



<b>WSTIP Policy Manual</b>			
<b>Document Name:</b>	<b>Strategic Target Financial Ratios Policy</b>	<b>Date Adopted:</b>	<b>6/26/2009</b>
<b>Category:</b>	<b>Finance</b>	<b>Revision Date:</b>	<b>10/06/11</b>
<b>Page:</b>	<b>1 of 2</b>		

**Strategic Target Financial Ratios Policy**

**Purpose**

In order to insure that the Pool remains financially strong it is necessary to annually evaluate and compare past financial performance with current and estimated future financial performance. This policy adopts target financial ratios and provides for an annual comparative study of these ratios.

**Authority**

1. Interlocal Agreement, Sections 3 (“all things necessary and proper for the establishment of self insurance programs) and 4 (“adopt an annual budget”); and
2. Bylaws, Section 4b (“adoption of annual budget”).

**Policy Statement**

1. Financial ratios. The Pool shall strive to maintain the following financial ratios:
  - a. Equity to self insured retention (SIR)—5 to 10 times SIR;
  - b. Expected losses to equity—less than 1;
  - c. Net reserves to equity—not more than 1.5;
  - d. Annual reduction in members’ equity—less than 10%;
  - e. Annual increase in prior year loss reserves—less than 25%;
  - f. Expense ratio (expenses to annual budget)—less than 20% ;
  - g. Loss ratio (losses to annual budget)—less than 65%; and
  - h. Combined expense and loss ratio—less than 90%.
2. Annual report. By September of each year and for use in the annual budget development process, the Pool’s executive director shall provide the Board with a report of the eight financial ratios set forth above for a running six year period. The six year period shall be one year prior to the current year, the current year, and four years following the current year.
3. Collection of information. In order to calculate the ratios the executive director shall collect from all Pool members and Pool members shall provide for each year in the ratio analysis actual or estimated:
  - a. Vehicle miles for all modes;
  - b. Number of vehicles and their values;
  - c. Property values;
  - d. Number of employees; and
  - e. Annual payroll.
4. Variance from ratios. In the event any of the actual values are at variance from target values set forth in 1a-h, the executive director shall provide the Executive Committee with an action plan which, if implemented, will bring the ratio within the target value. The action plan shall include a timetable for implementation. The Executive Committee shall consider the executive director’s action plan and, after making whatever changes it deems appropriate, shall forward it to the Board for consideration.

5. The Pool shall engage an actuary to assist in the computation of the ratios in 1a-h.

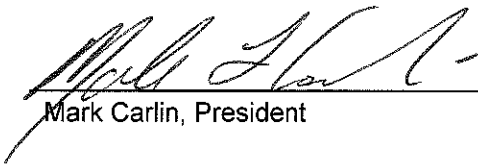
**Amendment**

The Pool's Board may amend this policy.


**Policy History**

The groundwork for this policy was developed as part of the Pool's 2008 six year strategic plan.

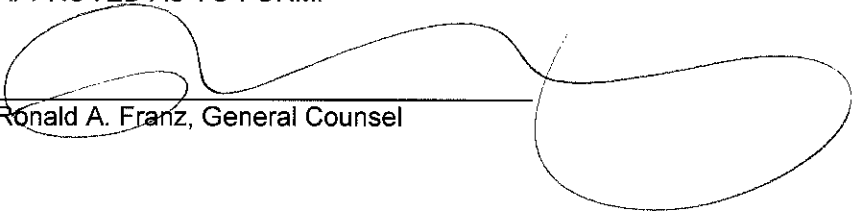
Passed this 09 day of December, 2011  
Board of Directors  
Washington State Transit Insurance Pool

  
\_\_\_\_\_  
Mark Carlin, President

ATTEST:

  
\_\_\_\_\_  
Ben Foreman Secretary

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Ronald A. Franz, General Counsel