



February 25, 2010

Member

Re: CIAW Funding Plan

Enclosed is Resolution No 09/10-03, passed by the CIAW Board on 22 February 2010. It outlines the plan submitted to the Office of Financial Management (OFM), in accordance with OFM's Order of 14 January 2010. We are sending you this Resolution to keep you informed about how our Program is addressing this issue.

Your organization was a member of the CIAW during the 2002-2006 period, and this resolution does affect you.

Previously, the CIAW submitted two plans to OFM that did not include retroactive assessments. Both these plans were rejected by OFM. OFM insists that a re-assessment is the only method of collection it will accept. Therefore, the CIAW Board has submitted a plan to meet OFM's requirements. Once the plan is accepted by the OFM, we will send you your portion of the assessment.

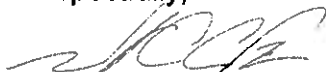
Your assessment will be divided up over five-years, and will be invoiced beginning in August of 2010.

As stated in the Resolution, the CIAW Board has always acted in a fiscally conservative and prudent manner; not collecting excessive fees to languish in reserve accounts. This philosophy was to leave as much of your revenues in local hands. During the 2002-2006 period, the CIAW funded at the required estimated claims level as established by the program actuary. The adverse development of claims created an adjustment in past actuary estimates which left the unfunded claims liability we have today. The CIAW, from its inception in 1988 and continuing without exception through today, has been and is able to pay all claims promptly when due. This entire dispute with the OFM is concerned with reserve accounts for past years.

As unfortunate as this situation was, the CIAW continues to provide outstanding Property/Liability coverage and services, in partnership with *Munich Re America*, the largest reinsurance company in the world. Our Program currently enjoys a fully funded aggregate stop loss that protects against all future unforeseen claims.

If you would like more information or have questions, please contact the third party administrator Canfield, your local broker, or any CIAW Board member. Thank you for your continued support of your Program, the CIAW.

Respectfully,


Wes Crago, Chairman


Jim Cherf, Administrator

CC: CIAW Board

Enclosure: Resolution



Cities Insurance Association of Washington

CITIES INSURANCE ASSOCIATION OF WASHINGTON RESOLUTION 09-10-03

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CITIES INSURANCE ASSOCIATION OF WASHINGTON APPROVING ASSESSMENTS.

WHEREAS, the Cities Insurance Association of Washington (CIAW) was created in 1988 because cities, towns and other local governments in the state of Washington were experiencing a trend of vastly increased insurance premiums for the renewal of identical insurance policies, fewer insurance carriers were willing to provide cities, towns and local governments with insurance coverage, and some cities, towns and local governments were unable to obtain desired insurance coverage; and

WHEREAS, RCW 48.62.031 allows jointly purchasing of insurance or reinsurance; and

WHEREAS, cities, special districts, and towns of the state of Washington joined together with other cities, special districts, and towns for the purpose of pooling self-insured losses for property and liability claims arising from negligent or other tortuous conduct, or errors or omissions, of their officials, employees and volunteers; and

WHEREAS, the board has always acted in a fiscally conservative and prudent manner without collecting excessive funds to languish in the program's reserve account, thus leaving tax revenues in the hands of local governments to pay for local government services; and

WHEREAS, RCW 48.62.141 requires every joint self-insurance program covering property and liability risks to provide for the contingent liability of participants in the program if assets of the program are insufficient to cover the program's liabilities; and

WHEREAS, members have signed an interlocal agreement that under section 3.11 allows the CIAW to reassess their regular members; and

WHEREAS, based upon historical spending patterns, the CIAW from its inception (without exception) has been able to pay all claims promptly when due and owing and is confident that the cash flow can meet current needs for paying claims and operation expenses; and

WHEREAS, the program under funded the estimated claims in policy years beginning in 2002/2003; and

WHEREAS, the board has hired an actuary to determine the funding necessary to pay for claims liability and has funded it to that level; and

WHEREAS, the CIAW for the current year of 2009/2010 has overfunded its current stop loss; and

WHEREAS, the additional funding to be collected during the next five (5) years will ensure compliance with the requirement to fund to the 70% confidence level as determined by our actuary as well as cover any contingency; and

WHEREAS, additionally the CIAW will notify the state of any significant changes in operation; and

WHEREAS, the state of Washington, per the newly adopted rules, has ordered the CIAW to submit a plan addressing this issue;

NOW THEREFORE, be it resolved by the Board of Directors of the Cities Insurance Association of Washington as follows:

- 1) The Board approves assessments in the estimated amount of \$ 986,214 to cover actual or projected shortfalls during the policy years from 2002/03 to 2006/07;
- 2) These assessments will confirm that the CIAW is operating in a safe and sound financial condition;
- 3) These estimated assessments will apply to all regular members that participated in the CIAW self-insured retention (SIR) during those five policy years;
- 4) The Board will review the surcharges annually and may amend or modify them by resolution;
- 5) The Board directs it's third-party administrator to allocate and collect these surcharges as outlined in this resolution;
- 6) See attached Exhibit A for Plan details.

ADOPTED BY THE BOARD OF DIRECTORS OF THE CITIES INSURANCE ASSOCIATION OF WASHINGTON THIS 22ND DAY OF FEBRUARY 2010.



Wes Crago, Chairman

EXHIBIT A

CIAW FUNDING PLAN:

- 1) To be invoiced beginning in August of 2010, the CIAW will collect an additional \$ 197,242.80 over its current year's anticipated expenses and claims funding requirements. This additional funding will continue for five (5) years until fully collected.
- 2) To collect additional funding, we will use a combination of members' rates, reviewing excess insurance coverage and limits offered, negotiating the third-party administrator's fees, and providing services in a more cost-effective manner.
- 3) Our progress towards our funding goals will be reviewed annually during the budget process and any adjustments necessary will be added or subtracted from the years remaining in the five (5) years of the plan, including federal tax liabilities, if any are determined, upon approval of the office of Financial Management (OFM).
- 4) The State Risk Manager will be updated each year on the progress of this plan, including the amount invoiced, through the annual report.
- 5) Since this is a dynamic process with factors such as actuary projections, actual claims paid, excess insurance costs and operational cost adjustments each member will be notified prior to invoicing of how much their invoice is of the total premium.