



WASHINGTON STATE TRANSIT INSURANCE POOL | RISK MANAGEMENT IN MOTION

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Minutes of the
Executive Committee Meeting
February 28, 2019
WSTIP Office ~ Olympia, WA

Executive Committee Members Present	Staff Present
Staci Jordan, President, Island Transit Shonda Shipman, Vice-President, Whatcom Transportation Authority Danette Brannin, Secretary, Mason Transit Authority Lynda Warren, Large Member Rep, Spokane Transit Agustin Ortega, Medium Member Rep, Yakima Transit Tom Hingson, At-Large Member Rep, Everett Transit Paul Shinnors, Past President, Kitsap Transit Suzanne Coit, Treasurer, Intercity Transit	Cedric Adams, Claims Manager Anna Broadhead, Board Relations (Virtually) Tracey Christianson, Executive Director Rick Hughes, General Counsel Laura Juell, Risk and Training Specialist (after 1 pm) Andrea Powell, Administrative Services Manager
	Board Members Present
	Mike Burress, Community Transit (virtual until 12:55 pm) Amy Cleveland, Pierce Transit

Call to Order

President Jordan called the meeting to order at 9:16 am. Jordan welcomed all participants as a sign in sheet was passed around the room, Christianson introduced virtual attendees. Jordan called for changes to the agenda, hearing no changes, she asked for a motion to approve the agenda. **Brannin moved to approve the agenda. Shinnors seconded the motion and the motion passed.**

Consent Agenda

Jordan removed consent agenda items 2-7 to discuss vouchers.

Minutes – December 6, 2018

Jordan asked for a motion to approve the December 6, 2018 Minutes. **Hingson moved to approve the December 6, 2018 Executive Committee Minutes. Shipman seconded the motion and the motion passed.**

November 2018 Administrative Vouchers/Checks, November 2018 Claims Vouchers/Checks, December 2018 Administrative Vouchers/Checks, December 2018 Claims Vouchers/Checks, January 2019 Administrative Checks/Vouchers, and January 2019 Claims Checks and Vouchers

Jordan questioned check 28112 – risk management grant to Everett ATU. Hingson explained the City of Everett has policies that don't allow them to do anything for the employees, so Everett Transit partners with the ATU for their employee recognition program and asks WSTIP to pay the ATU the risk management grant. The ATU then purchases the prizes for Everett Transit's employee recognition program. Hingson added, this way we can use the Risk Management Grant for the purposes intended. Shipman asked if the city audits the ATU. Hingson said he tells the ATU what he wants bought and then they do it. Shipman pointed out that two credit card reports need to be signed. Powell said that the unsigned documents is internal process failure and staff will be sure they are signed in future. Shinnors stated that Ristau would be proud that Shipman caught that. Jordan asked for a motion to accept consent agenda items two through seven. **Shipman moved to approve consent agenda items two through seven. Shinnors seconded the motion and the motion carried.**

Discussion Items

Executive Committee Retreat Wrap-Up

Jordan reported the packet included information regarding all the tasks and their outcomes from the retreat. Everyone attended the retreat except Shipman. Jordan and Christianson reviewed the materials with her prior to this meeting. Jordan asked if there were any questions and there were none.

Small Member Representative Vacancy

Jordan said Wojcik-Damers is no longer with Twin Transit and therefore there is a need to appoint a new Small Member Representative at the next Board meeting. Hughes explained the Bylaws state that the vacant position must be filled at the next regular Board meeting by an individual representative of the small members. The Board may appoint or hold an election. Jordan stated that Hingson will run the Small Member Representative meeting in March and tasked him with finding a willing candidate. Hingson suggested a Bylaw change to appoint the runner-up from the previous election, as it seems cumbersome to fill empty positions mid-year. Christianson stated that Bylaw changes must be approved by the State Risk Manager and the Board. Jordan asked who would start the Bylaw change process. Christianson said the Governance Policy Committee could. Shinnars suggested possibly changing the appeal process in the Bylaws as well. Christianson said she has a list of recommended changes. Jordan requested she add filling vacancies to the list. Christianson agreed.

RMIS Data Governance Committee

Powell explained this was the Committee charged with developing and recommending best practices for data collection, as well as review requests for code changes for Origami. As an aside, WSTIP has hired Christine Rouse as our Application Support Specialist starting March 1. Rouse and Powell will be meeting with Community Transit to work on Origami customizations. The charter for this Committee is included in the packet, she suggested changing the Committee to be ad-hoc so that it could report to the Executive Committee as tasks are completed. Jordan asked if the Committee had a chair. Powell asked that Mike Burress be appointed. Burress accepted the chair role. The Committee will seek additional Committee members from the membership who are Origami users (data entry, risk managers, etc.). Burress said the first topic the Committee will focus on is cause codes which will assist in the development of the safety plans that all members are required to implement by 2020. The plans will be data driven. WSTIP has the information in Origami, but the cause codes need to be updated. Updated cause codes, if used consistently among the membership, will in turn help us develop targets to reduce accidents. Jordan moved the RMIS Data Governance Charter to the action items as Action Item 4.

Ratios / Ratio Subcommittee Recommendation

Powell reminded the Executive Committee this topic comes from the Audit Committee who created a smaller sub-committee to look at the strategic financial target ratios policy. Shinnars headed up that sub-committee. Shinnars said he has wanted to benchmark the Pool's financial status to other Pools for several years now. He reported that the Association of Government Risk Pools (AGRiP) has recently completed a financial benchmarking initiative, which is what this sub-committee used as the basis for these recommended ratios and targets. AGRiP had 14 ratios, but the sub-committee thought six would be sufficient. These benchmarks will allow us to compare ourselves to other Pools. The sub-committee consisted of Shinnars, Coit, Shipman, Powell and input from actuary Kevin Wick. Shinnars then went through the recommended changes to the policy. The sub-committee is recommending three operational ratios and three solvency ratios. The sub-committee also discussed variances, and how the Executive Director should notify the Executive Committee of variances. Reporting on the ratios make sense once the audited financials are available and a minimum of three pools should be used in the comparison. The Executive Committee then went through each of the ratios.

Solvency Ratios

Retention Leverage – This ratio compares WSTIP's net position compared to the Pool's current self-insured retention. This ratio helps determine how many times you can pay out retention level from net position (net position / current retention). The target is greater than 10 currently the Pool is at 9.08. The Pool increased our retention level in 2017.

One-Year Reserve Development Ratio – This ratio compares prior year booked reserves as a percentage of net position. This ratio is a bit trickier as it is measuring loss reserves from one year to the next (one-year reserve development / net position), rather than claim development costs. To determine this ratio, you must look at the financial notes (2017 note 10) and pull the loss reserve for one year over the next year. The target is less than 20%, currently the Pool is at 5.2%. Powell will add a note that says less is better for this ratio.

Change in Net Position – This ratio measures how much WSTIP's net position is increasing or decreasing. This ratio we always want to see would be positive and hopefully greater than 3% (current net position / prior net position). Currently, the Pool is at 1.27%. To reach the goal of \$5 million SIR by 2023, we would need to grow our net position by at least 3% each year. Some years we perform well and others we squeak along. For example, the 2016 ratio was 12%. The Committee discussed this ratio and suggested Powell add a 10-year rolling average to show if the Pool is trending in the right direction. They also asked to have the rate per mile cost, how much the rate increased year by year, and average losses per year included in the annual report to the Board.

Operational Ratios

Net Incurred Loss Ratio – This ratio compares net incurred losses as a percentage of net contribution. Christianson does not like this ratio as she isn't sure what it is really telling you if you are not meeting it consistently. This ratio is determined by taking the net incurred loss / net contributions. Shinners explained his take on this ratio. He said, here is your big pie of expenses, a big portion of those expenses is your losses, and the rest is admin expenses. The incurred losses should never exceed 70%. Currently the Pool is at 82% due to adverse claim development, however 2016 ratio was 54.4%. Hingson suggested adding the 10-year rolling average to this ratio so we would have a better sense of the direction. Coit asked that Powell clarify what was reflected in the net losses as compared to gross losses. Powell said she would put definitions on each of the ratios.

Operating Ratio – This ratio measures the percentage of member contributions that are allocated for net incurred losses and Pool's operating costs net of investment income. This ratio tells us how much of the net contribution we are spending to run WSTIP and or pay for claims and how many years we have added to or reduced the surplus. If the operating ratio is less than 100 percent, then then the Pool's net position will increase. Currently WSTIP is at 103%, however in 2016 it was 80%. This ratio is calculated by taking net incurred loss + expenses – investment earnings / net contributions.

Expense Ratio – This ratio is calculated by taking expenses / contribution and is a general reasonableness check of administrative expenses relative to contributions. It was suggested to change this to be net contribution rather than gross contribution (contribution less reinsurance costs). This is one ratio we calculated previously, our goal is to be less than 25%. Currently the Pool is at 22%.

Jordan asked what the next steps were for this topic. Christianson reminded the Executive Committee that this is a Board policy, and therefore changes to the policy require Board approval. She recommended further discussion at the March Executive Committee meeting as an action item with the goal of a pass recommendation to the full Board. Then it can be placed on the Board agenda as a discussion item in

March with action likely June. This topic will return at the March Executive Committee meeting.

The Executive Committee took a short break from 10:27 am to 10:37 am.

Coverage Appeal Process

Hughes sought clarification on the coverage appeal process that was an assigned task to Staff from the Retreat. Included in the packet is Section 52 of the Bylaws which states Members can appeal coverage decisions made by the Executive Director to the Executive Committee. If WSTIP amends the Bylaws, does the Executive Committee want to make the appeal process final or require an alternative dispute resolution process? Should staff develop a policy that outlines the appeal process; clarify the roles of the President, Executive Director, General Counsel and the coverage attorneys; and how much guidance do you want regarding Executive Session, and are only coverage denials appealable? At the retreat this topic was important but non-urgent, so the topic doesn't need a decision at this meeting. Shinnors said he felt the appeal process used in October worked well considering we didn't have a lot of structure.

Hingson asked what happens if the Executive Committee doesn't like the Executive Director's decision to extend coverage decision, how would we know and what would be the process for overruling?

Christianson said there isn't a process for that. We are talking about revising coverage documents now because if the documents aren't clear to Executive Committee then they are probably not clear to Executive Director. The issue we are talking about is when the Executive Director denies coverage and the member feels coverage shouldn't be denied. The member has the right to appeal the decision to the Executive Committee. Shipman felt a process should be memorialized and worries the Board may not like the Executive Committee's decision to cover a suit or claim outside the coverage document. Jordan felt the process went well in October, but also felt the coverage attorneys' presence was counterproductive. She thought it would be better to have just the Member and Executive Director state their reasons for denial/appeal and feels the Executive Committee must be responsible with their coverage decisions as that is what they have been elected to do.

Brannin asked what happens if the Member doesn't like the Executive Committees decision. Hughes said he believes it would require a change to the Bylaws but WSTIP could limit itself to an internal appeal process rather than proceeding to a lawsuit. He would need to take a closer look as it would be a major change, however, he noted currently nothing prevents a member from suing WSTIP for coverage.

Hingson said collectively he hopes everyone understands as a member of the Pool, you would be suing yourself. Shinnors said this is the discussion at hand, should the appeals process have more structure, should the Executive Committee have guidance on how to do the appeal including interpreting the coverage document and impacts of legislation. Hughes feels structure would be helpful to mitigate potential inconsistencies. There may be a claim out there no one has imagined yet, we don't want to over analyze and be unable to review. Hughes said he called another Pool's counsel to see if they had clearer guidelines regarding appeals, but theirs is like ours and they have had several appeals.

Burruss said they have an appeal process at Community for accidents and the review team has clear guidelines they follow. Jordan said this topic isn't urgent and the committee will take a deeper dive into it at the April Executive Committee meeting.

Driver Record Monitoring Program

Christianson said this is an urgent task because if the proposed legislation doesn't pass WSTIP could potentially not be allowed to continue its driver record monitoring program or may need to significantly change the program. If there are only partial changes to the legislation, we may have to discontinue the Interlocal Agreement members or stop monitoring vanpool drivers. We do pre-fund this program in your

assessments, so we may have to potentially return funds. The bill has left the House committee and needs a floor vote. The companion senate bill remains in committee at the Senate. The bill isn't sexy, and some legislators don't like the idea of monitoring without releases.

Hingson said we must protect WSTIP first, and then the other public entities that participate through Interlocal Agreements. He suggested possibly structuring like the drug and alcohol program so that everyone is on their toes but recommends maintaining this best practice over time. Shinners asked what WSTIP pays now. Christianson said currently rates are \$0.06 per monitoring request and if something is on the record, we get an abstract which cost \$13 each abstract. The member pays \$1.29 per driver per month. You can pull the abstracts now for employees, but vanpool and Interlocal Agreement agencies would be out. Powell said if no changes are made employers may do monthly monitoring, but you would have to have releases from the employees monitored. Christianson said there are members who have signed releases from their employees as a condition of employment, but many do not. Do you want to continue the monitoring program?

Shinners said but we could monitor employees if we have the release from them? Yes, that is true. Christianson said Department of Licensing (DOL) is arguing whether WSTIP can monitor for you (can WSTIP be your agent) and vanpool is excluded (release or no release) which represents the largest risk. Shinners said but we still have to pull the abstract yearly so don't throw the baby out with the bath water. Warren asked why vanpool would be excluded. Christianson explained the rule is attached to employment purposes and insurance, vanpool drivers are not employees and WSTIP is not being recognized as the equivalent of an insurance company.

Burress said under the new public transportation safety plan one of the pillars the Federal Transit Administration expects transit to continue efforts to improve safety. To him this rule is going against federal requirements as driver record monitoring is a way for us to ensure operators are operating with proper licenses.

Christianson said WSTA is championing this bill for us, but we need a contingency plan. Jordan reiterated to fight for WSTIP first and asked if there are other commercial solutions. Christianson said no one else is monitoring because there is no money in it, we run our program at our cost to include generating funds so WSTIP can hire a consultant to conduct an audit of DDS at least once every three years.

The committee recessed for lunch from 11:32 am to 12:00 pm.

Action Items

Adopt 2019/2020 Meeting Schedule

Note: the February 2020 meeting date is one week prior to normal meeting day. **Shipman moved to adopt the 2019/2020 Meeting Schedule. Ortega seconded the motion and the motion passed.**

Committee Charters – ER&O and Underwriting

Brannin explained the Emerging Risks and Opportunities Committee had met and revised their Charter to encompass existing risks or emerging claim trends. Jordan was concerned that adding existing risks may be duplicative of the tasks which were assigned to the Underwriting Committee. Christianson said that was her initial thought too but now understands why they would want to track existing or developing loss trends. **Hingson moved to adopt the Emerging Risks and Opportunities Committee Charter with changing it to emerging risks and existing trends. Brannin seconded the motion and the motion passed.** Brannin said Jenny George had also agreed to serve on the Committee.

Ortega said the Underwriting Committee had met and are proposing a completely revised charter. Christianson explained there was no red-line because it wouldn't have made any sense as it is so significantly changed. She added this charter does reflect what the Executive Committee envisioned during the retreat. Ortega explained the Committee have been given several tasks, basically if it could affect our contributions then we are going to look at it. **Shipman moved to approve the Underwriting Committee charter. Brannin seconded the motion and the motion passed.**

Clean-Up Loss Year 2015

Christianson explained this was a retreat topic and part of the Strategic Plan that is data-centric. The data needs more cleanup to be useful for metrics. Staff has completed data clean-up for 2016-2018; however, the 2015 data is still in the legacy RiskMaster format and will take twice as long to do data clean-up. Rather than spend additional resources on cleaning up 2015, does it make sense to update the Strategic Plan to compare to 2016 instead of 2015? **Ortega moved to change the Strategic Plan date to 2016. Shinnors seconded the motion and the motion passed.**

RMIS Data Governance Charter

Shipman moved to approve the updated RMIS Data Governance Committee Charter. Ortega seconded the motion and the motion passed.

Executive Session

The Executive Committee went into Executive Session at 12:17 pm for 45 minutes pursuant to RCW 42.30.110 (1) (i) to discuss with legal counsel representing the agency litigation in which a member acting in an official capacity is a party, when public knowledge regarding the discussion is likely to result in an adverse legal or financial consequence to the agency. President Jordan extended the session multiple times for an additional 18 minutes. Executive Session ended at 1:20 pm. No action was taken. Buress left the meeting at 12:55 pm.

Staff Reports

Executive Staff Report

Christianson said property renewal may be difficult as property values are increasing, and the market has hardened due to catastrophic losses. We would like to start talking about the earthquake coverage as there are other products out there which may be of interest to the Board. The broker is suggesting we educate the Board on how the deductible works, what happens if there is an above limits loss, how the contributions and limits gets broken up if there are multiple members affected (who gets what) and memorialize it either in the property coverage document or a governance policy.

Shipman talked about their recent case that went to trial and how the video evidence helped, how fascinating the entire process was and reminded everyone to be sure to have clear policies and procedures in place and follow them.

Sub-Committee Reports

Governance Policy Committee

No report (meeting after Executive Committee).

Board Development Committee

No report (meeting after Executive Committee).

Emerging Risks and Opportunities Committee

Brannin had no further comments.

Underwriting Committee

No report.

Coverage Review Committee

Shinners said the committee will try to reconvene in March.

Recap and Adjournment

Jordan said charters have been approved, data clean-up changed to 2016, approved 2019/2020 schedule, further discussions regarding Burdett vs. Community Transit in April and Board Development meeting in conference room and Governance Policy Committee meeting in Christianson's office. **Jordan adjourned the meeting at 1:36 pm.**

Submitted this 28th day of March 2019.

Approved:  Danette Brannin, Secretary