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## Financial Statements as of December 31, 2009

January 18, 2010

On a combined basis, revenues exceeded expenses by \$11,323,285 for the three months ending December 31, 2009 (revenues exceeded expenses by \$4,969,179 at the end of November). Revenues over expenses for the individual funds were as follows:

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2009 (adjusted)*</u>
<i>Consolidated</i>	\$ 11,323,285	\$ 5,282,693
<i>Workers' Compensation</i>	\$ 3,995,156	\$ 1,763,714
<i>Liability</i>	\$ 3,402,992	\$ 1,663,018
<i>Property</i>	\$ 1,455,993	\$ 1,406,508
<i>Coastal Storm</i>	\$ 106,889	\$ 59,389
<i>Reinsurance</i>	\$ 2,004,580	\$ 1,237,174
<i>Large Loss</i>	\$ 15,063	\$ (427,370)
<i>Stability</i>	\$ 396,872	\$ (58,371)
<i>Lifetime Benefits</i>	\$ (54,260)	\$ (361,369)

The following were equity levels as of December 31, 2009 compared to the beginning of the fiscal year:

	<u>Dec. 2009</u>	<u>Dec. 2009 (adjusted)*</u>	<u>Sept. 2009</u>
<i>Consolidated</i>	\$ 340,125,204	\$ 355,974,745	\$ 328,801,919
<i>Workers' Comp.</i>	\$ 82,020,182	\$ 87,795,271	\$ 78,025,026
<i>Liability</i>	\$ 94,779,049	\$ 99,294,697	\$ 91,376,057
<i>Property</i>	\$ 35,452,733	\$ 37,118,108	\$ 33,996,740
<i>Coastal Storm</i>	\$ 3,997,889	\$ 4,099,787	\$ 3,891,000
<i>Reinsurance</i>	\$ 60,746,013	\$ 62,297,976	\$ 58,741,433
<i>Large Loss</i>	\$ 30,050,029	\$ 30,849,172	\$ 30,034,966
<i>Stability</i>	\$ 18,501,655	\$ 19,380,599	\$ 18,104,783
<i>Stability - TMRS</i>	\$ 12,229,384	\$ 12,229,384	\$ 12,229,384
<i>Lifetime Benefits</i>	\$ 2,348,270	\$ 2,909,751	\$ 2,402,530

\* Adjusted for changes in the market value of investments {unrealized gains (losses)} per GASB 31. The Pool reports financial results with and without GASB 31. Financial decisions are made without considering GASB 31.

## COMBINED STATEMENT ANALYSIS

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
<i>Contributions</i>	\$ 33,022,365	\$ 34,494,537
<i>Current-Year Incurred Losses</i>	( 12,185,955)	( 12,966,129)
<i>Prior-Years' Incurred Losses</i>	( 5,666,492)	( 9,194,363)
<i>Change in discount for lifetime benefits claims</i>	( 195,770)	( 164,825)
<i>Contributions Over Current &amp; Prior-Yrs. Losses</i>	14,974,148	12,169,220
<i>Investment Income</i>	7,054,887	8,742,126
<i>Other Income</i>	95,141	92,601
<i>General and Administrative Expense</i>	( 7,742,580)	( 7,537,715)
<i>Contract Service Fees</i>	( 818,334)	( 916,217)
<i>Reinsurance Expense</i>	( 2,239,977)	( 1,549,837)
<b>REVENUES OVER EXPENSES</b>	<b><u>\$ 11,323,285</u></b>	<b><u>\$ 11,000,178</u></b>

## ANALYSIS BY FUND

### Workers' Compensation Fund

In the Workers' Compensation Fund, revenues exceeded expenses by \$3,995,156 for the three months ending December 31, 2009 (revenues exceeded expenses by \$1,423,185 at the end of November). Contributions were \$14,586,438 compared to \$16,024,613 last year due to rate decreases. Current-year and prior-years' losses were lower than last year (see Analysis of Losses). Investment income is lower than last year due to low interest rates and smaller realized gains.

The following shows the revenues and expenses of the Workers' Compensation Fund compared to last year:

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
<i>Contributions</i>	\$ 14,586,438	\$ 16,024,613
<i>Workers' Comp. Prior-Year Audit Adjustments</i>	363,329	603,226
<i>Current-Year Incurred Losses</i>	( 5,775,113)	( 7,501,190)
<i>Prior-Years' Incurred Losses</i>	( 2,167,965)	( 2,600,416)
<i>Contributions Over Current &amp; Prior-Yrs. Losses</i>	7,006,689	6,526,233
<i>Investment Income &amp; Other Income</i>	2,649,057	3,266,985
<i>General &amp; Administrative and Contract Fees</i>	( 4,729,086)	( 4,569,350)
<i>Reinsurance Expense</i>	( 707,257)	( 773,716)
<i>Large Loss Fund Expense</i>	( 224,247)	( 249,418)
<b>REVENUES OVER EXPENSES</b>	<b><u>\$ 3,995,156</u></b>	<b><u>\$ 4,200,734</u></b>

### Liability Fund

In the Liability Fund, revenues exceeded expenses by \$3,402,992 as of December 31, 2009 (revenues exceeded expenses by \$1,417,354 at the end of November). Contributions were \$10,195,275 compared to \$10,594,107 last year due to rate decreases. Current-year and prior-years' losses were lower than last year (see Analysis of Losses). Investment income is lower than last year due to low interest rates and smaller realized gains. The following shows the revenues and expenses of the Liability Fund compared to last year:

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
<i>Contributions</i>	\$ 10,195,275	\$ 10,594,107
<i>Current-Year Incurred Losses</i>	( 2,570,869)	( 2,776,849)
<i>Prior-Years' Incurred Losses</i>	( 2,665,527)	( 4,375,219)
<i>Contributions Over Current &amp; Prior-Yrs. Losses</i>	4,958,879	3,442,039
<i>Investment Income &amp; Other Income</i>	2,038,446	2,658,190
<i>General &amp; Administrative and Contract Fees</i>	( 3,291,477)	( 3,321,748)
<i>Reinsurance Expense</i>	( 149,927)	( 171,110)
<i>Large Loss Fund Expense</i>	( 152,929)	( 158,912)
<b>REVENUES OVER EXPENSES</b>	<u>\$ 3,402,992</u>	<u>\$ 2,448,459</u>

### Property Fund

In the Property Fund, revenues exceeded expenses by \$1,455,993 (expenses exceeded revenues by \$718,511 at the end of November). Contributions were \$7,812,763 compared to \$7,261,644 as exposure growth continues. Current-year losses were higher than last year and prior-years' losses were lower (see Analysis of Losses). Reinsurance expense was \$2,682,670 compared to \$1,800,800 last year due to exposure growth, the purchase of additional reinsurance and recent property losses. Investment income is lower than last year due to low interest rates and smaller realized gains. The following shows the revenues and expenses of the Property Fund compared to last year:

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
<i>Contributions</i>	\$ 7,812,763	\$ 7,261,644
<i>Current-Year Losses</i>	( 3,839,973)	( 2,688,090)
<i>Contributions Over Current-Year Losses</i>	3,972,790	4,573,554
<i>Decrease (Increase) in Prior-Years' Losses</i>	117,871	( 1,369,200)
<i>Contributions Over Current and Prior-Years' Losses</i>	4,090,661	3,204,354
<i>Investment Income &amp; Other Income</i>	667,694	807,578
<i>General &amp; Administrative and Contract Fees</i>	( 502,501)	( 529,816)
<i>Reinsurance Expense</i>	( 2,682,670)	( 1,800,800)
<i>Large Loss Fund Expense</i>	( 117,191)	( 108,924)
<b>REVENUES OVER EXPENSES</b>	<u>\$ 1,455,993</u>	<u>\$ 1,572,392</u>

The Pool utilizes outside reinsurers, Reinsurance Fund, and Large Loss Fund for protection against large losses. The following shows Property Fund current-year gross losses incurred through three months and losses absorbed by reinsurers and the two Pool Funds:

Gross Losses	\$ 3,839,973
Losses absorbed by the Reinsurers	0
Losses absorbed by the Reinsurance Fund	0
Losses absorbed by the Large Loss Fund	0
Net Losses Incurred by the Property Fund	<u>\$ 3,839,973</u>

### Coastal Storm Fund

The Coastal Storm Fund was established in 2007-08 as a source of windstorm and hail coverage for certain properties located in various counties adjacent to the Gulf of Mexico. The Fund will accept coverage for properties that are a specified distance from the Gulf of Mexico and that meet the Pool's standards for wind-resistant construction. At December 31, 2009, revenues exceeded expenses by \$106,889.

### Reinsurance Fund

The Reinsurance Fund plays a key role in the Pool's reinsurance program. By maintaining a strong equity position, the Pool is able to lower reinsurance costs by utilizing the Reinsurance Fund in lieu of commercial reinsurers for various levels of excess coverage. In the Reinsurance Fund, total assets were \$63.1 million and members' equity was \$60.7 million.

Revenues exceeded expenses by \$2,004,580 through three months ending December 31, 2009 (revenues exceeded expenses by \$1,365,202 at the end of November). Reinsurance revenue exceeded current-year losses by \$1,299,877.

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
<i>Reinsurance Revenue</i>	\$ 1,299,877	\$ 1,195,789
<i>Current-Year Losses</i>	0	( 0)
<i>Contributions Over Current-Year Losses</i>	1,299,877	1,195,789
<i>(Increase) Decrease in Prior-Years' Losses</i>	11,676	( 47,882)
<i>Contributions Over Current and Prior-Years' Losses</i>	1,311,553	1,147,907
<i>Investment Income</i>	707,121	821,398
<i>General &amp; Administrative, Contract Fees</i>	( 14,094)	( 12,253)
<b>REVENUES OVER EXPENSES</b>	<b>\$ 2,004,580</b>	<b>\$ 1,957,052</b>

### Large Loss Fund

The Large Loss Fund provides excess coverage and protection against large losses, and receives revenues from the Workers' Compensation, Liability and Property funds equal to 1.5% of each fund's gross contributions. Revenues exceeded expenses by \$15,063 through three months. Prior years' losses increased by \$847,220 (see Analysis of Losses). Members' equity was \$30.1 million.

### Stability Fund

In the Stability Fund, revenues exceeded expenses by \$396,872 through three months of the fiscal year. This fund earns investment income and incurs investment expenses. The Stability Fund provides protection for the Workers' Compensation, Liability and Property Funds against cash shortfalls, a reserve for unallocated loss adjustment expenses, restricted equity for the unfunded actuarial liability for Pool's employees in the Texas Municipal

Retirement System (TMRS), and a letter of credit to the Coastal Storm Fund if needed. The unrestricted members' equity in this fund was \$18.5 million at the end of December.

***Lifetime Benefits Fund***

The Lifetime Benefits Fund pays claims to beneficiaries of employees who incurred fatal injuries on the job. The Workers' Compensation Fund pays the Lifetime Benefits Fund the present value of future claim payments to beneficiaries. The claims are considered closed in the Workers' Compensation Fund and the Lifetime Benefits Fund has the responsibility for paying the claims. Expenses exceeded revenues by \$54,260 through three months as reserves were adjusted to update the life expectancy of the beneficiaries' (see Analysis of Losses). Members' equity was \$2,348,270.

**COMBINED BALANCE SHEET**

	December 31, 2009	September 30, 2009
<b>ASSETS</b>		
Cash, investments and accrued investment income (Note 3)	\$660,168,714	\$601,621,054
Contributions and other receivables	5,595,326	4,112,663
Reinsurance recoverable on paid losses (Note 4)	825,252	1,089,886
Property and fixed assets, net of accumulated depreciation (Note 2)	3,046,219	3,092,303
Prepaid reinsurance	2,787,475	4,878,082
Other assets (Note 6)	1,025,072	1,075,527
Total Assets	<u>\$673,448,058</u>	<u>\$615,869,515</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Claim Reserves:		
Reserve for reported claims (net of deductibles)	\$172,977,982	\$183,372,712
Reinsurance recoverable on reported but not yet paid claims	(29,560,849)	(31,444,377)
Reserve for incurred but not reported claims (net of reinsurance)	94,125,000	94,125,000
Reserve for unallocated loss adjustment expense	5,000,000	5,000,000
Estimated future investment income (discount) for lifetime benefit claims	(18,489,861)	(18,685,631)
Estimated ultimate unpaid losses and loss adjustment expenses	<u>224,052,272</u>	<u>232,367,704</u>
Contract service fees payable	77,771	226,097
Outstanding loss drafts	4,152,893	4,051,167
Payable to Administrative Services Only contracts and large deductible members (Note 5)	1,187,750	1,286,500
Unearned contribution reserve (Note 2)	63,241,420	2,347,025
Funds invested for TML	5,340,549	5,281,733
Other liabilities (Note 2)	19,420,658	19,617,237
	<u>317,473,313</u>	<u>265,177,463</u>
Restricted Members' Equity - Texas Municipal Retirement System (Note 2)	12,229,384	12,229,384
Unrestricted Members' Equity	<u>327,895,820</u>	<u>316,572,535</u>
Members' Equity before unrealized investment gains (losses)	340,125,204	328,801,919
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	15,849,541	21,890,133
Members' Equity	<u>355,974,745</u>	<u>350,692,052</u>
Total Liabilities and Members' Equity	<u>\$673,448,058</u>	<u>\$615,869,515</u>

**COMBINED STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY**

	Period Ended December 31, 2009	Period Ended December 31, 2008
<b>REVENUES</b>		
Earned contributions, net of adjustment factors allowed	\$33,022,365	\$34,494,537
Service fee and other income (Note 7)	95,141	92,601
Investment income (Note 3)	7,054,887	8,742,126
Total Revenues	<u>40,172,393</u>	<u>43,329,264</u>
<b>EXPENSES</b>		
Paid losses and loss adjustment expenses	27,357,708	31,168,140
Change in reserve for reported claims (net of deductibles)	(10,396,077)	(2,164,330)
Change in reinsurance recoverable	890,816	(6,843,318)
Change in discount for lifetime benefits claims	195,770	164,825
Total losses and loss adjustment expenses	<u>18,048,217</u>	<u>22,325,317</u>
Reinsurance expense (Note 4)	2,239,977	1,549,837
Contract service fees	818,334	916,217
General and administrative expense	7,742,580	7,537,715
Total Expenses	<u>28,849,108</u>	<u>32,329,086</u>
Revenues over expenses before unrealized investment gains (losses) & return of members' equity	11,323,285	11,000,178
Investment income (unrealized investment gains (losses))	(6,040,592)	15,993,598
Revenues over expenses after unrealized investment gains (losses)	<u>5,282,693</u>	<u>26,993,776</u>
Members' Equity, beginning of year	350,692,052	299,705,925
Members' Equity, end of period	<u>\$355,974,745</u>	<u>\$326,699,701</u>

## WORKERS' COMPENSATION FUND

## BALANCE SHEET

	December 31, 2009	September 30, 2009
<b>ASSETS</b>		
Cash, investments and accrued investment income	\$240,545,374	\$220,048,823
Contributions and other receivables	2,601,685	1,984,137
Reinsurance recoverable on paid losses	204,297	124,864
Property and fixed assets, net of accumulated depreciation	1,858,193	1,855,382
Other assets	322,561	348,194
Total Assets	<u>\$245,532,110</u>	<u>\$224,361,400</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Claim Reserves:		
Reserve for reported claims (net of deductibles)	\$68,125,017	\$71,287,493
Reinsurance recoverable on reported but not yet paid claims	(19,377,520)	(19,593,408)
Reserve for incurred but not reported claims	70,600,000	70,600,000
Estimated ultimate unpaid losses and loss adjustment expenses	119,347,497	122,294,085
Contract service fees payable	47,440	135,658
Outstanding loss drafts	1,193,321	1,166,191
Payable to Administrative Services Only contracts and large deductible members	1,187,750	1,286,500
Unearned contribution reserve	22,950,080	421,345
Funds invested for TML	3,257,735	3,169,040
Other liabilities	9,753,016	9,857,024
	<u>157,736,839</u>	<u>138,329,843</u>
Members' Equity excluding unrealized investment gains (losses)	82,020,182	78,025,026
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	5,775,089	8,006,531
Members' Equity	<u>87,795,271</u>	<u>86,031,557</u>
Total Liabilities and Members' Equity	<u>\$245,532,110</u>	<u>\$224,361,400</u>

## STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended December 31, 2009	Period Ended December 31, 2008
<b>REVENUES</b>		
Earned contributions, net of adjustment factors allowed	\$14,949,767	\$16,627,839
Service fee and other income	67,698	66,895
Investment income	2,581,359	3,200,090
Total Revenues	<u>17,598,824</u>	<u>19,894,824</u>
<b>EXPENSES</b>		
Paid losses and loss adjustment expenses	11,079,341	9,365,731
Change in reserve for reported claims (net of deductibles)	(3,162,476)	6,484,669
Change in reinsurance recoverable	26,213	(5,748,794)
Total losses and loss adjustment expenses	<u>7,943,078</u>	<u>10,101,606</u>
Reinsurance expense	707,257	773,716
Large loss fund expense	224,247	249,418
Contract service fees	70,527	30,000
General and administrative expense	4,658,559	4,539,350
Total Expenses	<u>13,603,668</u>	<u>15,694,090</u>
Revenues over expenses before unrealized investment gains (losses)	3,995,156	4,200,734
Investment income (unrealized investment gains (losses))	(2,231,442)	5,912,974
Revenues over expenses after unrealized investment gains (losses)	1,763,714	10,113,708
Members' Equity, beginning of year	86,031,557	70,162,244
Members' Equity, end of period	<u>\$87,795,271</u>	<u>\$80,275,952</u>

## LIABILITY FUND

## BALANCE SHEET

	December 31, 2009	September 30, 2009
<b>ASSETS</b>		
Cash, investments and accrued investment income	\$188,086,777	\$171,927,398
Contributions and other receivables	1,701,613	1,204,461
Property and fixed assets, net of accumulated depreciation	1,035,715	1,082,306
Other assets	385,735	408,034
Total Assets	<u>\$191,209,840</u>	<u>\$174,622,199</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Claim Reserves:		
Reserve for reported claims (net of deductibles)	\$43,428,136	\$45,758,874
Reinsurance recoverable on reported but not paid claims	(71,436)	(72,141)
Reserve for incurred but not reported claims (net of reinsurance)	22,700,000	22,700,000
Estimated ultimate unpaid losses and loss adjustment expenses	66,056,700	68,386,733
Contract service fees payable	26,442	79,134
Outstanding loss drafts	1,180,830	1,440,501
Unearned contribution reserve	18,487,405	812,116
Funds invested for TML	1,815,787	1,848,606
Other liabilities	4,347,979	4,423,430
	<u>91,915,143</u>	<u>76,990,520</u>
Members' Equity excluding unrealized investment gains (losses)	94,779,049	91,376,057
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	4,515,648	6,255,622
Members' Equity	<u>99,294,697</u>	<u>97,631,679</u>
Total Liabilities and Members' Equity	<u>\$191,209,840</u>	<u>\$174,622,199</u>

## STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended December 31, 2009	Period Ended December 31, 2008
<b>REVENUES</b>		
Earned contributions, net of adjustment factors allowed	\$10,195,275	\$10,594,107
Service fee and other income	23,925	22,493
Investment income	2,014,521	2,635,697
Total Revenues	<u>12,233,721</u>	<u>13,252,297</u>
<b>EXPENSES</b>		
Paid losses and loss adjustment expenses	7,566,429	9,158,889
Change in reserve for reported claims (net of deductibles)	(2,330,738)	(2,005,525)
Change in reinsurance recoverable	705	(1,296)
Total losses and loss adjustment expenses	<u>5,236,396</u>	<u>7,152,068</u>
Reinsurance expense	149,927	171,110
Large loss fund expense	152,929	158,912
Contract service fees	642,337	726,033
General and administrative expense	2,649,140	2,595,715
Total Expenses	<u>8,830,729</u>	<u>10,803,838</u>
Revenues over expenses before unrealized gains (losses) & return of members' equity	3,402,992	2,448,459
Investment income (unrealized investment gains (losses))	(1,739,974)	4,806,773
Revenues over expenses after unrealized gains (losses)	<u>1,663,018</u>	<u>7,255,232</u>
Members' Equity, beginning of year	97,631,679	90,511,634
Members' Equity, end of period	<u>\$99,294,697</u>	<u>\$97,766,866</u>

## PROPERTY FUND

## BALANCE SHEET

	December 31, 2009	September 30, 2009
<b>ASSETS</b>		
Cash, investments and accrued investment income	\$69,366,614	\$47,130,642
Contributions and other receivables	1,256,158	923,844
Reinsurance recoverable on paid losses	620,955	965,022
Property and fixed assets, net of accumulated depreciation	152,311	154,615
Prepaid reinsurance	2,787,475	4,878,082
Other assets	316,776	319,299
Total Assets	<u>\$74,500,289</u>	<u>\$54,371,504</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Claim Reserves:		
Reserve for reported claims	\$20,934,796	\$25,518,148
Reinsurance recoverable on reported but not yet paid claims	(12,636,335)	(15,053,458)
Reserve for incurred but not reported claims	25,000	25,000
Estimated ultimate unpaid losses and loss adjustment expense	8,323,461	10,489,690
Contract service fees payable	3,889	11,305
Outstanding loss drafts	1,778,742	1,444,475
Unearned contribution reserve	21,689,399	1,113,564
Funds invested for TML	267,027	264,087
Other liabilities	5,319,663	5,336,783
	<u>37,382,181</u>	<u>18,659,904</u>
Members' Equity excluding unrealized investment gains (losses)	35,452,733	33,996,740
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	1,665,375	1,714,860
Members' Equity	<u>37,118,108</u>	<u>35,711,600</u>
Total Liabilities and Members' Equity	<u>\$74,500,289</u>	<u>\$54,371,504</u>

## STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended December 31, 2009	Period Ended December 31, 2008
<b>REVENUES</b>		
Earned contributions, net of adjustment factors allowed	\$7,812,763	\$7,261,644
Service fee and other income	3,518	3,213
Investment income	664,176	804,365
Total Revenues	<u>8,480,457</u>	<u>8,069,222</u>
<b>EXPENSES</b>		
Paid losses and loss adjustment expenses	8,277,100	12,260,693
Change in reserve for reported claims	(4,583,352)	(6,308,766)
Change in reinsurance recoverable	28,354	(1,894,637)
Total losses and loss adjustment expenses	<u>3,722,102</u>	<u>4,057,290</u>
Reinsurance expense	2,682,670	1,800,800
Large loss fund expense	117,191	108,924
Contract service fees	102,470	158,517
General and administrative expense	400,031	371,299
Total Expenses	<u>7,024,464</u>	<u>6,496,830</u>
Revenues over expenses before unrealized investment gains (losses) & return of members' equity	1,455,993	1,572,392
Investment income (unrealized investment gains (losses))	(49,485)	1,588,856
Revenues over expenses after unrealized investment gains (losses)	<u>1,406,508</u>	<u>3,161,248</u>
Members' Equity, beginning of year	35,711,600	31,302,246
Members' Equity, end of period	<u>\$37,118,108</u>	<u>\$34,463,494</u>

## COASTAL STORM FUND

## BALANCE SHEET

	December 31, 2009	September 30, 2009
<b>ASSETS</b>		
Cash, investments and accrued investment income	\$4,244,274	\$4,105,998
Contributions and other receivables	35,870	221
	<u>4,280,144</u>	<u>4,106,219</u>
Total Assets	<u>\$4,280,144</u>	<u>\$4,106,219</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Claim Reserves:		
Reserve for reported claims	\$65,821	\$65,821
Estimated ultimate unpaid losses and loss adjustment expenses	65,821	65,821
Outstanding loss drafts	0	0
Unearned contribution reserve	114,536	0
	<u>180,357</u>	<u>65,821</u>
Members' Equity excluding unrealized investment gains (losses)	3,997,889	3,891,000
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	101,898	149,398
Members' Equity	4,099,787	4,040,398
Total Liabilities and Members' Equity	<u>\$4,280,144</u>	<u>\$4,106,219</u>

## STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended December 31, 2009	Period Ended December 31, 2008
<b>REVENUES</b>		
Contributions	\$64,560	\$10,947
Investment income	46,297	275
	<u>110,857</u>	<u>11,222</u>
Total Revenues	<u>110,857</u>	<u>11,222</u>
<b>EXPENSES</b>		
Net paid losses and loss adjustment expense	0	0
Change in reserve for reported claims	0	0
	<u>0</u>	<u>0</u>
Total losses and loss adjustment expenses	<u>0</u>	<u>0</u>
Contract service fees	3,000	1,667
Large loss expense	968	164
	<u>3,968</u>	<u>1,831</u>
Total Expenses	<u>3,968</u>	<u>1,831</u>
Revenues over expenses before unrealized investment gains (losses)	106,889	9,391
Investment income (unrealized investment gains (losses))	(47,500)	734
	<u>59,389</u>	<u>10,125</u>
Revenues over expenses after unrealized investment gains (losses)	<u>59,389</u>	<u>10,125</u>
Members' Equity, beginning of year	4,040,398	(208,449)
Members' Equity, end of period	<u>\$4,099,787</u>	<u>(\$198,324)</u>

## REINSURANCE FUND

## BALANCE SHEET

	December 31, 2009	September 30, 2009
<b>ASSETS</b>		
Cash, investments and accrued investment income	<u>\$64,642,705</u>	<u>\$63,744,771</u>
Total Assets	<u><u>64,642,705</u></u>	<u><u>\$63,744,771</u></u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Claim Reserves:		
Reserve for reported claims	<u>\$1,544,729</u>	<u>\$1,883,969</u>
Reserve for incurred but not reported claims	<u>800,000</u>	<u>800,000</u>
Estimated ultimate unpaid losses and loss adjustment expenses	<u>2,344,729</u>	<u>2,683,969</u>
Other liabilities	<u>0</u>	<u>0</u>
	<u>2,344,729</u>	<u>2,683,969</u>
Members' Equity excluding unrealized investment gains (losses)	<u>60,746,013</u>	<u>58,741,433</u>
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	<u>1,551,963</u>	<u>2,319,369</u>
Members' Equity	<u>62,297,976</u>	<u>61,060,802</u>
Total Liabilities and Members' Equity	<u><u>\$64,642,705</u></u>	<u><u>\$63,744,771</u></u>

## STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended December 31, 2009	Period Ended December 31, 2008
<b>REVENUES</b>		
Reinsurance revenue	<u>\$1,299,877</u>	<u>\$1,195,789</u>
Investment income	<u>707,121</u>	<u>821,398</u>
Total Revenues	<u>2,006,998</u>	<u>2,017,187</u>
<b>EXPENSES</b>		
Net paid losses and loss adjustment expense	<u>327,563</u>	<u>2,551,177</u>
Change in reserve for reported claims	<u>(339,239)</u>	<u>(2,503,295)</u>
Total losses and loss adjustment expenses	<u>(11,676)</u>	<u>47,882</u>
Investment expenses	<u>14,094</u>	<u>12,253</u>
Total Expenses	<u>2,418</u>	<u>60,135</u>
Revenues over expenses before unrealized investment gains (losses)	<u>2,004,580</u>	<u>1,957,052</u>
Investment income (unrealized investment gains (losses))	<u>(767,406)</u>	<u>1,422,901</u>
Revenues over expenses after unrealized investment gains (losses)	<u>1,237,174</u>	<u>3,379,953</u>
Members' Equity, beginning of year	<u>61,060,802</u>	<u>50,022,808</u>
Members' Equity, end of period	<u><u>\$62,297,976</u></u>	<u><u>\$53,402,761</u></u>

## LARGE LOSS FUND

## BALANCE SHEET

	December 31, 2009	September 30, 2009
<b>ASSETS</b>		
Cash, investments and accrued investment income	\$33,286,076	\$34,123,048
Total Assets	<u>\$33,286,076</u>	<u>\$34,123,048</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Claim Reserves:		
Reserve for reported claims	\$2,436,904	\$2,846,506
Estimated ultimate unpaid losses and loss adjustment expenses	2,436,904	2,846,506
Other liabilities	0	0
	<u>2,436,904</u>	<u>2,846,506</u>
Members' Equity excluding unrealized investment gains (losses)	30,050,029	30,034,966
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	799,143	1,241,576
Members' Equity	<u>30,849,172</u>	<u>31,276,542</u>
Total Liabilities and Members' Equity	<u>\$33,286,076</u>	<u>\$34,123,048</u>

## STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended December 31, 2009	Period Ended December 31, 2008
<b>REVENUES</b>		
Investment income	\$374,407	\$490,235
Large loss fund revenue	495,335	517,418
Total Revenue	<u>869,742</u>	<u>1,007,653</u>
<b>EXPENSES</b>		
Net paid losses and loss adjustment expense	1,256,821	830,493
Change in reserve for reported claims	(409,601)	(76,966)
Total losses and loss adjustment expenses	<u>847,220</u>	<u>753,527</u>
Investment expenses	7,459	7,312
Total Expenses	<u>854,679</u>	<u>760,839</u>
Revenues over (under) expenses before unrealized investment gains (losses)	15,063	246,814
Investment income (unrealized investment gains (losses))	(442,433)	863,609
Revenues over (under) expenses after unrealized investment gains (losses)	<u>(427,370)</u>	<u>1,110,423</u>
Members' Equity, beginning of year	31,276,542	25,831,046
Members' Equity, end of period	<u>\$30,849,172</u>	<u>\$26,941,469</u>

## STABILITY FUND

## BALANCE SHEET

	December 31, 2009	September 30, 2009
<b>ASSETS</b>		
Cash, investments and accrued investment income	<u>\$36,609,983</u>	<u>\$36,668,354</u>
Total Assets	<u><u>\$36,609,983</u></u>	<u><u>\$36,668,354</u></u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Reserve for unallocated loss adjustment expense	<u>\$5,000,000</u>	<u>\$5,000,000</u>
	5,000,000	5,000,000
Restricted Members' Equity - Texas Municipal Retirement System (Note 2)	12,229,384	12,229,384
Unrestricted Members' Equity	<u>18,501,655</u>	<u>18,104,783</u>
Members' Equity before unrealized investment gains (losses)	<u>30,731,039</u>	<u>30,334,167</u>
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	<u>878,944</u>	<u>1,334,187</u>
Members' Equity	31,609,983	31,668,354
Total Liabilities and Members' Equity	<u><u>\$36,609,983</u></u>	<u><u>\$36,668,354</u></u>

## STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended December 31, 2009	Period Ended December 31, 2008
<b>REVENUES</b>		
Investment income	<u>\$404,944</u>	<u>\$482,346</u>
Total Revenues	<u>404,944</u>	<u>482,346</u>
<b>EXPENSES</b>		
Investment expenses	8,072	7,194
Change in unallocated loss adjustment expense	<u>0</u>	<u>0</u>
Total Expenses	<u>8,072</u>	<u>7,194</u>
Revenues over expenses before unrealized investment gains (losses)	396,872	475,152
Investment income (unrealized investment gains (losses))	<u>(455,243)</u>	<u>857,789</u>
Revenues over expenses after unrealized investment gains (losses)	<u>(58,371)</u>	<u>1,332,941</u>
Members' Equity, beginning of year	<u>31,668,354</u>	<u>30,155,560</u>
Members' Equity, end of period	<u><u>\$31,609,983</u></u>	<u><u>\$31,488,501</u></u>

## LIFETIME BENEFITS FUND

## BALANCE SHEET

	December 31, 2009	September 30, 2009
<b>ASSETS</b>		
Cash, investments and accrued investment income	\$23,386,911	\$23,872,020
Total Assets	<u>23,386,911</u>	<u>\$23,872,020</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Claim Reserves:		
Reserve for reported claims (net of deductibles)	\$40,424,212	\$40,742,376
Estimated future investment income (discount) at 5.0%	(19,370,497)	(19,572,204)
Reinsurance recoverable on reported claims	(1,457,191)	(1,455,845)
Discount of reinsurance recoverable	880,636	886,573
Estimated ultimate unpaid losses and loss adjustment expenses	20,477,160	20,600,900
Members' Equity excluding unrealized investment gains (losses)	2,348,270	2,402,530
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	561,481	868,590
Members' Equity	2,909,751	3,271,120
Total Liabilities and Members' Equity	<u>\$23,386,911</u>	<u>\$23,872,020</u>

## STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended December 31, 2009	Period Ended December 31, 2008
<b>REVENUES</b>		
Annuity revenue	\$0	\$0
Investment income	262,062	307,720
Total Revenues	<u>262,062</u>	<u>307,720</u>
<b>EXPENSES</b>		
Paid losses and loss adjustment expenses	434,838	382,827
Change in reserve for reported claims	(319,511)	(334,708)
Change in discount (amortization)	195,770	164,825
Change in reserve for reported claims (transferred @ 5% discount)	0	0
Total losses and loss adjustment expenses	311,097	212,944
Investment expenses	5,225	4,592
Total expenses	<u>316,322</u>	<u>217,536</u>
Revenues over (under) expenses before unrealized investment gains (losses)	(54,260)	90,184
Investment income (unrealized investment gains (losses))	(307,109)	539,962
Revenues over expenses after unrealized investment gains (losses)	(361,369)	630,146
Members' Equity, beginning of year	3,271,120	1,928,836
Members' Equity, end of period	<u>\$2,909,751</u>	<u>\$2,558,982</u>

# Texas Municipal League Intergovernmental Risk Pool

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## NOTES TO COMBINED FINANCIAL STATEMENTS:

### NOTE 1 – DESCRIPTION OF OPERATIONS:

The Texas Municipal League Intergovernmental Risk Pool (the Pool) provides property, liability and workers' compensation coverages for certain governmental entities of the State of Texas. Member entities include municipalities, housing authorities, councils of government, hospital districts, fire districts, water districts, tax appraisal districts and other special districts and authorities. At September 30, 2009, the Pool consisted of 2,648 members. The Pool consists of eight separate funds: the Workers' Compensation Fund, the Liability Fund, the Property Fund, the Coastal Storm Fund, the Reinsurance Fund, the Large Loss Fund, the Stability Fund, and the Lifetime Benefits Fund. The combination of all Funds is the result of operations of the Texas Municipal League Intergovernmental Risk Pool

The Texas Municipal League Workers' Compensation Joint Insurance (Workers' Compensation) was created in January 1974 by the Texas Municipal League (TML). This Fund provides coverage that conforms to the workers' compensation laws of Texas. The Texas Municipal League Joint-Self Insurance Liability and Property Funds were created in October 1981. The coverages provided by these Funds include general liability, automobile liability, automobile physical damage, law enforcement liability, public officials' errors and omissions, hangarkeepers liability, chartered aircraft and airport liability, real and personal property, mobile equipment, boiler and machinery and other specialized coverages. As part of the coverage, the Pool provides risk management services with emphasis on loss control. The Pool earns an administrative fee from a small number of entities that receive claims management services only.

On August 26, 1990, the Pool's Board of Trustees (the Board) created the Texas Municipal League Intergovernmental Risk Pool Stability and Reinsurance Funds. The purpose of the Reinsurance Fund is to provide additional self-funded layers of risk. On July 26, 2008 the Board amended the policy governing the Stability Fund. The amended policy states that the purpose of the Stability Fund is to provide protection of all the Pool's claims incurring funds to offset the inability of any such fund to meet its cash requirements and provide a reserve for Unallocated Loss Adjustment Expenses (ULAE). In addition, a portion of the Stability Fund equity has been restricted to cover estimated future liability in the TMRS. On July 25, 2009, the Board amended the policy governing the Stability Fund to expand the letter of credit from the Stability Fund to the Coastal Storm Fund from \$1 million to \$4 million. Distributions from the Stability Fund will only be made upon specific Board authorization and will be limited to the assets of the Stability Fund. The ULAE reserve was increased from \$3.4 million to \$5.0 million in 2008-09.

On July 19, 2003, the Board authorized the separation of the Large Loss Fund from the Reinsurance Fund and established it as a separate Fund effective September 30, 2003. The Large Loss Fund was created to provide additional protection against large losses. Upon Board approval, the Large Loss Fund will pay any loss which exceeds the following limits until the Fund is exhausted: (1) for the Workers' Compensation, Liability, and Property Funds, any amount in excess of \$3 million in cumulative losses exceeding \$1 million, (2) for the Reinsurance Fund, amounts in excess of \$4 million per loss. For the Coastal Storm Fund, the Large Loss Fund will pay losses exceeding \$2 million per occurrence and the participation excess of \$2 million is 50% Large Loss Fund and 50% Property Fund for the next \$4 million; excess of \$6 million is 100% Large Loss Fund. Any loss unable to be fully paid would revert to the Workers' Compensation, Liability, Property, Reinsurance Fund, or Coastal Storm Fund unless the Board of Trustees determines that the Large Loss Fund should incur debt to meet the pending obligation. For 2007-2008, the Workers' Compensation, Liability, Property, and Large Loss Funds are charged a rate of 2% of gross contributions for this additional protection from the Large Loss Fund. At the July 26, 2008 Board meeting the Trustees authorized this rate to be decreased to 1½% and increased the amount of maximum cumulative contributions from \$40 million to \$60 million effective October 1, 2008. To date, cumulative contributions to the Large Loss Fund are \$30,348,939 and Members' Equity is \$30,050,029.

On July 20, 2002, the Board activated the Lifetime Benefits Fund to pay claims to beneficiaries of employees who were fatally injured on the job. The Workers' Compensation Fund pays the Lifetime Benefits Fund the present value of future claim payments to beneficiaries at a discount rate. The claims are considered closed in the Workers' Compensation Fund and the Lifetime Benefits Fund assumes the financial obligation for paying these claims.

On October 7, 2007, the Board authorized the creation of the Coastal Storm Fund, a sub-fund of the Property Fund. This Fund was created as a source of windstorm and hail coverage for properties located in the first tier of counties adjacent to the Gulf of Mexico with certain characteristics that reduce the likelihood of damage caused by windstorm and hail. The Coastal Storm Fund provides coverages that cannot be readily provided by the Property Fund due to reinsurance limitations. On July 25, 2009, the Board transferred \$4 million Property Fund equity to the Coastal Storm Fund, expanded the letter of credit from the Stability Fund to \$4 million, modified the Large Loss Fund participation as described above, approved rates at 80% of the Texas Windstorm Insurance Association (TWIA) rates, and modified the coverage offered to members.

# Texas Municipal League Intergovernmental Risk Pool

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## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### Combined Financial Statements

The combined financial statements consist of account balances of the Workers' Compensation Fund, the Liability Fund, the Property Fund, the Coastal Storm Fund, the Reinsurance Fund, the Large Loss Fund, the Stability Fund, and the Lifetime Benefits Fund. All significant interfund balances and transactions have been eliminated.

### Contribution Recognition

Generally, member entities pay annual contributions to obtain property, liability and workers' compensation coverage for each fiscal year ending September 30. These contributions are earned based on a calculated historical loss distribution basis for monthly reporting. For annual reporting, these contributions are earned on a pro-rata basis over the period of coverage. The members' coverages are continuous until canceled. General liability, automobile liability, and property contributions are determined by the Board and are based on the Pool's experience. Initial rates were based on the rates established by the Insurance Services Office and have been adjusted over time as the Pool's experience developed.

Rates for law enforcement liability and public officials errors and omissions coverages are determined by the Board. Workers' Compensation contributions are based upon rates established by the Texas Department of Insurance, adjusted using experience modifiers and discounts based upon members' individual loss experience. Liability and Property contributions are adjusted using an experience modifier based upon members' individual loss experience. These credits and adjustments have been netted against earned contributions in the Liability, Property, and Workers' Compensation Funds' statements of operations.

### Investments

The Pool presents all of its investments on the balance sheet at market value and recognizes changes in the market value of investments as a component of investment income on the Statement of Operations and Changes in Members' Equity.

The Pool intends to hold investments to maturity. Long-term fixed income investments consist of United States government and agency securities, municipal bonds and other securities guaranteed by the Federal Deposit Insurance Corporation with maturity dates after one year. Short-term investments include securities with maturity dates within one year. Cash equivalents include demand and money market deposits.

### Claim Reserves

Claim reserves represent management's best estimate of claim expenses for settling unpaid claims, based on past experience adjusted for factors that would modify past trends. Allocated claim adjustment expenses are those that can be associated directly with specific claims, such as legal fees. Unallocated claim adjustment expenses are other claims handling costs, such as salaries and contract adjuster fees.

Claim reserves include estimates for allocated claim adjustment expenses for reported claims and claims that have been incurred but not yet reported, and unallocated loss adjustment expenses for all claims. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in current operations.

The Pool discounts claim reserves in the Lifetime Benefits Fund. These reserves consist of unpaid lifetime benefits to beneficiaries of employees fatally injured on the job. As such, the unpaid benefits have a determinable duration and amount. From inception to September 30, 2008, the Workers' Compensation Fund paid the Lifetime Benefits Fund the present value of future claim payments to beneficiaries at a discount rate of 5%. Effective October 1, 2008, the Board authorized a discount rate of 5% for new claims transferred to the Lifetime Benefits Fund unless members' equity exceeds \$1 million. If members' equity exceeds \$1 million, the discount rate will be 9% if the spouse is thirty-five years of age or under and 6% if the spouse is thirty-six years or older.

Reinsurance premiums, losses, and loss adjustment expenses are accounted for on bases consistent with the coverage documents in effect during the date of loss and the terms of related reinsurance contracts.

### Members' Equity

Under the terms of the Interlocal Agreements, members of the respective funds may receive a return of contributions out of members' equity, subject to Board approval.

In July 1994, the Board approved the use of an equity study developed by the Pool's Finance Department as a guide in determining the adequacy of the Pool's equity levels. Since its adoption in 1994, the equity study has been updated annually to reflect changes in the Pool's financial position.

## Texas Municipal League Intergovernmental Risk Pool

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The Board is responsible for maintaining adequate protection from catastrophic losses to protect its financial integrity and to maintain the fiscal soundness of the Pool at the beginning of or during any fiscal year. By the adoption of the 2009-2010 Budget, the Board determined all equity was needed for the Pool's fiscal soundness.

Governmental Accounting Standards Board Statement No. 31 requires the Pool to report investments on the balance sheet at market value. The market values of the Pool's investments change as interest rates change. Due to this requirement and the volatility created by changes in interest rates and the related changes in the market value of the Pool's investments, it is important to note that the Members' Equity shown on the balance sheet as of December 31, 2009 includes unrealized gains or losses on investments as follows:

Members' Equity excluding unrealized investment gains (losses)	\$ 340,125,204
Unrealized investment gains (losses)	15,849,541
	<u>\$ 355,974,745</u>

On July 26, 2008, the Board approved expanding the purpose of the Stability Fund to include the recognition of the unfunded actuarial liability for Pool's employees in the Texas Municipal Retirement System (TMRS). The restriction of equity is recorded in the Stability Fund using the December 31, 2008 amount of \$12,229,384. Each year thereafter the amount to be restricted will be adjusted based on the updated unfunded actuarial liability estimate calculated by TMRS.

### Income Taxes

The Workers' Compensation Fund and the Liability and Property Funds obtained a ruling from the Internal Revenue Service in February 1980 and July 1989, respectively, which recognize these Funds as political subdivisions. Pursuant to the ruling, income is not taxable under Section 115(1) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include income tax expense.

### Land and Capital Assets

Capital assets are property and equipment that have an estimated useful service life of greater than one year and a purchase cost of \$20,000 or more. With the exception of land, fixed assets are depreciated by the straight-line method and presented net of accumulated depreciation. Land is carried at cost and is not depreciated. In 1995, the Pool purchased a 50% undivided interest in the land and building which currently serve as the Pool's main office in Austin, Texas. The building is being depreciated over a 20-year period. On October 10, 2009, the Board amended the Pool's capitalization policy to (1) increase the threshold for all depreciable assets from \$20,000 to \$30,000 and (2) increase the useful life and depreciation period of the building and building improvements from 20 years to 30 years.

The depreciation periods for all other assets are seven years for software, three years for vehicles and computers, and five years for furniture, fixtures and equipment.

	December 31, 2009	September 30, 2009
Land and land improvements	\$ 514,697	\$ 514,697
Buildings and improvements	5,391,821	5,391,821
Vehicles	96,138	96,138
Computers	595,451	590,805
Furniture and Equipment	757,910	760,169
Software	1,568,258	1,536,058
Accumulated depreciation	(5,878,056)	(5,797,385)
Total	<u>\$ 3,046,219</u>	<u>\$ 3,092,303</u>

### Outstanding Loss Drafts

Outstanding loss drafts represent claims checks written by the Pool that remain outstanding at December 31, 2009.

### Other Liabilities

Other liabilities include amounts payable to various vendors and other entities at the end of the period for services provided during the fund year. These balances were as follows:

	December 31, 2009	September 30, 2009
Reinsurance payable – other	\$ 544,338	\$ 394,967
Reinsurance payable – reinstatement	786,957	786,957
Vacation wages payable	1,075,901	1,029,730
Members' Equity Return payable	16,103,344	16,103,344
Other payables	910,118	1,302,239
Total	<u>\$ 19,420,658</u>	<u>\$ 19,617,237</u>

## Texas Municipal League Intergovernmental Risk Pool

### Unearned Contributions

Unearned contributions consist of amounts billed and paid by members that have not been earned by the Funds at December 31, 2009.

### NOTE 3 – CASH AND INVESTMENTS AND INVESTMENT INCOME:

Governmental Accounting Standards Board Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, requires the Pool to report all investments on the balance sheet at market value and to recognize changes in the market value of investments as a component of investment income on the Statement of Operations and Changes in Members' Equity.

The Pool applies the market value method to all investments held by the Pool. Market value prices are obtained from the Northern Trust Company as of the valuation date for the financial statements (December 30, 2009). Investment income is included in the statement of operations and consists of the following for the three months ending December 31, 2009:

	Interest Income (Includes Amortization Of Discount/Premium)	Gain/(Loss) On Sale of Investment	Investment Income	Change in Market Value
Workers' Comp Fund	\$ 2,387,409	\$ 193,950	\$ 2,581,359	\$ (2,231,442)
Liability Fund	1,863,085	151,436	2,014,521	(1,739,974)
Property Fund	612,525	51,651	664,176	(49,485)
Coastal Storm Fund	42,837	3,460	46,297	(47,500)
Reinsurance Fund	654,675	52,446	707,121	(767,406)
Large Loss Fund	346,443	27,964	374,407	(442,433)
Stability Fund	374,912	30,032	404,944	(455,243)
Lifetime Benefits Fund	242,615	19,447	262,062	(307,109)
<b>Total</b>	<b>\$ 6,524,501</b>	<b>\$ 530,386</b>	<b>\$ 7,054,887</b>	<b>\$ (6,040,592)</b>

As of December 31, 2009, the amortized cost and market value of the Pool's investments were as follows:

	Amortized Cost	Market Value
U.S. Treasury obligations	\$ 7,698,905	\$ 8,163,421
U.S. Agency obligations	543,388,848	557,238,274
Municipal bonds	39,549,580	40,675,998
FDIC – Guaranteed Bonds	18,694,754	19,103,935
Cash and cash equivalents – Northern Trust	26,532,200	26,532,200
<b>Total Investments</b>	<b>635,864,287</b>	<b>651,713,828</b>
Cash and cash equivalents – Bank	5,001,583	5,001,583
<b>Total accrued investment income</b>	<b>3,453,303</b>	<b>3,453,303</b>
<b>Total cash, investments and accrued Investment income</b>	<b>\$ 644,319,173</b>	<b>\$ 660,168,714</b>

### NOTE 4 – REINSURANCE RECOVERABLE ON PAID LOSSES:

The Pool purchases reinsurance from A-rated private companies and from National League of Cities Mutual Insurance Corporation (NLC-MIC). Amounts receivable from these reinsurance companies are comprised of the following:

	December 31, 2009			September 30, 2009		
	Billed	Unbilled	Totals	Billed	Unbilled	Totals
Old Republic	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
CNA	0	155,097	155,097	88,048	0	88,048
Transamerica	5,932	24,634	30,566	23,520	0	23,520
NLC-MIC	0	22,298	22,298	4,307	8,989	13,296
Lloyd's Syndicate	573,319	43,972	617,291	752,695	212,327	965,022
<b>Total</b>	<b>\$ 579,251</b>	<b>\$ 246,001</b>	<b>\$ 825,252</b>	<b>\$ 868,570</b>	<b>\$ 221,316</b>	<b>\$ 1,089,886</b>

## Texas Municipal League Intergovernmental Risk Pool

For the fiscal years ending September 30, 2010 and 2009, Workers' Compensation carries excess reinsurance up to statutory limits over a retention of \$3 million. In the year ending September 30, 2010, the Workers' Compensation Fund retains 10% of losses exceeding the Fund's retention of \$3 million and the Reinsurance Fund assumes an 80% quota share of the \$20 million excess of \$3 million layer and a 90% quota share of losses in excess of \$23 million up to statutory limits.

For the fiscal years ending September 30, 2010 and 2009, Liability carries excess reinsurance over a retention of \$3 million. In the year ending September 30, 2009, the Reinsurance Fund assumes a 77.5% quota share for the \$2 million excess of \$3 million layer and 100% of the \$5 million excess of \$5 million layer.

Through April 30, 2009, Property carries a specific retention limit of \$3 million per occurrence for mobile equipment, auto physical damage, and real and personal property. Beginning on May 1, 2009, Property carries a specific retention limit of \$4 million per occurrence for an event other than a named storm or a \$10 million per occurrence for a named storm. The Reinsurance Fund assumes a 24.9% quota share for the \$21 million excess of \$4 million layer without a named storm and \$15 million excess of \$10 million with a named storm. In addition, the Reinsurance fund assumes a 15% quota share of the \$75 million excess of \$25 million layer. The Reinsurance Fund will also take 60% of the \$50 million excess of \$100 million layer.

A premium reinstatement of \$786,957 was accrued on September 30, 2009. The premium reinstatement was for losses incurred in the \$25 million excess of \$25 million layer.

The schedule below shows reinsurance costs expensed to outside reinsurers, the Reinsurance Fund, and the Large Loss Fund at December 31, 2009:

	Workers' Comp Fund	Liability Fund	Property Fund	Coastal Storm	Totals
Outside Reinsurers	\$ 118,505	\$ 30,866	\$ 2,090,606	\$ 0	\$ 2,239,977
Reinsurance Fund	588,752	119,061	592,064	0	1,299,877
Large Loss Fund	224,247	152,929	117,191	968	495,335
Totals	<u>\$ 931,504</u>	<u>\$ 302,856</u>	<u>\$ 2,799,861</u>	<u>\$ 968</u>	<u>\$ 4,035,189</u>

Payments to the Reinsurance Fund for reinsurance coverage are based on recent commercial pricing from major reinsurers less 25% effective October 1, 2009.

### NOTE 5 – ADMINISTRATIVE SERVICE ONLY CONTRACTS AND LARGE DEDUCTIBLE MEMBERS:

The Pool provides claims, loss control and reinsurance placement services for certain members in exchange for a service fee. These service fees are referred to as Administrative Service Only (ASO) contracts. Other members receive deductible credits for selecting large deductibles in the Workers' Compensation program. Paid loss amounts receivable from ASO contracts and large deductible members are recorded as contribution and other receivables. Loss deposits held for both ASO contracts and large deductible members are recorded as liabilities. The Pool earned service fee income of \$24,773 for the period ended December 31, 2009.

### NOTE 6 – OTHER ASSETS:

Other assets are comprised of the following:

	December 31, 2009			
	Workers' Compensation	Liability	Property	Combined Funds
Deposit with TML	\$ 202,284	\$ 112,749	\$ 16,581	\$ 331,614
Deposit with NLC-MIC	39,518	227,973	293,576	561,067
Deposit with WC Alliance	34,687	19,334	2,843	56,864
Rent Deposits	9,529	5,311	781	15,621
Prepaid Expenses	36,543	20,368	2,995	59,906
Totals	<u>\$ 322,561</u>	<u>\$ 385,735</u>	<u>\$ 316,776</u>	<u>\$ 1,025,072</u>

## Texas Municipal League Intergovernmental Risk Pool

September 30, 2009

	Workers' Compensation	Liability	Property	Combined Funds
Deposit with TML	\$ 198,968	\$ 116,065	\$ 16,581	\$ 331,614
Deposit with NLC-MIC	39,518	227,973	293,576	561,067
Deposit with WC Alliance	34,118	19,902	2,843	56,863
Rent Deposits	9,373	5,467	781	15,621
Prepaid Expenses	66,217	38,627	5,518	110,362
Totals	<u>\$ 348,194</u>	<u>\$ 408,034</u>	<u>\$ 319,299</u>	<u>\$ 1,075,527</u>

The TML deposit required by contract is equal to one month's average bill, and is based upon an average of six months of billings. The deposit with NLC-MIC is based upon the level of reinsurance purchased from them. At September 30, 2009, the Pool's equity interest in NLC-MIC was \$909,750 which is \$348,683 more than the Pool's recorded cost basis.

### NOTE 7 – SERVICE FEES AND OTHER INCOME:

The Pool generates additional revenues in the form of (1) Member Service Fees charged to self-insured members for administrative functions, (2) Windstorm Service Fees charged to Schinnerer for windstorm coverage placement activities and (3) Other Income, which consists of small miscellaneous receipts. At December 31, 2009, Service Fees and Other Income consisted of the following items:

	Workers' Comp. Fund	Liability Fund	Property Fund	Totals
Member Service Fees	\$ 24,773	\$ 0	\$ 0	\$ 24,773
Windstorm Service Fees	0	0	0	0
Gain/(Loss)–Sale of Vehicles & Equipments	42,925	23,925	3,518	70,368
Other Income	0	0	0	0
Totals	<u>\$ 67,698</u>	<u>\$ 23,925</u>	<u>\$ 3,518</u>	<u>\$ 95,141</u>

### NOTE 8 – CONTINGENCIES:

In the normal course of operations, the Pool is involved in litigation related to certain claims. In the opinion of management, the disposition of these matters will not have a materially adverse effect on the Pool's financial position.

**TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL**  
**Analysis of Incurred Losses For the Current and Prior-Years**  
**For the Year to Date ended: December 31, 2009**

**WORKERS' COMPENSATION FUND**

<b>Contributions</b>	<b>\$14,586,438</b>
<b>Less: Reinsurance Expense</b>	<b>(707,257)</b>
<b>Net Contributions</b>	<b>13,879,181</b>
<b>Workers' Compensation Audits</b>	<b>363,329</b>
<b>Total Net Contributions and Audits</b>	<b>\$14,242,510</b>
<b>Current-Year Incurred Losses and Loss Adjustment Expenses:</b>	
<b>Paid Losses</b>	<b>1,114,903</b>
<b>Change In Reserves For Reported Claims (OPEN)</b>	<b>4,665,429</b>
<b>Change In Reinsurance Recoverable</b>	<b>(5,219)</b>
<b>Current-Year Incurred Losses and Loss Adjustment Expenses</b>	<b>5,775,113</b>
<b>Prior-Years' Incurred Losses and Loss Adjustment Expenses:</b>	
<b>Paid Losses</b>	<b>9,964,438</b>
<b>Change In Reserves For Reported Claims</b>	<b>(7,827,905)</b>
<b>Change In Reinsurance Recoverable</b>	<b>31,432</b>
<b>Prior-Years' Incurred Losses and Loss Adjustment Expenses</b>	<b>2,167,965</b>
<b>Change in Incurred But Not Reported Claims (IBNR)</b>	<b>0</b>
<b>Net Losses and Loss Adjustment Expenses For Current and Prior-Years</b>	<b>7,943,078</b>
<b>Contributions Over (Under) Current and Prior-Years' Losses</b>	<b>\$6,299,432</b>

**TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL**  
**Analysis of Incurred Losses For the Current and Prior-Years**  
**For the Year to Date ended: December 31, 2009**

**LIABILITY FUND**

	GENERAL LIABILITY	SEWAGE BACKUP	LAW ENFORCEMENT	PUBLIC OFFICIALS	AUTO LIABILITY	AIRPORT LIABILITY	TOTAL LIABILITY
Contributions	\$1,934,748	\$61,423	\$1,844,935	\$2,636,478	\$3,584,648	\$133,043	\$10,195,275
Less: Reinsurance expense	(33,478)	0	(41,036)	(60,544)	(14,869)	0	(149,927)
Net Contributions	<u>1,901,270</u>	<u>61,423</u>	<u>1,803,899</u>	<u>2,575,934</u>	<u>3,569,779</u>	<u>133,043</u>	<u>10,045,348</u>
<b>Current-Year Incurred Losses and Loss Adjustment Expenses:</b>							
Paid Losses	74,844	11,691	5,000	0	317,949	0	409,484
Change In Reserves For Reported Claims (OPEN)	819,571	15,287	257,500	327,500	703,027	38,500	2,161,385
Change In Reinsurance Recoverable	0	0	0	0	0	0	0
Current-Year Incurred Losses and Loss Adjustment Expenses	<u>894,415</u>	<u>26,978</u>	<u>262,500</u>	<u>327,500</u>	<u>1,020,976</u>	<u>38,500</u>	<u>2,570,869</u>
<b>Prior-Years' Incurred Losses and Loss Adjustment Expenses:</b>							
Paid Losses	1,137,679	86,506	1,605,389	2,217,745	2,107,875	1,751	7,156,945
Change In Reserves For Reported Claims	(130,642)	(2,016)	(1,567,389)	(1,063,221)	(1,699,542)	(29,313)	(4,492,123)
Change In Reinsurance Recoverable	0	0	0	0	0	705	705
Prior-Years' Incurred Losses and Loss Adjustment Expenses	<u>1,007,037</u>	<u>84,490</u>	<u>38,000</u>	<u>1,154,524</u>	<u>408,333</u>	<u>(26,857)</u>	<u>2,665,527</u>
Change in Incurred But Not Reported Claims (IBNR)	0	0	0	0	0	0	0
Net Losses and Loss Adjustment Expenses For Current and Prior-Years	<u>1,901,452</u>	<u>111,468</u>	<u>300,500</u>	<u>1,482,024</u>	<u>1,429,309</u>	<u>11,643</u>	<u>5,236,396</u>
Contributions Over (Under) Current and Prior-Years' Losses	<u>(\$182)</u>	<u>(\$50,045)</u>	<u>\$1,503,399</u>	<u>\$1,093,910</u>	<u>\$2,140,470</u>	<u>\$121,400</u>	<u>\$4,808,952</u>

**TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL**  
**Analysis of Incurred Losses For the Current and Prior-Years**  
**For the Year to Date ended: December 31, 2009**

**PROPERTY FUND**

	AUTO PHYSICAL DAMAGE	*REAL & PERSONAL PROPERTY	MOBILE EQUIPMENT	ANIMAL MORTALITY	CRIME	TOTAL PROPERTY
Contributions	\$1,964,928	\$5,222,398	\$522,126	\$11,481	\$91,830	\$7,812,763
Less: Reinsurance expense	(106,307)	(2,496,633)	(79,730)	0	0	(2,682,670)
Net Contributions	<u>1,858,621</u>	<u>2,725,765</u>	<u>442,396</u>	<u>11,481</u>	<u>91,830</u>	<u>5,130,093</u>
<b>Current-Year Incurred Losses and Loss Adjustment Expenses:</b>						
Paid Losses	720,430	755,708	23,456	0	0	1,499,594
Change In Reserves For Reported Claims (OPEN)	429,982	1,724,296	186,101	0	0	2,340,379
Change In Reinsurance Recoverable	0	0	0	0	0	0
Current-Year Incurred Losses and Loss Adjustment Expenses	<u>1,150,412</u>	<u>2,480,004</u>	<u>209,557</u>	<u>0</u>	<u>0</u>	<u>3,839,973</u>
<b>Prior-Years' Incurred Losses (excluding Hurricane Ike):</b>						
Paid Losses	531,795	5,032,698	308,357	0	(15,800)	5,857,050
Change In Reserves For Reported Claims	(410,055)	(4,431,806)	(183,666)	0	(7,541)	(5,033,068)
Change In Reinsurance Recoverable	0	(941,853)	0	0	0	(941,853)
Prior-Years' Incurred Losses (excluding Hurricane Ike):	<u>121,740</u>	<u>(340,961)</u>	<u>124,691</u>	<u>0</u>	<u>(23,341)</u>	<u>(117,871)</u>
<b>Prior-Year's Hurricane Ike Activity:</b>						
Paid Losses	87,485	825,626	7,345	0	0	920,456
Change In Reserves For Reported Claims	(98,883)	(1,756,988)	(34,792)	0	0	(1,890,663)
Change In Reinsurance Recoverable	(68,578)	989,410	49,375	0	0	970,207
Prior-Year's Hurricane Ike Activity:	<u>(79,976)</u>	<u>58,048</u>	<u>21,928</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Losses and Loss Adjustment Expenses</b>						
For Current and Prior-Years	<u>1,192,176</u>	<u>2,197,091</u>	<u>356,176</u>	<u>0</u>	<u>(23,341)</u>	<u>3,722,102</u>
<b>Contributions Over (Under) Current and Prior-Years' Losses</b>	<u>\$666,445</u>	<u>\$528,674</u>	<u>\$86,220</u>	<u>\$11,481</u>	<u>\$115,171</u>	<u>\$1,407,991</u>

\* Boiler & Machinery activity is combined with Real & Personal Property.

**TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL**  
**Analysis of Incurred Losses For the Current and Prior-Years**  
**For the Year to Date ended: December 31, 2009**

**REINSURANCE FUND**

	<u>WORKERS' COMP</u>	<u>LIABILITY</u>	<u>PROPERTY</u>	<u>LARGE LOSS</u>	<u>TOTAL</u>
<b>Contributions</b>	<u>\$588,752</u>	<u>\$119,060</u>	<u>\$592,065</u>	<u>\$0</u>	<u>\$1,299,877</u>
<b>Current-Year Incurred Losses and Loss Adjustment Expenses:</b>					
Paid Losses	0	0	0	0	0
Change In Reserves For Reported Claims (OPEN)	0	0	0	0	0
Change In Reinsurance Recoverable	0	0	0	0	0
<b>Current-Year Incurred Losses and Loss Adjustment Expenses</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Prior-Years' Incurred Losses and Loss Adjustment Expenses:</b>					
Paid Losses	6,430	0	321,133	0	327,563
Change In Reserves For Reported Claims	(6,430)	(317)	(332,492)	0	(339,239)
Change In Reinsurance Recoverable	0	0	0	0	0
<b>Prior-Years' Incurred Losses (excluding Hurricane Ike):</b>	<u>0</u>	<u>(317)</u>	<u>(11,359)</u>	<u>0</u>	<u>(11,676)</u>
<b>Change in Incurred But Not Reported Claims (IBNR)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Losses and Loss Adjustment Expenses For Current and Prior-Years</b>	<u>0</u>	<u>(317)</u>	<u>(11,359)</u>	<u>0</u>	<u>(11,676)</u>
<b>Contributions Over (Under) Current and Prior-Years' Losses</b>	<u>\$588,752</u>	<u>\$119,377</u>	<u>\$603,424</u>	<u>\$0</u>	<u>\$1,311,553</u>

**TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL**  
**Analysis of Incurred Losses For the Current and Prior-Years**  
**For the Year to Date ended: December 31, 2009**

**LARGE LOSS FUND**

	<u>WORK COMP</u>	<u>LIABILITY</u>	<u>PROPERTY</u>	<u>COASTAL STORM</u>	<u>TOTAL</u>
<b>Revenue</b>	<u>\$224,247</u>	<u>\$152,929</u>	<u>\$117,191</u>	<u>\$968</u>	<u>\$495,335</u>
<b>Current-Year Incurred Losses and Loss Adjustment Expenses:</b>					
Paid Losses	0	0	0	0	0
Change In Reserves For Reported Claims (OPEN)	0	0	0	0	0
Change In Reinsurance Recoverable	0	0	0	0	0
<b>Current-Year Incurred Losses and Loss Adjustment Expenses</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Prior-Years' Incurred Losses and Loss Adjustment Expenses:</b>					
Paid Losses	0	0	1,256,821	0	1,256,821
Change In Reserves For Reported Claims	0	0	(409,601)	0	(409,601)
Change In Reinsurance Recoverable	0	0	0	0	0
<b>Prior-Years' Incurred Losses (excluding Hurricane Ike):</b>	<u>0</u>	<u>0</u>	<u>847,220</u>	<u>0</u>	<u>847,220</u>
<b>Net Losses and Loss Adjustment Expenses For Current and Prior-Years</b>	<u>0</u>	<u>0</u>	<u>847,220</u>	<u>0</u>	<u>847,220</u>
<b>Contributions Over (Under) Current and Prior-Years' Losses</b>	<u>\$224,247</u>	<u>\$152,929</u>	<u>(\$730,029)</u>	<u>\$968</u>	<u>(\$351,885)</u>

**TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL**  
**Analysis of Incurred Losses For the Current and Prior-Years**  
**For the Year to Date ended: December 31, 2009**

**LIFETIME BENEFITS FUND**

Contribution Revenue	\$0
Change in Reserve - Claims Transferred	0
Change in Discount - Claims Transferred	0
Sub-total	0
Investment Income, net of investment expenses	256,837
Net Revenue	256,837
<b>Paid Losses and Amortization Activities:</b>	
Paid Losses	434,838
Change In Reserves For Reported Claims (OPEN)	(434,838)
Change in Discount	260,270
Paid Losses and Amortization Activities	260,270
Revenue over Paid Losses and Amortization Activities	(3,433)
Reserve Adjustments - Life Expectancy	(50,827)
Closed Claims	0
Revenue over (under) expenses	(\$54,260)

**TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL**  
**Analysis of Incurred Losses For the Current and Prior-Years**  
**For the Year to Date ended: December 31, 2009**

**COASTAL STORM FUND**

<b>Contributions</b>	<b>\$64,560</b>
<b>Net Contributions</b>	<b><u>64,560</u></b>
<b>Current-Year Incurred Losses and Loss Adjustment Expenses:</b>	
<b>Paid Losses</b>	<b>0</b>
<b>Change In Reserves For Reported Claims (OPEN)</b>	<b>0</b>
<b>Current-Year Incurred Losses and Loss Adjustment Expenses</b>	<b><u>0</u></b>
<b>Prior-Years' Incurred Losses and Loss Adjustment Expenses:</b>	
<b>Paid Losses</b>	<b>0</b>
<b>Change In Reserves For Reported Claims</b>	<b>0</b>
<b>Prior-Years' Incurred Losses and Loss Adjustment Expenses</b>	<b><u>0</u></b>
<b>Net Losses and Loss Adjustment Expenses For Current and Prior-Years</b>	<b><u>0</u></b>
<b>Contributions Over (Under) Current and Prior-Years' Losses</b>	<b><u>\$64,560</u></b>

**INTRODUCTION**

This section of the monthly financial packet analyzes current-year and prior-years' incurred loss development. Graphs and charts depict how losses are developing in the current year compared to prior years. Detailed claim information is presented to explain extraordinary variances.

**WORKERS' COMPENSATION FUND**

For the three months ending December 31, 2009, total reported incurred losses were \$7,943,078. Current-year incurred losses were \$5,775,113 and prior-years' incurred losses increased by \$2,167,965.

Current-Year Losses

The second table on the right titled *Current Year Variance Measures* compares current-year incurred totals for the last seven fund years. The first two columns detail the composition of current-year incurred losses between non-fatality and fatality losses. The third column sums the first two columns and reflects the current-year incurred losses recorded per the financial statements in the Workers' Compensation Fund. The distinction between the first two columns is important considering that IBNR is assessed to non-fatality claims only. Current-year non-fatality incurred losses of \$5,775,113 are \$532,588 or 8% less than the three-month total at December 31, 2008. The lower loss total was achieved with 12% less claim frequency this year. The Fund has incurred only one significant loss in excess of \$250,000. A City of Clute police officer suffered multiple injuries in an automobile accident with reserves set at \$303,348.

Prior-Years' Losses

The prior-years' incurred loss development of \$2,167,965 was \$432,451 less than the prior-years' total at December 31, 2008. This variance will be monitored closely to determine if last year's significant reduction in development is an emerging trend.

**LIABILITY FUND**

For the three months ending December 31, 2009, total reported incurred losses were \$5,236,396. Current-year incurred losses were \$2,570,869 and prior-years' incurred loss development of \$2,665,527 was \$1,709,692 less for the same period in the previous year.

Current-Year

The current-year reported incurred loss total of \$2,570,869 was \$205,980 less than the total at December 31, 2008. The positive variance is attributable to a \$515,678 favorable variance in auto liability coverage.

Prior-Years' Losses

The prior-years' incurred loss development of \$2,665,527 was \$1,709,692 less than the total at December 31, 2008. The variance is attributable to large positive variances in all coverages except General Liability. Six general liability claims incurred reserve increases of \$100,000.

WORKERS' COMPENSATION FUND INCOME STATEMENT

As of December 31, 2009			
	Current-Yr.	Prior-Yrs.	Total
Paid Losses	1,114,903	9,964,438	11,079,341
Chg. In Reserves	4,665,429	(7,827,905)	(3,162,476)
Chg. In Reins	(5,219)	31,432	26,213
<b>Total Loss</b>	<b>5,775,113</b>	<b>2,167,965</b>	<b>7,943,078</b>

CURRENT YEAR VARIANCE MEASURES

	Non-LTB Claims @ Dec 31	LTB Claims @ Dec 31	Total Incurred @ Dec 31
2002/03 FY	4,761,286	368,423	5,129,709
2003/04 FY	5,019,707	1,300,000	6,319,707
2004/05 FY	4,983,677	0	4,983,677
2005/06 FY	4,932,933	0	4,932,933
2006/07 FY	5,136,525	0	5,136,525
2007/08 FY	5,511,535	895,390	6,406,925
2008/09 FY	6,307,701	1,193,489	7,501,190
2009/10 FY	5,775,113	0	5,775,113

PRIOR-YEARS' VARIANCE

	Total @ 12/31/09	Total @ 12/31/08	Variance
Paid Losses	9,964,438	7,963,686	(2,000,752)
Chg. In Reserves	(7,827,905)	381,963	8,209,868
Chg. In Reins	31,432	(5,745,233)	(5,776,665)
<b>Total Loss</b>	<b>2,167,965</b>	<b>2,600,416</b>	<b>432,451</b>

CURRENT-YEAR'S VARIANCE BY LINE OF COVERAGE

	As of Dec 31 or 3 months					Total
	General Liability	Law Enforce	E&O Liability	Auto Liability	Aviation Liability	
2008/09 FY	638,195	495,000	105,500	1,536,654	1,500	2,776,849
2009/10 FY	921,393	262,500	327,500	1,020,976	38,500	2,570,869
<b>Variance</b>	<b>(283,198)</b>	<b>232,500</b>	<b>(222,000)</b>	<b>515,678</b>	<b>(37,000)</b>	<b>205,980</b>

PRIOR-YEARS' VARIANCE BY LINE OF COVERAGE

	As of Dec 31 or 3 months					Total
	General Liability	Law Enforce	E&O Liability	Auto Liability	Aviation Liability	
@ 12/31/08	(563,570)	1,532,205	1,859,666	1,540,639	6,279	4,375,219
@ 12/31/09	1,091,527	38,000	1,154,524	408,333	(26,857)	2,665,527
<b>Variance</b>	<b>(1,655,097)</b>	<b>1,494,205</b>	<b>705,142</b>	<b>1,132,306</b>	<b>33,136</b>	<b>1,709,692</b>

## PROPERTY FUND

For the three months ending December 31, 2009, total incurred losses were \$3,722,102. Current-year incurred losses were \$3,839,973 and prior-years' incurred losses decreased by \$117,871.

### Current-Year Losses

The three-month total of \$3,839,973 in current-year losses is \$1,151,883 greater than the total of 2,688,090 at December 31, 2008. The two significant claims in the three months to date were a fire claim at the City of Wellington and a storm (tornado) loss at the City of Lufkin. Both claims are reserved at \$185,000.

### Prior-Year Losses

The prior-years' incurred loss development of (\$117,871) was \$1,487,071 less than the total at December 31, 2008. The reserve total for Hurricane Dolly incurred in July 2008 increased from \$913,306 at September 30, 2009 to \$1,836,320 at December 31, 2009. The increase is attributable to additional reported damage at South Padre Island. Most of this development is in excess of \$1 million and is recoverable from the Large Loss Fund due to the other five storms in 2007/08 piercing of the Large Loss Fund aggregate loss retention.

## REINSURANCE FUND

The Reinsurance Fund provides reinsurance protection for the Workers' Compensation, Liability and Property Funds. Losses ceded to the Reinsurance Fund are recorded as reinsurance recoverable in the Workers' Compensation, Liability or Property Funds. The ceded losses are recorded as paid losses or open reserves in the Reinsurance Fund. At December 31, 2009, reported losses in the Reinsurance Fund decreased by \$11,676.

### REINSURANCE FUND LOSSES

	As of December 31, 2009			
	W/C	Liability	Property	Total
Paid Losses	6,430	0	321,133	327,563
Chg. In Reserves	(6,430)	(317)	(332,492)	(339,239)
Chg. In Reins	0	0	0	0
Total Loss	0	(317)	(11,359)	(11,676)

### Losses from Workers' Compensation Fund

For the year beginning October 1, 2009, the Reinsurance Fund assumes 85% of \$20 million exceeding the \$3 million layer and 90% of losses in excess of \$23 million. For the three months ending December 31, 2009, no workers' compensation losses have been incurred.

### Losses from Liability Fund

For the year beginning October 1, 2009, the Reinsurance Fund assumes 77.5% of \$2 million exceeding the \$3,000,000 layer and 100% of \$5 million exceeding the \$5 million layer. For the three months ending December 31, 2009, reported prior-years' aviation losses have decreased by \$317.

### Losses from Property Fund

Through April 30, 2009, the Reinsurance Fund assumed a 40% quota share for the \$7 million excess of \$3 million layer, a 15% quota share for the \$15 million excess of \$10 million layer, a 15% quota share for the \$25 million excess of \$25 million layer, and a 10% quota share for the \$50 million excess of \$50 million layer. Beginning on May 1, 2009, the Reinsurance Fund assumed a 24.9% quota share for the \$21 million excess of \$4 million layer without a named storm and \$15 million excess of \$10 million with a named storm. In addition, the Reinsurance Fund assumed a 15% quota share of the \$75 million excess of \$25 million layer. The Reinsurance Fund will also take 60% of the \$50 million excess of \$100 million layer. For the three months ending December 31, 2009, reported property losses in the Reinsurance Fund decreased by \$11,359.

## LARGE LOSS FUND

For the three months ending December 31, 2009, total incurred losses increased by \$847,220 with all of the losses being property prior-years' losses. The paid and incurred loss totals consist of aggregate loss development from both the 2006/07 and 2007/08 Fund Years and development from Hurricane Ike. The chart to the right details the total loss by these events. The chart reveals the increase of 2007/08 loss occurrences and decrease in the Hurricane Ike loss total. The increase in

### LARGE LOSS FUND LOSSES

	As of December 31, 2009			
	2006/07 Aggregate	2007/08 Aggregate	Hurricane Ike	Total
Paid Losses	162,694	940,512	153,615	1,256,821
Chg. In Reserves	(163,606)	53,151	(299,146)	(409,601)
Chg. In Reins	0	0	0	0
Total Loss	(912)	993,663	(145,531)	847,220

2007/08 loss occurrences is attributable to Hurricane Dolly and South Padre Island loss development noted above in the Property Fund section.

The Large Loss Fund assumed Hurricane Ike losses in the Reinsurance Fund in excess of \$4 million. The total loss for Hurricane Ike, including estimated adjuster costs is \$37,275,107 as of December 31, 2009. The chart to the right compares this total and the September 30, 2009 loss total of \$38,245,314 and reveals how the development decrease has impacted the Large Loss Fund by (\$145,531). The other portion of development decrease has reduced the recoverable from outside reinsurers.

#### HURRICANE IKE LOSS SUMMARIZED

Includes adjuster costs estimate of \$1,500,000			
	@ 9/30/09	@ 12/31/09	Change
Property Fund	1,000,000	1,000,000	0
Large Loss Fund - Aggregate	2,000,000	2,000,000	0
Large Loss Fund - Specific	3,036,797	2,891,266	(145,531)
Reinsurance Fund	4,000,000	4,000,000	0
NLC-MIC	350,000	350,000	0
Other Outside Reinsurers	27,858,517	27,033,841	(824,676)
<b>Totals</b>	<b>38,245,314</b>	<b>37,275,107</b>	<b>(970,207)</b>

## LIFETIME BENEFITS FUND

The Lifetime Benefits Fund was created to better manage the open workers' compensation claims involving death beneficiaries. From inception to September 30, 2008, the Workers' Compensation Fund has paid the Lifetime Benefits Fund the present value of future claim payments to 184 beneficiaries at a discount rate of 5%. These payments are recorded as income in the Lifetime Benefits Fund. Effective October 1, 2008, the Board authorized a discount of 5% for new claims transferred to the Lifetime Benefits Fund unless members' equity exceeds \$1 million. If members' equity exceeds \$1 million, the discount rate will be 9% if the spouse beneficiary is thirty-five years of age or under and 6% if the spouse beneficiary is thirty-six years of age or older.

The loss activity of the Lifetime Benefits Fund can be impacted in four ways: loss activity as a result

of payments to beneficiaries; initial set-up of reserve balances for new claims; reserve adjustments for existing claims; and closing of claims due to remarriage or death of beneficiary. The table above details the loss activity by these four classifications. The Pool implemented a policy of annually updating beneficiaries' life expectancies and the resulting reserve adjustments are reflected in the *Reserves Adjustments* column.

#### LIFETIME BENEFITS FUND LOSS ACTIVITY

For the three months ending December 31, 2009					
	Loss Activity	New Claims	Reserve Adjustments	Closed Claims	Total
Paid Losses	434,838	0	0	0	434,838
Change in Reserves	(434,838)	0	115,327	0	(319,511)
Chg. in Discount	260,270	0	(64,500)	0	195,770
<b>Net Losses (Gain)</b>	<b>260,270</b>	<b>0</b>	<b>50,827</b>	<b>0</b>	<b>311,097</b>

**REVENUE SUMMARY**

On a combined basis, the Pool is reporting earned contribution revenue of \$33,022,365 for the three months ending December 31, 2009. Interim monthly reporting of contributions is earned based on a calculated historical loss distribution. At year end, the earned contributions will be reported based on a pro-rata calculation of contract coverage dates. The chart to the right details by fund the projected contribution revenue of \$145,302,231 for 2009-10 and compares the actual 2008-09 contribution revenue earned. The comparison reflects the 10% return of contribution during 2008-09 and takes into account the earned contribution reflected in the Book of Business Report as well as the 2009-10 non-concurrent members not yet renewed as of this date.

**CONTRIBUTION REVENUE COMPARISON**

Fund	Historical	Dec. 31, 2009	Projected	Actual
	Loss Earned Percentage	Reported Earned Contribution	2009/10 Earned Contribution	2008/09 Contribution Revenue
Workers' Compensation	24%	\$14,586,438	\$59,800,000	\$61,547,831
Audits billed		363,329	(20,169)	
Liability	24%	10,195,275	42,703,300	39,262,177
Property	18%	7,812,763	42,619,100	40,717,381
Coastal Storm	18%	64,560	200,000	67,765
<b>Total</b>		<b>\$33,022,365</b>	<b>\$145,302,231</b>	<b>\$141,595,154</b>

**ACCOUNTS RECEIVABLE SUMMARY**

For the month ending December 31, 2009, charges (billing) totaling \$4,536,337 and payments totaling \$8,600,695 decreased the Accounts Receivable balance from \$7,936,803 to \$3,872,445. In addition to member receivables, the Pool accrues deductible and retention losses as "receivables not billed" in the month incurred and advances windstorm premiums on behalf of the members and records these payments as receivables until reimbursement by the member.

**MEMBER RECEIVABLES**

Total Billed	Receivable	Current	31-60 days	61-90 days	Over 90 days	Over 90 days Past Due %
@ 12/31/07 \$97,118,044	\$991,323	\$626,426	\$44,355	\$201,249	\$119,293	12.03%
@ 12/31/08 \$97,785,402	\$670,879	\$382,343	\$90,880	\$176,366	\$21,290	3.17%
@ 12/31/09 \$97,895,708	\$1,567,455	\$551,067	\$174,905	\$816,862	\$24,621	1.57%

**REINSURANCE RECEIVABLE SUMMARY**

For the month ending December 31, 2009, the Reinsurance Receivable balance is \$825,252 (\$653,287 at the end of November 2009). The balance consists of reinsurance recoverable on paid losses in excess of the Pool's retention. The balance and applicable claims are summarized below:

Workers' Compensation Fund

- Transamerica – The receivable balance is \$30,566 for specific coverage on the following claims: Brad Morgan, Milton Levy, and Dale Giles. \$5,932 has been billed to the reinsurer, and \$24,634 will be billed to the reinsurer in January 2010.
- CNA – The receivable balance is \$155,097 for specific coverage on the Tony Hammock and Brandon Burns claims. This amount will be billed to the reinsurer in January 2010.
- NLC-MIC – The receivable balance is \$18,634 for specific coverage on the Brandon Burns claim, T08/0100065213. This amount will be billed to the reinsurer in January 2010.

Liability Fund

- Old Republic – The receivable balance is \$0.

Property Fund

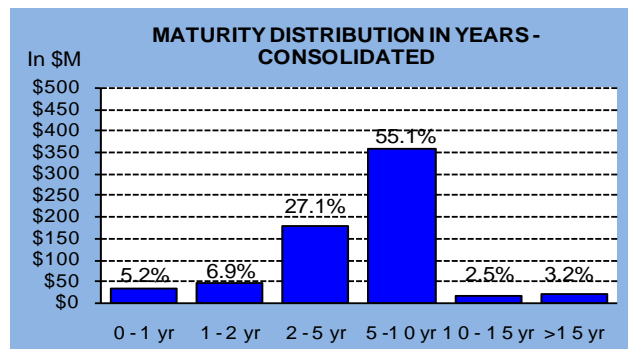
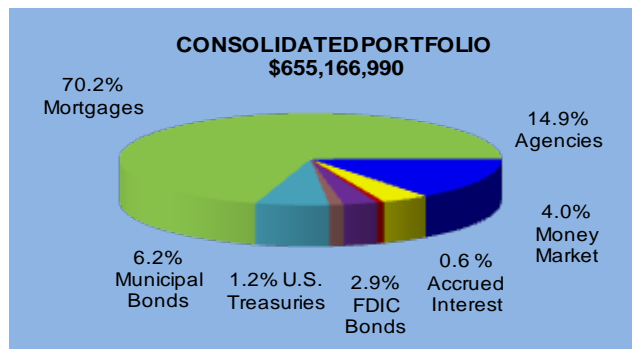
- Lloyd's Syndicate, et al. – The receivable balance is \$617,291 for specific coverage on the following claim occurrences: \$576,983 for Hurricane Ike and \$40,308 for the April 2008 Mansfield area storm. The reinsurer has been billed for Hurricane Ike payments through December 31, 2009. The Mansfield area storm will be billed to the reinsurer once all associated adjusting bills are compiled.
- NLC-MIC – The receivable balance is \$3,664 for the April 2008 Mansfield area storm. This amount will be billed to the reinsurer once all associated adjusting bills are compiled.

# INVESTMENT REPORT

DECEMBER 31, 2009

January 18, 2010

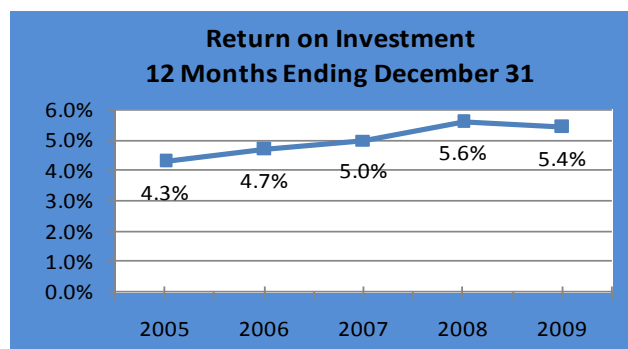
The Pool's investment income for the three months ending December 31, 2009 was \$7.1 million (compared to \$8.7 million last year). The Pool's realized gains were \$530,400 through three months compared to \$1,534,400 for the same period last year. The Pool's return on investment was 5.4% for the last twelve months and the total rate of return was 5.1%.



## INVESTMENT PERFORMANCE

The performance of an investment manager is measured by (1) return on investment and (2) total rate of return.

- **Return on Investment** is a measurement of investment income which includes interest income (including amortization of premiums and discounts) and realized gains. It is calculated in the same manner as total rate of return except that it does not include the fluctuation in unrealized gains and losses. The Pool makes financial decisions based on this measurement.



Returns	Dec. 09	3-Mo	6-Mo	9-Mo	1-Year	2-Year	3-Year	4-Year	5-Year
<b>*Consolidated</b>	0.3%	1.1%	2.4%	3.9%	5.4%	5.5%	5.3%	5.2%	5.0%
<b>Mesirow</b>	0.3%	1.0%	2.2%	3.4%	5.1%	5.4%	N/A	N/A	N/A
<b>Conning</b>	0.4%	1.2%	2.6%	3.9%	5.3%	N/A	N/A	N/A	N/A
<b>MFC Global</b>	0.4%	1.1%	2.5%	4.1%	5.5%	5.4%	5.3%	5.2%	5.1%
<b>TML-IRP</b>	0.3%	1.2%	2.3%	4.3%	5.8%	5.7%	5.4%	5.2%	5.0%

- **Total rate of return** is a measurement used by the investment industry to measure portfolio management performance and includes fluctuations in unrealized gains and losses. Under GASB 31, the fluctuation in unrealized gains and losses is recognized as a component of investment income.

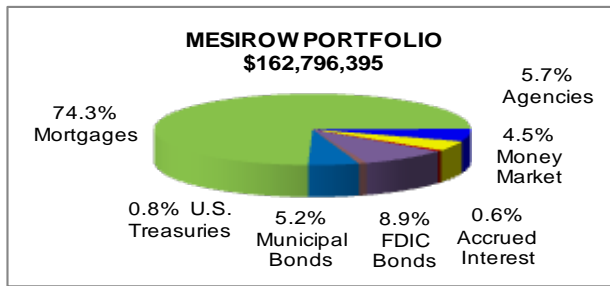
Returns	Dec. 09	3-Mo	6-Mo	9-Mo	1-Year	2-Year	3-Year	4-Year	5-Year
<b>*Consolidated</b>	-1.3%	0.2%	2.6%	3.0%	5.1%	6.5%	6.6%	6.2%	5.4%
<b>Index (Benchmark)</b>	-1.6%	0.2%	2.5%	2.3%	3.9%	6.5%	6.9%	6.2%	5.5%
<b>Mesirow</b>	-1.5%	0.1%	2.3%	2.6%	4.2%	6.6%	N/A	N/A	N/A
<b>Conning</b>	-1.2%	0.5%	3.0%	3.5%	5.5%	N/A	N/A	N/A	N/A
<b>MFC Global</b>	-1.4%	0.3%	2.9%	2.9%	5.3%	6.3%	6.5%	6.1%	5.4%
<b>TML-IRP</b>	-1.0%	-0.1%	2.1%	3.2%	5.2%	6.1%	6.2%	6.0%	5.2%

The index or benchmark for the Pool is a 25-75 blend of the Barclays Capital Intermediate Government Index and the Barclays Capital GNMA 30 Year Index.

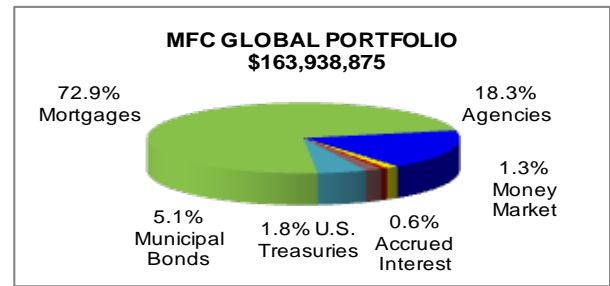
\*Consolidated returns include the performance of all current and past investment managers.

**INVESTMENT MANAGER OUTLOOK**

**Mesirow Financial Investment Management** believes the economy will continue to recover in 2010. Real Gross Domestic Product (GDP) should average 3.1% during 2010. The Federal Open Market Committee (FOMC) will keep rates in the 0-0.25% range until late 2010. Core inflation is expected to stay low during most of 2010 before accelerating in late 2010 or early 2011. Unemployment will peak near 10.2% in mid 2010 but will remain high for a long time. Unemployment is expected to fall to 8.5% by the end of 2011. Economic stimulus combined with guaranteed liabilities assumed by the Federal Reserve and Treasury will eventually lead to higher inflation. Mesirow believes treasuries and mortgage-backed securities are overvalued due to government purchases. Mesirow likes mortgage pools issued by the Government National Mortgage Association (GNMA) and Build America Bonds (taxable municipals).

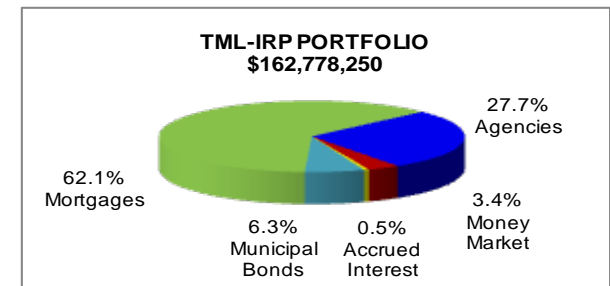
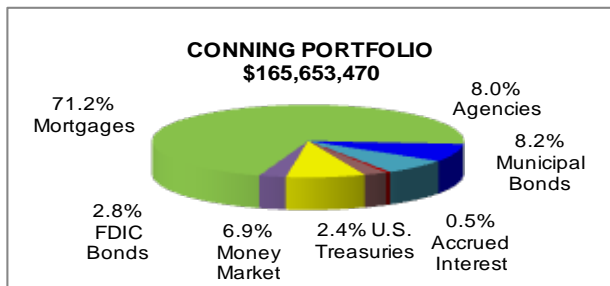


**MFC Global Investment Management** believes the Federal Open Market Committee and U.S. Treasury will continue to provide liquidity to the financial system to make sure the economy continues its recent growth. Economic activity should continue to improve, but the high unemployment rate, high housing inventories, tight credit, and high consumer savings rate will provide significant headwinds. Yields on treasury securities will likely increase over the course of the year. MFC Global believes that short-term interest rates will rise more than longer-term rates towards the end of 2010 as the market begins to price in the removal of easy monetary policy. U.S. treasury securities offer little value and other sectors look more attractive both on a total rate of return basis and an income basis.



**Conning Asset Management Company** expects restrained economic growth through 2011. The vehicle sector boost to U.S. output and sales in the third quarter has dwindled in the fourth quarter, and though GDP growth is expected to post a 3.5% fourth-quarter bounce, nearly all of the fourth-quarter growth is due to inventory replenishment. Prospects for U.S. growth in 2010 will hinge on the willingness of companies to reverse the sizable downdraft in business investment spending. Downside economic risks in this cycle will switch to inflation concerns by late-2010 and beyond. We expect bond yields to climb in 2010 and 2011 with massive new supply, a diminished flight-to-quality premium, a falling dollar and an expanding global economy that should lead to higher commodity prices. Conning prefers intermediate term Build America Bonds and higher coupon mortgage-backed securities relative to government securities.

**The Pool's internal management** believes the U.S. economy has gained traction and will likely continue to improve in 2010. Housing and industrial production are starting to show signs of growth. Companies will begin to hire to meet rising demand. The unemployment rate was 10.0% in December and may be near a peak. The financial crisis is over and financial institutions are getting stronger and profitable. The U.S. government has done a remarkable job dealing with the financial crisis and will need to begin to reverse some of the extraordinary economic stimulus programs. The FOMC will raise rates in 2010 as inflation expectations begin to rise. Government fixed income portfolios will lose value reversing the "flight to quality" gains. Mortgage-backed securities are overvalued as government purchases have distorted the market. Rising interest rates will provide better investment opportunities for the Pool.



## INVESTMENT MANAGER REVIEW

### Mesirow Financial Investment Management

In December, Mesirow Financial Investment Management purchased Government National Mortgage Association (GNMA) mortgage-backed securities, added to its position in Build America Bonds and purchased a pool of balloon (short-term) mortgages issued by Federal Home Loan Mortgage Corporation (FHLMC). Mesirow believes treasuries are overvalued and will continue to outweigh agency securities. Mortgages are overvalued and will be modestly underweighted as the government program to buy them is scheduled to end in early 2010. They prefer GNMA mortgage-backed securities to those issued by the Federal National Mortgage Association (FNMA) and FHLMC. On a return on investment basis, the portfolio matched the consolidated return in December and is in line with the consolidated return for the longer term. On a total return basis, the portfolio exceeded the benchmark by 15 basis points during the month and has exceeded the benchmark since inception. The outperformance was due primarily to its larger exposure to agency debentures, modest underweighting in mortgages, and slightly lower duration than that of the benchmark.

### Conning Asset Management Company

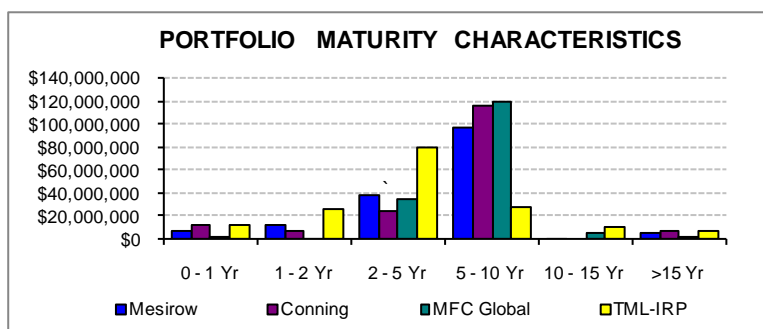
During the month, Conning Asset Management Company purchased two 5.0% 30-year mortgage-backed securities totaling \$4.0 million par value. This trade was funded with cash from the money market account. They favor taxable municipal bonds (target allocation of 10%) over government securities over the next quarter. Conning remains cautious in the mortgage-backed security sector, as the government program to purchase these securities is coming to an end. In December, the portfolio exceeded the consolidated return on investment due to a higher yield. On a total rate of return basis, the portfolio exceeded the benchmark by 45 basis points and has exceeded the benchmark since inception.

### MFC Global Investment Management

During December, MFC Global bought short-term callable agency securities. Yields look attractive on short callable agencies compared to other short duration government securities. With yields near all time lows, these securities produce better income than the money market fund or short treasuries. The portfolio matched or exceeded the return on investment of the consolidated return for most reported periods. On a total rate of return basis, the portfolio exceeded the benchmark by 25 basis points in December and exceeded the benchmark over the past twelve months. Agency mortgage-backed securities underperformed US Treasuries as rates rose and the expected maturities of mortgage-backed securities extended. Agency debentures outperformed during the month. MFC Global's exposure to lower coupon mortgages detracted from relative performance, however, the exposure to 15-year and adjustable-rate mortgage-backed securities added to performance as these securities outperformed 30 year mortgage-backed securities.

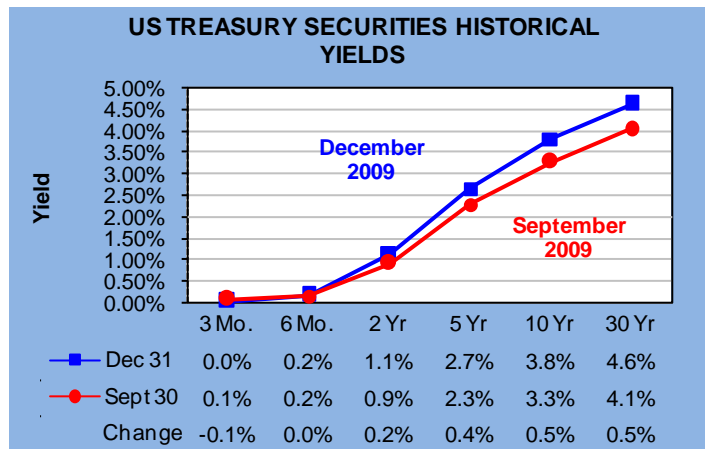
### TML-IRP Internal Portfolio

In December, the Pool's internal portfolio manager purchased 6.0% 30-year mortgage-backed securities, short-term agency notes and municipal bonds in order to increase the yield of the portfolio. The manager believes higher interest rates in 2010 will provide better opportunities to buy longer-term investments. There are no treasury securities in the portfolio. The portfolio manager believes there is little value in treasuries with yields near record lows and believes that the market will have negative returns (on a total rate of return basis) as interest rates rise. On a return on investment basis, the portfolio exceeded or matched the consolidated return for most reported periods. On total rate of return, the portfolio exceeded the benchmark by 59 basis points in December. The portfolio has an overweighting in 15-year mortgages and municipal bonds.



## INTEREST RATES

U.S. Treasury yields rose during the three months ending December 31, 2009. The yield on the 2-year treasury note rose from 0.9% to 1.1%; the 5-year note rose from 2.3% to 2.7%; the 10-year note rose from 3.3% to 3.8%; and the 30-year bond rose from 4.1% to 4.6%.



## FEDERAL OPEN MARKET COMMITTEE

At the December 16, 2009 meeting, the Federal Open Market Committee decided to keep its target range for the federal funds interest rate of 0 to 1/4 percent and issued the following statement:

“Information received since the Federal Open Market Committee met in November suggests that economic activity has continued to pick up and that the deterioration in the labor market is abating. The housing sector has shown some signs of improvement over recent months. Household spending appears to be expanding at a moderate rate, though it remains constrained by a weak labor market, modest income growth, lower housing wealth, and tight credit. Businesses are still cutting back on fixed investment, though at a slower pace, and remain reluctant to add to payrolls; they continue to make progress in bringing inventory stocks into better alignment with sales. Financial market conditions have become supportive of economic growth. Although economic activity is likely to remain weak for a time, the Committee anticipates that policy actions to stabilize financial markets and institutions, fiscal and monetary stimulus, and market forces will contribute to a strengthening of economic growth and a gradual return to higher levels of resource utilization in a context of price stability.

With substantial resource slack likely to continue to dampen cost pressures and with longer-term inflation expectations stable, the Committee expects that inflation will remain subdued for some time.

The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period. To provide support to mortgage lending and housing markets and to improve overall conditions in private credit markets, the Federal Reserve is in the process of purchasing \$1.25 trillion of agency mortgage-backed securities and about \$175 billion of agency debt. In order to promote a smooth transition in markets, the Committee is gradually slowing the pace of these purchases, and it anticipates that these transactions will be executed by the end of the first quarter of 2010. The Committee will continue to evaluate the timing and overall amounts of its purchases of securities in light of the evolving economic outlook and conditions in financial markets.

In light of ongoing improvements in the functioning of financial markets, the Committee and the Board of Governors anticipate that most of the Federal Reserve’s special liquidity facilities will expire on February 1, 2010, consistent with the Federal Reserve’s announcement of June 25, 2009. These facilities include the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility, the Commercial Paper Funding Facility, the Primary Dealer Credit Facility, and the Term Securities Lending Facility. The Federal Reserve will also be working with its central bank counterparties to close its temporary liquidity swap arrangements by February 1. The Federal Reserve expects that amounts provided under the Term Auction Facility will continue to be scaled back in early 2010. The anticipated expiration dates for the Term Asset-Backed Securities Loan Facility remain set at June 30, 2010, for loans backed by new-issue commercial mortgage-backed securities and March 31, 2010, for loans backed by all other types of collateral. The Federal Reserve is prepared to modify these plans if necessary to support financial stability and economic growth.”

**MARKET VALUES, BOOK VALUES, UNREALIZED GAINS (LOSSES) AND ACCRUED INTEREST**

On December 31, 2009, the market value of the Pool's investment portfolio was \$651,713,828 compared to the book value \$635,864,287 resulting in an unrealized gains of \$15,849,541.

	<b>Market Value</b>	<b>Book Value</b>	<b>Unrealized Gain (Loss)</b>	<b>Accrued Interest</b>
<b>Mesirow</b>	162,098,552	156,814,224	5,284,328	697,843
<b>Conning</b>	164,681,767	158,801,072	5,880,695	971,703
<b>MFC Global</b>	162,996,719	159,207,871	3,788,848	942,156
<b>TML-IRP</b>	161,936,790	161,041,120	895,670	841,460
<b>Total</b>	\$651,713,828	\$635,864,287	\$15,849,541	\$3,453,162

**Note: At November 30, 2009, the Unrealized Gain (Loss) was \$26,379,700.**

**TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL  
INVESTMENT SUMMARY  
December 31, 2009**

	Mesirow	Conning	MFC Global	TML-IRP	Total
Market Value @ 11/30/09	164,441,662	166,682,770	165,379,618	163,772,256	660,276,306
<b>Change in Investments:</b>					
Sale/Maturity of Securities	-	-	-	-	-
Purchase of Securities	10,584,694	4,175,105	4,500,000	6,795,965	26,055,764
Mortgage-Backed Securities' Paydowns	(2,441,415)	(2,121,638)	(1,487,572)	(3,230,645)	(9,281,270)
Realized Gain (Loss)	-	-	-	-	-
Change in Unamortized (Premium) Discount	(43,194)	(21,345)	(17,868)	(87,446)	(169,853)
<b>Change in Money Market:</b>					
Net Cash Transfers In (Out)	-	-	-	-	-
Net Interest Received (Paid)	611,151	602,428	529,194	394,763	2,137,536
Net Purchases (Sales)	(8,143,279)	(2,053,467)	(3,012,428)	(3,565,320)	(16,774,494)
<b>Change in Market Value:</b>					
Change in Unrealized Gain (Loss)	(2,911,067)	(2,582,086)	(2,894,225)	(2,142,783)	(10,530,161)
Market Value @ 12/31/09	162,098,552	164,681,767	162,996,719	161,936,790	651,713,828
Book Value @ 12/31/09	156,814,224	158,801,072	159,207,871	161,041,120	635,864,287
Unrealized Gain (Loss)	5,284,328	5,880,695	3,788,848	895,670	15,849,541
<b>Accrued Interest @ 11/30/09</b>	<b>739,114</b>	<b>937,625</b>	<b>849,701</b>	<b>689,607</b>	<b>3,216,047</b>
Interest Earned	569,880	636,506	621,649	546,616	2,374,651
Interest Received	(611,151)	(602,428)	(529,194)	(394,763)	(2,137,536)
Accrued Interest @ 12/31/09	697,843	971,703	942,156	841,460	3,453,162