



Purpose

To ensure that the Pool remains financially strong it is necessary to annually evaluate and compare financial performance for the prior ten-year period for which audited financials are available. This policy adopts target ratios and provides for an annual comparative study of these ratios.

Authority

Interlocal Agreement, Sections 3 (“all things necessary and proper for the establishment of self-insurance programs”)

Policy Statement

1. The Pool shall monitor the following financial ratios:

Solvency Ratios

- 1.1 Change in Net Position
- 1.2 One Year Reserve Development
- 1.3 Retention Ratio

Target or Goal

- Increase of 3% or more
- Change not greater than 20%
- Greater than 10:1 (meaning the ability to withstand 10 hits of SIR)

Operational Ratios

- 1.4 Loss Ratio
- 1.5 Insurance Services Ratio*
- 1.6 General and Administrative Services Ratio*
- 1.7 Operating Ratio

- 50% or less
- 25% or less
- 20% or less
- 95% or less

Most of the ratios above are part of AGRiP's Financial Benchmarking Initiative (FBI). Ratios with an asterisk (), while not part of the FBI, are used by WSTIP to have a complete set of operational ratios.*

2. The WSTIP financials, as audited by the Washington State Auditor's office, will be used as the basis for ratio calculation.
3. A comparison between the Pool's ratios and a minimum of three other pools may be done annually as practicable.
4. The Audit Committee will review ratios and targets annually. Any variances from targets will be reported to the Executive Committee.
5. The Executive Committee may determine if any corrective action are necessary.
6. If necessary, the Executive Committee will report to the Board on the corrective actions required to address variances.
7. The Pool may engage an actuary or external accountant to assist in the computation of these ratios.

Amendment

The Executive Committee may amend this policy.



Policy History

The groundwork for this policy was developed as part of the Pool's 2008 six-year strategic plan. Passed by the Board of Directors June 24, 2016. Amended by the Board of Directors March 29, 2019. Amended by the Board of Directors September 27, 2024, which included delegating responsibility for reviewing and updating the policy to the Executive Committee.

Attest:

Approved as to form:

Joseph Macdonald
[Joseph Macdonald \(Mar 10, 2025 07:04 PDT\)](#)
Joe Macdonald, President

Miranda Nash
Miranda Nash, Secretary

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Richard L. Hughes, General Counsel