



KEEPING THE PACE

WASHINGTON STATE TRANSIT INSURANCE POOL | *2011 Annual Report*



TABLE OF CONTENTS

President's Message | **2-3**

Board of Directors | **4**

Executive Director's Message | **5-6**

Staff and Service Providers | **7**

2011 Coverages | **8-10**

Comparative Statement of Net Position | **11**

Comparative Statement of Revenues, Expenses, and Change in Net Position | **12**

Comparative Statement of Cash Flows | **13**

Reconciliation of Operating Income to Net Cash | **14**

Comparative Statement of Operating Expenses | **15**

Comparative Statement of Key Financial Indicators | **16**

Claims Development Information | **17-18**

STEPPING FORWARD

A MESSAGE FROM MARK CARLIN, 2011 WSTIP BOARD PRESIDENT

**"Coming together is a beginning; keeping together is progress;
working together is success." - Henry Ford**



Back in 1988, the Washington State Transit Insurance Pool began with one mission in mind: to stabilize and reduce transit insurance costs by sharing risk. Eight transit agencies came together to get the ball rolling. In 2009, we celebrated our 20-year anniversary. In 2010, we welcomed our 25th transit agency into the pool; and, in 2011, we exhaled.

While 2011 may not have been a milestone year, it still stands out as a year of incremental changes that will help us continue to be one of the most successful and stable insurance pools in the nation. The changes we implemented enhanced our ability to manage risk more effectively. We also made some organizational changes that clarified, strengthened and

streamlined our operations.

One of the most significant changes we made in reducing our exposure to risk was to implement the Driver Record Monitoring Program. Until the program launched, member agencies were dependent upon their



coach operators and vanpool drivers to self-report when they were cited for driving infractions (on or off the job) and/or agencies secured a driver's abstract, usually annually. The Driver Record Monitoring Program enables our members to continuously monitor the driving records of those operating their vehicles so that problem drivers are identified quickly and their issues addressed. As soon as we implemented the program, members immediately learned that some of their drivers were driving with invalid, expired or suspended licenses or had been cited for driving while impaired, speeding and/or reckless driving. The program now monitors more than 6,500 drivers. Starting in 2013, all WSTIP member agencies are required to

participate in the program; however, it is then up to each member agency to determine what actions to take regarding their drivers.

We also adopted several new best practices in 2011, two of which enhance the safety and convenience of our member

customers and employees. The Best Practices for Transit Operations: Rural and Urban Bus Zone Boarding

and Alighting addresses signage, lighting, convenience, spacing, seating, shelter construction, pullouts and accessibility in rural and urban areas. The Best Practices for Transit Operations: Rules of Conduct and Transit Exclusion Policies is a long name for a simple need: how and under what circumstances transit passengers may be excluded from service. This policy provides clear and consistent guidance for transit operators when a rider's conduct harasses or endangers other riders, the operator or the vehicle itself.

We also established a Fiduciary Liability Committee to evaluate

and consider current and emerging exposures in fiduciary liability, as well as ways to address them through risk transfer, risk mitigation and, potentially, self insurance.

While managing risk is essential to stabilizing and even reducing

member insurance costs, an engaged Board of Directors with a focus on the mission and vision of the Pool is paramount.

WSTIP continues to have a diverse and well educated group of individual member representatives. So it is with a deep sense of loss when Ernie Graichen, General Manager of Twin Transit suddenly passed away. Ernie had served on the WSTIP Board for more than nine years and he will be missed. We also lost another member representative to retirement. Jim Plaster of Spokane Transit decided that after 32 years in the transit business, as the Director of Administration and Finance for Spokane Transit, he wanted to spend more time with family. Both Ernie and Jim provided incredible insights

and a lasting contribution that will be their legacy at WSTIP for a long time to come.

Another element in managing our insurance costs is setting aside our own resources to cover risk exposure. In 2011, WSTIP added \$1.2 million to our surplus, bringing the total surplus to over \$18 million.

Always with an eye on the future, we revised our vision and mission statements. We updated our mission statement to read: **The Pool's mission is to reduce members' cost of risk. Our revised vision statement now reads: The Pool's vision is to be the premier provider of high-quality, cost-effective risk management products and services.** With these changes in mind, we have begun exploring new horizons for WSTIP, focusing on how we can be of greater service to our members.

Mark Carlin is the General Manager of Grays Harbor Transit, located in Hoquiam.

We updated our mission statement to read: The Pool's mission is to reduce members' cost of risk.

2011 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 Thaelke, 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 Burruss, Risk Manager

C-Tran

Diane O'Regan, Controller

Alt: Julie DeBoever, Senior Resource Manager

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

Martha Rose, General Manager

Alt: Barb Savary, Administrative Services Director

Alt: Staci Jordan, Rideshare Coordinator

Jefferson Transit

Teressa Lange, Finance & Human Resources

Administrator/Sara Crouch, Finance & Human Resources Administrator

Alt: Peggy Hanson, General Manager/ Dan DiGuilio, General Manager/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, General 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

Jim Plaster, Director of Finance and Administration/

Lynda Warren, Director of Finance and Administration

Alt: Jim Richey, Financial Analyst/Lynn Holmes, Financial Analyst

Alt: Steve Blaska, Director of Operations/Mike Toole, Assistant Manager Safety & Security

Twin Transit

Ernest Graichen, General Manager/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

STEP BY STEP

A MESSAGE FROM ALLEN HATTEN, WSTIP EXECUTIVE DIRECTOR

**"The art of progress is to preserve order amid change
and to preserve change amid order."** – *Alfred North Whitehead*



The work of the WSTIP staff is to carry out the Pool's mission – to take the concepts, policies and goals of the WSTIP Board and translate them into action. In 2011, we made substantial progress amid a changing economic and operational environment.

Perhaps our greatest pride lies in the substantial reduction in claims filed in 2011. This is one of the most important measures of success for WSTIP. It demonstrates our Board is on the right track in fulfilling its mission. Much of the success in claims reduction can be attributed to the increased focus of our loss prevention program and the new Driver Record Monitoring Program we implemented in 2011. Driver screening, training,

and monitoring programs support each member transit agency in making sure their coach operators and vanpool drivers are qualified and capable. In fact, WSTIP's entire risk management program has been so successful that, in 2011, our staff were invited to evaluate risk management programs at Targhee Regional Public Transit (Idaho Falls, ID) and Mountain Rides Transportation Authority (Ketchum, ID); and we helped develop a transit operator development program with the Ohio Transit Risk Pool.

It's not often that one would boast of blowing a budget, but in 2011, we very happily exceeded our budget projections for our pre-litigation services. These services

create an opportunity for member transit agencies to address legal issues before they become litigation. Doing so, in the long run, saves our members a substantial amount of money. The program has been available for some time; but in 2011, members really took hold of the service and





used it extensively. The service enables members to raise issues, ask for guidance and even acquire legal counsel to forestall disputes escalating into litigation. This has been particularly helpful in human resources disputes.

We were also gratified that each member transit agency successfully applied for and obtained their Risk Management Grant to support them in reducing risk exposure in their own agencies.

We, too, addressed several important housekeeping issues in 2011. We are very proud to have

achieved our 23rd consecutive clean audit. Additionally, we worked very hard to keep our Board members well versed in the business of transit insurance pooling – an extremely complex and ever-changing industry. It's not particularly intuitive, and it can be difficult to comprehend. Clear and thorough orientation is essential for Board members to participate fully in the discussions and decisions our Board makes for the benefit of the entire membership. As WSTIP Executive Director, I personally conduct these new-member orientations on a one-to-one basis, giving each new member a chance to immerse themselves in the workings of the Pool.

In 2012, we will have the pleasure of helping the Board and all WSTIP members fulfill the revised mission and vision. These are exciting times, filled with great potential, and I speak for all WSTIP staff in saying what a pleasure it is to be of service to the transit agencies of Washington.

We are very proud to have achieved our 23rd consecutive clean audit.

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 Christensen
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.

Jeanne 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 DeVall
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

2011 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 (and in the aggregate for products/completed operations hazard)	\$12 million each occurrence
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, 2010 to July 1, 2011 AND July 1, 2011 to July 1, 2012)

WSTIP / *Governmental Entities Mutual*

Per occurrence, all perils, coverages and insureds/members combined, subject to sublimits below:	\$350 million
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

Business Interruption, rental income and tax interruption (if values are reported) with 120 days extended period of indemnity	\$25 million
Business Interruption, rental income and tax interruption (if values are not reported) with 120 days extended period of indemnity	\$2.5 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 120 days) including boiler and machinery	\$10 million
Unscheduled landscaping	\$1 million
Errors and omissions	\$25 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
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
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	\$50,000

Expediting expenses	\$5 million
Accounts receivable	\$10 million
Electronic data processing equipment and data and media	\$10 million
Contractors Equipment	\$10 million
Auto Physical Damage (over the road)	\$1.5 million
Auto Physical Damage (excluding over the road)	\$25 million
Boiler and Machinery	\$100 million
Debris Removal	Greater of \$2.5 million or 25% of the loss

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: Ace)
and, for those members that need it, underground storage tank coverage (carrier: Zurich)

COMPARATIVE STATEMENT OF ***NET POSITION***

FOR THIS FISCAL YEAR ENDING DECEMBER 31, 2011*

<i>Assets</i>	2011	2010
Current Assets:		
Cash and Cash Equivalents	\$ 27,534,798	\$ 24,226,783
Member Assessments Receivable	26,104	6,757
Reinsurance Recoverable	708,980	500,000
Prepayments	279,961	274,333
TOTAL CURRENT ASSETS	28,549,843	25,007,873
Noncurrent Assets:		
Capital Assets (Net of Accumulated Depreciation)	384,617	394,753
TOTAL NONCURRENT ASSETS	384,617	394,753
Other Assets:		
Investments	1,155,943	1,155,943
TOTAL OTHER ASSETS	1,155,943	1,155,943
TOTAL ASSETS	30,090,403	26,558,569
<i>Liabilities</i>		
Current Liabilities:		
Unpaid Claims Liability	10,454,803	9,552,442
ULAE Reserve	440,000	390,000
Accounts Payable	134,293	100,572
Deferred Revenue	98,210	68,799
TOTAL CURRENT LIABILITIES	11,127,306	10,111,813
Noncurrent Liabilities:		
Compensated Absences	105,468	116,060
TOTAL NONCURRENT LIABILITIES	105,468	116,060
TOTAL LIABILITIES	11,232,774	10,227,873
<i>Net Position</i>		
Invested in Capital Assets, Net of Related Debt	384,617	394,753
Unrestricted Building Reserve	51,317	82,489
Unrestricted Surplus	18,421,695	15,853,454
TOTAL NET POSITION	18,857,629	16,330,696
TOTAL NET ASSETS AND LIABILITIES	\$30,090,403	\$26,558,569

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

COMPARATIVE STATEMENT OF ***REVENUES, EXPENSES, AND CHANGES IN NET POSITION***

FOR THIS FISCAL YEAR ENDING DECEMBER 31, 2011*

<i>Operating Revenues</i>	2011	2010
Member Assessments	\$ 10,899,471	\$ 10,214,682
Program Revenues	115,044	132,387
TOTAL OPERATING REVENUES	11,014,515	10,347,069
<i>Operating Expenses</i>		
Claims Paid on Current Losses	7,004,046	6,403,868
Adjustment to Prior Years' Claim Reserve	(2,604,562)	(376,608)
Unallocated Loss Adjustment Expense	340,782	316,526
Excess Insurance Premiums	1,792,669	1,650,603
Depreciation Expense	10,135	12,463
Operating Expenses	1,691,837	1,661,484
Insurance Services:		
Brokerage Fee	103,845	129,806
Other Insurance Services	466,067	307,315
TOTAL OPERATING EXPENSES	8,804,819	10,105,457
OPERATING INCOME (LOSS)	2,209,696	241,612
<i>Nonoperating Revenues (Expenses)</i>		
Interest and Dividend Income	317,237	570,642
CHANGES IN NET POSITION	2,526,933	812,254
TOTAL NET POSITION, January 1	16,330,696	15,518,442
TOTAL NET POSITION, December 31	\$18,857,629	\$16,330,696

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

COMPARATIVE STATEMENT OF **CASH FLOWS**

FOR THIS FISCAL YEAR ENDING DECEMBER 31, 2011*

	2011	2010
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash Received from Members	\$ 10,880,125	\$ 10,207,925
Cash Payments to Suppliers for Goods and Services	(7,952,694)	(9,601,247)
Cash Payments to Employees for Services	(1,004,058)	(999,479)
Increase (Decrease) in Claim Reserve	952,361	(152,553)
Other Operating Revenues	115,044	132,387
Net Cash Provided (Used) by Operating Activities	2,990,778	(412,967)
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</i>		
Net Cash Provided (Used) by NonCapital & Related Financing Activities	0.00	0.00
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Net Cash Provided (Used) by Capital & Related Financing Activities	0.00	0.00
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Proceed from Sales of Investments	—	—
Purchase of Investments	—	26,633
Interest Received	317,237	570,642
Net Cash Provided (Used) by Investing Activities	317,237	597,275
 Increase (Decrease) in Cash and Cash Equivalents	 3,308,015	 184,308
Cash and Cash Equivalents, January 1	24,226,783	24,042,475
Cash and Cash Equivalents, December 31	\$ 27,534,798	\$ 24,226,783

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

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES

FOR THIS FISCAL YEAR ENDING DECEMBER 31, 2011*

	2011	2010
OPERATING INCOME	\$ 2,209,696	\$ 241,612
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	10,135	12,463
(Increase) Decrease in member assessments receivable	(19,346)	7,269
(Increase) Decrease in accounts receivable	(208,980)	(500,000)
(Increase) Decrease in other prepaid expenses	(5,628)	(44,562)
(Increase) Decrease in insurance recoverables	—	—
Increase (Decrease) in claim reserves	952,361	(152,553)
Increase (Decrease) in payables	33,721	6,907
Increase (Decrease) in other liabilities	(10,592)	3,672
Increase (Decrease) in Deferred Revenue	29,411	11,725
Increase due to difference between cash balance report in 2009 on the Statement of Net Assets and Statement of Cash Flows.		\$ 500
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$2,990,778	\$(412,967)

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

COMPARATIVE STATEMENT OF ***OPERATING EXPENSES***

FOR THIS FISCAL YEAR ENDING DECEMBER 31, 2011*

<i>Description</i>	<i>2011</i>	<i>2010</i>	<i>Actual Difference</i>	<i>% Difference</i>
Claims Self Insurance Fund	\$ 7,344,828	\$ 6,720,394	\$ 624,434	9.29 %
Excess Insurance Premiums	1,792,669	1,650,603	142,066	8.61
<i>CONTRACTED SERVICES</i>				
Driver Record Monitoring	64,939	0	0	0.00
Pierce Sub Contracted Clms Srvs	117,952	94,332	23,620	25.04
Actuary	75,000	78,200	(3,200)	-4.09
Administrative Services	34,050	14,252	19,798	138.91
Broker Fees	103,845	129,806	(25,961)	-20.00
Contract Web Design	37,664	38,886	(1,222)	-3.14
Backup Services	1,500	13,787	(12,287)	-89.12
Integrated Risk Management	79,685	71,160	8,525	11.98
Software Coop/IT Security	19,556	32,812	(13,256)	-40.40
Contracted Services	30,244	17,471	12,773	73.11
Legal and Accounting	15,156	12,142	3,014	24.82
Loss Control Services	246,381	189,091	57,290	30.30
Audits	28,299	36,490	(8,191)	-22.45
<i>ADMINISTRATIVE EXPENSES</i>				
Staff Wages, Taxes & Benefits	1,004,058	999,479	4,579	0.46
Staff Conferences & Travel	80,860	69,265	11,595	16.74
Board Expenses	94,515	99,838	(5,323)	-5.33
Information Services	85,188	87,979	(2,791)	-3.17
Communications	24,618	32,047	(7,429)	-23.18
Occupancy Costs	60,360	35,017	25,343	72.37
Office Expenses	49,314	44,601	4,713	10.57
Depreciation	10,135	12,463	(2,328)	-18.68
Miscellaneous	8,564	1,950	6,614	339.18
TOTAL OPERATING EXPENSES	\$ 11,409,380	\$ 10,482,065	\$ 927,315	8.85 %

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

COMPARATIVE STATEMENT OF ***KEY FINANCIAL INDICATORS***

FOR THIS FISCAL YEAR ENDING DECEMBER 31, 2011*

<i>Description</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>
Capital Assets	\$ 384,617	\$ 394,753	\$ 407,216
Investments	1,155,943	1,155,943	1,182,576
Liabilities	11,232,774	10,227,873	10,358,123
Total Net Position	18,857,629	16,330,696	15,518,442
OPERATING REVENUES	11,014,515	10,347,069	8,459,249
<i>OPERATING EXPENSES</i>			
Claims Paid on Current Losses	7,344,828	6,720,394	5,104,932
Adjustment to Prior Years' Claims Reserves	-2,604,562	-376,608	706,599
Excess Insurance Premiums	1,792,669	1,650,603	1,733,993
Depreciation Expense	10,135	12,463	13,044
Operating Expenditures	1,691,837	1,653,541	1,523,327
Broker Fee	103,845	129,806	101,419
Other Insurance Services	466,067	307,315	256,456
Total Operating Expense	8,804,819	10,105,457	9,442,770
Operating Income (Loss)	2,209,696	241,612	-983,021
Non-Operating Revenue	317,237	570,642	1,019,020
Change in Net Position	2,526,933	812,254	35,499
<i>KEY POOL INDICATORS</i>			
Total Net Position	18,857,629	16,330,696	15,518,442
Total Liabilities	11,232,774	10,227,873	10,358,123
Operating Revenues	11,014,515	10,347,069	8,459,249
Claims Paid on Current Losses	7,344,828	6,720,394	5,104,932
Operating Expenditures	1,691,837	1,653,541	1,523,327
Excess Insurance Premiums	1,792,669	1,650,603	1,733,993
Operating Income (Loss)	2,209,696	241,612	-983,021
Non-Operating Revenue	317,237	570,642	1,019,020

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

CLAIMS DEVELOPMENT INFORMATION

FOR THIS FISCAL YEAR ENDING DECEMBER 31, 2011*

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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Gross required contribution and investment revenues	4,106	5,648	6,800	7,860	7,982	8,401	9,147	9,341	10,785	11,217
Ceded	912	1,681	1,803	1,755	1,710	1,943	1,763	1,734	1,651	1,793
Net earned	3,194	3,967	4,997	6,105	6,272	6,458	7,384	7,607	9,134	9,424
2. Unallocated operating expenses	1,196	1,134	1,256	1,370	1,331	1,687	2,132	1,897	2,111	2,272
3. Estimated losses & expenses end of policy year										
Incurred	1,853	2,020	3,153	2,484	3,329	2,990	5,170	5,041	5,648	5,727
Ceded**	264	18	1,256	245	85	23	1,467	837	191	4,411
Net Incurred	1,589	2,002	1,897	2,239	3,244	2,967	3,703	4,204	5,457	1,316

2002 2003 2004 2005 2006 2007 2008 2009 2010 2011

4. Paid (cumulative) as of:										
End of policy year	178	125	358	307	472	451	1,185	789	825	1,077
One year later	255	435	826	758	1,276	891	2,191	3,064	2,398	
Two years later	897	724	1,983	1,635	1,581	1,374	3,991	3,366		
Three years later	987	1,078	2,391	1,850	3,416	2,050	4,641			
Four years later	1,057	1,156	2,416	1,989	3,917	2,301				
Five years later	1,186	1,186	2,569	2,235	4,105					
Six years later	1,243	1,194	2,570	2,235						
Seven years later	1,247	1,194	2,570							
Eight years later	1,247	1,194								
Nine years later	1,252									
5. Re-estimated ceded losses & expenses	262	16	1,251	236	76	12	1,672	770	165	4,411
6. Re-estimated net incurred claims and expenses:										
End of policy year	1,853	2,020	3,153	2,484	3,329	2,990	5,170	5,041	5,648	5,727
One year later	1,628	1,569	2,715	2,371	3,768	2,325	5,356	4,946	5,364	
Two years later	1,424	1,361	2,653	2,186	3,957	2,462	5,350	4,788		
Three years later	1,203	1,224	2,810	2,138	4,341	2,718	5,069			
Four years later	1,237	1,246	2,546	2,230	4,623	2,600				
Five years later	1,245	1,212	2,591	2,251	4,689					
Six years later	1,264	1,193	2,580	2,241						
Seven years later	1,261	1,194	2,570							
Eight years later	1,281	1,194								
Nine years later	1,327									
7. Increase (decrease) in estimated net incurred claims and expenses for end of the policy year	(526)	(826)	(583)	(243)	1,360	(390)	(101)	(253)	(284)	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.



2629 12th Court SW | Olympia, WA 98502
(360) 586-1800 | www.wstip.org