Local Government Insurance Trust

The LGIT News

The Newsletter for LGIT Members   Winter 2011

Kent County Receives Check From Health Cooperative

I am pleased to announce that the Maryland Local Government Health Cooperative has presented Kent County with a check for $18,798.

This check represents the excess funds in the County's claims deposit fund. As the Trust's Executive Director, I am extremely excited about the return of these funds. The return of excess funds is something LGIT has promised members since it first began marketing the Cooperative. This check is a realization of that promise. Two other Cooperative members will be receiving excess fund checks in the near future.

The Cooperative, which is a partnership among LGIT, BENECON and CIGNA Healthcare, began writing business on July 1, 2010, and currently has 8 members. It provides health coverage for approximately 650 employee lives. While the Cooperative has not grown as quickly as we had hoped, the program itself is running smoothly. The members meet quarterly to discuss issues, and, so far, all are happy with the service they are receiving.

Congratulations Kent County.

Tim Ailsworth
Executive Director, LGIT

From the Boardroom

The Board of Trustees met on November 3, 2011 and took the following actions:

- Approved the Local Government Insurance Trust's Comprehensive Annual Financial Report (CAFR) for June 30, 2011 and 2010.
- Ratified the acceptance of Martin's Additions, effective July 1, 2011, as a new member of the Trust.
- Approved the distribution of surplus funds from the Maryland Local Government Health Cooperative to Kent County.
- Approved BENECON's marketing and selling of a life/disability product as part of the product line offered by the Maryland Local Government Health Cooperative.

LGIT Salutes its Gold Star Members

69 LGIT members had no claims for FY 2011. We would like to acknowledge their effort to be claim free in 2011. Congratulations for your outstanding efforts to reduce losses and keep insurance costs down.

Town of Accident	Town of Galestown	Town of Millington
City of Annapolis	Town of Garrett Park	Montgomery Municipal Cable
Town of Barclay	Town of Glen Echo	Town of Morningside
Town of Barnesville	Town of Hebron	Town of Myersville
Town of Barton	Town of Highland Beach	Town of New Windsor
Town of Betterton	Town of Hillsboro	Town of North Brentwood
Town of Brookview	Howard Community College	Village of North Chevy Chase
Town of Burkittsville	Howard Community College	Northeast Maryland Waste Disposal Authority
Cambridge Municipal Utilities Commission	Howard County Economic Development Authority	Town of Pittsville
Caroline County Humane Society	Howard County Library	Town of Preston
Caroline County Library	Howard County Mental Health Authority	Town of Queen Anne
Carroll County Public Library	Kent County Public Library	Village of Rosemont
Town of Cecilton	Town of Kitzmiller	Town of Sharpsburg
Town of Chevy Chase View	Town of Laytonsville	Town of Sharptown
Section 3 of the Village of Chevy Chase	Local Government Insurance Trust	Town of Smithsburg
Village of Chevy Chase, Sec. 5	Town of Loch Lynn Heights	Somerset County Library System
Town of Church Creek	Town of Lonaconing	Friends of St. Clements Island and Piney Point Museums
Town of Church Hill	Town of Mardela Springs	
Corporation of Clear Spring	Town of Marydel	Town of Sudlersville
Town of Deer Park	Maryland Association of Counties	Town of Walkersville
Town of Eagle Harbor	Maryland Municipal League	Town of Washington Grove
Eastern Shore Entrepreneurship Center	Town of Middletown	Town of Willards
Town of Eldorado	Mid-Shore Regional Council	Worcester County Library
Town of Friendsville		

Welcome Village of Martin's Additions

The Local Government Insurance Trust is pleased to announce that the Village of Martin's Additions is the latest Maryland municipality to join LGIT. Established in 1916 and incorporated in 1985, Martin's Additions is located within the Chevy Chase area of Montgomery County. With this newest member, LGIT now provides insurance coverage for 134 of Maryland's 157 incorporated municipalities.

LGIT staff worked with Martin's Additions personnel to insure that the transition to the Trust was as positive an experience as possible.

Martin's Additions Manager Jean Sperling summed it up this way:

"After reviewing Loss and Risk Assessment information, I am feeling much more comfortable. I am beginning to understand more about the whole insurance picture. I am really happy the Village now has its insurance coverages with LGIT. I feel I can get my questions answered and expand my knowledge AND make the Village a safer place!"

New LGIT Claims Analyst Gail E. Cook

Gail Cook joined LGIT on November 7th as our new Claims Analyst. Gail worked at Corvel Corporation for the past nine and a half years, handling Prince George's County liability claims.

Gail has a Bachelor of Arts degree in Sociology with a minor in Business Administration from Belmont Abbey College in Belmont, North Carolina. When asked how she became a Claims Analyst after getting her degree in Sociology, Gail stated that she took a temporary position in medical claims at INA which later became CIGNA. After a while, Gail learned that she could make more money in property and casualty claims, and the rest is history!

Gail collects salt and pepper shakers, loves to cook, decorate and cross stitch. Her first salt and pepper shakers were blue light bulbs she bought while visiting Busch Gardens in Williamsburg when she was 9 years old.

Originally from St. Mary's County, Gail and her husband, Bill, have lived in Sykesville for the last 16 years. Gail and Bill will celebrate their 25th wedding anniversary next year – the same year LGIT celebrates its 25th anniversary.

LGIT is very happy to welcome Gail to our team.

Record attendance at LGIT's 24th Annual Meeting

More than 160 local government officials and staff attended the Local Government Insurance Trust's 24th Annual Meeting on October 6th at the Governor Calvert House in historic Annapolis. LGIT Chairman David Deutsch presided over the business meeting, which included committee reports and recognizing members for their longevity with the Trust. The following members celebrated their 20th Anniversary: Town of Chevy Chase, Town of East New Market, City of Greenbelt, Town of Hillsboro, Maryland Association of Counties, Maryland Municipal League, and the Town of Preston.

Claims Committee Chair Dave Carey presented the Claims Committee report and the Claims Award to Cecil County for its exemplary efforts to effectively process claims. Karen Nusic, Risk Manager for Cecil County, accepted the award.

Finance Committee Chair Susanne Hayman presented the Finance Committee report.

Risk Management Committee Chair Stewart Cumbo presented the Risk Management Committee report. He also presented the Risk Management and Training Awards.

The City of College Park received the Risk Management Award for consistently demonstrating excellence in committing itself to loss reduction, ongoing training, adherence to LGIT's Risk Management Guidelines and using LGIT's resources. Bob Stumpff, Director of Public Works for College Park, accepted the award.

The City of Salisbury received the Training Award for consistently taking advantage of LGIT-sponsored training classes and seminars. The City's frequent participation in workshops, seminars, on-line training and hosting of LGIT-sponsored training classes demonstrates a continuing commitment to loss prevention and reduction through education. Salisbury City Councilwoman Laura Mitchell accepted the award.

Underwriting Committee Chair Sonny Bloxom presented the Underwriting Committee report.

This year's guest speaker was Jim Blackburn, a former celebrated federal prosecutor who lost his license to practice law. He shared his life story and the importance of ethics in the workplace.

The lunch invocation was presented by Juan Torres and afterwards attendees enjoyed a delicious buffet luncheon during which, Valerie Walls Clerk-Treasurer, Town of Chesapeake Beach, won the Maryland Theme gift basket door prize.

Additional activities included the board meeting of the Maryland Local Government Health Cooperative and those interested in joining the Health Cooperative. Three Academy of Excellence in Local Governance classes were held: The Public Information Act, Basics of Risk Management, and Citizen Participation in Local Government.

Those attending found the meeting to be both beneficial and enjoyable.

We hope to see you at next year's meeting, the 25th Anniversary of the Trust.

SEWER BROAD FORM COVERAGE— WHAT YOU NEED TO KNOW

LGIT's Sewer-Related Discharge Exclusion Exemption Endorsement ("Sewer Broad Form coverage") is subject to adherence to numerous risk management guidelines. Several years ago, when LGIT's Board of Trustees decided to offer Sewer Broad Form coverage, it determined that the only way coverage could be sustainable was to condition it on compliance with strict risk management guidelines. These guidelines have always been part of LGIT's Sewer Broad Form coverage. Recently, however, it has come to our attention that several members who have purchased Sewer Broad Form coverage do not have the guidelines in place. So, rather than deny a claim made under this coverage because of a failure to implement the guidelines, we urge you to implement them as soon as possible, and no later than June 30, 2012. After June 20, 2012, LGIT will disclaim coverage on the basis of a failure to have the guidelines in place.

The guidelines that must be implemented are:

A. Member will have a Sewer Backup/Discharge Policy (formal, written).
B. Member will schedule and conduct timely and reasonable inspections (e.g., jetting the lines, scoping the lines, etc.), and, as a result of such inspections make necessary repairs. Detailed inspections will be in writing, based on sound engineering principles, and will be carried out promptly.
C. Member will document all sewer backup complaints, indicating the time and date of the complaint, the name of the complainant, the nature of the complaint, the action taken and time and date of such action, and the name of the person who received the complaint.
D. Member will install check valves and backflow prevention devices where needed, including locations where storm drains empty into sewers and other recognized "hot spots".

As always, contact your LGIT underwriter if you have any questions.

Risk Management

Commercial Crime Coverage:
Why Local Governments Need This Protection

You think you know and trust the people who work for you, but that trust may be misplaced. One third of all employees admit to stealing from their employers. Employee fraud can be pervasive and costly. We are not talking about pens and pencils: the average loss from employee fraud is $175,000* and the size of the local government does not matter — no local government is safe. Statistically, small entities represent only 38% of all frauds, but they are more vulnerable to loss. The average fraud scheme in a small business causes $200,000 in losses, an amount which exceeds the average loss for larger businesses.*

Claims Scenarios:

- An employee altered deposit slips after they had been approved. The employee then prepared two deposit slips: one depositing the funds into the local government's account and the other depositing funds into the employee's account. The embezzlement went undetected for three years because the employee handled both bookkeeping and deposit duties for the local government.
- A public works employee was accused of using a city issued gas card to put $900 worth of fuel into vehicles not owned by the city. He was charged with embezzlement.
- The head of a public library system was charged with embezzling over $200,000 in a scheme in which he resold on eBay materials ordered and paid for by the town.

These are just a few examples of how employee fraud can be perpetrated within a local government. All levels of employees can perpetrate fraud, including superintendents, administrators, payroll supervisors, business managers, accountants, maintenance and operations employees, and volunteers. It can happen anywhere at anytime. Pressures and opportunities may tempt even the most trustworthy employees to commit theft or fraud. Stock market losses, a spouse's disability, college tuition, living beyond ones means, as well as unexpected expenditures can all lead or contribute to criminal acts.

Local governments that practice strict segregation of duties and perform thorough background checks on new hires have a much better chance of preventing or detecting employee fraud. In this context, segregation of duties means that no single employee controls a process or transaction from beginning to end.

INTERNAL CONTROLS

1. Are bank account statements reconciled at least monthly?
2. Does someone other than the person responsible for reconciling bank accounts make deposits, make withdrawals or sign checks?
3. Is countersignature of checks required? If so, what is the dual signing limit?
4. Is segregation of duties practiced in the areas of inventory management, cash receipts, vendor approval, oversight of blank check stock, purchase order approval and payment, retail checks and credit card receipts?
5. Are all incoming checks stamped "for deposit only" immediately upon receipt?
6. Is a physical count of inventory conducted at least annually?
7. Are periodic reviews conducted of all unused or obsolete inventory (including raw materials and scrap metals)?
8. Are inventory records computerized?
9. Are the duties of computer programmers and computer operators separated?
10. Is dual authorization required for all wire transfers?
11. Are the same internal controls listed above imposed on all locations and entities?
12. Is any employee responsible for the investment of public monies? If so, is an investment policy in place that sets forth specified types of approved investments?

COMPUTER AND FUNDS TRANSFER CONTROLS

1. Is there a software security system in place to detect fraudulent computer usage by employees, agents, and outsiders?
2. Are passwords and access codes changed at regular intervals and when users are terminated?
3. Are computer programmers permitted to use computers with programs they have written?
4. Are computer check writing functions kept separate from check authorization?
5. Are EDP systems, programs, and procedures, including changes thereto, authorized, documented and tested?
6. Is there physical and functional segregation of personnel and periodic job shifts or job rotations?
7. What is the average daily dollar volume of electronic funds transfers?
8. Are transfer verifications sent to an employee or department other than the one that initiated the transfer?

While focusing on fraud prevention measures is important, being well-equipped to respond after fraud occurs is also vital to minimizing losses. Fraud-response planning can help mitigate and manage the risks associated with fraud by lessening disruptions and decreasing the potential for costly consequences.

Consider these key steps in developing a fraud-response capability:

1. **Understand the risks associated with fraud investigations**. Risks can arise from the fraud incident itself or from any ongoing investigation. These risks can include criminal and civil liability, potential public disclosure of fraud, and mismanaged investigations.
2. **Implement company policies and procedures to support fraud response**. Implement guidelines that incorporate employee expectations of privacy, disciplinary actions related to fraud and effective ongoing communication.
3. **Identify fraud response team members**. Identify key people and define their responsibilities. Fraud response team members can be from both inside and outside of the local government. The team should include legal counsel, a fraud investigator or certified fraud examiner, computer forensic consultant, internal auditors, IT administrator, and HR and public relations representatives.
4. **Develop a fraud response plan**. Outline the procedures to be followed when potential fraud has been identified.

Establishing the above mentioned internal controls and fraud-response steps can greatly reduce the odds of a local government being victimized by employee fraud.

You can also obtain protection for this exposure through the Travelers Commercial Crime Coverage. For additional information and application, please contact Ellen Nudd, Underwriter, at 800-673-8231 or ellenn@lgit.org.

*Association of Certified Fraud Examiners, 2008 Report to the Nation on Occupational Fraud and Abuse, acfe.com

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On the Legal Front

Self-Insured MVA Vehicle Certification

Vehicle Registration and Certificate of Title

The notification and instructions from the MVA regarding registering and titling of vehicles and the sample "Application for Certificate of Title" form can be downloaded from LGIT's website at http://md-lgit.civicplus.com/DocumentView.aspx?DID=681. The following information should enable you to easily follow the MVA instructions.

Your self-insured certificate number needed for vehicle registration is #S0094. The sample Application for Certificate of Title highlights the "Name of Insurance Co." and "Policy or Binder No." lines. On the Name of Insurance Co. line, enter "Local Government Insurance Trust—#S0094". On the Policy or Binder No. line, enter "Self-Insured".

Certificate of Self-Insurance

Recent changes in Maryland law require more stringent proof of specific vehicle insurance. LGIT will gladly provide vehicle specific Certificates of Self-Insurance upon request for LGIT insured vehicles.

Since the changes in the law make the reporting of newly acquired vehicles more important, please inform LGIT of vehicle acquisition or retirement as soon as possible. When reporting changes, please include the year, make, model, VIN, tag and title numbers of the vehicle, as well as the date of acquisition or retirement.

LGIT is here to help

If you encounter any problems with the MVA regarding proof of insurance or related issues, please contact your LGIT underwriter.

Employment Law Hotline

The Hotline is a component of the HR Compliance Portal and is a service available to Liability Program members. It provides up to 30 minutes of free legal advice on employment matters. This member service is provided by LGIT, with the professional assistance of Karpinski, Colaresi and Karp, P. A. We have selected one inquiry of interest that was posed through the Hotline for publication.

Q Does a local government violate HIPAA by requiring an employee to produce his/her medical records at a fitness for duty evaluation?

A No. HIPAA does not protect an employee's medical records from disclosure to a physician conducting a fitness for duty evaluation.

Call Before You Act!
800.845.8055

Training/Seminar Classes

December

Flagger Training
Town of Mount Airy
Mount Airy, MD 21771
December 8, 2011
9:00 AM -1:00 PM

January

Basics of Risk Management (Core)
MACo Winter Conference
Hyatt Regency Chesapeake Bay Hotel
Cambridge, MD 21613
January 4 - January 6, 2012
3:00 PM - 4:30 PM

Academy for Excellence in Local Governance

FLSA/FMLA/ADA Training for Supervisors
Queen Anne's County (Kent Island Fire Company)
Chester, MD 21619
January 12, 2012
9:30 AM -12:00 PM

EVOC - Emergency Vehicle Operations Course (This course is for law enforcement only)
Driver Training Facility
Sykesville, MD 21784
January 23 - January 24
7:30 AM-4:00 PM

General Information — 800-673-8231 or 443-561-1700
Online Registration — http://www.lgit.org
(click the Registration button under the LGIT logo)
FAX Registration — Attn: Michelle Yannone, 443-561-1701

LGIT Congratulates

Somerset County – for the outstanding job done by County staff on the Construction, Occupancy, Protection and Environment (COPE) documentation for the new Westover Behavioral Health Center.

Charles County & Carroll County – for the vehicle/ equipment RODEOs they held testing the skills and ability of Office of the Sheriff and Public Works employees.

Town of Snow Hill – for hosting a certified flagger training attended by 31 local government employees.

Maryland Local Government
Health Cooperative

Learn about a new alternative for health insurance coverage available only to Maryland local governments. Go to www.lgit.org and click Health Coop on the home page.

Current Cooperative Members
City of Brunswick
City of Gaithersburg
Kent County
Local Government Insurance Trust
Maryland Municipal League
Town of Middletown
Town of Port Deposit
City of Westminster

Key Program Advantages
⇒You can choose your own plan design.
⇒Your costs will be the same every month.
⇒You may become eligible to receive money back.

More Information
For more information or to get a quote today, contact LGIT Human Resources Manager Marsha Carpenter at 800.673.8231 or BENECON Senior Consultant Robin Richardson at 888.400.4647.