



# Program Policies

Effective January 1, 2017

# RETRO

**AWC Workers' Comp Retro Program**

Every employee | Home safe | Every night



# Table of contents

<b>Preamble</b>	<b>2</b>
<b>Article I – Declaration of AWC Retro Program</b>	<b>3</b>
1. Name	
2. Purpose	
3. Term	
4. Refunds and assessments	
<b>Article II – Definitions</b>	<b>4</b>
<b>Article III – The Retro Board</b>	<b>7</b>
<b>Article IV – Retro Advisory Committee</b>	<b>8</b>
1. RAC structure	
2. RAC appointment	
3. Term of appointment	
4. RAC Chair and Vice Chair	
5. Appointment of successor RAC members	
6. Termination	
<b>Article V – Joining, participating and removal from the Retro Pool</b>	<b>10</b>
1. Joining the Retro Pool	
2. Participating in the Retro Pool	
3. Removal from the Retro Pool	
<b>Article VI – Safety Alliance</b>	<b>14</b>
1. Safety Alliance services	
2. Joining AWC Safety Alliance	
3. Safety Alliance membership criteria	
4. Criteria for Safety Alliance members’ entrance into the Retro Pool	
<b>Article VII – Allocation of refunds and assessments</b>	<b>16</b>
1. Allocation of refunds	
2. Allocation of assessments	

# Preamble

Whereas, the Association of Washington Cities (“AWC”) is a not-for-profit membership association established pursuant to the laws of the state of Washington for the purpose of providing various services to and on behalf of its member cities; and

Whereas, Washington cities and towns asked the AWC to assist them with a Retrospective Rating Program that would comply with the rules of a Retro Group as stated in WAC 296-17B; and

Whereas, in response to the Washington cities’ and towns’ request, the AWC Board of Directors decided to establish and sponsor a Group Retrospective Rating Program on January 1, 2004.

# Article I

## Declaration of AWC Retro Program

### 1. **Name**

The name of the Group Retrospective Rating Program is:

**ASSOCIATION OF WASHINGTON CITIES  
WORKERS' COMPENSATION RETRO PROGRAM**

### 2. **Purpose**

The AWC Workers' Comp Retro Program is a cooperative group of governmental entities joining together to reduce the frequency and severity of workplace injuries through proactive claims management and loss control services. Actual gain, losses and financial liabilities are shared among the membership according to Board-adopted formulas and policies. Members are accountable to the pool as a whole, as well as understanding how their actions may affect the overall success of the Program.

### 3. **Term**

The AWC Retro Program became effective January 1, 2004, and continues indefinitely until such time as it may be terminated by the Retro Board or denied enrollment by the Department of Labor & Industries as stated in WAC 296-17B-730.

### 4. **Refunds and Assessments**

Members of the AWC Retro Program may receive refunds or are assessed additional premiums as stated in Article VI.

# Article II

## Definitions

The following definitions shall govern in these AWC Retro Program Member Policies:

1. "Adjustment" – the comparison of standard premium paid to calculated retrospective premium (or the prior retrospective premium, if the 1st or 2nd adjustment has occurred). The result is a refund or additional premium assessment. Each plan year has three mandatory adjustments, the first occurring approximately 10 months after the end of the retro coverage period. The subsequent two adjustments follow in 12-month intervals (WAC 296-17B-400).
2. "Adjustment Order & Notice of Decision" – Labor & Industries retro adjustment calculations to the corresponding coverage years.
3. "Association" or "AWC" – the Association of Washington Cities.
4. "AWC Retro Advisory Committee" or "RAC" – a Standing Committee in an advisory capacity to the AWC Retro Board of Directors. As described in Article IV, the RAC is responsible for monitoring existing services, developing and recommending new programs and services, overseeing refund distributions, and monitoring vendor performance.
5. "AWC Retro Board" – Is elected and comprised of the following individuals:
  - (a) The AWC Board of Directors is the governing body of the Association of Washington Cities, a private, non-profit corporation, and is responsible for providing continuing guidance and direction to the Association's Chief Executive. Board members are elected during the business meeting at the AWC Annual Conference, and are voted into office by voting delegates from each city and town represented at the annual business meeting.
  - (b) The AWC Retro Board is made up of the Executive Committee from the AWC Board of Directors: President, Vice President, Secretary, Large City Representative, Past President, and Immediate Past President.
6. "Employer Representative" – each Participating Employer will identify a point of contact to the AWC Retro Program.
7. "Loss Development Factors" – an actuarial element used to adjust losses to reflect the Incurred But Not Reported losses (IBNR) under the retrospective method of rating. An evaluation of losses is made at least once a year; the development of losses is the quantitative change in this evaluation from year to year. For the AWC Retro Program, the loss development triangle is extrapolated over a 3-year timespan.
8. "Maximum Loss Ratio" – the factor selected for each Retro Year, which sets the upper limit or cap on the aggregate loss ratio. Expressed as a ratio of final losses to standard premium.

9. "Participation Agreement" – a written agreement between a Participating Employer and the AWC, and any supplement, amendment, continuation, or renewal thereof, that obligates the Participating Employer:
  - (a) pay a service fee of 6.5% of total annual L&I premium
  - (b) subscribe to the terms and conditions of the Participation Agreement, Underwriting Rules and any other referenced Retro Program documents.
10. "Participating Employer" – any of the following as a member of the Retro Pool or Safety Alliance:
  - (a) A Participating City/Town; or
  - (b) A County; or
  - (c) A Special Purpose District.
11. "RCW" – the Revised Code of Washington as amended, and including all regulations promulgated pursuant thereto. When reference is made to an incorrect or outdated RCW provision, the reference shall be reformed to indicate the proper RCW provision that is consistent with the context and intended meaning.
12. "Retro Adjustment" – the comparison of standard premium paid to calculated retrospective premium (or the prior retrospective premium, if the 1st or 2nd adjustment has occurred). The result is a refund or additional premium assessment. Each plan year has three mandatory adjustments, the first occurring approximately 10 months after the end of the retro coverage period. The subsequent two adjustments follow in 12-month intervals (WAC 296-17B-400).
13. "Retro Reserve Fund" – the fund created by the Participation Agreement to hold refunds until released by the Retro Board.
14. "Retro Start Date" – the date on which a Participating Employer enrolls in the Retro Pool. Staggered enrollment is permitted by the Department of Labor & Industries on April 1, July 1, and October 1.
15. "Retro Year" – a 12-month period during which a Participating Employer is enrolled in the Retro Pool. The AWC Retro Coverage period is January 1 to December 31. Claims with a date of injury within the coverage period and Standard Premium due for the coverage period are used to calculate Retrospective Premium.

- 16.** "Safety Alliance" – the service-only program available to non-AWC Retro Pool jurisdictions due to size or poorly performing members. Safety Alliance members will have access to professional claims management and loss prevention services without sharing in the risk/reward of participating in the AWC Workers' Compensation Retro Pool. The Safety Alliance began in January 2014.
- 17.** "Special Purpose Districts" – any public agency, public corporation, intergovernmental agency or political subdivision within the state of Washington that meets the requirements of Article V, Section 1(b). Pursuant to Chapter 48.62 RCW, private, non-profit membership associations within the state of Washington are ineligible to participate in the AWC Retro Program.
- 18.** "Standard Premium" – the portion of premium paid by a Retro Pool member that is used in the calculation of refunds or assessments. It is the portion of total premium due during a Retro Year. It only includes Accident and Medical Aid Funds, not the Supplemental Pension Fund.
- 19.** "Workers' Comp Retro Program" or "Retro Program" – refers to the risk sharing pool and the Safety Alliance.

# Article III

## The Retro Board

The AWC Board Executive Committee shall serve as the Retro Board. The Retro Pool and the Safety Alliance shall be governed by the Retro Board.

# Article IV

## Retro Advisory Committee (RAC)

### 1. **RAC structure**

The RAC shall consist of 10 positions: Eight positions shall be limited to staff from member cities/towns. Position nine is reserved for a county staff person or a county elected official as an at-large representative. Position 10 is reserved for a staff person of a Safety Alliance employer as an At-Large Safety Alliance Representative.

All positions shall be appointed by the Retro Board.

### 2. **Term of appointment**

Each RAC member shall serve a three-year term of appointment running from January 1 to December 31. Should a RAC member's Participating City or County cease to participate in Retro, the term of appointment will expire immediately. If a RAC member is no longer employed with their Participating City or County, the term of appointment will expire immediately.

### 4. **RAC Chair and Vice Chair**

Any RAC member may nominate a RAC member for the Chair and Vice Chair positions.

The term of the Chair and Vice Chair positions shall be the lesser of the individual's RAC term or three years. Election to either Chair or Vice Chair shall not constitute a vacancy of that individual's District position. The Chair and Vice Chair shall be appointed by the Retro Board.

## **5. Termination**

### **(a) General termination events**

A RAC member shall be automatically terminated in the event of one of the following:

- a) a RAC member's Participating City or County is no longer a Participating Employer in the Retro Program;
- b) a RAC member is no longer employed by the Participating City or County in which they were employed when appointed to the RAC;
- c) a RAC member is unable to complete his or her term as a RAC member for any other reason.

### **(b) Termination for failure to attend meetings**

A RAC member shall be automatically terminated if such member fails to attend two consecutive meetings of the RAC, unless he or she was excused from attendance by specific action of the remaining RAC members noted in the minutes.

### **(c) Resignation**

A RAC member may voluntarily resign his or her position on the committee at any time. Such resignation shall be effective upon the resignation date specified in a written notice of resignation addressed to the Chair or Vice Chair of the Retro Advisory Committee.

# Article V

## Joining, participating and removal from the Retro Pool

Cities, Towns, Counties and Special Purpose Districts within the State of Washington are eligible to join the Retro Pool provided they meet certain criteria. The Retro Board reserves the authority to change the criteria at any time. Cities, Towns, Counties and Special Purpose Districts must be approved by the Retro Board. In performing the duties set forth in this Article, the Committee and Retro Board may take action without a formal meeting by means of a conference telephone call or by web conference, arranged by the Chair or Vice Chair, in which all members participate.

### 1. **Joining the Retro Pool**

#### **(a) Cities/Towns**

Cities or Towns that are members of the AWC are eligible to join Retro, but are subject to the following criteria:

- (i) Must have a three year average standard premium of \$60,000 or greater. The three years' average is based on the 12 most recent quarters of premium reported to Labor & Industries at time of application.
- (ii) At least two of the last three adjusted Retro Years would have had a positive impact on the Retro Pool. Using claim costs at time of review, and Development Factors at most recent adjustment for each corresponding year.
- (iii) Must have an established safety committee in compliance with WAC 296-800-130.
- (iv) Must have a written Accident Prevention Program in accordance with WAC 296-800-140.
- (v) Must have a written Return-to-Work policy.

#### **(b) Counties**

Counties must meet the same criteria as Cities or Towns, as set forth in Article V, Section 1(a).

- (i) Application criteria  
If the following application criteria are met, the County's application will be reviewed by the Retro Board for either acceptance or rejection:
  - (A) A Participating City must sponsor the County.
  - (B) The council of the sponsoring Participating City must adopt a resolution sponsoring the potential new member within three months of the county's Retro Start Date.

- (C) The County must have an agreement with a Participating City or Cities or an AWC member city or cities to provide services that are traditionally provided by a city or town.
  - (D) The County must apply for membership in the AWC Retro Pool a minimum of two months prior to the Labor & Industries Retro Application Deadline for consideration by the Retro Board.
  - (E) At least two of the last three adjusted Retro Years would have had a positive impact on the Retro Pool. Using claim costs at time of review, and Development Factors at most recent adjustment for each corresponding year.
  - (F) Additional criteria, such as the current percentage of enrollment of County members, may be considered at any time by the Retro Board.
- (ii) A County representative shall serve on the Retro Advisory Committee at-large position.
- Upon Board approval of membership, the County will be charged an AWC Associate Member fee if not currently a member.

**(c) Special Purpose Districts**

Special Purpose Districts must meet the same criteria as Cities or Towns, as set forth in Article V, Section 1(a).

- (i) Application criteria
 

If the following application criteria are met, the Special Purpose District's application will be reviewed by the Retro Board for either acceptance or rejection:

  - (A) A Participating City must sponsor the Special Purpose District.
  - (B) The council of the sponsoring Participating City/Town must adopt a resolution sponsoring the potential new member within three months of the Special Purpose District's Retro Start Date.
  - (C) The special purpose district must have an agreement with a Participating City or Cities or an AWC member city or cities to provide services that are traditionally provided by a city or town.

- (D) The Special Purpose District must apply for membership in the AWC Retro Program a minimum of two months prior to the Labor & Industries Retro Application Deadline for consideration by the Retro Board.
  - (E) At least 2 of the last 3 adjusted Retro Years would have had a positive impact on the Retro Pool. Using claim costs at time of review, and Development Factors at most recent adjustment for each corresponding year.
  - (F) Additional criteria, such as the current percentage of enrollment of Special Purpose District members, may be considered at any time by the Retro Board.
- (ii) Special Purpose Districts are not eligible to serve on the Retro Advisory Committee Regional District positions. A Special Purpose District staff person or elected official may serve as an At-Large Safety Alliance Representative.
  - (iii) Financial impacts  
Upon Board approval of membership, the Special Purpose District will be charged an AWC Associate Member fee if not currently a member.

## **2. Participating in the Retro Pool**

### **(a) Third party administrator**

No Participating Employer may hire a third party administrator to act as an Employer Representative nor a Legal Representative on the Participating Employer's Labor & Industries account.

### **(b) DOSH inspections or citations**

Each Participating Employer must notify AWC Retro in writing within five business days of an onsite inspection from a Division of Occupational Safety & Health inspector. Any Participating Employer must report a citation within 10 business days regardless of whether or not the Participating Employer is appealing the citations or if the citation carried a monetary value.

### **3. Removal from the Retro Pool**

**(a)** Performance criterion

Participating Employers with three consecutive years of negative impact to the Retro Program, will be removed from the Retro Pool and transitioned into the Safety Alliance. This criterion becomes effective December 1, 2018.

**(b)** Standard Premium

Employers with a three year average Standard Premium below \$55,000, as verified by Labor & Industries Adjustment Order & Decision, will be removed from the Retro Pool and transitioned into the Safety Alliance. Retro Pool members in the 2016 Coverage Year with a Standard Premium below \$55,000 will be transitioned into the Safety Alliance. These members will pay a service fee of 3.25% of total premium and grandfathered in at that rate as long as that member is in the Safety Alliance.

**(c)** Termination by the Retro Board

The Retro Board may terminate a Participating Employer's participation in Retro:

- (i) for cause;
- (ii) when required by law;
- (iii) for failure to pay administrative fee following reasonable efforts to collect delinquent fees; or
- (iv) at its discretion by providing written notice to the Participating Employer a minimum of three months in advance of the effective date of termination.

# Article VI

## Safety Alliance

To assist in achieving the mission and goals of AWC Retro Program, the Safety Alliance policy was approved by the AWC Retro Board on November 21, 2013. The AWC Retro Board has the authority to change this policy at any time.

### 1. Safety Alliance Services

The Safety Alliance offers non-Retro Pool jurisdictions or poorly performing Retro Pool member's accessibility to professional claims management and loss prevention services without sharing in the risk/reward of participating in the Retro Pool.

### 2. Joining AWC Safety Alliance

- (a) Newly enrolling Cities and Towns ineligible for the Retro Pool due to size or loss ratio would be eligible for enrollment in the Safety Alliance.
- (b) Newly enrolling Counties or Special Purpose Districts to the AWC Safety Alliance must meet the following criteria:
  - (i) A Participating City must sponsor the non-city entity.
  - (ii) The council of the sponsoring Participating City must adopt a resolution sponsoring the potential new member within three months of the non-city entity's Retro Start Date.
  - (iii) The non-city entity must have an agreement with a Participating City or Cities or an AWC member city or cities to provide services that are traditionally provided by a city or town.
  - (iv) The non-city entity must apply for membership in the AWC Safety Alliance a minimum of two months prior to the Labor & Industries Application Deadline for consideration by the Retro Board.
  - (v) Additional criteria, such as the current percentage of enrollment of non-city entity members, may be considered at any time by the Retro Board.
  - (vi) If the above application criteria are met, the non-city entity's application will be reviewed by the Retro Board for either acceptance or rejection.

**3. Safety Alliance Member Criteria:**

- (a) The approved member must adhere to the AWC Retro Program philosophy. In support of this, the following requirements must be met:
  - (i) The member must sign the Participation Agreement.
  - (ii) The member must have one Retro Safety Academy graduate on staff within one year upon entering joining the Safety Alliance.

**4. Criteria for Safety Alliance members' entrance into the Retro Pool:**

- (a) The member would have had a positive impact on the Retro Pool's performance for two out of the last three consecutive years.
- (b) The member must have an active "Return to Work" program and/or policy.
- (c) The member must have an established employee safety committee.
- (d) The member must have a written Accident Prevention Program.
- (e) The member must have at least \$60,000 in annual standard premium as provided by Department of L&I on Table A, Premium and Loss History.
- (f) The member must apply for membership in the Retro program a minimum of two (2) months prior to the quarterly L&I deadline to ensure adequate time for consideration by the Retro Board.

If the above criteria have been met, the member's application will be reviewed by the Retro Advisory Committee for a recommendation to the Retro Board for approval or denial.

# Article VII

## Allocation of refunds and assessments

Refund and assessment allocation is primarily an issue of fairness. This allocation of refunds and assessments is designed to equitably reward those Retro Pool members with positive impact to the pool, and assess those members first with negative impacts to the pool before going out to the rest of the members. The Retro Board shall decide at the conclusion of the Retro Year if assessments will be the responsibility of the members, or if any or all of the assessment will be paid from the Retro Reserve Fund. Only members of the Retro Pool are eligible to receive refunds, and only those members may be assessed for additional premiums.

### 1. Allocation of refunds

At the AWC Retro Board's discretion and in adherence with the Reserve Fund Policy, allocation of policy year refunds will include, but not be limited to:

#### (a) Base refund

In a Retro Year that yields a refund, each member may receive a base refund of 10% of their Standard Premium.

#### (b) Performance refund

A performance refund may be distributed to those members in a Retro Year whose impact to the refund was positive using a merit-rated formula. The performance refund may consist up to half of the remaining refund, following the base refund.

### 2. Allocation of assessments

#### (a) Allocation to Retro Pool Members

In the event of a Retro Pool assessment, those members that caused the assessment, up to a maximum liability of that Retro Year's Maximum Loss Ratio shall be assessed first. If necessary, to cover the balance of the assessment, the remaining members shall pay on the basis of their individual percentage of the total group premium.

#### (b) Assessments paid from Retro Reserve Fund

The Retro Board shall decide at each adjustment and at the conclusion of a Coverage Year if assessments will be the responsibility of the members or will be funded partially or in full from the Retro Reserve Fund. The Retro Board will be guided in its deliberations by the recommendation of the Retro Advisory Committee. Considerations for using reserve funds will be based on the net current retro adjustment and the amount of Retro Reserve Funds. The final decision will be made at the Retro Board's sole discretion.





Association of Washington Cities  
1076 Franklin Street SE  
Olympia, WA 98501-1346

[awcnet.org/RETRO](http://awcnet.org/RETRO)  
1.800.562.8981  
360.753.4137

[awcnet.org/RETRO](http://awcnet.org/RETRO)

Every employee | Home safe | Every night

© Copyright AWC Workers' Comp Retro Program 2016