



05 August 2010

Dear CIAW Member:

On behalf of the Board of Directors for the Cities Insurance Association of Washington (CIAW), I am pleased to announce that the Cease and Desist Order issued by the Office of Financial Management (OFM) has been vacated.

It is important to remember that the Order itself simply required a funding plan from the CIAW to account for potential claims in the years of 2002 to 2006. This was accomplished through a mediated settlement. The Order is now lifted, our funding plan approved, and the CIAW has dropped the appeal of the Order.

During this ordeal, the CIAW continued to provide you with our full array of services and our daily operations were never affected, nor at risk. Additionally, the CIAW has continued to add members during this period. This is a testament to you, our members, and the strength of our program.

The following is a timeline of the events surrounding the OFM's Order:

- 2009- Revised actuarial projections for years 2002-2006 showed higher potential claims liabilities than originally estimated. The CIAW meets with and submits several prospective funding plans to the OFM.
- 14 January 2010- New revisions to the Washington Administrative Code (WAC) go into effect.
- 14 January 2010- The CIAW is served with a Cease and Desist Order, based upon the newly passed WACs.
- 25 February 2010- The CIAW submits a funding plan that includes, at the OFM's insistence, a retroactive assessment of full members during the 2002-2006 period. The OFM studies the plan.
- 07 May 2010- A report completed by the OFM's consultant, James Marta, concludes that the CIAW's funding plan met or exceeded the criteria established by the OFM, the statutory requirements for solvency, and safe financial operations (*The Marta & Company Report is available at [www.ciaw.us](http://www.ciaw.us) under member updates*). However, the OFM's Cease and Desist Order remained in effect.
- 17 May 2010- The CIAW Board votes to initiate an administrative appeal of the Cease and Desist Order.
- 28 July 2010- As part of the appeal process, a mediation hearing was held, and an agreement was reached.
- 30 July 2010- The CIAW Board approves the mediated agreement.
- 04 August 2010- The OFM approves our funding plan and vacates the Cease and Desist Order. The CIAW drops the appeal.

There have been no changes to the CIAW funding plan submitted to the OFM on February 25, 2010. As outlined by Board Resolution 09-10-03 (*available at [www.ciaw.us](http://www.ciaw.us) under member updates*), an additional \$197,242.80 will be collected each year, for the next five years, by re-assessment. These amounts are calculated on an individual basis and will be invoiced separately from regular dues. Affected members can generally expect an invoice for between three and six percent of their 2002-2006 premiums.

This has been a difficult journey for our Board and the staff at Canfield; we sincerely apologize for any undue concern this conflict with the OFM may have caused. In the next few months, our Board will attempt to forge a new relationship with the OFM. A collaborative and interactive rapport with State regulators is our goal.

Your loyalty and continued support of our program is genuinely appreciated. The strength of the program is in you, the members and owners of the CIAW. Should you have any questions regarding this matter, or the CIAW in general, please do not hesitate to contact any of your Board members, or the staff at Canfield.

Best regards,

Wes Crago (Board Chairman)