

Two Decades Later, **STRONGER** THAN EVER

2009 Annual Report



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A Message from JIM PLASTER
2009 WSTIP Board President

Two Decades Later, STRONGER THAN EVER

THE WASHINGTON STATE Transit Insurance Pool celebrated its 20th anniversary in 2009. We've covered a lot of ground over those years, and it was an honor to preside over our Board as we reflected on how far we've come.

I remember when eight transit agencies in Washington came together to sign an Interlocal Agreement, becoming the first-ever governmental risk pool to be officially approved by the Washington State Risk Manager. The date was January 19, 1989, and those adventurous transit agencies were Community Transit, Intercity Transit, Ben Franklin Transit,

Clallam Transit, Grays Harbor Transit Authority, Jefferson Transit, Kitsap Transit and Pacific Transit. Their intent was to enable members to self-insure to the degree they could afford to, and to give themselves leverage for purchasing additional coverage on the open market.

Today, WSTIP is 24 transit agencies strong. We provide and purchase insurance coverage, manage claims and litigation, and offer a range of loss prevention programs and training to our members. As part of our Annual Meeting in December 2009, WSTIP marked the occasion of our anniversary by hosting a dinner,

inviting current and past Board directors and others who have served at our side on this journey. At the dinner, we shared a written history of the organization and presented commemorative pens to the original eight signers of the Interlocal Agreement.

To add to the accomplishments of those prior years, WSTIP's 2009 highlights are as follows:

GOVERNANCE

Member Corrective Action and Termination Policy

The WSTIP Board continued the conversion of resolutions to



governance policies, including the Member Corrective Action and Termination Policy. This policy enables WSTIP to take action against a member agency if that member has failed to live up to the policies and Bylaws governing WSTIP or has unjustifiably created conditions that cause undue exposure for the Pool. The policy identifies various sanctions up to expulsion from the

Pool and establishes due process procedures for agencies to appeal such actions.

New Member Admissions Policy

As we continued to grow in 2009, the Board adopted a policy regarding minimum eligibility requirements for new members. The intent was to ensure that new members are committed to the

concept of pooled risk and are well-managed such that they will not compromise WSTIP's integrity. Of particular note, the eligibility requirements call for new members to have been in operation for a minimum of two years, operate at least two modes of public transportation, and have minimum annual mileage from all modes of at least 200,000.

Strategic Target Financial Ratios Policy

In order to ensure that the Pool remains financially strong it is necessary to annually evaluate and compare past financial performance with current and estimated future financial performance. This policy adopts “target” financial ratios and provides for an annual comparative study of these ratios.

OPERATIONS

AGRiP Pooling Recognition

Board director and Past President Jamie Collier and WSTIP Member Services Manager Tracey Christianson worked tirelessly to prepare our application for Association of Governmental Risk Pools (AGRiP) Advisory Standards recognition, which includes a rigorous audit. The AGRiP Recognition Program is based on self-evaluation by the Pool of their compliance with the AGRiP Advisory Standards for Public

Entity Risk and Employee Benefits Pools. The self-evaluation form is the application for Recognition. AGRiP Recognition is granted for a three-year period. Thanks to their hard work and the high standards WSTIP adheres to, recognition was extended to WSTIP for the fourth consecutive period. Additionally, WSTIP sent the largest delegation of any risk pool in history to the AGRiP Government and Leadership Conference for Trustees held in Seattle in 2009. It was at this venue that WSTIP was officially awarded the AGRIP recognition award.

Quarterly Representative Meetings

We instituted a new practice regarding member representatives on the Board. In advance of each quarterly Board meeting, member representatives will now meet with their constituents to go over items to be addressed at the Board meeting. WSTIP staff attend these meetings as well. The intent is to create an avenue for members to collaborate

on WSTIP issues, and ask questions they might not otherwise ask at the larger Board meeting.

As we look all the way back to that fateful day in 1989, the old Chinese proverb, “May you live in interesting times,” certainly comes to mind for WSTIP. These last 20 years have been fascinating, and the next 20 hold great promise. As we look back on 2009, it’s clear we’ve done much to set the foundation for our future.

Jim Plaster is the Director of Finance and Administration for Spokane Transit located in Spokane, 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, Transit 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, 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

PIERCE TRANSIT

Joe Larson, Risk Manager / Terence Artz, Risk Manager / Alt: Alberto Lara, Vice President Human Resources & Technology

PULLMAN TRANSIT

*Troy Woo, Finance Director / Bill Mulholland, 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 TRANSPORTATION AUTHORITY

Richard Walsh, General Manager / Alt: Patricia (Pat) Dunn, Director of Finance

YAKIMA TRANSIT

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

A Message from Allen Hatten
WSTIP Executive Director

Two Decades Later, EYES ON THE HORIZON

THOUGH MY TENURE AS Washington State Transit Insurance Pool Executive Director dates back only to 1993, I couldn't be more proud of all the Pool has accomplished in 20 years. It took great courage and determination to create the Pool. What it has become over the last two decades — a resourceful, determined organization that delivers value-added service to its members — reflects the bedrock resolve of our founders.

In 2009, we marked our 20th anniversary with a grand dinner as part of our Annual Meeting. We commissioned the writing of our history and published it for

our members. This will become an extremely useful tool as we introduce ourselves to new members and allied organizations. Even while we celebrated our past, we added new accomplishments in 2009.

CORE SERVICES

Serious Loss Review & Root Cause Analysis

Member Services Manager Tracey Christianson perhaps put it best when she observed, "It's hard to have an effect on losses if you don't know what's causing them." As part of the Integrated Risk Management Program, WSTIP examined losses

in excess of \$200,000, fixed route losses that met certain criteria, and at least one loss per member for those members with losses less than \$200,000. The results of this analysis will be used to help formulate new best practices to reduce the likelihood of similar incidents occurring in the future.

New Member: Pierce Transit

WSTIP and Pierce Transit worked intensely for several months in 2009 to transition the transit agency from associate member status to full membership. Pierce Transit already had in-house claims specialists who knew the transit system well.

Rather than adding WSTIP staff to handle the increased claims with the arrival of Pierce Transit, WSTIP contracted back with the transit agency to provide their own claims processing. This relationship-driven contract is unique among risk pools nationwide.

VALUE-ADDED SERVICES

ADR Monitoring Project

In 2009, WSTIP began investigating a new way of flagging vanpool drivers with recent conviction, violation and/or expiration issues. Until recently, there was no way to conduct real-time driver record monitoring other than securing a full abstract of driver record (ADR). Each individual inquiry through the Washington State Department of Licensing (DOL) costs \$10 or more, regardless of whether any new information is present, putting acquisition of driver record abstracts a financial burden for WSTIP

members. In 2009, the DOL began offering a new program called ADR Monitoring. By creating our own database of drivers, we can call into the DOL system on a scheduled basis to scan for any new violation or conviction activity. Once we know which abstracts to zero in on, we can alert our members to order the full ADR at the standard fee. We quickly realized this program could easily accommodate the transit agency's commercial drivers as well. However, it was up to WSTIP to develop a proprietary program to accurately talk to the DOL database, return the appropriate response in a highly secure format, provide an easy user experience, and include the means for accurate reporting for accounting purposes and usage. The consultant hired for the project withdrew from the project prior to billing any time against the contract. WSTIP intends to put forth a new request for proposals in 2010.

Integrated Risk Management Initiatives

Chris DeVoll visited every member property in 2009 and began assessing needs. WSTIP's continued commitment to IRM has been advantageous not only to individual members, but to WSTIP as a whole. Our 2009 insurance premiums renewal was successful in reaching terms and rates directly related to this commitment. Outcomes included reducing the Pool's aggregate total and a negotiated lower risk rates. WSTIP was the only pool statewide to get a multi-year guaranteed rate for the 2010 renewal from the excess liability carrier.

Web Portal

WSTIP teamed up with the Washington State Transit Association (WSTA) to develop a new joint-membership web portal that will provide easy access to all things transit in the state of Washington. Its intent is to create an



online, transit agency community, where users can find services, post announcements, discuss issues, find vendors, and share best practices. The website bears neither the identity of WSTIP nor WSTA. Instead, it is organized and focused around the users' needs. By late 2009, we were entering the testing phase of this project.

IT Security Project

In 2008, WSTIP launched a project to conduct IT security reviews on behalf of each of its members. In 2009, the number of completed reviews was up to 14. The scope of this effort includes reviews of infrastructure, networks, servers, workstations, application security, technology management, and business processes related to

IT operations and security. In the course of auditing each member agency, several opportunities for improvement were revealed, many of which involved simple fixes. The program will continue into 2010.

Cyber Security Project

With the advent of the ORCA Smart Card Program (a multi-transit-agency program offering region wide transit passes), concerns arose regarding cyber liability. Participants can purchase their passes with their credit card online using computers and other wireless technology. Hackers breaking into the system could create havoc, generating substantial liability for participants. WSTIP conducted a liability review to determine level of exposure and possible solutions.

This project was a subset of the IT Security Project.

Everett Training Facility

A rare opportunity came open for WSTIP in 2009 to establish a training facility in Everett in partnership with Everett Transit. The space, located at the Everett Transit Station, was originally used by a consortium of local community colleges. When the consortium decided not to renew their lease, Everett Transit invited WSTIP to step in and use the space for training through the Washington State Transportation Training Coalition. Until that time, most training has been conducted at WSTIP headquarters in Olympia, leaving participants from the north to have to travel through heavy Seattle traffic. The Everett location lends additional flexibility for training schedules. WSTIP named the training room after Dan Snow, who served as Executive Director of the Washington State Transit

Association for many years. Mr. Snow was an inspiring leader for transit in Washington. He passed away in 2002 after a long and courageous battle with cancer.

ADMINISTRATION

Leadership Among Peers

As WSTIP Executive Director, I serve on the Board of Government Entities Mutual, Inc. (GEM). GEM is a member owned and controlled reinsurance captive. GEM provides reinsurance coverage to its members for liability, property and workers' compensation. In 2009, I was elected to a two-year term as President of the Board. Additionally, Washington State Governor Christine Gregoire appointed me to serve on the state Property Liability Advisory Board. That Board is responsible

for reviewing WAC 82.60 related to public entity pools in the state, and advising on changes and other considerations which the state Risk Manager oversees. The appointment is effective January 15, 2009.

New Employees

We welcomed Brenda Barnett, Tracie Henderson and Chris DeVoll to our staff this year. Brenda serves as our Receptionist, a position that serves in many ways as the face of WSTIP. Tracie serves as Claims Assistant working with Claims Specialist, Denise Ellison. We hired Chris DeVoll as our Risk Management Specialist to work in the field with transit agencies.

WSTIP Staff

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

**DENISE ELLISON,
CLAIMS SPECIALIST**

Licensed independent adjuster. Adjusts third party injury and property claims against the members, in addition to managing and pursuing transit damage recoveries. Also develops, organizes, and manages the annual claims coordinator conference. Provides training for, and support of, member claims coordinators on the Riskmaster database; and, approves facility vendor schedules and invoices.

**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,
FINANCE SPECIALIST**

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

**JOANNE KERRIGAN,
ADMINISTRATIVE ASSISTANT**

Provides administrative support for Risk Management Specialist and Serious Loss Analysis Team. Coordinates registration, set up, and facilitation of training activities for the Washington State Transportation Training Coalition. Provides backup to Finance Specialist.

**TRACIE HENDERSON,
CLAIMS ASSISTANT**

Serves as support for the claims department for first and third party claims, with emphasis on transit recovery work; provides back-up telephone support along with completing special projects for the Claims Manager.

**CHRISTIAN DEVOLL, RISK
MANAGEMENT SPECIALIST**

Conducts loss prevention reviews by meeting with members, reviewing operations, and making recommendations for compliance with Best Practices and state and federal regulations.

**BRENDA BARNETT,
RECEPTIONIST**

Provides receptionist phone services, manages the Washington State Transportation Training Coalition video loan library, and provides administrative support for the WSTIP staff.

WSTIP Service PROVIDERS

BROKER SERVICES

Alliant Insurance Services,
Newport Beach, CA

ACTUARIAL SERVICES

PricewaterhouseCoopers, Seattle, WA

ACCOUNTING SERVICES

McSwain & Company, Olympia, WA

2009 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**	\$35,000 each occurrence
Underinsured Motorist Coverage**	\$60,000 each occurrence for bodily injury
Public Officials Liability Coverage*	\$12 million per occurrence and aggregate
Deductible	\$5,000

* Deductible on Public Officials Liability Coverage only.

**Optional coverage.

* 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, 2008 to July 1, 2009

Per occurrence, all perils, coverages and insureds/members combined, subject to the sublimits:*	\$1 billion
Deductible	\$2,500
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

PROPERTY EXCESS PROGRAM (CONTINUED)

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*

PROPERTY REINSURANCE PROGRAM

Governmental Entities Mutual

from July 1, 2009 to July 1, 2010

Per occurrence, all perils, coverages and insureds/members combined, subject to the sublimits:*	\$350 million
Deductible	\$2,500
Earthquake, volcanic eruption, landslide, and mine subsidence – annual aggregate	\$25 million
All flood zones except A & V—per occurrence and annual aggregate	\$50 million
Flood zones A & V—annual aggregate	\$10 million
Miscellaneous unnamed locations	\$10 million
Automatic acquisition for new locations up (report within 120 days)	\$25 million
Automatic acquisition for new locations up (report after 120 days)	\$10 million
Auto Physical Damage (over the road)	\$1.5 million

PROPERTY REINSURANCE PROGRAM (CONTINUED)

Auto Physical Damage (excluding over the road)	\$25 million
Boiler and Machinery	\$100 million
Course of construction	\$25 million
Contingent business interruption, contingent extra expense, contingent rental income resulting from a covered peril at a non-generating facility	\$2.5 million
Contractors Equipment	\$10 million
Electronic data processing equipment and data and media	\$10 million
Extra expense	\$50 million
Off premises services interruption including extra expense	\$25 million
Ordinance or law (including losses to undamaged portion, demolition and increased cost of construction)	\$25 million
Pollutant cleanup and removal (annual aggregate all members)	\$250,000
Property in transit	\$25 million
Unscheduled fine arts	\$2.5 million
Watercraft (unscheduled) under 27 feet	\$2.5 million

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

WSTIP

Miscellaneous Coverages

CRIME COVERAGE / PUBLIC EMPLOYEE DISHONESTY

National Union Fire Insurance Company of Pittsburgh

Employee theft (per loss)	\$1 million per occurrence
Forgery or alteration	\$1 million per occurrence
Theft disappearance and destruction (inside premises)	\$1 million per occurrence
Robbery and safe burglary (inside premises)	\$1 million per occurrence
Outside premises	\$1 million per occurrence
Computer fraud	\$1 million per occurrence
Funds Transfer Fraud	\$1 million per occurrence
Money orders and counterfeit money	\$1 million per occurrence



EQUIPMENT BREAKDOWN / BOILER AND MACHINERY

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:*

Utility interruption for utilities owned by others	\$10 million
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Ammonia contamination	\$10 million
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Water damage	\$10 million
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Consequential Damage	\$10,000
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Electronic Data Processing Media	\$10 million
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Hazardous substances	\$1 million
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EQUIPMENT BREAKDOWN / BOILER AND MACHINERY

Included in GEM Property Reinsurance Policy

from July 1, 2009 to July 1, 2010

See GEM Property Reinsurance listing

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

Balance Sheet

FOR FISCAL YEAR ENDING
DECEMBER 31, 2009*

ASSETS	2009	2008
Current Assets:		
Cash and Cash Equivalents	\$24,042,975	\$22,773,524
Member Assessments Receivable	14,527	42,033
Prepayments	229,771	146,493
TOTAL CURRENT ASSETS	24,287,273	22,962,050
Noncurrent Assets:		
Capital Assets (Net of Accumulated Depreciation)	407,216	420,260
TOTAL NONCURRENT ASSETS	407,216	420,260
Other Assets:		
Investments	894,160	894,160
TOTAL OTHER ASSETS	894,160	894,160
TOTAL ASSETS	\$25,588,649	24,276,470

LIABILITIES	2009	2008
Current Liabilities:		
Unpaid Claims Liability	\$10,094,996	\$8,549,162
Accounts Payable	93,665	77,017
Prepaid Rent	1,862	—
Deferred Revenue	57,074	79,562
TOTAL CURRENT LIABILITIES	10,247,597	8,705,741
Noncurrent Liabilities:		
Compensated Absences	110,526	87,786
TOTAL NONCURRENT LIABILITIES	110,526	87,786
TOTAL LIABILITIES	10,358,123	8,793,527
NET ASSETS	2009	2008
Invested in Capital Assets, Net of Related Debt	407,216	420,260
Unrestricted Building Reserve	67,489	52,489
Unrestricted Surplus	14,755,821	15,010,194
TOTAL NET ASSETS	15,230,526	15,482,943
TOTAL NET ASSETS AND LIABILITIES	\$25,588,649	\$24,276,470

*At the time of publishing, 2009 financials statement had not been audited.

Statement of Revenues, Expenses, & Changes in Net Assets

FOR FISCAL YEAR ENDING
DECEMBER 31, 2009*

OPERATING REVENUES	2009	2008
Member Assessments	\$8,321,754	\$7,999,343
Program Revenues	137,995	271,928
Total Operating Revenues	8,459,749	8,271,271
OPERATING EXPENSES		
Claims Paid on Current Losses	5,104,932	5,395,938
Adjustment to Prior Years' Claim Reserve	706,599	(870,776)
Excess Insurance Premiums	1,733,993	1,762,735
Depreciation Expense	16,044	13,051
Operating Expenses	1,523,327	1,235,316
Insurance Services:		
Brokerage Fee	101,419	76,605
Other Insurance Services	256,456	811,337
Total Operating Expenses	9,442,770	8,424,206
OPERATING INCOME (LOSS)	(983,021)	(152,935)
NONOPERATING REVENUES (EXPENSES):		
Interest and Dividend Income	730,604	1,056,634
CHANGES IN NET ASSETS	(252,417)	903,699
TOTAL NET ASSETS, January 1	15,482,943	14,579,244
TOTAL NET ASSETS, December 31	\$15,230,526	\$15,482,943

*At the time of publishing, 2009 financial statements had not been audited.

Statement of Cash Flow

FOR FISCAL YEAR ENDING DECEMBER 31, 2009*

CASH FLOWS FROM OPERATING ACTIVITIES:	2009	2008
Cash Received from Members	\$8,294,248	\$7,965,547
Cash Payments to Suppliers for Goods and Services	(8,465,958)	(7,387,354)
Cash Payments to Employees for Services	(973,272)	(757,354)
Increase (Decrease) in Claim Reserve	1,545,834	2,246,950
Other Operating Revenues	137,995	271,928
Net Cash Provided (Used) by Operating Activities	538,847	2,339,717
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	2009	2008
Net Cash Provided (Used) by NonCapital & Related Financing Activities	0.00	0.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	2009	2008
Net Cash Provided (Used) by Capital & Related Financing Activities	0.00	0.00
CASH FLOWS FROM INVESTING ACTIVITIES:	2009	2008
Proceed from Sales of Investments	—	—
Purchase of Investments	—	(74,503)
Interest Received	730,604	1,056,634
Net Cash Provided (Used) by Investing Activities	730,604	982,131
Increase (Decrease) in Cash and Cash Equivalents	1,269,451	3,321,848
Cash and Cash Equivalents, January 1	22,773,524	19,451,676
Cash and Cash Equivalents, December 31	\$24,042,975	\$22,773,524

*At the time of publishing, 2009 financial statements had not been audited.

Reconciliation of Operating Income to Net Cash Provided by OPERATING ACTIVITIES

FOR FISCAL YEAR ENDING DECEMBER 31, 2009*

	2009	2008
OPERATING INCOME:	\$(983,021)	\$(152,935)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	13,044	13,051
(Increase) Decrease in member assessments receivable	27,506	33,796
(Increase) Decrease in other prepaid expenses	(83,278)	65,171
(Increase) Decrease in insurance recoverables	—	—
Increase (Decrease) in claim reserves	1,545,834	2,246,950
Increase (Decrease) in payables	16,648	31,252
Increase (Decrease) in other liabilities	24,602	22,870
Increase (Decrease) in Deferred Revenue	(22,488)	79,562
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$538,847	\$2,339,717

*At the time of publishing, 2009 financial statements had not been audited.

Claims Development INFORMATION

FOR FISCAL YEAR ENDING DECEMBER 31, 2009*

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)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Net earned required contribution and investment revenues	2,849	3,262	3,188	3,963	4,996	6,104	6,272	6,459	7,483	8,322
2. Unallocated expenses	806	859	1,196	1,134	1,256	1,370	1,331	1,687	2,132	1,897
3. Estimated incurred claims and expenses, end of policy year	1,679	2,200	1,853	2,020	3,153	2,484	3,329	2,990	5,170	5,041

FISCAL AND POLICY YEAR ENDED (IN THOUSANDS OF DOLLARS)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
4. Paid (cumulative) as of:										
End of policy year	118	204	178	125	358	307	472	451	1,185	789
One year later	366	459	255	435	826	758	1,276	891	2,191	
Two years later	514	927	897	724	1,983	1,635	1,581	1,374		
Three years later	603	1,086	987	1,078	2,391	1,850	3,416			
Four years later	619	1,200	1,057	1,156	2,416	1,989				
Five years later	771	1,272	1,186	1,186	2,569					
Six years later	772	1,272	1,243	1,194						
Seven years later	772	1,272	1,247							
Eight years later	772	1,272								
Nine years later	772									
5. Re-estimated incurred claims and expenses:										
End of policy year	1,679	2,200	1,853	2,020	3,153	2,484	3,329	2,990	5,170	5,041
One year later	1,310	1,867	1,628	1,569	2,715	2,371	3,768	2,325	5,356	
Two years later	1,082	1,764	1,424	1,361	2,653	2,186	3,957	2,462		
Three years later	841	1,450	1,203	1,224	2,810	2,138	4,341			
Four years later	757	1,334	1,237	1,246	2,546	2,230				
Five years later	777	1,272	1,245	1,212	2,591					
Six years later	771	1,272	1,264	1,193						
Seven years later	772	1,272	1,261							
Eight years later	772	1,272								
Nine years later	772									
6. Increase (decrease) in estimated incurred claims and expenses for end of the policy year										
	(907)	(928)	(592)	(827)	(562)	(254)	1,012	(528)	186	0

*At the time of publishing, 2009 financial statements had not been audited.



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