



**Local Government Self-Insurance Program  
Review  
*for*  
Housing Authorities Risk Retention Pool**

**July 28, 2008**

## Independent Examiner's Report

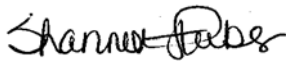
Mr. Bill Gregory, Executive Director  
Housing Authorities Risk Retention Pool  
2500 Main Street, Suite 120  
Vancouver WA 98660

Dear Bill Gregory:

We have examined the Pool's compliance with RCW 48.62, WAC 82.60 and current guidelines established by the State Risk Manager for the years ended December 31, 2003, 2004, 2005, and 2006 and 2007. The accuracy of information provided by Housing Authorities Risk Retention Pool is the responsibility of the Pool's management. Our responsibility is to express an opinion based on our review.

Our examination was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we examine, on a test basis, evidence supporting compliance and that we perform such other procedures as we consider necessary under the circumstances. We believe that our review provides a reasonable basis for our opinion.

We noted no deficiencies in any area of our review. In our opinion, the Housing Authorities Risk Retention Pool has complied, in all material respects, with laws, regulations and guidelines established by the State Risk Manager as set forth above.



Shannon Stuber  
Program Administrator  
Local Government Self Insurance Program  
Office of Financial Management

## **Summary of Review**

**Housing Authorities Risk Retention Pool  
2500 Main Street, Suite 120  
Vancouver WA 98660**

### **Our Review**

This report contains the results of our independent compliance review of the Housing Authorities Risk Retention Pool (HARRP).

We performed procedures to determine whether the Pool complied with state laws and regulations, in addition to guidelines adopted by the State Risk Manager. The areas reviewed were selected based on an analysis of financial trends and transactions from the period January 1, 2003 through December 31, 2007.

### **Examination Results**

The Pool complied with state laws and regulations and guidelines adopted by the State Risk Manager. Our report contains no findings or other communications to the management or Board of HARRP.

### **Examiner's Remarks**

We appreciate the cooperation and assistance of the staff and management of HARRP during our review.

## Areas Reviewed

**Housing Authorities Risk Retention Pool  
2500 Main Street, Suite 120  
Vancouver WA 98660**

We reviewed the Pool's compliance with state laws and regulations, in addition to guidelines adopted by the State Risk Manager in the following areas:

- **Claims Audits**  
WAC 82.60.50(3) requires the program obtain a claims audit conducted by an independent qualified professional not currently performing claims administration services to the program. The review is to include claim reserving, adjusting and payment procedures. George Kingston & Associates conducted a claims audit meeting the above criteria on July 27, 2005. No deficiencies were noted. The program is in compliance with applicable laws and regulations for claims audits.
- **Actuarial Study and Funding**  
The pool is required to obtain an actuarial study and fund to the expected liabilities. The pool obtained the required actuarial study and is funded in excess of the 99% confidence level as of December 31, 2007. The higher confidence level is prudent as the pool does not purchase excess insurance for liability coverage.
- **Submission of Timely Quarterly and Audited Annual Reports**  
Chapter 48.62.081(5) RCW requires financial statements of multi-state programs are audited annually by certified public accountants. Audited financial statements are to be delivered to the state risk manager within 120 days of year end. WAC 82.60.60(2) requires that all joint self-insurance programs submit quarterly financial reports to the state risk manager within 60 days of each quarter ending. All reports were submitted within the time allowed. The program is in compliance with applicable laws and regulations for timely reporting.
- **Reporting of Liabilities**  
WAC 82.60.031(3) requires that claim financing levels and liabilities for unpaid claims and claims adjustment expenses be determined annually by an actuary. The actuarial study indicates an outstanding claims liability of \$2,860,000 as of December 31, 2007. The pool disclosed this liability in the program's annual financial statements as of year end December 31, 2007.
- **Investments**  
Chapter 48.62.081(6) requires the program invest only with financial institutions and/or broker-dealers doing business in those states in which participating entities are located. Investment information is to be provided to the state risk manager's office and audited by the certified public accountants for the program. We verified the investment balances at 5/31/08 as \$25,065,480.77, which agrees with accounting records. Balances were verified from an original investment statement issued by Investment Citigroup Global Markets, Inc. in Portland, Oregon. The program participants include member entities from Washington, Oregon,

California and Nevada. The program is in compliance with laws and regulations concerning investments.

- Member Agreements & Bylaws

The members of each joint program must approve, by resolution or ordinance, the programs interlocal agreement. The program must have available the signed interlocal agreements, which are filed with the county auditor or available on a public web site. HARRP has had no changes to its interlocal agreement since 1991. HARRP retains the original signed interlocal agreements for each member. Changes in by-laws are approved by a majority of the Board of Directors at annual meetings. WAC 82.60.30(2) requires the interlocal agreement of a joint self-insurance program be adopted by resolution or ordinance by each participating member's governing body. The program is in compliance with applicable laws and regulations regarding member agreements and by-laws.

- Compliance with Financial Guidelines

A review of the program's adherence to financial guidelines adopted by the state risk manager indicates the pool operates within the recommended ratios deemed appropriate for operational and financial soundness.

- Evaluation of Financial Trends

No adverse financial trends were noted during our review. As the pool accepted additional risk in moving from excess to total self-insurance for liability coverage, it increased reserves significantly. While an adverse claim trend is always possible, the program has properly managed its risk by reserving at approximately \$9.7 million in excess of the 99% confidence level per the actuarial study.

We reviewed, on a test basis, evidence of compliance with requirements set forth above, and we performed such other procedures as we considered necessary under the circumstances. Our review does not provide a legal determination on the Pool's compliance with specified requirements.

## **About the Local Government Self-Insurance Program**

The Local Government Self Insurance Program provides initial approval and continuing oversight of joint property and liability self-insurance pools established by local governments per Chapter 48.62 RCW. The State Risk Manager, with assistance from the Property and Liability Advisory Board, adopts guidelines and establishes annual assessment fees to cover administrative costs. Board members are appointed by the governor. The Property and Liability Advisory Board meets quarterly.

Field examiners conduct reviews, which are scheduled based on risk assessments, to determine whether self-insurance programs comply with state laws and regulations. In addition, adherence to guidelines designed to foster financially sound management practices is also evaluated. Finally, reviewers also communicate with local government owner/members to ensure they are informed about the program's financial condition and participate in decisions which affect insurance services provided by their programs. Costs of these reviews are included in assessment fees. If an extensive examination is required due to adverse financial conditions noted during the review process, the cost of outside experts, such as forensic accountants, actuaries or financial auditors are based on the actual time and expense required as provided in RCW 48.62.161.

## **About Housing Authorities Risk Retention Pool**

The Housing Authorities Risk Retention Pool (HARRP) began its self-insured pooled liability program in February 1987. Currently, programs offered by HARRP include property, general liability, auto liability, fidelity, errors and omissions, and employment practices liability. HARRP administers claims in-house. Approximately 47,000 owned units and 150,000 Section 8 units have coverage through the pool. The total value insured under the property program is approximately \$5 billion. The member housing authorities are located in Washington, Oregon California and Nevada.

A Board of Directors, composed of nine directors; three representing the members of the Association of Washington Housing Authorities, three representing the members of the Association of Oregon Housing Authorities, and three representing the members of the Northern California/Nevada Executive Directors Association.

Board members are divided into three classes with staggered, three-year terms, resulting in the election of one-third of the Board at each annual meeting of the members. Each class consists of one Board member representing each of the three state organizations. The full Board formally meets on a quarterly basis.

The day to day operations are managed by an executive director, who manages the staff of six employees. The staff provides services including claims adjusting, data processing, risk-management consulting, and loss prevention, legal and other related services.