

August 9, 1990

Introduced by : RON SIMS

Proposed No.: 90-705

MOTION NO. **8153**

A MOTION adopting a catastrophic loss reserve policy.

WHEREAS, The King County council and King County executive have a responsibility to ensure the sound and prudent management of King County funds, and

WHEREAS, King County has a program of self-insurance for its general liability, directors and officers, professional liability, and automobile liability exposures, and

WHEREAS, protection from catastrophic losses that would otherwise strain County budgets and threaten on-going services is afforded through the establishment of self-funded catastrophic loss reserves, and

WHEREAS, prudent management of such catastrophic loss reserves is necessary to preserve and protect the integrity of such funds, and

WHEREAS, a full statement of the purpose and financing arrangements for catastrophic loss reserves provides a tool to evaluate the fiscal management practice for consistency and long-term financial stability, and

WHEREAS, after careful review and discussion, the Risk Management Committee unanimously approved the catastrophic loss financing policies attached hereto;

NOW, THEREFORE, BE IT MOVED by the Council of King County:

The catastrophic loss financing policy as listed in Attachment A is hereby adopted.

PASSED this 22nd day of January, 1991.

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Lois North
Chair

ATTEST:

Gerald A. Peterson
Clerk of the Council

Attachment A

CATASTROPHIC LOSS FINANCING POLICY

Risk Management Committee Policy Statement No. 2

Purpose

The purpose of this policy is to establish a plan to build reserves to finance catastrophic tort losses.

Definition

A catastrophic loss is a loss that would be of such magnitude that its financing would require reductions in County service levels. A catastrophic loss has an expected frequency of no more than once every ten years.

Policies

1. The County shall build reserves equal to \$15 million (in 1987 dollars) in the Insurance Fund to finance catastrophic losses. This level shall be attained by making annual contributions of at least \$1.36 million through budget year 1997.
2. The Risk Management Committee will, on a case-by-case basis, determine the amount over which a loss resulting from a single occurrence is to be financed by catastrophic loss resources. This level shall be at least \$1 million per occurrence.
3. The methodology used to develop catastrophic loss charges to County agencies/funds shall be based upon agency (a) historic large loss experience, and (b) total historic losses paid from the Insurance Fund.
4. Should a portion of the catastrophic loss reserves be required to finance a loss, the following rules for replacing used reserves shall apply:
 - (a) At least one-third of the catastrophic loss account expenditure shall annually be repaid, until the Insurance Fund's year-end cash plus investment balance (less reserves for catastrophic losses) exceeds five times the average of the two highest years' payments for claims/lawsuits (excluding payments from catastrophic loss reserves).

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- (b) When the Insurance Fund's year-end cash plus investment balance (less catastrophic loss reserves) exceeds five times the average of the two highest years' payments for claims-lawsuits (excluding payments from catastrophic loss reserves), the repayment of used reserves may be postponed by extending the period over which annual charges of \$1.36 million are assessed.

5. Losses exceeding \$15 million shall be financed from councilmanic bonds. Losses which exceed then-current catastrophic loss account balances may be financed through councilmanic bonds following a review of financing options by the Risk Management Committee.

6. The County will continue to explore insurance and other arrangements to finance its catastrophic loss exposures and, at least annually, report to the County Council on the availability of other financing techniques.