

June 22, 2017

Ms. Sharon Becker
Executive Director
Washington State Health Insurance Pool

Dear Ms. Becker:

This letter will confirm our engagement to audit and report on the financial statements of Washington State Health Insurance Pool (“WSHIP”), which comprise the balance sheet as of December 31, 2017, and the related statements of operations and unassigned surplus and cash flows for the year then ended, and the related notes to the financial statements. The objective of our audit is to express an opinion on the fairness, in all material respects, of the presentation of the financial statements in conformity with accounting principles prescribed or permitted by the Office of the Insurance Commissioner of the State of Washington and accounting principles generally accepted in the United States of America.

Should conditions not now anticipated preclude us from completing our audit and issuing a report as contemplated by the preceding paragraph, we will advise you and the Board of Directors promptly and take such action as we deem appropriate.

Audit Objective

The objective of our audit is the expression of an opinion about whether WSHIP’s financial statements are fairly presented, in all material respects, in conformity with accounting principles prescribed or permitted by the Office of the Insurance Commissioner of the State of Washington and accounting principles generally accepted in the United States of America.

Our audit will be conducted in accordance with generally accepted auditing standards established by the Auditing Standards Board (United States), and will include tests of WSHIP’s accounting records and other procedures we consider necessary to enable us to express such an opinion and required reports. If our opinion is other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Audit Procedures

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, direct confirmation of certain assets and liabilities by correspondence with financial institutions and selected vendors and creditors. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the

overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of WSHIP. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors that come to our attention, and we will inform you of any fraudulent financial reporting or misappropriation of assets that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of WSHIP and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

Management Responsibilities

Management agrees to assume all management responsibilities for tax and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them. You are also responsible for providing us with access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, additional information that we may request for the purpose of the audit, and unrestricted access to persons within the organization from whom we determine it necessary to obtain audit evidence.

Management is responsible for the basic financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You will be required to acknowledge in the representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to assume all management responsibilities for the tax services we provide.

Management is responsible for establishing and maintaining internal controls, including internal controls over compliance, monitoring ongoing activities, for the selection and application of accounting principles and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with accounting principles prescribed or permitted by the Office of the Insurance

Commissioner of the State of Washington and accounting principles generally accepted in the United States of America. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting WSHIP involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the WSHIP received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts and grants.

Fees and Billings

Our fees for our 2017 audit services will not exceed \$18,500, to be progress billed in December 2017 and upon completion in 2018.

We will also prepare the Federal Form 990 Return of Organization Exempt from Income Tax, and provide advice on particular tax matters as requested. Our fees for the preparation of this return will be \$2,500 and will be billed upon completion.

Travel related expenses will be billed as incurred (which are shared with three other pools audited by Petrow Leemhuis Vincent & Kane while at WSHIP's third party administrator).

Fees for any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the audit fee referred to above and may be the subject of written arrangements supplemental to those in this letter. In the event we are requested or authorized by WSHIP or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for WSHIP, WSHIP will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Other Matters

John Leemhuis is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

By your signature below, you confirm that WSHIP, through its Board of Directors, has expressly authorized you to enter into this agreement with us on WSHIP's behalf.

Any controversy or claim arising out of or relating to services covered by this letter or hereafter provided by us WSHIP or at its request (including any such matter involving any parent, subsidiary, affiliate, successor in interest, or agent of Washington State Health Insurance Pool or of Petrow Leemhuis Vincent & Kane, or involving any person or entity for whose benefit the services in question are or were provided), shall be submitted first to voluntary mediation, and if mediation is not successful, then to binding arbitration, in

accordance with the dispute resolution procedures set forth in the attachment to this letter. Judgment on any arbitration award may be entered in any court having jurisdiction.

The parties recognize that Petrow Leemhuis Vincent & Kane, in the course of performing services pursuant to this Agreement, may have access to protected health information contained in WSHIP records and documents (hereinafter "PHI") the security and confidentiality of which WSHIP is obliged to protect under federal and state laws, including without limitation the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the regulations thereunder. Accordingly, WSHIP and Petrow Leemhuis Vincent & Kane have entered into a Business Associate Agreement in the form attached to this Agreement to set forth their respective obligations and covenants in connection with maintenance of the security and confidentiality of PHI.

This Agreement shall be governed by, and shall be construed in accordance with, the laws of the state of Washington. Exclusive venue for any controversy or claims arising out of or relating to this Agreement, or the breach thereof, shall be in Seattle, Washington.

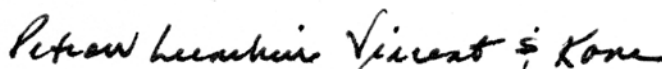
If any portion of this letter is held to be void, invalid, or otherwise unenforceable, in whole or part, the remaining portions of this letter shall remain in effect.

Pursuant to our agreement as reflected in this letter, we will audit and report on the financial statements of Washington State Health Insurance Pool for each of its subsequent fiscal years until either WSHIP or we terminate this agreement.

If these arrangements are acceptable, please sign one copy of this letter and return it to us.

We very much appreciate the opportunity to serve as Washington State Health Insurance Pool's independent auditors and tax advisors and would be pleased to furnish any additional information you may request concerning our responsibilities and functions. We look forward to continuing our long and mutually beneficial association.

Sincerely,



Washington State Health Insurance Pool

By: _____
Ms. Sharon Becker,
Executive Director

Date: _____

DISPUTE RESOLUTION

1. **Policy**. The parties hope there will be no disputes arising from their relationship. If a dispute arises, the parties shall first try to negotiate a fair and prompt resolution. If they are unsuccessful, the dispute shall be resolved by binding arbitration, the parties acknowledging that they intend to give up their right to have any dispute decided in court by a judge or jury. The provisions of the Washington arbitration statute, chapter 7.04 RCW, are incorporated herein to the extent not inconsistent with the other terms of this Agreement.

2. **Binding Arbitration**. Any controversy or claim between the parties of any kind whatsoever relating to the Agreement shall be resolved by an arbitration to be commenced in the manner provided in RCW 7.04.060, provided, however, that all statutes of limitations that would otherwise apply shall apply to disputes submitted to arbitration. This process applies regardless of when the dispute arises and will remain in effect after the Agreement ends, regardless of the reason it ends.

2.1 **Arbitrator**. There shall be one arbitrator. If the parties cannot, within 15 days after commencement of the arbitration, agree on an arbitrator, he/she shall be selected by the administrator of the American Arbitration Association (AAA) in Seattle, Washington within 15 days thereafter. The arbitrator must be experienced in commercial arbitration and the venue of the arbitration shall be Seattle, Washington.

2.2 **Arbitrability**. Whether a controversy or claim is covered by this Agreement shall be determined by the arbitrator.

2.3 **Third-Party Intervention**. If either party so requests at any time within 75 days of the submission of the dispute to arbitration, the parties shall try to resolve it by nonbinding third-party intervention, including mediation, evaluation or both, but without delaying the arbitration hearing date.

2.4 **Arbitration Procedures**. The arbitration shall be conducted under the AAA Commercial Arbitration Rules in effect on the date the arbitrator is selected, to the extent consistent with this **Schedule D**.

The arbitrator may authorize such discovery as is necessary for a fair hearing of the dispute. Such discovery shall not extend the time limits established by this section. The arbitrator shall not be bound by the rules of evidence or of civil procedure, but rather may consider such evidence as reasonable business people would consider in the conduct of their day-to-day affairs. Each party shall be required to exchange all relevant documents and to provide all relevant witnesses for depositions and testimony as the arbitrator allows. The parties shall take such reasonable efforts as they agree to in order to minimize the cost of the dispute resolution process.

2.5 **Time Limits**. The arbitrator and the parties shall do what is reasonably necessary to conduct the arbitration hearing within 120 days of the date the arbitrator is selected, and the arbitrator shall make every effort to limit the hearing to two days and to render his/her opinion within 14 days after the hearing. The parties have specified these time limits to expedite the proceeding, but they are not jurisdictional, and the arbitrator may for good cause afford or permit reasonable extensions or delays, which shall not affect the validity of the award.

2.6 Construction of Agreement. The arbitrator shall have no authority to add to, subtract from, or otherwise change or modify the provisions of the Agreement between the parties and shall only interpret existing provisions of that Agreement as they may apply to the specific facts of the issue in dispute.

2.7 Award. The arbitrator shall render his/her decision in writing. The decision shall contain a brief statement of the claim(s) determined and the award made on the claim. In making the decision and award, the arbitrator shall apply applicable law. Absent fraud, collusion or willful misconduct by the arbitrator, the award shall be final, and judgment may be entered in any court having jurisdiction. The arbitrator may award injunctive relief or any other remedy available from a judge.

2.8 Costs. Each party shall bear one-half of the arbitrator's fees and any other expenses jointly incurred (court reporter, etc.) in the arbitration. All other expenses, including attorney fees, shall be borne by the party incurring them.