

Help reduce your Loss Ratio by attending Loss Prevention Training Classes!
December 2004 Training Schedule

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| 1 <i>Employment Law - Avoiding Personnel Pitfalls</i> , Leon Valley (Region 7) | 7 <i>Safety Issues Affecting Public Works & Utilities</i> , Marlin (Region 9) | 9 <i>Fire & EMS Emergency Vehicle Response</i> , Plainview (Region 3) |
| 1 <i>Law Enforcement Emergency Vehicle Operations</i> , Lampasas (Region 10) | 8 <i>Excavation & Trench Safety Awareness</i> , Hereford (Region 2) | 9 <i>Preventing, Reporting, & Investigating WC Claims</i> , Killeen (Region 9) |
| 1 <i>Survival Skills for Law Enforcement</i> , Lampasas (Region 10) | 8 <i>Confined Space Entry Awareness</i> , Hereford (Region 2) | 9 <i>Law Enforcement Emergency Vehicle Operations</i> , Taylor (Region 10) |
| 1 <i>Trends & Issues Affecting Property Losses</i> , Nacogdoches HA (Region 16) | 8 <i>Establishing an Effective Safety Program</i> , Robinson (Region 9) | 14 <i>Fire & EMS Emergency Vehicle Response</i> , Lexington (Region 10) |
| 1 <i>Supervisors & Safety</i> , Nacogdoches (Region 16) | 8 <i>Work Zone Safety</i> , Robinson (Region 9) | 15 <i>Highway Traffic Control for Emergency Responders</i> , Cedar Park (Region 10) |
| 2 <i>Law Enforcement Emergency Vehicle Operations</i> , Burnet (Region 10) | 8 <i>Law Enforcement Emergency Vehicle Operations</i> , Leander (Region 10) | 15 <i>Safety Issues Facing Fire & EMS Personnel</i> , Cedar Park (Region 10) |
| 2 <i>Work Zone Safety</i> , Crockett (Region 14) | 8 <i>Leadership Survival Skills for Officers & Supervisors</i> , Schulenburg (Region 10) | 16 <i>Highway Traffic Control for Emergency Responders</i> , Bastrop (Region 10) |
| 7 <i>Highway Traffic Control for Emergency Responders</i> , Hereford (Region 2) | 8 <i>Survival Skills for Law Enforcement</i> , Leander (Region 10) | 16 <i>Work Zone Safety</i> , Mount Pleasant (Region 15) |

If you have specific questions regarding any of these training sessions, or would like to register, please contact our Loss Prevention Department at (512) 491-2300 or (800) 537-6655.



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TML Intergovernmental Risk Pool Newsletter

November 2004

Board of Trustee Election Results

461 members or 18.4% of the Pool's membership voted for four Board of Trustee positions. All four incumbents on the Board were reelected, including Mayor Mary Gauer of Harker Heights, in Place 6; Larry Dovalina, City Manager of Laredo, in Place 7; Mayor Leo Montalvo of McAllen, in Place 8; and Andres Garza, City Manager of Wharton, in Place 9.

Board elections are held every two years. Since board members serve six-year terms, four positions are on the ballot every other year. The new terms began October 1, 2004.

The Board has elected Ms. Pat Norriss to be its Chair, and Mayor Leo Montalvo its Vice Chair as of October 1.



Mary Gauer



Larry Dovalina



Leo Montalvo



Andres Garza

Place 6		Place 7	
Mary Gauer	299	Larry Dovalina	271
Greg Petrey	125	Jim Moncur	134
Place 8		Place 9	
Eduardo Campirano	102	Andres Garza, Jr.	290
Leo Montalvo	305	Claudia Humphries	52
		Joe Shepard	48
		Nelda Stroder	45

The Pool Returns \$4.5 million!

On November 1, 2004, the Pool began distributing \$4.5 million in members' equity from the Liability Fund to those members that satisfied the following criteria:

- The Member has been a liability member for three successive, complete years as of September 30, 2004, and
- Has a liability loss ratio no greater than 100%, and
- Continues to be a liability member on November 1, 2004.

1,912 members were participants in the Pool for at least three successive years on September 30, 2004, and, of

those, 1,737 qualified to receive equity returns because their liability loss ratios are 100% or less.

Checks will be delivered or mailed to members receiving a return of \$1,000 or more. Those members whose returns are less than \$1,000 will receive credits on their November bills. The current estimate is that approximately \$4.1 million will be returned by check, and \$370,000 of credits will be issued.

Preliminary 2003-04 Year-End Financial Results

The Pool is in the process of closing its financial records for 2003-04 and preparing for its annual audit. Preliminary results indicate that members' equity on a combined basis has increased by \$14.7 million to \$213 million.

Overall, revenues were in line with budget projections and losses were lower than projected. Before the Liability equity return of \$4.5 million, the Pool generated \$19.2 million in revenues over expenses. Each of the Pool's revenue generating funds produced positive results.

The Workers' Compensation Fund, which over the last few years has been using equity to stabilize rates, produced approximately \$57,000 in revenue over expenses. Even though the Fund recorded 10 death claims, the most in any year, increased contributions allowed the Fund to end the year in a positive position. Members' equity at year-end was \$ 43.4 million.

In the Liability Fund, based on favorable loss experience over the past several years, the Pool returned \$4.5 million to its members and ended the fiscal year with a \$4.9 million increase in revenue over expenses. Members' equity at year-end was \$75.3 million.

Property Fund losses in 2003-04, were lower than the previous year. As a result of increased contributions, lower losses, and a \$2 million reduction in reinsurance costs, the fund produced \$7 million in revenue over expenses and

Workers' Compensation Fund Receives \$1.9 Million

From 1974 to 1983 the Pool's Workers' Compensation Fund was reinsured by Employers' Casualty Company. Employers' Casualty was placed into receivership in 1994. At that time Employers' Casualty was obligated to reimburse the Pool over \$7 million for workers' compensation benefits as those benefits were paid to beneficiaries and employees from 1994 until all claims had been paid. Since it was unclear if the Pool would ever receive these payments, the payments were determined to be uncollectible and were charged against members' equity.

After lawsuits and lengthy negotiations, the Pool has received Class 2 claimant status and

ended the year with \$20.5 million of equity.

When claims are lower in the three operating funds, claims in the Reinsurance Fund generally are also lower. After reserves were set aside for incurred but not reported claims, this fund produced an increase in equity of \$2.4 million. Members' equity in the Reinsurance Fund is \$30.4 million. In 2004-05 the Pool will use this equity to enable the Pool to accept a greater portion of risk, thus lowering the cost of reinsurance purchased from outside reinsurers.

Neither the Large Loss Fund nor the Stability Fund had any losses in 2003-04, with revenue over expenses of \$3.2 million and \$1.2 million respectively. The Large Loss Fund was created to accept additional risk from the three operating funds and to reduce the cost of reinsurance. This Fund has become a significant part of the Pool's reinsurance program. At year's end, the Large Loss Fund had members' equity of \$18.2 million, and the Stability Fund \$24.4 million.

The Pool's strong financial condition has allowed it to assume more risk and thus keep rates stable.

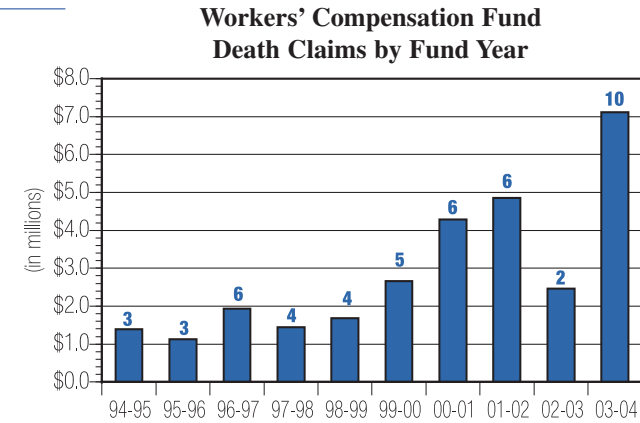
has begun to receive payments from the Employers' Casualty Estate. Prior to 2003-04, the Pool had received \$1,695,913, based on 50% of the Pool's paid claims. During 2003-04, \$1,931,246 was received, including 50% of amounts estimated to be due after all claims have been paid.

When the Employers' Casualty Estate is finally closed, possibly in three or four years, it is anticipated that the remaining 50% or \$3,632,159 will be received. Since this receivable had been previously written off, it will be recorded as revenue when and if it is received.

Workers' Compensation Death Claims Highest in Pool's History

The Pool experienced more death claims in 2003-04 than in any other year in its history. In 2003-04 members of the Pool suffered the loss of ten employees. From October 1, 1994 to September 1999 the Pool averaged four fatalities per year. Over the next four years, the Pool averaged five per year, with 2002-03 having only two fatal losses. The cost of death claims over the past three years increased from \$3.6 million to \$7.1 million.

Five of last year's deaths were Police Officers.



Executive Director's Report to the Board

At the October 28th Annual Member's meeting, in addition to presenting preliminary financial results discussed on page 2, the Executive Director provided a summary of the Pool's progress in other aspects of the Pool's operations in 2003-04.

The total number of members increased in each of the Funds. The number of members is now 2,512. This is an increase of 80 members over the previous year. The Workers' Compensation Fund has 2,165 members; Liability Fund, 2,403; and the Property Fund 2,149. Over this past year the Pool's Field Services department visited 4,193 members.

Cities and towns comprise 45% of the members. Water districts and MUDs comprise 24%, Housing Authorities 15%, Appraisal Districts 6%, Fire Districts 4% and all other local government entities the remaining 6%.

The Loss Prevention department provided training to 15,312 employees from 856 members.

Two of the officers were outside of their vehicles when struck by oncoming vehicles; one was killed driving his motorcycle; one was killed in a high speed pursuit, and one was shot in the line of duty. The other fatalities included a water plant operator who drowned in a treatment tank, a park employee who was killed in a car accident, a maintenance employee who had a lawn mower fall on him while changing a blade, and a sanitation employee who fell off of a sanitation truck.

Most of these deaths could have been prevented. Good procedures such as officers approaching stopped motorists from the right side of their vehicle rather than on the traffic side, and employees not performing heavy maintenance alone could have reduced these deaths. "Accidents" do occur, but the frequency and severity can be reduced if employees practice good loss prevention techniques. Positive Loss Prevention training is the key to a safe environment and reduction in work related deaths and injuries.

In the previous year, the Board of Trustees did not change rates in the Liability and Property Fund. In fact, because of the favorable loss development in the Liability Fund, the Board returned \$4.5 million to the members. However, Workers' Compensation rates have been increased for 2004-05 as follows:

1. Revision in discount calculation to one-third rather than one-half of the difference between 100% and member's loss ratio.
2. 5% increase for 14 classifications with loss ratios over 100%. Impact 1.25%
3. General Increase of 4.5%

After considering modifier and discount changes, the resulting average increase in the Workers' Compensation Fund is projected to be between 2.5% and 3%, before considering payroll increases.

Looking ahead, expanded loss prevention activities at all levels should make 2004-05 a good year.