

REPORTING

Note X - Risk Management

INSTRUCTIONS TO PREPARER

A city/county/district should disclose:

- a description of the types of risk the city/county/district faces and how it is handling those risks;
- any significant reduction in insurance coverage from the previous year (by risk category); and
- an indication whether the amount of settlements exceeded insurance coverage for each of the past three fiscal years.

If the city/county/district participates in a risk pool, it should describe that arrangement. The description should specifically address the rights and responsibilities of the government and the pool.

If a city/county/district retains some risk of loss, it should make the following disclosures:

- a description of what the liability for unpaid claims represents and how it is calculated (this discussion should mention whether non-incremental claims adjustment expenses have been included as part of the liability for claims and judgments);
- if the city/county/district exercises its option to discount claims liabilities or has entered into any structured settlements, the nondiscounted carrying amount of any liabilities reported at a discounted value and the range for interest rates used for discounting;
- claims defeased through annuity contracts (unless beneficiaries have signed an agreement releasing the government from all further obligation, and the likelihood of further payments is remote); and
- a tabular reconciliation of the claims liability for both the current fiscal year and the prior fiscal year, using the following format:
 - claims liability (beginning of year)
 - claims incurred during the year
 - changes in the estimate for claims of prior periods
 - payments on claims
 - other (for example, change in the methodology used to estimate claims)
 - claims liability (end of year).

For more information refer to the GASB Statement 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.

Housing Authorities

If the housing authority is a member of a public entity risk pool, insert a note provided to the authority by the Housing Authority Risk Retention Pool (HARRP) below. Add additional information if required.

The _____ is a member of the Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), fifty-five public housing authorities in the states of Washington, Oregon and California originally formed HARRP in March 1987. HARRP was created for the purposes of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP currently has a total of ninety-two members in the states of Washington, Oregon, Nevada and California. Thirty-six of the ninety two members are Washington public housing entities.

New members originally contract for a three year term and thereafter automatically renew on an annual basis. Members may quit (after completion of the three year commitment) upon giving notice to HARRP prior to their renewal date. HARRP can terminate the members after giving a sixty (60) day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

General and Automobile Liability coverages are written on an occurrence basis, without member deductibles. Errors & Omissions coverage (which includes Employment Practices Liability) is written on a claims made basis, and the members are responsible for 10percent of the incurred costs of the claims. (Due to special underwriting circumstances, some members may be subject to a greater E&O co-payment.) The Property coverage offered by HARRP is on a replacement cost basis with deductibles ranging from \$1,000 to \$25,000. Fidelity coverage, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty and forgery or alteration and \$10,000 for theft are also provided with deductibles the same as Property.

Coverage limits for General Liability, Errors & Omissions and Property are \$2,000,000 per occurrence and \$2,000,000 annual aggregate. (Some members have chosen greater Property limits for higher valued properties.) Limits for Automobile Liability are \$1,000,000/\$1,000,000.

HARRP self-insures the full layer of coverage for liability lines (\$2,000,000 per occurrence and \$2,000,000 annual aggregate). There is no purchased reinsurance above this limit. For property, HARRP retains \$2,000,000 and \$63,000,000 of reinsurance from St. Paul/Travelers Insurance Company for a combined total of \$65,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

HARRP provides loss control services, claim investigation and adjusting, litigation management and defense with in-house staff and retained third party contractors.

HARRP is fully funded by member assessments that are adjusted annually by the HARRP Board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment expenses, reinsurance and other administrative expenses. HARRP does not have the right to assess the membership for any shortfall in its funding. Such shortfalls are made up through future rate adjustments.