

Liability and Property Equity Returns

The Pool's Board of Trustees has adopted Equity Return Policies for the Workers' Compensation, Liability, and Property Funds. The policies state that when the following conditions are met at the end of a given year, the Pool will return one-half of equity gained that year.

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

At the end of 2005-06, the Liability and Property Funds satisfied all criteria for an equity return, triggering returns of \$6.7 million from the Liability Fund and \$3.2 million from the Property Fund. Members' Equity as a percent of net loss reserves in the Workers' Compensation Fund fell short of the 50 percent required. Therefore, no equity will be returned from the Workers' Compensation Fund.

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

1. Have participated in the individual Fund for at least one complete year on September 30, 2006,
2. Have a loss ratio for that Fund that is less than 100% since joining the Fund or for the last 10 years for Liability or the last 9 years for Property, and
3. Continue to be a Member of that Fund on April 1, 2007.

The equity return calculation also recognizes the length of time a Member has participated in the Fund.

Liability

The amount of each Member's Liability Equity Return will be a percent of 2005-06 contributions determined as follows:

Member's Liability Loss Ratio	Liability Equity Return as a Percentage of Member's 2005-2006 Contributions
Less than 25%	17%
25% to less than 50%	15%
50% to less than 75%	13%
75% to less than 100%	10.5%
100% or more	0%

Approximately 2,160 Liability Fund Members will receive some portion of the equity return and 1,870 Members will receive a distribution of 17% plus the longevity factor set forth on the next page.

Property

For the second year in a row, the Property Fund has satisfied all criteria necessary to trigger a return, which will be \$3.2 million for the 2005-06 fund year. The amount of each Member's Property Equity Return will be a percent of 2005-06 contributions determined as follows:

Member's Property Loss Ratio	Property Equity Return as a Percentage of Member's 2005-2006 Contributions
Less than 25%	10%
25% to less than 50%	8%
50% to less than 75%	6%
75% to less than 100%	4%
100% or more	0%

Approximately 1,700 Members will receive a return from the Property Fund with 1,339 Members receiving a distribution of 10% before considering longevity.

Longevity Factor

In addition to loss ratios, a component has been added that recognizes the length of time a Member has participated in the individual Fund. The equity returns shown in the preceding charts will be increased based on continuous membership in the applicable Fund as of September 30, 2006 as follows:

1. 1% will be added for membership of 3 to 4 years.
2. 2% will be added for membership of 5 to 9 years.
3. 4% will be added for membership of 10 or more years.

Pool has returned approximately \$53 Million Since 1993-94

The Pool has a long history of returning Members' Equity when financial results have been better than expected. Since 1993-94 the Pool has returned approximately \$53 million to members of the Workers' Compensation, Liability, and Property Funds. Equity returns have been possible as a direct result of the Pool's members working hard to keep their losses down. The Pool's staff of professional Loss Prevention Representatives is available to assist members in their loss prevention efforts.

History of Equity Returns				
Fiscal Year	Workers' Compensation	Liability	Property	Pool Total
93-94	0	\$1,100,000	0	\$1,100,000
94-95	\$2,000,000	0	0	\$2,000,000
95-96	\$2,700,000	0	0	\$2,700,000
96-97	\$4,900,000	0	0	\$4,900,000
97-98	\$1,400,000	\$2,800,000	0	\$4,200,000
98-99	\$1,400,000	\$3,500,000	0	\$4,900,000
99-00	\$1,500,000	\$3,100,000	0	\$4,600,000
00-01	0	0	0	0
01-02	0	0	0	0
02-03	0	0	0	0
03-04	0	\$4,500,000	0	\$4,500,000
04-05	0	\$4,900,000	\$4,300,000	\$9,200,000
05-06	—	\$5,000,000	—	\$5,000,000
05-06*	0	\$6,700,000	\$3,200,000	\$9,900,000
Total	\$13,900,000	\$31,600,000	\$7,500,000	\$53,000,000

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

Questions? Call 1-800-537-6655

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