

***PURMS***

Joint Self-Insurance Fund

# ***2010 Annual Report***

Public Utility Risk Management Services

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**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

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# PUBLIC UTILITY RISK MANAGEMENT SERVICES JOINT SELF-INSURANCE FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This discussion and analysis is designed to provide an overview of Public Utility Risk Management Services (PURMS) Joint Self-Insurance Fund's financial activities for the years ended December 31, 2010 and December 31, 2009. This supplementary information should be read in conjunction with PURMS's financial statements.

PURMS is a public entity risk pool organized on December 30, 1976 in the State of Washington under RCW 54.16.200. It currently operates under RCW 48.62. Its members include 18 public utility districts and 1 non-profit mutual corporation. The objectives of PURMS are to formulate, develop and administer a program of self-insurance in order to obtain lower costs for the various coverages provided to its members. Liability and property coverages are available to its members and health & welfare coverage for its member's employees.

### FINANCIAL SUMMARY AND ANALYSIS

The *Statement of Net Assets* shows information on all of the Fund's assets and liabilities. The difference between the two is reported as *Net Assets*. The *Statement of Revenues, Expenses and Changes in Net Assets* shows how the *Net Assets* changed during the year. All *Net Assets* are classified as restricted because of the enabling legislation of RCW 48.62.

*Current Assets* are comprised of cash in checking accounts and investments, accounts receivable owed by members (including future assessments) and interest receivable. *Current Liabilities* reflect the total of Known and IBNR Claims Reserve and fees payable as of December 31, 2010, 2009 and 2008 respectively. PURMS has no non-current assets or liabilities.

*Operating Revenues* include assessments from members including future assessments. *Nonoperating Revenue* is from interest on investments. *Operating Expenses* include claims and claims adjustment expenses, excess and stop loss insurance premiums and administrative expenses. There are no nonoperating expenses at this time. For 2008 there is an extraordinary item which is a settlement from Marsh USA, the Fund's broker. Member Deposits refer to amounts held by PURMS, on behalf of its members, to pay health & welfare claims before a member is assessed for those claims.

### Condensed Comparative Financial Information:

#### *PURMS Net Assets*

	2010	2009	2008
Current Assets	8,211,903	7,801,283	7,637,966
Total Assets	\$8,211,903	\$7,801,283	\$7,637,966
Current Liabilities	3,217,949	3,777,048	4,111,415
Net Assets	4,993,954	4,024,235	3,526,551
Total Liabilities and Net Assets	\$8,211,903	\$7,801,283	\$7,637,966

*PURMS Changes in Net Assets*

	2010	2009	2008
Operating Revenues	14,140,757	13,580,186	12,543,726
Nonoperating Revenues	37	1,437	47,657
Total Revenues	14,140,794	13,581,623	12,591,383
Operating Expenses	13,171,076	13,083,940	12,374,308
Total Expenses	13,171,076	13,083,940	12,374,308
Excess/(Deficiency) Before Extraordinary Items	969,718	497,683	217,075
Extraordinary Item	0	0	2,634
Changes in Net Assets	969,718	497,683	219,709
Beginning Net Assets (January 1)	\$4,024,236	\$3,526,552	\$3,306,842
Ending Net Assets (December 31)	\$4,993,954	\$4,024,235	\$3,526,551

During 2010, 2009 and 2008, the overall financial position of PURMS has remained relatively unchanged. In 2008 the health & welfare pool Member Deposit was recalculated and increased by \$680,590. Also at the June 2008 Board meeting, resolution #6-19-08-1 was passed increasing the Designated Liability Pool Balance effective January 1, 2009. This increase will be funded over three years by two additional assessments per year in the years of 2009, 2010 and 2011 and will gradually change the Designated Balance from \$2.0 million to \$3.0 million. Both in 2009 and 2010 two assessments of \$165,000 each were billed and collected, increasing the Designated Liability Pool Balance to 2,330,000 as of 12/31/2009 and to 2,660,000 as of 12/31/2010.

PURMS has no commitments or other limitations that would specifically affect the availability of pool resources for future use for its intended purpose as stated in its interlocal agreement and RCW 48.62.

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND    MCAG #0356**

**COMPARATIVE STATEMENT OF NET ASSETS**

ASSETS	YEAR ENDED DECEMBER 31,	
	2010	2009
Current Assets:		
Cash in Banks	\$ 1,419,581	\$ 3,340,506
Investments	1,650,000	-
Accounts Receivable - Assessments Billed	1,966,878	805,186
Accounts Receivable - Future Assessments	3,097,377	3,649,362
Accounts Receivable - Excess/Stop Loss Ins.	78,030	6,229
Investment Interest Receivable	37	-
	<u>\$ 8,211,903</u>	<u>\$ 7,801,283</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Claims Reserve (Known)	\$ 288,133	\$ 655,910
Claims Reserve (IBNR)	2,809,244	2,993,452
Fund Legal Fees Payable	18,000	31,226
Administrator's Fee Payable	51,889	45,850
Stop Loss Premium Payable	43,804	43,802
PPO Networks Payable	6,879	6,808
	<u>3,217,949</u>	<u>3,777,048</u>
Total Current Liabilities		
	<u>4,993,954</u>	<u>4,024,235</u>
Total Net Assets		
	<u>\$ 8,211,903</u>	<u>\$ 7,801,283</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND      MCAG #0356**

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	YEAR ENDED DECEMBER 31,	
	2010	2009
<b>OPERATING REVENUES:</b>		
Premium Assessments	\$ 2,111,573	\$ 2,002,645
General Assessments	12,581,170	11,808,144
General Assessments - Future	(551,986)	(230,603)
Total Operating Revenues	\$ 14,140,757	\$ 13,580,186
<b>OPERATING EXPENSES:</b>		
Claims Paid on Current Losses	\$ 9,608,234	\$ 8,886,719
Claims Paid on Prior Losses	444,794	967,740
Claims Paid, Excess of Retention/Stop Loss	(139,933)	(202,642)
Established Claims Reserve	(5,587)	519,241
Adjustment to Prior Years Claims Reserve	(546,399)	(749,844)
Claims Adjustment on Current Losses	21,194	1,230
Claims Adjustment on Prior Losses	28,288	47,963
Insurance Purchased	2,625,316	2,528,728
PPO Network Fee	80,775	80,452
Administrator's Fee	630,487	595,193
Brokers Fee	142,100	133,500
Fund Legal Fees	235,275	214,000
General Expense	4,952	5,733
Professional Fees	41,580	55,927
Total Operating Expenses	\$ 13,171,076	\$ 13,083,940
Operating Income (Loss)	\$ 969,681	\$ 496,246
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest on Investments	37	1,437
Total Nonoperating Revenues (Expenses)	\$ 37	\$ 1,437
Income (Loss) Before Extraordinary Items	\$ 969,718	\$ 497,683
<b>CHANGE IN NET ASSETS</b>	<b>\$ 969,718</b>	<b>\$ 497,683</b>
<b>TOTAL NET ASSETS, January 01</b>	<b>\$ 4,024,236</b>	<b>\$ 3,526,552</b>
<b>TOTAL NET ASSETS, December 31</b>	<b>\$ 4,993,954</b>	<b>\$ 4,024,235</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES**  
**JOINT SELF-INSURANCE FUND MCAG #0356**  
**COMPARATIVE STATEMENT OF CASH FLOWS**

	YEAR ENDED DECEMBER 31,	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received From Members	\$ 13,459,250	\$ 14,220,184
Cash Payments To Vendors	(13,730,174)	(13,418,308)
Net Cash Provided (Used) for Operating Activities	(270,924)	801,876
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investments	(1,650,000)	(1,200,000)
Sale of Investments	-	2,900,000
Interest Received	-	3,119
Net Cash Provided (Used) for Investing Activities	(1,650,000)	1,703,119
<b>INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	(1,920,924)	2,504,995
CASH & CASH EQUIVALENTS, January 1	3,340,505	835,511
CASH & CASH EQUIVALENTS, December 31	\$ 1,419,581	\$ 3,340,506

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES**

OPERATING INCOME:	\$ 969,681	\$ 496,247
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase)/Decrease in A/R Assessments - Billed	(1,161,692)	(104,733)
(Increase)/Decrease in A/R Future Assessments	551,985	230,603
(Increase)/Decrease in A/R Member Deposit Assessments	-	279,850
(Increase)/Decrease in A/R Miscellaneous	-	140,008
(Increase)/Decrease in A/R Excess/Stop Loss Ins	(71,801)	94,269
Increase/(Decrease) in Claims Payable - Known	(367,777)	(540,149)
Increase/(Decrease) in Claims Payable - IBNR	(184,206)	309,546
Increase/(Decrease) in Accounts Payable - Misc.	-	(11,600)
Increase/(Decrease) in Fund Legal Fees Payable	(13,226)	(82,172)
Increase/(Decrease) in Administrative Fee Payable	6,038	190
Increase/(Decrease) in Broker Fee Payable	-	(15,000)
Increase/(Decrease) in Stop Loss Premium Payable	2	4,518
Increase/(Decrease) in PPO Network Fees Payable	72	299
Net Cash Provided (Used) for Operating Activities	\$ (270,924)	\$ 801,876

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009**

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The notes are an integral part of the accompanying financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Public Utility Risk Managements Services Joint Self-Insurance Fund conform to generally accepted accounting principles as applicable to proprietary funds of governmental units (in most respects). The following is a summary of the more significant policies:

**a. Reporting Entity**

The Public Utility Risk Management Services Joint Self-Insurance Fund (PURMS), known formerly as Washington Public Utility Districts' Utilities System Joint Self-Insurance Fund, was organized as of December 30, 1976, pursuant to the provisions of the Revised Code of Washington, Chapter 54.16.200, and interlocal governmental agreements. PURMS is currently operating under RCW 48.62. The program's general objectives are to formulate, develop, and administer, on behalf of the member public utilities, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Admission of a new member requires a supermajority vote (85%) of the current members of the Fund or the particular risk pool. Members may withdraw from the Fund on December 31st of any year by giving 90 days prior notice.

**Liability and Property Pools** - The members, through the Fund, provide liability self-insurance for the first \$1,000,000 of individual loss claims. Effective April 1, 1997 the Fund established a self-insured program for member's property. The property program provides property self-insurance for the first \$250,000 of individual loss claims. The risks shared by the members are defined in the member's Self-Insurance Agreement. Both pools (liability and property) operate independently of one another. The Fund maintains assets from which liability claims against the member districts and property losses of member districts are paid and, through assessments of the members to replenish these assets, the members share joint liability among themselves for losses incurred. The Fund also purchases excess insurance for losses above \$1,000,000 for liability and above \$250,000 for property. [See Note 4]

Members that withdraw continue to receive coverage from the Fund for occurrences that happened while they were a member. Withdrawn members continue to be responsible for their share of assessments for occurrences that happen to all members while they were a member.

**Health and Welfare Pool** - On April 1, 2000 Public Utility Risk Management Services implemented a health & welfare pool. A Member Deposit is required upon initial participation in the pool and the amount of that deposit is recalculated for all members approximately every three years. The last recalculation and assessment of the Member Deposit was done in 2008. As of both 12/31/2010 and 12/31/2009 the amount of the Member Deposit was \$1,585,694. The pool provides a cooperative program to fund health and medical claims for the employees of the members of PURMS. As a result, there are lowered costs associated with the administration of claims and the procurement of excess or stop loss insurance. Stop Loss insurance is purchased for this pool. [See Note 4]

**Member Changes and Participation** – Fund members currently include 18 utilities, and 1 non-profit mutual corporation. There were no changes in membership in 2010 or 2009. During 2010 Thurston County PUD gave notice to withdraw from the Liability and Property Programs effective 1/1/2011, but is remaining in the Health and Welfare Program. As of December 31, 2010 (not reflecting Thurston’s change) the member participation was as follows:

		Liability Program	Property Program	Health & Welfare Program
1	Asotin County PUD	Yes	Yes	Yes
2	Benton County PUD	Yes	Yes	No
3	Clallam County PUD	Yes	Yes	Yes
4	Grays Harbor County PUD	Yes	Yes	No
5	Jefferson County PUD	Yes	No	Yes
6	Kitsap County PUD	Yes	Yes	No
7	Klickitat County PUD	Yes	Yes	Yes
8	Lewis County PUD	Yes	Yes	No
9	Mason County PUD #3	Yes	Yes	Yes
10	NoaNet	Yes	Yes	Yes
11	Okanogan County PUD	Yes	Yes	No
12	Pacific County PUD	Yes	Yes	Yes
13	Pend Oreille County PUD	Yes	Yes	No
14	Skagit County PUD	Yes	Yes	Yes
15	Skamania County PUD	Yes	Yes	Yes
16	Stevens County PUD	Yes	Yes	Yes
17	Thurston County PUD	Yes	Yes	Yes
18	Wahkiakum County PUD	Yes	Yes	Yes
19	Whatcom County PUD	Yes	Yes	No

**b. Basis Of Accounting And Presentation**

The accounting records of the Pool are maintained in accordance with methods prescribed by the State Auditor’s Office under the authority of Chapter 43.09 RCW. The Pool also follows the accounting standards established by the Governmental Accounting Standards Board (GASB) Statement 10, *Accounting And Financial Reporting For Risk Financing And Related Insurance Issues*, as amended by the GASB Statement 30, *Risk Financing Omnibus*, the GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds* and GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In 1999 the GASB issued Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The presented financial statements (including notes) reflect this and consecutive statements.

PURMS has elected not to apply Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989.

The Fund prepares its financial statements on the full accrual basis. Under the full accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The principal operating revenues of the Fund are member assessments. Operating expenses include claims and claims adjustment expenses, excess and stop loss insurance premiums and administrative expenses. Nonoperating revenues are interest on investments. There are no nonoperating expenses at this time. Unbilled receivables are recorded at year end.

In accordance with the ongoing application of GASB Statement No. 10, the Fund's Statement of Net Assets reflects both "Known" and "Incurred But Not Reported" Claims Reserve. To counter this expense, the Fund also records entries to "General Assessments - Future" and "Accounts Receivable - Future Assessments."

"Member Deposits" refer to amounts held by PURMS, on behalf of its members, in order to pay their employee health & welfare claims before a member is assessed for those claims. The Member Deposit is currently based on three times a member's average monthly health & welfare claims.

**c. Cash And Cash Equivalents**

For purposes of the Statement of Cash Flows, PURMS considers all highly liquid investments with a maturity of six months or less when purchased to be cash equivalents.

**d. Capital Assets**

PURMS owns no capital assets.

**e. Receivables**

Management decides if any accounts are deemed uncollectible. Uncollectible accounts are charged to expense in the period they are deemed uncollectible.

**f. Investments**

See Note 2

**g. Unpaid Claims Liabilities**

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. [See Note 9 and RSI]

## **h. Member Assessments**

Member assessments for the liability pool are recognized as revenue at the time they are calculated. These assessments are based upon a formula whose elements include; basic fees, historic claims experience and workers hours. The assessments include amounts for excess insurance premiums, claims experience, and operating costs. Member districts are obligated to replenish the liability program to the Designated Liability Pool Balance through an annual assessment calculated on December 31st (In 2009 and prior the calculation was made in January). In addition to the annual assessment, interim assessments are levied whenever the level of the liability program is reduced by \$500,000 from the current Designated Liability Pool Balance. At the June 19, 2008 Board meeting, it was decided to increase the Designated Liability Pool Balance from \$2,000,000 to \$3,000,000 beginning January 1, 2009. This would be funded over three years by means of two additional assessments in 2009, 2010 and 2011 resulting in a Designated Liability Pool Balance of \$3,000,000. In both 2009 and 2010, \$330,000 was assessed and collected to increase the Designated Liability Pool Balance to 2,330,000 as of 12/31/2009 and 2,660,000 as of 12/31/2010. [See Note 6]

Member assessments for the property pool are recognized as revenue at the time they are calculated. These assessments are based upon a formula whose elements include; basic fees, property values and risk based rates. The assessments include amounts for excess insurance premiums, claims experience, and operating costs. For the property program, member districts are obligated to replenish to a level of \$750,000 through an annual assessment calculated on December 31<sup>st</sup> (In 2009 and prior the calculation was made in January). In addition, interim assessments are levied whenever the level of the property program is reduced to an amount less than \$500,000 to bring the level back up to \$750,000. [See Note 6]

Member assessments for the health & welfare pool are recognized as revenue in the period for which the insurance protection is provided. Assessments for the health and welfare pool are based upon a formula whose elements include claims and census. The assessments include amounts for stop loss insurance premiums, claims paid, and operating costs. The members are assessed at the beginning of each month for all the expenses of the prior month.

## **i. Claims Reserves (Unpaid Claims & Loss Adjustment Expenses)**

Claims are charged to income as incurred. Claim Reserves represent the accumulation of estimates for reported, unpaid claims (Known), plus a provision for claims incurred, but not reported (IBNR) including the loss adjustment expenses of these claims. These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings. For the liability and property pool, all known claims have a reserve set when the claim is reported. The IBNR is set based on an actuarial report. Health and welfare claims are generally not reserved. In 2009 the IBNR for the health and welfare program was the average monthly claims paid plus half of the average monthly prescription claims paid multiplied by the average number of days from the date incurred to the date reported. In 2010 an actuarial report for the health & welfare program was completed and used to set the IBNR.

## **j. Exemption From Federal And State Taxes**

Pursuant to Revenue Ruling 90-74, income of Municipal Risk Funds is excluded from gross income under IRC Section 115(1).

Chapter 48.62 RCW exempts the Fund from insurance premium taxes, and business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

### **k. Inter-pool Loans**

Effective April 1, 2000 the Self-Insurance Agreement was amended to allow inter-pool loans. As of the years ending December 31, 2010 and December 31, 2009 there were no outstanding inter-pool loans.

### **NOTE 2 - DEPOSITS AND INVESTMENTS**

PURMS deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Interest is credited to the statement of net assets as accrued. Certificates of deposit are stated at cost. Due to the low interest rates and the increase in banking fees, in 2009 PURMS cash earned more in the checking accounts by offsetting bank fees then by investing in certificates of deposit. PURMS therefore maintained its funds in checking accounts. In 2010 it was decided to maintain no more than \$1 million in any of the checking accounts and invest the remainder in certificates of deposit.

As of December 31, 2010, PURMS had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
Certificate of Deposits	14 – 75 days	\$1,650,000.

As of December 31, 2009, PURMS had no investments.

*Credit Risk.* As required by State Law, all deposits and investments are obligations of the U.S. Government, deposits with Washington State banks and savings and loan institutions, or other investments allowed by Chapter 39.59 RCW.

*Custodial credit risk* is the risk that in event of a failure of the counterparty to an investment transaction PURMS would not be able to recover the value of the investment or collateral securities. All of PURMS investments were exposed to custodial credit risk because the investments were held by a Washington State bank, which is also the counterparty in those securities. PURMS investment policy does not address custodial credit risk for its investments or deposits.

*Concentration of Credit Risk.* The investment policy of PURMS places no limit on the amount that may be invested in any one issuer. On December 31, 2010, 100% of the investments were in four certificates of deposit.

*Interest Rate Risk.* PURMS does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In general, investments mature in less than six months.

### **NOTE 3 - SELF-INSURED RETENTION**

The Fund retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts. If a claim exceeds the self-insured retention the Fund will pay the claim and is reimbursed by the excess insurance carrier. Amounts paid in excess of the retention are reflected on the statement of net assets as an account receivable.

#### **NOTE 4 - EXCESS INSURANCE CONTRACTS**

The Fund maintains excess insurance contracts with several insurance carriers which provide various limits of coverage over the Fund's self-insured retention (SIR) limits. No reinsurance is purchased. Not all members participate in all coverages available. The limits provided by these excess insurance contracts are as follows (2010 & 2009 are the same unless noted otherwise):

<b>Liability Pool</b>	<b>Per Occurrence/Aggregate</b>
AEGIS: General Liability (1 <sup>st</sup> Layer)	\$35,000,000/\$35,000,000 over \$1,000,000 SIR
EIM: General Liability (2 <sup>nd</sup> Layer)	\$25,000,000/\$25,000,000 over \$35,000,000
AEGIS: Professional Liability (E&O)	\$10,000,000/\$10,000,000 over \$1,000,000 SIR
AEGIS: Public Officials Liability	\$35,000,000/\$35,000,000 over \$500,000 SIR
<b>Property Pool</b>	
National Union Fire:	
Property Including Boiler & Machinery	Replacement cost, \$150,000,000 policy limits (sublimits apply) over \$250,000 SIR
NFIP: Flood Policy	\$500,000/\$500,000 over \$500 SIR(2009) \$500,000/\$500,000 over \$1000 SIR (2010)
<b>Health &amp; Welfare Pool</b>	
Symetra:	
Stop Loss on Medical, Dental, Prescription	Individual Stop Loss \$180,000 (2009) Aggregate Stop Loss (12/31/09) \$10,611,855
Stop Loss on Medical, Dental, Prescription	Individual Stop Loss \$200,000 (2010) Aggregate Stop Loss (12/31/10) \$11,731,034
<b>All Pools</b>	
Continental (2009): Crime Bond	\$1,000,000 occurrence over \$10,000 SIR
Berkley (2010): " "	" " " " "

#### **NOTE 5 - RESTRICTED NET ASSETS**

All Net Assets are classified as restricted because of the enabling legislation of RCW 48.62. PURMS has no commitments or other limitations that would specifically affect the availability of pool resources for future use for its intended purpose as stated in its interlocal agreement and RCW 48.62.

#### **NOTE 6 – ACCOUNTING CHANGES**

In 2010, for both the liability and property pools, it was decided to change the date that the annual assessment was calculated, from January to December 31 of the prior year. This was done to more accurately reflect the financial condition of the Self-Insurance Pool at year end. The change resulted in two annual general assessments being accrued in 2010, one in January and one in December. The financial statements reflect these additional assessments in the Operating Revenues – General Assessments for 2010 in the amount of \$414,736 for the liability pool and \$291,970 for the property pool.

#### **NOTE 7 – EXTRAORDINARY ITEMS**

On January 30, 2005, Marsh & McLennan entered into a Settlement Agreement to resolve a Complaint filed by the New York State Attorney General and an Amended Citation issued by the New York State Superintendent of Insurance. Under the Settlement Agreement, Marsh agreed to establish an \$850 million fund to compensate eligible policyholder clients. This settlement is to be paid out over a four year period. Marsh is the broker for PURMS and therefore PURMS is a member of the eligible policyholder clients. PURMS received the following payments; 2005 - \$7,021; 2006 - \$6,768; 2007 - \$4,408; 2008 - \$2,634, from the Marsh Settlement Fund. The payment in 2008 was the final payment from this Settlement Agreement.

## **NOTE 8 – CONTINGENT LIABILITIES AND LITIGATIONS**

The Fund's Members are involved in ongoing litigation and claims processing posing risks to the Fund, the total estimated value of which is represented on the Fund's Financial Statements as Claims Reserve (Known) and Claims Reserve (IBNR). It is the opinion of the Fund's Attorney and its Management that under the terms of the Fund's Joint Self-Insurance Agreement, the pending litigation and claims, unasserted claims and claims incurred but not reported, will not result in settlements or judgments that would require payments that would threaten the solvency of the Fund.

## **NOTE 9 – UNPAID CLAIMS LIABILITIES**

As discussed in Note 1g, the Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the Fund during the past two years:

	<u>2010</u>	<u>2009</u>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	3,649,362	3,879,965
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Year	9,601,322	9,036,040
Increases in Provision for Insured Events of Prior Years	(6,522)	124,820
Adjustment to Incurred But Not Reported Claims (IBNR)	<u>(184,208)</u>	<u>309,547</u>
Total Incurred Claims and Claim Adjustment Expenses	<u><u>13,059,954</u></u>	<u><u>13,350,372</u></u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	9,489,495	8,881,720
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>473,082</u>	<u>819,290</u>
Total Payments	<u><u>9,962,577</u></u>	<u><u>9,701,010</u></u>
Total Unpaid Claims and Claim Adjustment Expenses at End of the Year	<u><u>3,097,377</u></u>	<u><u>3,649,362</u></u>

## **REQUIRED SUPPLEMENTAL INFORMATION**

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This required supplementary information is an integral part of the accompanying financial statements.

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**REQUIRED SUPPLEMENTARY INFORMATION**

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1. Ten-Year Claims Development Information

The tables on the following pages illustrate how the Fund's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last ten years. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues.
- (2) This line shows each fiscal year's other operating costs of the Fund including overhead and claims expenses not allocable to individual claims.
- (3) This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section of ten rows shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Liability Program - Policy Year Ended December 31, 2010

(In Thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Net earned required contribution and investment revenues	589	826	797	874	701	1,035	662	749	1,311	1,730
2. Unallocated expenses	354	305	379	319	284	339	345	335	421	476
3. Estimated incurred claims and expense, end of policy year	348	389	280	246	87	236	367	316	206	249
4. Paid (cumulative) as of:										
End of Policy Year	243	65	78	128	57	105	150	148	105	165
One year later	319	168	108	220	99	176	423	422	175	
Two years later	415	348	446	236	230	291	441	445		
Three years later	427	347	558	246	274	343	513			
Four years later	440	574	559	349	379	454				
Five years later	440	578	559	355	379					
Six years later	440	578	559	355						
Seven years later	440	578	559							
Eight years later	440	578								
Nine years later	440									
5. Reestimated incurred claims and expense:										
End of Policy Year	348	389	280	246	87	236	367	316	206	249
One year later	368	448	286	298	137	285	542	526	210	
Two years later	466	503	537	309	306	510	515	467		
Three years later	439	497	603	319	494	476	513			
Four years later	449	838	594	387	379	459				
Five years later	449	622	559	355	379					
Six years later	449	583	559	355						
Seven years later	440	578	559							
Eight years later	440	578								
Nine years later	440									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	92	189	279	109	292	223	146	151	4	0

Property Program - Policy Year Ended December 31, 2010

(In Thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Net earned required contribution and investment revenues	399	708	646	914	560	683	416	450	1,030	691
2. Unallocated expenses	229	353	244	387	416	643	360	421	275	250
3. Estimated incurred claims and expense, end of policy year	357	204	305	188	100	111	85	359	275	96
4. Paid (cumulative) as of:										
End of Policy Year	74	135	81	68	37	70	57	65	230	90
One year later	359	172	373	113	214	106	163	106	316	
Two years later	712	173	381	113	214	138	176	219		
Three years later	712	173	548	113	214	418	175			
Four years later	712	173	548	113	214	418				
Five years later	262	173	548	113	214					
Six years later	262	173	548	113						
Seven years later	262	173	548							
Eight years later	262	173								
Nine years later	262									
5. Reestimated incurred claims and expense:										
End of Policy Year	357	204	305	188	100	111	85	359	275	96
One year later	610	215	537	169	267	146	181	238	361	
Two years later	713	211	571	169	217	146	176	219		
Three years later	713	211	549	169	216	418	177			
Four years later	713	186	549	113	214	418				
Five years later	263	186	548	113	214					
Six years later	263	173	548	113						
Seven years later	262	173	548							
Eight years later	262	173								
Nine years later	262									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	-95	-31	243	-75	114	307	92	-140	86	0

Liability Program - Policy Year Ended December 31, 2009

(In Thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Net earned required contribution and investment revenues	747	589	826	797	874	701	1,035	662	749	1,311
2. Unallocated expenses	383	354	305	379	319	284	339	345	335	421
3. Estimated incurred claims and expense, end of policy year	108	348	389	280	246	87	236	367	316	206
4. Paid (cumulative) as of:										
End of Policy Year	70	243	65	78	128	57	105	150	148	105
One year later	218	319	168	108	220	99	176	423	422	
Two years later	226	415	348	446	236	230	291	441		
Three years later	465	427	347	558	246	274	343			
Four years later	465	440	574	559	349	379				
Five years later	469	440	578	559	355					
Six years later	495	440	578	559						
Seven years later	558	440	578							
Eight years later	568	440								
Nine years later	599									
5. Reestimated incurred claims and expense:										
End of Policy Year	108	348	389	280	246	87	236	367	316	206
One year later	279	368	448	286	298	137	285	542	526	
Two years later	303	466	503	537	309	306	510	515		
Three years later	502	439	497	603	319	494	476			
Four years later	465	449	838	594	387	379				
Five years later	495	449	622	559	355					
Six years later	506	449	583	559						
Seven years later	585	440	578							
Eight years later	585	440								
Nine years later	599									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	491	92	189	279	109	292	240	148	210	0

Property Program - Policy Year Ended December 31, 2009

(In Thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Net earned required contribution and investment revenues	476	399	708	646	914	560	683	416	450	1,030
2. Unallocated expenses	218	229	353	244	387	416	643	360	421	275
3. Estimated incurred claims and expense, end of policy year	22	357	204	305	188	100	111	85	359	275
4. Paid (cumulative) as of:										
End of Policy Year	16	74	135	81	68	37	70	57	65	230
One year later	30	359	172	373	113	214	106	163	106	
Two years later	30	712	173	381	113	214	138	176		
Three years later	30	712	173	548	113	214	418			
Four years later	30	712	173	548	113	214				
Five years later	30	262	173	548	113					
Six years later	30	262	173	548						
Seven years later	30	262	173							
Eight years later	30	262								
Nine years later	30									
5. Reestimated incurred claims and expense:										
End of Policy Year	22	357	204	305	188	100	111	85	359	275
One year later	32	610	215	537	169	267	146	181	238	
Two years later	30	713	211	571	169	217	146	176		
Three years later	31	713	211	549	169	216	418			
Four years later	30	713	186	549	113	214				
Five years later	30	263	186	548	113					
Six years later	30	263	173	548						
Seven years later	30	262	173							
Eight years later	30	262								
Nine years later	30									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	8	-95	-31	243	-75	114	307	91	-121	0

## Reconciliation of Claims Liabilities by Type of Contract

The schedule below presents the changes in claims liabilities for the past two years for the Fund's three pools: liability, property and health & welfare. The Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim expenses. The following represents changes in those aggregate liabilities:

	2010			2009		
	<u>Liability</u>	<u>Property</u>	<u>Health &amp; Welfare</u>	<u>Liability</u>	<u>Property</u>	<u>Health &amp; Welfare</u>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	2,566,889	451,605	630,868	2,819,929	511,727	548,309
Incurred Claims and Claim Adjustment Expenses:						
Provision for Insured Events of the Current Year	249,002	96,802	9,255,518	206,304	275,808	8,553,928
Increases in Provision for Insured Events of Prior Years	(74,003)	67,481	-	(19,585)	144,405	-
Adjustment to Incurred But Not Reported Claims (IBNR)	<u>(162,210)</u>	<u>(73,938)</u>	<u>51,940</u>	<u>150,878</u>	<u>84,532</u>	<u>74,137</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>2,579,678</u>	<u>541,950</u>	<u>9,938,326</u>	<u>3,157,526</u>	<u>1,016,472</u>	<u>9,176,374</u>
Payments:						
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	165,798	90,051	9,233,646	105,405	230,809	8,545,506
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>274,546</u>	<u>198,536</u>	<u>-</u>	<u>485,232</u>	<u>334,058</u>	<u>-</u>
Total Payments	<u>440,344</u>	<u>288,587</u>	<u>9,233,646</u>	<u>590,637</u>	<u>564,867</u>	<u>8,545,506</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of the Year	<u>2,139,334</u>	<u>253,363</u>	<u>704,680</u>	<u>2,566,889</u>	<u>451,605</u>	<u>630,868</u>

## **OTHER SUPPLEMENTAL INFORMATION**

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**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**MEMBER DISTRICTS**

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ASOTIN COUNTY PUD NO. 1  
P.O. Box 605  
Clarkston, WA 99403

BENTON COUNTY PUD  
P.O. Box 6270  
Kennewick, WA 99336

CLALLAM COUNTY PUD  
P.O. Box 1090  
Port Angeles, WA 98362

GRAYS HARBOR COUNTY PUD  
P.O. Box 480  
Aberdeen, WA 98520

JEFFERSON COUNTY PUD  
P.O. Box 929  
Port Hadlock, WA 98339

KITSAP COUNTY PUD  
P.O. Box 1989  
Poulsbo, WA 98370

KLICKITAT COUNTY PUD  
1313 South Columbus  
Goldendale, WA 98620

LEWIS COUNTY PUD  
P.O. Box 330  
Chehalis, WA 98532

MASON COUNTY PUD NO. 3  
P.O. Box 2148  
Shelton, WA 98584

NOANET  
21507 42<sup>nd</sup> Ave S. #J-4  
SeaTac, WA 98198

OKANOGAN COUNTY PUD  
P.O. Box 912  
Okanogan, WA 98840

PACIFIC COUNTY PUD NO. 2  
P.O. Box 472  
Raymond, WA 98577

PEND OREILLE COUNTY PUD  
P.O. Box 190  
Newport, WA 99156

SKAGIT COUNTY PUD  
P.O. Box 1436  
Mount Vernon, WA 98273

SKAMANIA COUNTY PUD  
P.O. Box 500  
Carson, WA 98610

STEVENS COUNTY PUD  
P.O. Box 592  
Loon Lake, WA 99148

THURSTON COUNTY PUD  
921 Lakeridge Way, Suite 201  
Olympia, WA 98502

WAHKIAKUM COUNTY PUD  
P.O. Box 248  
Cathlamet, WA 98612

WHATCOM COUNTY PUD  
1705 Trigg Road  
Ferndale, WA 98248

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**DIRECTORY OF OFFICIALS AS OF 1/1/2011**

	Office	Term Expiration
<b>BOARD OF COMMISSIONERS:</b>		
Al Littlefield, Skagit County PUD	President	12/31/2011
Don Nuxoll, Asotin County PUD	Vice President	12/31/2011
Trish Butler, Okanogan County PUD	Secretary	12/31/2011
 <b>ADMINISTRATIVE COMMITTEE:</b>		
Jim Moss, Auditor Klickitat County PUD	Auditor of the Fund Term: 4 years	12/31/2014
Fred Burke, Auditor Okanogan County PUD	Term: 4 years	12/31/2013
Christine Blake, Auditor Skagit County PUD	Term: 4 years	12/31/2011
Rena Powell, Auditor Pacific County PUD	Term: 4 years	12/31/2012
Bob Sischo, Treasurer Asotin County PUD	Term: 1 year	12/31/2011
Erin Wilson, Auditor Wahkiakum County PUD	Term: 1 year	12/31/2011
 <b>OPERATIONS COMMITTEE:</b>		
Larry Isaak, Operations Manager Stevens County PUD	Chairperson	12/31/2011
 <b>OTHERS:</b>		
Richard Rodruck, Pacific Underwriters	Administrator	
Jan Essenburg, Esq.	Attorney	
Dan Ashburn, Marsh Inc.	Broker	
 <b>MAILING ADDRESS:</b>		
PURMS Joint Self Insurance Fund		
c/o Pacific Underwriters Corp.		
P.O. Box 68787		
Seattle, WA 98168		

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY, AND HEALTH & WELFARE POOLS**

**STATEMENT OF NET ASSETS AS OF DECEMBER 31, 2010**

ASSETS	<u>Liability Pool</u>	<u>Property Pool</u>	<u>H&amp;W Pool</u>	<u>Total</u>
Current Assets:				
Cash in Banks	\$ 975,000	\$ 124,126	\$ 320,455	\$ 1,419,581
Investments	1,300,000	350,000	-	1,650,000
Accounts Receivable - Assessments Billed	414,736	291,970	1,260,172	1,966,878
Accounts Receivable - Future Assessments	2,139,334	253,363	704,680	3,097,377
Accounts Receivable - Excess/Stop Loss Ins.	-	-	78,030	78,030
Investment Interest Receivable	29	8	-	37
	<u>4,829,099</u>	<u>1,019,467</u>	<u>2,363,337</u>	<u>8,211,903</u>
Total Current Assets	<u>\$ 4,829,099</u>	<u>\$ 1,019,467</u>	<u>\$ 2,363,337</u>	<u>\$ 8,211,903</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Claims Reserve (Known)	\$ 146,233	\$ 53,233	\$ 88,667	\$ 288,133
Claims Reserve (IBNR)	1,993,101	200,130	616,013	2,809,244
Fund Legal Fees Payable	10,440	5,760	1,800	18,000
Administrator's Fee Payable	19,296	10,301	22,292	51,889
Stop Loss Premium Payable	-	-	43,804	43,804
PPO Networks Payable	-	-	6,879	6,879
	<u>2,169,070</u>	<u>269,424</u>	<u>779,455</u>	<u>3,217,949</u>
Total Current Liabilities	<u>\$ 2,169,070</u>	<u>\$ 269,424</u>	<u>\$ 779,455</u>	<u>\$ 3,217,949</u>
	<u>2,660,029</u>	<u>750,043</u>	<u>1,583,882</u>	<u>4,993,954</u>
Total Net Assets	<u>2,660,029</u>	<u>750,043</u>	<u>1,583,882</u>	<u>4,993,954</u>
	<u>\$ 4,829,099</u>	<u>\$ 1,019,467</u>	<u>\$ 2,363,337</u>	<u>\$ 8,211,903</u>
Total Net Assets and Liabilities	<u>\$ 4,829,099</u>	<u>\$ 1,019,467</u>	<u>\$ 2,363,337</u>	<u>\$ 8,211,903</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY AND HEALTH & WELFARE POOLS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2010**

OPERATING REVENUES:	Liability Pool	Property Pool	H&W Pool	Total
Premium Assessments	\$ 1,344,244	767,329	-	\$ 2,111,573
General Assessments	1,729,810	690,920	10,160,440	12,581,170
General Assessments - Future	(427,555)	(198,242)	73,811	(551,986)
<b>Total Operating Revenues</b>	<b>\$ 2,646,499</b>	<b>1,260,007</b>	<b>10,234,251</b>	<b>\$ 14,140,757</b>
OPERATING EXPENSES:				
Claims Paid on Current Losses	\$ 144,604	90,051	9,373,579	\$ 9,608,234
Claims Paid on Prior Losses	246,258	198,536	-	444,794
Claims Paid, Excess of Retention/Stop Loss	-	-	(139,933)	(139,933)
Established Claims Reserve	(79,006)	(67,187)	140,606	(5,587)
Adjustment to Prior Years Claims Reserve	(348,549)	(131,055)	(66,795)	(546,399)
Claims Adjustment on Current Losses	21,194	-	-	21,194
Claims Adjustment on Prior Losses	28,288	-	-	28,288
Insurance Purchased	1,344,244	767,329	513,743	2,625,316
PPO Network Fee	-	-	80,775	80,775
Administrator's Fee	244,294	122,732	263,461	630,487
Brokers Fee	79,044	43,056	20,000	142,100
Fund Legal Fees	135,734	74,381	25,160	235,275
General Expense	2,893	1,359	700	4,952
Professional Fees	14,316	8,963	18,301	41,580
<b>Total Operating Expense</b>	<b>\$ 1,833,314</b>	<b>1,108,165</b>	<b>10,229,597</b>	<b>\$ 13,171,076</b>
<b>Operating Income (Loss)</b>	<b>\$ 813,185</b>	<b>151,842</b>	<b>4,654</b>	<b>\$ 969,681</b>
NONOPERATING REVENUES (EXPENSES):				
Interest on Investments	29	8	-	37
<b>Total Nonoperating Revenue (Expenses)</b>	<b>29</b>	<b>8</b>	<b>-</b>	<b>37</b>
<b>Income (Loss) Before Extraordinary Items</b>	<b>\$ 813,214</b>	<b>151,850</b>	<b>4,654</b>	<b>\$ 969,718</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 813,214</b>	<b>151,850</b>	<b>4,654</b>	<b>\$ 969,718</b>
<b>TOTAL NET ASSETS, January 01</b>	<b>\$ 1,846,815</b>	<b>598,193</b>	<b>1,579,228</b>	<b>\$ 4,024,236</b>
<b>TOTAL NET ASSETS, December 31</b>	<b>\$ 2,660,029</b>	<b>750,043</b>	<b>1,583,882</b>	<b>\$ 4,993,954</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY AND HEALTH & WELFARE POOLS**

**STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2010**

	<u>Liability Pool</u>	<u>Property Pool</u>	<u>H&amp;W Pool</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from members	\$ 2,659,318	1,166,280	9,633,652	\$ 13,459,250
Cash payments to vendors	<u>(2,264,446)</u>	<u>(1,308,186)</u>	<u>(10,157,542)</u>	<u>(13,730,174)</u>
Net Cash Provided (Used) for Operating Activities	<u>394,872</u>	<u>(141,906)</u>	<u>(523,890)</u>	<u>(270,924)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investments	(1,300,000)	(350,000)	-	(1,650,000)
Sale of Investments	-	-	-	-
Interest Received	-	-	-	-
Net Cash Provided (Used) for Investing Activities	<u>(1,300,000)</u>	<u>(350,000)</u>	<u>-</u>	<u>(1,650,000)</u>
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(905,128)	(491,906)	(523,890)	(1,920,924)
CASH & CASH EQUIVALENTS, January 1	<u>1,880,128</u>	<u>616,032</u>	<u>844,345</u>	<u>3,340,505</u>
CASH & CASH EQUIVALENTS, December 31	<u>\$ 975,000</u>	<u>124,126</u>	<u>320,455</u>	<u>\$ 1,419,581</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES**

OPERATING INCOME (LOSS):	\$ 813,185	151,842	4,654	\$ 969,681
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
(Increase)/Decrease in A/R Assessments - Billed	(414,736)	(291,970)	(454,986)	(1,161,692)
(Increase)/Decrease in A/R Future Assessments	427,555	198,242	(73,812)	551,985
(Increase)/Decrease in A/R Excess/Stop Loss Ins Co.	-	-	(71,801)	(71,801)
Increase/(Decrease) in Claims Payable - Known	(265,345)	(124,304)	21,872	(367,777)
Increase/(Decrease) in Claims Payable - IBNR	(162,209)	(73,937)	51,940	(184,206)
Increase/(Decrease) in Fund Legal Fees Payable	(5,525)	(3,048)	(4,653)	(13,226)
Increase/(Decrease) in Administrative Fee Payable	1,947	1,269	2,822	6,038
Increase/(Decrease) in Stop Loss Premium Payable	-	-	2	2
Increase/(Decrease) in PPO Network Fees Payable	-	-	72	72
Net Cash Provided (Used) for Operating Activities	<u>\$ 394,872</u>	<u>(141,906)</u>	<u>(523,890)</u>	<u>\$ (270,924)</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY, AND HEALTH & WELFARE POOLS**

**STATEMENT OF NET ASSETS AS OF DECEMBER 31, 2009**

ASSETS	Liability Pool	Property Pool	H&W Pool	Total
Current Assets:				
Cash in Banks	\$ 1,880,129	\$ 616,032	\$ 844,345	\$ 3,340,506
Accounts Receivable - Assessments Billed	-	-	805,186	805,186
Accounts Receivable - Future Assessments	2,566,889	451,605	630,868	3,649,362
Accounts Receivable - Excess/Stop Loss Ins.	-	-	6,229	6,229
Total Current Assets	<u>\$ 4,447,018</u>	<u>\$ 1,067,637</u>	<u>\$ 2,286,628</u>	<u>\$ 7,801,283</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Claims Reserve (Known)	\$ 411,578	\$ 177,537	\$ 66,795	\$ 655,910
Claims Reserve (IBNR)	2,155,311	274,068	564,073	2,993,452
Fund Legal Fees Payable	15,965	8,808	6,453	31,226
Administrator's Fee Payable	17,349	9,032	19,469	45,850
Stop Loss Premium Payable	-	-	43,802	43,802
PPO Networks Payable	-	-	6,808	6,808
Total Current Liabilities	\$ 2,600,203	\$ 469,445	\$ 707,400	\$ 3,777,048
Total Net Assets	<u>1,846,815</u>	<u>598,192</u>	<u>1,579,228</u>	<u>4,024,235</u>
Total Net Assets and Liabilities	<u>\$ 4,447,018</u>	<u>\$ 1,067,637</u>	<u>\$ 2,286,628</u>	<u>\$ 7,801,283</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY AND HEALTH & WELFARE POOLS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2009**

OPERATING REVENUES:	Liability Pool	Property Pool	H&W Pool	Total
Premium Assessments	\$ 1,191,166	811,479	-	\$ 2,002,645
General Assessments	1,309,140	1,029,841	9,469,163	11,808,144
General Assessments - Future	(253,040)	(60,122)	82,559	(230,603)
<b>Total Operating Revenues</b>	<b>\$ 2,247,266</b>	<b>1,781,198</b>	<b>9,551,722</b>	<b>\$ 13,580,186</b>
OPERATING EXPENSES:				
Claims Paid on Current Losses	\$ 104,175	230,809	8,551,735	\$ 8,886,719
Claims Paid on Prior Losses	437,269	530,471	-	967,740
Claims Paid, Excess of Retention/Stop Loss	-	(196,413)	(6,229)	(202,642)
Established Claims Reserve	251,777	126,532	140,932	519,241
Adjustment to Prior Years Claims Reserve	(504,817)	(186,654)	(58,373)	(749,844)
Claims Adjustment on Current Losses	1,230	-	-	1,230
Claims Adjustment on Prior Losses	47,963	-	-	47,963
Insurance Purchased	1,191,166	811,479	526,083	2,528,728
PPO Network Fee	-	-	80,452	80,452
Administrator's Fee	227,458	120,432	247,303	595,193
Brokers Fee	76,580	41,920	15,000	133,500
Fund Legal Fees	99,099	88,051	26,850	214,000
General Expense	3,197	992	1,544	5,733
Professional Fees	15,055	23,090	17,782	55,927
<b>Total Operating Expense</b>	<b>\$ 1,950,152</b>	<b>1,590,709</b>	<b>9,543,079</b>	<b>\$ 13,083,940</b>
<b>Operating Income (Loss)</b>	<b>\$ 297,114</b>	<b>190,489</b>	<b>8,643</b>	<b>\$ 496,246</b>
NONOPERATING REVENUES (EXPENSES):				
Interest on Investments	1,425	12	-	1,437
<b>Total Nonoperating Revenue (Expenses)</b>	<b>1,425</b>	<b>12</b>	<b>-</b>	<b>1,437</b>
<b>Income (Loss) Before Extraordinary Items</b>	<b>\$ 298,539</b>	<b>190,501</b>	<b>8,643</b>	<b>\$ 497,683</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 298,539</b>	<b>190,501</b>	<b>8,643</b>	<b>\$ 497,683</b>
<b>TOTAL NET ASSETS, January 01</b>	<b>\$ 1,548,276</b>	<b>407,691</b>	<b>1,570,585</b>	<b>\$ 3,526,552</b>
<b>TOTAL NET ASSETS, December 31</b>	<b>\$ 1,846,815</b>	<b>598,192</b>	<b>1,579,228</b>	<b>\$ 4,024,235</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY AND HEALTH & WELFARE POOLS**

**STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2009**

	<u>Liability Pool</u>	<u>Property Pool</u>	<u>H&amp;W Pool</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from members	\$ 2,500,307	1,981,328	9,738,549	\$ 14,220,184
Cash payments to vendors	(2,187,651)	(1,766,130)	(9,464,527)	(13,418,308)
Net Cash Provided (Used) for Operating Activities	<u>312,656</u>	<u>215,198</u>	<u>274,022</u>	<u>801,876</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investments	(1,200,000)	-	-	(1,200,000)
Sale of Investments	2,550,000	350,000	-	2,900,000
Interest Received	3,107	12	-	3,119
Net Cash Provided (Used) for Investing Activities	<u>1,353,107</u>	<u>350,012</u>	<u>-</u>	<u>1,703,119</u>
<b>INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>1,665,763</b>	<b>565,210</b>	<b>274,022</b>	<b>2,504,995</b>
CASH & CASH EQUIVALENTS, January 1	<u>214,366</u>	<u>50,822</u>	<u>570,323</u>	<u>835,511</u>
CASH & CASH EQUIVALENTS, December 31	<u>\$ 1,880,129</u>	<u>616,032</u>	<u>844,345</u>	<u>\$ 3,340,506</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES**

OPERATING INCOME (LOSS):	\$ 297,114	190,489	8,644	\$ 496,247
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
(Increase)/Decrease in A/R Assessments - Billed	-	-	(104,733)	(104,733)
(Increase)/Decrease in A/R Future Assessments	253,040	60,122	(82,559)	230,603
(Increase)/Decrease in A/R Member Deposit Assessments	-	-	279,850	279,850
(Increase)/Decrease in A/R Miscellaneous	-	140,008	-	140,008
(Increase)/Decrease in A/R Excess/Stop Loss Ins Co.	-	-	94,269	94,269
Increase/(Decrease) in Claims Payable - Known	(403,917)	(144,654)	8,422	(540,149)
Increase/(Decrease) in Claims Payable - IBNR	150,877	84,532	74,137	309,546
Increase/(Decrease) in Accounts Payable - Misc	-	(11,600)	-	(11,600)
Increase/(Decrease) in Fund Legal Fees Payable	15,283	(103,790)	6,335	(82,172)
Increase/(Decrease) in Administrative Fee Payable	259	91	(160)	190
Increase/(Decrease) in Broker Fee Payable	-	-	(15,000)	(15,000)
Increase/(Decrease) in Stop Loss Premium Payable	-	-	4,518	4,518
Increase/(Decrease) in PPO Network Fees Payable	-	-	299	299
Net Cash Provided (Used) for Operating Activities	<u>\$ 312,656</u>	<u>215,198</u>	<u>274,022</u>	<u>\$ 801,876</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**OFM SCHEDULE OF EXPENSES**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

OPERATING EXPENSES:	<u>Liability Pool</u>	<u>Property Pool</u>	<u>H&amp;W Pool</u>	<u>All Combined</u>
Claims & Claim Adjustment Expenses				
Claims Paid on Current Losses	\$ 144,604	90,051	9,373,579	\$ 9,608,234
Claims Paid on Prior Losses	246,258	198,536	-	444,794
Claims Paid, Excess of Retention/Stop Loss	-	-	(139,933)	(139,933)
Established Claims Reserve	(79,006)	(67,187)	140,606	(5,587)
Adjustment to Prior Years Claims Reserve	(348,549)	(131,055)	(66,795)	(546,399)
Claims Adjustment on Current Losses	21,194	-	-	21,194
Claims Adjustment on Prior Losses	28,288	-	-	28,288
Insurance Purchased - Excess/Stop Loss	1,344,244	767,329	513,743	2,625,316
Insurance Purchased - Fidelity Bond	2,376	1,311	409	4,096
Contracted Services:				
PPO Network Fee	-	-	80,775	80,775
Administrator's Fee	244,294	122,732	263,461	630,487
Brokers Fee	70,200	38,500	15,000	123,700
Actuarial Fee	8,844	4,556	5,000	18,400
Fund Legal Fees	135,734	74,381	25,160	235,275
Audit/Program Assessment Fees	14,316	8,963	8,465	31,744
H&W Case Management Fees	-	-	9,836	9,836
General Administrative Expenses:				
Bank Fees	132	48	291	471
Dues and Conferences	385	-	-	385
Total Operating Expense	<u>\$ 1,833,314</u>	<u>1,108,165</u>	<u>10,229,597</u>	<u>\$ 13,171,076</u>

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**OFM SCHEDULE OF EXPENSES**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009**

OPERATING EXPENSES:	<u>Liability Pool</u>	<u>Property Pool</u>	<u>H&amp;W Pool</u>	<u>All Combined</u>
Claims & Claim Adjustment Expenses				
Claims Paid on Current Losses	\$ 104,175	230,809	8,551,735	\$ 8,886,719
Claims Paid on Prior Losses	437,269	530,471	-	967,740
Claims Paid, Excess of Retention/Stop Loss	-	(196,413)	(6,229)	(202,642)
Established Claims Reserve	251,777	126,532	140,932	519,241
Adjustment to Prior Years Claims Reserve	(504,817)	(186,654)	(58,373)	(749,844)
Claims Adjustment on Current Losses	1,230	-	-	1,230
Claims Adjustment on Prior Losses	47,963	-	-	47,963
Insurance Purchased - Excess/Stop Loss	1,191,166	811,479	526,083	2,528,728
Insurance Purchased - Crime Bond	1,076	594	186	1,856
Contracted Services:				
PPO Network Fee	-	-	80,452	80,452
Administrator's Fee	227,458	120,432	247,303	595,193
Brokers Fee	68,000	37,500	15,000	120,500
Actuarial Fee	8,580	4,420	-	13,000
Fund Legal Fees	99,099	88,051	26,850	214,000
Audit Expenses	14,167	8,957	8,749	31,873
H&W Case Management Fees	-	-	8,940	8,940
Joint Litigation Expense	-	13,836	-	13,836
General Administrative Expenses:				-
Bank Fees	429	198	1,295	1,922
Dues and Conferences	2,580	497	156	3,233
Total Operating Expense	<u>\$ 1,950,152</u>	<u>1,590,709</u>	<u>9,543,079</u>	<u>\$ 13,083,940</u>