



WATER & SEWER
RISK MANAGEMENT POOL

2021 ANNUAL REPORT



WHO WE ARE

ABOUT US

The Water and Sewer Risk Management Pool (WSRMP) is a public-entity, insurance pool that was established in 1987 by Washington State water and sewer special purpose districts in response to the lack of affordable and adequate insurance coverage available in the marketplace during the 1980's. We comply with Washington RCW Chapter 48.62 which allows public entities to self-insure via an insurance pool. WSRMP is owned and controlled by the districts we insure. All profits generated are used for the benefit of the membership. The founding members' vision was to create an insurance organization that would ensure access to the most comprehensive protection, laser-focused risk management programs and responsive customer service. These are goals the staff seeks to accomplish every single day.

Our Executive Committee is comprised of seven representatives that are General Managers or Commissioners from districts within our membership. They provide regular oversight, guidance and expertise to WSRMP's three employees.

The vast insurance coverage we offer is the result of intense analysis of our members' unique needs. As new challenges emerge, we anticipate how such challenges might affect our members, and we work to provide solutions before the challenges become problematic. WSRMP strives to add more value for our membership compared to a commercial insurance company. We provide a whole spectrum of member services including training, seminars, risk management, safety programs, industry information, WASWD sponsorship and one-on-one guidance.

WHAT WE DO OUR MISSION

To protect Water and Sewer utilities with specialized risk management services and broad coverage at a stable cost.

WHAT WE ASPIRE TO BE OUR VISION

To be the recognized expert in providing comprehensive protection, risk management, customer service and support to water and wastewater districts in the Pacific Northwest while increasing member equity in an alternative risk structure.

WHAT'S IMPORTANT TO US CORE VALUES

Respectful, Accurate, Reliable and Ethical (RARE)

Compassionate, Curious, Consistent, Conservative and Competitive

WHAT WE STRIVE FOR STRATEGIC PLAN GOALS

Protect Our Strong Financial Position
Expand Risk Management Services
Strengthen Relationships With Members
Improve Coverage
Broaden Our Membership Base

HELLO MEMBERS,

The past year continued to be full of positive developments and ongoing reinsurance challenges for WSRMP.

We are pleased to welcome three new members (Cattle Point Water District, Juniper Beach Water District, and Inchelium Water District) during the 2020-21 policy year. Fourteen districts have joined or rejoined WSRMP since 2017 bringing our membership to 72 districts ranging from the largest to the smallest throughout every corner of Washington State.

Claim payments were \$732,810 during the 2020-21 policy year which was \$341,220 (31.8%) lower than actuarily projected for the year. This is an extremely constructive development, and it was a welcome return to a multi-year trendline after the prior year’s higher than expected payments.

Based upon our actuary’s recommendation, we increased claim reserves by \$310,000 to \$1,695,000 at the end of our policy year. We have bolstered our claim reserves by \$982,000 since 2018. If future reported claims remain at long-term trend levels, we should be able to release some booked claim reserves. Net income and net position will be positively impacted if claim reserves are released.

Our 2020-21 budget projected a twenty-four thousand dollar loss because our Executive Committee voted to fund operations at the expected level instead of the 70% level recommended by our actuary. This decision resulted in collecting \$364,466 less than recommended by our actuary. The lower amount included the 2019-20 declared dividend (\$117,000) which was credited to members in 2020-21. The Executive Committee took this action because of the strong financial position we have achieved during the past ten years. We are thrilled to announce that our actual reported net income was \$166,046 because of lower than anticipated claim payments and continued control over variable expenses. Remember, all profits remain in WSRMP and are used to strengthen the financial standing of the pool or for the benefit of the membership.

We saw property and liability reinsurance costs increase by \$ 257,584 (27.1%) and \$485,358 (145.1%) respectively. Reinsurance was our largest expense item and represented 52.6% of our total expenses.

This year, our semiannual membership meeting topics focused on utility resiliency, workforce initiatives and infrastructure sustainability. We provided six risk management webinars from DKF Solutions and co-sponsored (with WASWD) two informative zoom sessions regarding how Washington employment laws apply to vaccination mandates and other issues of concern.

THANK YOU for your continued loyalty and support as an equity-owner of WSRMP. We are the only insurance organization solely focused on Washington water and wastewater special purpose districts. Our responsibility to properly manage WSRMP for you is taken seriously. *The future is bright!!* Please contact us if you have any questions, concerns, or suggestions for improvement.

Sincerely,



Cynthia Lamothe
WSRMP Executive Committee President
General Manager, Skyway Water and Sewer District



Cary J Ecker, MSF
Executive Director, WSRMP



EXECUTIVE COMMITTEE MEMBERS

President Cynthia Lamothe General Manager, Skyway Water and Sewer District	At-Large Board Member Donna Cross Commissioner, Alderwood Water and Wastewater District
Vice President Jay Krauss General Manager, Sammamish Plateau Water	At-Large Board Member Patrick Sorensen General Manager, Woodinville Water District
Treasurer Darcey Peterson General Manager, King County Water District #90	At-Large Board Member Wayne DeMeester Commissioner, Northeast Sammamish Sewer and Water District
Secretary Ed Cebron Chief Economist and Treasurer, Cascade Water Alliance	



WATER & SEWER
RISK MANAGEMENT POOL

40 Lake Bellevue Drive, Suite 220
Bellevue, WA 98005
waterandseweriskmgmtpool.org

425-452-9750
1-866-261-5456



TABLE OF CONTENTS

Executive Committee 7

Financial Commentary..... 9-16

Financial Statements 18-19

Membership Roster..... 20-21





FINANCIAL COMMENTARY

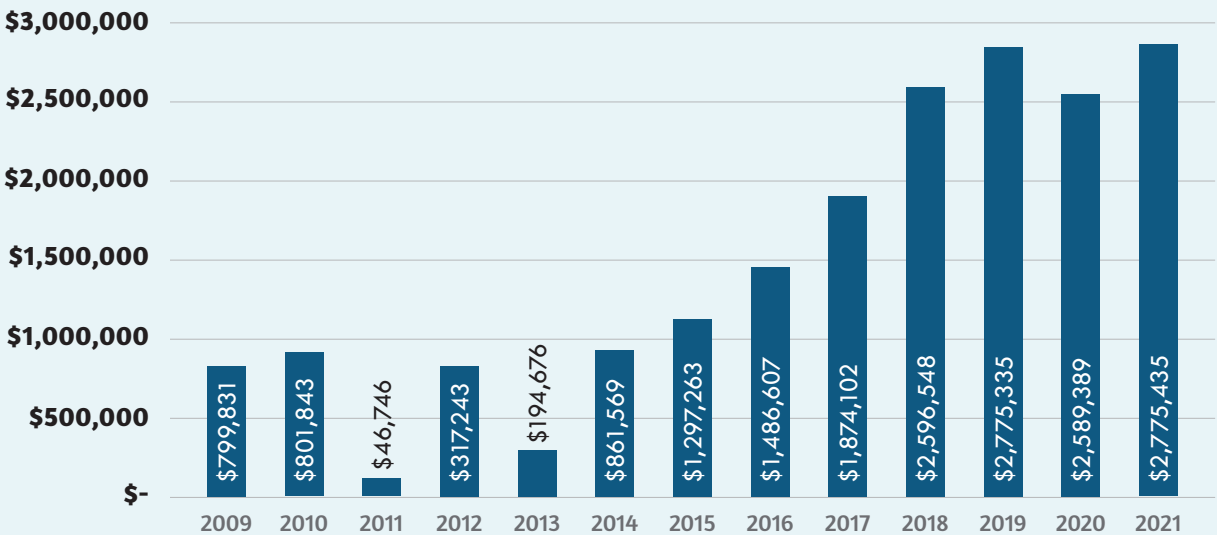
pages 9-16

Actuaries provide important advice and insight into claims data that helps insurance organizations determine what surplus and premium levels are appropriate for sustainability of the company. They utilize complex mathematical models that analyze expenses, reserves, loss ratios, exposures, and other information.

WSRMP relies on two annual actuarial reports from Bickmore to assist us in forecasting future funding requirements needed to keep the pool financially fit. Bickmore’s model predicts annual claim payments at the beginning of each policy year which we incorporate into our budget. Since 2012, our actual claim payments have been almost 20% lower than projected which is one reason why

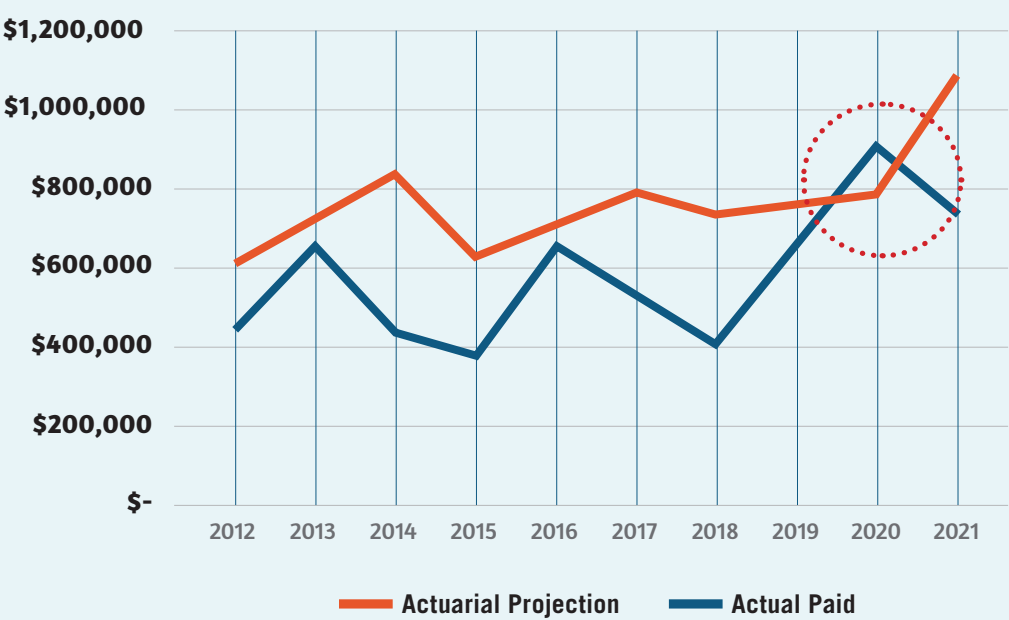
our net position has grown quickly during this period. Our net position has exceeded the 95% confidence level for several years. The Washington State Risk Manager (the regulator for insurance pools in Washington) requires an 80% minimum confidence level for insurance pools operating in our state. An 80% confidence level means that there is an 80% chance that an organization’s assets are sufficient to cover all known, outstanding claims. Higher confidence levels indicate greater financial strength for the organization. The graph below illustrates the large increase in our net position since 2011.

NET POSITION



As mentioned earlier, the next chart shows the relationship between our actual annual claim payments compared to the actuarial projected claim payments. Higher actual payments in 2020 were concerning because it was unknown at the time if a new trend of higher actual claim payments was beginning to develop.

ANNUAL ACTUAL PAID VS ACTUARIAL PROJECTED CLAIM PAYMENTS



Fortunately, claim payments for the 2020-21 policy year returned to more normal levels and were 68% of actuarial forecasted payments.

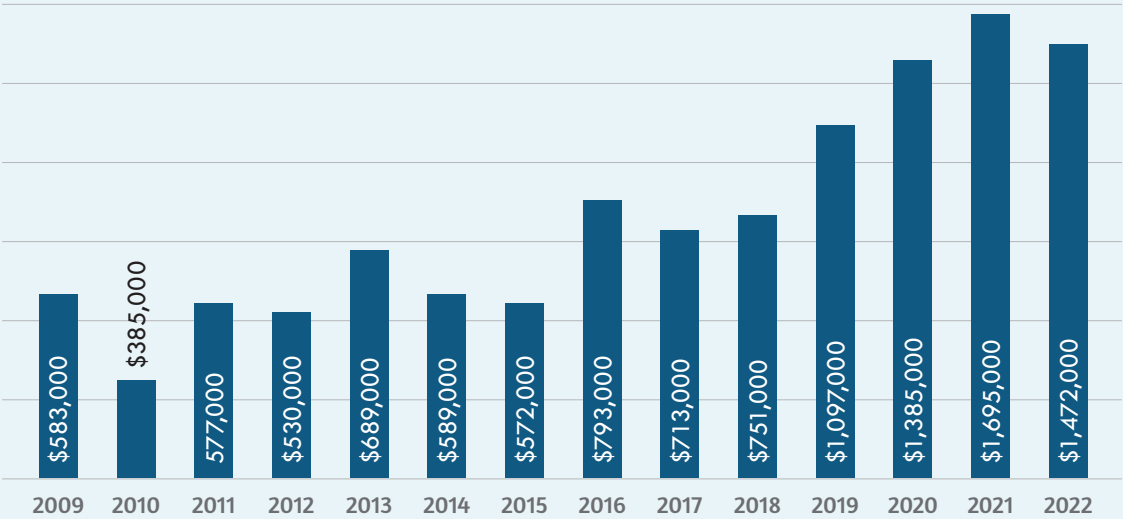
Actuarial models seek trends and if found, use these trends to predict future results. If the model finds a new trend (recent results are outside of long-term results), it can lead to significant changes in management decisions regarding premium and reserve adequacy. These actuarial models are sensitive to negative changes in trends (losses and expenses are higher), and they seem to adjust more quickly compared to when changes are positive.





We were advised to bolster claim reserves by another \$310K this year based upon the past few years of higher than normal loss activity. The chart below shows how our claim reserves have remained relatively stable until the 2019 policy year. Claim reserves at the end of 2021 were 126% higher than 2018. Our actuary has projected claim reserves may begin to decline in 2022.

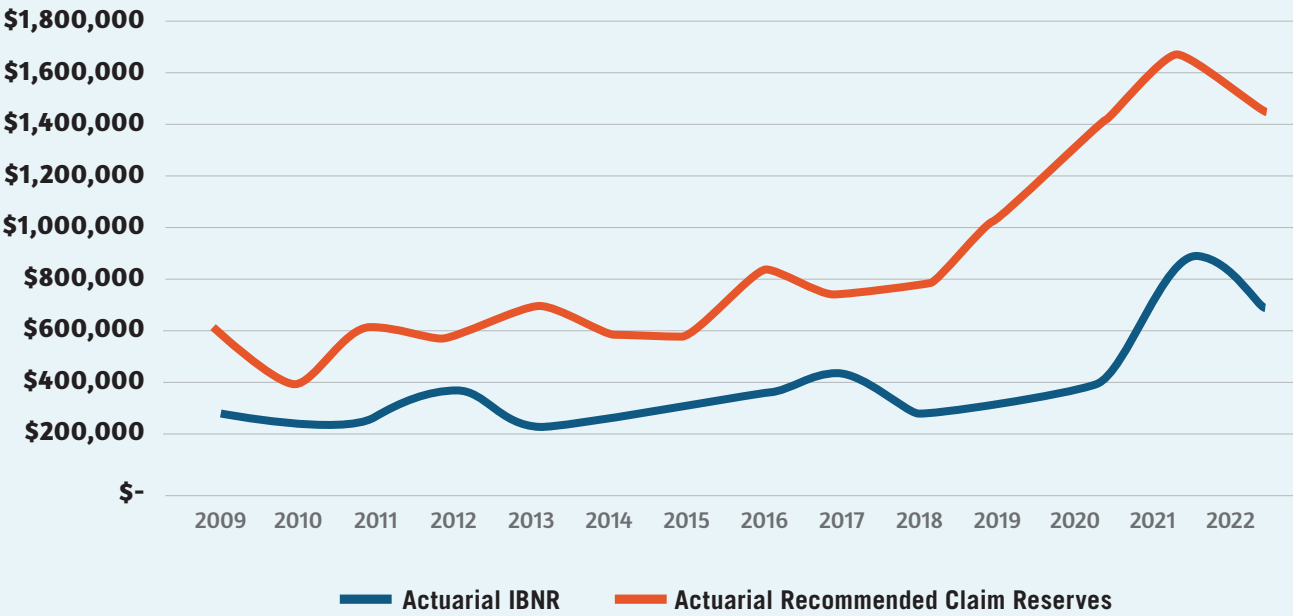
ACTUARIAL RECOMMENDED CLAIM RESERVES



Claim reserves include a component called incurred but not reported (IBNR). IBNR is a reserve fund established to pay for claims that may have already occurred but have not been reported yet. The insurance industry uses IBNR to be prepared for unexpected events. Sometimes, these unexpected claims never materialize and IBNR can be reduced in future years. It can work the opposite way too. IBNR is calculated by actuarial models based upon prior claim results.

WSRMP’s percentage of IBNR reserves divided by total claim reserves has fluctuated from 28 to 66 percent since 2009 and were set at 52.3 percent in 2021.

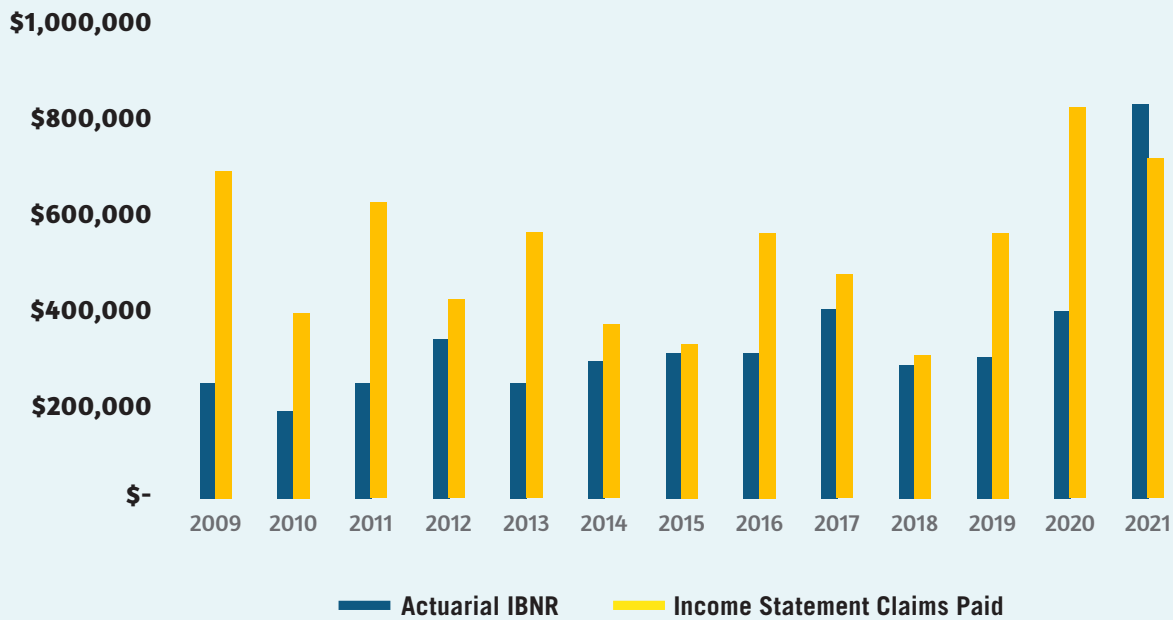
IBNR vs ACTUARIAL CLAIM RESERVES





Comparing IBNR to annual claim payments (chart below) provides a similar picture where IBNR has averaged 53% of actual claim payments since 2009 (range was 26 to 82 percent). This ratio rose to 118.8% in 2021 which may indicate IBNR has been set too high. If IBNR does not develop, it is another strong indicator that future total claim reserves may decline

Actuarial IBNR VS Annual CLAIMS PAID



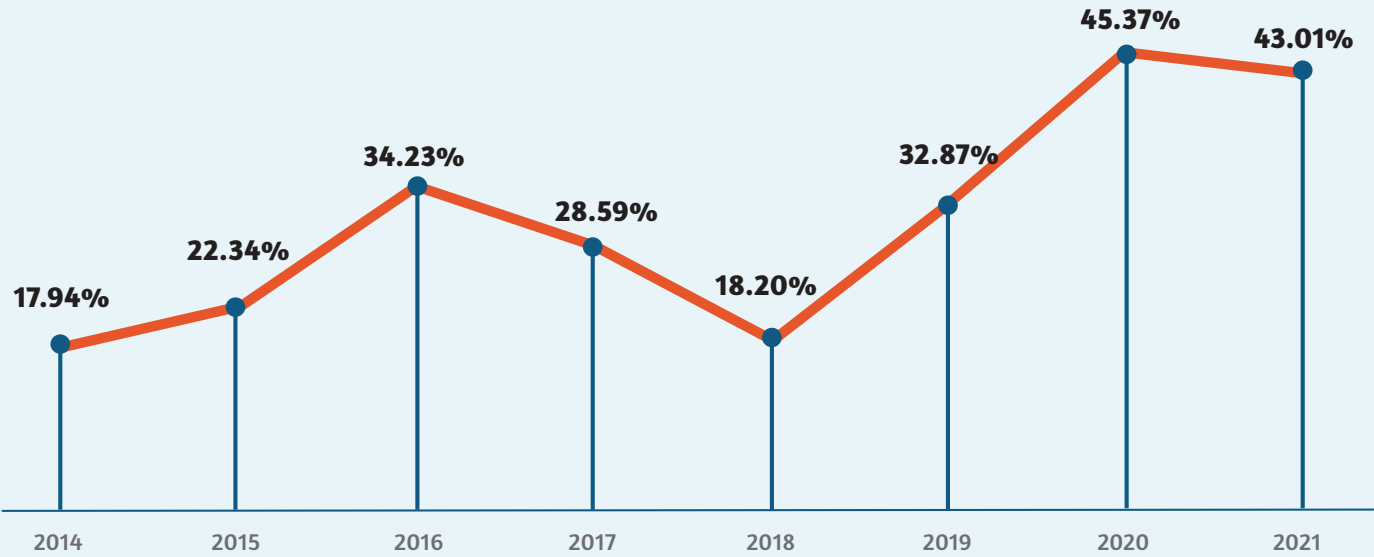
Loss ratios compare claim payments set against premium collected (minus reinsurance costs). The loss ratio is one of several metrics used to determine the underwriting health of an insurance organization. It can also be helpful when comparing the operational health of different insurance companies. The most up to date loss ratio data released by the National Association of Insurance Commissioners indicates the property and casualty insurance sector had an average loss ratio of 70.2% in 2020 (data is not available for 2021). According to NAIC, the P&C loss ratio has ranged between 67.2% to 79.5% between 2011 and 2020. <https://content.naic.org/sites/default/files/inline-files/Property%202020%20Annual%20Industry%20Report.pdf>

WSRMP's loss ratio has turned upwards since lows of 18.2% in 2018 and 17.94% in 2014. We experienced the largest reserved loss in our history during 2018. Negotiations are ongoing to resolve this claim, and claim reserves have been adequately posted to cover any eventual payment. Since the claim wasn't closed in 2018 and a large outstanding reserve still exists to settle this claim, the 2018 loss ratio wasn't fully impacted. When final payments are made in the future, the loss ratio in the payment year will be impaired. The remaining obligation for WSRMP is only \$274,000, but the potential reinsurance payment may be several million. This large loss has played a meaningful role in our higher reinsurance costs. Despite the recent higher loss ratio trend for WSRMP, it is still significantly better than the overall property & casualty industry results.



There is a direct relationship between loss ratios, premium collected and reinsurance expense. As mentioned earlier, WSRMP chose to fund 2020-21 at the "expected level" rather than at the "70% confidence level." Therefore, our higher loss ratio last year partially resulted from lower member allocations and higher reinsurance expense rather than higher claim payments.

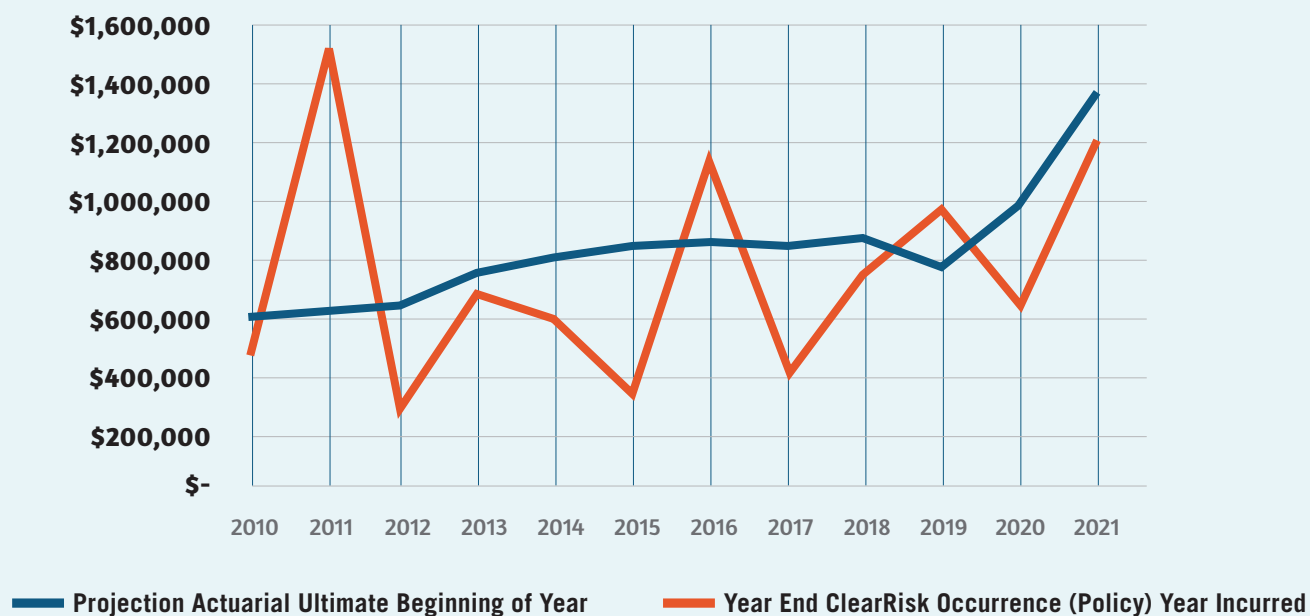
Loss Ratio



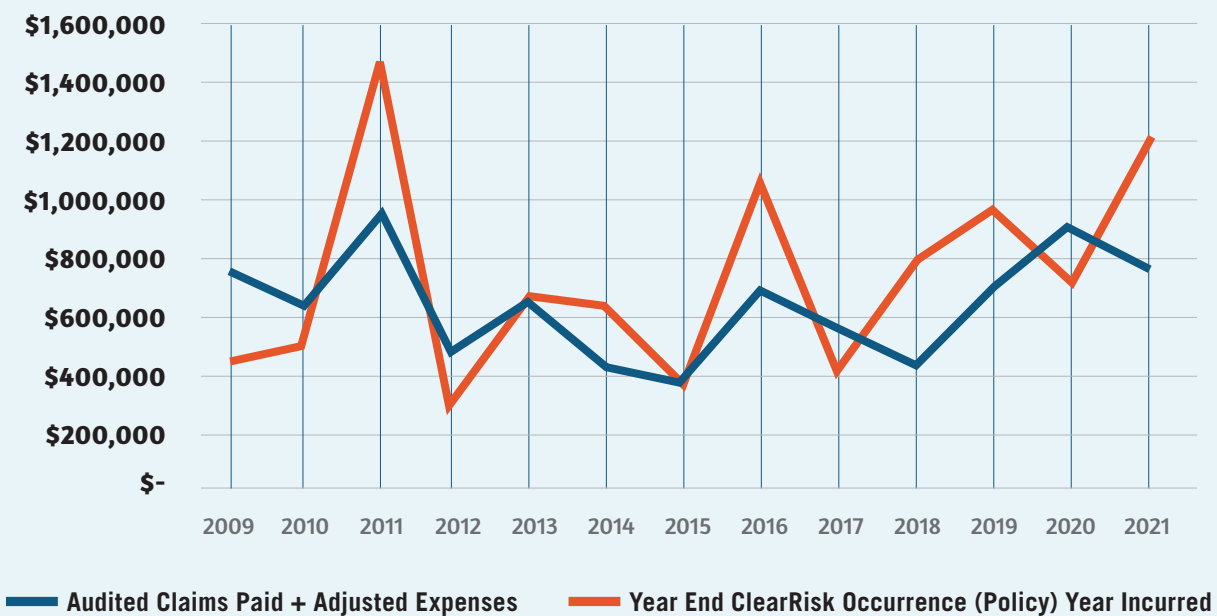
WSRMP's claims are considered to be "short-tailed" meaning that they are usually closed within 12-18 months. When claims are first reported to WSRMP, we assign a preliminary reserve (both for expenses and for potential indemnity payments). We adjust reserves (if necessary) as the case develops, but our intention is to properly set reserves initially to minimize any negative impact on our future financial statements. Actuaries estimate ultimate claim costs in their annual analysis. The "ultimate" cost is the total amount spent including a factor for inflation until the claim is closed.

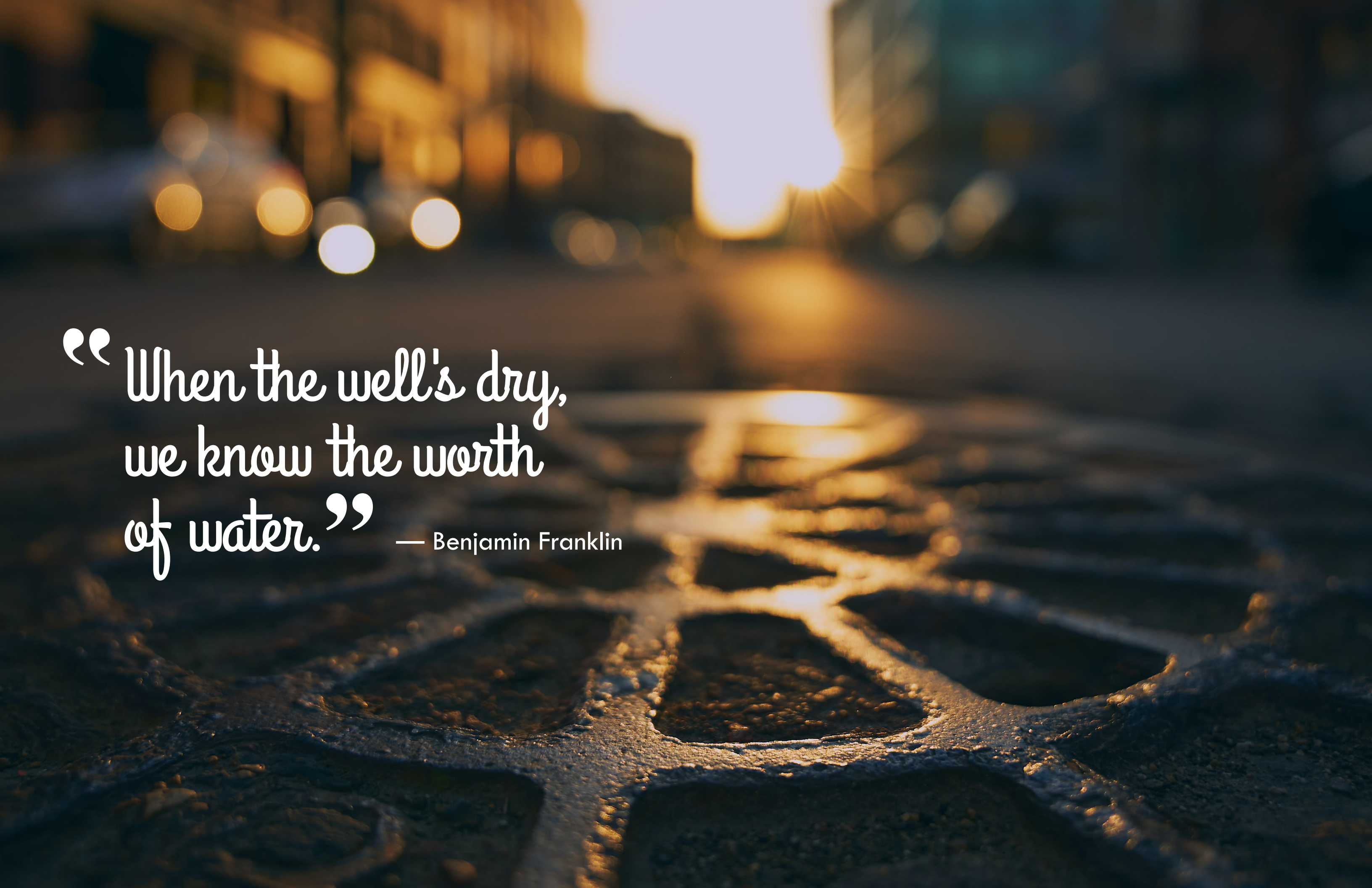
The chart below compares our actuary's ultimate projection at the beginning of the policy year to our internal case reserves at the end of the policy year. Our case reserves are normally below the actuarial ultimate projection. We can make a complete analysis between actuarial ultimate and total incurred for policy years that no longer have any open claims. All claims for policy year 2017 and earlier have been closed. Ideally, total incurred would always be less than actuarial ultimate for closed years. Although there are a few years where WSRMP's total incurred amounts exceed actuarial ultimate amounts, we have outperformed when considering the entire time horizon in the chart.

ACTUARIAL ULTIMATE vs PY INCURRED



The next chart looks at how annual claim payments including adjusting expenses compare to end of year case reserves. Incurred amounts will fluctuate as claim payments are made, more claims are reported, claim reserves are changed and claims are closed. Incurred losses (orange line) are expected to be consistently higher than claim payments over multi-year periods because of favorable developments (lower ultimate payments) during the claim handling process.





“When the well's dry,
we know the worth
of water.” — Benjamin Franklin

BALANCE SHEET

Assets & Liabilities Over the Past Five Years

	2021	2020	2019	2018	2017
ASSETS					
Cash and Equivalents	\$ 3,702,623	\$ 3,686,968	\$ 3,975,603	\$ 3,479,009	\$ 2,665,142
Member Receivables	\$ 5,153,449	\$ 4,176,255	\$ 3,182,652	\$ 2,938,534	\$ 2,891,939
Other (including prepaids)	\$ 1,262,362	\$ 879,711	\$ 651,267	\$ 537,077	\$ 484,264
Capital Assets	\$ 266	\$ 797	\$ 1,872	\$ 3,733	\$ 6,468
Net Pension Asset	\$ 305,821	\$ -	\$ -		
Deferred Outflows - Pension	\$ 45,711	\$ 47,393	\$ 39,157	\$ 33,907	\$ 30,337
TOTAL ASSETS AND OUTFLOWS	\$ 10,470,232	\$ 8,791,124	\$ 7,850,551	\$ 6,992,260	\$ 6,078,150
LIABILITIES					
Accounts Payable	\$ 191,56	\$ 53,368	\$ 70,757	\$ 74,751	\$ 39,098
Claim Reserves Current Year	\$ 1,004,000	\$ 810,000	\$ 639,000	\$ 451,000	\$ 415,000
Unearned Member Allocations	\$ 5,161,221	\$ 4,129,706	\$ 3,409,930	\$ 3,020,940	\$ 2,895,516
Claim Reserves Prior Year	\$ 691,000	\$ 575,000	\$ 458,000	\$ 300,000	\$ 298,000
Compensated Absences	\$ 44,081	\$ 36,343	\$ 2,446	\$ 20,208	\$ 15,712
Net Pension Liability	\$ 29,151	\$ 118,699	\$ 110,873	\$ 138,787	\$ 170,759
Deferred Inflows - Pension	\$ 313,840	\$ 33,648	\$ 63,398	\$ 53,572	\$ 29,264
Other Post Ret. Benefits Payable	\$ 452,348	\$ 444,971	\$ 299,454	\$ 336,454	\$ 340,699
TOTAL LIABILITIES & INFLOWS	\$ 7,714,797	\$ 6,201,735	\$ 5,075,216	\$ 4,395,712	\$ 4,204,048
NET POSITION	\$ 2,755,435	\$ 2,589,389	\$ 2,775,335	\$ 2,596,548	\$ 1,874,102
TOTAL LIABILITIES & NET POSITION	\$ 10,470,232	\$ 8,791,124	\$ 7,850,551	\$ 6,992,260	\$ 6,078,150

INCOME STATEMENT

Analysis of Income and Expenditures

	2021	2020	2019	2018	2017
OPERATING REVENUES					
Member Assessments	\$ 4,021,601	\$ 3,384,538	\$ 2,965,794	\$ 2,848,932	\$ 2,948,502
Other	\$ 117,751	\$ 67,908	\$ 65,076	\$ 78,795	\$ 72,925
TOTAL REVENUES	\$ 4,139,352	\$ 3,452,446	\$ 3,030,870	\$ 2,927,727	\$ 3,021,427
OPERATING EXPENSES					
Insurance	\$ 2,346,311	\$ 1,464,181	\$ 1,220,166	\$ 1,063,907	\$ 1,165,107
Claim Reserve Adjustment	\$ 310,000	\$ 288,000	\$ 346,000	\$ 38,000	\$ (80,000)
Claims Paid on Current Losses	\$ 681,782	\$ 871,261	\$ 573,742	\$ 324,951	\$ 509,915
Wages, Benefits and Payroll Taxes	\$ 415,757	\$ 620,470	\$ 391,894	\$ 384,227	\$ 457,263
Legal	\$ 65,545	\$ 114,839	\$ 95,648	\$ 132,598	\$ 115,695
Office Supplies	\$ 34,458	\$ 26,744	\$ 32,432	\$ 27,552	\$ 22,625
Travel	\$ 1,774	\$ 7,474	\$ 10,122	\$ 15,760	\$ 16,995
Accounting & Auditing	\$ 40,942	\$ 37,665	\$ 36,959	\$ 37,930	\$ 35,428
Rent	\$ 40,760	\$ 45,118	\$ 43,089	\$ 39,741	\$ 37,891
Claims Adjusting	\$ 13,612	\$ 23,179	\$ 122,976	\$ 103,617	\$ 52,291
Seminars	\$ 10,630	\$ 16,232	\$ 32,407	\$ 35,270	\$ 15,914
Actuarial	\$ 9,000	\$ 10,550	\$ 12,300	\$ 7,900	\$ 5,800
Telephone	\$ 5,857	\$ 5,911	\$ 6,847	\$ 5,918	\$ 7,913
Depreciation	\$ 531	\$ 1,075	\$ 1,861	\$ 2,735	\$ 3,158
Dues, Subscriptions, Meetings	\$ 2,600	\$ 6,416	\$ 4,877	\$ 10,124	\$ 8,362
Promotion	\$ 6,050	\$ 14,951	\$ 6,662	\$ 5,426	\$ 3,023
EC Expense Reimbursement	\$ -	\$ 573	\$ 1,145	\$ 4,469	\$ 4,535
Postage	\$ 1,557	\$ 1,322	\$ 1,861	\$ 1,791	\$ 1,906
State Risk Manager Assessment	\$ 7,325	\$ 11,720	\$ 11,720	\$ 11,720	\$ 11,720
Consultants	\$ 5,950	\$ 160,750	\$ 10,550	\$ 13,725	\$ 30,877
Other	\$ 1,011	\$ 4,709	\$ 343	\$ 195	\$ 126
TOTAL EXPENSES	\$ 4,001,452	\$ 3,733,140	\$ 2,963,601	\$ 2,267,556	\$ 2,426,544
Interest Income	\$ 28,146	\$ 94,748	\$ 111,518	\$ 62,275	\$ 22,016
NET INCOME	\$ 166,046	\$ (185,946)	\$ 178,787	\$ 722,446	\$ 616,899

WSRMP's MEMBERS 2020-21 POLICY YEAR

Acme Water District	Acme	Kitsap County Sewer District #7	Bainbridge Island
Alderwood Water and Wastewater District	Lynnwood	Kittitas County Water District #5	Cle Elum
Beacon Hill Water and Sewer District	Kelso	Lake Meridian Water District	Kent
Belfair Water District #1	Belfair	Lake Whatcom Water and Sewer District	Bellingham
Birch Bay Water and Sewer District	Birch Bay	Lemora Water and Sewer District	Usk
Camano Vista Water District	Camano Island	Lewis County Water Sewer District #4	Chehalis
Cape San Juan Water District	Friday Harbor	Lewis County Water District #2	Onalaska
Cattle Point Water District	Friday Harbor	Maggie Lake Water District	Tahuya
Cascade Water Alliance	Bellevue	Mackaye Harbor Water District	Lopez Island
Cedar River Water and Sewer District	Maple Valley	Mukilteo Water and Wastewater District	Mukilteo
Chippewa Water and Sewer District	Ione	North Perry Avenue Water District	Bremerton
Clark Regional Wastewater District	Vancouver	Northeast Sammamish Sewer and Water District	Sammamish
Clearview Water Supply Agency	Lynnwood	Point Roberts Water District #4	Point Roberts
Clinton Water District	Clinton	Regional Water Supply System	Tacoma
Coal Creek Utility District	Newcastle	Ronald Wastewater District	Shoreline
Covington Water District	Covington	Sammamish Plateau Water	Sammamish
Cowiche Sewer District	Cowiche	Saratoga Water District	Langley
Crockett Lake Water District	Clinton	Skagit County Sewer District #1	La Conner
Cross Valley Water District	Snohomish	Skyway Water and Sewer District	Seattle
Discovery Clean Water Alliance	Vancouver	Snoqualmie Pass Utility District	Snoqualmie Pass
East Gig Harbor Water District	Gig Harbor	Steptoe Sewer and Water District	Colfax
Fall City Water District	Fall City	Sunnyslope Water District	Port Orchard
Fisherman Bay Sewer District	Lopez Island	Terrace Heights Sewer District	Yakima
Grays Harbor County Water District #1	Grayland	Trails End Water District 2	Belfair
Grays Harbor County Water District #2	Montesano	Valley Water District	Puyallup
Greater Bar Water District	Greater Bar	Vashon Sewer District	Vashon
Hartstene Pointe Water - Sewer District	Shelton	Walla Walla Housing Authority	Walla Walla
Highland Water District	Monroe	Water and Sewer Risk Management Pool	Bellevue
Highlands Sewer District	Shoreline	Water District #19	Vashon
Holmes Harbor Sewer District	Freeland	West Sound Utility District	Port Orchard
Inchelium Water District	Inchelium	Whatcom County Water District #2	Bellingham
Juniper Beach Water District	Camano Island	Whatcom County Water District #7	Bellingham
Kapowsin Water District	Kapowsin	Williams Lake Sewer District #2	Cheney
King County Water District #54	Des Moines	Wollochet Harbor Sewer District	Gig Harbor
King County Water District #90	Renton	Woodinville Water District	Woodinville
King County Water District #125	SeaTac		



Executive Director

Cary Ecker, MSF

Director of Claims

Jason Barney, MBA CPCU ARM AIC

Office Manager

Alisa Dodd

Insurance Broker

Alliant Public Entity Insurance Solutions
Kevin Bibler, Brian White and Jamie Arnoldi

General Counsel

Hendricks Bennett, PLLC
Joseph P. Bennett, J.D.

Actuarial Services

Bickmore
Mike Harrington, Becky Richard

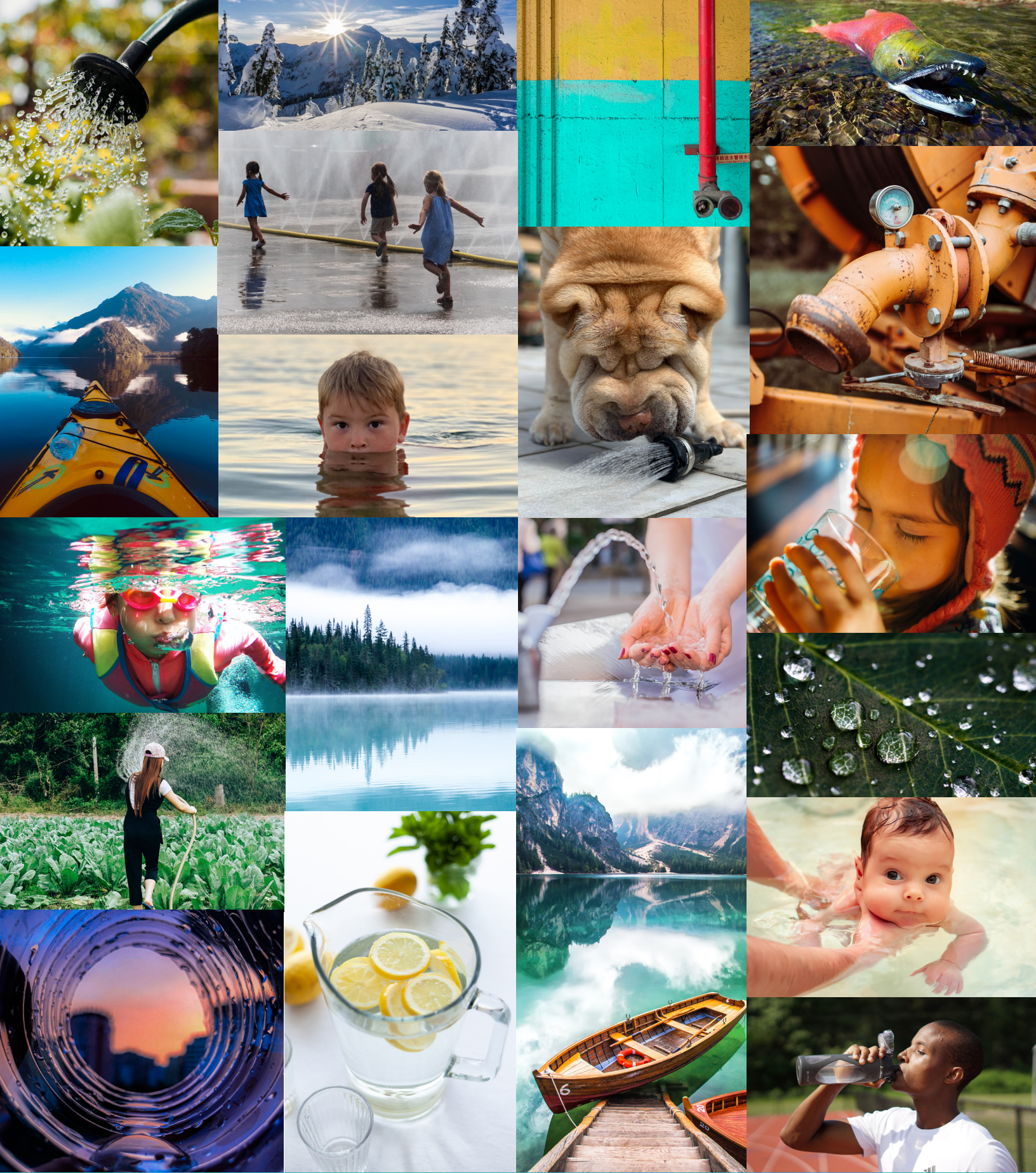
CPA Services

Baber & Mason - Certified Public Accountants
Phillip C. Baber, CPA



WATER & SEWER
RISK MANAGEMENT POOL

waterandsewerriskmgmtpool.org



GRAPHIC DESIGN BY JAN CATEY | JANCATEY17@GMAIL.COM



WATER & SEWER
RISK MANAGEMENT POOL

40 Lake Bellevue Drive, Suite 220
Bellevue, WA 98005
waterandsewerriskmgmtpool.org

425-452-9750
1-866-261-5456