

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

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|--|---|---|
| 1 Counseling for Improved Performance, Burleson (Region 8)           | 14 Coaching the Experienced Driver, Cedar Park (Region 11)                  | 28 Excavation & Trench Safety Awareness, Kilgore (Region 15)                  |
| 1 Fire & EMS Emergency Vehicle Response, Belton (Region 9)           | 14 Fire & EMS Emergency Vehicle Response, Florence (Region 10)              | 28 Recognizing & Preventing Workplace Violence, Friendswood (Region 14)       |
| 1 Public Works & Utilities Driving, Boerne (Region 7)                | 15 Highway Traffic Control for Emergency Responders, Cedar Park (Region 10) | 28 Work Zone Safety, Kerrville (Region 7)                                     |
| 1 Safety Issues Facing Fire & EMS Personnel, Temple (Region 9)       | 15 Law Enforcement Liability, Mansfield (Region 8)                          | 29 Confined Space Entry Awareness, Athens (Region 15)                         |
| 1 Safety Issues Facing Public Works & Utilities, Boerne (Region 7)   | 15 Refuse Driving & Crew Safety, Alice (Region 11)                          | 29 Excavation & Trench Safety Awareness, Athens (Region 15)                   |
| 2 Fire & EMS Emergency Vehicle Response, Temple (Region 9)           | 15 Safety Issues Facing Fire & EMS Personnel, Cedar Park (Region 10)        | 29 Law Enforcement Emergency Vehicle Operations, Magnolia (Region 14)         |
| 2 Law Enforcement Emergency Vehicle Operations, Mineola (Region 15)  | 15 Work Zone Safety, Alice (Region 11)                                      | 29 Public Works & Utilities Driving, New Braunfels (Region 7)                 |
| 2 Public Works & Utilities Driving, San Marcos (Region 10)           | 16 Highway Traffic Control for Emergency Responders, Bastrop (Region 10)    | 29 Survival Skills for Law Enforcement, Magnolia (Region 14)                  |
| 8 Law Enforcement Dispatch, Grand Prairie (Region 13)                | 16 Public Works & Utilities Driving, Beeville (Region 11)                   | 29 Work Zone Safety, New Braunfels (Region 7)                                 |
| 8 Law Enforcement Emergency Vehicle Operations, Rockwall (Region 13) | 22 Back Injury Prevention, Seymour (Region 5)                               | 30 Excavation & Trench Safety Awareness, Mexia (Region 9)                     |
| 8 Survival Skills for Law Enforcement, Rockwall (Region 13)          | 22 Building Personal Leadership Skills, Seagoville (Region 13)              | 30 Safety Issues Affecting Public Works & Utilities, New Braunfels (Region 7) |

*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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# Coverage



TML Intergovernmental Risk Pool Newsletter

August 2004

## The Pool's Board Approves \$4.5 Million Liability Equity Return

The Pool's Board of Trustees voted at their July meeting to distribute \$4.5 million of equity to Members of the Liability Fund. The distribution will be made to Members that have been Members of the Liability Fund for three successive and complete years on September 30, 2004 and have Liability loss ratios no greater than 100% since joining the Pool or for the last five years, whichever loss ratio is lower. Loss ratios will be calculated by dividing losses incurred by contributions paid. The distribution will be made to those Members that qualify and that continue to be Members of the Liability Fund as of November 1, 2004.

The Liability equity distribution will equal a percentage of 2003-04 contributions. Members with liability loss ratios of 80 percent or less will receive a distribution that is equal to 15 percent of their 2003-04 liability contributions. Members with loss ratios of 81 percent to 85 percent will receive a distribution equal to 12 percent of their 2003-04 contributions. The remaining Members with loss ratios no greater than 100 percent will receive returns of 3 percent to 9 percent, depending on their loss ratios as specified in the chart below. Approximately 1,680 or 88% of the Pool's Members will qualify for the maximum dis-

tribution of 15 percent.

If your entity qualifies, you will receive a check from the Pool if the amount of your liability equity distribution is over \$1,000 and your account with the Pool is current. If the amount of your equity distribution is \$1,000 or less, or your account is not current, the distribution will be made by crediting your account. The distribution will take place during November 2004.

If you have any questions, the Pool's Field Services Representatives and Underwriters are available to discuss the Liability equity distribution with you and to explain how it will impact your entity.

**WILL YOUR ENTITY RECEIVE A PORTION OF THE EQUITY DISTRIBUTION?**

*The answer is YES if:*

- Your entity has been a Liability Member for 3 successive, complete years on September 30, 2004, AND
- Your entity's Liability loss ratio is no greater than 100%, AND (Losses/Contributions = 100% or less)
- Your entity is a Liability Member on November 1, 2004

Loss Ratio	Equity Return as a % of 2003-04 Contributions	% of Members
80% or below	15%	88%
81-85%	12%	Less than 1%
86-90%	9%	1%
91-95%	6%	Less than 1%
96-100%	3%	Less than 1%
>100%	0	9%

## Board Election Underway

Board member elections occur every two years. The process is set forth in Sections 4 and 6 of the Pool's Bylaws. The terms of one-third of the 12 trustees elected by the Members expire each even numbered year. Trustees serve six-year terms. If a trustee cannot complete his or her term, the Board elects someone to complete the six-year term. Although all places are statewide, the Bylaws instruct the Board to:

*"...take into consideration regional representation and an equal division or balance on the Board of employees and officials of Employer Members when making interim appointments for unexpired terms of office."*

Nominations can be submitted by any Employer Member. Notices on yellow paper encouraging nominations were previously mailed to all Members. This year's nomination process ended on August 12, 2004.

## Reinsurance and You

The cost of reinsurance has skyrocketed since the events of September 11, 2001. Were it not for members' equity in excess of \$200 million, the full cost of the reinsurance price increases might have been passed on as rate increases. Even with the Pool assuming substantially greater levels of risk, the reinsurance the Pool ended up buying still involved major price increases. In 2000-01, the last fund year that reinsurance arrangements were finalized before 9-11, the Pool spent approximately \$5.7 million to purchase reinsurance from outside reinsurers. This amounted to 6.5% of members' contributions for workers' compensation, liability, and property coverage. By 2002-03, the cost of such outside reinsurance had increased to \$13.2 million which represented 11.3% of members' contributions.

### ASSUMING MORE RISKS

Backed by members' equity, the Pool in 2003-04 increased its retention, the amount of each claim paid by the Pool before reinsurance is involved, from \$1 million to \$2 million for workers' compensation, and \$1 million to \$3 million for property claims. In addition, the Pool assumed a quota-share responsibility for 80% of the \$3 million excess of \$2 million workers' compensation layer, and an additional 5% of the \$93 million excess of \$7 million layer of property coverage.

Trustees whose terms will expire October 1, 2004 include:

Place 6 Mary Gauer, Mayor, Harker Heights  
Place 7 Larry Dovalina, City Manager, Laredo  
Place 8 Leo Montalvo, Mayor, McAllen  
Place 9 Andres Garza, City Manager, Wharton

The Board Secretary will mail a ballot to each Member on August 16, 2004. Each Member has one vote which must be authorized by the Member, according to the regulations governing authorization of actions by the Member. Ballots must be returned and received by Board Secretary David Reagan by September 30, 2004. The persons elected will take office on October 1, 2004.

The 2004-05 budget, which takes effect October 1, 2004, is based on the Pool increasing its retention in the liability program from \$1 million to \$2 million, modifying property reinsurance coverage, thereby reducing reinsurance premium costs by approximately \$1 million, and significantly increasing the amount of risks assumed by the Pool in the workers' compensation program. After these changes have been accomplished, the percent of member contributions being committed to outside reinsurance costs will drop from the 11.3% high in 2002-03 to somewhere between 5 and 7%.

### EQUITY MAKES THIS POSSIBLE

Since the Pool cannot assess its members, the only way the Pool can accept the very volatile risks that reinsurance is purchased to cover is by having substantial members' equity. In addition to producing interest income which offsets some claims and administrative expenses, members' equity enables the Pool to substantially reduce its reinsurance costs and avoid major rate increases which might otherwise result from large, unanticipated, unreinsured losses.

## Annual Membership Meeting

There will be no breakfast or lunch, but come to the Pool's annual membership meeting held in conjunction with the TML Annual Conference in Corpus Christi. The annual membership meeting will begin at 1:45 p.m. and end at 3:00 p.m. on Thursday, October 28th. Be sure to check your program for the room number.

Join the Pool's Board and staff to look at the year ahead, workers' compensation issues, and recent legal developments. Pool staff will be available to answer your questions. If you are not able to attend the membership meeting, you are encouraged to visit with Pool representatives at the Pool's booth in the exhibit hall.

If you have suggestions to help the Pool improve its services, design risk management training to better help you train your employees, or improve the way claims are handled, come talk to staff who can benefit from your ideas.

## Tony Koriath, General Counsel

### *Father of Public Employee Workers' Compensation in Texas 1933 – 2004*

Tony Koriath, the Pool's first and only General Counsel, died May 29, 2004. In 1973 Tony joined members of the TML staff to canvas Texas cities to determine their willingness to create a workers' compensation pool to respond to the Texas Legislature's enactment of mandatory workers' compensation coverage. By the end of 1973 the Texas Municipal League Intergovernmental Risk Pool had been formed. Tony served as the Pool's General Counsel as the Pool grew from a handful of cities to the 2,502 local governments that now rely on the Pool for self-insurance coverage.

Before guiding the Pool, Tony served as a member of the Texas Legislature, a member of the Texas Industrial Accident Board (now the Texas Workers' Compensation Commission), and as an assistant counsel to the U.S. Equal Employment Opportunity Commission. His devotion to the well being of the citizens of

## Liability and Property Rerate Exposure Summaries

Each year members are to provide a completed Exposure Summary to the Pool to enable determination of contributions for the next Fund Year. The interlocal agreement that each member signs upon joining the Pool indicates the exposure data for October 1 rerates is to be conveyed to the Pool no later than September 1 of each year.

Just over 2,000 rerate exposure summaries were mailed to members in May. Three hundred ninety-nine remain to be returned. Prompt return of the rerate exposure summary allows Pool staff to calculate contributions in time for member budget preparation. As of mid-July, 675 liability rerates and 600 property rerates had been completed and mailed to members with estimated contributions for 2004-05.

Field Services staff are available to assist members at your offices to complete exposure summaries if you have questions. Underwriters are available to provide telephone assistance at 1-800-537-6655.

Texas was evident throughout his life by his serving in the Texas Legislature from 1957 to 1961, bringing suit in 1966 in Kilgarlin v. Martin to establish the concept of one person, one vote for election to the state legislature and his efforts to obtain workers' compensation for Texas farm workers.

Tony represented the Pool before the Legislature, coordinated the Pool's involvement with the Workers' Compensation Commission, handled special litigation for the Pool, and generally guided the Pool through its formative years.

Tony's specific duties will be combined with the responsibilities of the Pool's Director of Legal Services, David Reagan, but Tony's guidance, advice, enthusiasm, and heartfelt concern for public employees will never be replaced.