

**WATER & SEWER
RISK MANAGEMENT POOL**

2022 ANNUAL REPORT



WHO WE ARE



WATER & SEWER RISK MANAGEMENT POOL

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, Officers 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

We are thrilled to report that the 2022 policy year results were much better than expected because reported claims and claim payments were significantly lower than projected at the beginning of the year. Clearly, this result is a reflection upon you and your team's hard work managing district operations.

The actuarial model created in September 2021, predicted claim payments in 2022 would be \$1.25 million based on trending from losses over the previous five years. Our average annual claim payments since 2009 have been \$573,741. In 2018, one of our members reported the largest claim in our history which has been impactful. This loss coupled with the hardening reinsurance market made the past few years challenging for all of us. We are still working on the 2018 claim and are hopeful that we can close it significantly below current reserves.

Our actuarial reports include recommended funding (member allocations) for the pool to maintain stability and adequate net position. The minimum annual, pool-wide allocation recommended by our actuary is at a 70% confidence level statistically (70% sure that the premiums collected will be adequate to cover the losses incurred). Historically, we have followed our actuarial guidance which has led to WSRMP's financial strength. One of the Executive Committee's key goals is to ensure WSRMP's financial health will be used for the benefit of our membership without damaging the future wellbeing of the insurance pool.

The 2022 budget included a \$500K loss because we chose to collect less premium than our actuary recommended (funded at expected confidence level rather than 70%). Staff members suggested that the actuarially-projected claim payments might be too high based upon long-term averages and asked the Executive Committee to approve a lower membership allocation for the year. The Executive Committee agreed to moderate the impact of a rate increase on our membership as much as possible. We were able to do this because of our strong net position, confidence in our membership's ability to control losses, belief that claim activity would return to more normal levels and knowing claim reserves built up in prior years could be drawn upon if required. The year-end results confirmed that we made the right decision at the beginning of the year.

We ended the year with a net income of \$603,203 because claim payments were \$748,581 below expectations and other expense control measures were taken. WSRMP's net position at the end of 2022 was \$3.347 million which is the highest in our pool's history. Our net position meets one of our strategic plan objectives of keeping the net position at least 5 times greater than our self insured retention (SIR). The SIR was raised to \$500K in 2022 to reduce our reinsurance expense.

We applied for and received another 3-year recognition for adhering to the Association of Government Risk Insurance Pools' best practices. Only 25% of the 200+ AGRiP members have achieved this recognition.

The WSRMP website was revamped using internal resources rather than hiring a web designer which eliminated thousands of dollars in consultant fees. Please visit www.waterandsewerriskmgmtpool.org (www.wsrmp.org still works for now as well) to have a look around. If you want to explore the member-only sections, give us a call for the password. We hope you like the new format and find the information useful.

WSRMP organized and co-sponsored two employment law webinars related to COVID-19 issues and one cyber security webinar in 2022. They were well attended. These webinars are available on demand by visiting our website (www.waterandsewerriskmgmtpool.org). We also hosted some in-person drivers' educational courses at Cedar River and Woodinville.

As always, thank you for being an owner of WSRMP and please let us know if you have any suggestions for how we can improve our services provided to you.

Sincerely,



A handwritten signature in black ink, appearing to read "Darcey Peterson".

Darcey Peterson
WSRMP Executive Committee President

General Manager, King County
Water District #90

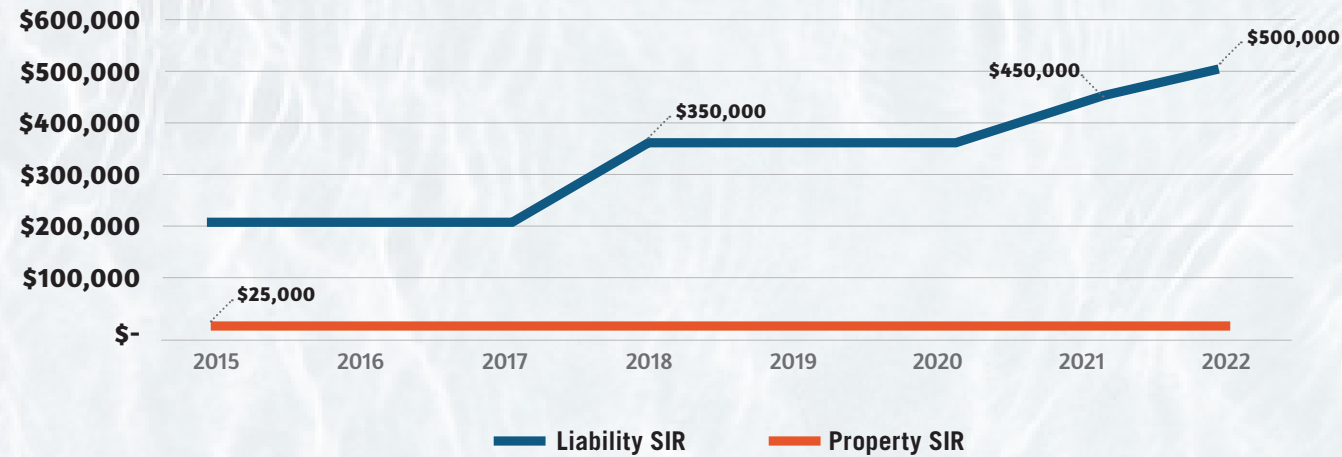


A handwritten signature in black ink, appearing to read "CJ Ecker".

Cary J Ecker, MSF
Executive Director, WSRMP

WSRMP's Executive Committee and staff continue to focus on providing extensive protection, relevant risk management, and responsive customer service to our membership. We meet monthly to keep the Executive Committee fully informed which ensures WSRMP looks after the best interests of our membership and within established financial guidelines. We constantly search for ways to lower the costs to our members without sacrificing service or coverage. For example, we have increased our liability self-insured retention over the past few years to slightly reduce the burden of reinsurance cost expansion. The chart below shows the liability and property SIR levels since 2015. We are taking more risk internally because we believe it is prudent given our financial strength. Our net position to SIR ratio is over 5 which is consistent with other public entity insurance pools. If reinsurance rates decline in the future, we will consider reducing our SIR if the cost savings make economic sense.

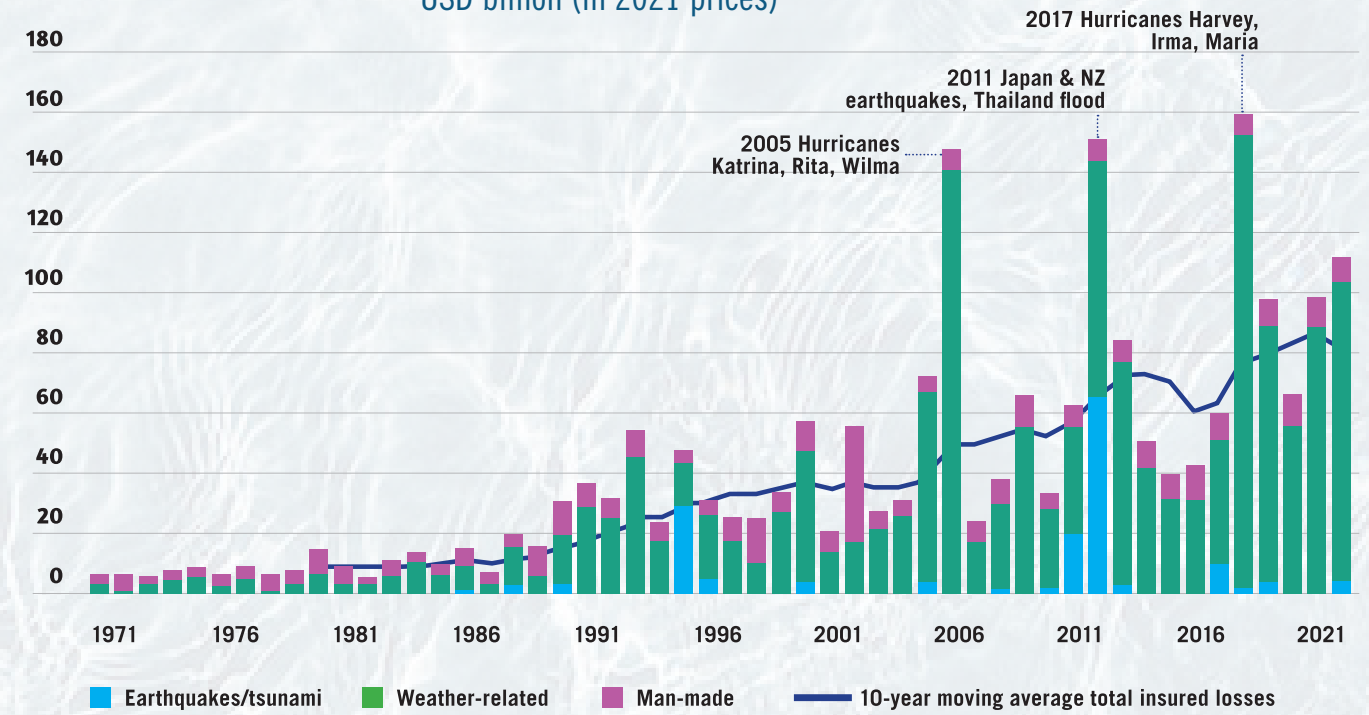
SELF-INSURED RETENTION (SIR)



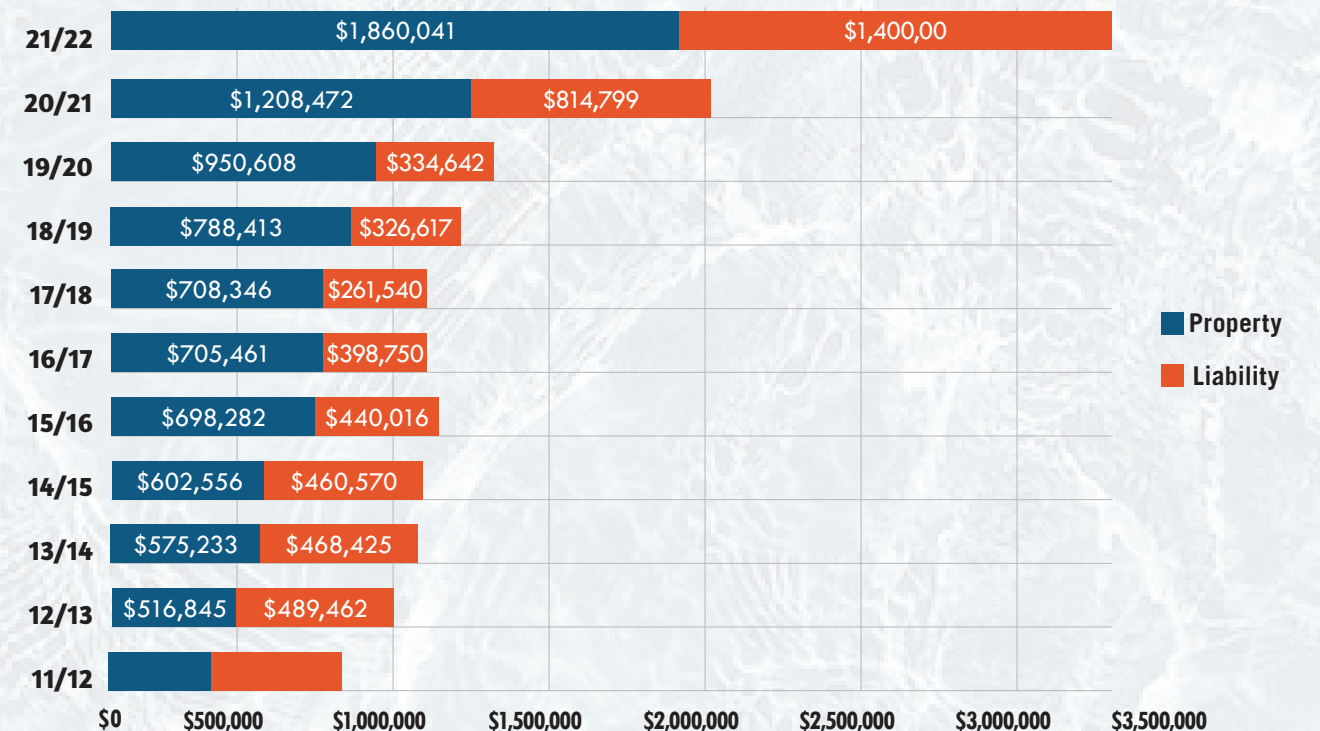
The insurance industry “hard market” continues to create disruption in budgets for every business looking to insure their assets. Weather-related Insured losses have dramatically accelerated since the early 2000’s which has put pressure on reinsurers to increase pricing to cover huge losses. Hurricane Ian which formed in September 2022 created another huge loss for insurance companies. The damage from this storm was the third most costly weather-related disaster in the world (estimated to be \$113B). The graphic below from Swiss RE shows incurred damage since 1970.

INSURED LOSSES SINCE 1970

USD billion (in 2021 prices)

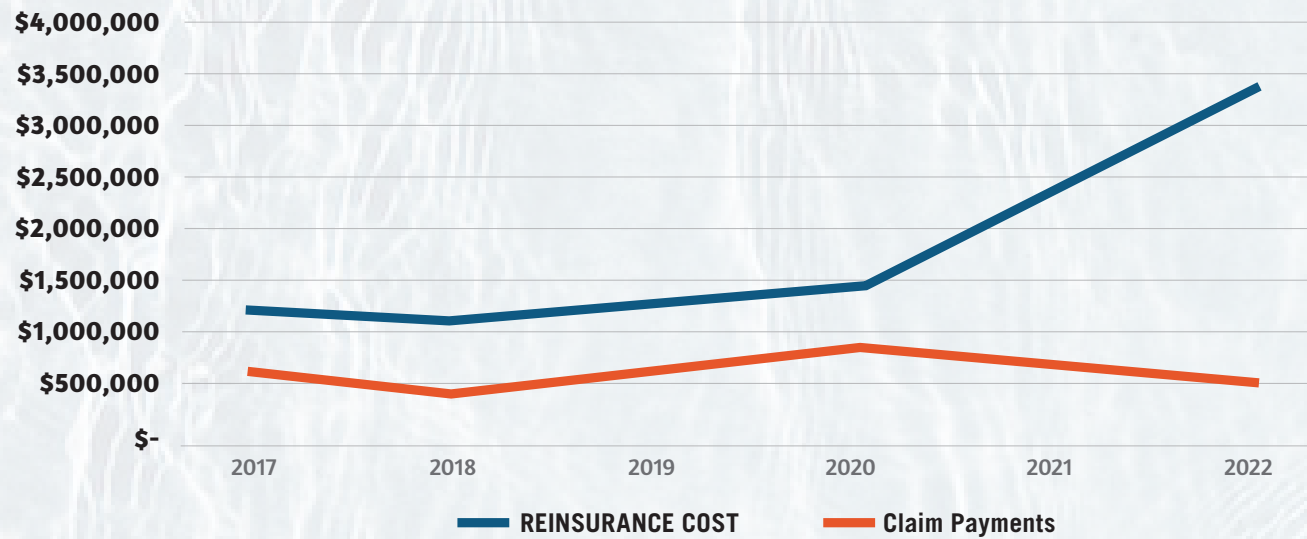


Some areas of the reinsurance market have seen 160% cumulative rate increases since 2017 according to Howden RE. Reinsurance expense continued to increase in 2022 (+71.8%) for WSRMP. Our reinsurance outlays represent 63.3% of total annual expenditures. Here is a chart of our reinsurance costs for the past 11 policy years:



“ We forget that the water cycle and the life cycle are one ”

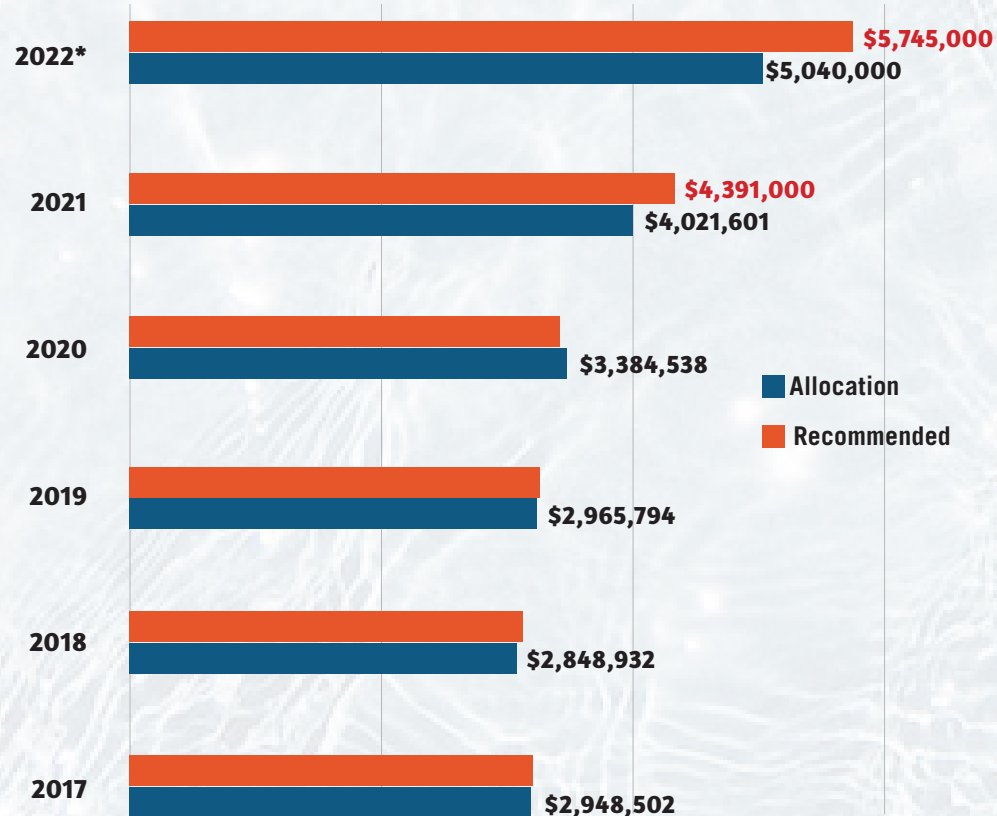
— JACQUES COUSTEAU



NOTE: Reinsurance costs in this chart are obtained from our year end financial statements

The graph above reveals the relationship between our reinsurance costs and claim payments. The divergence beginning in 2020 is a reflection of industry-wide events that forced reinsurers to raise premiums substantially. One large loss (reserved but unpaid at this point) also has had an impact on our soaring reinsurance expense. We expect the relationship between internal paid claims and reinsurance expense to return to a more correlated pattern in the future as the hard market lessens and WSRMP losses return to historical averages over time.

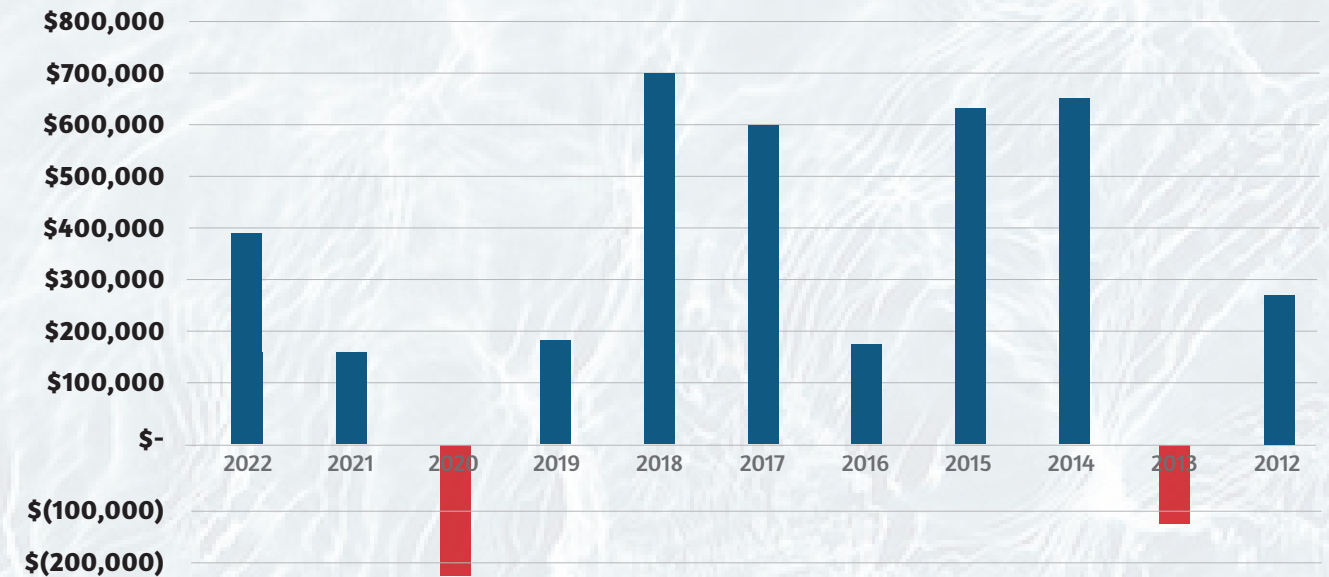
WSRMP is fully committed to supporting our membership to the best of our ability. For the second year in a row, we reduced the actuarial recommended allocation to minimize the rate increase on our members. The actuarial numbers in the chart below are at the 70% confidence level which is considered to be at the lower end of acceptable annual funding. In 2021, we chose to use the actuarial “expected” level of funding of \$4,149,000 which was further reduced by a dividend returned to members as a premium credit (3%). The reduction in recommended allocation during the past two years has saved WSRMP members \$1,074,399.



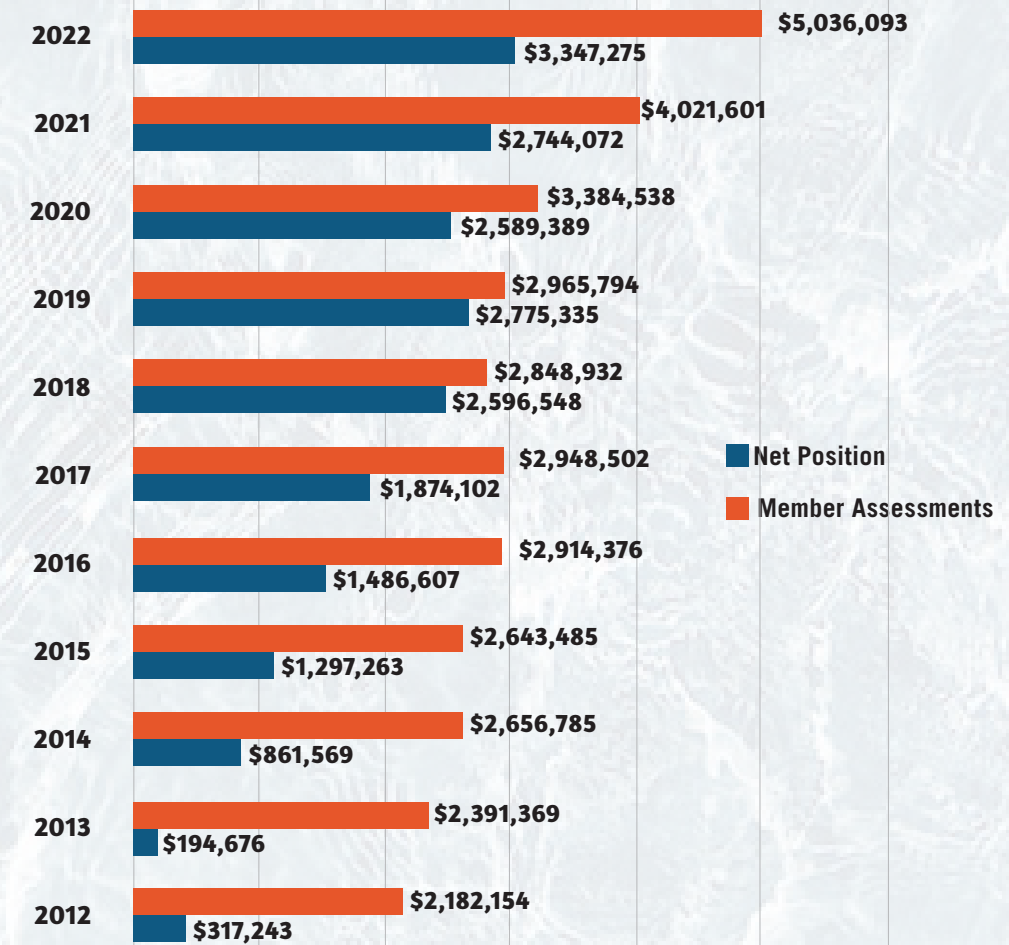
Our financial strength and belief in our members ability to constrain damage from claims allowed us to implement this reduction. Discounting our actuarial recommendations isn't a long-term sustainable strategy we will pursue, but we believe it was the right decision under the circumstances in 2022.

Our Net Income was positive in 2022 despite our projections of a down year when the budget was created in October 2021. As mentioned earlier though, we trusted that claim payment activity would return to a long-term median level and be substantially less than predicted by our actuary. Claim information will be discussed later in this report.

NET INCOME



Net position has remained stable during the past five years. One of our preeminent goals is to protect WSRMP members by maintaining a strong net position that will be available to absorb claims and smooth rates over time. The recent increases in member allocations are a direct result of higher reinsurance expenses. We have been able to keep other operational expenses below budget to offset some of the increased reinsurance costs. As the chart to the right illustrates, our net position hasn't grown in-line with rate increases which confirms our approach to rate stabilization for our members.



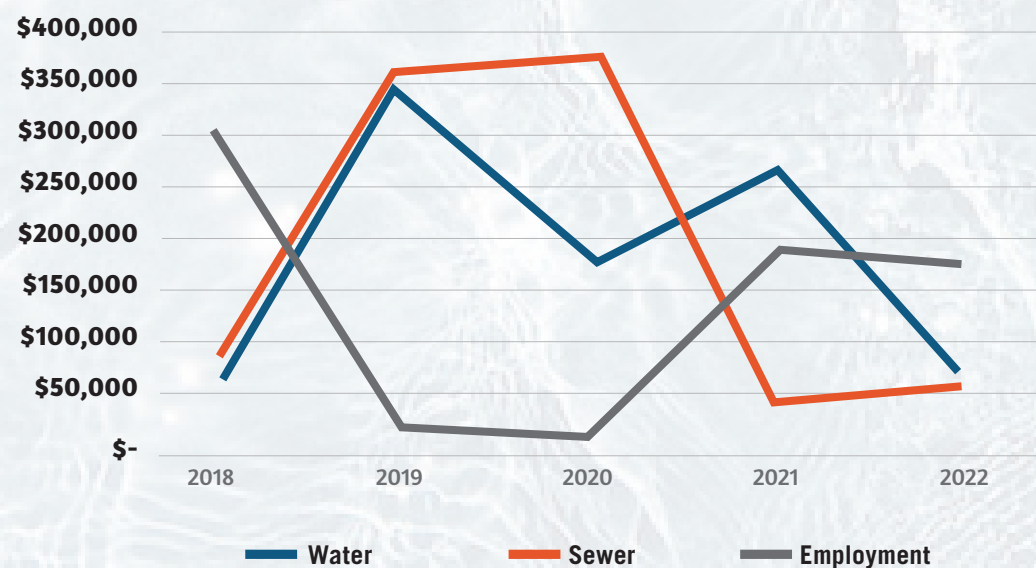
CLAIMS

We continued our relationship with DKF Solutions for their expert industry-related risk management services. They produce several exclusive webinars and specialty events like their annual virtual educational sewer summit. All of DKF Solutions' programs are available to WSRMP members at no cost. WSRMP is the only insurance pool in Washington that provides laser-focused risk management education programs designed for water and wastewater districts. Some of this year's topics included wildfire prevention and preparedness, developing condition assessment programs, and new employee orientations. All of DKF webinars can be located on our website under the risk management tab. We hope you have found these training sessions helpful.

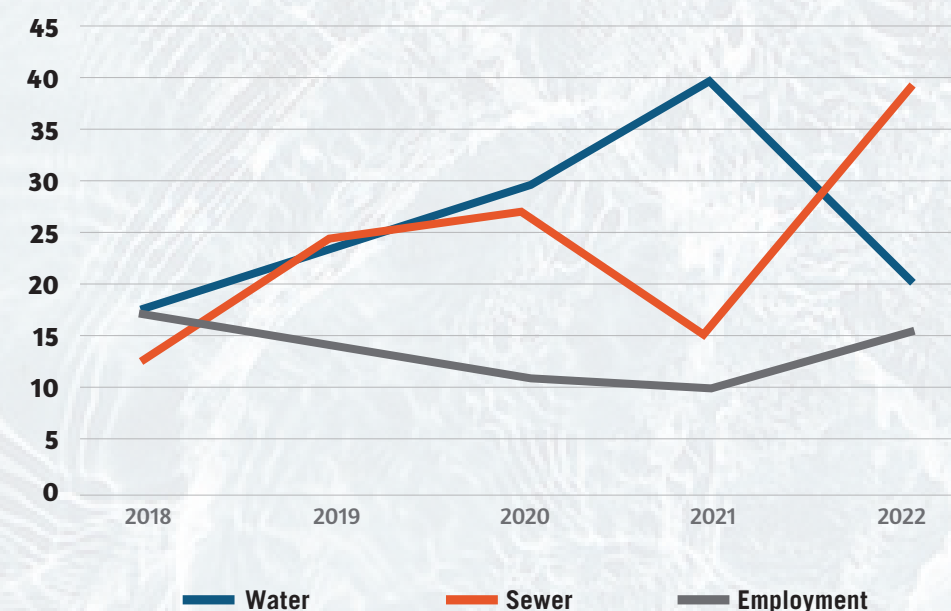
Our largest claim activity over the years has been from employment liability, water main leaks and sewer backups. There is great variation in the results from year to year. For example, sewer-related claims accounted for less than 15% of all claims 3 out of the past 5 years and more than 48% in the other two years. Despite the variability, it is interesting to note that average annual incurred expense from these three claim categories is similar looking back to 2018 (right hand column in the chart). We were thrilled to see employment claims drop to very low levels in 2019 and 2020; however, it was a short-lived reprieve from these types of claims. The largest losses in each category occurred in consecutive years from 2018 to 2020 (see yellow highlighting).

CLAIM TYPE	2022	2021	2020	2019	2018	AVG PER YEAR
EMPLOYMENT	\$176,455	\$179,248	\$16,789	\$20,041	\$296,857	\$137,878
% OF TOTAL	30.3%	33.5%	2.9%	2.9%	49.0%	
SEWER	\$52,068	\$38,300	\$374,740	\$337,805	\$78,434	\$176,269
% OF TOTAL	8.9%	7.2%	65.8%	48.2%	13.0%	
WATER	\$64,359	\$265,215	\$171,519	\$335,355	\$56,594	\$178,608
% OF TOTAL	11.0%	49.6%	30.1%	47.8%	9.3%	
TOTAL LIABILITY	\$582,837	\$534,599	\$569,599	\$701,598	\$605,611	\$598,848

SEVERITY OF CLAIMS

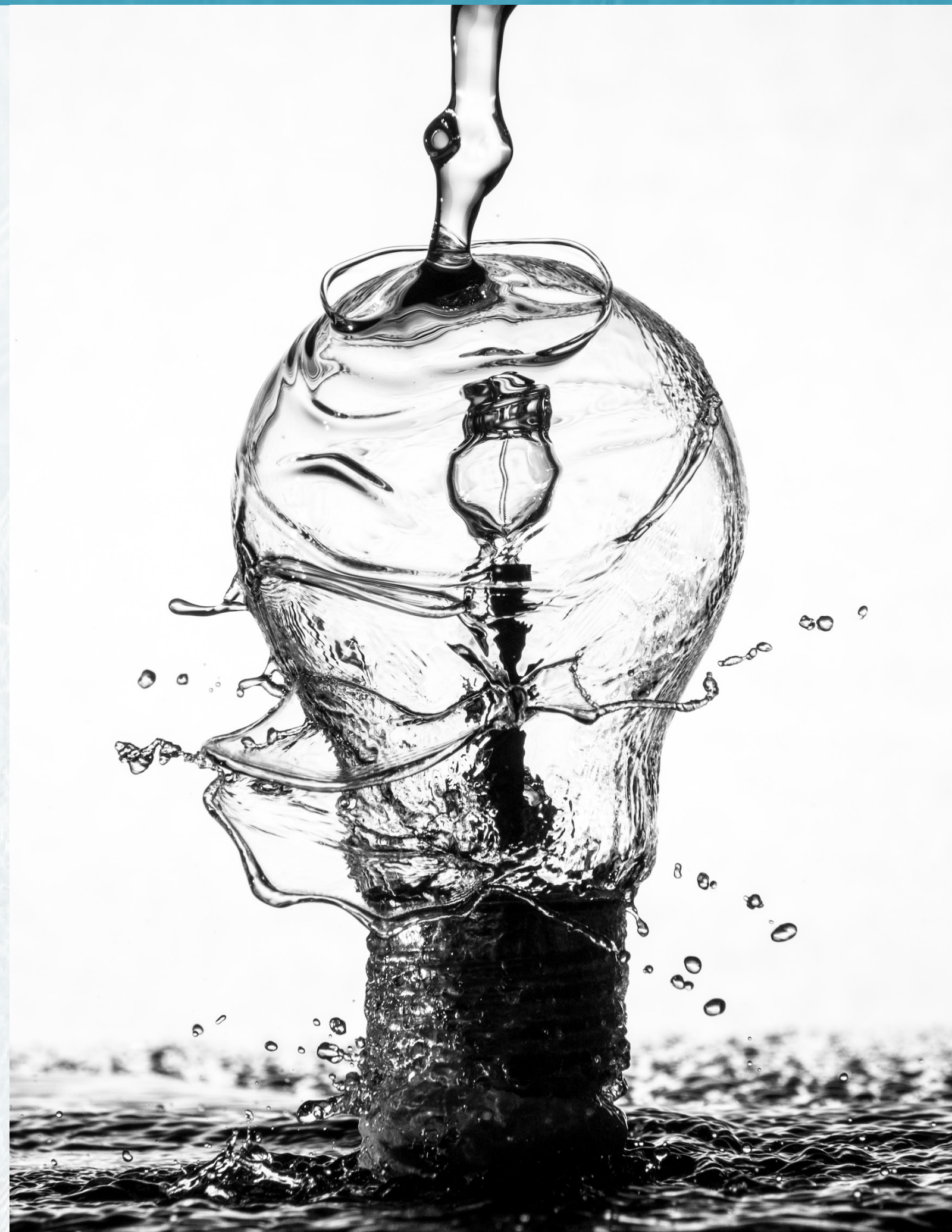


FREQUENCY OF CLAIMS



We cherish every member of WSRMP and work hard to respond to their requests in a timely and equitable manner. Most of our members have limited loss histories which has led to WSRMP's long-term success. Fourteen of our members deserve special recognition this year because they have been claim-free for the past ten policy years. These members are listed alphabetically in the graphic below. *On behalf of the entire membership, thank you!*

- CAMANO VISTA
- CAPE SAN JUAN
- CLEARVIEW
- CLINTON
- EAST GIG HARBOR
- HIGHLANDS SEWER
- KITSAP SEWER #7
- REGIONAL WATER SUPPLY SYSTEM
- SARATOGA
- SKAGIT SEWER #1
- STEPTOE
- TRAILS END
- WHATCOM #2
- WHATCOM #7



WSRMP's MEMBERS 2021-22 POLICY YEAR

Acme Water District
Alderwood Water and Wastewater District
Beacon Hill Water and Sewer District
Belfair Water District #1
Birch Bay Water and Sewer District
Camano Vista Water District
Cape San Juan Water District
Cattle Point Water District
Cascade Water Alliance
Cedar River Water and Sewer District
Clark Regional Wastewater District
Clearview Water Supply Agency
Clinton Water District
Chippewa Water and Sewer District
Coal Creek Utility District
Covington Water District
Cowiche Sewer District
Crockett Lake Water District
Cross Valley Water District
Discovery Clean Water Alliance
East Gig Harbor Water District
Fall City Water District
Fisherman Bay Sewer District
Glacier Water District
Grays Harbor County Water District #1
Grays Harbor County Water District #2
Greater Bar Water District
Hartstene Pointe Water - Sewer District
Highland Water District
Highlands Sewer District
Holmes Harbor Sewer District
Inchelium Water District
Juniper Beach Water District
Kapowsin Water District
King County Water District #54
King County Water District #90
King County Water District #125

Acme
Lynnwood
Kelso
Belfair
Birch Bay
Camano Island
Friday Harbor
Friday Harbor
Bellevue
Maple Valley
Vancouver
Lynnwood
Clinton
Ione
Newcastle
Covington
Cowiche
Clinton
Snohomish
Vancouver
Gig Harbor
Fall City
Lopez Island
Glacier
Grayland
Montesano
Greater Bar
Shelton
Monroe
Shoreline
Freeland
Inchelium
Camano Island
Kapowsin
Des Moines
Renton
SeaTac

Kitsap County Sewer District #7
Kittitas County Water District #5
Lake Meridian Water District
Lake Wenatchee Water District
Lake Whatcom Water and Sewer District
Lenora Water and Sewer District
Lewis County Water Sewer District #4
Lewis County Water District #2
Maggie Lake Water District
Mackaye Harbor Water District
Mukilteo Water and Wastewater District
North Perry Avenue Water District
Northeast Sammamish Sewer and Water District
Point Roberts Water District #4
Regional Water Supply System
Sammamish Plateau Water
Saratoga Water District
Skagit County Sewer District #1
Skagit County Water District #1
Skyway Water and Sewer District
Snoqualmie Pass Utility District
Steptoe Sewer and Water District
Sunnyslope Water District
Terrace Heights Sewer District
Trails End Water District 2
Valley Water District
Vashon Sewer District
Walla Walla Housing Authority
Water and Sewer Risk Management Pool
Water District #19
West Sound Utility District
Whatcom County Water District #2
Whatcom County Water District #7
Williams Lake Sewer District #2
Wollochet Harbor Sewer District
Woodinville Water District

Bainbridge Island
Cle Elum
Kent
Lake Wenatchee
Bellingham
Usk
Chehalis
Onalaska
Tahuya
Lopez Island
Mukilteo
Bremerton
Sammamish
Point Roberts
Tacoma
Sammamish
Langley
La Conner
Mt Vernon
Seattle
Snoqualmie Pass
Colfax
Port Orchard
Yakima
Belfair
Puyallup
Vashon
Walla Walla
Bellevue
Vashon
Port Orchard
Bellingham
Bellingham
Cheney
Gig Harbor
Woodinville

BALANCE SHEET

Assets & Liabilities Over the Past Five Years

	2022	2021	2020	2019	2018
ASSETS					
Cash and Equivalents	\$ 4,064,157	\$ 3,702,623	\$ 3,686,968	\$ 3,975,603	\$ 3,479,009
Member Receivables	\$ 5,529,254	\$ 5,153,449	\$ 4,176,255	\$ 3,182,652	\$ 2,938,534
Other (including prepaids)	\$ 1,409,695	\$ 1,262,362	\$ 879,711	\$ 651,267	\$ 537,077
Capital Assets	\$ -	\$ 266	\$ 797	\$ 1,872	\$ 3,733
Net Pension Asset	\$ 117,123	\$ 305,821	\$ -	\$ -	
Right of Use Asset (Office Lease)	\$ 211,473	248,253			
Deferred Outflows - Pension	\$ 121,141	\$ 45,711	\$ 47,393	\$ 39,157	\$ 33,907
TOTAL ASSETS AND OUTFLOWS	\$ 11,452,843	\$ 10,718,485	\$ 8,791,124	\$ 7,850,551	\$ 6,992,260
LIABILITIES					
Accounts Payable	\$ 8,241	\$ 191,56	\$ 53,368	\$ 70,757	\$ 74,751
Claim Reserves Current Year	\$ 1,053,000	\$ 1,004,000	\$ 810,000	\$ 639,000	\$ 451,000
Unearned Member Allocations	\$ 5,545,722	\$ 5,161,221	\$ 4,129,706	\$ 3,409,930	\$ 3,020,940
Claim Reserves Prior Year	\$ 725,000	\$ 691,000	\$ 575,000	\$ 458,000	\$ 300,000
Finance Lease Liability	\$ 230,052	259,616			
Compensated Absences	\$ 50,611	\$ 44,081	\$ 36,343	\$ 2,446	\$ 20,208
Net Pension Liability	\$ 67,604	\$ 29,151	\$ 118,699	\$ 110,873	\$ 138,787
Deferred Inflows - Pension	\$ 118,765	\$ 313,840	\$ 33,648	\$ 63,398	\$ 53,572
Other Post Ret. Benefits Payable	\$ 306,573	\$ 452,348	\$ 444,971	\$ 299,454	\$ 336,454
TOTAL LIABILITIES & INFLOWS	\$ 8,105,568	\$ 7,974,413	\$ 6,201,735	\$ 5,075,216	\$ 4,395,712
NET POSITION	\$ 3,347,275	\$ 2,744,072	\$ 2,589,389	\$ 2,775,335	\$ 2,596,548
TOTAL LIABILITIES & NET POSITION	\$ 11,452,843	\$ 10,718,485	\$ 8,791,124	\$ 7,850,551	\$ 6,992,260

INCOME STATEMENT

Analysis of Income and Expenditures

	2022	2021	2020	2019	2018
OPERATING REVENUES					
Member Assessments	\$ 5,037,537	\$ 4,021,601	\$ 3,384,538	\$ 2,965,794	\$ 2,848,932
Other	\$ 148,062	\$ 117,751	\$ 67,908	\$ 65,076	\$ 78,795
TOTAL REVENUES	\$ 5,185,599	\$ 4,139,352	\$ 3,452,446	\$ 3,030,870	\$ 2,927,727
OPERATING EXPENSES					
Insurance	\$ 3,433,372	\$ 2,346,311	\$ 1,464,181	\$ 1,220,166	\$ 1,063,907
Claim Reserve Adjustment	\$ 83,000	\$ 310,000	\$ 288,000	\$ 346,000	\$ 38,000
Claims Paid on Current Losses	\$ 283,416	\$ 681,782	\$ 871,261	\$ 573,742	\$ 324,951
Wages, Benefits and Payroll Taxes	\$ 369,610	\$ 415,757	\$ 620,470	\$ 391,894	\$ 384,227
Legal	\$ 182,623	\$ 65,545	\$ 114,839	\$ 95,648	\$ 132,598
Office Supplies	\$ 30,540	\$ 34,458	\$ 26,744	\$ 32,432	\$ 27,552
Travel	\$ 4,018	\$ 1,774	\$ 7,474	\$ 10,122	\$ 15,760
Accounting & Auditing	\$ 36,082	\$ 40,942	\$ 37,665	\$ 36,959	\$ 37,930
Rent	\$ -	\$ -	\$ 45,118	\$ 43,089	\$ 39,741
Interest Expense Office Lease	\$ 12,315	\$ 13,722	\$ -	\$ -	\$ -
Amortization	\$ 36,780	\$ 36,780	\$ -	\$ -	\$ -
Claims Audit	\$ 4,900	\$ -	\$ -	\$ -	\$ -
Claims Adjusting	\$ 52,793	\$ 13,612	\$ 23,179	\$ 122,976	\$ 103,617
Seminars	\$ 19,938	\$ 10,630	\$ 16,232	\$ 32,407	\$ 35,270
Actuarial	\$ 8,700	\$ 9,000	\$ 10,550	\$ 12,300	\$ 7,900
Telephone	\$ 5,935	\$ 5,857	\$ 5,911	\$ 6,847	\$ 5,918
Depreciation	\$ 266	\$ 531	\$ 1,075	\$ 1,861	\$ 2,735
Dues, Subscriptions, Meetings	\$ 5,765	\$ 2,600	\$ 6,416	\$ 4,877	\$ 10,124
Promotion	\$ 10,342	\$ 6,050	\$ 14,951	\$ 6,662	\$ 5,426
EC Expense Reimbursement	\$ -	\$ -	\$ 573	\$ 1,145	\$ 4,469
Postage	\$ 1,292	\$ 1,557	\$ 1,322	\$ 1,861	\$ 1,791
State Risk Manager Assessment	\$ 2,930	\$ 7,325	\$ 11,720	\$ 11,720	\$ 11,720
Consultants	\$ 5,100	\$ 5,950	\$ 160,750	\$ 10,550	\$ 13,725
Other	\$ 1,026	\$ 101	\$ 4,709	\$ 343	\$ 195
TOTAL EXPENSES	\$ 4,590,743	\$ 4,001,452	\$ 3,733,140	\$ 2,963,601	\$ 2,267,556
Interest Income	\$ 2,275	\$ 28,146	\$ 94,748	\$ 111,518	\$ 62,275
Increase(Decrease) in Investments Fair Value	\$ (14,428)	\$ -	\$ -	\$ -	\$ -
NET INCOME	\$ 603,203	\$ 157,214	\$ (185,946)	\$ 178,787	\$ 722,446

NOTE: Required accounting changes in OPEB balances contributed to 2020 loss

2022 EXECUTIVE COMMITTEE MEMBERS

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

PRESIDENT

Darcey Peterson
General Manager, King County Water District #90

VICE PRESIDENT

Ed Cebron
Chief Economist and Treasurer Cascade Water Alliance

TREASURER

Cynthia Lamothe
GM Skyway Water and Sewer District

SECRETARY

Mike Johnson
GM Cross Valley Water District
Commissioner, Mukilteo Water and Wastewater District

DIRECTOR

Donna Cross
Commissioner, Alderwood Water and Wastewater District

DIRECTOR

Patrick Sorensen
General Manager, Woodinville Water District

DIRECTOR

Wayne DeMeester
Commissioner, Northeast Sammamish Sewer and Water District



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40 Lake Bellevue Drive, Suite 220 | 425-452-9750
Bellevue, WA 98005 | 1-866-261-5456
waterandsewerriskmgmtpool.org