



Risk Management in Motion

2007 ANNUAL REPORT



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Introduction

The Washington State Transit Insurance Pool (WSTIP) is a coalition of 23 public transit agencies in the state of Washington that have pooled their resources in order to acquire insurance coverage at an affordable price.

WSTIP insures its members and purchases additional insurance coverage from the commercial market. WSTIP manages claims on behalf of its members, and works to keep insurance rates down by encouraging best practices, offering training, and providing a forum where members can share ideas and observations.

To learn more about WSTIP, log onto our website at www.wstip.org. If you have questions regarding WSTIP that are not addressed on our website, contact us at:

Washington State Transit Insurance Pool
2629 12th Court SW
Olympia, WA 98502
360-586-1800



ad•vance•ment:

n. progression to a higher
stage of development

A Message from Ben Foreman

2007 President of the Board

Over the last several years, the WSTIP Board of Directors has orchestrated considerable change to the way WSTIP operates, the services offered, and the methods used to stabilize risk management costs for our members. That foundational work enabled us to establish a foothold and gain momentum in becoming the kind of risk management pool our members need in the 21st century.

The momentum we gained in 2006 helped propel us toward the advancements of 2007.

The theme for our Annual Report last year was momentum. The momentum we gained in 2006 helped propel us toward the advancements of 2007. Advancements in 2007 included governance and operational changes. On the governance side, the Executive Committee launched an initiative to shift from a resolution-based governance system to a policy-based system. A subcommittee outlined the format each policy will take, and began converting new and old board resolutions into governance, organizational, finance, or operational policy. The goal is to review all policies on a regular and timely basis. In order to expedite this governance change, the WSTIP Board updated the Bylaws in November of 2007.

Another surge of advancement occurred on the operational side as WSTIP continued exploration of how integrating risk management tools and concepts could be a means of incorporating best practices into all aspects of transit agency operations. In July 2007, WSTIP adopted its own Integrated Risk Management program (IRM) and

searched for a partner to take the program from idea to reality. In August, WSTIP signed a contract with Select, Inc. in Vancouver, and IRM field service began in September. The expectations for the IRM Team are to integrate into member agencies, and with the permission and authority of each general manager, provide on-site risk management services in whatever form needed by each member.

WSTIP also tackled a particularly sensitive issue, straddling operations and governance, involving Limited Mode Service Providers. A number of our members contract with external organizations to provide specialized transportation service. The question had arisen as to whether, and to what level, these contracted organizations are covered by WSTIP. After a series of public meetings, and numerous intense Executive Committee and Board discussions, the Board hammered out a policy putting the Limited Mode Service Provider questions to rest. Besides resolving a weighty issue, the Board also exercised their new found knowledge of parliamentary procedures, having received training on the subject during the March quarterly Board meeting Work Session.

The last highlight of the year was bringing in our 23rd member, Asotin County Public Transportation Benefit Area. We welcome our new member and look forward to their full participation and insights.

2008 holds great promise for us as we continue advancing and refining WSTIP policies, services, and products to better meet our members' needs. I was honored to serve as the 2007 President, and look forward to continued WSTIP advancements in 2008.

Ben Foreman is the Finance and Administrative Director for Intercity Transit located in Olympia, Washington.

Board of Directors

Asotin County PTBA

Kim Gates, PTBA Coordinator

Ben Franklin Transit

Allen Walch, Administrative Services Manager

Alt: *Tim Frederickson*, General Manager

Alt: *Jim Thielke*, Safety/Training Supervisor

Clallam Transit

Terry Weed, General Manager

Alt: *Jamie Collier*, Finance Administrator

Columbia County Public Transportation

Stephanie Guettinger, General Manager

Community Transit

Jeff Ristau, Chief Financial Officer

Alt: *Emmett Heath*, Director of Administration

Alt: *Mike Burrell*, Risk Manager

CUBS

Chris Smith, Risk Manager

Alt: *Jeff Cameron*, Public Works Director

Everett Transit

Tom Hingson, Transportation Services Director

Alt: *George Baxter*, Operations Manager

Alt: *Chris Muth-Schulz*, Risk Manager

Grant Transit

John Escure, General Manager

Alt: *Brandy Heston*, Administrative Assistant

Grays Harbor Transit

Mark Carlin, Operations Supervisor

Alt: *Dave Rostedt*, General Manager

Alt: *Jean Braaten*, Bookkeeper

Intercity Transit

Ben Foreman, Finance and Administrative Director

Alt: *Leslie Williamson*, Finance Manager

Island Transit

Sandra Kuykendall, Administrative Services Director

Alt: *Martha Rose*, General Manager

Alt: *Dave French*, Service Coordinator

Alt: *Staci Jordan*, Rideshare Coordinator

Jefferson Transit

Van Church, Finance and Human Resources Administration

Alt: *Dave Turissini*, General Manager

Kitsap Transit

Paul Shimmers, Finance Director

Alt: *Jeff Cartwright*, Human Resources Director

Link Transit

Lynn Bourton, Administrative Services Manager
Alt: *Nick Covey*, Finance Manager

Mason Transit

Kathy Cook, Administrative Services Manager
Alt: *Dave O'Connell*, General Manager

Pacific Transit

Tim Russ, General Manager
Alt: *Audrey Olson*, Office Manager/Clerk of the Board

Pullman Transit

Troy Woo, Finance Director
Alt: *Rod Thornton*, Transit Manager

Skagit Transit

Dale O'Brien, General Manager
Alt: *Crystil Collins*, Finance and Administrative Manager
Alt: *Motoko Pleasant*, Finance and Administrative Manager

Spokane Transit

Jim Plaster, Director of Finance and Administration
Alt: *Jim Richey*, Financial Analyst
Alt: *Steve Blaska*, Director of Operations

Twin Transit

Ernest Graichen, General Manager
Alt: *Cathy Whitney*, Operations Manager

Valley Transit

Ed McCaw, Administration and Finance Manager
Alt: *Dick Fondahn*, General Manager

Whatcom Transit

Richard Walsh, General Manager
Alt: *Steve Clancy*, Director of Finance

Yakima Transit

Ken Mehin, Transit Manager
Alt: *Chris Waarvick*, Public Works Director

Associate Members

C-TRAN

Arlene Doern, Human Resources Director

Ohio Transit Risk Pool

John Nielson, Chief Executive Officer

Pierce Transit

Joe Larson, Risk Manager

A Message from Allen F. Hatten

Executive Director

WSTIP's high-quality performance depends heavily on the high-quality performance of its employees, who, under the visionary leadership of the WSTIP Board, carry out initiatives, and conduct the day-to-day business of the pool. Innovation and performance were hallmarks for 2007, and are clearly exemplified in the formation of the Integrated Risk Management program (IRM), and the Guest Rider project.

Innovation and performance were hallmarks for 2007, and are clearly exemplified in the formation of the Integrated Risk Management program (IRM), and the Guest Rider project.

Staff initiated IRM due to a great desire to provide innovative on-site risk management service to the members. Staff communicated the vision and the goals of the IRM business plan to stakeholders during numerous personal visits, and Executive Committee and Board presentations. With the Board's preliminary approval, a subcommittee of members developed the Request for Proposals, reviewed interested firms, and provided feedback about a partnership selection. The Board concurred with the recommendation and provided funding for three years for the Integrated Risk Management program.

Staff aren't the only innovators in the WSTIP family. The Guest Rider Project grew from an idea funded in the 2005 Competitive Grant program. Valley Transit and Pullman Transit swapped

supervisors to conduct anonymous ride checks, and WSTIP helped fund the expenses. After their initial success, the two members recommended expanding the program on a regional basis, and Clallam, Grays Harbor, Jefferson, and Mason joined the original two in refining the service. The Guest Rider Program is designed to provide transit agencies with knowledgeable, experienced feedback regarding operator performance in the areas of safety and passenger relations. Relying on the trained observation of outstanding transit supervisors and operators from fellow WSTIP member agencies, participating agencies are able to capture the best that Washington transit organizations have to offer, identify areas where improvement could be made, and highlight areas where further training would be beneficial. This grass roots innovation was funded for 2008, and eight members are planning to participate.

In 2007, we bid farewell to two wonderful employees who played tremendous roles in the advancements WSTIP has enjoyed over the years. Information Services Specialist Donald Orton left WSTIP to join the IS staff of Kitsap Transit, and Administrative Assistant Carolyn Duncan returned home to her native Alabama. Both Don and Carolyn made remarkable contributions to the performance of our organization, and we know they will prove themselves invaluable in their new ventures.

The departure of Don and Carolyn presented WSTIP with the daunting challenge of finding others to fill their shoes. We are very pleased to have hired Andrea Powell as our new Information Services Specialist. Andrea has been managing computer networks since 1991,

most of which has been on behalf of public-sector organizations such as the University of Washington, North Thurston Public Schools, and the Office of the Attorney General. She also co-owned and operated a local internet service provider business. Andrea's career has focused on distributed network applications, internet-based software delivery, and project management.

Joanne Jerabek joined our staff as our new Administrative Assistant. Joanne has four years experience in the administrative services field and held the position of the office manager at APS Healthcare in Olympia prior to joining our staff. She is a graduate from North Thurston High School, South Puget Sound Community College, and the University of San Diego. Her degree is in international relations.

As WSTIP staff members, we are all most proud of the outstanding working relationship we have with our Board members. That level of trust and spirit of collaboration has enabled WSTIP to explore new horizons while continually strengthening our fundamental mission, which is to provide value-added services to our members.



per·form·ance:
n. the fulfillment of
a claim, promise or
request.



Staff Members

Allen F. Hatten, Executive Director

Responsible for oversight of all operations, purchasing, and placement of insurance, and board relations.

M. Jerry Spears, Deputy Director

Serves as the claims manager, information services manager, and finance manager for the program. Supervises claims and information services staff.

Tracey Christianson, Member Services Manager

Responsible for member communications, loss control and prevention programs, and training. Manages the activities of the Integrated Risk Management Program and the Washington State Transportation Training Coalition.

Ronald A. Franz, Legal Counsel

Provides legal advice to the Pool and its members on a wide range of questions and issues.

Denise Ellison, Claims Specialist

Licensed independent adjuster. Adjusts third party bodily injury and property damage claims against the members, manages and pursues subrogation recovery. Also develops, organizes, and manages the annual claims coordinator conference. Provides training for and support of member claims coordinators on the Riskmaster database; and acts as the WSTIP Facility Coordinator.

WSTIP Service Providers

Don Orton/Andrea Powell,
Information Services Specialist

Responsible for network administration, desktop application support, and hardware troubleshooting for the WSTIP and WSTA staff. Also serves as the webmaster for all WSTIP support websites.

Anna Broadhead, **Member Services Assistant**

Serves as the Clerk of the Board, provides overall administrative support to staff, and coordinates registration for training activities.

Marisa Espinoza, **Assistant to the Deputy Director**

Responsible for payroll, accounts receivable, accounts payable, prepares financial documents, RiskMaster reports, underwriting, provides administrative support to the Deputy Director, and RiskMaster support.

Carolyn Duncan/Joanne Jerabek,
Administrative Assistant/Receptionist

Answers phones, provides administrative support to staff, and assists the Washington State Transportation Training Coalition.

Broker Services

Alliant Insurance Services, Newport Beach, CA

Actuarial Services

PricewaterhouseCoopers, Seattle, WA

Accounting Services

McSwain & Company, Olympia, WA

2007 Coverages

Coverages provided by WSTIP are a combination of self-insurance, coverage purchased from a captive insurance pool, and commercial market insurance. Members may purchase only the coverage they need. The following shows the amount of coverage available to

WSTIP regular members including all layers. Some members purchase umbrella coverage above the limits listed in this table. Members select deductibles to meet their needs and deductibles vary from member to member, and coverage to coverage.

WSTIP Liability Coverages

Liability Coverage

Bodily Injury and Property Damage	\$12 million each occurrence (and in the aggregate for products/completed operations hazard)
Personal Injury and Advertising Injury	\$12 million each offense
Vanpool Driver Medical Expense Protection*	\$10,000 each occurrence
Underinsured Motorist Coverage*	\$60,000 each occurrence for bodily injury
Public Officials Liability Coverage‡	\$12 million per occurrence and aggregate

* optional coverage

‡ claims made coverage, retroactive to the member's entry date into the program

Property Coverages

Property Excess Program

Public Entity Property Insurance Program	from July 1, 2006 to July 1, 2007
Per occurrence, all perils, coverages and insureds/members combined, subject to the sublimits*:	\$350 million
All flood zones except A & V. \$1 million for flood zones A & V dedicated flood limit—per occurrence and annual aggregate	\$10 million
Dedicated limit for earthquake shock—per occurrence and annual aggregate	\$10 million
Combined business interruption, rental income and tax interruption per member except \$500,000/\$2.5 million maximum per occurrence limit if values are not reported by member	\$100 million
Per occurrence for extra expense	\$50 million
Miscellaneous unnamed locations for existing members excluding earthquake	\$10 million
Automatic acquisition for new locations up to \$100 million for existing members (report within 90 days); no earthquake coverage	\$25 million
Unscheduled landscaping	\$1 million
Course of construction and remodeling projects with values not exceeding \$25 million	\$25 million
Unscheduled fine arts	\$2.5 million
Accidental contamination per occurrence and annual aggregate per member with \$500,000 annual aggregate for all members	\$250,000
Increased cost of construction due to the enforcement of building codes	\$25 million

* not a complete list of sublimits, please see actual policy for details

Property Coverages

Property Excess Program

Public Entity Property Insurance Program	from July 1, 2007 to July 1, 2008
Per occurrence, all perils, coverages and insureds/members combined, subject to the sublimits*:	\$1 billion
Dedicated flood limit—per occurrence and annual aggregate	\$10 million
Per occurrence and annual aggregate Flood Zone A & V sublimit (inclusive of all 100 year exposures) and does not increase the specific flood limit of liability	\$1 million
Dedicated earthquake shock limit—per occurrence and annual aggregate	\$10 million
Combined business interruption, rental income and tax interruption per member except \$500,00/\$2.5 million maximum per occurrence limit if values are not reported by member	\$100 million
Extra expense	\$50 million
Miscellaneous unnamed locations for existing members excluding earthquake	\$10 million
Automatic acquisition for new locations up to \$100 million for existing members (report within 90 days); no earthquake coverage	\$25 million
Unscheduled landscaping	\$1 million
Errors and omissions	\$40 million
Course of construction and remodeling projects with project values not exceeding \$25 million	\$25 million
Unscheduled fine arts	\$2.5 million
Accidental contamination per occurrence and annual aggregate per member with \$500,000 annual aggregate for all members	\$250,000

* not a complete list of sublimits, please see actual policy for details

Property Excess Program (continued)

Increased cost of construction due to the enforcement of building codes	\$25 million
Watercraft up to 27 feet	\$2.5 million
Off premises services interruption including extra expense resulting from a covered peril at non-owned/operated locations	\$25 million
Contingent business interruption, contingent rental values, and contingent extra expense separately	\$2.5 million

WSTIP Miscellaneous Coverages

Crime Coverage/Public Employee Dishonesty

Great American Insurance Group

Public employee dishonesty (includes faithful performance of duties and the following as employees: chairmen/members of committees, directors/trustees on committee, specific non-compensated officers, and volunteer workers)	\$1 million each occurrence
Forgery or alteration	\$1 million each occurrence
Theft disappearance and destruction	\$1 million each occurrence
Computer fraud	\$1 million each occurrence
Robbery and safe burglary	\$1 million each occurrence

WSTIP Miscellaneous Coverages

Equipment Breakdown/Boiler and Machinery

Continental Casualty Company

Equipment breakdown limit, subject to sublimits*:	\$100 million
Property damage	Included in breakdown limit
Business income	Included in breakdown limit
Extra expense	Included in breakdown limit
Utility interruption for utilities owned by others	\$10 million
Ammonia contamination	\$10 million
Water damage	\$10 million
Consequential damage	\$10 million
Electronic Data Processing Media	\$2 million
Demolition and increased cost of construction	\$10 million
Hazardous substances	\$1 million
Expediting Expense	\$1 million
Ordinance of law, demolition or increased cost of construction	\$10 million
Newly acquired locations	\$25 million

Balance Sheet

For the Fiscal Year ending December 31, 2007*	2007	2006
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 19,451,676	\$ 16,580,959
Investments	750,000	750,000
Member Assessments Receivable	75,829	138,358
Prepayments	211,664	270,241
TOTAL CURRENT ASSETS	20,489,169	17,739,558
Noncurrent Assets:		
Capital Assets (Net of Accumulated Depreciation)	433,311	448,815
TOTAL NONCURRENT ASSETS	433,311	448,815
TOTAL ASSETS	\$ 20,922,480	\$ 18,188,373
Liabilities		
Current Liabilities:		
Unpaid Claims Liability	\$ 6,302,212	\$ 5,472,993
Accounts Payable	45,765	62,322
TOTAL CURRENT LIABILITIES	6,347,977	5,535,315
Noncurrent Liabilities:		
Compensated Absences	64,916	52,036
TOTAL NONCURRENT LIABILITIES	64,916	52,036
TOTAL LIABILITIES	\$ 6,412,893	\$ 5,587,351
Net Assets		
Building Reserve	\$ 45,000	\$ 30,000
Unrestricted Surplus	20,766,799	12,571,022
Reserve for Prior Year Claims	(6,302,212)	(5,472,993)
TOTAL NET ASSETS	14,509,587	12,601,022
TOTAL NET ASSETS AND LIABILITIES	\$ 20,922,480	\$ 18,188,373

*At the time of publishing, 2007 financial statements had not been audited.

Statement of Revenues, Expenses, and Changes in Net Assets

For the Fiscal Year ending December 31, 2007*	2007	2006
Operating Revenues		
Member Assessments	\$ 7,202,734	\$ 7,083,163
Program Revenues	471,823	253,148
TOTAL OPERATING REVENUES	\$ 7,674,557	\$ 7,336,311
Operating Expenses		
Claims Paid on Current Losses	\$ 4,312,346	\$ 3,787,072
Adjustment to Prior Years' Claim Reserve	(1,165,427)	168,654
Excess Insurance Premiums	1,941,798	1,709,917
Depreciation Expense	15,504	20,823
Operating Expenses	1,151,287	981,026
Insurance Services:		
Brokerage Fee	96,600	92,000
Other Insurance Services	423,571	240,148
TOTAL OPERATING EXPENSES	6,775,679	6,999,640
OPERATING INCOME (LOSS)	\$ 898,878	\$ 336,671
Nonoperating Revenues (Expenses)		
Interest and Dividend Income	\$ 1,009,687	\$ 800,140
CHANGE IN NET ASSETS	1,908,565	1,136,811
TOTAL NET ASSETS, January 1	\$12,601,022	\$ 11,464,211
TOTAL NET ASSETS, December 31	\$14,509,587	\$ 12,601,022

Statement of Cash Flow

For the Fiscal Year Ended December 31, 2007*	2007	2006
Cash Flows from Operating Activities		
Cash Received from Members	\$7,265,263	\$7,062,858
Cash Payments to Suppliers for Goods and Services	(5,999,450)	(5,826,587)
Cash Payments to Employees for Services	(705,825)	(610,071)
Increase (Decrease) in Claim Reserve	829,219	127,971
Other Operating Revenues	471,823	257,144
Net Cash Provided (Used) by Operating Activities	1,861,030	1,011,315
Cash Flows from Noncapital Financing Activities		
Net Cash Provided (Used) by NonCapital & Related Financing Activities	0	0
Cash Flows from Capital and Related Financing Activities		
Net Cash Provided (Used) by Capital & Related Financing Activities	0	0
Cash Flows from Investing Activities		
Proceed from Sales of Investments		
Purchase of Investments		
Interest Received	1,009,687	800,140
Net Cash Provided (Used) by Investing Activities	1,009,687	800,140
Increase (Decrease) in Cash and Cash Equivalents	2,870,717	1,811,455
Cash and Cash Equivalents, January 1	16,580,959	14,769,504
Cash and Cash Equivalents, December 31	\$19,451,676	\$16,580,959

*At the time of publishing, 2007 financial statements had not been audited.

Claims Development Information

For the year ending December 31, 2007*

The table below illustrates how the Fund's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last ten years. The table of rows are defined as follows:

- (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues.
- (2) This line shows each fiscal year's other operating costs of the Fund including overhead and claims expenses not allocated to individual claims.
- (3) This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

Columns of the table show data for successive policy years.

Fiscal and Policy Year Ended (in thousands of dollars)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1. Net earned required contribution and investment revenues	2,653	2,604	2,849	3,262	3,188	3,963	4,996	6,104	6,272	6,497
2. Unallocated expenses	650	822	806	859	1,196	1,134	1,256	1,370	1,331	1,687
3. Estimated incurred claims and expenses, end of policy year	1,590	1,930	1,679	2,200	1,853	2,020	3,153	2,484	3,329	2,990

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
4. Paid (cumulative) as of:										
End of policy year	155	149	118	204	178	125	358	307	472	451
One year later	679	642	366	459	255	435	826	758	1,276	
Two years later	927	1,044	514	927	897	724	1,983	1,635		
Three years later	980	1,367	603	1,086	987	1,078	2,391			
Four years later	1,154	1,540	619	1,200	1,057	1,156				
Five years later	1,167	1,540	771	1,272	1,186					
Six years later	1,174	1,541	772	1,272						
Seven years later	1,174	1,541	772							
Eight years later	1,174	1,542								
Nine years later	1,174									
5. Re-estimated incurred claims and expenses										
End of policy year	1,590	1,930	1,679	2,200	1,853	2,020	3,153	2,484	3,329	2,990
One year later	1,779	1,942	1,310	1,867	1,628	1,569	2,715	2,371	3,768	
Two years later	1,942	1,760	1,082	1,764	1,424	1,361	2,653	2,186		
Three years later	1,318	1,802	841	1,450	1,203	1,224	2,810			
Four years later	1,246	1,656	757	1,334	1,237	1,246				
Five years later	1,241	1,569	777	1,272	1,245					
Six years later	1,191	1,542	771	1,272						
Seven years later	1,174	1,543	772							
Eight years later	1,174	1,543								
Nine years later	1,174									
6. Increase (decrease) in estimated incurred claims and expenses for end of the policy year										
	(416)	(387)	(907)	(928)	(608)	(774)	(343)	(298)	439	0

*At the time of publishing, 2007 financial statements had not been audited.

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

For the Fiscal Year Ended December 31, 2007*	2007	2006
Operating Income	\$ 898,878	\$ 336,661
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	15,504	20,823
(Increase) Decrease in member assessments receivable	65,529	(20,305)
(Increase) Decrease in other prepaid expenses	58,577	(145,693)
(Increase) Decrease in insurance recoverables		650,000
Increase (Decrease) in claim reserves	829,219	124,971
Increase (Decrease) in payables	(16,557)	41,826
Increase (Decrease) in other liabilities	12,880	(3,974)
Net Cash Provided (Used) by Operating Activities	\$ 1,861,030	\$ 1,004,309

**At the time of publishing, 2007 financial statements had not been audited.*



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2629 12th Court SW

Olympia, WA 98502

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www.wstip.org