

WAC 200-100-020 Definitions. (1) "Actuary" means any person who is a fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries.

(2) "Assessment" means the moneys paid by the members to a joint self-insurance program, excluding member claim deductibles and fees for supplementary services.

(3) "Broker of record" means the insurance producer licensed in the state of Washington who, through a contractual agreement with the joint self-insurance program, procures insurance on behalf of the joint self-insurance program.

(4) "Case reserves" means the total of all claims and claims adjustment expenses for covered events which have occurred and have been reported to the joint and individual self-insurance programs as of the date of the financial statement. Case reserves include an estimate for each reported claim based on the undiscounted jury verdict value of said claim.

(5) "Claim adjustment expense" means expenses, other than claim payments, incurred in the course of investigating and settling claims.

(6) "Claim" means a demand for payment for damages or policy benefit because of the occurrence of an event that includes, but is not limited to, the destruction or damage of property or reputation, bodily injury or death and alleged civil rights violations.

(7) "Claims auditor" means a person who has the following qualifications:

(a) A minimum of five years in claims management and investigative experience;

(b) A minimum of three years of experience in auditing the same manner of claims filed against the program being audited;

(c) Proof of professional liability insurance; and

(d) Provides a statement that the auditor is independent from the program being audited, its vendors, insurers, brokers, and third-party administrators.

(8) "Competitive process" means a formal sealed, electronic, or web-based bid procedure used for all nonclaims related purchases for goods and services over \$50,000. For purchases between \$5,000 and \$50,000, competitive process means quotations obtained from at least three vendors by telephone or written quotations, or both, and supported by evidence of competition. Purchases up to \$5,000 are exempt from competitive bids providing procurement is based on obtaining maximum quality at minimum cost.

(9) "Competitive solicitation" means a documented formal process requiring sealed bids, providing an equal and open opportunity to qualified parties and culminating in a selection based on criteria which may include such factors as the consultant's fees or costs, ability, capacity, experience, reputation, responsiveness to time limitations, responsiveness to solicitation requirements, quality of previous performance, and compliance with statutes and rules relating to contracts or services.

(10) "Consultant" means an independent individual or firm contracting with a joint self-insurance program to perform actuarial, claims auditing or third-party administration services, represent the program as broker of record, or render an opinion or recommendation according to the consultant's methods, all without being subject to the control of the program, except as to satisfaction of the contracted deliverables.

(11) "Governing body" means the multimember board, commission, committee, council, or other policy or rule-making body of a public

agency, or any committee thereof when the committee acts on behalf of the governing body, conducts hearings, or takes testimony or public comment.

(12) "Incurred but not reported, or IBNR" means claims and claim adjustment expenses for covered events which have occurred but have not yet been reported to the self-insurance program as of the date of the financial statement. IBNR claims include (a) known loss events that are expected to be presented later as claims, (b) unknown loss events that are expected to become claims, and (c) future development on claims already reported.

(13) "Individual self-insurance program" means a formal program established and maintained by a local government entity to provide advance funding to self-insure for property and liability risks on its own behalf as opposed to risk assumption, which means a decision to absorb the entity's financial exposure to a risk of loss without the creation of a formal program of advance funding of anticipated losses.

(14) "Interlocal agreement" means an agreement established under the Interlocal Cooperation Act defined in chapter 39.34 RCW.

(15) "Joint self-insurance program" means any two or more local government entities which have entered into a cooperative risk sharing agreement subject to regulation under chapter 48.62 RCW.

(16) "Jury verdict value" means the claim value established on an individual case basis by the entity's analysis of the jury verdict results within a jurisdiction in addition to other factors including, but not limited to, severity of injury or damage, length of recovery, credibility of parties and witnesses, ability of attorney, sympathy factors, degree of negligence of the parties and contribution or recovery from other sources.

(17) "Member" means:

(a) A local government entity that:

(i) Is a signatory to a joint insurance program's interlocal agreement;

(ii) Agrees to future assessments or reassessments as part of the program's joint self-insurance program; and

(iii) Is a past or present participant in the excess or self-insured retention portion of the pool's insurance program subject to regulation under chapter 48.62 RCW; and

(b) The board of pilotage commissioners that:

(i) Is a signatory to a joint insurance program's interlocal agreement;

(ii) Agrees to future assessments or reassessments as part of the program's joint self-insurance program; and

(iii) Is a past or present participant in the excess or self-insured retention portion of the pool's insurance program subject to regulation under chapter 48.62 RCW; and

(iv) Participates in the liability coverage offered by the program, but may not participate in property or other coverages as authorized in RCW 48.62.011(2).

(18) "Primary assets" means cash, short-term investments, and long-term investments. Primary assets may not include member receivables billed in advance of the coming year. The amount of the primary assets must be reduced by all nonclaims liabilities. At fiscal year ending 2025 and from thereon, both primary assets and secondary assets will also include all pension-related assets and liabilities.

(19) "Reassessment" means additional moneys paid by the members to a joint self-insurance program for previous years in which annual member assessments were not sufficient to cover costs.

(20) "Risk sharing" means a decision by the members of a joint self-insurance program to jointly absorb certain or specified financial exposures to risks of loss through the creation of a formal program of advance funding of actuarially determined anticipated losses; and/or joint purchase of insurance or reinsurance as a member of a joint self-insurance program formed under chapter 48.62 RCW.

(21) "Secondary assets" means insurance and member receivables, real estate or other assets the value of which can be independently verified by the state risk manager. Secondary assets may not include member receivables billed in advance of the coming year. At fiscal year ending 2025 and from thereon, both primary assets and secondary assets will also include all pension-related assets and liabilities.

(22) "Self-insurance program" means any individual or joint self-insurance program required by chapter 48.62 RCW to comply with this chapter.

(23) "Services" means administrative, electronic, management, loss prevention, training or other support services which do not include the participation in or purchase of the pools excess or self-insured insurance programs.

(24) "Stop-loss insurance" means a promise by an insurance company that it will cover losses of the entity it insures over and above an agreed-upon aggregated amount.

(25) "Third-party administrator" means an independent association, agency, entity or enterprise which, through a contractual agreement, provides one or more of the following ongoing services: Pool management or administration services, claims administration services, risk management services, or services for the design, implementation, or termination of an individual or joint self-insurance program.

(26) "Unallocated loss adjustment expense (ULAE)" means costs that cannot be associated with specific claims but are related to the claims adjustment process, such as administrative and internal expenses related to settlement of claims at the termination of the program.

(27) "Unpaid claims" means the obligations for future payment resulting from claims due to past events. This liability includes loss and adjustments expenses, incurred but not reported claims (IBNR), case reserves, and unallocated loss adjustment expenses (ULAE).

[Statutory Authority: RCW 48.62.061. WSR 22-20-022, § 200-100-020, filed 9/22/22, effective 10/23/22. Statutory Authority: 2015 c 109. WSR 15-22-011, § 200-100-020, filed 10/22/15, effective 11/22/15. Statutory Authority: 2011 c 43. WSR 11-23-093, recodified as § 200-100-020, filed 11/17/11, effective 11/17/11. Statutory Authority: RCW 48.62.061. WSR 10-01-072, § 82-60-020, filed 12/14/09, effective 1/14/10; WSR 05-04-072, amended and recodified as § 82-60-020, filed 2/1/05, effective 3/4/05. Statutory Authority: Chapter 48.62 RCW. WSR 93-16-079, § 236-22-020, filed 8/3/93, effective 9/3/93.]