Local Government Property Insurance Fund

A Publication for Policyholders

July, 2007

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NEW COMMISSIONER APPOINTED

Governor Jim Doyle appointed Sean Dilweg Commissioner of Insurance for the State of Wisconsin on January 1, 2007. The Office of the Commissioner of Insurance regulates the business of insurance in Wisconsin. The office has a staff of 135 and is responsible for examining industry financial practices and market conduct, licensing agents, reviewing policy forms for compliance with state legislation, investigating consumer complaints and providing consumer information. In addition to its regulatory duties, the agency administers the State Life Insurance Fund, Local Government Property Insurance Fund and the Injured Patients and Families Compensation Fund.

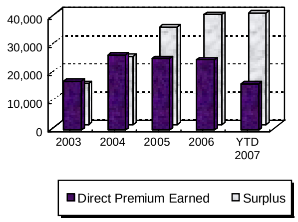
Prior to this appointment Dilweg served as the Executive Assistant to the Secretary of the Wisconsin Department of Administration (DOA) from 2003 to 2006. In addition to managing key agency activities, including external communications, tribal negotiations and state finances, he advised the Secretary of the Department of Administration and Governor Jim Doyle on legislative and policy matters. He played a lead role for the administration in the creation of the HIRSP Authority under 2005 Act 74.

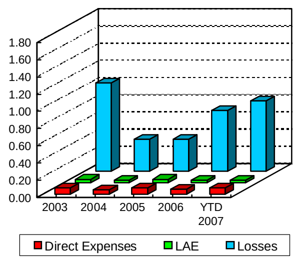
Commissioner Dilweg served as Director of Policy Analysis at Essie Consulting Group, a major Madison consulting and lobbying firm, from September 2000 to January 2003. He was a lead Policy Advisor for members of the Joint Committee on Finance during three biennial state budgets and as Committee Clerk for the Senate Committee on Environment and Energy from 1995 to 2000. He also served in several other legislative staff positions beginning in 1991. Commissioner Dilweg holds a Masters in Public Administration from the La Follette Institute of Public Affairs at the University of Wisconsin - Madison (1998) and a B.A. in English from Lawrence University in Appleton (1989).

LOCAL GOVERNMENT PROPERTY INSURANCE FUND

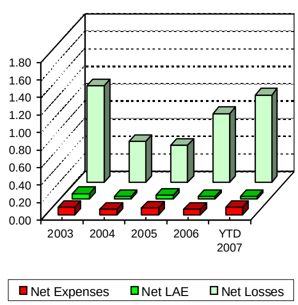
STATUTORY BASIS FINANCIAL SUMMARY - 3rd Quarter Ended March 31, 2007

(numbers in 000's except statistics and ratios)

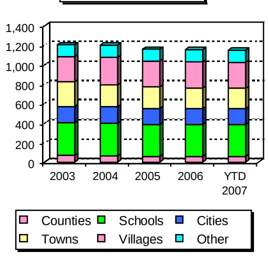




	Fiscal Years Ended June 30, 2003	2004	2005	2006	YTD 2007 3rd Qtr
Direct experience					
Direct premium earned	17,246	26,684	25,465	24,960	**16,388**
Direct losses incurred	17,816	9,927	9,317	17,713	**13,401**
Direct lae	761	682	940	690	**414**
Direct underwriting expense	1,183	1,447	1,741	1,419	**1,153**
Operating Statement					
Net premium earned	12,644	20,954	20,959	21,177	**13,201**
Net losses incurred	14,092	9,841	9,082	16,703	**13,249**
Net loss adjusting expense	761	682	940	690	**414**
Underwriting expense	1,183	1,447	1,741	1,419	**1,153**
Total losses & expenses	16,036	11,970	11,763	18,812	**14,816**
Underwriting gain(loss)	(3,392)	8,984	9,196	2,365	**(1,615)**
Investment & other income	920	809	1,056	2,111	**2,179**
Net income (loss) before dividend	(2,472)	9,793	10,252	4,476	**564**
Dividends to policyholders	0	0	0	0	**0**
Net income (loss)	(2,472)	9,793	10,252	4,476	**564**
Ending Policyholder Surplus	14,475	24,268	34,520	38,996	**39,559**



Policy Counts



	Fiscal Years Ended June 30, 2003	2004	2005	2006	YTD 2007 3rd Qtr
Policy Statistics					
Insurance In Force (billions)	32.7	35.9	37.2	39.9	**42.5**
Surplus (millions)	14.5	24.3	34.5	39.0	**39.6**
Direct Premium Written (millions)	22.0	26.9	25.1	24.0	**18.2**
Net Premium Written (millions)	16.3	20.7	21.1	20.1	**18.0**
Direct Premium In Force (millions) at Period End	21.6	26.3	25.4	24.2	**21.4**
Net Premium In Force (millions) at Period End	16.7	20.6	21.0	20.3	**17.5**
Ratios	2003	2004	2005	2006	**YTD YTD 2007**
Direct cost per dollar of earned premium					
Losses	1.03	0.37	0.37	0.71	**0.82**
Loss adjusting expense	0.04	0.03	0.04	0.03	**0.03**
Underwriting expense	0.07	0.05	0.07	0.06	**0.07**
Total direct costs	1.14	0.45	0.48	0.80	**0.92**
Net cost per dollar of earned premium					
Losses	1.11	0.47	0.43	0.79	**1.00**
Loss adjusting expense	0.06	0.03	0.04	0.03	**0.03**
Underwriting expense	0.09	0.07	0.08	0.07	**0.09**
Total net costs	1.26	0.57	0.55	0.89	**1.12**
Insurance In Force per dollar of Surplus	2,259	1,479	1,078	1,023	1,074
Direct premium in force to surplus	1.49	1.08	0.74	0.62	0.54
Net premium in force to surplus	1.15	0.85	0.61	0.52	0.44
Policy count					
Counties	72	65	63	62	62
Schools	334	333	326	326	327
Cities	166	170	162	162	160
Towns	254	224	220	212	207
Villages	260	283	269	269	271
Other	120	128	120	125	124
Total	1,206	1,203	1,160	1,156	1,151

ADVISORY COMMITTEE HOLDS SPRING MEETING

In spite of an April snowstorm, the LGPIF Advisory Committee met in Madison on April 11 to act on a wide variety of issues.

Major actions taken included the following:

- Recommended that rates and deductible factors remain at current levels during 2007.
- Discussed the latest revisions to the Valuation Policy rewrite project including language regarding the Fund's right to subrogate; the "forgot" clause; the right to bring suit against the Fund; and binding arbitration language. These areas will be given further review by OCI staff.
- Accepted subcommittee revisions to the Bylaws relating to requirements for consultants serving on the Advisory Committee and subcommittees as well as attendance requirements for all members.
- Accepted the Reinsurance report that described the new provisions for the next renewal year.
- Approved the Fund's plan for implementing the Electronic Statement of Values process effective with August 1, 2007 renewals.
- Welcomed Tom Wohlleber of Middleton-Cross Plains School District and Jeff Warnock of the City of Kenosha as new members of the Advisory Committee.
- Elected Glinda Loving as Chair, Connie Goss as 1st Vice Chair, and Doug Saubert as 2nd Vice Chair, to annual terms.

OVERSIGHT COMMITTEE ACTIONS OF APRIL

The LGPIF Oversight Committee met in Madison on April 19 to act on the recommendations of the Advisory Committee. The Oversight Committee consists of four OCI managers and two Advisory Committee elected officers. The Oversight Committee reports to the Commissioner of Insurance and the Commissioner makes the final decision on all issues.

Among the major issues discussed and approved or accepted were the following:

- The Excess of Loss (reinsurance) renewal has lower rates and higher coverage limits than the expiring program. It also has some new exclusions added to the highest layer. All carriers were participating in the previous contract and continue to be highly rated by A. M. Best.
- The financial report indicated the first half of fiscal year 2007 resulted in favorable overall results.
- Insurance in force has grown significantly but total premium is declining, as expected, due to the prior rate reductions and coupled with those insured's selecting higher deductible amounts, which reduces their premium.
- Surplus continued to grow modestly.
- Policy counts are stable and there are no new major trends in loss activity.
- The first stage of the policy rewrite project is nearing completion with implementation scheduled for Fall 2007. The required notice will be sent to insureds to announce the changes being made. Also under review is the subject of adding a section for a voluntary arbitration process and to consider revisions in the "forgot" clause section of the policy.
- The Advisory Committee's revised bylaws were accepted.
- The AC recommendation that rate levels remain unchanged for the upcoming year was also approved.
- The progress and implementation plan for the electronic statement of values project (see separate article) was also reviewed and approved.

****MINUTES FROM BOTH MEETINGS CAN BE FOUND ON THE LGPIF WEBSITE****

ELECTRONIC STATEMENT OF VALUES SYSTEM BEGINS FUNCTIONING

"I am very impressed with the efficiency of the ESOV process and am looking forward to it going live," said Glinda Loving, Risk Manager of the Milwaukee Metropolitan Sewerage District and Chair of the LGPIF Advisory Committee when asked about her impressions of the ESOV project. Ms. Loving has been a member of a policyholder working group which tested and offered suggestions for the new system, which were incorporated into the final product. Other test team members concurred with Ms. Loving's assessment and feel that the data is more likely to be accurate since the insured will have immediate and direct control over data entry and editing functions of the data used in valuation processing. Another feature of the new system will permit an insured to get an electronic download of its data for its own use.

Information from existing statements of values has been entered on-line since January by Fund administrative staff with full testing. In June the system was approved to go live for policyholders with August renewals. Thereafter, each month another renewal month will be brought on-line until all insureds have migrated to the new system. With finite resources it's not realistic to convert all accounts at one time, so we appreciate your patience and cooperation during the monthly phase-in implementation process.

A webcast has been taped and is available to all policyholders. The link to the system on the LGPIF website is http://lgpif.wi.gov/ESOV/. Special communications and instructions, including the password to access the new system will be sent to those policyholders specifically targeted for that monthly conversion.

POLICYHOLDER SURVEYS

Since the Fund moved from hard copy forms to electronic forms for policyholders to comment on the Fund's customer service, the number of responses has declined considerably.

We would ask your cooperation in responding to the customer surveys so that we may continue to monitor and improve our policies and procedures.

Within a month of your renewal you should receive a policy services survey via e-mail. A claims survey request will be faxed to you shortly after a claim has been paid and closed. You may also log onto the Fund's web page to find these survey forms.

Thank you for helping us to serve you better!

REPORT ALL LOSSES PROMPTLY

We want to remind policyholders to report all losses, or potential losses, to the Fund as soon as these become known to you without delay. Please do not accumulate batches of loss reports and submit them periodically as the first notice of the loss. Also, do not wait to report a claim until repairs have been completed or while you are trying to determine the extent of the loss. Promptly reporting a loss, or a potential of loss, is not only a requirement contained in the Fund's policy but it's important because it enables the Fund to better investigate the loss, including performing an inspection if necessary, and work with contractors of your choosing during the adjustment process to minimize loss costs.

A LIGHTNING LOSS TO REMEMBER

According to Connie Goss, Chippewa County Risk Manager, September 10, 2000 was a dark and stormy night to say the least. Over eight inches of rain fell and there were numerous lightning strikes throughout the county.

Lightning struck the Highway Department shop and caused a fire which resulted in a total loss. The shop was built in 1933 but had several additions. Firewalls prevented some spread of flames but the roof collapsed. The fire department responded and applied a heavy water load in addition to the rain water. This flooded the basement and, unfortunately, the City of Chippewa Falls had its primary radio transmitter there. Ironically, the city's old unit had been struck by lightning two weeks earlier and they were using a loaner valued at over $14,000 which was destroyed.

To make matters worse, the county was in the process of building a new shop right next door, so the old shop was used for storing more than the usual amount of contents. Several large dump trucks, a sign truck and all extra road signs were destroyed just when they were needed the most due to several roads being washed out. It took over a year to learn for sure how much inventory was lost due to so much of it being used on a seasonal basis. In addition to the physical loss, much staff time was directed to the clean up work and other duties that could have been used in other ways.

The building did not have a sprinkler system or an alarm system, and only minimal lightning protection, and the antenna for the radio system might have been a magnet for the lightning.

How much would a sprinkler system, an alarm system and better lightning protection have reduced the loss? No one knows for sure, but any or all three would probably have reduced the loss considerably; possibly to only minor damage.

Lightning claims are among the most frequent claims paid by the Fund and it is probably true that little can be done to prevent a strike. But, by installing the three systems mentioned above, the losses can certainly be mitigated.

In addition, sprinkler systems usually reduce base rates significantly and the Fund applies premium credits for alarm systems. Lightning protection systems could reduce claims paid and result in better financial results for the Fund which would benefit all policyholders. Including a lightning protection system when constructing a new building would only add a modest amount to the electrical costs. Such a system can also be added to an existing building. A good lightning protection system is something you should discuss with your electrical contractor prior to your next building project.