

LEADERSHIP
INTEGRITY
OWNERSHIP
TRUST
ENTHUSIASM

FORWARD
VISION

2012

Annual Report



WSTIP

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FORWARD VISION

THE BEST VISION IS INSIGHT. — MALCOLM FORBES

*A message from Ed McCaw,
2012 WSTIP Board President*

From the beginning, the Washington State Transit Insurance Pool has been looking to the future. Our whole inspiration for setting up the pool more than 23 years ago was to innovate effective, affordable ways of protecting our member transit providers from the costs of risk. Innovation was our key to survival then, and it has long since been our key to success.

At the beginning of 2012 we celebrated one of our founding board members whose forward vision helped bring us to the level of success we enjoy today. Allen Walch championed the idea

of creating the pool from the start, has served on our board for more than 23 years either as a member representative or alternate, and he served as our accountant and treasurer for nearly 10 years.

In 2012, we cast our forward vision into uncharted territory, pursuing a question whose answer has long eluded us: How much surplus capital should we set aside to cover the risk our members are exposed to? For years we have been accumulating a surplus that could be the envy of any insurance pool in the country. But we still had to ask ourselves, “How much surplus is enough?”

The answer turned out to be another question: “How much risk are we willing to cover?” It seems so simple, but this second question is ground-breaking.

So much so that the broader pooling insurance industry listened in on WSTIP’s discussion, looking for answers as well. It seems the broader pooling industry has struggled with the surplus question for decades, but it’s never addressed the first question via the second question.

To answer our own question, WSTIP set up a study. The study’s intent was to figure out how much surplus we’d need to fund a 100-year or even 200-year loss. What we discovered was WSTIP would need to build up a surplus of \$17 to \$20 million if we kept our current model of self-insurance and reinsurance. If WSTIP wanted to be more self-reliant of the insurance market up to \$5 million, WSTIP would need \$21 million to \$25 million of unrestricted capital to meet that goal.

Perhaps the most interesting outcome of this study was a shift in how we view our own organization. While we have always seen WSTIP as an insurance pool, the discussion helped us realize we are really more like a mutual insurance

company. This insight is so profound it will reform our vision for years to come.

With our new insights came the opportunity to review and rewrite the WSTIP Values Statement. The discussion around this topic was vigorous and engaging. The new statement addresses five areas: Integrity, leadership, ownership (accountability), enthusiasm for success and trust.

We explored several new ideas as part of our annual board retreat, including allocating costs among members based on benefits received rather than miles traveled. At that retreat we also reconfirmed that retention of members is our number-one priority, and attendance of all board meetings is essential to the success of our organization.

Forward vision led us to succession planning innovations as well. While we already had mechanisms in place to fill vacant seats on our board, preparing new board members for service wasn’t as effective as we’d like. Many new board members begin their service with

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very little awareness or understanding of WSTIP or the insurance industry. Even with a detailed orientation, the lack of familiarity makes it challenging for them to participate fully in discussions and decisions right from the start. And so we launched a new initiative called the Board Guest Program.

The Board Guest Program enables each board member, at WSTIP’s expense, to invite someone from their transit agency once a year to attend and observe WSTIP proceedings. WSTIP prefers that the guest be the board member’s alternate, but it can be someone else from their transit agency. The intent is to 1) expand industry knowledge of WSTIP and what it does; 2) enable the guest to begin building relationships with leaders from other transit agencies; 3) expose the guests to some of the issues and concerns WSTIP works on; and 4) support succession planning for WSTIP.

Board members and their guests must commit to attending all of the proceedings in a cycle, which includes a work session, Executive Committee meeting, Member Representative meeting and the Board meeting. Guests are asked to provide feedback based on their experience attending these meetings. Additionally, any board member with a fixed retirement date may invite their successor to attend all EC meetings, Member Representative meetings, work sessions and board meetings for a full year prior to retirement.

We have found over the years that innovation relies on strong relationships. So in 2012, we generated opportunities for stronger bonds to be forged with members of the Washington State Transit Association (WSTA). That included hosting the Claim Jumper Golf Tournament in Walla Walla to promote casual, non-structured interaction among the members of our two boards. We developed a new policy allowing board members to attend out-of-state WSTIP-related conferences and workshops at WSTIP's expense, as long

A key to WSTIP's success has been its outstanding staff.

as their attendance at WSTIP meetings is consistent. We also asked WSTIP staff to create a communication outreach tool they could use in educating members of WSTA about the work we do. They developed a video, which they've presented at several meetings with WSTA committees and others, and it has been well received.

In terms of coverage, the WSTIP board forged a new policy to help member transit agencies that wish to repair their own vehicles after an incident. This new policy establishes the methodology WSTIP will use to determine how much it will reimburse a member for repairing their own vehicles, and it determines how much will be reimbursed for the repair work on events costing less than \$100,000.

We also took a leap forward by eliminating paper copies of our board packets as a demonstration project that will end December 31, 2013. We agreed that WSTIP would reimburse each member

of the executive committee \$30 a month if they, in exchange would provide their own personal computing device to download and view the board packets electronically. Doing so saved staff hundreds of hours of printing and assembling, not to mention hundreds of dollars in materials and time.

Several existing programs underwent changes as well. Our Driver Record Monitoring Program was expanded to allow non-members to participate. This required an interlocal agreement to be written for each non-member entity.

A key to WSTIP's success has been its outstanding staff. In 2012, the board negotiated a three-year contract with Executive Director Al Hatten with two 1-year extension options. This is a bit of a milestone as it is the last prior to Mr. Hatten's retirement. We also ordered a salary survey to be completed for WSTIP staff and agreed to fund the non-management salaries to 100 percent of the survey findings, as well as adding funding for staff to participate in a wellness program.

2012 BOARD OF DIRECTORS

Asotin County PTBA

Kim Gates, PTBA Coordinator

Ben Franklin Transit

Allen Walch / Gloria Boyce, Administrative Services Manager
Alt: Tim Frederickson, General Manager
Alt: Jim Thoele, Safety/Training Supervisor

Clallam Transit

Terry Weed, General Manager
Alt: Jamie Collier, Finance Administrator
Alt: Clint Wetzel, Operations Manager

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

C-Tran

Diane O'Regan, Controller
Alt: Julie DeBoever, Senior Resource Manager
Alt: Laura Merry, Risk Specialist

CUBS

Corey Aldridge, Transit Manager
Alt: Chris Smith, Risk Manager

Everett Transit

Tom Hingson, Transportation Services Director
Alt: Mary Lamb, Financial Analyst
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

Barb Savary, Administrative Services Director
Alt: Martha Rose, General Manager
Alt: Staci Jordan, Rideshare Coordinator

Jefferson Transit

Sara Crouch, Finance & Human Resources Administrator
Alt: Tammi Rubert, 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 / Brad Patterson, General Manager
Alt: Sara Wazewski, Finance Specialist/
Danette Brannin, Finance Manager

Pacific Transit

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

Pierce Transit

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

Pullman Transit

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

Lynda Warren, Director of Finance and Administration
Alt: Lynn Holmes, Financial Analyst
Alt: Mike Toole, Assistant Manager
Safety and Security

Twin Transit

Rob LaFontaine, 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



INNOVATIVE THINKING

VISION ANIMATES, INSPIRES, TRANSFORMS PURPOSE INTO ACTION.

— WARREN BENNIS

*A message from WSTIP
Executive Director, Allen Hatten*

Forward Vision is the theme of our annual report this year, and with good reason. In addition to the many outstanding innovations the WSTIP Board set in place in 2012, our staff set the stage for the future as well.

The year started off with a big opportunity to innovate rapidly as we lost our carrier for Compressed Natural Gas (CNG) tanks and vehicles. Back in 2010, a CNG dispensing facility belonging to one of our member transit agencies exploded. This was a

catastrophic loss. As a result, WSTIP's initial carrier for CNG facilities, vehicles and property withdrew their coverage, forcing WSTIP to purchase a separate policy for CNG facilities, with a self-insured retention of \$500,000 per occurrence (our expiring self-insured retention was \$250,000). We also had to fully self-insure all on-the-road physical damage.

In 2012, there was also a 50 percent increase in the cost of property renewal, due primarily to four major factors: the new earthquake models for the Pacific Northwest, poor earnings from investments for the insurance industry, the fifth worst global property loss year on record (2011), and WSTIP's loss due to the CNG explosion. For our members, this means a 9.7 percent increase to their rates.

Even with the increase, WSTIP continues to compare well with liability commercial market insurance coverage. In 2012 we "shopped" two of our member transit agencies on the open market. We were able to determine that our rates

are clearly favorable for our members.

We produced three videos for transit operators to improve their safety practices in 2012. "Pull the Maxi" addressed use of the emergency brake, "Rock and Roll" looked at a clear vision while making left hand turns, and "See it Sooner" explored a clear vision ahead. Additionally, we produced a video at the request of the WSTIP Board to share the WSTIP story with others, most particularly the members and committees of the Washington State Transit Association. We have worked closely with WSTA for many years, and the Board saw the need for providing a deeper awareness of our work. WSTIP staff has presented the video several times in various venues, and it's been well received.

Forward vision cannot be possible without solid footing, and WSTIP was able to demonstrate its firm foundation in 2012. WSTIP underwent a thorough review by the Association of Government Risk Pools (AGRiP), the fourth review in 12 years. Once again, we received full

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accreditation. WSTIP is one of the longest-tenured insurance pools to be accredited by AGRiP. WSTIP also received its 20th clean audit from the State of Washington. We've never received an audit with findings of any kind; but, in 2012, we received an immaculate audit – no findings, no recommendations. This was a first for the official conducting the audit, and it is much to the credit of Deputy Director Jerry Spears' leadership and the meticulous record keeping of WSTIP Financial Specialist Marisa Espinoza.

This was an outstanding year for WSTIP, and we have much to look forward to in 2013.

STAFF MEMBERS AND SERVICE PROVIDERS

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 G. 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, Risk and Training Coordinator

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.

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

2012 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

*No deductible applies | † optional coverage | †† claims made coverage, retroactive to the member's entry date into the program

WSTIP PROPERTY COVERAGES

Property Reinsurance Program | July 1, 2012 to June 30, 2013

WSTIP / PEPIP

Per occurrence, all perils, coverages and insureds/members combined, subject to sublimits below:	\$1 billion
Flood zones A & V – annual aggregate	\$10 million
All flood zones except A & V – annual aggregate	\$50 million
Earthquake, volcanic eruption, landslide, and mine subsidence – annual aggregate	\$25 million
Combined Business Interruption, rental income and tax interruption – except \$500,000 per member subject to a maximum of \$2,500,000 per occurrence limit if specific values have not been reported	\$100 million
Business Interruption, rental income and tax interruption (if values are <i>not</i> reported) with 180 days extended period of indemnity	\$25 million
Extra Expense	\$50 million
Miscellaneous unnamed locations	\$10 million
Automatic acquisition for new locations up (report within 120 days) including boiler and machinery	\$25 million
Automatic acquisition for new locations up (report after 90 days) including boiler and machinery	\$10 million
Unscheduled landscaping	\$1 million
Errors and omissions	\$50 million
Course of construction and additions (including new) for projects with completed values not exceeding the sublimit shown	\$25 million
Money and Securities (named perils only)	\$2.5 million
Unscheduled Fine Arts	\$2.5 million
Pollution cleanup and removal, accidental contamination per occurrence and annual aggregate	\$250,000

Unscheduled Tunnels, Bridges, Dams, Catwalks (except those not for public use), Roadways, Highways, Streets, Sidewalks, Culverts, Street Lights and Traffic Signals unless a specific value has been declared (excluding coverage for the peril of Earthquake Shock, and excluding Federal Emergency Management Agency (FEMA) and/or Office of Emergency Services (OES) declared disasters) \$500,000

Ordinance or law (including losses to undamaged portion, demolition and increased cost of construction) and includes boiler and machinery	\$25 million
Property in transit	\$25 million
Unscheduled Animals; not to exceed \$50,000 per Animal	\$2.5 million
Watercraft (under 27 feet in length unless scheduled)	\$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 resulting from a covered peril at a non-power generating facility	\$2.5 million
Claims preparation expenses	\$1 million
Expediting expenses	\$50 million
Jewelry, Furs, Precious Metals and Precious Stones	\$500,000
Personal Property Outside of the USA and Canada	\$1 million
Per Member/Entity for Terrorism	\$250 million
Information Security & Privacy with Electronic Media Liability (Cyber Liability)	Included
Boiler and Machinery	\$100 million
Debris Removal	Greater of \$2.5 million or 25% of the loss
Member Deductible (per occurrence)	\$5,000
C-Tran & Pierce	\$10,000
Spokane	\$25,000
For Damage or Loss	\$500,000 per occurrence
For Auto Physical Damage while the insured vehicle is underway	Fair Market Value
For Auto Physical Damage to insured vehicles stored off Member's premises	Fair Market Value
Deductible for damage or loss (per occurrence)	\$5,000

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
Deductible	\$10,000 per occurrence

WSTIP also group purchases a pollution liability policy (carrier: XL Insurance) and, for those members that need it, underground storage tank coverage (carrier: Liberty & Zurich).

COMPARATIVE STATEMENT
OF NET POSITION

For the years ended December 31, 2012 and 2011*

	2012	2011
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 30,367,094	\$ 27,534,798
Member Assessments Receivable	1,436	26,104
Reinsurance Recoverable	—	708,980
Prepaid Expenses	523,163	279,961
TOTAL CURRENT ASSETS	30,891,693	28,549,843
Noncurrent Assets:		
Capital Assets (Net of Accumulated Depreciation)	437,217	384,617
TOTAL NONCURRENT ASSETS	437,217	384,617
Other Assets:		
Investments	1,263,276	1,263,276
TOTAL OTHER ASSETS	1,263,276	1,263,276
TOTAL ASSETS	32,592,186	30,197,736
Liabilities		
Current Liabilities:		
Unpaid Claims Liability	11,792,298	10,454,803
ULAE Reserve	490,000	440,000
Accounts Payable	36,514	134,293
Unearned Member Assessments/Contributions	98,672	98,210
TOTAL CURRENT LIABILITIES	12,417,484	11,127,306
Noncurrent Liabilities:		
Compensated Absences	124,056	105,468
TOTAL NONCURRENT LIABILITIES	124,056	105,468
TOTAL LIABILITIES	12,541,540	11,232,774
Net Position		
Invested in Capital Assets, Net of Related Debt	437,217	384,617
Non-Restricted Building Reserve	48,599	51,317
Non-Restricted Net Position	19,564,830	18,529,028
TOTAL NET POSITION	20,050,646	18,964,962
TOTAL NET ASSETS AND LIABILITIES	\$32,592,186	\$30,197,736

*At the time of publishing, 2012 financial statements had not been audited.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the years ended December 31, 2012 and 2011*

	2012	2011
Operating Revenues		
Member Assessments/Contributions	\$ 10,662,805	\$ 10,899,471
Program Revenues	131,426	115,044
TOTAL OPERATING REVENUES	10,794,231	11,014,515
Operating Expenses		
Incurred Loss/Loss Adjustment Expenses		
Claims Paid	6,293,512	7,004,046
Change in Unpaid Claims Liability	(772,646)	(2,604,562)
Unallocated Loss Adjustment Expense	330,677	340,782
Excess/Reinsurance Premiums	1,903,835	1,792,669
Depreciation Expense	11,291	10,135
General and Administrative Expenses	1,825,394	1,691,837
Insurance Services:		
Brokerage Fee	103,845	103,845
Other Insurance Services	282,539	466,067
TOTAL OPERATING EXPENSES	9,978,447	8,804,819
OPERATING INCOME (LOSS)	815,784	2,209,696
Nonoperating Revenues (Expenses)		
Interest and Dividend Income	269,900	424,570
CHANGES IN NET POSITION	1,085,684	2,634,266
TOTAL NET POSITION, January 1	\$18,964,962	\$16,330,696
TOTAL NET POSITION, December 31	\$20,050,646	\$18,964,962

*At the time of publishing, 2012 financial statements had not been audited.

COMPARATIVE STATEMENT OF CASH FLOWS

For the years ended December 31, 2012 and 2011*

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Members	\$ 10,687,474	\$ 10,880,125
Cash Payments to Suppliers for Goods and Services	(8,564,814)	(7,952,694)
Cash Payments to Employees for Services	(1,012,090)	(1,004,058)
Increase (Decrease) in Claim Reserve	1,384,290	952,361
Other Operating Revenues	131,426	115,044
Net Cash Provided (Used) by Operating Activities	2,626,286	2,990,778
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:		
Purchases of Capital Assets	(63,800)	0
Net Cash Provided (Used) by Capital & Related Financing Activities	(63,890)	0
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceed from Sales of Investments	—	—
Equity in GEM	—	(107,333)
Interest Received	269,900	424,570
Net Cash Provided (Used) by Investing Activities	269,900	317,237
Increase (Decrease) in Cash and Cash Equivalents	2,832,296	3,308,015
Cash and Cash Equivalents, January 1	27,534,798	24,226,783
Cash and Cash Equivalents, December 31	\$30,367,094	\$ 27,534,798

*At the time of publishing, 2012 financial statements had not been audited.

COMPARATIVE RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

For the years ended December 31, 2012 and 2011*

	2012	2011
OPERATING INCOME	\$ 815,784	\$ 2,209,696
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	11,291	10,135
(Increase) Decrease in member assessments receivable	24,669	(19,346)
(Increase) Decrease in accounts receivable	—	—
(Increase) Decrease in other prepaid expenses	(243,203)	(5,628)
(Increase) Decrease in insurance recoverables	708,980	(208,980)
Increase (Decrease) in claim reserves	1,384,290	952,361
Increase (Decrease) in payables	(94,575)	33,721
Increase (Decrease) in other liabilities	18,588	(10,592)
Increase (Decrease) in deferred revenue	462	29,411
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$2,626,286	\$2,990,778

*At the time of publishing, 2012 financial statements had not been audited.

SCHEDULE T-2 OFM SCHEDULE OF EXPENSES

For the years ended December 31, 2012 and 2011*

Description	2012	2011
Claims Self Insurance Fund	\$ 6,624,189	\$ 7,344,828
Excess Insurance Premiums	1,903,835	1,792,669
CONTRACTED SERVICES		
Driver Record Monitoring	162,266	64,939
Pierce Transit Sub Contracted Clms	0	117,952
Actuary	114,900	75,000
Administrative Services	27,227	34,050
Broker Fees	103,845	103,845
Contract Web Design	95	37,664
Backup Services	20,600	1,500
Integrated Risk Management	46,860	79,685
Software Coop/IT Security	2,817	19,556
Contracted Services	46,485	30,244
Legal and Accounting	13,501	15,156
Loss Control Services	205,635	246,381
Audits	19,593	28,299
ADMINISTRATIVE EXPENSES		
Staff Wages, Taxes & Benefits	1,012,090	1,004,058
Staff Conferences & Travel	82,203	80,860
Board Expenses	114,304	94,515
Information Services	80,181	85,188
Communications	24,887	24,618
Occupancy Costs	71,279	60,360
Office Expenses	52,154	49,314
Depreciation	11,290	10,135
Miscellaneous	10,857	8,564
TOTAL OPERATING EXPENSES	10,751,093	\$ 11,409,380

*At the time of publishing, 2012 financial statements had not been audited.

CLAIMS DEVELOPMENT INFORMATION

For this Fiscal Year Ending December 31, 2012*

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 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)

	2003	2004	2005	2006	2007	2008	2000	2010	2011	2012
1. Gross required contribution and investment revenues	5,648	6,800	7,860	7,982	8,401	9,147	9,341	10,785	11,217	10,933
Ceded	1,681	1,803	1,755	1,710	1,943	1,763	1,734	1,651	1,793	1,904
Net earned	3,967	4,997	6,105	6,272	6,458	7,384	7,607	9,134	9,424	9,029
2. Unallocated operating expenses	1,134	1,256	1,370	1,331	1,687	2,132	1,897	2,111	2,272	2,223
3. Estimated Losses & Expenses End of Policy Year										
Incurred	2,020	3,153	2,484	3,329	2,990	5,170	5,041	5,648	5,727	4,994
Ceded**	18	1,256	245	85	23	1,467	837	191	4,411	190
Net Incurred	2,002	1,897	2,239	3,244	2,967	3,703	4,204	5,457	1,316	4,804

2003 2004 2005 2006 2007 2008 2009 2010 2011 2012

4. Paid (cumulative) as of:											
	End of policy year	125	358	307	472	451	1,185	789	825	1,077	927
	One year later	435	826	758	1,276	891	2,191	3,064	2,398	2,774	
	Two years later	724	1,983	1,635	1,581	1,374	3,991	3,366	3,581		
	Three years later	1,078	2,391	1,850	3,416	2,050	4,641	4,005			
	Four years later	1,156	2,416	1,989	3,917	2,301	5,025				
	Five years later	1,186	2,569	2,235	4,105	2,371					
	Six years later	1,194	2,570	2,235	4,331						
	Seven years later	1,194	2,570	2,235							
	Eight years later	1,194	2,575								
	Nine years later	1,194									
5. Re-Estimated Ceded Losses & Expenses		14	1,249	234	72	10	1,661	749	137	11,900	180
6. Re-estimated net incurred claims and expenses:											
	End of policy year	2,020	3,153	2,484	3,329	2,990	5,170	5,041	5,648	5,727	4,994
	One year later	1,569	2,715	2,371	3,768	2,325	5,356	4,946	5,364	6,783	
	Two years later	1,361	2,653	2,186	3,957	2,462	5,350	4,788	5,975		
	Three years later	1,224	2,810	2,138	4,341	2,718	5,069	4,509			
	Four years later	1,246	2,546	2,230	4,623	2,600	5,154				
	Five years later	1,212	2,591	2,251	4,689	2,640					
	Six years later	1,193	2,580	2,241	4,673						
	Seven years later	1,194	2,570	2,235							
	Eight years later	1,194	2,575								
	Nine years later	1,194									
7. Increase (decrease) in estimated net incurred claims and expenses for end of the policy year		(826)	(578)	(249)	1,344	(350)	(16)	(532)	327	1,056	0

*At the time of publishing, 2011 financial statements had not been audited.

**At policy year end 2010, our actuary started calculating estimated ceded ultimate net loss.

COMPARATIVE STATEMENT OF KEY FINANCIAL INDICATORS

For this Fiscal Year Ending December 31, 2012*

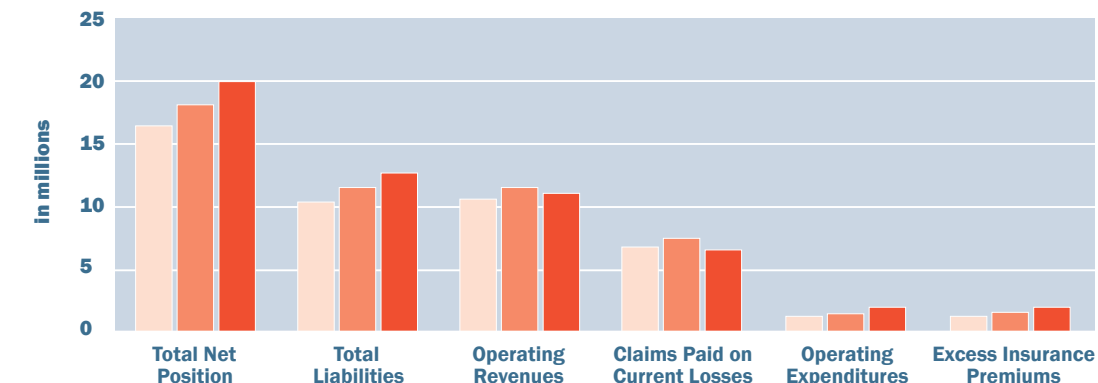
Description	2012	2011	2010
Capital Assets	\$ 437,217	\$ 384,617	\$ 394,753
Investments	1,263,276	1,155,943	1,155,943
Liabilities	12,541,540	11,232,774	10,227,873
Total Net Position	20,050,646	18,857,629	16,330,696
OPERATING REVENUES	10,794,231	11,014,515	10,347,069
OPERATING EXPENSES			
Claims Paid on Current Losses	6,624,189	7,344,828	6,720,394
Adjustment to Prior Years' Claims Reserves	-772,646	-2,604,562	-376,608
Excess Insurance Premiums	1,903,835	1,792,669	1,650,603
Depreciation Expense	11,291	10,135	12,463
Operating Expenditures	1,825,394	1,691,837	1,653,541
Broker Fee	103,845	103,845	129,806
Other Insurance Services	282,539	466,067	307,315
Total Operating Expense	9,978,447	8,804,819	10,105,457
Operating Income (Loss)	815,784	2,209,696	241,612
Non-Operating Revenue	269,900	317,237	570,642
Change in Net Position	1,085,684	2,526,933	812,254
KEY POOL INDICATORS			
Total Net Position	20,050,646	18,857,629	16,330,696
Total Liabilities	12,541,540	11,232,774	10,227,873
Operating Revenues	10,794,231	11,014,515	10,347,069
Claims Paid on Current Losses	6,624,189	7,344,828	6,720,394
Operating Expenditures	1,825,394	1,691,837	1,653,541
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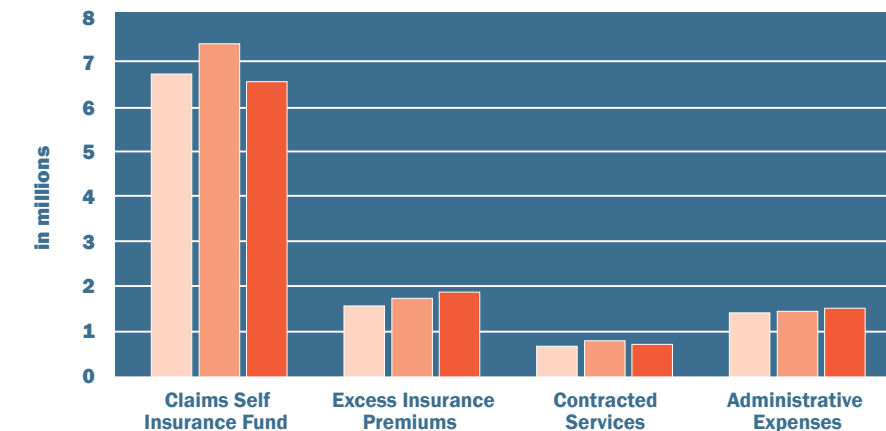
COMPARATIVE STATEMENT OF KEY FINANCIAL INDICATORS

For this Fiscal Year Ending December 31, 2012*

Key Pool Indicators (2010 to 2012)



Major Expense Comparison (2010 to 2012)



*At the time of publishing, 2012 financial statements had not been audited.



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