

# WORKERS' COMPENSATION, LIABILITY, AND PROPERTY EQUITY RETURNS

The Pool's Board of Trustees has adopted Equity Return Policies for the Workers' Compensation, Liability, and Property Funds. The policies state that when the following conditions are met at the end of a given year, the Pool will return at least 50% and up to 75% of equity gained that year, depending on the overall adequacy of each fund's equity level.

1. Members' Equity as a percent of net contributions is at least 75 percent,
2. Members' Equity as a percent of net loss reserves is at least 50 percent,
3. Members' Equity increased during the prior fund year, and
4. The increase in Members' Equity is at least \$1 million.

At the end of 2006-07, all three Funds satisfied the criteria for an equity return. One-half of the equity gained in the Workers' Compensation and Property Funds and 75% of the equity gained in the Liability Fund will be returned to the Pool's members. Returns of \$6.7 million from the Workers' Compensation Fund, \$9.2 million from the Liability Fund, and \$570,000 from the Property Fund will be distributed to qualifying Members.

The Pool's Board of Trustees approved the following criteria for returning equity from the Workers' Compensation, Liability, and Property Funds. Distribution will be made to Members that;

1. Have participated in the individual Fund for at least one complete year on September 30, 2007.
2. Have a loss ratio for that Fund that is less than 100% since joining the Fund or for the last 10 years,  
and
3. Continue to be a Member of that Fund on April 1, 2008.

Loss ratios will be calculated by dividing losses incurred by contributions paid. The equity return calculation also recognizes the length of time a Member has participated in the Fund.

## **Workers' Compensation**

The Workers' Compensation Fund has met all the criteria for a return of equity. Approximately 1,951 Workers' Compensation Fund Members will receive some portion of the \$6.7 million equity return and 1,106 Members will receive the largest percentage credit, 13%, plus a credit for longevity.

## **Liability**

For the second year in a row, the Liability Fund has satisfied all criteria necessary to trigger a return. Approximately 2,212 Liability Fund Members will receive some portion of the \$9.2 million equity return and 1,524 Members will receive a distribution of at least 24% plus a credit for longevity.

## **Property**

For the third year in a row, the Property Fund has satisfied all criteria necessary to trigger a return. Approximately 1,713 Members will receive a return from the Property Fund with 1,412 Members receiving a distribution of 1.5% before considering longevity.

The amount of each Member's Liability and Workers' Compensation Equity Return will be a percentage of 2006-07 contributions determined as follows:

<b>Member's Liability Loss Ratio</b>	<b>Workers' Compensation Equity Return as a Percentage % of Member's 2006-2007 Contributions</b>	<b>Liability Equity Return as a Percentage of Member's 2006-07 Contributions</b>
Less than 25%	13%	24%
25% to less than 50%	10.5%	21%
50% to less than 75%	8.5%	19%
75% to less than 100%	6.5%	17.5%
100% or more	0%	0%

Property Members with loss ratios less than 75% will receive an equity return equal to 1.5% of their 2006-07 contributions. Members with loss ratios of 75% to 99% will receive a return equal to 1% of their 2006-07 contributions.

Members with only one or two years in a Fund will receive one-half of the credit indicated above.

### **Longevity Factor**

In addition to loss ratios, a component has been added that recognizes the length of time a Member has participated in the individual Fund. The Liability and Workers' Compensation equity returns shown in the preceding chart will be increased based on continuous membership in the applicable Fund as of September 30, 2007 as follows:

<b>Years in Fund</b>	<b>Workers' Compensation Longevity Factor</b>	<b>Liability Longevity Factor</b>
1 to 2 years	0%	0%
3 to 4 years	1%	2%
5 to 9 years	2%	3%
10 or more years	4%	5%

Property equity returns will be increased by 0.5% for those Members that have participated in the Property Fund at least 5 years.

## **Pool has returned approximately \$69.5 Million Since 1993-94**

The Pool has a long history of returning Members' Equity when financial results have been better than expected. Since 1993-94 the Pool has returned approximately \$69.5 million to members of the Workers' Compensation, Liability, and Property Funds, including the upcoming returns in April. Equity returns have been possible as a direct result of the Pool's members working hard to keep their losses down. The Pool's staff of professional Loss Prevention Representatives is available to assist members in their loss prevention efforts.

<b>History of Equity Returns</b>				
<b>Fiscal Year</b>	<b>Workers' Compensation</b>	<b>Liability</b>	<b>Property</b>	<b>Pool Total</b>
93-94	0	\$1,100,000	0	\$1,100,000
94-95	\$2,000,000	0	0	\$2,000,000
95-96	\$2,700,000	0	0	\$2,700,000
96-97	\$4,900,000	0	0	\$4,900,000
97-98	\$1,400,000	\$2,800,000	0	\$4,200,000
98-99	\$1,400,000	\$3,500,000	0	\$4,900,000
99-00	\$1,500,000	\$3,100,000	0	\$4,600,000
00-01	0	0	0	0
01-02	0	0	0	0
02-03	0	0	0	0
03-04	0	\$4,500,000	0	\$4,500,000
04-05	0	\$4,900,000	\$4,300,000	\$9,200,000
05-06	0	\$5,000,000	\$3,200,000	\$8,200,000
05-06*	0	\$6,700,000	0	\$6,700,000
06-07	\$6,700,000	\$9,200,000	\$570,000	\$16,470,000
<b>Total</b>	<b>\$20,600,000</b>	<b>\$40,800,000</b>	<b>\$8,070,000</b>	<b>\$69,470,000</b>

\* In January 2007, the Board adopted a Liability Fund equity return policy resulting in an additional equity return based on 2005-06 financial results.

### **Questions? Call 1-800-537-6655**

If you have questions about your equity return, ask for the Underwriting or Field Services Departments. For loss prevention assistance, contact the Loss Prevention Department.