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Financial Statements as of March 31, 2010

April 14, 2010

On a combined basis, revenues exceeded expenses by \$17,876,153 for the six months ending March 31, 2010 (revenues exceeded expenses by \$15,529,939 at the end of February). Revenues over expenses for the individual funds were as follows:

<i>Consolidated</i>	<u>Mar. 31, 2010</u>	<u>Mar. 31, 2010 (adjusted)*</u>
	\$ 17,876,153	\$ 14,322,163
<i>Workers' Compensation</i>	\$ 6,690,353	\$ 5,269,726
<i>Liability</i>	\$ 4,453,770	\$ 3,419,407
<i>Property **</i>	\$ 425,980	\$ 513,727
<i>Coastal Storm</i>	\$ 200,300	\$ 177,044
<i>Reinsurance</i>	\$ 4,270,533	\$ 3,863,232
<i>Large Loss</i>	\$ 992,260	\$ 710,726
<i>Stability</i>	\$ 823,993	\$ 549,617
<i>Lifetime Benefits</i>	\$ 18,964	\$ (181,316)

The following were equity levels as of March 31, 2010 compared to the beginning of the fiscal year:

<i>Consolidated</i>	<u>Mar. 2010</u>	<u>Mar. 2010 (adjusted)*</u>	<u>Sept. 2009</u>
	\$ 346,678,072	\$ 365,014,215	\$ 328,801,919
<i>Workers' Comp.</i>	\$ 84,715,379	\$ 91,301,283	\$ 78,025,026
<i>Liability</i>	\$ 95,829,827	\$ 101,051,086	\$ 91,376,057
<i>Property</i>	\$ 34,422,720	\$ 36,225,327	\$ 33,996,740
<i>Coastal Storm</i>	\$ 4,091,300	\$ 4,217,442	\$ 3,891,000
<i>Reinsurance</i>	\$ 63,011,966	\$ 64,924,034	\$ 58,741,433
<i>Large Loss</i>	\$ 31,027,226	\$ 31,987,268	\$ 30,034,966
<i>Stability</i>	\$ 18,928,776	\$ 19,988,587	\$ 18,104,783
<i>Stability – TMRS</i>	\$ 12,229,384	\$ 12,229,384	\$ 12,229,384
<i>Lifetime Benefits</i>	\$ 2,421,494	\$ 3,089,804	\$ 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.

** Includes 10% rate reduction approved by the Board in January 2010.

COMBINED STATEMENT ANALYSIS

	<u>Mar. 31, 2010</u>	<u>Mar. 31, 2009</u>
<i>Contributions</i>	\$ 65,107,541	\$ 68,789,331
<i>Current-Year Incurred Losses</i>	(30,765,284)	(32,649,373)
<i>Prior-Years' Incurred Losses</i>	(7,613,811)	(8,787,181)
<i>Change in discount for lifetime benefits claims</i>	(1,612,864)	719,293
<i>Payments from ECC and Mission</i>	<u>0</u>	<u>3,641,654</u>
<i>Contributions Over Current & Prior-Yrs. Losses</i>	25,115,582	31,713,724
<i>Investment Income</i>	14,778,457	17,584,850
<i>Other Income</i>	127,279	126,806
<i>General and Administrative Expense</i>	(15,777,127)	(15,081,034)
<i>Contract Service Fees</i>	(1,827,806)	(1,741,380)
<i>Reinsurance Expense</i>	<u>(4,540,232)</u>	<u>(3,194,293)</u>
 REVENUES OVER EXPENSES	 <u>\$ 17,876,153</u>	 <u>\$ 29,408,673</u>

ANALYSIS BY FUND

Workers' Compensation Fund

In the Workers' Compensation Fund, revenues exceeded expenses by \$6,690,353 for the six months ending March 31, 2010 (revenues exceeded expenses by \$6,016,153 at the end of February). Contributions were \$28,160,567 compared to \$31,091,656 last year due to rate decreases. Current-year losses were lower than last year and prior-years' losses were higher (see Analysis of Losses). Investment income was 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>Mar. 31, 2010</u>	<u>Mar. 31, 2009</u>
<i>Contributions</i>	\$ 28,160,567	\$ 31,091,656
<i>Workers' Comp. Prior-Year Audit Adjustments</i>	1,481,892	1,723,500
<i>Current-Year Incurred Losses</i>	(14,082,728)	(16,067,212)
<i>Prior-Years' Incurred Losses</i>	(2,763,097)	(578,145)
<i>Payments from Employers Casualty Co. in Receivership</i>	<u>0</u>	<u>3,473,350</u>
<i>Contributions Over Current & Prior-Yrs. Losses</i>	12,796,634	19,643,149
<i>Investment Income & Other Income</i>	5,472,476	6,584,290
<i>General & Administrative and Contract Fees</i>	(9,676,836)	(9,191,624)
<i>Reinsurance Expense</i>	(1,457,284)	(1,547,432)
<i>Large Loss Fund Expense</i>	<u>(444,637)</u>	<u>(492,228)</u>
 REVENUES OVER EXPENSES	 <u>\$ 6,690,353</u>	 <u>\$ 14,996,155</u>

Liability Fund

In the Liability Fund, revenues exceeded expenses by \$4,453,770 as of March 31, 2010 (revenues exceeded expenses by \$4,520,220 at the end of February). Contributions were \$20,424,880 compared to \$20,984,358 last year due to rate decreases. Current-year and prior-years' losses were lower than last year (see Analysis of Losses). Investment income was 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>Mar. 31, 2010</u>	<u>Mar. 31, 2009</u>
<i>Contributions</i>	\$ 20,424,880	\$ 20,984,358
<i>Current-Year Incurred Losses</i>	(6,943,509)	(7,003,160)
<i>Prior-Years' Incurred Losses</i>	(5,801,428)	(6,218,782)
<i>Payments from ECC and Mission</i>	0	168,304
<i>Contributions Over Current & Prior-Yrs. Losses</i>	7,679,943	7,930,720
<i>Investment Income & Other Income</i>	4,242,122	5,313,293
<i>General & Administrative and Contract Fees</i>	(6,804,335)	(6,522,230)
<i>Reinsurance Expense</i>	(357,587)	(360,731)
<i>Large Loss Fund Expense</i>	(306,373)	(314,765)
REVENUES OVER EXPENSES	<u>\$ 4,453,770</u>	<u>\$ 6,046,287</u>

Property Fund

In the Property Fund, revenues exceeded expenses by \$425,980 (expenses exceeded revenues by \$147,618 at the end of February). Contributions were \$14,878,673 compared to \$14,966,741 reflecting both exposure growth and the 10% rate deduction approved by the Board in January 2010. Current-year losses were higher than last year and prior-years' losses were lower (see Analysis of Losses). Reinsurance expense was \$5,415,341 compared to \$3,691,602 last year due to exposure growth, the purchase of additional reinsurance and property losses. Investment income was 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>Mar. 31, 2010</u>	<u>Mar. 31, 2009</u>
<i>Contributions</i>	\$ 14,878,673	\$ 14,966,741
<i>Current-Year Losses</i>	(9,739,047)	(7,466,430)
<i>Contributions Over Current-Year Losses</i>	5,139,626	7,500,311
<i>Decrease (Increase) in Prior-Years' Losses</i>	508,160	(1,505,208)
<i>Contributions Over Current and Prior-Years' Losses</i>	5,647,786	5,995,103
<i>Investment Income & Other Income</i>	1,465,462	1,664,861
<i>General & Administrative and Contract Fees</i>	(1,048,747)	(1,043,929)
<i>Reinsurance Expense</i>	(5,415,341)	(3,691,602)
<i>Large Loss Fund Expense</i>	(223,180)	(224,501)
REVENUES OVER EXPENSES	<u>\$ 425,980</u>	<u>\$ 2,699,932</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 six months and losses absorbed by reinsurers and the two Pool Funds:

Gross Losses	\$ 9,739,047
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>\$ 9,739,047</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 March 31, 2010, revenues exceeded expenses by \$200,300.

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 \$65.2 million and members' equity was \$63.0 million.

Revenues exceeded expenses by \$4,270,533 through six months ending March 31, 2010 (revenues exceeded expenses by \$3,589,066 at the end of February). Reinsurance revenue exceeded current-year losses by \$2,689,980.

	<i>Mar. 31, 2010</i>	<i>Mar. 31, 2009</i>
<i>Reinsurance Revenue</i>	<i>\$ 2,689,980</i>	<i>\$ 2,405,472</i>
<i>Current-Year Losses</i>	<i>(0)</i>	<i>(0)</i>
<i>Contributions Over Current-Year Losses</i>	<i>2,689,980</i>	<i>2,405,472</i>
<i>(Increase) Decrease in Prior-Years' Losses</i>	<i>127,927</i>	<i>(632,744)</i>
<i>Contributions Over Current and Prior-Years' Losses</i>	<i>2,817,907</i>	<i>1,772,728</i>
<i>Investment Income</i>	<i>1,480,781</i>	<i>1,615,493</i>
<i>General & Administrative, Contract Fees</i>	<i>(28,155)</i>	<i>(23,879)</i>
REVENUES OVER EXPENSES	<u>\$ 4,270,533</u>	<u>\$ 3,364,342</u>

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 \$992,260 through six months. Prior years' losses increased by \$739,105 (see Analysis of Losses). Members' equity was \$31.0 million.

Stability Fund

In the Stability Fund, revenues exceeded expenses by \$823,993 through six months of the fiscal year. This fund earns investment income and incurs investment expenses. The Stability Fund provides protection for all claims incurring Pool 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 \$18.9 million at the end of March.

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. Revenues exceeded expenses by \$18,964 through six months. Members' equity was \$2,421,494.

COMBINED BALANCE SHEET

	March 31, 2010	September 30, 2009
ASSETS		
Cash, investments and accrued investment income (Note 3)	\$643,920,651	\$601,621,054
Contributions and other receivables	2,932,380	4,112,663
Reinsurance recoverable on paid losses (Note 4)	2,200,553	1,089,886
Property and fixed assets, net of accumulated depreciation (Note 2)	3,126,583	3,092,303
Prepaid reinsurance	700,489	4,878,082
Other assets (Note 6)	1,006,172	1,075,527
Total Assets	<u>\$653,886,828</u>	<u>\$615,869,515</u>
LIABILITIES AND MEMBERS' EQUITY		
Claim Reserves:		
Reserve for reported claims (net of deductibles)	\$169,292,390	\$183,372,712
Reinsurance recoverable on reported but not yet paid claims	(26,929,321)	(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	(17,072,767)	(18,685,631)
Estimated ultimate unpaid losses and loss adjustment expenses	<u>224,415,302</u>	<u>232,367,704</u>
Contract service fees payable	0	226,097
Outstanding loss drafts	5,219,699	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)	49,557,806	2,347,025
Funds invested for TML	5,403,854	5,281,733
Other liabilities (Note 2)	3,088,202	19,617,237
	<u>288,872,613</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>334,448,688</u>	<u>316,572,535</u>
Members' Equity before unrealized investment gains (losses)	346,678,072	328,801,919
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	18,336,143	21,890,133
Members' Equity	<u>365,014,215</u>	<u>350,692,052</u>
Total Liabilities and Members' Equity	<u>\$653,886,828</u>	<u>\$615,869,515</u>

COMBINED STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended March 31, 2010	Period Ended March 31, 2009
REVENUES		
Earned contributions, net of adjustment factors allowed	\$65,107,541	\$68,789,331
Service fee and other income (Note 7)	127,279	126,806
Investment income (Note 3)	14,778,457	17,584,850
Total Revenues	<u>80,013,277</u>	<u>86,500,987</u>
EXPENSES		
Paid losses and loss adjustment expenses	51,294,478	64,250,160
Change in reserve for reported claims (net of deductibles)	(14,081,668)	(16,853,223)
Change in reinsurance recoverable	1,166,285	(5,960,383)
Change in discount for lifetime benefits claims	1,612,864	(719,293)
Payments from Employers Casualty Company in Receivership	0	(3,632,159)
Payment from Mission	0	(9,495)
Total losses and loss adjustment expenses	<u>39,991,959</u>	<u>37,075,607</u>
Reinsurance expense (Note 4)	4,540,232	3,194,293
Contract service fees	1,827,806	1,741,380
General and administrative expense	15,777,127	15,081,034
Total Expenses	<u>62,137,124</u>	<u>57,092,314</u>
Revenues over expenses before unrealized investment gains (losses) & return of members' equity	17,876,153	29,408,673
Investment income (unrealized investment gains (losses))	(3,553,990)	19,687,930
Revenues over expenses after unrealized investment gains (losses)	<u>14,322,163</u>	<u>49,096,603</u>
Members' Equity, beginning of year	350,692,052	299,705,925
Members' Equity, end of period	<u>\$365,014,215</u>	<u>\$348,802,528</u>

WORKERS' COMPENSATION FUND**BALANCE SHEET**

	March 31, 2010	September 30, 2009
ASSETS		
Cash, investments and accrued investment income	\$231,280,911	\$220,048,823
Contributions and other receivables	1,510,334	1,984,137
Reinsurance recoverable on paid losses	138,470	124,864
Property and fixed assets, net of accumulated depreciation	1,907,216	1,855,382
Prepaid reinsurance	3,620	0
Other assets	311,032	348,194
Total Assets	\$235,151,583	\$224,361,400
LIABILITIES AND MEMBERS' EQUITY		
Claim Reserves:		
Reserve for reported claims (net of deductibles)	\$67,563,964	\$71,287,493
Reinsurance recoverable on reported but not yet paid claims	(19,154,961)	(19,593,408)
Reserve for incurred but not reported claims	70,600,000	70,600,000
Estimated ultimate unpaid losses and loss adjustment expenses	119,009,003	122,294,085
Contract service fees payable	0	135,658
Outstanding loss drafts	1,302,717	1,166,191
Payable to Administrative Services Only contracts and large deductible members	1,187,750	1,286,500
Unearned contribution reserve	17,630,262	421,345
Funds invested for TML	3,296,351	3,169,040
Other liabilities	1,424,217	9,857,024
	143,850,300	138,329,843
Members' Equity excluding unrealized investment gains (losses)	84,715,379	78,025,026
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	6,585,904	8,006,531
Members' Equity	91,301,283	86,031,557
Total Liabilities and Members' Equity	\$235,151,583	\$224,361,400

STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended March 31, 2010	Period Ended March 31, 2009
REVENUES		
Earned contributions, net of adjustment factors allowed	\$29,642,459	\$32,815,156
Service fee and other income	99,399	101,100
Investment income	5,373,077	6,483,190
Total Revenues	35,114,935	39,399,446
EXPENSES		
Paid losses and loss adjustment expenses	20,457,690	19,356,313
Change in reserve for reported claims (net of deductibles)	(3,723,529)	3,264,089
Change in reinsurance recoverable	111,664	(5,975,045)
Payments from Employers Casualty Company in Receivership	0	(3,473,350)
Total losses and loss adjustment expenses	16,845,825	13,172,007
Reinsurance expense	1,457,284	1,547,432
Large loss fund expense	444,637	492,228
Contract service fees	176,712	129,119
General and administrative expense	9,500,124	9,062,505
Total Expenses	28,424,582	24,403,291
Revenues over expenses before unrealized investment gains (losses)	6,690,353	14,996,155
Investment income (unrealized investment gains (losses))	(1,420,627)	7,391,182
Revenues over expenses after unrealized investment gains (losses)	5,269,726	22,387,337
Members' Equity, beginning of year	86,031,557	70,162,244
Members' Equity, end of period	\$91,301,283	\$92,549,581

LIABILITY FUND

BALANCE SHEET

	March 31, 2010	September 30, 2009
ASSETS		
Cash, investments and accrued investment income	\$183,357,893	\$171,927,398
Contributions and other receivables	1,236,686	1,204,461
Property and fixed assets, net of accumulated depreciation	1,063,038	1,082,306
Other assets	379,309	408,034
Total Assets	<u>\$186,036,926</u>	<u>\$174,622,199</u>
LIABILITIES AND MEMBERS' EQUITY		
Claim Reserves:		
Reserve for reported claims (net of deductibles)	\$44,441,188	\$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)	<u>22,700,000</u>	<u>22,700,000</u>
Estimated ultimate unpaid losses and loss adjustment expenses	67,069,752	68,386,733
Contract service fees payable	0	79,134
Outstanding loss drafts	1,637,134	1,440,501
Unearned contribution reserve	13,770,726	812,116
Funds invested for TML	1,837,310	1,848,606
Other liabilities	<u>670,918</u>	<u>4,423,430</u>
	84,985,840	76,990,520
Members' Equity excluding unrealized investment gains (losses)	95,829,827	91,376,057
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	<u>5,221,259</u>	<u>6,255,622</u>
Members' Equity	101,051,086	97,631,679
Total Liabilities and Members' Equity	<u>\$186,036,926</u>	<u>\$174,622,199</u>

STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended March 31, 2010	Period Ended March 31, 2009
REVENUES		
Earned contributions, net of adjustment factors allowed	\$20,424,880	\$20,984,358
Service fee and other income	24,306	22,493
Investment income	4,217,816	5,290,800
Total Revenues	<u>24,667,002</u>	<u>26,297,651</u>
EXPENSES		
Paid losses and loss adjustment expenses	14,061,918	17,436,996
Change in reserve for reported claims (net of deductibles)	(1,317,686)	(4,213,758)
Change in reinsurance recoverable	705	(1,296)
Payments from Employers Casualty Company in Receivership	0	(158,809)
Payments from Mission	0	(9,495)
Total losses and loss adjustment expenses	<u>12,744,937</u>	<u>13,053,638</u>
Reinsurance expense	357,587	360,731
Large loss fund expense	306,373	314,765
Contract service fees	1,411,677	1,311,115
General and administrative expense	<u>5,392,658</u>	<u>5,211,115</u>
Total Expenses	20,213,232	20,251,364
Revenues over expenses before unrealized gains (losses) & return of members' equity	4,453,770	6,046,287
Investment income (unrealized investment gains (losses))	<u>(1,034,363)</u>	<u>5,805,535</u>
Revenues over expenses after unrealized gains (losses)	3,419,407	11,851,822
Members' Equity, beginning of year	<u>97,631,679</u>	<u>90,511,634</u>
Members' Equity, end of period	<u>\$101,051,086</u>	<u>\$102,363,456</u>

PROPERTY FUND

BALANCE SHEET

	March 31, 2010	September 30, 2009
ASSETS		
Cash, investments and accrued investment income	\$63,303,174	\$47,130,642
Contributions and other receivables	122,996	923,844
Reinsurance recoverable on paid losses	2,062,083	965,022
Property and fixed assets, net of accumulated depreciation	156,329	154,615
Prepaid reinsurance	696,869	4,878,082
Other assets	315,831	319,299
Total Assets	<u>\$66,657,282</u>	<u>\$54,371,504</u>
LIABILITIES AND MEMBERS' EQUITY		
Claim Reserves:		
Reserve for reported claims	\$18,261,861	\$25,518,148
Reinsurance recoverable on reported but not yet paid claims	(9,395,953)	(15,053,458)
Reserve for incurred but not reported claims	25,000	25,000
Estimated ultimate unpaid losses and loss adjustment expense	8,890,908	10,489,690
Contract service fees payable	0	11,305
Outstanding loss drafts	2,279,848	1,444,475
Unearned contribution reserve	17,997,939	1,113,564
Funds invested for TML	270,193	264,087
Other liabilities	993,067	5,336,783
	<u>30,431,955</u>	<u>18,659,904</u>
Members' Equity excluding unrealized investment gains (losses)	34,422,720	33,996,740
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	1,802,607	1,714,860
Members' Equity	<u>36,225,327</u>	<u>35,711,600</u>
Total Liabilities and Members' Equity	<u>\$66,657,282</u>	<u>\$54,371,504</u>

STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended March 31, 2010	Period Ended March 31, 2009
REVENUES		
Earned contributions, net of adjustment factors allowed	\$14,878,673	\$14,966,741
Service fee and other income	3,574	3,213
Investment income	1,461,888	1,661,648
Total Revenues	<u>16,344,135</u>	<u>16,631,602</u>
EXPENSES		
Paid losses and loss adjustment expenses	16,044,436	27,540,357
Change in reserve for reported claims	(7,256,287)	(17,151,487)
Change in reinsurance recoverable	442,738	(1,417,232)
Total losses and loss adjustment expenses	<u>9,230,887</u>	<u>8,971,638</u>
Reinsurance expense	5,415,341	3,691,602
Large loss fund expense	223,180	224,501
Contract service fees	233,417	297,813
General and administrative expense	815,330	746,116
Total Expenses	<u>15,918,155</u>	<u>13,931,670</u>
Revenues over expenses before unrealized investment gains (losses) & return of members' equity	425,980	2,699,932
Investment income (unrealized investment gains (losses))	87,747	1,952,185
Revenues over expenses after unrealized investment gains (losses)	<u>513,727</u>	<u>4,652,117</u>
Members' Equity, beginning of year	35,711,600	31,302,246
Members' Equity, end of period	<u>\$36,225,327</u>	<u>\$35,954,363</u>

COASTAL STORM FUND

BALANCE SHEET

	March 31, 2010	September 30, 2009
ASSETS		
Cash, investments and accrued investment income	\$4,429,778	\$4,105,998
Contributions and other receivables	62,364	221
	<u>4,492,142</u>	<u>4,106,219</u>
Total Assets	<u>\$4,492,142</u>	<u>\$4,106,219</u>
LIABILITIES AND MEMBERS' EQUITY		
Claim Reserves:		
Reserve for reported claims	\$115,821	\$65,821
Estimated ultimate unpaid losses and loss adjustment expenses	115,821	65,821
Outstanding loss drafts	0	0
Unearned contribution reserve	158,879	0
	<u>274,700</u>	<u>65,821</u>
Members' Equity excluding unrealized investment gains (losses)	4,091,300	3,891,000
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	126,142	149,398
Members' Equity	4,217,442	4,040,398
Total Liabilities and Members' Equity	<u>\$4,492,142</u>	<u>\$4,106,219</u>

STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended March 31, 2010	Period Ended March 31, 2009
REVENUES		
Contributions	\$161,529	\$23,076
Investment income	97,194	1,760
	<u>258,723</u>	<u>24,836</u>
Total Revenues	<u>258,723</u>	<u>24,836</u>
EXPENSES		
Net paid losses and loss adjustment expense	0	139,715
Change in reserve for reported claims	50,000	(139,715)
	<u>50,000</u>	<u>0</u>
Total losses and loss adjustment expenses	<u>50,000</u>	<u>0</u>
Contract service fees	6,000	3,333
Interest expense - Line of credit from Stability Fund	0	1,875
Large loss fund expense	2,423	346
	<u>58,423</u>	<u>5,554</u>
Total Expenses	<u>58,423</u>	<u>5,554</u>
Revenues over expenses before unrealized investment gains (losses)	200,300	19,282
Investment income (unrealized investment gains (losses))	(23,256)	2,093
	<u>177,044</u>	<u>21,375</u>
Revenues over expenses after unrealized investment gains (losses)	<u>177,044</u>	<u>21,375</u>
Members' Equity, beginning of year	4,040,398	(208,449)
Members' Equity, end of period	<u>\$4,217,442</u>	<u>(\$187,074)</u>

REINSURANCE FUND

BALANCE SHEET

	March 31, 2010	September 30, 2009
ASSETS		
Cash, investments and accrued investment income	\$67,147,182	\$63,744,771
Total Assets	<u>67,147,182</u>	<u>\$63,744,771</u>
LIABILITIES AND MEMBERS' EQUITY		
Claim Reserves:		
Reserve for reported claims	\$1,423,148	\$1,883,969
Reserve for incurred but not reported claims	800,000	800,000
Estimated ultimate unpaid losses and loss adjustment expenses	2,223,148	2,683,969
Other liabilities	0	0
	<u>2,223,148</u>	<u>2,683,969</u>
Members' Equity excluding unrealized investment gains (losses)	63,011,966	58,741,433
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	1,912,068	2,319,369
Members' Equity	<u>64,924,034</u>	<u>61,060,802</u>
Total Liabilities and Members' Equity	<u>\$67,147,182</u>	<u>\$63,744,771</u>

STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended March 31, 2010	Period Ended March 31, 2009
REVENUES		
Reinsurance revenue	\$2,689,980	\$2,405,472
Investment income	1,480,781	1,615,493
Total Revenues	<u>4,170,761</u>	<u>4,020,965</u>
EXPENSES		
Net paid losses and loss adjustment expense	332,894	4,007,823
Change in reserve for reported claims	(460,821)	(3,375,079)
Total losses and loss adjustment expenses	<u>(127,927)</u>	<u>632,744</u>
Investment expenses	28,155	23,879
Total Expenses	<u>(99,772)</u>	<u>656,623</u>
Revenues over expenses before unrealized investment gains (losses)	4,270,533	3,364,342
Investment income (unrealized investment gains (losses))	(407,301)	1,765,684
Revenues over expenses after unrealized investment gains (losses)	3,863,232	5,130,026
Members' Equity, beginning of year	61,060,802	50,022,808
Members' Equity, end of period	<u>\$64,924,034</u>	<u>\$55,152,834</u>

LARGE LOSS FUND

BALANCE SHEET

	March 31, 2010	September 30, 2009
ASSETS		
Cash, investments and accrued investment income	\$33,714,340	\$34,123,048
Total Assets	<u>\$33,714,340</u>	<u>\$34,123,048</u>
LIABILITIES AND MEMBERS' EQUITY		
Claim Reserves:		
Reserve for reported claims	\$1,727,072	\$2,846,506
Estimated ultimate unpaid losses and loss adjustment expenses	1,727,072	2,846,506
Other liabilities	0	0
	<u>1,727,072</u>	<u>2,846,506</u>
Members' Equity excluding unrealized investment gains (losses)	31,027,226	30,034,966
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	960,042	1,241,576
Members' Equity	31,987,268	31,276,542
Total Liabilities and Members' Equity	<u>\$33,714,340</u>	<u>\$34,123,048</u>

STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended March 31, 2010	Period Ended March 31, 2009
REVENUES		
Investment income	\$769,390	\$965,474
Large loss fund revenue	976,613	1,031,840
Total Revenue	<u>1,746,003</u>	<u>1,997,314</u>
EXPENSES		
Net paid losses and loss adjustment expense	1,858,539	3,207,318
Change in reserve for reported claims	(1,119,434)	(2,406,872)
Total losses and loss adjustment expenses	<u>739,105</u>	<u>800,446</u>
Investment expenses	14,638	14,265
Total Expenses	<u>753,743</u>	<u>814,711</u>
Revenues over (under) expenses before unrealized investment gains (losses)	992,260	1,182,603
Investment income (unrealized investment gains (losses))	(281,534)	1,014,112
Revenues over (under) expenses after unrealized investment gains (losses)	710,726	2,196,715
Members' Equity, beginning of year	31,276,542	25,831,046
Members' Equity, end of period	<u>\$31,987,268</u>	<u>\$28,027,761</u>

STABILITY FUND

BALANCE SHEET

	March 31, 2010	September 30, 2009
ASSETS		
Cash, investments and accrued investment income	\$37,217,971	\$36,668,354
Total Assets	<u>\$37,217,971</u>	<u>\$36,668,354</u>
LIABILITIES AND MEMBERS' EQUITY		
Reserve for unallocated loss adjustment expense	\$5,000,000	\$5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>
Restricted Members' Equity - Texas Municipal Retirement System (Note 2)	12,229,384	12,229,384
Unrestricted Members' Equity	18,928,776	18,104,783
Members' Equity before unrealized investment gains (losses)	<u>31,158,160</u>	<u>30,334,167</u>
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	1,059,811	1,334,187
Members' Equity	32,217,971	31,668,354
Total Liabilities and Members' Equity	<u>\$37,217,971</u>	<u>\$36,668,354</u>

STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended March 31, 2010	Period Ended March 31, 2009
REVENUES		
Investment income	\$839,971	\$958,735
Interest income - Line of credit to Coastal Storm Fund	0	1,875
Total Revenues	<u>839,971</u>	<u>960,610</u>
EXPENSES		
Investment expenses	15,978	14,169
Change in unallocated loss adjustment expense	0	0
Total Expenses	<u>15,978</u>	<u>14,169</u>
Revenues over expenses before unrealized investment gains (losses)	823,993	946,441
Investment income (unrealized investment gains (losses))	<u>(274,376)</u>	<u>1,063,894</u>
Revenues over expenses after unrealized investment gains (losses)	549,617	2,010,335
Members' Equity, beginning of year	31,668,354	30,155,560
Members' Equity, end of period	<u>\$32,217,971</u>	<u>\$32,165,895</u>

LIFETIME BENEFITS FUND

BALANCE SHEET

	March 31, 2010	September 30, 2009
ASSETS		
Cash, investments and accrued investment income	\$23,469,402	\$23,872,020
Total Assets	<u>23,469,402</u>	<u>\$23,872,020</u>
LIABILITIES AND MEMBERS' EQUITY		
Claim Reserves:		
Reserve for reported claims (net of deductibles)	\$38,909,556	\$40,742,376
Estimated future investment income (discount)	(17,946,416)	(19,572,204)
Reinsurance recoverable on reported claims	(1,457,191)	(1,455,845)
Discount of reinsurance recoverable	873,649	886,573
Estimated ultimate unpaid losses and loss adjustment expenses	<u>20,379,598</u>	<u>20,600,900</u>
Members' Equity excluding unrealized investment gains (losses)	2,421,494	2,402,530
Increase/(Decrease) In Members' Equity due to unrealized investment gains (losses)	668,310	868,590
Members' Equity	<u>3,089,804</u>	<u>3,271,120</u>
Total Liabilities and Members' Equity	<u>\$23,469,402</u>	<u>\$23,872,020</u>

STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	Period Ended March 31, 2010	Period Ended March 31, 2009
REVENUES		
Annuity revenue	\$164,350	\$996,186
Investment income	538,340	607,750
Total Revenues	<u>702,690</u>	<u>1,603,936</u>
EXPENSES		
Paid losses and loss adjustment expenses	894,784	772,965
Change in reserve for reported claims	(779,457)	(724,923)
Change in discount (amortization)	475,287	397,092
Change in reserve for reported claims (transferred @ a discount)	191,222	2,112,571
Change in discount (claims transferred @ a discount)	(26,872)	(1,116,385)
Change in reserve for reported claims (closed claims)	(1,245,931)	0
Change in discount (closed claims)	1,164,449	0
Total losses and loss adjustment expenses	<u>673,482</u>	<u>1,441,320</u>
Investment expenses	10,244	8,985
Total expenses	<u>683,726</u>	<u>1,450,305</u>
Revenues over (under) expenses before unrealized investment gains (losses)	18,964	153,631
Investment income (unrealized investment gains (losses))	(200,280)	693,245
Revenues over expenses after unrealized investment gains (losses)	<u>(181,316)</u>	<u>846,876</u>
Members' Equity, beginning of year	3,271,120	1,928,836
Members' Equity, end of period	<u>\$3,089,804</u>	<u>\$2,775,712</u>

The accompanying notes are an integral part of these statements

Texas Municipal League Intergovernmental Risk Pool

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 and Liability Funds, any amount in excess of \$3 million in cumulative losses exceeding \$1 million, (2) for the Property Fund losses in excess of \$1.25 million per occurrence, which in aggregate is more than \$4 million in any one year, (3) for the Reinsurance Fund, amounts in excess of \$4 million per loss up to \$4 million and share 50% of additional 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 Large Loss Fund 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 \$30,622,993 and Members' Equity is \$31,027,226.

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 of 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

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

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 March 31, 2010 includes unrealized gains or losses on investments as follows:

Members' Equity excluding unrealized investment gains (losses)	\$ 346,678,072
Unrealized investment gains (losses)	<u>18,336,143</u>
Members' Equity	<u>\$ 365,014,215</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 was 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.

	<u>March 31, 2010</u>	<u>September 30, 2009</u>
Land and land improvements	\$ 514,697	\$ 514,697
Buildings and improvements	5,400,221	5,391,821
Vehicles	96,138	96,138
Computers	595,451	590,805
Furniture and Equipment	850,808	760,169
Software	1,636,933	1,536,058
Accumulated depreciation	<u>(5,967,665)</u>	<u>(5,797,385)</u>
Total	<u>\$ 3,126,583</u>	<u>\$ 3,092,303</u>

Outstanding Loss Drafts

Outstanding loss drafts represent claims checks written by the Pool that remain outstanding at March 31, 2010.

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:

	<u>March 31, 2010</u>	<u>September 30, 2009</u>
Reinsurance payable – other	\$ 168,375	\$ 394,967
Reinsurance payable – reinstatement	759,554	786,957
Vacation wages payable	1,081,240	1,029,730
Members' Equity Return payable	47,391	16,103,344
Other payables	<u>1,031,642</u>	<u>1,302,239</u>
Total	<u>\$ 3,088,202</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 March 31, 2010.

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 (March 31, 2010). Investment income is included in the statement of operations and consists of the following for the six months ending March 31, 2010:

	Interest Income (Includes Amortization Of Discount/Premium)	Gain/(Loss) On Sale of Investment	Investment Income	Change in Market Value
Workers' Comp Fund	\$ 4,719,845	\$ 653,232	\$ 5,373,077	\$ (1,420,627)
Liability Fund	3,702,741	515,075	4,217,816	(1,034,363)
Property Fund	1,277,824	184,064	1,461,888	87,747
Coastal Storm Fund	85,302	11,892	97,194	(23,256)
Reinsurance Fund	1,300,357	180,424	1,480,781	(407,301)
Large Loss Fund	676,112	93,278	769,390	(281,534)
Stability Fund	737,975	101,996	839,971	(274,376)
Lifetime Benefits Fund	473,200	65,140	538,340	(200,280)
Total	\$ 12,973,356	\$ 1,805,101	\$ 14,778,457	\$ (3,553,990)

As of March 31, 2010, the amortized cost and market value of the Pool's investments were as follows:

	Amortized Cost	Market Value
U.S. Treasury obligations	\$ 8,769,118	\$ 9,254,788
U.S. Agency obligations	522,125,690	538,096,376
Municipal bonds	41,145,909	42,548,832
FDIC – Guaranteed Bonds	18,693,844	19,170,708
Cash and cash equivalents – Northern Trust	24,984,751	24,984,751
Total Investments	615,719,312	634,055,455
Cash and cash equivalents – Bank	6,543,762	6,543,762
Total accrued investment income	3,321,434	3,321,434
Total cash, investments and accrued Investment income	\$ 625,584,508	\$ 643,920,651

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:

	March 31, 2010			September 30, 2009		
	Billed	Unbilled	Totals	Billed	Unbilled	Totals
Old Republic	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
CNA	0	75,496	75,496	88,048	0	88,048
Transamerica	35,478	14,518	49,996	23,520	0	23,520
NLC-MIC	0	16,854	16,854	4,307	8,989	13,296
Lloyd's Syndicate	922,008	1,136,199	2,058,207	752,695	212,327	965,022
	\$ 957,486	\$ 1,243,067	\$ 2,200,553	\$ 868,570	\$ 221,316	\$ 1,089,886

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, 2010, 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 March 31, 2010:

	Workers' Comp Fund	Liability Fund	Property Fund	Coastal Storm	Totals
Outside Reinsurers	\$ 233,389	\$ 75,630	\$ 4,231,213	\$ 0	\$ 4,540,232
Reinsurance Fund	1,223,895	281,957	1,184,128	0	2,689,980
Large Loss Fund	444,637	306,373	223,180	2,423	976,613
Totals	<u>\$ 1,901,921</u>	<u>\$ 663,960</u>	<u>\$ 5,638,521</u>	<u>\$ 2,423</u>	<u>\$ 8,206,825</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 \$55,793 for the period ended March 31, 2010.

NOTE 6 – OTHER ASSETS:

Other assets are comprised of the following:

	March 31, 2010			
	Workers' Compensation	Liability	Property	Combined Funds
Deposit with TML	\$ 203,483	\$ 113,417	\$ 16,679	\$ 333,579
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	23,815	13,274	1,952	39,041
Totals	<u>\$ 311,032</u>	<u>\$ 379,309</u>	<u>\$ 315,831</u>	<u>\$ 1,006,172</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 December 31, 2009, the Pool's equity interest in NLC-MIC was \$959,786 which is \$398,719 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 March 31, 2010, Service Fees and Other Income consisted of the following items:

	Workers' Comp. Fund	Liability Fund	Property Fund	Totals
Member Service Fees	\$ 55,793	\$ 0	\$ 0	\$ 55,793
Windstorm Service Fees	0	0	0	0
Gain/(Loss)–Sale of Vehicles & Equipments	42,925	23,926	3,519	70,370
Other Income	681	380	55	1,116
Totals	<u>\$ 99,399</u>	<u>\$ 24,306</u>	<u>\$ 3,574</u>	<u>\$ 127,279</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: March 31, 2010

WORKERS' COMPENSATION FUND

Contributions	\$28,160,567
Less: Reinsurance Expense	(1,457,284)
Net Contributions	26,703,283
Workers' Compensation Audits	1,481,892
Total Net Contributions and Audits	\$28,185,175
Current-Year Incurred Losses and Loss Adjustment Expenses:	
Paid Losses	4,448,181
Change In Reserves For Reported Claims (OPEN)	9,651,984
Change In Reinsurance Recoverable	(17,437)
Current-Year Incurred Losses and Loss Adjustment Expenses	14,082,728
Prior-Years' Incurred Losses and Loss Adjustment Expenses:	
Paid Losses	16,009,509
Change In Reserves For Reported Claims	(13,375,513)
Change In Reinsurance Recoverable	129,101
Prior-Years' Incurred Losses and Loss Adjustment Expenses	2,763,097
Change in Incurred But Not Reported Claims (IBNR)	0
Net Losses and Loss Adjustment Expenses For Current and Prior-Years	16,845,825
Contributions Over (Under) Current and Prior-Years' Losses	\$11,339,350

TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL
Analysis of Incurred Losses For the Current and Prior-Years
For the Year to Date ended: March 31, 2010

LIABILITY FUND

	GENERAL LIABILITY	SEWAGE BACKUP	LAW ENFORCEMENT	PUBLIC OFFICIALS	AUTO LIABILITY	AIRPORT LIABILITY	TOTAL LIABILITY
Contributions	\$3,832,243	\$124,034	\$3,708,784	\$5,288,134	\$7,207,896	\$263,789	\$20,424,880
Less: Reinsurance expense	(79,879)	0	(97,910)	(144,342)	(35,456)	0	(357,587)
Net Contributions	<u>3,752,364</u>	<u>124,034</u>	<u>3,610,874</u>	<u>5,143,792</u>	<u>7,172,440</u>	<u>263,789</u>	<u>20,067,293</u>
Current-Year Incurred Losses and Loss Adjustment Expenses:							
Paid Losses	312,702	69,911	5,000	22,038	842,097	700	1,252,448
Change In Reserves For Reported Claims (OPEN)	1,589,502	0	1,273,999	1,001,961	1,819,498	6,101	5,691,061
Change In Reinsurance Recoverable	0	0	0	0	0	0	0
Current-Year Incurred Losses and Loss Adjustment Expenses	<u>1,902,204</u>	<u>69,911</u>	<u>1,278,999</u>	<u>1,023,999</u>	<u>2,661,595</u>	<u>6,801</u>	<u>6,943,509</u>
Prior-Years' Incurred Losses and Loss Adjustment Expenses:							
Paid Losses	1,884,877	86,407	2,831,623	3,718,977	4,263,430	24,156	12,809,470
Change In Reserves For Reported Claims	(824,252)	(2,310)	(1,916,404)	(1,182,102)	(3,086,960)	3,281	(7,008,747)
Change In Reinsurance Recoverable	0	0	0	0	0	705	705
Prior-Years' Incurred Losses and Loss Adjustment Expenses	<u>1,060,625</u>	<u>84,097</u>	<u>915,219</u>	<u>2,536,875</u>	<u>1,176,470</u>	<u>28,142</u>	<u>5,801,428</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>2,962,829</u>	<u>154,008</u>	<u>2,194,218</u>	<u>3,560,874</u>	<u>3,838,065</u>	<u>34,943</u>	<u>12,744,937</u>
Contributions Over (Under) Current and Prior-Years' Losses	<u>\$789,535</u>	<u>(\$29,974)</u>	<u>\$1,416,656</u>	<u>\$1,582,918</u>	<u>\$3,334,375</u>	<u>\$228,846</u>	<u>\$7,322,356</u>

TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL
Analysis of Incurred Losses For the Current and Prior-Years
For the Year to Date ended: March 31, 2010

PROPERTY FUND

	AUTO PHYSICAL DAMAGE	*REAL & PERSONAL PROPERTY	MOBILE EQUIPMENT	ANIMAL MORTALITY	CRIME	TOTAL PROPERTY
Contributions	\$4,037,664	\$9,674,891	\$972,770	\$24,116	\$169,232	\$14,878,673
Less: Reinsurance expense	(212,614)	(5,043,267)	(159,460)	0	0	(5,415,341)
Net Contributions	<u>3,825,050</u>	<u>4,631,624</u>	<u>813,310</u>	<u>24,116</u>	<u>169,232</u>	<u>9,463,332</u>
Current-Year Incurred Losses and Loss Adjustment Expenses:						
Paid Losses	2,291,918	2,790,814	208,062	0	0	5,290,794
Change In Reserves For Reported Claims (OPEN)	508,736	3,723,516	204,001	0	12,000	4,448,253
Change In Reinsurance Recoverable	0	0	0	0	0	0
Current-Year Incurred Losses and Loss Adjustment Expenses	<u>2,800,654</u>	<u>6,514,330</u>	<u>412,063</u>	<u>0</u>	<u>12,000</u>	<u>9,739,047</u>
Prior-Years' Incurred Losses (excluding Hurricane Ike):						
Paid Losses	459,761	6,379,698	355,105	0	1,762	7,196,326
Change In Reserves For Reported Claims	(422,874)	(6,180,020)	(270,788)	0	8,900	(6,864,782)
Change In Reinsurance Recoverable	0	(839,704)	0	0	0	(839,704)
Prior-Years' Incurred Losses (excluding Hurricane Ike):	<u>36,887</u>	<u>(640,026)</u>	<u>84,317</u>	<u>0</u>	<u>10,662</u>	<u>(508,160)</u>
Prior-Year's Hurricane Ike Activity:						
Paid Losses	122,409	3,438,865	(3,958)	0	0	3,557,316
Change In Reserves For Reported Claims	(269,583)	(4,577,383)	7,208	0	0	(4,839,758)
Change In Reinsurance Recoverable	147,174	1,138,518	(3,250)	0	0	1,282,442
Prior-Year's Hurricane Ike Activity:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Losses and Loss Adjustment Expenses						
For Current and Prior-Years	<u>2,837,541</u>	<u>5,874,304</u>	<u>496,380</u>	<u>0</u>	<u>22,662</u>	<u>9,230,887</u>
Contributions Over (Under) Current and Prior-Years' Losses	<u>\$987,509</u>	<u>(\$1,242,680)</u>	<u>\$316,930</u>	<u>\$24,116</u>	<u>\$146,570</u>	<u>\$232,445</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: March 31, 2010

REINSURANCE FUND

	<u>WORKERS' COMP</u>	<u>LIABILITY</u>	<u>PROPERTY</u>	<u>LARGE LOSS</u>	<u>TOTAL</u>
Contributions	<u>\$1,223,894</u>	<u>\$281,957</u>	<u>\$1,184,129</u>	<u>\$0</u>	<u>\$2,689,980</u>
Current-Year Incurred Losses and Loss Adjustment Expenses:					
Paid Losses	0	0	0	0	0
Change In Reserves For Reported Claims (OPEN)	0	0	0	0	0
Change In Reinsurance Recoverable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Current-Year Incurred Losses and Loss Adjustment Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Prior-Years' Incurred Losses and Loss Adjustment Expenses:					
Paid Losses	10,066	0	322,828	0	332,894
Change In Reserves For Reported Claims	(109,969)	(317)	(350,535)	0	(460,821)
Change In Reinsurance Recoverable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Prior-Years' Incurred Losses (excluding Hurricane Ike):	<u>(99,903)</u>	<u>(317)</u>	<u>(27,707)</u>	<u>0</u>	<u>(127,927)</u>
Change in Incurred But Not Reported Claims (IBNR)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Losses and Loss Adjustment Expenses For Current and Prior-Years	<u>(99,903)</u>	<u>(317)</u>	<u>(27,707)</u>	<u>0</u>	<u>(127,927)</u>
Contributions Over (Under) Current and Prior-Years' Losses	<u>\$1,323,797</u>	<u>\$282,274</u>	<u>\$1,211,836</u>	<u>\$0</u>	<u>\$2,817,907</u>

TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL
Analysis of Incurred Losses For the Current and Prior-Years
For the Year to Date ended: March 31, 2010

LARGE LOSS FUND

	<u>WORK COMP</u>	<u>LIABILITY</u>	<u>PROPERTY</u>	<u>COASTAL STORM</u>	<u>TOTAL</u>
Revenue	<u>\$444,637</u>	<u>\$306,373</u>	<u>\$223,180</u>	<u>\$2,423</u>	<u>\$976,613</u>
Current-Year Incurred Losses and Loss Adjustment Expenses:					
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
Current-Year Incurred Losses and Loss Adjustment Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Prior-Years' Incurred Losses and Loss Adjustment Expenses:					
Paid Losses	0	0	1,858,539	0	1,858,539
Change In Reserves For Reported Claims	0	0	(1,119,434)	0	(1,119,434)
Change In Reinsurance Recoverable	0	0	0	0	0
Prior-Years' Incurred Losses (excluding Hurricane Ike):	<u>0</u>	<u>0</u>	<u>739,105</u>	<u>0</u>	<u>739,105</u>
Net Losses and Loss Adjustment Expenses For Current and Prior-Years	<u>0</u>	<u>0</u>	<u>739,105</u>	<u>0</u>	<u>739,105</u>
Contributions Over (Under) Current and Prior-Years' Losses	<u>\$444,637</u>	<u>\$306,373</u>	<u>(\$515,925)</u>	<u>\$2,423</u>	<u>\$237,508</u>

TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL
Analysis of Incurred Losses For the Current and Prior-Years
For the Year to Date ended: March 31, 2010

LIFETIME BENEFITS FUND

Contribution Revenue	\$164,350
Change in Reserve - Claims Transferred	(191,222)
Change in Discount - Claims Transferred	26,872
Sub-total	<u>0</u>
Investment Income, net of investment expenses	<u>528,096</u>
Net Revenue	<u>528,096</u>
Paid Losses and Amortization Activities:	
Paid Losses	894,784
Change In Reserves For Reported Claims (OPEN)	(894,784)
Change in Discount	539,787
Paid Losses and Amortization Activities	<u>539,787</u>
Revenue over Paid Losses and Amortization Activities	(11,691)
Reserve Adjustments - Life Expectancy	(50,827)
Reserve Adjustments - Remarriage	<u>81,482</u>
Revenue over (under) expenses	<u><u>\$18,964</u></u>

TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL
Analysis of Incurred Losses For the Current and Prior-Years
For the Year to Date ended: March 31, 2010

COASTAL STORM FUND

Contributions	\$161,529
Net Contributions	<u>161,529</u>
Current-Year Incurred Losses and Loss Adjustment Expenses:	
Paid Losses	0
Change In Reserves For Reported Claims (OPEN)	0
Current-Year Incurred Losses and Loss Adjustment Expenses	<u>0</u>
Prior-Years' Incurred Losses and Loss Adjustment Expenses:	
Paid Losses	0
Change In Reserves For Reported Claims	50,000
Prior-Years' Incurred Losses and Loss Adjustment Expenses	<u>50,000</u>
Net Losses and Loss Adjustment Expenses For Current and Prior-Years	<u>50,000</u>
Contributions Over (Under) Current and Prior-Years' Losses	<u>\$111,529</u>

Texas Municipal League Intergovernmental Risk Pool
 Budget vs. Actual Comparison
 For the period October 1, 2009 to March 31, 2010

Workers' Compensation Fund						
	Budget (47%) @ 3/31/10	Actual (47%) @ 3/31/10	Difference	Budget @ 3/31/10 (Straight-line)	Actual @ 3/31/10 (Straight-line)	Difference
Contributions	* \$ 30,234,564	\$ 29,642,459	\$ (592,105)	\$ 30,587,950	\$ 31,439,941	\$ 851,991
Investment and Other Income	5,896,000	5,472,476	(423,524)	5,896,000	5,472,476	(423,524)
Total Revenues	36,130,564	35,114,935	(1,015,629)	36,483,950	36,912,417	428,467
Loss and Loss Adjustment Expenses	** 22,325,000	16,845,825	(5,479,175)	23,750,000	16,845,825	(6,904,175)
Total Expenses	12,185,300	11,578,757	(606,543)	12,185,300	11,578,757	(606,543)
Total Losses and Operating Expenses	34,510,300	28,424,582	(6,085,718)	35,935,300	28,424,582	(7,510,718)
Revenues Over (Under) Expenses	\$ 1,620,264	\$ 6,690,353	\$ 5,070,089	\$ 548,650	\$ 8,487,835	\$ 7,939,185

Texas Municipal League Intergovernmental Risk Pool
 Budget vs. Actual Comparison
 For the period October 1, 2009 to March 31, 2010

Liability Fund						
	Budget (48%) @ 3/31/10	Actual (48%) @ 3/31/10	Difference	Budget @ 3/31/10 (Straight-line)	Actual @ 3/31/10 (Straight-line)	Difference
Contributions	* \$ 20,497,584	\$ 20,424,880	\$ (72,704)	\$ 21,351,650	\$ 21,275,917	\$ (75,733)
Investment and Other Income	4,666,500	4,242,122	(424,378)	4,666,500	4,242,122	(424,378)
Total Revenues	25,164,084	24,667,002	(497,082)	26,018,150	25,518,039	(500,111)
Loss and Loss Adjustment Expenses	** 14,400,000	12,744,937	(1,655,063)	15,000,000	12,744,937	(2,255,063)
Total Expenses	7,856,150	7,468,295	(387,855)	7,856,150	7,468,295	(387,855)
Total Losses and Operating Expenses	22,256,150	20,213,232	(2,042,918)	22,856,150	20,213,232	(2,642,918)
Revenues Over (Under) Expenses	\$ 2,907,934	\$ 4,453,770	\$ 1,545,836	\$ 3,162,000	\$ 5,304,807	\$ 2,142,807

*Budgeted Contributions are adjusted to the Pool's method of recognizing contributions based on a calculated historical loss experience.

**Budgeted Loss and Loss Adjustment Expenses are adjusted by the same factor used to recognize contributions at March 31, 2010.

All other budgeted amounts have been prorated except for losses.

Texas Municipal League Intergovernmental Risk Pool
 Budget vs. Actual Comparison
 For the period October 1, 2009 to March 31, 2010

Property Fund						
	Budget (37%) @ 3/31/10	Actual (37%) @ 3/31/10	Difference	Budget @ 3/31/10 (Straight-line)	Actual @ 3/31/10 (Straight-line)	Difference
Contributions	* \$ 15,769,067	\$ 14,878,673	\$ (890,394)	\$ 21,309,550	\$ 20,106,315	\$ (1,203,235)
Investment and Other Income	1,388,250	1,465,462	77,212	1,388,250	1,465,462	77,212
Total Revenues	17,157,317	16,344,135	(813,182)	22,697,800	21,571,777	(1,126,023)
Loss and Loss Adjustment Expenses	** 9,620,000	9,230,887	(389,113)	13,000,000	9,230,887	(3,769,113)
Total Expenses	6,674,800	6,687,268	12,468	6,674,800	6,687,268	12,468
Total Losses and Operating Expenses	16,294,800	15,918,155	(376,645)	19,674,800	15,918,155	(3,756,645)
Revenues Over (Under) Expenses	\$ 862,517	\$ 425,980	\$ (436,537)	\$ 3,023,000	\$ 5,653,622	\$ 2,630,622

Texas Municipal League Intergovernmental Risk Pool
 Budget vs. Actual Comparison
 For the period October 1, 2009 to March 31, 2010

Combined Funds						
	Budget @ 3/31/10	Actual @ 3/31/10	Difference	Budget @ 3/31/10 (Straight-line)	Actual @ 3/31/10 (Straight-line)	Difference
Contributions	* \$ 66,601,215	\$ 65,107,541	\$ (1,493,674)	\$ 73,349,150	\$ 72,983,702	\$ (365,448)
Investment and Other Income	15,638,750	14,905,736	(733,014)	15,638,750	14,905,736	(733,014)
Total Revenues	82,239,965	80,013,277	(2,226,688)	88,987,900	87,889,438	(1,098,462)
Loss and Loss Adjustment Expenses	** 48,690,000	39,991,959	(8,698,041)	54,095,000	39,991,959	(14,103,041)
Total Expenses	22,888,300	22,145,165	(743,135)	22,888,300	22,145,165	(743,135)
Total Losses and Operating Expenses	71,578,300	62,137,124	(9,441,176)	76,983,300	62,137,124	(14,846,176)
Revenues Over (Under) Expenses	\$ 10,661,665	\$ 17,876,153	\$ 7,214,488	\$ 12,004,600	\$ 25,752,314	\$ 13,747,714

*Budgeted Contributions are adjusted to the Pool's method of recognizing contributions based on a calculated historical loss experience and does not include the 10% Property Fund rate reduction.

**Budgeted Loss and Loss Adjustment Expenses are adjusted by the same factor used to recognize contributions at March 31, 2010. All other budgeted amounts have been prorated.

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 six months ending March 31, 2010, total reported incurred losses were \$16,845,825. Current-year incurred losses were \$14,082,728 and prior-years' incurred losses increased by \$2,763,097.

Current-Year Losses

The second table on the right titled *Current Year Variance Measures* compares current-year incurred totals to 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 \$14,082,728 are \$572,974 or 4% less than the six-month total at March 31, 2009. The lower loss total was achieved with 10% less claim frequency this year. The Fund has incurred only one significant loss in excess of \$200,000. A City of Laredo firefighter was diagnosed with cancer and under the presumption bill statute, reserves were set at \$242,851.

Prior-Years' Losses

The prior-years' incurred loss development of \$2,763,097 was \$2,184,952 greater than the prior-years' total at March 31, 2009. This variance will be monitored closely to determine if last year's significant reduction in development is an emerging trend.

LIABILITY FUND

For the six months ending March 31, 2010, total reported incurred losses were \$12,744,938. Current-year incurred losses were \$6,943,509 and prior-years' incurred loss development of \$5,801,429 was \$417,353 less for the same period in the previous year.

Current-Year

The current-year reported incurred loss total of \$6,943,509 was \$59,651 less than the total at March 31, 2009. The positive variance is attributable to favorable variances in law enforcement liability, auto liability and aviation liability.

Prior-Years' Losses

The prior-years' incurred loss development of \$5,801,429 was \$417,353 less than the total at March 31, 2009. The positive variance is attributable to favorable variances in law enforcement liability and auto liability.

WORKERS' COMPENSATION FUND INCOME STATEMENT

	As of March 31, 2010		
	Current-Yr.	Prior-Yrs.	Total
Paid Losses	4,448,181	16,009,509	20,457,690
Chg. In Reserves	9,651,984	(13,375,513)	(3,723,529)
Chg. In Reins.	(17,437)	129,101	111,664
Total Loss	14,082,728	2,763,097	16,845,825

CURRENT YEAR VARIANCE MEASURES

	Non-LTB	LTB	Total
	Claims @ Mar 31	Claims @ Mar 31	Incurred @ Mar 31
2002/03 FY	12,751,076	1,367,424	14,118,500
2003/04 FY	12,598,855	1,920,965	14,519,820
2004/05 FY	12,014,202	900,990	12,915,192
2005/06 FY	13,986,247	0	13,986,247
2006/07 FY	13,620,831	777,299	14,398,130
2007/08 FY	13,814,701	2,184,361	15,999,062
2008/09 FY	14,655,702	1,411,510	16,067,212
2009/10 FY	14,082,728	0	14,082,728

PRIOR-YEARS' VARIANCE

	Total @ 03/31/10	Total @ 03/31/09	Variance
	Paid Losses	16,009,509	13,500,832
Chg. In Reserves	(13,375,513)	(6,997,868)	6,377,645
Chg. In Reins.	129,101	(5,924,819)	(6,053,920)
Total Loss	2,763,097	578,145	(2,184,952)

CURRENT-YEAR'S VARIANCE BY LINE OF COVERAGE

	As of Mar. 31 or 6 months					
	General Liability	Law Enforce	E&O Liability	Auto Liability	Aviation Liability	Total
2008/09 FY	1,134,256	1,662,815	707,798	3,429,091	69,200	7,003,160
2009/10 FY	1,972,115	1,278,999	1,023,999	2,661,595	6,801	6,943,509
Variance	(837,859)	383,816	(316,201)	767,496	62,399	59,651

PRIOR-YEARS' VARIANCE BY LINE OF COVERAGE

	As of Mar. 31 or 6 months					
	General Liability	Law Enforce	E&O Liability	Auto Liability	Aviation Liability	Total
@ 03/31/09	(366,076)	1,350,382	2,425,640	2,808,809	27	6,218,782
@ 03/31/10	1,144,722	915,219	2,536,875	1,176,470	28,143	5,801,429
Variance	(1,510,798)	435,163	(111,235)	1,632,339	(28,116)	417,353

PROPERTY FUND

For the six months ending March 31, 2010, total incurred losses were \$9,230,887. Current-year incurred losses were \$9,739,047 and prior-years' incurred losses decreased by \$508,160.

Current-Year Losses

The six-month total of \$9,739,047 in current-year losses is \$2,292,617 greater than the total of \$7,466,430 at March 31, 2009. There are four significant single claims in the six months to date: Texarkana Utilities (tank damage); City of Webster (water damage) reserved at \$261,400; City of Lufkin (tornado damage) reserved at \$750,000; and Floresville Electric Light/Power System (transformer failure) reserved at \$600,000. The Floresville System claim was originally reserved at \$100,000 and was

PROPERTY FUND - CURRENT YEAR ANALYSIS & COMPARISON

For the six months ending March 31	Auto Physical Damage	Real & Personal Property	Mobile Equipment	Crime	Total
2009-10 Total Loss	2,800,654	6,514,330	412,063	12,000	9,739,047
2009-10 Number of Claims	673	363	24	1	1,061
2009 -10 Avg Claim Loss	4,161	18,001	17,169	12,000	9,198
2008-09 Total Loss	2,869,428	4,144,071	449,031	3,900	7,466,430
2008-09 Number of Claims	695	259	16	2	972
2008-09 Avg Claim Loss	4,129	16,000	28,064	1,950	7,682

increased in February 2010 to \$600,000. The December 23, 2009 storm that caused the tornado in Lufkin produced an occurrence loss total of approximately \$763,000, including the Lufkin claim. The greater loss total this year is detailed by line of coverage, number of claims and average claim in the chart above. The 2008-09 Fund Year totals are also noted for comparison. The Property Fund has incurred 104 or 40% more real and personal property claims in the six months ending March 31, 2010 compared to the six months ending March 31, 2009. A review of claim loss descriptions revealed a much higher incidence of weather related (freezing temperatures and snow accumulation) losses in 2009-10 after six months.

Prior-Year Losses

The prior-years' incurred loss development of (\$508,160) was \$2,013,368 less than the total at March 31, 2009. The reserve total for Hurricane Dolly (July 2008) increased from \$913,306 at September 30, 2009 to \$1,828,393 as of March 31, 2010. 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 six 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 March 31, 2010, reported losses in the Reinsurance Fund decreased by \$127,927.

REINSURANCE FUND LOSSES

	As of March 31, 2010			
	W/C	Liability	Property	Total
Paid Losses	10,066	0	322,828	332,894
Chg. In Reserves	(109,969)	(317)	(350,535)	(460,821)
Chg. In Reins	0	0	0	0
Total Loss	(99,903)	(317)	(27,707)	(127,927)

Losses from Workers' Compensation Fund

For the six months ending March 31, 2010, reported prior-years' losses decreased by \$99,903. This decrease was attributable to a decrease in medical expense reserves for the Thomas Allen claim (City of White Settlement, May 2003).

Losses from Liability Fund

For the six months ending March 31, 2010, reported prior-years' aviation losses decreased by \$317.

Losses from Property Fund

For the six months ending March 31, 2010, reported property losses in the Reinsurance Fund decreased by \$127,927.

LARGE LOSS FUND

For the six months ending March 31, 2010, total incurred losses increased by \$739,105 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 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 \$36,962,871 as of March 31, 2010. The adjuster cost estimate of \$1,500,000 will increase in April when recoveries of adjuster costs will exceed the estimate. The chart to the right compares the March 31, 2010 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 (\$192,367). The other portion of development decrease has reduced the recoverable from outside reinsurers.

LIFETIME BENEFITS FUND

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 below 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. Due to a remarriage, the reserves applicable to the widow (Hamilton claim, City of Pasadena, initially discounted at 9%) have been reduced. The present-value impact of this adjustment was an equity gain of \$81,482 as noted in the *Closed Claims* column. A fatality claim (Hill, City of Weatherford) incurred last year was transferred in March 2010 after a Workers' Compensation Division hearing determined the mother as a dependant and eligible for 354 weeks of benefits.

LARGE LOSS FUND LOSSES

	As of March 31, 2010			Total
	2006/07 Aggregate	2007/08 Aggregate	Hurricane Ike	
Paid Losses	193,257	1,094,851	570,431	1,858,539
Chg. In Reserves	(163,606)	(193,030)	(762,798)	(1,119,434)
Chg. In Reins	0	0	0	0
Total Loss	29,651	901,821	(192,367)	739,105

HURRICANE IKE LOSS SUMMARIZED

	Includes adjuster costs estimate of \$1,500,000		
	@ 9/30/09	@ 03/31/10	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	2,844,430	(192,367)
Reinsurance Fund	4,000,000	4,000,000	0
NLC-MIC	350,000	350,000	0
Other Outside Reinsurers	27,858,517	26,768,441	(1,090,076)
Totals	38,245,314	36,962,871	(1,282,443)

LIFETIME BENEFITS FUND LOSS ACTIVITY

	For the six months ending March 31, 2010				
	Loss Activity	New Claims	Reserve Adjustments	Closed Claims	Total
Paid Losses	894,784	0	0	0	894,784
Change in Reserves	(894,784)	191,222	115,327	(1,245,931)	(1,834,166)
Chg. in Discount	539,787	(26,872)	(64,500)	1,164,449	1,612,864
Net Losses (Gain)	539,787	164,350	50,827	(81,482)	673,482

REVENUE SUMMARY

On a combined basis, the Pool is reporting earned contribution revenue of \$65,107,541 for the six months ending March 31, 2010. 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 \$144,631,892 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. Also included is the 10% Property Fund rate reduction for 2009-10.

CONTRIBUTION REVENUE COMPARISON

Fund	Historical Loss Earned Percentage	Mar. 31, 2010 Reported Earned Contribution	Projected 2009/10 Earned Contribution	Actual 2008/09 Contribution Revenue
Workers' Compensation	47.0%	\$28,160,567	\$59,800,000	\$61,547,831
Audits billed		1,481,892	1,481,892	
Liability	48.0%	20,424,880	42,700,000	39,262,177
Property	37.0%	14,878,673	40,200,000	40,717,381
Coastal Storm	37.0%	161,529	450,000	67,765
Total		\$65,107,541	\$144,631,892	\$141,595,154

ACCOUNTS RECEIVABLE SUMMARY

For the month ending March 31, 2010, charges (billing) totaling \$3,259,674 and payments totaling \$4,153,057 decreased the Accounts Receivable balance from \$2,574,324 to \$1,680,941. 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 reimbursed by the member.

MEMBER RECEIVABLES

Total Billed	Receivable	Current	31-60 days	61-90 days	Over 90 days	Over 90 days Past Due %
@ 3/31/08 \$122,946,008	\$410,031	\$187,314	\$139,091	\$20,141	\$63,485	15.48%
@ 3/31/09 \$124,016,544	\$371,507	\$255,946	\$95,024	\$11,174	\$9,363	2.52%
@ 3/31/10 \$123,831,491	\$211,377	\$147,888	\$32,389	\$26,703	\$4,397	2.08%

REINSURANCE RECEIVABLE SUMMARY

For the month ending March 31, 2010, the Reinsurance Receivable balance is \$2,200,553 (\$1,337,430 at the end of February 2010). 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 \$49,996 for specific coverage on the following claims: Brad Morgan, Milton Levy, and Dale Giles. The reinsurer has confirmed that payments are in process for amounts billed through January 31, 2010. The reinsurer will be billed in April 2010 for payments made through March 31, 2010.
- CNA – The receivable balance is \$75,496 for specific coverage on the Tony Hammock and Brandon Burns claims. The reinsurer will be billed in April 2010 for payments made through March 31, 2010.
- NLC-MIC – The receivable balance is \$12,978 for specific coverage on the Brandon Burns claim, T08/0100065213. \$11,110 was received from the reinsurer in March 2010. The reinsurer will be billed in April 2010 for payments made through March 31, 2010.

Liability Fund

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

Property Fund

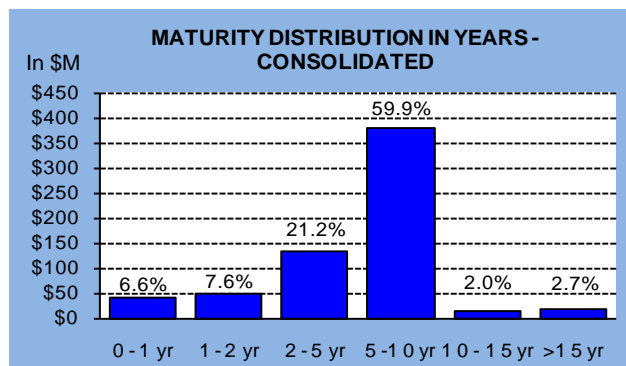
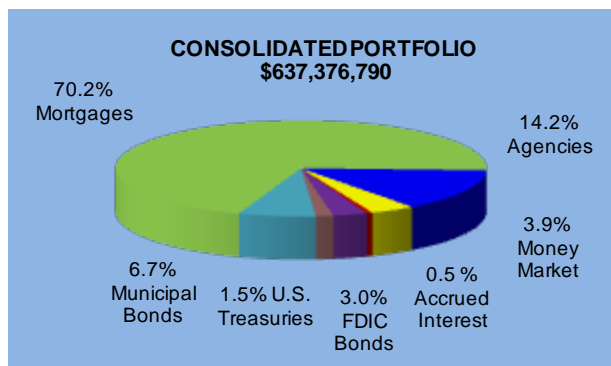
- Lloyd's Syndicate, et al. – The receivable balance is \$2,058,207 for specific coverage on the following claim occurrences: \$2,015,569 for Hurricane Ike and \$42,638 for the April 2008 Mansfield area storm. \$255,689 was received from the reinsurer in March 2010 for some reinsurer layers on Hurricane Ike. The reinsurer will be billed in April 2010 for payments to date. The Mansfield area storm will be billed to the reinsurer once all associated adjusting bills are compiled.
- NLC-MIC – The receivable balance is \$3,876 for the April 2008 Mansfield area storm. This amount will be billed to the reinsurer once all associated adjusting bills are compiled.

INVESTMENT REPORT

MARCH 31, 2010

April 14, 2010

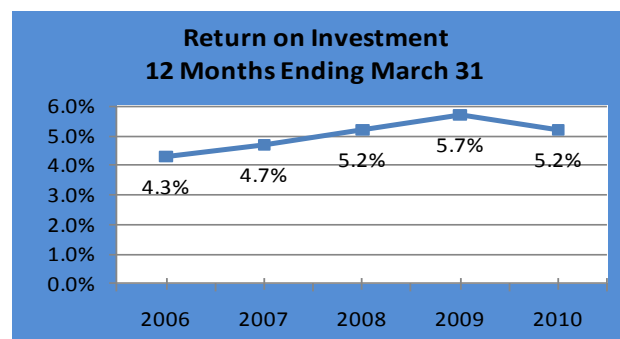
The Pool's investment income for the six months ending March 31, 2010 was \$14.8 million (compared to \$17.6 million last year). The Pool's realized gains were \$1,805,000 through six months compared to \$3,126,000 for the same period last year. The Pool's return on investment was 5.2% for the last twelve months and the total rate of return was 4.7%.



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	Mar. 10	3-Mo	6-Mo	9-Mo	1-Year	2-Year	3-Year	4-Year	5-Year
*Consolidated	0.3%	1.2%	2.4%	3.7%	5.2%	5.4%	5.3%	5.2%	5.0%
Mesirow	0.4%	1.3%	2.4%	3.6%	4.8%	5.4%	N/A	N/A	N/A
Conning	0.4%	1.2%	2.3%	3.8%	5.1%	5.4%	N/A	N/A	N/A
MFC Global	0.4%	1.3%	2.4%	3.8%	5.4%	5.4%	5.3%	5.2%	5.1%
TML-IRP	0.3%	1.2%	2.4%	3.5%	5.5%	5.5%	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.

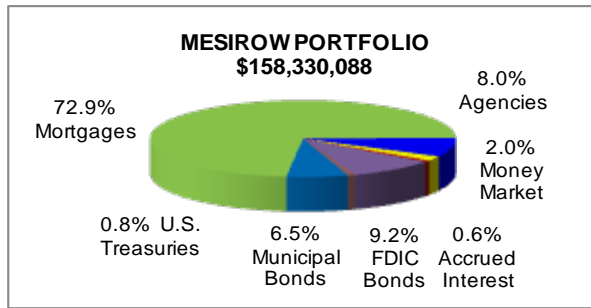
Returns	Mar. 10	3-Mo	6-Mo	9-Mo	1-Year	2-Year	3-Year	4-Year	5-Year
*Consolidated	0.0%	1.6%	1.8%	4.2%	4.7%	5.9%	6.6%	6.6%	5.8%
Index (Benchmark)	0.0%	1.7%	1.9%	4.2%	4.1%	5.7%	7.0%	6.7%	5.9%
Mesirow	-0.1%	1.6%	1.6%	3.9%	4.2%	5.9%	N/A	N/A	N/A
Conning	0.0%	1.5%	2.0%	4.5%	5.0%	6.3%	N/A	N/A	N/A
MFC Global	0.0%	1.7%	2.0%	4.6%	4.6%	5.7%	6.6%	6.6%	5.8%
TML-IRP	0.1%	1.5%	1.4%	3.6%	4.8%	5.6%	6.2%	6.2%	5.5%

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.

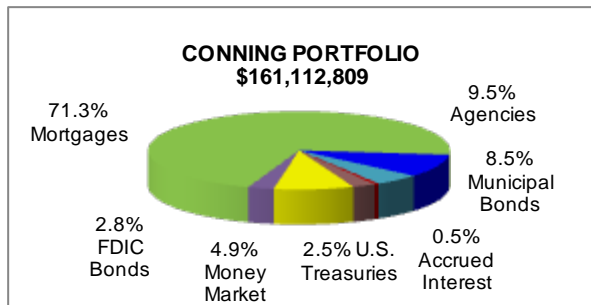
*Consolidated returns include the performance of all current and past investment managers.

INVESTMENT MANAGER OUTLOOK

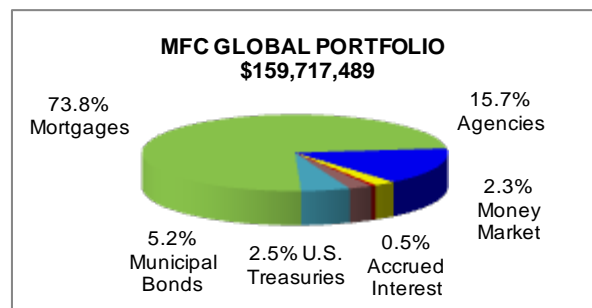
Mesirow Financial Investment Management believes the Federal Open Market Committee (FOMC) will keep rates in the 0-0.25% range until late 2010 or early 2011. They expect the economy will continue to recover in 2010 and real Gross Domestic Product (GDP) should average 3.3% over the course of the year. Growth in 2011 is expected to be 3.8%. Core inflation is expected to stay low throughout 2011. Unemployment has likely peaked, but will remain high for a long time. Unemployment is expected to fall to 8.7% by the end of 2011. Economic stimulus combined with guaranteed liabilities assumed by the Federal Reserve and U.S. 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).



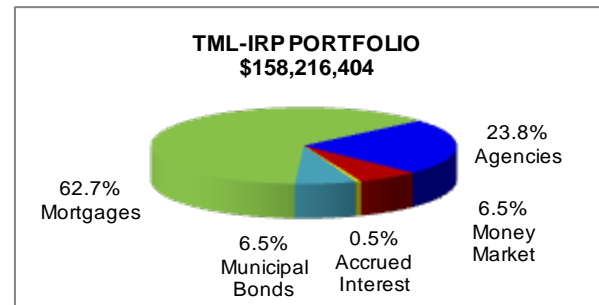
Conning Asset Management Company believes the U.S. economy remains on track for 2%-3% growth in early 2010. Prospects for growth in final sales continue to hinge on the willingness of business to reverse the sizable 2009 drop in investment spending. The growth path for consumer spending will track the growth of income. Inflation will be a concern by 2011 and beyond as economic growth takes hold. The ultimate inflation path will depend on the how the FOMC removes monetary stimulus. Conning expects 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. By 2011, Conning expects \$86-per-barrel oil and a 4.6% 10-year treasury yield, with restrained equity market gains. Conning continues to favor 30-year mortgage backed securities with premium coupons as well as taxable municipals in the intermediate part of the yield curve over treasuries and bullet agency notes.



MFC Global Investment Management believes the Federal Open Market Committee and U.S. Treasury will continue to slowly normalize policy. The Federal Reserve will likely not raise rates until late 2010 or early 2011 as the employment picture has not substantially improved. Inflation indicators remain subdued and not likely to increase substantially in the short term. Economic activity should continue to gradually improve and GDP for the year will be between 3% and 4%. Yields on Treasury securities have begun to increase which is a trend that will likely continue to play out. 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 on an income basis.



The Pool's internal management believes the U.S. economy has gained traction and will likely continue to improve in 2010. Consumer spending and industrial production are starting to show signs of growth. Companies will begin to hire to meet rising demand. In March, the unemployment rate held steady at 9.7%. 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 has begun 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

Mesirow Financial Investment Management added Federal National Mortgage Association (FNMA) debentures during March. They also added to their holdings of Government National Mortgage Association (GNMA) pools. In addition, they purchased a small FNMA balloon mortgage as an alternative to the money market fund. There were no sales during the month. Mesirow believes treasuries are overvalued and will continue to overweigh agency securities. Mortgage-backed securities are also overvalued and will be modestly underweighted. The government program to buy them ended at the end of the month. They prefer Government National Mortgage Association (GNMA) mortgage-backed securities to those issued by the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC). They prefer FNMA or FHLMC debentures to FNMA or FHLMC mortgage-backed bonds. They believe that heavy issuance by the Treasury will result in higher interest rates. On a return on investment basis, the portfolio exceeded the consolidated return in March and is in line with the consolidated return for the longer term. On a total return basis, the portfolio exceeded the benchmark for the past twelve months and since inception.

Conning Asset Management Company

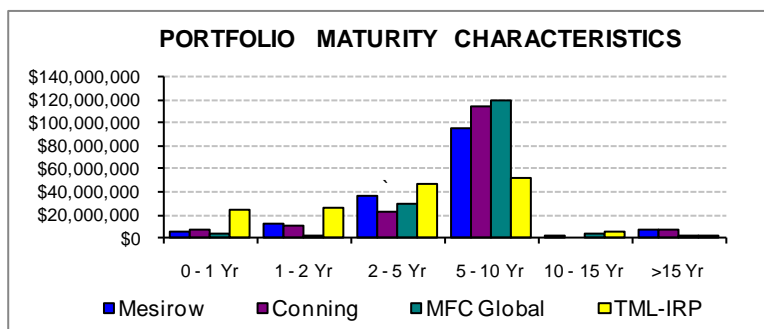
During the month, Conning Asset Management Company purchased no new securities. They favor taxable municipal bonds (target allocation of 10%) in the 3-10 year area of the curve (although Build America Bond supply is dominated by longer duration issues) relative to government securities over the next quarter. Conning remains cautious in the mortgage-backed security sector, as the government program to purchase these securities came to an end at March 31, 2010. The portfolio is in line with the consolidated return on investment for all reported periods. On a total rate of return basis, the portfolio exceeded the benchmark for the one-year period and since inception.

MFC Global Investment Management

During March, MFC Global added to the callable agency holdings in order to add income to the portfolio. 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 Federal Reserve completed their agency mortgage-backed securities purchase program which increased the yield difference (spread) between mortgage-backed securities and treasuries during the month. The portfolio matched or exceeded the return on investment of the consolidated return for all reported periods. On a total rate of return basis, the portfolio exceeded the benchmark for the one-year period.

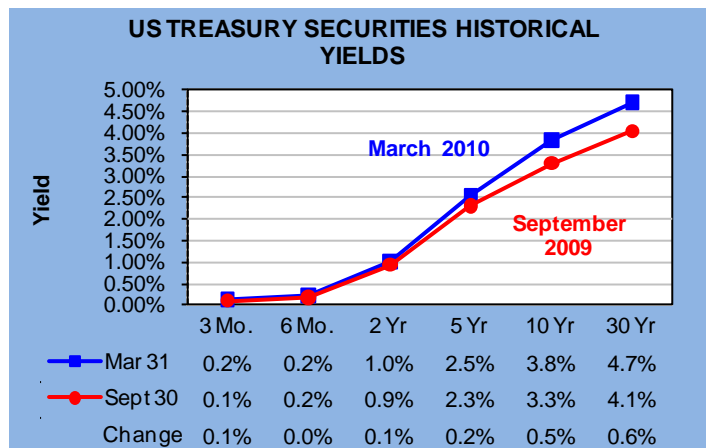
TML-IRP Internal Portfolio

In March, the Pool's internal portfolio manager sold short-term agency notes and purchased 30-year mortgage-backed securities issued by GNMA to increase the allocation to this sector and 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 historical 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 matched or exceeded the consolidated return for most reported periods. On total rate of return, the portfolio exceeded the benchmark by 71 basis points for the past twelve months.



INTEREST RATES

U.S. Treasury yields rose during the six months ending March 31, 2010. The yield on the 2-year treasury note rose from 0.9% to 1.0%; the 5-year note rose from 2.3% to 2.5%; the 10-year note rose from 3.3% to 3.8%; and the 30-year bond rose from 4.1% to 4.7%.



FEDERAL OPEN MARKET COMMITTEE

At the March 16, 2010 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 January suggests that economic activity has continued to strengthen and that the labor market is stabilizing. Household spending is expanding at a moderate rate but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. Business spending on equipment and software has risen significantly. However, investment in nonresidential structures is declining, housing starts have been flat at a depressed level, and employers remain reluctant to add to payrolls. While bank lending continues to contract, financial market conditions remain supportive of economic growth. Although the pace of economic recovery is likely to be moderate for a time, the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability.

With substantial resource slack continuing to restrain cost pressures and longer-term inflation expectations stable, inflation is likely to be 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 has been purchasing \$1.25 trillion of agency mortgage-backed securities and about \$175 billion of agency debt; those purchases are nearing completion, and the remaining transactions will be executed by the end of this month. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to promote economic recovery and price stability.

In light of improved functioning of financial markets, the Federal Reserve has been closing the special liquidity facilities that it created to support markets during the crisis. The only remaining such program, the Term Asset-Backed Securities Loan Facility, is scheduled to close on June 30 for loans backed by new-issue commercial mortgage-backed securities and on March 31 for loans backed by all other types of collateral.”

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

On March 31, 2010, the market value of the Pool's investment portfolio was \$634,055,455 compared to the book value \$615,719,312 resulting in an unrealized gains of \$18,336,143.

	Market Value	Book Value	Unrealized Gains (Losses)	Accrued Interest
Mesirow	157,388,628	151,635,563	5,753,065	941,460
Conning	160,243,182	153,710,843	6,532,339	869,627
MFC Global	158,898,181	154,338,595	4,559,586	819,308
TML-IRP	157,525,464	156,034,311	1,491,153	690,940
Total	\$634,055,455	\$615,719,312	\$18,336,143	\$3,321,335

Note: At February 28, 2010, the Unrealized Gains (Losses) were \$20,419,014.

**TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL
INVESTMENT SUMMARY
March 31, 2010**

	Mesirow	Conning	MFC Global	TML-IRP	Total
Market Value @ 02/28/10/10	159,602,481	162,258,106	160,900,038	159,244,129	642,004,754
Change in Investments:					
Sale/Maturity of Securities	-	-	(3,000,000)	(11,111,433)	(14,111,433)
Purchase of Securities	3,568,964	-	9,713,646	15,729,594	29,012,204
Mortgage-Backed Securities' Paydowns	(2,774,012)	(3,271,637)	(2,107,362)	(3,395,172)	(11,548,183)
Realized Gain (Loss)	-	-	24,980	31,067	56,047
Change in Unamortized (Premium) Discount	(29,924)	(39,926)	(23,972)	(93,309)	(187,131)
Change in Money Market:					
Net Cash Transfers In (Out)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(8,000,000)
Net Interest Received (Paid)	531,353	621,566	522,836	588,901	2,264,656
Net Purchases (Sales)	(794,951)	3,271,637	(4,606,284)	(1,222,989)	(3,352,587)
Change in Market Value:					
Change in Unrealized Gain (Loss)	(715,283)	(596,564)	(525,701)	(245,324)	(2,082,872)
Market Value @ 03/31/10	157,388,628	160,243,182	158,898,181	157,525,464	634,055,455
Book Value @ 03/31/10	151,635,563	153,710,843	154,338,595	156,034,311	615,719,312
Unrealized Gain (Loss)	5,753,065	6,532,339	4,559,586	1,491,153	18,336,143
Accrued Interest @ 02/28/10	885,269	860,786	755,496	785,205	3,286,756
Interest Earned	587,544	630,407	586,648	494,636	2,299,235
Interest Received	(531,353)	(621,566)	(522,836)	(588,901)	(2,264,656)
Accrued Interest @ 03/31/10	941,460	869,627	819,308	690,940	3,321,335