



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements Audit Report

# Schools Insurance Association of Washington

For the period September 1, 2023 through August 31, 2024

*Published April 28, 2025*

Report No. 1037145



Scan to see another great way  
we're helping advance  
#GoodGovernment



## Office of the Washington State Auditor Pat McCarthy

April 28, 2025

Board of Directors  
Schools Insurance Association of Washington  
Ephrata, Washington

### **Report on Financial Statements**

Please find attached our report on the Schools Insurance Association of Washington's financial statements.

We are issuing this report in order to provide information on the Program's financial activities and condition.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor  
Olympia, WA

### ***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

## TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	4
Independent Auditor's Report on the Financial Statements.....	6
Financial Section.....	10
About the State Auditor's Office.....	30

## INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

### Schools Insurance Association of Washington September 1, 2023 through August 31, 2024

Board of Directors  
Schools Insurance Association of Washington  
Ephrata, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Schools Insurance Association of Washington, as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated April 22, 2025.

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Program's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **REPORT ON COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

April 22, 2025

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### **Schools Insurance Association of Washington September 1, 2023 through August 31, 2024**

Board of Directors  
Schools Insurance Association of Washington  
Ephrata, Washington

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the accompanying financial statements of the Schools Insurance Association of Washington, as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Schools Insurance Association of Washington, as of August 31, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and

fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

The other information comprises the Program's List of Participating Members and DES Schedule of Expenses but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included with the financial statements. Our opinion on the basic financial statements does not cover this other information, and we do not express an opinion or provide any assurance thereon.

In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2025 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

April 22, 2025

## FINANCIAL SECTION

### **Schools Insurance Association of Washington September 1, 2023 through August 31, 2024**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2024

#### **BASIC FINANCIAL STATEMENTS**

Balance Sheet – 2024

Statement of Revenues, Expenses and Changes in Fund Net Position – 2024

Statement of Cash Flows – 2024

Notes to Financial Statements – 2024

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Ten Year Claims Development Information – 2024

Notes to Ten Year Claims Development Information – 2024

#### **SUPPLEMENTARY AND OTHER INFORMATION**

List of Participating Members – 2024

DES Schedule of Expenses – 2024

**SCHOOLS INSURANCE ASSOCIATION OF WASHINGTON**  
***Management's Discussion and Analysis***  
***September 1, 2023 through August 31, 2024***

The management of the Schools Insurance Association of Washington (SIAW) offers readers of the program's financial statements this narrative overview and analysis of the financial activities of the SIAW for the fiscal year ending August 31, 2024. Readers of this analysis are encouraged to consider the information presented here in conjunction with the attached financial statements and related notes.

**Overview of the Financial Statements**

The Balance Sheet presents information on the SIAW's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the program is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Position shows both operating and non-operating revenues and expenses that occurred during the year. The difference between revenues and expenses is reported as a change to net position. Items are reported as the event occurs, regardless of the timing of the related cash flow.

The Statement of Cash Flows provides information on how various activities of the program impact cash and cash equivalents during the fiscal year.

The Notes to the Financial Statements present additional information that is essential for a full understanding of the data provided in the accompanying financial statements.

The Other information in addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the program's development of claims over the last ten years.

## SIAW - Condensed Financial Information

	<b>2024</b>	<b>2023</b>
Current Assets	<u>56,618,534</u>	<u>38,648,018</u>
Total Assets	56,618,534	38,648,018
Deferred Outflows	0	0
Total Deferred Outflows	0	0
Current Liabilities	27,187,574	15,616,736
Noncurrent Liabilities	<u>16,161,652</u>	<u>12,967,598</u>
Total Liabilities	43,349,226	28,584,334
Deferred Inflows	0	0
Total Deferred Inflows	0	0
Unrestricted	<u>13,269,308</u>	<u>10,063,685</u>
Total Net Position	13,269,308	10,063,685
Operating Revenues		
Member Contributions	75,079,075	60,278,868
Non-Operating Revenues		
Interest Income	1,358,953	656,037
Unrealized Gains/Losses	<u>459,708</u>	<u>(1,151,934)</u>
Total Revenues	76,897,736	59,782,971
Operating Expenses	<u>73,692,112</u>	<u>58,469,752</u>
Total Expenses	73,692,112	58,469,752
Income Before Contributions, Transfers, Special or Extraordinary Items	3,205,623	1,313,220
Capital Contributions	0	0
Change in Net Position	<u>3,205,623</u>	<u>1,313,220</u>
Beginning Net Position	10,063,685	8,750,466
Ending Net Position	<u>13,269,308</u>	<u>10,063,685</u>

The Schools Insurance Association of Washington (SIAW) is a property and liability risk and insurance pooling program for schools with enrollments in excess of 2,000 students. The SIAW was formed in 1995 with seven founding school districts. Current membership in the program consists of 37 districts. A board of directors, elected by the membership, governs the program. The Board of Directors contracts with Clear Risk Solutions, a third-party administrator, to carry out the day-to-day administrative, claims adjusting, marketing, and risk management services.

### **Financial Statement Analysis**

The net position of SIAW increased by \$3.2M this year. This is a much better outcome than the pool budgeted, which was an income of \$305,696. Claims expenses were largely as budgeted; however, operating expenses were less than budgeted. Excess reinsurance was considerably under budget which largely contributed to this year's increased income. In recent years, SIAW has increased their SIR, so we do expect that to result in increased claims related liabilities, even if they may not be evident in today's reserves. We continue to monitor the development of these claims related liabilities. The pool's current assets consist of cash and equivalents and receivables from both members and the SIAW's excess/reinsurance carrier. The pool's investments are held in the Grant County Investment Pool. These investments allow short-term liquidity with favorable interest rates. The liabilities consist of unpaid claims liabilities, unearned member premiums and accounts payable. The pool utilizes the services of an actuary to determine that adequate reserves have been set aside to cover any potential future claims. In addition, the SIAW purchases a stop loss policy as another layer of protection to its membership. The SIAW does not have any other restrictions or commitments that affect the availability of pool resources for future use.

### **Requests for Information**

This financial report is designed to provide a general overview of the Schools Insurance Association of Washington's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the SIAW's third-party administrator, Clear Risk Solutions, 159 Basin Street SW PMB #206, Ephrata, WA 98823.

# **Schools Insurance Association of Washington**

## **Balance Sheet**

**As of August 31, 2024**

	<b>2024</b>
<b><u>ASSETS</u></b>	
<b>Current Assets:</b>	
Cash and Equivalents	\$27,809,915
Investments	\$28,150,528
Receivables	
Member Contributions & Deductibles	\$397,980
Reinsurance/Stop Loss Recoverable	\$226,216
Pre Paid Expense	\$33,896
<b>TOTAL CURRENT ASSETS</b>	<b>\$56,618,534</b>
Deferred Outflows	\$0
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>\$0</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$56,618,534</b>
<b><u>LIABILITIES</u></b>	
<b>Current Liabilities:</b>	
Claim Reserves:	
IBNR	\$3,291,394
Open Claims (Case Reserves)	\$3,557,477
Accounts Payable	\$51,062
Reinsurance Settlement Advance	\$2,988,866
Unearned Member Premiums	\$17,298,775
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$27,187,574</b>
<b>Noncurrent Liabilities:</b>	
Claim Reserves:	
IBNR	\$7,766,881
Open Claims (Case Reserves)	\$8,394,771
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>\$16,161,652</b>
Deferred Inflows	\$0
<b>TOTAL DEFERRED INFLOWS</b>	<b>\$0</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>\$43,349,226</b>
<b><u>NET POSITION</u></b>	
Unrestricted	\$13,269,308
<b>TOTAL NET POSITION</b>	<b>\$13,269,308</b>
<b>TOTAL NET POSITION, LIABILITIES &amp; DEFERRED INFLOWS</b>	<b>\$56,618,534</b>

See Accompanying Notes to Financial Statements

**Schools Insurance Association of Washington**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**For The Fiscal Year Ended August 31, 2024**

**2024**

**OPERATING REVENUES:**

Member Contributions	75,079,075
Total Operating Revenues	<u>\$75,079,075</u>

**OPERATING EXPENSES:**

Incurred Loss/Loss Adjustment Expenses -	
Paid on Current Losses	\$3,797,085
Change in Loss Reserves	\$14,029,374
Unallocated Loss Adjustment Expenses -	
Paid Unallocated Loss Adjustment Expenses	\$2,234,049
Excess/Reinsurance Premiums	\$46,138,705
General and Administrative Expenses	\$7,492,900
Total Operating Expenses	<u>\$73,692,112</u>

OPERATING INCOME (LOSS)	<u>\$1,386,963</u>
-------------------------	--------------------

**NONOPERATING REVENUES (EXPENSES)**

Interest Income	\$1,358,953
Unrealized Gain/Loss	\$459,708
Total Nonoperating Revenues (Expenses)	<u>\$1,818,661</u>

Income Before Contributions, Transfers, Special and Extraordinary Items	\$3,205,623
---	-------------

CHANGE IN NET POSITION	<u>\$3,205,623</u>
------------------------	--------------------

TOTAL NET POSITION, September 1	10,063,685
---------------------------------	------------

TOTAL NET POSITION, August 31	<u>\$13,269,308</u>
-------------------------------	---------------------

See Accompanying Notes to Financial Statements

**Schools Insurance Association of Washington**  
**STATEMENT OF CASH FLOWS**  
**For The Fiscal Year Ended August 31, 2024**

	<b>2024</b>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from members	\$85,410,104
Cash payments to suppliers for goods and services	(\$46,223,044)
Cash payments for claims	(\$12,454,974)
Cash payments to third parties	(\$9,726,948)
Net Cash Provided (Used) by Operating Activities	<u><u>\$17,005,137</u></u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Net Cash Provided (Used) by Noncapital Financing Activities	<u><u>\$0</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	\$1,358,953
Unrealized Gain/(Loss)	<u><u>\$459,708</u></u>
Net Cash Provided (Used) by Investing Activities	<u><u>\$1,818,661</u></u>
Increase (Dec) in Cash and Cash Equivalents	\$18,823,798
Cash and Equivalents, September 1	<u><u>\$37,136,645</u></u>
Cash and Equivalents, August 31	<u><u>\$55,960,443</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
OPERATING INCOME	<u><u>\$1,386,963</u></u>
Increase (Decrease) in Accounts Receivable	\$845,697
Increase (Decrease) in Prepaid Expenses	\$7,584
Increase (Decrease) in Unpaid Claims Liabilities	\$4,727,549
Increase (Decrease) in Accounts Payable	(\$91,924)
Increase (Decrease) in Reinsurance Settlement Advance	\$643,936
Increase (Decrease) in Unearned Member Premium	\$9,485,332
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$17,005,137</u></u>

See Accompanying Notes to Financial Statements

**NOTES TO FINANCIAL STATEMENTS**  
**SCHOOLS INSURANCE ASSOCIATION OF WASHINGTON**  
**For the Period**  
**September 1, 2023 through August 31, 2024**

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

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

The accounting policies of the Schools Insurance Association of Washington conform to generally accepted accounting principles as applicable to proprietary funds of governmental units. The following is a summary of the more significant policies:

a. Reporting Entity

The Schools Insurance Association of Washington (SIAW) was formed under RCW Chapter 48.62 in conjunction with provisions as outlined in RCW Chapter 39.34. The SIAW was formed on September 1, 1995 for purposes of the joint purchase of insurance and/or joint self-insuring and/or joint hiring or contracting for risk management purposes, claims administration and all other functions necessary to carry out provisions of the Interlocal Agreement. There were 37 member districts as of August 31, 2024.

The pool provides the following forms of joint self-insurance and reinsurance coverage for its members: property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts.

Members contract to remain in the pool for a minimum of one year and must give notice before December 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. Even after termination, a member is responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The pool is governed by an eight-member Board of Directors elected by each member's designated voting representative. It is felt the individual districts are best able to select their own representatives to manage their insurance association. The pool has no employees, but has contracted with a third-party administrator, Clear Risk Solutions, to perform the daily administration of the pool, including account education, risk management and loss control, and claims administration.

b. Basis of Accounting

The accounting records of the SIAW are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of RCW Chapters 39.34 and 43.09. The SIAW also follows the accounting standards established by the Governmental Accounting Standards Board (GASB) Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* as amended by the GASB Statement 30, *Risk Financing Omnibus* and the GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds*.

The SIAW uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.

Operating revenues are from member contributions and non-operating revenue is interest income. Operating expenses include payment of claims, general and administrative costs, and reinsurance costs.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, the SIAW considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

d. Receivables

All receivables are from member districts or insurance carriers and are, therefore, deemed collectible. All uncollectable accounts receivable under \$500 can be written off without Board permission but are reported to the fiscal officer monthly. All uncollectable accounts receivable over \$500 may only be written off with Board approval.

e. Investments - See Note 2.

f. Unpaid Claims Liabilities

The pool 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. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims.

Because actual claim 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 necessarily 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.

g. Reinsurance

The pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the pool as direct insurer of the risk reinsured. The SIAW does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

h. Member Premium and Unearned Premiums

Member assessments are collected at the beginning of the fiscal year and recognized as revenue in the period for which insurance protection is provided. The program premium is calculated based on a percentage of the member's apportioned excess insurance cost. Unearned member premiums are premiums that are collected prior to the effective date of the policy.

i. Unpaid Claims

Claims are expensed as incurred. Claims reserves represent the accumulation of estimates for reported, unpaid claims, plus a provision for claims incurred but not reported (IBNR). These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings.

j. Reserve for Unallocated Loss Adjustment Expenses

Pursuant to the contract in place between SIAW and its third-party administrator, the third-party administrator will administer in all matters related to the processing, supervision and resolution of all program and program membership claims or losses incurred during the term of the agreement. Due to this agreement, it is not necessary for the SIAW to carry a reserve for such expenses.

k. Exemption from Federal and State Taxes

Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1).

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

**NOTE 2 – DEPOSITS AND INVESTMENTS**

a. Deposits

Cash on hand on August 31, 2024, was \$0. The actual bank balance was \$28,847,479 and the actual investment pool balance was \$28,842,754.

The SIAW deposits 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).

b. Investments

The SIAW is a participant in the Grant County Investment Pool, an external investment pool. The responsibility for managing the pool resides with the County Treasurer. The pool is established from the RCW 36.29, which authorizes the County Treasurer to invest the funds of participants. The Grant County investment policy is established by the County Finance Committee, consisting of the County Treasurer, County Auditor, Chair of the Board of Commissioners and the Chief Accountant. The county external investing pool does not have a credit rating and had an average maturity of 410 day (rough estimate).

As of August 31, 2024, the SIAW had the following investments:

	<u>Statement Balance</u>	<u>Fair Value (.976)</u>
Investment in Grant County Investment Pool	<u>\$28,842,754</u>	<u>\$28,150,528</u>
Total Investments	<u>\$28,842,754</u>	<u>\$28,150,528</u>

GASB 72 &79 was fully adopted in 2024, which resulted in changes to the presentation of the financial statements. In previous years, the financial statements did not present fair market value. As a result, the 2024 financial statements report less investments when compared to previous years. The SIAW has always received 100% of its funds requested upon withdrawal. Currently there are no limitations or restrictions on withdrawals.

### **NOTE 3 – RISK FINANCING LIMITS / SELF-INSURED RETENTION**

The following tables reflect the risk financing standard limits on coverage policies issued and retained by SIAW for the 2023-24 policy year:

Type of Coverage	Member Deductibles*	Self-Insured Retention	Excess Limits
Property loss:			
Buildings and content	\$10,000 Each Occurrence	\$500,000	\$150,000,000 per occurrence and group aggregate
Flood	\$25,000 Each loss, per occurrence; \$500,000 per occurrence for Flood Zones A or V	\$500,000	\$25,000,000 per occurrence and annual group aggregate; \$1,000,000 per occurrence and annual aggregate and \$15,000,000 group annual aggregate for Flood Zones A or V
Earthquake	5% per building structure, subject to a \$100,000 minimum	\$0	\$25,000,000 annual aggregate for East side members and \$35,000,000 annual aggregate for West side members
Equipment breakdown	\$10,000 Combined, All coverages	\$0	\$100,000,000 per occurrence and group aggregate
Employee dishonesty	\$5,000 Each Occurrence	\$500,000	\$1,000,000 per occurrence; \$5,000,000 group aggregate
Auto comp and collision	\$2,500 Each Occurrence	\$500,000	\$150,000,000 per occurrence
Liability loss:			
Auto liability (AL) including bodily injury, property damage, and underinsured motorist (UIM)	\$2,500 Each Occurrence	\$500,000	\$30,000,000 per occurrence \$1,000,000 UIM per occurrence (if purchased)
General liability including bodily injury, property damage, and personal injury	\$5,000 Each Occurrence	\$500,000	\$30,000,000 per occurrence; \$36,000,000 annual aggregate; \$100,000,000 group annual aggregate
Sexual Abuse Liability	\$5,000 Each Occurrence	\$500,000	\$25,000,000 per occurrence and annual aggregate; \$40,000,000 group aggregate
Wrongful Acts Liability	\$5,000 Each Claim	\$500,000	\$30,000,000 per claim; \$30,000,000 annual aggregate
Cyber Coverage:			
Privacy, Security and Technology Coverage	\$25,000 Each Occurrence	\$225,000	\$5,000,000 per occurrence/Claim and annual aggregate and group aggregate

## **NOTE 4 – REINSURANCE AND EXCESS INSURANCE CONTRACTS**

The pool maintains reinsurance and excess insurance contracts with several carriers which provide various limits of coverage over the pool's self-insured retention limits. The limits provided by these contracts are as follows:

Excess Insurance Contracts 2023-24				
Type of Coverage	2023-24 Pool Limit	Carrier	Carrier Rating	Occurrence of Claims Made
General Liability	\$30,000,000 per occurrence; \$36,000,000 annual aggregate; \$100,000,000 group annual aggregate	Munich Reinsurance America, Inc., Great American Insurance Company, Everest Reinsurance Company, Upland Specialty Insurance Company, StarStone Specialty Insurance Company	A+ XV, A+ XV, A+ XV, A- VIII, A- XII	Occurrence
Automobile Liability	\$30,000,000 (no aggregate)	Munich Reinsurance America, Inc., Great American Insurance Company, Everest Reinsurance Company, Upland Specialty Insurance Company, StarStone Specialty Insurance Company	A+ XV, A+ XV, A+ XV, A- VIII, A- XII	Occurrence
Sexual Abuse Liability	\$25,000,000 per occurrence and annual aggregate; \$40,000,000 group aggregate	Munich Reinsurance America, Inc., Great American Insurance Company, Everest Reinsurance Company, Upland Specialty Insurance Company, StarStone Specialty Insurance Company	A+ XV, A+ XV, A+ XV, A- VIII, A- XII	Occurrence
Wrongful Acts	\$30,000,000 per claim and annual aggregate	Munich Reinsurance America, Inc., Great American Insurance Company, Everest Reinsurance Company, Upland Specialty Insurance Company, StarStone Specialty Insurance Company	A+ XV, A+ XV, A+ XV, A- VIII, A- XII	Claims Made
Property	\$150,000,000 per occurrence and group aggregate	Munich Reinsurance America, Inc., Starr Surplus Lines Insurance Company, Arch Specialty Insurance Company, RSUI Indemnity Company, Certain Underwriters at Lloyds (2623-623), Certain Underwriters at Lloyds (Hiscox et all), Certain Underwriters at Lloyds (Apollo 1969), Certain Underwriters at Lloyds (Rokstone-Allianz), Berkshire Hathaway Specialty Insurance Company, Allianz Underwriters Insurance Company, Evanston Insurance Company, National Union Fire Insurance Company of Pittsburgh, PA - Lexington, AXIS Insurance Company, StarStone Specialty Insurance Company, Certain Underwriters at Lloyd's (MAP 2791), Ironshore Specialty Insurance Company, Certain Underwriters at Lloyds (IQUW-1856 & Ark 4020), Canopius US Insurance, Inc., Swiss Re Corporate Solutions Elite Insurance Company, Travelers Indemnity Company, Aspen Specialty Insurance Company, Everest National Insurance Company, Great American Fidelity Insurance Company,	A+ XV, A XV, A+ XV, A++ XIV, A XV, A XV, A XV, A XV, A++ XV, A+ XV, A XV, A XV, A+ XV, A- XII, A XV, A XV, A XV, A- XII, A+ XV, A++ XV, A XV, A+ XV, A XV, A+ XV, A XV, A+ XV	Occurrence
Equipment Breakdown	\$100,000,000 per occurrence and group aggregate	Hartford Steam Boiler Inspection & Insurance Company of Connecticut	A++ X	Occurrence
Employee Dishonesty	\$1,000,000 Each Occurrence; \$5,000,000 group aggregate	Munich Reinsurance Company, Inc.	A+ XV	Occurrence
Privacy, Security and Technology	\$5,000,000 per occurrence/claim, annual aggregate, and group aggregate	Indian Harbor Insurance Company	A+XV	Occurrence

There have been no settlements that have exceeded coverage in the past three years.

Reinsurance transactions related to the pool were:

Reinsurance premiums ceded during the year were \$46,138,705. The estimated amounts that are recoverable from excess and reinsurers that reduced the liabilities on the balance sheet were \$1,796,153.

**NOTE 5 – MEMBERS’ SUPPLEMENTAL ASSESSMENTS AND CREDITS**

The Interlocal Agreement provides for supplemental assessments to members in the event the pool lacks resources to pay claims. The SIAW has never made a supplemental assessment.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

The SIAW’s third-party administrator and insurance broker is Clear Risk Solutions. Clear Risk Solutions uses Apex and Peachtree Special Risk to place insurance coverage for the pool. Clear Risk Solutions, Apex and Peachtree Special Risk are owned by the same parent company, Brown and Brown, Inc. Clear Risk Solutions runs its operations from Ephrata, Washington, Apex Insurance is located in Glen Allen, Virginia and Peachtree Special Risk is located in Atlanta, Georgia.

**NOTE 7 – UNPAID CLAIMS LIABILITY**

As discussed in Note 1, the pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following table represents changes in those aggregate liabilities for the pool during the current and previous year:

	<u>2024</u>	<u>2023</u>
Unpaid Claims and Claim Adjustment Expenses at the Beginning of the Year	<u>\$18,282,975</u>	<u>\$15,243,210</u>
<b>INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES:</b>		
Provision for Insured Events of Current Year	\$14,336,543	\$12,519,556
Increases (Decreases) in Provision for Insured Events of Prior Years	<u>\$2,755,702</u>	<u>(\$1,324,334)</u>
Total Insured Claims and Claim Adjustment Expenses	<u>\$17,092,245</u>	<u>\$11,195,222</u>
<b>PAYMENTS:</b>		
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Year	\$3,797,085	\$2,989,019
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>\$8,567,612</u>	<u>\$5,166,438</u>
Total Payments	<u>\$12,364,697</u>	<u>\$8,155,457</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	<u>\$23,010,523</u>	<u>\$18,282,975</u>

#### **NOTE 8 - FINANCIAL SOLVENCY/REQUIRED ASSETS (WAC) 200-100**

Revised WAC 200-100 requires SIAW to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-100-03001 total primary assets, cash and cash equivalents less non-claim liabilities, must be at least equal to the unpaid claims estimate at the expected level as determined by the actuary. Additionally, total primary and secondary assets must be at least equal to the unpaid claims estimate at the 80% confidence level as determined by the actuary. Secondary assets are defined as insurance receivables, real estate or other assets (less any non-claim liabilities) the value of which can be independently verified by the state risk manager.

		08/31/2024	08/31/2023
Primary Asset Test			
Primary Assets		\$ 35,621,739	\$26,835,286
Estimated Claims Liabilities at Expected Level		\$23,010,523	\$18,282,974
	Results	Pass	Pass
Secondary Asset Test			
Primary & Secondary Assets		\$36,279,831	\$28,346,659
Estimated Claims at 80% Confidence Level		\$25,785,318	\$21,830,861
	Results	Pass	Pass

#### **NOTE 9 – SUBSEQUENT EVENTS**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measure to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The SIAW has had no claims linked to COVID-19 presented as of January 2025. However, any claims that may be presented in the future would be addressed through the Incurred But Not Reported portion of the Pool's financial report. The SIAW has a stop-loss policy in place to protect the pool from future losses that may occur in the pool's insurance layer if the Aggregate Stop Loss is breached during any fiscal year. The full extent of the financial impact on the Program is unknown at this time.

**Schools Insurance Association of Washington**  
**TEN YEAR CLAIMS DEVELOPMENT INFORMATION**  
**Fiscal and Policy Year Ended August 31, 2024**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net earned required contribution and investment revenues										
Earned	28,173,183	30,124,749	31,723,630	32,453,089	37,000,455	42,018,499	49,389,026	53,940,760	59,782,971	76,897,735
Ceded	18,019,288	19,032,680	19,596,421	19,938,324	23,994,279	28,091,016	32,603,954	34,778,331	38,196,142	46,138,705
Net earned	10,153,895	11,092,069	12,127,209	12,514,765	13,006,176	13,927,483	16,779,072	19,162,429	21,586,829	30,759,030
Unallocated expenses	6,139,349	6,496,631	6,568,425	6,669,452	7,092,386	7,516,567	7,893,956	8,469,794	9,387,999	9,726,948
Estimated claims and expenses, end of policy year:										
Incurred	6,460,342	6,867,854	6,671,316	15,734,260	5,202,902	9,625,418	5,002,814	13,696,468	18,046,042	34,013,727
Ceded	805,000	2,260,000	1,475,000	10,605,513	315,000	3,809,436	0	2,117,500	5,526,486	19,677,184
Net incurred	5,655,342	4,607,854	5,196,316	5,128,747	4,887,902	5,815,982	5,002,814	11,578,968	12,519,556	14,336,543
Net paid (cumulative) as of:										
End of Policy Year	2,123,940	1,502,422	2,114,765	1,929,768	1,743,559	1,706,151	861,714	2,548,026	2,989,019	3,797,085
One year later	3,656,660	2,771,650	4,135,203	3,246,521	2,901,969	3,465,523	3,150,914	5,725,409	7,805,855	
Two years later	4,074,276	3,296,887	4,842,530	3,986,025	3,354,775	4,078,603	3,698,510	7,478,099		
Three years later	4,951,279	3,833,179	5,578,827	4,567,695	3,751,257	4,849,631	4,725,052			
Four years later	5,481,531	4,027,379	5,681,176	4,654,902	4,325,631	5,383,785				
Five years later	5,591,550	4,083,917	5,681,233	4,655,562	4,690,869					
Six years later	5,588,950	4,177,294	5,681,233	4,655,562						
Seven years later	5,587,750	4,273,667	5,681,233							
Eight years later	5,586,774	4,345,820								
Nine years later	5,586,774									
Re-estimated ceded claims and expenses	4,808,833	27,169,367	6,040,825	27,486,030	4,427,404	16,327,656	4,713,272	2,428,607	11,408,435	19,677,184
Re-estimated net incurred claims and expenses:										
End of Policy Year	5,655,342	4,607,854	5,196,316	5,128,747	4,887,902	5,815,982	5,002,814	11,578,968	12,519,556	14,336,543
One year later	5,650,342	4,437,854	5,456,316	4,678,747	4,882,599	5,710,380	6,184,655	10,511,084	14,317,257	
Two years later	5,640,342	4,417,854	5,486,316	4,670,091	4,902,489	5,612,023	6,045,765	11,495,947		
Three years later	5,592,575	4,417,854	5,686,926	4,654,273	4,862,142	5,580,262	5,929,176			
Four years later	5,593,130	4,414,880	5,682,629	4,654,902	4,893,992	5,553,017				



**SCHOOLS INSURANCE ASSOCIATION OF WASHINGTON**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**September 1, 2023, through August 31, 2024**

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

**1. Ten-Year Claims Development Information**

This table illustrates how the program's earned revenues (net of reinsurance) and investment income compared to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the pool as of the end of each of the last ten years. The rows of the table are defined as follows:

1. This section shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the pool including overhead and claims expenses not allocable to individual claims.
3. This section shows the pool's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (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 shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years. The 2024 re-estimations are based on actuary liability and property ultimate losses of the net layer, net of the stop loss. Re-estimations in prior years used a variety of methods including actuary liability estimates and management property estimates and aggregate stop losses. (This annual re-estimation 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.)
7. 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.

Schedule T-1

LIST OF PARTICIPATING MEMBERS 2023/24  
SCHOOLS INSURANCE ASSOCIATION OF WASHINGTON

Battle Ground	Moses Lake
Bellevue	North Thurston
Bellingham	Olympia
Bethel	Renton
Bremerton	Richland
Central Kitsap	Selah
Central Valley	Shelton
Centralia	Snohomish
Chehalis	Snoqualmie Valley
Ellensburg	Sunnyside
Evergreen	Toppenish
Ferndale	Tumwater
Highline	Vancouver
Kennewick	Walla Walla
Kent	Wapato
Lakewood	Wenatchee
Longview	West Valley
Mead	Yakima
	Yelm

## **T2 DES SCHEDULE OF EXPENSES**

Schools Insurance Association of Washington  
For the Fiscal Year Ended August 31, 2024

Contracted Services:

Third Party Administrator Fees	330,187
Risk Management	614,029
Audit Expenses	27,494
Legal Fees	2,085
Other Consultant Fees (Lobbyist)	76,200
Actuary	37,450
Underwriting Fees	5,324,683

General Administrative Expenses:

Miscellaneous & Supplies	1,573
Retreat/Board Meetings/Travel	12,126
Prelitigation Program	649,267
Inservices/Training Simulators/Special Projects	31,368
Licenses/Dues/Subscriptions	68,480
Marketing	24,029

Other:

Grants	200,987
Medicare Reporting	27,280
Director's E&O	65,661

**Total Operating Expenses** 7,492,900

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

### Stay connected at [sao.wa.gov](http://sao.wa.gov)

- [Find your audit team](#)
- [Request public records](#)
- Search BARS Manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

### Other ways to stay in touch

- Main telephone:  
(564) 999-0950
- Toll-free Citizen Hotline:  
(866) 902-3900
- Email:  
[webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov)