

CHARTING OUR COURSE

Activities of WSTIP's Committees and Board



August 27, 2009 ~ Executive Committee Meeting

This Activity Report is an effort to keep all Board Members informed on recent and ongoing WSTIP activities. Feel free to pass this information on to any and all interested parties.

To view the supporting materials for this meeting go to <http://board.wstip.org> and select the August 2009 Meeting.

Washington State Transit Insurance Pool Executive Committee met on August 27, 2009, at the WSTIP office in Olympia, Washington. Executive Committee Members in attendance were: Mark Carlin, Grays Harbor Transit (Secretary); Ben Foreman, Intercity Transit (Treasurer); Tom Hingson, Everett Transit (Vice-President); Ed McCaw, Valley Transit (Small System Representative); Ken Mehin, Yakima Transit (Medium System Representative); Jim Plaster, Spokane Transit (President); Jeff Ristau, Community Transit (Large System Representative); and Chris Smith, CUBS (At-Large System Representative). Committee members absent: Jamie Collier, Clallam Transit (Past President). Guests in attendance were: Rick Steddom, Alliant Insurance Services; and Kevin Wick, PriceWaterhouseCoopers. WSTIP Staff in attendance were: Anna Broadhead, Member Services Assistant; Tracey Christianson, Member Services Manager; Ron Franz, General Counsel; Al Hatten, Executive Director; and Jerry Spears, Deputy Director.

Call to Order

President Plaster called the meeting to order at 10:05 am. Plaster congratulated Hatten on becoming the Chairman of the Governmental Entities Mutual (GEM) Board. Hatten thanked Plaster and also thanked everyone for the response and consideration given to him and Kandy regarding the death of his sister. Plaster called for changes to the agenda. There were no changes to the agenda.

Consent Agenda

Carlin moved to accept the minutes of the July 21, 2009, Executive Committee meeting and check numbers 20484 through 20673 in the amount of \$650,049.00. Internet transfers of \$33,464.59 for the 07/15/09 payroll and \$34,318.58 for the 07/31/09 payroll from the WSTIP Claims and Administration Account to the WSTIP Payroll Account at US Bank; internet, ACH and electronic payments for staff credit cards, travel reimbursements/consulting services and service charges total \$12,310.59. Total voucher approval of \$730,142.76. Smith seconded the motion and it passed.

Ristau joined the meeting via teleconference at 10:10 am.

Presentation

Kevin Wick from PriceWaterhouseCoopers talked to the group about the Pool's experience rating. To view his presentation, go to the materials for the meeting on <http://board.wstip.org>.

Staff and Financial Reports

Financial Reports - Hatten noted that the Thurston County Investment Pool is making just below three percent. Plaster asked about the outstanding Island Transit invoice. Spears reported that would be paid next month. Ristau asked if the RiskMaster report was showing Pierce's losses above \$1 million. Spears said no everything is in at zero dollars.

Executive Staff Report – Hatten reported that he was elected chair of the GEM Board and that GEM is going to be going through substantive change from an association based to a protective cell structure. The next GEM meeting is the end of September. In order for GEM to change its structure, it will take a discussion and vote by our Board. Hatten will continue reporting on this topic, and if you have questions feel free to contact Hatten.

Hatten reported on the ORCA project and cyber liability. King County Metro has decided to self insure, which places WSTIP members back to the beginning. Steddom and Hatten will continue working on this project with the Puget Sound area transit agencies. Ristau said Community's recent experience supports having this coverage. He said they recently foiled a hacker, the exposure is real, and he is bothered by King County Metro opting out. Steddom said as the broker he will work to resolve this quickly and efficiently.

Hatten said the H1N1 virus has reared its head again. Spears and Christianson have created a plan in case of a full born contamination, there are hand sanitizing dispensers throughout the office. If you think you have the flu or don't feel well, please stay home. Smith said they just created a business continuity program, and if anyone would like a copy to please let him know.

Pierce Transit contract is in the works, it will be done through Interlocal Agreement, which the Board will vote on. The Washington State Public Transportation Roadeo "Lite" will be August 31 at Pierce Transit. The Roadeo will be about 30% less than it has been in the past. Our contribution will be less than budgeted due to this fact. Spears is working with Wick to develop the 2010 budget. Hatten will be re-scheduling members visits cancelled; he hopes to talk about different budget scenarios for 2011.

Christianson said the Training Coalition goes quiet throughout the summer months but starts up again with the Supervisors School in September. The training room at Everett Station will be receiving tables on September 15, she thanked Community Transit for the surplus furniture they delivered, and thanked Everett Transit and the City of Everett for the beautiful training room. The first class scheduled for the Dan Snow Training room is October 1st; the class will be Accident Investigation. Hingson said the agreement for use went to the budget committee this week without any incident. He predicted the mayor will sign next week.

Christianson said our application for recognition from AGRiP was approved. We will be receiving recognition at the AGRiP conference in Seattle, October 19-22, 2009. She thanked Collier for her hard work on the application.

Christianson also updated the committee on the website portal, MVR project, and certificates of insurance. Spears said WSDOT has approached us about Google Transit and we asked for more information, as we are not interested in doing anything unless there is money attached, and they haven't gotten back to us.

The Executive Committee took a break at 12:06 pm to gather lunch. Wick left at 12:35 pm. The Executive Committee re-convened at 12:36 pm.

Sub-Committee Reports

IRM, IRM Benchmark Sub-Committee, and Camera Initiative Sub-Committee

IRM Benchmark Sub-Committee – Christianson reported that the IRM Benchmark Sub-Committee met in July after the Executive Committee meeting and will be meeting again in September. The committee will either change the draft policy or recommend it to the Policy Review Committee.

Camera Initiative Sub-Committee - The Camera Initiative Sub-Committee met on August 10, and discussed goals, and timeframes. The Sub-Committee is planning to meet on September 21 for four hours to get more into the details of this project. The committee has asked for reimbursement of expenses for meetings related to the sub-committee. The only non-Board member on the committee is Jim Merrill from Intercity Transit. A couple other people have requested to be on the committee Ernie Graichen, and Stephanie Guettinger. Hatten asked how many meetings the committee would have outside of regular Board meetings. Christianson said she wasn't sure, but that this is a complicated projected and likely will not present anything for six to nine months. Hingson asked what the past practice has been. Christianson said this is the first Board sub-committee she has worked with since she has worked at WSTIP; all others have been Executive Committee sub-committees whose expenses do get reimbursed. Hingson said he doesn't begrudge them for asking, if we want participation. Hatten said from the standpoint of this budget year, funds are available; Smith felt it should be reimbursed as did McCaw and Plaster. Plaster said he is sensitive to the number of people on the sub-committee, but feels it's an important project.

Smith moved to approve the Camera Initiative Sub-Committee be reimbursed for meeting related expenses. McCaw seconded the motion and it passed.

Hatten said that Spears and Christianson will figure out a cost for next year. Ristau suggested asking the sub-committee to prepare a budget for the project for 2010.

IRM – Christianson reported DeVoll has started assessments. We need to schedule visits when special events are not happening. Currently we are working with members who are getting surcharged, Everett, Kitsap, Mason, and Spokane. We are doing our serious loss analysis and will be reviewing what we have found, may be missing, or misunderstanding with the member. We will be visiting all members but those without serious losses are a lower priority.

Underwriting Sub-Committee Report – Hatten said he had nothing substantive to report. The Committee has received data from Christianson and will be looking at the benchmarks. There will not be any impact to the 2010 budget, expects work to continue for the next six to nine months.

COLA Process Sub-Committee Report – Hingson and Foreman said they hadn't received any feedback from their last report on this, and will be drafting language for the Policy Review Committee.

Discussion Items

Coverage Documents Review - Franz said the driver is that he and Collier thought there was an Executive Committee meeting in September. Christianson said the meeting in September is a Board meeting devoted to the budget. Plaster said his preference is to quickly finish the other discussion items and come back to the coverage documents knowing we have a 2:00 pm departure time.

Governance Policies – Carlin said the Nominations and Elections Policy is the only time-sensitive policy because of the upcoming elections.

Nominations and Elections Policy – Foreman asked about the added language of open voting. Carlin said the open voting language is due to the new WACs from the state Risk Manager, you can't have secret voting, it can be done by a show of hands or as we have done in the past, but you have to put your name on it and it has to be publicly recorded in the minutes. Christianson said most Pools have elected Boards and that process is more secretive, if you are at the board meeting everyone gets to participate and the ballots have to be open.

Hingson moved to approve the Nominations and Elections Policy as recommended by the Policy Review Committee. Mehin seconded the motion and it passed.

Pierce Transit Update – Spears noted that Hatten and Larson will be negotiating a contract to manage their third-party liability claims. Pierce Transit has elected to join the WSTIP property program effective September 25, 2009. Hatten has retained a commercial property appraiser to assess Pierce's property values. They will become the 20th member of the property program. Spears said he has received a copy of their claims audit, but hasn't had a chance to read it yet. Spears is working with Pierce to create a sub-contractor relationship regarding claims processing and subrogation. Plaster said he is in favor but wants to make sure in terms of cost considerations there is no motivation for WSTIP to make a profit or for Pierce to have a gain. Sometimes in these negotiations indirect cost allocations are not included so he just wants staff to be careful so we don't have to de-rail anything later. Hatten said staff is taking all into consideration; Pierce represents a 21 – 22 percent increase in claims volume. He also said he has been asked to participate in the selection of Joe Larson's replacement as Joe will be retiring at the end of the year.

Governance Policies

Records Retention Policy – Plaster asked for discussion regarding the policy.

Hingson moved to adopt the Records Retention Policy as recommended by the Policy Review Committee. Carlin seconded the motion and it passed.

MVR Project Update – Christianson said we can defer the decision points. She reported that she received the legal opinion that was requested at the June Board meeting and it is available online. Plaster asked Christianson to send it to the Human Resource Managers at the agencies. Christianson said she would, and said the cost of development is on track, and we expect this project to be ready before the portal is. She said we need to make a decision as to whether this is pay to play or not so we

can begin marketing this project. She said she needs to know by October if you want to recoup the cost of development, in addition to the pay to play or not. Foreman asked what the start-up cost was. Christianson replied that it was \$35,000. Foreman said this benefits all members so he felt you should just go forward and collect ongoing costs. Christianson said the cost is \$0.06 per driver per time you ping the database, our program is designed to ping the database twice per month, so cost per employee is \$0.12 per month. Spears said you have to upload your drivers. Hingson asked if it was the expectation that every driver would be reviewed every month. Christianson said yes you are actively monitoring driver records, if there is a change on your abstract, HR will get a notice saying "there's a change on Hingson's record," HR will then go in and pull a driver abstract just as they do now. Only now they won't have to pull the 90% of drivers who have no activity. You are paying in excess of \$10 each time an abstract is pulled. Hatten said WSTIP won't see a cost savings, but the member will. Hingson said so the selling point is that for a minimal fee you are tracking change.

Ristau felt that a cost analysis is in order to see if WSTIP would pay all or a portion. Christianson said she can do the cost analysis for vanpool, but she would have to do a lot more research to do all drivers. She thinks all vanpool agencies will opt in and then a number of employee groups as contracts are negotiated, as well as the cities, and other pools. Ristau said he was only interested in WSTIP at this time. Christianson said the question is who pays the \$2 per year and who pays the \$10 per record. Hatten said he would work with Spears and Christianson to develop the cost analysis. Christianson said she recommends pay to play but to not recoup the development costs. Carlin said right now it is costing him \$1,000 to run abstracts, and with this new project it will cost him \$20 or \$30, he suggested adding it to his premium. Plaster suggested instead of offering it as an opt in or out, we might ought to request their participation. We should make it expected rather than avoidable. The committee members concurred. Hatten said we have issues with labor agreements. Christianson said eventually everyone will participate. Plaster said if the legal opinion affirms our interests he isn't too concerned about someone pulling it off. Hatten said that would be the Boards prerogative. McCaw suggested it may be easier for negotiations if WSTIP was requiring this. Plaster said it's a matter of insurance and we are doing driver record checks and will be from here on out. Ristau asked what is the maximum number of vanpool and fixed route drivers, he thinks it would be to WSTIP's advantage to foot the bill. Spears said there are 4,500 employees not counting vanpool drivers. Foreman said it would cost Intercity Transit about \$1,400 per year. Christianson said you still have to go and obtain an abstract if it comes back with a hit. Carlin asked if it had to be twice per month. Christianson said it's written in the contract for development that way. Plaster asked staff to continue due diligence and bring it back.

Strategic Financial Ratios – Spears thanked Ristau for spending an entire day with him. He said they hammered away on the model document and by policy the Executive Committee wants to review the ratios every August. The challenge they ran into was some of the members didn't fill in the report the correct way. This was a new concept to Pierce. He said that Ristau had built the models and will update them once the numbers from the actuary are received. Ristau added that this is a work in progress until the actuarial numbers are received. He said he thinks they need to work on the categories for the property value area, particularly in reporting content versus building value. This will be presented next month more concretely. Hatten, Spears, and Steddom will meet and get number for the reinsurance coverage. Spears will have more information on the ratios next month.

Coverage Documents – Plaster asked Franz to give a concise verbalization of the changes you chose to make or not make.

Franz said that five or six years ago WSTIP did a comprehensive review of the Coverage Documents in-house. This time we have had outside counsel and ARMTech review our policies. Franz made changes and forwarded the revised Coverage Documents on to Steddom, along with the Verwolf and ARMTech reports. Steddom had additional comments and suggestions which Franz made in the revised Coverage Documents. Franz explained that his philosophy under these draft Coverage Documents was for the Pool not to insure anything with significant risk unless the Pool can underwrite for it. Plaster asked if there was a driving need to have the Board adopt these policies before the annual meeting. Hatten deferred response to Steddom. Steddom said he doesn't see anything terribly controversial in this draft. He said he can submit the draft coverage agreement to the re-insurers. Plaster said he understands the need to protect the Pool, but has a broader interest as a consumer. He advocated spending more time to evaluate the policies with Franz, and Steddom. Franz said these policies are better than the ones you have now and there is no contraction of coverage, but rather an expansion. If you put your stamp of approval on these for the Board to approve, so Hatten and Steddom can market, it's not to say you cannot make changes later. Hatten said the work that Steddom and Franz have done changes our marketing strategy. It is our recommendation to approve these changes as submitted by Counsel for the Board to adopt in September. He feels this is in the interest of the Pool and the membership. Ristau said in the timeframe we have left for this meeting if the plan is to have this adopted in September then we can call a special Executive Committee meeting with this as the only topic of discussion before the Board meeting. Plaster said there is an optional dinner scheduled for the night before the Board meeting perhaps we can discuss then. Hatten said depending on the number of attendees the dinner may be at the Hatten's. He suggested submitting the red-line documents to your counsel and request that comments be returned one week prior to the meeting, so that you have a chance to discuss with your Boards. Plaster concurred, but would enjoy Franz narrating the changes. Hingson concurred. Ristau suggested a teleconference two weeks prior to the meeting. Hatten said that would be enough time to prepare for Steddom, Franz and himself.

RE-CAP/Review of Meeting

The next Executive Committee meeting will be held in conjunction with the AGRiP Leadership Conference at the Hyatt in Seattle. It is the recommendation of the Executive Committee to have all members attend. Plaster reviewed the work plan and noted that the underwriting committee, camera committee, software replacements, budget process and the COLA subcommittee will all be reporting.

Adjournment

President Plaster thanked everyone for attending and adjourned the meeting at 1:58 pm.