1.0 GENERAL

1.1 The City of Spokane has several in-house benefit programs. Under Washington State law, the City may maintain its own self-insured workers' compensation and unemployment compensation programs, in lieu of participating in the State programs. The City also is self-insured for the deductible of its liability and property insurance coverages. This policy addresses how the City will handle both expected claims and expenses, as well as expenses for circumstances unknown or unforeseen (Loss Contingencies) in its program budgeting and funding through maintaining reserves.

1.2 TABLE OF CONTENTS

1.0 GENERAL
2.0 DEPARTMENTS/DIVISIONS AFFECTED
3.0 REFERENCES
4.0 DEFINITIONS
5.0 POLICY
6.0 PROCEDURE
7.0 RESPONSIBILITIES
8.0 APPENDICES

2.0 DEPARTMENTS/DIVISIONS AFFECTED

This policy shall apply to all City divisions and departments.

3.0 REFERENCES

RCW 48.62.031,
Chapters 50.44 and 51.14 RCW
City Resolution 03-30
4.0 DEFINITIONS

4.1 "Incurred But Not Reported (IBNR) Reserve" is defined as the liability for future payments on losses that have already occurred, but have not yet been reported to the self-insured, insurer, or re-insurer. This amount may be determined by a qualified actuary, consulting broker and/or third party administrator (TPA)).

4.2 "Loss Contingency Reserve" is defined as each of the fund's liability for circumstances unknown or unforeseen in the budgeting and funding of the City's self-insured programs.

5.0 POLICY

5.1 The City of Spokane recognizes that adequate claim reserves are maintained to:

a. Provide participants with the security that incurred claims will be paid;

b. Comply with State funding requirements and accepted accounting standards;

c. Allocate accrued expenses to the proper fund; and

d. Provide stability to the budgeting process.

5.2 The City Council directs that a Incurred But Not Reported (IBNR) Reserve and the Loss Contingency Reserve be established for the City's self-insured workers' compensation fund, unemployment compensation fund and risk fund.

5.3 The reserves to be established are also addressed in Governmental Accounting Standards Board (GASB) Statement #10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. The Statement requires the recognition of a liability if it is probable that a liability has been incurred and if the amount can be reasonably estimated.

6.0 PROCEDURE

6.1 Annual Report.

6.1.1 The Risk Manager shall promptly file any annual reports required by the State Of Washington. The reports shall also be provided to the City Council Finance Committee.
6.2 Dedication and access to available reserves

6.2.1 The reserve accounts shall be dedicated one hundred percent (100%) for the City's self-insurance workers' compensation fund, unemployment compensation fund and risk fund. Should the reserves created under this policy become insufficient to meet the obligations created by the City's programs, the City shall take appropriate steps to commit the additional funds required to meet those obligations.

6.3 IBNR Reserve – Primary Financial Position

6.3.1 The Incurred But Not Reported (IBNR) Reserve shall be fully funded through the City's fiscal year period and adjusted at the end of each subsequent calendar year. The IBNR will be calculated and maintained by applying an actuarial method as established by a qualified actuary.


6.4.1 The Loss Contingency Reserve will be calculated and maintained by applying an actuarial method as established by a qualified actuary. The actuary review shall be done on a biannual or more frequent basis as determined by the Risk Manager.

6.5 Review of Policy

6.5.1 At a minimum, this policy shall be reviewed every two (2) years. A report shall be made to the City Council Finance Committee after the review. The review shall include an analysis of the following items:

- Change in person performing funding projections
- Actuarial recommendations
- Change in the process or methodology used to develop funding projections
- Expenses for paid claims, incurred but not reported claims, insurance cost exceeding annual program budget/revenue
- Type/amount/change or termination of stop loss coverage
- Significant increase/decrease in employees covered
- Changes in coverages offered
- Change in costs/rates
- Change in stop loss insurance carrier
- Change in budget, financial statements, and financial strategy plans
• Financial position as compared to actuarial recommended levels
• Changes in program administration
• Trends of above criteria.

7.0 RESPONSIBILITIES

7.1 The Risk Management Department shall administer this policy.

8.0 APPENDICES

None

APPROVED BY:

[Signatures and dates]

City Attorney

City Administrator