased 41% in one year (\$56.16M to \$79.33M) due to WCIA appraisals of current buildings valued a 1M or more. Per occurrence deductible was raised from 25K to 50K to absorb assessment cost. Holding a 25K deductible, rate would be \$77,234 in 2017 and \$90,436 in 2018. 50K deductible, forecast at no rate increase for 2018 - \$79,330.

** Estimated

Risk Profile Observations

- This summary provides a comparison of the City's losses as they are compared to the entire actuarial group as a whole.
- Data analyzed includes the date period 1/1/2011 – 12/31/2015
- Risk Profile Observations

Risk Profile Observations

■ Risk Profile – Actuarial Group #4

- Review loss run rate compared to other like-sized cities within the group (>400K worker hours) City of Longview - 650K.
- Actuarial group comprised of 20 like-sized cities including:

Auburn	Bothell	Issaquah
Kennewick	Kirkland	Lacey
Lakewood	Longview	Marysville
Mercer Island	Moses Lake	Mount Vernon
Olympia	Pasco	Port Angeles
Puyallup	Renton	Richland
Tukwilia	Walla Walla	

Risk Profile Observations

Claim Count:

- Actuarial group claim count for 2011-2015: 3,589
- City of Longview – Expected Claim Count: 165 (4.6%)
- **City of Longview – Actual Claim Count: 325 (9.1%) (Exceeded by double)**

Incurred Costs:

- Expected vs. Actual Incurred by %:
 - Automobile liability: 40.5%
 - Errors & Omissions: 8.8%
 - General Liability: 115.3% (Exceeded)
 - Personnel: 79.5%
 - Public Safety: 45.2%
 - **Overall: 80.2% (City incurred Less than expected costs in period)**

Risk Profile Observations

- Frequency:
 - Exceeded expected claim counts in the following departments: **Parks Maintenance, PW Sewer, PW Streets & PW Water.**
- Incurred Costs (Severity):
 - Exceeded expected incurred costs in the following departments: **Administration, PW Sewer, PW Streets & PW Water.**

Risk Profile Observations

- General liability claims – Frequency and severity is a concern annually.
- Personnel and public safety claims occur on a very infrequent basis. Claims tend to have high costs incurred when they happen.
- 2012 and 2015 were very low years when it came to incurred costs. Generally, years that involved more personnel or public safety related claims, the impacts on the city were much greater.

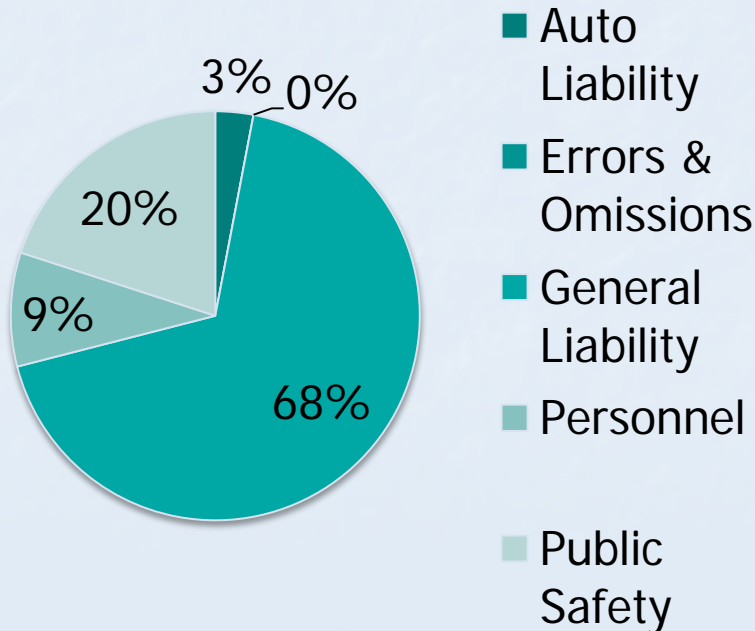
Risk Profile Observations

- Frequency: In reviewing the last 5 sets of 5 year periods (07-11, 08-12, 09-13, 10-14 and 11-15), the City of Longview exceeds actual to expected claim frequencies. The City continues on an upward trend as the expected remains relatively flat.
- Severity: In reviewing the same periods
 - 07-11, 08-12 – City losses were less than expected.
 - 09-13, 10-14 – City losses were right at expected (flat).
 - 11-15 – City losses are less than expected.

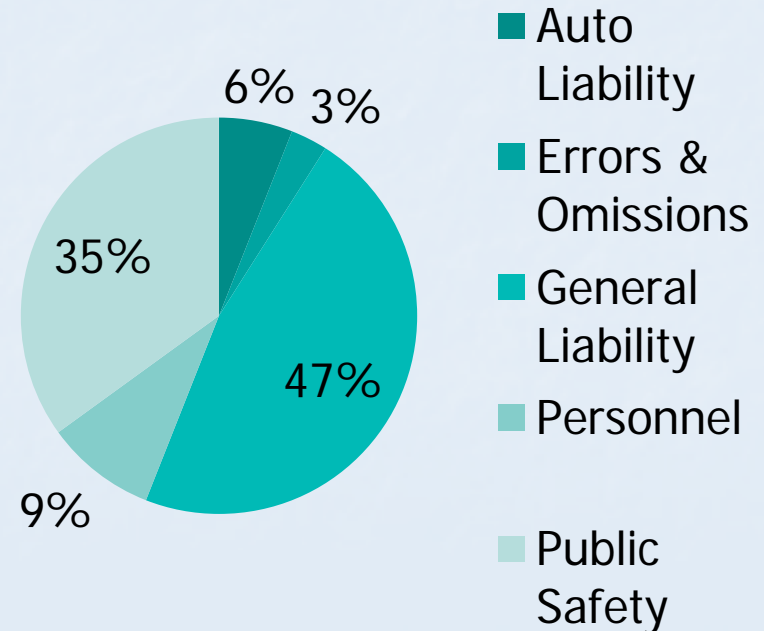
Risk Profile Observations

Claim Severity

City of Longview



Actuarial Group 4



Risk Profile Observations

Top Losses by Frequency and Severity: 2011 - 2015

FREQUENCY
Sanitary Sewer Obstruction
Sidewalk-Defect
Premise Tree/Limb
Sanitary Sewer Defect
Water Main Break
Water Debris
PS Excessive Force
Water Service Interruption
Auto Liability/Rear End
OP Construction

SEVERITY
Sidewalk-Defect
PS Excessive Force
Storm Sewer Design
EP Discrimination
Sanitary Sewer Obstruction
Water Main Break
Street – Defect/Other
ES Electric Service Interruption
Auto Liability/Rear End
PS Canine

* Top 4 in frequency were identical in 2008-2012 figures

Opportunities for the City Of Longview

- Decrease the number of claims with a minimum goal to align with our actuarial group. (1998 to 2002 was the last 5 year period the city has less claims than the actuarial group expected)
- Reduce the number of claims and incurred costs associated with each claim as relating to PW Streets, PW Sewer and PW Water.
- #1 frequency type of claim for the City of Longview is Sanitary Sewer Obstructions. Reduction of claims through various methodologies, included those identified in the 2016 annual WCIA audit.

Opportunities for the City Of Longview

- #1 severity type of claim with costs incurred are sidewalk defects. WCIA provides a sidewalk tool kit to assist the organization in improving its sidewalk infrastructure programming. This plan assists organizations on how to address its sidewalk infrastructure issues, while considering budget and staffing constraints.
- Risk Management will continue to raise the awareness amongst management and staff on the importance of reducing risk as associated with claims management and handling. WCIA provides a wealth of resources to assist in this area.

Accomplishments

■ In the 2011-2015 period:

- The city expected costs incurred versus actual incurred is 2.18M and 1.74M respectively. The city exceeded the expectations of the WCIA and Actuarial Group #4. Claim type exceeding expectations: Auto Liability, E&O, Personnel and Public Safety.
- The city expected claim counts to actual claim counts in 4 of the 5 claim types are below WCIA's expected count (Auto Liability, E&O, Personnel and Public Safety)
- Police and fire (public safety) collectively have far exceeded the expectations of WCIA in the areas of claim counts and actual costs incurred.
- Auto liability makes up only 3% of our claim severity as an organization, as Actuarial Group #4 and WCIA are at the 6% mark.
- Trends in the last 12 to 15 months are pointing in the down direction, in the area of PW Sanitary Sewer Obstruction claims. This is a step in the right direction, but there is much more to do and consider. Will continue to monitor this trend.

In the world of risk pooling, we are only as strong as our weakest link.

It is imperative that the city strives to do its part to reduce pool risk; by not being the weakest link, but an example of its strongest!

QUESTIONS ?

Brian Loos
City of Longview
Safety & Risk Manager
360.442.5024
brian.loos@mylongview.com