

RISK MANAGEMENT IN MOTION

continuing THE journey



Annual Report 2008



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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

THE road ahead



The mission of the Washington State Transit Insurance Pool is to provide value-added services to our members. We accomplish this by stabilizing members' cost of risk; providing comprehensive management services; looking at innovative opportunities; and encouraging alliances and partnerships. In 2008 we continued to accelerate the pace of fulfilling that mission. We're proud that we achieved the lofty goals we set at the beginning of the year and, from the perspective of this summit, we can clearly see the road ahead. As we look forward to our 20th year of serving the risk management and insurance needs of our members, the continuity of Executive Committee membership that started three years ago will continue to propel us forward on all cylinders. Where we are today and what we can achieve tomorrow is a direct result of the efforts and commitment of those who came before us and the visionary course they charted from the beginning.

"STABILIZING MEMBERS' COST OF RISK" – BY CHARTING OUR COURSE WITH A REVITALIZED STRATEGIC PLAN

Jeff Ristau (Community Transit), Ben Foreman (Intercity Transit), Jim Plaster (Spokane Transit), and Steve Clancy (Whatcom Transit) guided the Board through complex discussions to develop a rigorous and comprehensive 2008-2013 Strategic Plan tied to member's Transit Development Plans. More than a static plan, it is a tool that will permit the Board and staff to evaluate alternatives and explore the financial impact of possible seen and unforeseen decisions and events. Best of all, the Strategic Planning team created an on-going process

that will always be current and relevant to the needs of the Pool and its members.

In developing the plan, WSTIP Board members participated in a survey and Board members and general managers attended a Strategic Summit to explore ideas. From their input, the Strategic Planning Committee developed a forecasting model and drafted the 2008 version of the strategic plan for the Board to consider. Members at the Summit also considered governance issues and financial practices, as well as the role our strategic partners play in our operations. The plan is a roadmap that enables WSTIP to maintain stable rates and coverage availability, enhance member access to WSTIP's core services, and reduce members' risk costs.

"PROVIDING COMPREHENSIVE MANAGEMENT SERVICES" – BY RESTRUCTURING THE INTEGRATED RISK MANAGEMENT PROGRAM

Started in 2007, the Integrated Risk Management (IRM) program is an innovative and comprehensive approach to enable members to make fundamental changes in the way they manage activities to significantly lower the cost of risk and improve services. Dissatisfied with the implementation of that program, staff and the Executive Committee took the bold but deliberate step to phase out a consulting relationship and bring the program in-house, while retaining the ability to terminate the effort if the goals are not met. The IRM program is being monitored by a representative subset of the Executive Committee and looks forward to regular reporting of progress to the Pool's members.

In addition to the IRM program implementation, staff increased its reliance and

employment of technology to meet member needs, such as online training and onboard cameras for member systems. WSTIP will continue to facilitate the Training Coalition, support members in managing workers injury issues, expand legal services for pre-litigation matters, and pool our efforts on transit-related legislative concerns.

**“LOOKING AT INNOVATIVE OPPORTUNITIES” –
THROUGH A THOROUGH EXAMINATION OF
FIDUCIARY LIABILITY ISSUES**

In 2008, the WSTIP Executive Committee and staff explored the Pool’s collective exposure to fiduciary liability arising out of the sponsorship of employee benefit and retirement plans. After extensive discussion and research, the Board decided to continue to cover this exposure under the errors and omissions insurance policy, with the knowledge that Government Entities Mutual, Inc. and excess carriers would likely exclude it. (WSTIP is a member of GEM, which provides stable and affordable reinsurance coverage for its members – public entity insurance pools and companies.) In 2009 the Pool intends to address ways to mitigate this nascent exposure.

**“ENCOURAGING ALLIANCES AND PARTNERSHIPS” –
BY EXPANDING MEDICAL EXPENSE COVERAGE FOR
VANPOOL DRIVERS**

In response to member vanpool program concerns, the WSTIP Board voted to approve an amendment to the vanpool medical expense plan that raised the limits from \$10,000 to \$35,000 with a rate change from \$.006 to \$.007 per mile. The increased coverage will go into effect January 1, 2009 and bolster member’s efforts to expand this cost-effective transportation option in Washington.

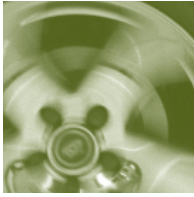
In 2008, the WSTIP Board of Directors and its Executive Committee re-laid the roadbed of relationships in the Pool by implementing the policy statement approach to governance. Shifting from a resolution-based approach to a comprehensive policy-based governance format, the Board

completely converted the Comprehensive Financial Management Resolution into policy statements and updated the Bylaws in the process. The shift provides the Board and Executive Committee a more workable context for decision-making, reduces the need to research multiple resolutions in order to guide those decisions, captures the intent of the Board in formulating the policies, and establishes a continuous review process for those policies. (The Board voted in 2007 to revise the Bylaws to prepare the way for this shift in 2008.)

**“WE ACCOMPLISHED ALL THIS” – BY CONTINUING
TO ADHERE TO A CORE SET OF VALUES THAT
PROMOTE COLLABORATION, RESPECT, AND
COMMITMENT TO ACTING IN THE BEST INTERESTS
OF POOL MEMBERS AS A WHOLE**

I am most proud that during my tenure as President, every member of the Executive Committee (and many folk outside this group) took an active part in moving this organization further on its path. We are indeed a prime example of a Pool that is greater than the sum of its constituent members. I was honored to have the opportunity to facilitate such a committed community of public servants and pass the baton secure in the knowledge that others will carry it far beyond what we can foresee today.

*Jamie Collier is the Finance Administrator for
Clallam Transportation Authority located in
Port Angeles, 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 Thoeke, 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 Burress, Risk Manager

CUBS

Chris Smith, Risk Manager

Alt: Jeff Cameron, Public Works Director

Alt: Kevin Merry, Transit Manager

EVERETT TRANSIT

Tom Hingson, Transportation Services Director

Alt: George Baxter, Operations Manager

Alt: Chris Muth-Schulz, Risk Manager

GRANT TRANSIT

Greg Wright, 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 Shinnors, 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: 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, Administrative Services Director

OHIO TRANSIT RISK POOL

John Nielson, Chief Executive Officer

PIERCE TRANSIT

Joe Larson, Risk Manager



continuing THE journey



The vision statement for the Washington State Transit Insurance Pool makes the bold claim that WSTIP is the premier provider of high-quality risk and management-related products and services for all facets of the transit industry. In a changing world, with shifting risks, economies and priorities, WSTIP members and staff have long realized this vision is not a destination; it's a journey. While we encountered some rocky places along the path in 2008, WSTIP made remarkable headway, and even the rough spots proved to be enlightening.

INTEGRATED RISK MANAGEMENT

Perhaps our most challenging initiative in 2008 was Integrated Risk Management. In 2008, WSTIP members began exploring new ways to integrate and share risk management policies and practices within each of its members' operations. The ultimate goal is to reduce members' exposure to risk.

The intent was to "embed" a representative in regional areas to provide on-site, real-time risk management input. The representative would work with member employees to identify risk management opportunities, propose programs and initiatives to address those opportunities, and then implement them on behalf of the members. The initial effort generated mixed results.

As part of the strategic planning process, WSTIP members and Board reconfirmed its commitment to the concept of increased risk management services for member operations. At the Annual Meeting, staff proposed hiring a full-

time employee whose job it would be to lead the WSTIP integrated risk management initiative. The Board agreed to create the position for 2009 on the condition it carry a three-year term limit. At the end of the three years, the Board will decide whether to continue the program based on performance and return on investment.

SOFTWARE AND HARDWARE FEASIBILITY STUDY

In 2008 WSTIP authorized and launched a study to explore the possibility of creating an entity that provides access to software and hardware technical expertise, enhancing a member's current technology environment, providing efficiencies of scale, lowering the risk of implementing new technology and reducing costs. The study looked into buying and/or creating a standardized software application that would help manage the financial and operational aspects of any transit agency.

The Board authorized up to \$100,000 to fund the study. At about the same time, the Washington State Transit Insurance Association (WSTA) created an IT subcommittee that would be a vehicle for transit member's IT staff to network, discuss/review and reflect on their current and future software and hardware opportunities and challenges. As the year progressed, the focus of the study shifted to network and software security audits. WSTIP retained an independent consultant to help develop and conduct these reviews. Seven members had reviews in 2008. These members found the reviews productive and helpful. WSTIP plans to review another six to eight members in early 2009.

FISCAL STABILITY

WSTIP sets aside surplus funds in a reserve account to help stabilize the cost of reinsurance for members. In 2008, despite a crumbling economy, WSTIP was able to increase its surplus by \$1 million, bringing the total surplus to \$15.5 million. The WSTIP Board of Directors and staff also worked tirelessly to craft and approve a zero-percent-increase budget for the coming year (2009).

On the revenue side, WSTIP's investments for 2008 brought in almost \$1 million, averaging more than 4% return through the Thurston County Investment Pool.

ROADEO SUPPORT

In 2008, WSTIP continued its support of the Washington State Public Transportation Rodeo. WSTIP served as the prime sponsor of the event, which was held in Kennewick. The rodeo showcases the outstanding safety skills of transit operators from across the state. Transit operators work throughout the year to hone their abilities to drive under challenging conditions while protecting the safety of passengers, buses and private property. The winner of the competition went on to compete nationally.

GOING GREEN

As part of ongoing efforts to reduce waste, WSTIP installed energy-efficient windows throughout its headquarters building at a cost of \$7,250.

WSTIP's mission is summed up in seven words, "provide value-added services to its members." During 2008, WSTIP staff doubled its initiative, energy, and focus to exceed the expectation of its membership at all service levels, but more specifically in the area of technology and risk management. We are committed to taking this initiative to levels of service that will be the benchmark for other pools to strive towards, now and into the future.

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, GENERAL COUNSEL

Provides general legal advice to the WSTIP Board and Executive Committee 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.

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 accomplishes special projects for members and staff.

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.

JOANNE (JERABEK) KERRIGAN, ADMINISTRATIVE ASSISTANT

Answers phones, provides administrative support to staff, and coordinates registration, set up, and facilitation of training activities for the Washington State Transportation Training Coalition. Provides backup to the Assistant to the Deputy Director.

WSTIP service providers

BROKER SERVICES

Alliant Insurance Services, Newport Beach, CA

ACTUARIAL SERVICES

PricewaterhouseCoopers, Seattle, WA

ACCOUNTING SERVICES

McSwain & Company, Olympia, WA



2008 coverages

Coverages provided by WSTIP are a combination of self-insurance, coverage purchased from a captive insurance pool, and commercial market insurance. 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.

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
* No deductible applies	
‡ Optional coverage	
Public Officials Liability Coverage†	\$12 million per occurrence and aggregate
Deductible	\$5,000

† Claims made coverage, retroactive to the member's entry date into the program

WSTIP 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 \$500,000 / \$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
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

* Not a complete list of sublimits or deductibles, please see actual policy for details

PROPERTY EXCESS PROGRAM (CONTINUED)

Public Entity Property Insurance Program	from July 1, 2008 to July 1, 2009
Per occurrence, all perils, coverages and insureds/members combined, subject to the sublimits*:	\$1 billion
All flood zones except A & V – per occurrence and annual aggregate	\$10 million
For flood zones A & V dedicated flood limit – per occurrence and annual aggregate	\$1 million
For flood on licensed vehicles, unlicensed vehicles, contractor's equipment, and fine arts combined for all members	\$5 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	\$25 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
Watercraft (unscheduled) 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
Earthquake shock on licensed vehicles, unlicensed vehicles, contractor's equipment and fine arts combined for all members	\$5 million

* Not a complete list of sublimits or deductibles, please see actual policy for details

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

EQUIPMENT BREAKDOWN / BOILER AND MACHINERY

Continental Casualty Company (CNA)	from July 1, 2007 to July 1, 2008
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 or law, demolition or increased cost of construction	\$10 million
Newly acquired locations	\$25 million

* Not a complete list of sublimits or deductibles, please see actual policy for details

WSTIP Miscellaneous Coverages

EQUIPMENT BREAKDOWN / BOILER AND MACHINERY (CONTINUED)

Included in PEPiP Property Policy	from July 1, 2008 to July 1, 2009
Boiler explosion and machinery breakdown, combined property damage and business interruption/extra expense including bond revenue interest payments where values reported, and excluding business interruption for power generating facilities unless otherwise specified. Limit includes loss adjustment agreement, defense costs outside of limits and electronic computer or electronic data processing equipment with the following sublimits*:	\$100 million
Utility interruption for utilities owned by others	\$10 million
Ammonia contamination	\$10 million
Water damage	\$10 million
Consequential Damage	\$10,000
Electronic Data Processing Media	\$10 million
Hazardous substances	\$1 million

* Not a complete list of sublimits or deductibles, please see actual policy for details

balance sheet

FOR FISCAL YEAR ENDING DECEMBER 31, 2008*

ASSETS	2008	2007
Current Assets:		
Cash and Cash Equivalents	\$ 22,773,524	\$ 19,451,676
Member Assessments Receivable	42,033	75,829
Prepayments	273,134	211,664
TOTAL CURRENT ASSETS	23,088,691	19,739,169
Noncurrent Assets:		
Capital Assets (Net of Accumulated Depreciation)	420,260	433,311
TOTAL NONCURRENT ASSETS	420,260	433,311
Other Assets:		
Investments	819,657	819,657
TOTAL OTHER ASSETS	819,657	819,657
TOTAL ASSETS	\$ 24,328,608	\$ 20,992,137

LIABILITIES	2008	2007
Current Liabilities:		
Unpaid Claims Liability	\$ 8,549,162	\$ 6,302,212
Accounts Payable	77,017	45,765
Deferred Revenue	79,562	21,724
TOTAL CURRENT LIABILITIES	8,705,741	6,369,701
Noncurrent Liabilities:		
Compensated Absences	83,131	64,916
TOTAL NONCURRENT LIABILITIES	83,131	64,916
TOTAL LIABILITIES	\$ 8,788,872	\$ 6,434,617

NET ASSETS	2008	2007
Invested in Capital Assets, Net of Related Debt		
Unrestricted Building Reserve	\$ 52,489	\$ 45,000
Unrestricted Surplus	15,487,247	14,512,520
TOTAL NET ASSETS	15,539,736	14,557,520
TOTAL NET ASSETS AND LIABILITIES	\$ 24,328,608	\$ 20,992,137

*At the time of publishing, 2008 financials statement had not been audited.

statement of revenues, expenses, & changes in net assets

FOR FISCAL YEAR ENDING DECEMBER 31, 2008*

OPERATING REVENUES	2008	2007
Member Assessments	\$ 7,999,343	\$ 7,202,734
Program Revenues	271,928	471,823
TOTAL OPERATING REVENUES	\$ 8,271,271	\$ 7,674,557

OPERATING EXPENSES	2008	2007
Claims Paid on Current Losses	\$ 5,395,938	\$ 4,312,346
Adjustment to Prior Years' Claim Reserve	(870,776)	(1,143,703)
Excess Insurance Premiums	1,636,094	1,941,798
Depreciation Expense	13,051	15,504
Operating Expenses	1,230,661	1,151,287
Insurance Services:		
Brokerage Fee	76,605	96,600
Other Insurance Services	811,337	423,571
TOTAL OPERATING EXPENSES	8,292,910	6,797,403
OPERATING INCOME (LOSS)	\$ (21,639)	\$ 877,154

NONOPERATING REVENUES (EXPENSES)	2008	2007
Interest and Dividend Income	\$ 982,131	\$ 1,079,344
CHANGES IN NET ASSETS	960,492	1,956,498
TOTAL NET ASSETS, January 1	14,579,244	12,601,022
TOTAL NET ASSETS, December 31	\$ 15,539,736	\$ 14,557,520

*At the time of publishing, 2008 financials statement had not been audited.

statement of cash flow

FOR FISCAL YEAR ENDING DECEMBER 31, 2008*

CASH FLOW FROM OPERATING ACTIVITIES	2008	2007
Cash Received from Members	\$ 7,965,547	\$ 7,265,263
Cash Payments to Suppliers for Goods and Services	(7,387,354)	(5,999,450)
Cash Payments to Employees for Services	(757,354)	(705,825)
Increase (Decrease) in Claim Reserve	2,246,950	829,219
Other Operating Revenues	271,928	471,823
Net Cash Provided (Used) by Operating Activities	2,339,717	1,861,030

CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	2008	2007
Net Cash Provided (Used) by NonCapital & Related Financing Activities	\$ 0	\$ 0

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	2008	2007
Net Cash Provided (Used) by Capital & Related Financing Activities	\$ 0	\$ 0

CASH FLOW FROM INVESTING ACTIVITIES	2008	2007
Proceed from Sales of Investments	\$ —	\$ —
Purchase of Investments	—	(69,657)
Interest Received	982,131	—
Net Cash Provided (Used) by Investing Activities	982,131	(69,657)
Increase (Decrease) in Cash and Cash Equivalents	3,321,848	1,791,373
Cash and Cash Equivalents, January 1	19,451,676	16,580,959
Cash and Cash Equivalents, December 31	\$ 22,773,524	\$ 18,372,332

*At the time of publishing, 2008 financials statement had not been audited.

claims development information

FOR FISCAL YEAR ENDING DECEMBER 31, 2008*

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 years 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, reevaluation 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 (line 3) 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)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Net earned required contribution and investment revenues	2,604	2,849	3,262	3,188	3,963	4,996	6,104	6,272	6,459	7,436
2. Unallocated expenses	822	806	859	1,196	1,134	1,256	1,370	1,331	1,687	2,132
3. Estimated incurred claims and expenses, end of policy year	1,930	1,679	2,200	1,853	2,020	3,153	2,484	3,329	2,990	5,170

*At the time of publishing, 2008 financials statement had not been audited.

Fiscal and Policy Year Ended (in Thousands of Dollars)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
4. Paid (cumulative) as of:										
End of policy year	149	118	204	178	125	358	307	472	451	1,185
One year later	642	366	459	255	435	826	758	1,276	891	
Two years later	1,044	514	927	897	724	1,983	1,635	1,581		
Three years later	1,367	603	1,086	987	1,078	2,391	1,850			
Four years later	1,540	619	1,200	1,057	1,156	2,416				
Five years later	1,540	771	1,272	1,186	1,186					
Six years later	1,541	772	1,272	1,243						
Seven years later	1,541	772	1,272							
Eight years later	1,542	772								
Nine years later	1,542									
5. Re-estimated incurred claims and expenses:										
End of policy year	1,930	1,679	2,200	1,853	2,020	3,153	2,484	3,329	2,990	5,170
One year later	1,942	1,310	1,867	1,628	1,569	2,715	2,371	3,768	2,325	
Two years later	1,760	1,082	1,764	1,424	1,361	2,653	2,186	3,957		
Three years later	1,802	841	1,450	1,203	1,224	2,810	2,138			
Four years later	1,656	757	1,334	1,237	1,246	2,546				
Five years later	1,569	777	1,272	1,245	1,212					
Six years later	1,542	771	1,272	1,264						
Seven years later	1,543	772	1,272							
Eight years later	1,543	772								
Nine years later	1,542									
6. Increase (decrease) in estimated incurred claims and expenses for end of the policy year	(388)	(907)	(928)	(589)	(808)	(607)	(346)	628	(665)	0

*At the time of publishing, 2008 financials statement had not been audited.

reconciliation of operating income to net cash provided by operating activities

FOR FISCAL YEAR ENDING DECEMBER 31, 2008*

	2008	2007
OPERATING INCOME	\$ (21,639)	\$ 898,878
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	13,051	15,504
(Increase) Decrease in member assessments receivable	33,796	62,529
(Increase) Decrease in other prepaid expenses	(61,470)	58,577
(Increase) Decrease in insurance recoverables	—	—
Increase (Decrease) in claim reserves	2,246,950	829,219
Increase (Decrease) in payables	31,252	(16,557)
Increase (Decrease) in other liabilities	18,215	12,880
Increase (Decrease) in Deferred Revenue	79,562	—
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,339,717	\$ 1,861,030

*At the time of publishing, 2008 financials statement had not been audited.



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