

## Liability and Property Equity Returns

At the end of 2005-06, the Liability and Property Funds satisfied all criteria needed to trigger equity 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.

### *Liability*

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

<b>Member's Liability Loss Ratio</b>	<b>Liability Equity Return as a Percentage of Member's 2005-2006 Contributions</b>
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 a longevity factor.

### *Property*

For the second year in a row, the Property Fund has met the requirements to bring about 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:

<b>Member's Property Loss Ratio</b>	<b>Property Equity Return as a Percentage of Member's 2005-2006 Contributions</b>
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 at least 10% before considering longevity.

### *Longevity Factor for Liability and Property*

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.

### *Trustees Adopt Equity Return Policies*

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 the 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.

# 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
<b>Total</b>	<b>\$13,900,000</b>	<b>\$31,600,000</b>	<b>\$7,500,000</b>	<b>\$53,000,000</b>

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

**WILL YOUR ENTITY  
RECEIVE A PORTION OF  
THE LIABILITY AND/OR  
PROPERTY EQUITY  
DISTRIBUTION?**

The answer is **YES** if:

1. You were a member of the Fund for at least one year as of September 30, 2006, **AND**
2. You 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 (Losses/Contributions < 100%), **AND**
3. You are a Member of that Fund on April 1, 2007.

**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.

In January, the Board of Trustees appointed George T. Shackelford to the vacant Place 7 position.

Mr. Shackelford is currently the city manager of Texarkana, Texas, a position he has held for the past eighteen years. He began his public career as an administrative assistant at the city of Canyon, and served as city manager for the cities of Littlefield and Port Lavaca before assuming his duties in Texarkana.

Mr. Shackelford is a native of Texarkana and attended Texarkana Junior College. He received a Bachelor of Science degree in Criminal Justice and a Master of Political Science degree from West Texas State University.

Mr. Shackelford is a member of the Texas City Management Association and a member and past president of the East Texas City Management Association. He is



also a past member of the Texas Municipal League Board of Directors.

Mr. Shackelford is a volunteer with the United Way, a member and past president of the local Lions Club, and a member of the Connifer Girl Scouts Board of Directors.

## Board Welcomes George T. Shackelford

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### *Political Subdivision Workers' Compensation Alliance*

TML Intergovernmental Risk Pool is a participant in the Political Subdivision Workers' Compensation Alliance (the Alliance). The goal of the Alliance is to provide quality medical treatment to participating members' injured workers, thereby getting employees well and back to work as soon as possible. The other pools participating in the Alliance are Texas Association of School Board Risk Management Fund, Texas Association of Counties Workers' Compensation Self-Insurance Fund, Texas Council Risk Management Fund and Texas Water Conservation Association Risk Management Fund.

The Alliance is contracting with treating physicians and referral physicians, and performing a credentialing process for these contracted physicians. A directory service with web site access will be completed for members to search to find doctors in their respective areas. Members will be given handouts with the names of contracted doctors in each region of the state. Each pool will provide information and training to its members on the functions of the Alliance

and the method of finding doctors to treat injured workers.

Once the Pool has notified its members of the activation of the Alliance Program in a specific region of the state, injured workers will be required to seek medical treatment from a physician on the list of treating doctors. Each member will be responsible for notifying its employees on how to seek medical treatment with a doctor under contract with the Alliance, except in cases that require emergency medical treatment. The process will be similar to group health insurance in that for workers' compensation to pay the bill, each injured worker will need to be treated by a doctor who has signed a contract with the Alliance. The anticipated activation of the Alliance doctor list will begin in some areas of the state by late summer 2007 and be statewide by early 2008.

The Pool will soon be notifying members of upcoming training sessions and to inform members about this new process of selecting doctors.

## Update on Selection of Workers' Compensation Medical Providers

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# Pool Financial Update

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## 2005-06 Annual Report

The Pool had another good year in 2005-06 as revenues exceeded expenses by \$37.1 million (excluding unrealized gains/losses). The Pool ended the year with \$264 million in Members' Equity, after returning \$8.2 million to members. In January, the Board adopted a Liability Equity return policy, which brought about a \$6.7 million equity return, based on 2005-06 financial results. The Pool began the year with \$235 million in Members' Equity, and returned \$9.2 million to members in 2004-05. The Pool was issued an unqualified opinion by a nationally recognized auditing firm for the 2005-06 financial statements. The Pool's 2005-06 Annual Report will be distributed to members in April.

## Standard & Poor's Issues the Pool an "A" Rating

Standard & Poor's (S&P) Rating Services issued the Pool an "A" Financial Strength Rating in February 2007. In their analysis, S&P considers the Pool's strengths and weaknesses, operating performance, financial position, financial outlook, competitive position, operational and financial management, investments, accounting, and other financial indicators.

## Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Pool for its comprehensive annual financial report (CAFR) for the year ending September 30, 2005. This was the 12th consecutive year that the Pool has achieved this award.



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