



Target Ratios Policy

Governance Section: Finance

Revision Date: 3/29/2019

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Purpose

In order 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

1. 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 Leverage

Operational Ratios

- 1.4 Net Incurred Loss Ratio
- 1.5 Operating Ratio
- 1.6 Expense Ratio

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. Ratios and targets will be reviewed annually by the Executive Committee. Should there be a variance from the target, the Executive Committee shall determine actions steps.
5. The Executive Committee shall report to the Board annually and include the current ratios, targets, comparison to other pools and any action steps required to address variances.
6. The Pool may engage an actuary or external accountant to assist in the computation of these ratios.

Amendment

The Pool’s Board 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

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Staci Jordan

Staci Jordan, President

Attest:
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Danette Brannin, Secretary

Approved as to form:
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