



NEWS AND VIEWS

A Publication for Policyholders

January, 2007

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FOUR NEW MEMBERS JOIN LGPIF ADVISORY COMMITTEE

Four new members were appointed to the LGPIF Advisory Committee at the October, 2006 meeting. They are: Renee Carlson, Town of Gillett; Joanne Sievert, Town of Clayton; Judy Litscher, Milwaukee County; and Diane Kropiwka, City of Mauston.



PROGRESS CONTINUES ON ELECTRONIC STATEMENT OF VALUES PROJECT

In its ongoing mission to utilize emerging technology to improve overall Fund operations, three years ago the Fund commenced studying improvements in its computer system. Those improvements included a major shift from a DOS-based computer mainframe system to a more user friendly windows-based application. That conversion also set the stage for use of an electronic web based server system to collect and store data, including valuation records, in the Fund's own computer system. The Fund is migrating from a system that currently uses paper valuation records which are being keyed into the valuation contractor's proprietary system.

Many significant developments have been ongoing over the past 12 months relative to progress in the transition from the DOS system and paper input format to the windows based Pinsoft application system and an electronic statement of value (ESOV) basis. In addition to collecting data on the Fund's own computer, these enhancements greatly improve the Fund's ability to collect, store, analyze and share information with its valuation contractor and insureds, and in a much faster electronic manner, cutting down on the time normally required to send paper information through the US mail.

The conversion to the Fund's windows-based Pinsoft application was completed this past summer. Attention has now been focused on programming requirements, including security access issues for moving from paper valuation input forms to an electronic version. The Electronic Statement of Value's (ESOV) project is expected to be fully implemented and operational in the first quarter of 2007.

Beginning in 2007, policyholders will be notified to use the on-line system and receive information on how to use that system. Within 12 months, all policyholders with internet access will have transitioned to the new system. Those without internet access will still have the option to handle their renewals via regular mail with the administrative contractor performing keying duties. For obvious reasons, those being able to fully capitalize on current technology by using internet access will be expected to enter data electronically. The system will allow the policyholder to view the SOV, add and delete buildings, and do the same for property in the

(Continued on page 3)

FINANCIAL SUMMARY

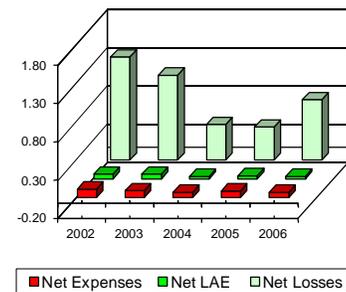
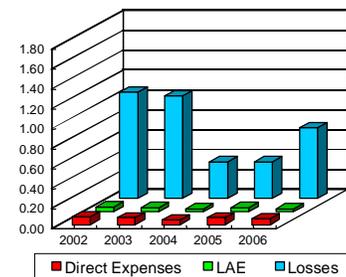
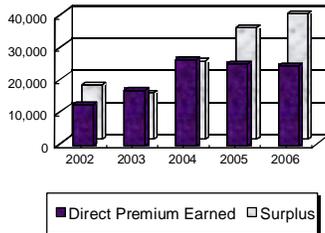
In spite of some severe spring wind and hail storms, the Fund ended fiscal year 2006 with a net income of \$4,476,000 compared to \$10,252,000 for 2005. Policyholder surplus reached \$38.9 million, approximately \$4 million greater than the last year.

In-force coverage again set a all time high mark of \$39.9 billion while the policy count held steady at 1,156. The year-end combined ratio (losses and expenses after reinsurance) stood at .89, typically better than the Industry overall.

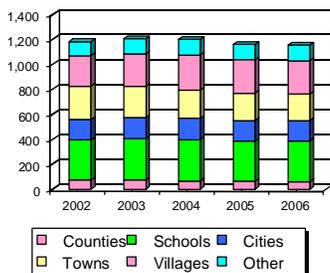


SEE GRAPHS ON PAGE 2

LOCAL GOVERNMENT PROPERTY INSURANCE FUND
STATUTORY BASIS FINANCIAL SUMMARY - Year Ended June 30, 2006
 (numbers in 000's except statistics and ratios)



Policy Counts



	Fiscal Years Ended June 30.				
	2002	2003	2004	2005	2006
Direct experience					
Direct premium earned	12,832	17,246	26,684	25,465	24,960
Direct losses incurred	13,760	17,816	9,927	9,317	17,713
Direct lae	620	761	682	940	690
Direct underwriting expense	1,078	1,183	1,447	1,741	1,419
Operating Statement					
Net premium earned	10,018	12,644	20,954	20,959	21,177
Net losses incurred	13,539	14,092	9,841	9,082	16,703
Net loss adjusting expense	620	761	682	940	690
Underwriting expense	1,079	1,183	1,447	1,741	1,419
Total losses & expenses	15,238	16,036	11,970	11,763	18,812
Underwriting gain(loss)	(5,220)	(3,392)	8,984	9,196	2,365
Investment & other income	1,348	920	809	1,056	2,111
Net income (loss) before dividend	(3,872)	(2,472)	9,793	10,252	4,476
Dividends to policyholders	0	0	0	0	0
Net income (loss)	(3,872)	(2,472)	9,793	10,252	4,476
Ending Policyholder Surplus	16,947	14,475	24,268	34,520	38,996

Policy Statistics

	2002	2003	2004	2005	YTD 2006
Insurance In Force (billions)	29.7	32.7	35.9	37.2	39.9
Surplus (millions)	16.9	14.5	24.3	34.5	39.0
Direct Premium Written (millions)	13.3	22.0	26.9	25.1	24.0
Net Premium Written (millions)	9.8	16.3	20.7	21.1	20.1

Ratios

	2002	2003	2004	2005	YTD 2006
Direct cost per dollar of earned premium					
Losses	1.07	1.03	0.37	0.37	0.71
Loss adjusting expense	0.05	0.04	0.03	0.04	0.03
Underwriting expense	0.08	0.07	0.05	0.07	0.06
Total direct costs	1.20	1.14	0.45	0.48	0.80
Net cost per dollar of earned premium					
Losses	1.35	1.11	0.47	0.43	0.79
Loss adjusting expense	0.06	0.06	0.03	0.04	0.03
Underwriting expense	0.11	0.09	0.07	0.08	0.07
Total net costs	1.52	1.26	0.57	0.55	0.89

Insurance In Force per dollar of Surplus	1.75	2.26	1.48	1.08	1.02
Direct premium written to surplus	0.78	1.52	1.11	0.73	0.62
Net premium written to surplus	0.58	1.13	0.85	0.61	0.52

Policy count

Counties	72	72	65	63	62
Schools	323	334	333	326	326
Cities	162	166	170	162	162
Towns	268	254	224	220	212
Villages	247	260	283	269	269
Other	111	120	128	120	125
Total	1,183	1,206	1,203	1,160	1,156

ESOV UPDATE CONT.

open, contractor's equipment, water treatment systems and wastewater treatment systems. Another key feature will allow the insured to download this data (Excel spreadsheet) for internal use. Values can never be changed by the policyholder, since that is the role of the Valuation Contractor. If an insured has questions about a property's valuation, those must be directed to the ASU Group to discuss and address.

The forms that will be completed on-line are nearly the same as the current paper forms for the various types of property. The look of the forms and information being required should be very familiar. The Summary of Insurance form will also be available on-line. It is the current salmon colored form that must be completed at the time of renewal. There may

be a few miscellaneous forms that will need to be submitted by mail or e-mail, such as the fine arts coverage request form. Paper copies of the Statement of Values form will continue to be attached to the finalized renewal packet sent back to the insured, for formal insurance policy purposes.

The usual security features will be present including requiring a management level person to approve the accuracy of the transaction prior to its submission to the Fund, after having accessed the system using a unique user name and password. The system will also allow the manager to print confirmations of what has been submitted and view that information on line. Other staff of the insured can be designated to have limited access to the system to key but not have approval rights.

Detailed user instructions will be provided to each policyholder prior to live use of the system.

An ESOV Committee which consists of policy holder members has been actively involved in providing feedback on the development of the system. They also participated in test sessions providing feedback on the new system's "user friendly" attributes. The ESOV should provide noticeable benefits in the way valuation data are processed and utilized. The Fund is looking forward to working with local units of government to realize these improvements.



“THE FUND IS MIGRATING FROM A SYSTEM THAT CURRENTLY USES PAPER VALUATION RECORDS WHICH ARE BEING KEYED INTO THE VALUATION CONTRACTOR’S PROPRIETARY SYSTEM”

INFRARED THERMOGRAPHY CAN AID IN LOSS PREVENTION

Infrared thermography can quickly and accurately document problem areas in electrical and mechanical equipment. Loose or oxidized electrical connections, unbalanced electrical loads, overloaded electrical circuitry and improperly installed or insufficiently lubricated bearings will show up clearly through the use of the infrared imaging equipment. The recorded heat emission allows for accurate identification of potential problem areas. Thermographic inspections target high and low voltage connections, bus run, transformers, switch gear, motor control center, motors,

and rotating equipment. Inspections are conducted while the facility is in full operation. Images are taken with a camera, and the images showing areas of concern along with specific temperatures are typically published in a document issued to the facility. The document will typically advise as to the degree of concern. That is, if the problem is one that needs immediate attention, it should be addressed when the equipment is normally off line or just needs to be watched for additional deterioration.

A complete thermographic inspection is advisable for all

facilities. Follow-up surveys are suggested based on the initial findings but are typically done every two to five years. Follow-up surveys may be for the entire site or just specific equipment with a known history of problems.

The cost of hiring a professional service to perform an inspection is generally \$150 per hour or up to \$1,800 per day, with some variation. A very large office building can usually be done in one day. The cost of purchasing a camera would be about \$12,000 for a basic unit. There are many Wisconsin companies that

provide infrared thermography services and a list is available from the Fund by contacting the Fund Administrator, the ASU Group.

NOTICE

If you are not getting this newsletter via email please contact The ASU Group at 1-877-229-0009 or LGPIFpolicy@asugroup.com and provide the Fund with an email address for use in future electronic newsletter distributions.

THANK YOU

ADVISORY COMMITTEE HIGHLIGHTS, OCTOBER 2006

Policyholder members of the Fund's Advisory Committee held their fall meeting in Madison on October 12, 2006. Members heard reports on Fund activities and financial results from OCI and administrative staff. The policyholders also provided their feedback and suggestions to Fund managers. Draft minutes can be found at <http://www.oci.wi.gov/lgpif.htm>

Highlights of the meeting included:

- A tribute to former Committee Chair, Kevin Houlihan, who died unexpectedly last summer.
- Acting Chair, Glinda Loving, appointed several new subcommittee chairs and members.
- Dan Bubolz, Program Officer, presented and update on the Electronic Statement of Values project (see complete article in this newsletter).
- Information regarding infrared thermography was shared and further study will be done by subcommittees to determine its value to policyholders.
- It was announced that American Appraisal Associates (AAA) retained the contract for providing valuation services for the Fund. AAA determines the replacement cost values of most property covered by the Fund.
- Financial results for fiscal year 2006 were presented. Results continue to be favorable.
- The Fund administrator reported that the policy count is holding steady and more policyholders have converted to the Valuation Policy. It was also pointed out that it was an active year for wind, hail and lightning storms. Although the number of claims continues to decline, the total losses for the year were up significantly, due mainly to four large storm losses.
- Coverage for losses due to terrorist acts will continue unchanged through 2007. Conditional exclusionary endorsements have been sent to insureds pending possible expiration of federal financial backing to insurers for losses due to terrorism.

OVERSIGHT COMMITTEE HOLDS YEAR END MEETING

The LGPIF Oversight Committee met on November 3, 2006 to hear recommendations from the Advisory Committee, and to set priorities for the first half of 2007. Draft minutes can be found at <http://www.oci.wi.gov/lgpif.htm>

The issues that prompted the most discussion were:

- The Electronic Statement of Values (ESOV) project scheduled for implementation in 2007. All agreed that this system should streamline the renewal process by eliminating much paper handling. The possibility of conducting a web cast and establishing a customer help hot line will be explored.
- The procurement of legal counsel to aid in the final draft of new policy language. This task should be finalized in 2007 after final review by the Advisory Committee.
- Providing Boiler and Machinery coverage to all policyholders. The Committee concluded it was neither practical nor economical for the Fund to expand its policy to underwrite this line of business. This was due to the extensive expertise that would be required to inspect properties and that expertise is already available in the commercial market.
- The fiscal year 2006 financial results. Although overall results are less favorable than the past two years, the combined ratio of .89 (losses and expenses for each dollar of premium) is considerably better than the industry. Insurance in-force continues to increase along with surplus.
- Better communication with policyholders regarding accessing electronic customer satisfaction surveys. The administrator will provide more information to insureds on the use of e-mail for completing these electronic surveys.
- Retention of business by the Fund. Policy counts have remained very steady for past few years indicating that rates and coverages are meeting the policyholders' expectations.

The Oversight Committee consists of four OCI staff members and two policyholders whose recommendations are taken to the Commissioner for final review and implementation.

DATES TO REMEMBER:

Advisory Committee
April 11, 2007, 9:30 a.m.
GEF 3, Room 227

Oversight Committee
April 19, 2007, 9:00 a.m.
GEF 3, Room 125

Reminder: After a vote by a local government unit to insure its property with the Fund, no such unit may purchase insurance on any real property from a private insurer unless approved by the Commissioner as necessary. Nor may it insure its personal property outside the Fund unless it has filed a resolution with the Commissioner to insure that personal property in a company authorized to do business in Wisconsin.

Surveys and Policy Forms are now available at the OCI Website: (Under Forms) oci.wi.gov/lgpif.htm

WATCH FOR THOSE LOW BRIDGES

Transportation of large Contractor's Equipment pieces presents an opportunity for loss control. Over the past few years, several claims have been presented to the Fund for damage to Contractor's Equipment during transport. The damage typically occurs when the driver of the transport unit attempts to go under a bridge or other structure and the transported unit is too tall. Damage to the unit can be minor or it can be enough to total the unit.

As a precautionary measure, driver awareness programs should be implemented and drivers who transport these units should be made aware of the height of the

unit and any low clearance obstacles they may encounter on their routes.

A few minutes of loss control measures on the front end of the trip could save thousands of dollars in damage and a lot of down-time for a valuable piece of equipment.

