

The Local Government Insurance Trust will provide coverage and risk management services at stable and competitive rates through an organization that is owned and managed by its local government members.

The LGIT News

Addressing the Needs of LGIT Members

Fall 2012

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Please direct questions, suggestions and comments regarding LGIT NEWS by email to editor@lgit.org or by mail to LGIT News, 7225 Parkway Drive, Hanover, MD 21076

Tim's Corner

I am pleased to announce that LGIT's July renewal was exceptional. The Trust added three new members (see page 2) and retained one hundred percent (100%) of its current membership. Additionally, while the numbers for FY 12 have not been audited, it appears that LGIT finished the year by adding approximately \$300,000 to members' equity. This is quite a feat, as the Board of Trustees authorized \$3.75 million in premium credits.

Premium credits, our loss control programs, and our aggressive defense of claims in litigation, set the Trust apart from regular insurance companies. Unlike the commercial insurance market, the Trust is owned by its members

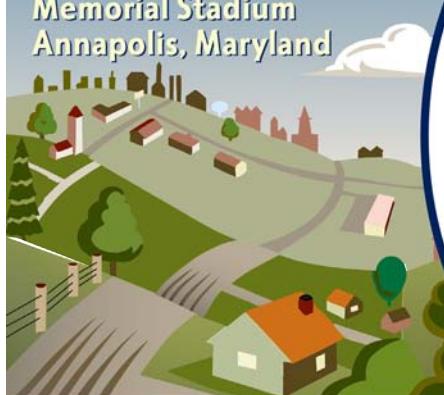
and provides coverage only to Maryland's local governments. So, we strive to be as good as our members. I applaud your risk management efforts and willingness to address your risk management needs. Your hard work and disciplined approach to serving your citizens allows the Trust to continue to provide premium credits and state-of-the-art risk management programs. Please help us to continue our success so that we can continue to help you. The most important things are in your hands: providing your employees a safe place to work and providing your citizens a functional and highly responsible local government.

Tim Ailsworth
Executive Director, LGIT

SAVE THE DATE

Thursday, November 1, 2012

Navy-Marine Corps
Memorial Stadium
Annapolis, Maryland



Plan to join us for
LGIT's 25th Annual Meeting



Celebrating 25 years
of TRUST

www.lgit.org

LGIT Welcomes Our Newest Members

The Local Government Insurance Trust is pleased to announce that the City of Cumberland, the Town of Greensboro and the Town of Trappe are our newest members. When asked why LGIT was their choice to cover their municipal insurance needs, they responded:

Cumberland



The City of Cumberland is excited to be able to partner with LGIT for our insurance needs, because we recognize that LGIT exists to serve local government in Maryland, and that in itself is a comfort during difficult economic times. And, while LGIT is providing more cost effective coverage to Cumberland, I am particularly pleased that they really understand our insurance needs and are well qualified to meet those needs."

Jeffrey D. Rhodes, Director Administrative Services, City of Cumberland

Greensboro



We joined LGIT due to the drastic savings over our previous carrier, as well as all of the additional services offered, like training and resources to use in our day-to-day operations. We are very excited to be part of the LGIT team."

Jeannette DeLude, Town Manager, Town of Greensboro

Trappe



We are very pleased to welcome LGIT back as the insurance carrier for the Town of Trappe. It has been a pleasure working with all of the LGIT staff. The rates have been a real blessing to our budget."

Ms. Joedy Cecil, Clerk/Treasurer, Town of Trappe

The LGIT underwriting and loss control staff has been working hard with our new members to ensure that all of their properties are properly scheduled and valued. We express our appreciation to all of the city and town personnel for the invaluable assistance conducting tours of properties and scheduling and inspection of properties and facilities.

Our new members are already taking advantage of the many member-related services available we offer, including training, the HR Portal, Employment Law Hotline and other valuable services that only LGIT members enjoy. We are pleased that the City of Cumberland, the Town of Greensboro and the Town of Trappe have joined the other 176 Maryland local governments that know that LGIT best meets their insurance needs.

LGIT Congratulates

Congratulations go to the following LGIT members for their loss control and safety efforts:

Town of Berlin – for hosting two harassment in the workplace training classes for all their personnel.

Carroll County – for hosting two regional defensive driving classes.

City of District Heights – for hosting a regional flagger training class and having all their public works employees certified.

From the Boardroom

The Board of Trustees met on June 20, 2012, and took the following actions:

- Approved the Executive Committee's recommendation to adopt the FY 2013 operating and capital budgets; and
- Approved the change to the Trust By-laws, which will formalize and clearly define the Chair's term of office and when the Chair will be either a county or municipal official.

Matthews Selected As New LGIT Board Member

Barbara Burns Matthews, Rockville's new City Manager, has agreed to become the Trust's newest board member. Ms. Matthews has more than 25 years of local government experience in Missouri and Maryland. She has spent the last 8 years as Takoma Park's City Manager. Ms. Matthews holds a Bachelor's Degree in Economics and Government from the University of Virginia and a Master's Degree in Public Affairs

Election of LGIT Trustees

The following were re-elected by the membership to three year terms on the Board of Trustees commencing July 1, 2012: John "Sonny" Bloxom (Worcester County), David E. Carey (Bel Air), Gregan T. Crawford (Garrett County), and John Miller (Middletown).

from Indiana University. The Board of Trustees and LGIT staff are excited to have someone with Ms. Matthews' broad range of experience join our Board.



From the Employment Law Hotline (800.845.8055)

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 per employment issue. This member service is provided by LGIT, with the professional assistance of Karpinski, Colaresi and Karp, P. A. We have selected for publication one inquiry of interest that was posed through the Hotline.

Question: Are public safety employees the only local government employees entitled to compensatory time?

Answer: No. All employees are entitled to compensatory time. In the absence of a collective bargaining agreement, the employee must agree to compensatory time in lieu of overtime prior to commencement of the work.

LGIT Board of Trustees

David J. Deutsch, Chairman
City Manager, City of Bowie

John E. Bloxom, Vice Chairman
County Attorney, Worcester County

David E. Carey, Secretary
Commissioner, Town of Bel Air

Scott Hancock, Ex-Officio
Executive Director, MML

Michael J. Sanderson, Ex-Officio
Executive Director, MACo

Gregan T. Crawford, Member
Commissioner, Garrett County

Stewart B. Cumbo, Member
Councilman, Town of Chesapeake Beach

Debra M. Davis, Member
Commissioner, Charles County

Susanne Hayman, Member
County Administrator, Kent County

Barbara B. Matthews, Member
City Manager, City of Rockville 10/1/2012

John D. Miller, Member
Burgess, Town of Middletown

Tari Moore, Member
Commissioner, Cecil County

LGIT Senior Staff

Timothy (Tim) Ailsworth
Executive Director

J. Earle Beyer
Director of Finance & Information Technology

John F. Breads, Jr.
Director of Legal Services

Sherri N. Butler
Director of Claims Services

Hank Schomburg
Director of Loss Control & Underwriting Services

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 employers. Employee fraud can be costly and pervasive. We are not talking about the theft of pens & pencils: the average loss from employee fraud is \$175,000.* The size of a local government does not matter — no local government is safe. Statistically, small entities only represent 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.*

INTERNAL CONTROLS

Internal controls are the best way to reduce theft loss. We suggest the following controls be implemented:

1. Bank account statements should be reconciled at least monthly.
2. Someone other than the person responsible for reconciling bank accounts should make deposits, withdrawals, or sign checks.
3. A counter-signature on each check should be required. Even so, have a dual signing limit in place.
4. Segregation of duties should be practiced in the following areas: inventory management, cash receipts, vendor approval, oversight of blank check stock, purchase order approval and payment, retail checks and credit card receipts.
5. All incoming checks should be stamped “for deposit only” immediately upon receipt.
6. A physical count of inventory should be conducted at least annually.
7. Periodic reviews should be conducted of all unused or obsolete inventory (including raw materials and scrap metals.)
8. Inventory records should be computerized.
9. The duties of computer programmers and computer operators should be separated.
10. Dual authorization should be required for all wire transfers.



11. The same internal controls listed above imposed should be in effect at all locations and entities.
12. If an employee is responsible for the investment of public monies, an investment policy should be in place that sets forth specified types of approved investments.

COMPUTER AND FUNDS TRANSFER CONTROLS

Computer and funds transfer controls are another way to reduce theft. We recommend the following:

1. A software security system should be in place to detect fraudulent computer usage by employees, agents and outsiders.
2. Passwords and access codes should be changed at regular intervals and when users are terminated.
3. Computer programmers should not be permitted to use machines with programs they have written.
4. Computer check-writing functions should be kept separate from check authorization.
5. EDP systems, programs, and procedures, including changes thereto, should be authorized, documented and tested.
6. There should be periodic job shifts or job rotations.
7. Know the average daily dollar volume of electronic funds transfers.
8. Transfer verifications should be sent to an employee or department other than the one initiated the transfer.

Establishing these internal controls and other fraud-response steps can greatly reduce the chance that your local government will be 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*

Get Flaggers Certified Through LGIT

Did you know that in order to flag at work zones on Maryland streets and roads you must be a Maryland Certified Flagger?

Yes, in order to set up work zones on streets and roads where traffic will be stopped in either direction, you must be a Maryland Certified Flagger. Do not worry if your employees are not certified. LGIT now has a Certified Flagger instructor on staff who can help you address this problem. The LGIT instructor is certified by the American Traffic Safety Services Association or ATTSA. LGIT's certified instructor will teach your employees all they need to know in a four hour course. The training program is followed by a test that, if passed, certifies each employee for four years. Remember, if your employees have not taken and passed the Maryland Flagger Course test, a state inspector could shut down your work site until a certified flagger is hired. This could be a big problem, especially if a mission critical event must be corrected or fixed in a timely fashion and your employees are sent from the job. In addition to budget issues, continuing projects without a certified flagger could lead to potential civil liability.

LGIT's Four Hour Flagger Certification Course covers:

- Who/What depends on your workers to be safe
- The abilities of a good flagger
- The ABC's of flagging in Maryland and out-of-state
- Components of a Temporary Traffic Control Zone
- Flagger equipment acceptable in Maryland.
- Items not allowed on or in a work zone
- The flagger station, location, and correct position
- Factors that affect visibility, stopping distance, and driving ability
- Typical situations involving flaggers
- Methods for dealing with emergency vehicles and hostile drivers
- Nighttime flagger control
- Flagger communication and why it is so important

The LGIT sponsored Flagger Certification class costs \$20 per participating employee. At the end of the four hour course, successful participants will be certified for four years. The certification will be good in the State of Maryland and other states that do not have more stringent requirements. Please contact us today if your employees are not certified or their certification is due to be renewed. The LGIT Training Department may be reached at (443) 561-1700. Please ask for Larry Bohlen, Member Services and Education Manager.

Life is a Highway

Motor vehicle accidents are the most common cause of death in the United States and the most common cause of work-related fatalities.

National statistics indicate that someone dies in a motor vehicle accident every 11 minutes and someone is injured in a crash every 8 seconds. Even if you do not regularly drive as part of your job, you still commute to and from work and spend many hours of your week in a vehicle.

Make safe driving your priority and arrive alive. Follow basic safe driving rules and be aware of the following:

- Distracted driving – Experts say that drivers make 200 decisions during every mile that they drive and that this requires the driver's full attention. Even hands-free conversations can distract your full attention to driving.
- Drowsy driving – Occurs frequently late at night, early morning, and mid-afternoon. Pull over if you feel drowsy, stop and stretch, take a short nap, or get caffeine.
- Road rage – Focus on your own driving habits and do not do anything to provoke other drivers. Never challenge aggressive drivers or respond to rude gestures
- Night and bad weather driving – Turn lights on half an hour before sunset to see and be seen. Slow down and increase following distance. Beware of light rain, which can make the road very slippery. Use wipers, headlights, and your defroster in wet weather.

Reprinted with permission from the St. Mary's County Employees' Risk and Safety Letter Volume 6, Issue 3, September 2011.

LGIT Calendar

Regional Defensive Driving - City of College Park
September 21, 8:30 AM - 3:30 PM @ City Hall Council Chambers, 2nd Floor. Lunch will be provided.

Regional Defensive Driving - City of Havre de Grace
September 26, 8:30 AM - 3:30 PM @ Community Center
Lunch will be provided.

Regional Defensive Driving - Cecil County
September 27, 8:30 AM - 3:30 PM @ Administration Building - The Elk Room. Lunch will be provided.

MML Fall Conference - City of Hagerstown
October 4 - October 6 @ Clarion Hotel and Conference Center
<http://www.mdmunicipal.org>

Underwriting Committee Meeting
October 10, 12:00 PM @ LGIT, 7225 Parkway Drive

Regional Defensive Driving, Worcester Co/Snow Hill
October - TBA

Regional Flagger Training, Worcester County
October - TBA



The following classes are offered by the Academy at LGIT's 25th Annual Meeting:



Structure of Municipal Government (core)
November 1, 7:30 AM - 9:00 AM

Open Meetings (core)
November 1, 1:30 PM - 3:00 PM

Basics of Risk Management (core)
November 1, 1:30 PM - 3:00 PM

General Information — 800-673-8231 or 443-561-1700

Online Registration — <http://www.lgit.org>

FAX Registration — Attn: Michelle Yannone, 443-561-1701

For up-to-date calendar information, go to www.lgit.org and click on Upcoming Events

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



Join the growing number of Maryland Local Governments that have discovered the best option for their health insurance needs.

Current Cooperative Members

- City of Aberdeen
- City of Brunswick
- Town of Chesapeake Beach
- City of College Park
- City of Gaithersburg
- Kent County
- Local Government Insurance Trust
- Maryland Municipal League
- Town of Middletown
- City of New Carrollton
- 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.
- Modified Self-funding without the risk = opportunity to receive money back

More Information

For more information or to get a quote, contact Michele Keplinger, Member Services Associate at **800-673-8231**.

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LGIT HR RISK MANAGEMENT SOLUTION



FEEDBACK

TESTIMONIALS FROM MEMBERS

This combination of solicited and unsolicited testimonials was collected during the Relationship Management process, through our marketing website, and from general feedback.

Feedback from Members:

"It's hard to pick what is most useful because there is a lot. I like the idea of the handbook builder because I can compare it to our current handbook and see if there are any discrepancies. I think the LGIT HR Risk Management Solution is a good thing. It is good that LGIT provides this as part of our membership, because, being a municipality, we do not always have access to a lot of resources because of budgetary limitations."

– Town Manager, MD, 34 employees, Legislative Bodies

"So far everything that I've used in general and it's been really good and easy to use – I'm not too computer friendly but for most things the website will help me find what I'm looking for. What I've been showed now – [I was here before a while ago] and I can see there are definitely a lot of resources here. This could definitely help my policy drafting. I would much rather talk with a person before poking around websites so I appreciate the call."

– Edgar Carman, Risk Manager, Worcester County, MD, 75 employees, Police Protection

STATISTICAL SUMMARY

There are currently 176 members on the LGIT HR Risk Management Portal, 95% of which have been actively educated on HELPLINE.

- Active Clients with a log in: **82.39%**
- Clients with HR Express update requests: **68.18%** (Requested answer to Question of the Month / Case of the Month / HR Alert)

RECENT QUESTION OF THE MONTH

Here is the latest Question of the Month from the LGIT HR Compliance Portal HR Express Updates:

Full Question: We have just become aware that a few of our long-time employees, that were hired prior to using E-verify, are not legal residents of the US. What are our legal obligations regarding their employment? Do we need to terminate them or are we allowed to continue employing them?

Response: If the employer at any time during an employee's employment discovers that an employee is not authorized to work legally in the United States, employment must be terminated immediately. The employer can face significant liability if it knowingly continues to employ a worker who lacks legal authorization to work in this country, and in this regard we do not advise that the employer merely "take the employee off the schedule," rather, the employment relationship should be terminated. The employer must pay the employee all wages due though, and we recommend that you consult with an accountant or tax specialist for guidance in properly reporting the final wages to the IRS and state or local revenue authorities in view of the fact that the social security number is not assigned to the employee in question.

If the subject individual later seeks to become reemployed with appropriate and valid documentation evidencing his authorization to work in the US, it is up to the employer to determine whether it wishes to rehire any individual who previously obtained employment fraudulently and under false pretenses, if that was the case with any of the employees you mention.

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Thank You, we look forward to continuing to serve your needs!