



# AWC Risk Management Service Agency 2019 Annual Report

SECURITY | STABILITY | SERVICE

# RMSA



## Powerful member support

The AWC Risk Management Service Agency's (AWC RMSA) mission and work is summed up by three simple but powerful words: security, stability, service. These simple, powerful words are at the core of everything we do. In light of how different the world is today from a year ago, those words, translated into tangible action have become even more important. To deliver on these promises, AWC RMSA strives to maintain a wide breadth of member-focused offerings to help you manage your risks and is consistently innovating to bring you the best risk management practices, resources, and training available.

All that we do has one common theme: to support our members. Its every one of you that makes the difference every day. We can provide you with tools and advice, but it is your efforts to proactively reduce risks that helps keep your communities safe and AWC RMSA stable. We commend you for your efforts and thank you for taking your role as risk managers seriously.

My sincerest thanks to the AWC RMSA Board of Directors, Operating Committee, staff, and all of you, for the work that you do to help us build safer and more resilient communities. And thank you for your continued support of the AWC RMSA program.

Sincerely,

A handwritten signature in black ink that reads "James M. Bailey". The signature is fluid and cursive, with a large initial "J" and "B".

Jim Bailey  
AWC RMSA President  
Councilmember, City of Wenatchee



## Partners in protection

It is my pleasure to present the AWC Risk Management Service Agency (AWC RMSA) Annual Report to the Board of Directors, Operating Committee, and membership.

AWC RMSA's mission has always been to provide our members with security, stability, and outstanding service. We partner with you to solve problems before they happen and protect your future when they do. We strive to provide you with tools, innovative resources, and sound advice to help address your risk management needs.

In 2019, our staff continued to carry out the Board's vision of providing relevant, personalized, and unparalleled services in order to retain quality members for the continued financial integrity and strength of the pool.

A few highlights from 2019:

- Welcomed two new members: City of Rock Island and the Peninsula Regional Transportation Planning Organization
- 100% utilization of loss prevention grants
- Increased utilization of the Lexipol grant program
- Continued growth in program equity, despite increasing claims and costs
- Enhanced existing service provider partnerships to provide members with the best available resources

AWC and AWC RMSA exist to serve our members. We hope that your review of this report provides you with valuable and useful information about the AWC RMSA program.

As always, we welcome your questions and comments.

Sincerely,

A handwritten signature in black ink that reads "Peter B. King". The signature is fluid and cursive, with a small flourish at the end.

Peter B. King  
AWC Chief Executive Officer

# Direction of AWC RMSA

## Mission statement

AWC RMSA inspires and supports the risk management efforts of its members in order to reduce their risk, protect their assets, and keep them safe. We do this with:

**A clarity of focus on the member**

**A passion for risk management**

**A fiscal responsibility to the health of the organization**

**A dedication to loss prevention education**

## Goals

### Membership growth and retention

Proactively and strategically manage membership growth by identifying cities and towns that meet ideal member criteria

Provide relevant, personalized, and unparalleled services in order to retain quality members for the continued financial integrity and strength of the pool

### Financial health

Review equitable rating for revenue, service value, and allocation of resources

### Technology

Continue strategic and financial investments in information technology to improve and enhance the member experience and staff efficiencies

### Education

Ensure member awareness and promote high utilization of educational services to develop a more informed and engaged membership

### Product/Services

Strive to continually maintain a relevant, member-focused offering of risk management coverages and services to minimize pool risk, protect the member, and attain and attract new members

## 2019 Coverage summary

AWC RMSA is a group of cities, towns, and special districts, which have joined to group self-insure and group purchase excess and/or reinsurance coverage. This group-purchasing of insurance coverage allows all AWC RMSA members to enjoy reduced costs and the benefits of personal, in-house professionals handling their claims and risk management issues.

The following is an outline of the coverages and various applicable member deductibles and pool retentions offered to AWC RMSA members for 2019. The property coverage limits are offered at full replacement cost for real and personal property and at actual cash value for vehicles, trucks, trailers, and equipment. Please refer to the declarations, as well as language found in each individual policy or coverage document, for additional conditions, provisions, and exclusions that may apply.

	Member deductible	Pool retention or deductible	Coverage limits
General, automobile, errors and omissions, and employment practices liability	None*	\$250,000 retention	\$15,000,000
Property	None*	\$200,000 deductible	\$250,000,000
Automobile physical damage	None	\$200,000 deductible	\$10,000,000
Flood	2% - \$250,000 min property \$200,000 vehicles	None	\$25,000,000 property \$5,000,000 vehicles \$10,000,000 high zones
Earthquake	2% - \$250,000 min property \$200,000 vehicles	None	\$25,000,000 property \$5,000,000 vehicles
Equipment breakdown	\$5,000	\$200,000 deductible	\$175,000,000
Crime – employee fidelity	None	\$1,000 deductible	\$1,000,000
Pollution	None	\$50,000 deductible	\$2,000,000
Cyber	None	\$25,000 deductible	\$3,000,000
Aviation general liability**	None	None	\$2,000,000

\*Optional member-specific, per occurrence deductibles may be selected.

\*\*Aviation coverage purchased by participating members.

## Claims report

299

claims reported during 2019 for any coverage year

210

claims closed during 2019

252

claims reported to date from events occurring in 2019

0

2019 liability claims over \$250k

0

2019 property claims over \$200k

### Claims received in 2019 breakdown by type

Liability – 3 <sup>rd</sup> party	Claims	Paid	Reserved
GL – Bodily injury	31	\$71,414	\$426,913
GL – Property damage	56	\$226,967	\$121,202
Auto bodily injury	7	\$27,815	\$104,685
Auto property damage	18	\$32,245	\$11,822
<b>Property – 1<sup>st</sup> party</b>			
Equipment breakdown	1	\$23,640	\$0
Auto physical damage	55	\$111,657	\$24,678
Building / Facility damage	68	\$519,580	\$91,277
<b>Errors &amp; omissions</b>	8	\$2,299	\$44,008
<b>Crime</b>	1	\$0	\$15,000
<b>Employment</b>			
Wrongful	13	\$215,524	\$776,923
Hostile	5	\$9,829	\$366,171
Discrimination	2	\$44,432	\$20,000
<b>Land use</b>	2	\$0	\$0
<b>Public records</b>	7	\$28,797	\$134,336
<b>Pollution</b>	1	\$2,322	\$0
<b>Other liability</b>	6	\$20,564	\$0
<b>Total(s)</b>		<b>\$1,341,276</b>	<b>\$2,141,015</b>

## Subrogation

Since 2011, RMSA has identified 335 files with subrogation potential, which are broken down below. AWC RMSA handles the majority of subrogation files in house. Subrogation monies received bolster and protect AWC RMSA's equity position and ensure responsible third parties cover the cost of claims expenses.

Year	Count	Paid	Recovered	Percentage recovered
2011	36	\$104,301	\$66,168	63%
2012	21	\$73,451	\$60,269	82%
2013	33	\$137,205	\$83,974	61%
2014	29	\$111,830	\$88,064	78%
2015	50	\$233,584	\$167,184	71%
2016	35	\$213,838	\$189,002	88%
2017	39	\$180,404	\$93,105	51%
2018	45	\$268,340	\$179,108	66%
2019	47	\$241,771	\$158,244	65%
<b>Total</b>	<b>335</b>	<b>\$1,564,723</b>	<b>\$1,085,118</b>	<b>69%</b>

## Pre-litigation

In 2019, we collaborated with 26 members on pre-litigation files; our primary focus in pre-litigation continued to be on employment exposures.

2019 Pre-litigation expenditures	
General	\$22,059
Employment	\$98,258
Land use	\$28,070
Public records	\$5,699
<b>Total</b>	<b>\$154,059</b>

## AWC RMSA member resource utilization

52

Loss prevention grants  
Total: \$170,000

17

Annual Meeting grants  
Total: \$8,075

16

Lexipol grants  
Total: \$42,608

88

Scholarships  
Total: \$17,851

RMSA-U online training

572

unique users  
completed 1,628  
courses

Regional trainings

6

90 attendees

59%

of members used  
employment law &  
human resources  
assistance





## Statement of net position

as of December 31, 2019 and December 31, 2018

	2019	2018
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$3,878,413	\$6,851,854
Investments	5,300,308	3,472,845
Receivables:		
Assessments receivable	3,582	1,456
Excess/reinsurance recoverable	-	-
Member deductibles	18,808	3,315
Prepaid expense	108,168	261,571
Accrued interest	62,73	38,474
<b>Total current assets:</b>	<b>\$9,372,015</b>	<b>\$10,629,515</b>
<b>Non-current assets:</b>		
Contract receivable	25,000	\$27,500
Reinsurance deposit	239,149	239,149
Equity in NLC MIC	2,948,719	2,832,015
Investments	9,355,100	6,469,199
<b>Total non-current assets:</b>	<b>\$12,567,967</b>	<b>\$9,567,863</b>
<b>Total assets:</b>	<b>\$21,939,982</b>	<b>\$20,197,378</b>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Claim reserves:		
Incurred but not reported (IBNR)	\$652,755	\$654,628
Unpaid claims	435,170	436,419
Unallocated loss adjustment expenses	270,000	210,000
Accounts payable	248,150	199,060
Unearned member assessments	-	-
<b>Total current liabilities:</b>	<b>\$1,606,075</b>	<b>\$1,500,107</b>
<b>Non-current liabilities:</b>		
Claim reserves:		
Incurred but not reported (IBNR)	\$3,633,598	\$3,509,781
Unpaid claims	2,939,830	1,823,439
<b>Total non-current liabilities:</b>	<b>\$6,573,428</b>	<b>\$5,333,220</b>
<b>Total liabilities:</b>	<b>\$8,179,503</b>	<b>\$6,833,327</b>
<b>Net position:</b>		
Unrestricted	13,760,479	\$13,364,051
<b>Total net position:</b>	<b>\$13,760,479</b>	<b>\$13,364,051</b>
<b>Total liabilities and net position:</b>	<b>\$21,939,982</b>	<b>\$20,197,378</b>

The condensed financial statements shown are derived from AWC RMSA's state-audited financial statements for 2019 and do not include notes. A copy of the audited financial statements can be obtained from AWC RMSA upon request.

## Statement of revenues, expenses and changes in net position

For the years ended December 31, 2019 and December 31, 2018

	2019	2018
<b>Operating revenues:</b>		
Member assessments	\$8,425,393	\$8,358,831
Other income	146,017	104,313
Total operating revenues:	\$8,571,410	\$8,463,144
<b>Operating expenses:</b>		
Claims loss expense – current year	\$3,375,000	\$2,480,000
Claims loss expense – prior years	(198,699)	(811,999)
Unallocated loss adjustment expenses	60,000	(5,000)
Insurance premiums	2,298,118	2,214,462
Claims administration and loss prevention services	958,793	1,134,869
General and administrative expenses	2,233,648	2,030,078
Total operating expenses:	\$8,726,859	\$7,042,410
<b>Operating income (loss):</b>	(\$155,449)	\$1,420,734
<b>Non-operating revenues/expenses:</b>		
Interest income	\$435,173	\$296,617
Equity in NLC MIC	116,704	105,289
Total non-operating revenues and expenses:	\$551,877	\$401,906
<b>Change in net position:</b>	\$396,428	\$1,822,640
<b>Total net position - January 1:</b>	13,364,051	11,541,411
<b>Total net position - December 31:</b>	\$13,760,479	\$13,364,051

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## 2019 RMSA Board of Directors



**James Bailey**  
President  
Position 1  
Councilmember  
Wenatchee



**Bruce Albert**  
Position 2  
Councilmember  
Index



**Leanne Guier**  
Position 3  
Mayor  
Pacific



**Jose Trevino**  
Position 4  
Mayor  
Granger



**Mike Schaub**  
Vice President  
Position 5  
Mayor  
Eatonville



**JW Foster**  
Position 6  
Mayor  
Yelm



**Julie Struck**  
Position 7  
Mayor  
South Bend

## 2019 RMSA Operating Committee

**Dawn Masko**  
Vice Chair  
Position 1  
Deputy City  
Administrator  
North Bend

**Kynda Browning**  
Position 2  
Clerk-Treasurer  
Tekoa/Waverly

**Duncan Wilson**  
Chair  
Position 3  
Town Administrator  
Friday Harbor

**John Millard**  
Position 4  
Clerk-Treasurer  
Tenino

**Molly Towslee**  
Position 5  
City Clerk  
Gig Harbor

**Abby Gribi**  
Position 6  
Town Administrator  
Eatonville

**Brandy Rinearson**  
Position 7  
City Clerk  
Port Orchard

**Brenda Martinez**  
Position 8  
City Clerk/HR Manager  
Black Diamond

**Jord Wilson**  
Position 9  
City Administrator  
Pateros



## **AWC RMSA staff**

Peter King, AWC CEO

Alicia Seegers Martinelli, AWC COO/Deputy CEO

Lucy Lu, AWC CFO

Carol Wilmes, AWC Director of Member Pooling Programs

Adrienne Beatty, RMSA Program Manager

Harlan Stientjes, RMSA Claims & Pre-Litigation Manager

Ashley Jones, RMSA Claims Specialist

Ezra Stark, RMSA Risk Control Coordinator

Nate Sulya, RMSA Membership Coordinator

## **Insuring partners**

Great American Insurance Group

Argonaut Insurance Company

Allied World National Assurance Company

Lexington Insurance Company

Fidelity & Deposit Insurance Company

Chubb Environmental

XL Catlin

National Union Fire Insurance Company

## **AWC RMSA coverage counsel**

Craig Bennion / Cozen O'Connor

## **AWC RMSA general counsel**

Charles H. (Skip) Houser III / Pope Houser & Barnes

## **AWC RMSA service contractors**

Aon Management Services, Inc. – Insurance broker

PricewaterhouseCoopers LLC – Actuary

Tri-State Adjusting – Independent adjusting company

Seaport Claims Service - Independent adjusting company

Columbia Claims Service, Inc. – Independent adjusting company

LocalGovU – Online training/education

Enquiron – Human resources, employment practices liability, and cyber liability resources

Lexipol – Police, fire, and jail policy management and training resources

AssetWorks – Appraisal services and property management software

Government Portfolio Advisors – Investment advisory services

## **AWC RMSA defense counsel panel**

Carlson McMahon & Sealby PLLC

Law Lyman Daniel Kamerrer & Bogdanovich PS

Patterson Buchannan Fobes & Leitch, Inc., PS

Keating, Bucklin & McCormack, Inc.

Peck, Rubanoff, and Hatfield

Christie Law Group

Ogletree Deakins

Summit Law

Lighthouse Law Group

Northwest Urban Law PLLC

Dynan & Associates

Douglas Foley & Associates

Lukins & Annis



AWC  
ASSOCIATION  
OF WATER  
CITIES

Risk Management Service Agency

Managing your risks, so you  
can manage everything else



AWC

R I S  
M A N A G E  
S E R V I  
A G E N C Y

security | stability | service

Dayton  
RMSA

Yelm  
RMSA

Concrete  
RMSA

Concrete  
RMSA

Dayton  
RMSA

Yelm  
RMSA

# AWC RMSA serves the property and liability needs of Washington's municipal entities

AWC RMSA partners with members to navigate the property and liability exposures that come with running municipal services. Cities, towns, and special purpose districts are eligible for coverage.

**Airway Heights** • Airway Heights TBD • **Algona** • Almira • **Beaux Arts Village** • Bingen • **Black Diamond** • Bridgeport • **Bridgeport TBD** • Bucoda • **Carbonado** • Carnation • **Castle Rock** • Castle Rock TBD • **Cathlamet** • Conconully • **Concrete** • Coulee City • **Creston** • Cusick • **Darrington** • Dayton • **Deer Park** • DuPont • **DuPont TBD** • Eatonville • **Fairfield** • Farmington • **Forks** • Friday Harbor • **Garfield** • Gig Harbor • **Gig Harbor TBD** • Gold Bar • **Granger** • Grant County FPD#6 • **Hamilton** • Harrah • **Harrington** • Hatton • **Hunts Point** • Index • **Kalama** • Kettle Falls • **La Center** • Lamont • **Langley** • Latah • **Lincoln County FPD#8** • Lyman • **Mesa** • Metaline • **Metaline Falls** • Morton • **Mossyrock** • Naches • **North Bend** • Northport • **Oakesdale** • Odessa • **Orting** • Pacific • **Pateros** • Pe Ell • **PRTPO** • Pomeroy • **Port Orchard** • Prescott • **Prescott P&RD** • Rainier • **Raymond** • RiverCom 911 • **Riverside** • Rock Island • **Rockford** • Rosalia • **Roslyn** • Roy • **Ruston** • Sequim • **Si View MPD** • Skykomish • **South Bend** • South Prairie • **Spangle** • Springdale • **Tekoa** • Tenino • **Tieton** • Toledo • **Tonasket** • Twisp • **Vader** • Wapato • **Waverly** • Wenatchee • **White Salmon** • Whitman County FPD#3 • **Wilson Creek** • Winthrop • **Yacolt** • Yelm



# AWC Risk Management Service Agency 2019 Annual Report

S E C U R I T Y | S T A B I L I T Y | S E R V I C E

# RMSA

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360.753.4137