



Comprehensive Annual Financial Report

for the fiscal year ended
June 30, 2011

*Our Mission Is Serving
Maryland Local Governments*



Local Government Insurance Trust
7225 Parkway Drive
Hanover, Maryland 21076
ph) 443.561.1700
tf) 800.673.8231
fx) 443.561.1701
www.lgit.org

Founding Organizations



The
Maryland
Municipal
League



Comprehensive Annual Financial Report

for the fiscal year ended
June 30, 2011

PREPARED BY

Local Government Insurance Trust
Department of Finance and Information Technology
J. Earle Beyer, Director

*The Comprehensive Annual Financial Report
of the Local Government Insurance Trust
for the fiscal year ended June 30, 2011
is hereby respectfully submitted*



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LETTER FROM THE CHAIR

Your Trust in FY 2011



The Local Government Insurance Trust (Trust) is an insurance pool created in 1987 in response to the lack of an available, affordable, insurance market for Maryland's local governments. Because the Trust is local to Maryland, and is owned and operated by Maryland's local governments, its primary purpose is to resolve the risk management needs of its members. Unlike a typical "insurance company," the Trust is a nonprofit organization, governed by its members. Members can directly access the Board of Directors, the Chairman of the Board and the Executive Director concerning their risk management and insurance issues.

Fiscal year 2011 was a very good one for the Trust both financially and in member retention. Membership remains at 175. The membership consists of 16 counties, 133 municipalities, 23 sponsored entities, the Maryland Municipal League (MML), the Maryland Association of Counties (MACo) and the Local Government Insurance Trust.

Training continues to be a primary focus of our risk management efforts, because the better trained employees are, the fewer losses they will incur. In fiscal year 2011, the Trust provided 70 training and educational opportunities across the state, which were attended by 1,619 local government officials and employees.

In 2011, the Trust also continued its outreach to organizations and groups representing and/or affiliated with the Trust members. These groups included the Maryland Sheriff's Association, the Maryland Police and Correctional Training Commission, the GFOA, the Injured Worker's Insurance Fund, the Public Risk Insurance Management Association, the National League of Cities Risk Information Sharing Consortium, the National Association of Counties and of course, MACo and MML. The Trust continued its partnership with MACo, MML, and the Institute for Governmental Services at the University of Maryland, to conduct the Academy for Excellence in Local Governance.

From a financial standpoint, the Trust had a very strong year and was able to increase member equity by approximately \$3,900,000. This increase was mainly driven by the returns on the investment portfolios. Overall, the Trust continues to maintain a very healthy reserve and is in excellent financial condition and in fact during fiscal year 2011, \$3,300,000 was returned to the members of the Primary Liability Pool (PLP) in the form of premium credits with another \$3,700,000 to come in fiscal year 2012. More information regarding the rate stabilization credit program can be found in Note No. 8 of the Notes to the Financial Statements contained in this Comprehensive Annual Financial Report (CAFR).

Also included in the CAFR are the Transmittal letter and Management's Discussion and Analysis, which provide detail regarding the financial operations of the Trust. Additionally, the basic financial statements include the Notes to the financial statements, which are an integral part of the annual report. The annual audit went very well largely due to the quality and the stability of the staff in our finance department and the work of our Finance/Audit Committee.

My sincere appreciation is extended to all members for their support, input and ideas, that have made the Trust what it is today. I also express my gratitude to my dedicated fellow Board members and the many local government officials who serve on the Trust's committees. These volunteers are to be commended for their extra effort in making this year a great one.

Finally, I would like to take this opportunity to thank the highly professional staff for their hard work throughout the year. Their commitment and support to Maryland's local governments is what sets us apart from the competition.

Respectfully submitted,

A handwritten signature in black ink that reads "David J. Deutsch".

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

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Introductory Section

Transmittal Letter

Certificate of Achievement
for Excellence in Financial
Reporting

Membership

Board of Trustees

LGIT Staff

LGIT Organizational Chart

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www.lgit.org • 7225 Parkway Drive • Hanover, MD 21076
TEL 443.561.1700 • MD 800.673.8231 • FAX 443.561.1701

November 3, 2011
Board of Trustees
Local Government Insurance Trust
7225 Parkway Drive
Hanover, Maryland 21076

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the Local Government Insurance Trust (Trust) for the year ended June 30, 2011 is hereby respectfully submitted. The Trust's finance department prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Trust. We believe the data, as presented, is accurate in all material respects; presented in a manner designed to fairly present the financial position, results of operations and cash flows of the Trust. It also provides all disclosures necessary to enable the reader to gain the maximum understanding of the Trust's financial affairs.

The Comprehensive Annual Financial Report (CAFR) is presented in three sections: introductory, financial and statistical. The introductory section contains this transmittal letter, which includes a discussion of the financial activities and substantive highlights for the fiscal year, a list of the Trust's members, a list of the Trust's officers, the Trust's organizational chart and a copy of the fiscal year 2010 Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association. The financial section includes the independent auditors' report, management's discussion and analysis, the audited basic financial statements, required supplementary information, and supplementary combining schedules. The statistical section includes selected financial and statistical data, generally presented on a multi-year basis.

The Reporting Entity and Its Services

The Trust is a joint association of Maryland local governments formed July 1, 1987 to provide insurance coverage and other risk management services. Specifically, the Trust provides insurance coverage for certain classes of casualty and property related risks, as well as support services such as litigation, administration and management of claims, risk management and loss control services, training and property valuations. As of June 30, 2011, the Trust operates three pools of coverage: the Primary Liability Pool (PLP), the Property Pool, and the Excess Liability Pool (ELP). The Trust also sponsors an Environmental Impairment Liability Program. An outside insurance carrier holds the financial risk of the Environmental Impairment Liability Program and its participants deal directly with the outside carrier. The Trust also serves as the administrator and treasurer for the Maryland Local Government Health Cooperative (Cooperative) which is a self-insurance alliance among member governments. The Cooperative is a separate entity from the Trust and the Trust holds no financial risk associated with the role of treasurer and administrator. Membership in the Trust is limited to Maryland local governments which are members of either the Maryland Association of Counties (MACo) or the Maryland Municipal League (MML).

A Board of Trustees (Board) consisting of 13 voting members governs the Trust. Eleven of the Trustees comprised of five municipal and five county officials and one member which alternates between the counties and the municipalities are elected by the membership. Additionally, both executive directors of MACo and MML serve as ex-officio Trustees. The Board elects a Chairman, Vice-Chairman and a Secretary from its members and Elected Trustees are eligible for reelection every three years. The day-to-day operations of the Trust are overseen by the Executive Director, who is the chief administrative officer and is responsible for the administrative implementation of policies stated in the Trust Agreement and By-Laws, as well as the policy manual and as established by the Board.

Economic Outlook

Now in the seventh year of a soft market and continually increasing competition, the Trust remains successful in its efforts to retain membership. Only one town left the Trust during the past year, but the Town of Chevy Chase View and the City of Rockville became members during the year. Services provided by the Trust such as personalized claims handling, underwriting and loss control services, training opportunities, and other value added services typically not provided by commercial insurers, have engendered a level of loyalty which should minimize attrition to some degree. Innovation designed to broaden services and coverage may also serve to level the playing field with commercial insurers that make efforts to "buy the business" with short-term rate reductions.

It is thought by many pundits that the sluggish U.S. economy has induced insurers to cautiously amass capital while at the same time it has reduced the demand for insurance. This combination of factors has kept the soft market from turning, but this dynamic is not likely to last forever. Prices may rise in the next year or two, particularly if the state of the economy improves and we continue to experience natural disasters. In this context, the Trust was able to reduce overall net rates for fiscal 2011 by 4.7% after premium credits. Net Auto Liability premium was reduced by 8.3%, General Liability by 6.9%, Excess Liability by an effective 5.7% and gross Property by 0.8%. Despite the current economic situation, the Trust continues to rely on responsible underwriting by funding the pools based on actuarial projections rather than gambling on underpriced risks. The more volatile lines of coverage showed increases in net premium as follows: Auto Physical Damage coverage costs increased by 2.9%, Public Officials Liability increased by 13.3% and Law Enforcement Liability by 8.3%. These lines of business will drive much of our loss control activity in fiscal 2012.

MAJOR INITIATIVES

For the Year

The following highlights some of the Trust's major accomplishments during fiscal year 2011:

- **INFORMATION TECHNOLOGY** – In June of fiscal year 2011, the claims module of the Trust's enterprise-wide, web-based Risk360 system was successfully implemented. The Risk360 claims module is integrated with the Risk360 policy underwriting, invoicing, subsidiary accounting, and data warehouse modules that were implemented in fiscal year 2010. Risk360 is a modular, integrated system designed to perform and manage the core processes of public entity risk pools.
- **TRAINING** – Training continues to be a primary focus of our risk management efforts to help Trust members reduce losses. In fiscal year 2011, the Trust provided 70 training and educational opportunities across the state attended by 1,619 local government officials and employees. The Trust provided a series of training programs, for both public official & employment liability, and Defensive Driver to address these loss control concerns. The Legal Department staff continued to present the important Workplace Harassment seminar throughout the State. This program includes a segment on "Bullying in the Workplace".
- **LOSS CONTROL CREDIT SURVEY** – The Board of Trustees, as part of a larger plan to return surplus from the PLP, elected to implement a loss control credit program. The intent was to reward those members who have engaged in exceptional loss control activities. Funding of \$300,000 was allocated to this effort for fiscal year 2011 and continues into fiscal year 2012. Implementation, which began in the fall of 2008, involved an online survey broken down into sets of questions appropriate to the individual lines of coverage offered by the pool. Depending upon their loss control score, qualifying members receive a credit of 5% of premium.

- **RATE STABILIZATION CREDITS** – Beginning in fiscal year 2009, the Board of Trustees enacted a return of equity in the form of rate stabilization credits for the eligible members of the PLP. The equity return follows the policies concerning equity as stated in Article VIII, Section 8.03(b) of the Trust Agreement. Each member's share of the equity return was deposited into their respective rate stabilization accounts. Funds in the account are used by each member, at their discretion, as a credit or offset to their annual PLP premiums. The Board has limited the annual credit to 40% of the account balance. The limit will be increased to 50% in fiscal year 2012. The remainder will be left in the account and can be available in subsequent years. The funds in the rate stabilization accounts can only be used by individual members as an offset against PLP premiums which will require a renewal of membership.
- **PROPERTY APPRAISAL PROGRAM** – A special property appraisal program was initiated in March of 2008 and continued throughout fiscal years 2010 and 2011. The purpose was to determine and document accurate values for water and waste water treatment plants to ensure that the values reported to our reinsurers were justifiable, thereby strengthening the trust's reputation for reliability, while at the same guaranteeing collection of adequate premium fees for those risks.
- **SEWER BACKUP LOSS PREVENTION** – A Sewer Backup Tool Kit was prepared by Loss Control staff and distributed to Members. This has been very well received and provides members with a central source including documents and guidelines addressing such issues as system assessment, maintenance, policies, and reports.
- **MEMBER SERVICES OUTREACH** – The Trust's staff visited over 60 members to market products and services. In addition we provided new quotes to 6 prospects. This effort produced 2 new members and also added additional lines of coverage to many current members.
- **LEGAL SERVICES** – The legal staff carries an average of 80 open assignments per month, 60 of which are pending lawsuits with the remainder being administrative charges of employment discrimination. Over the past year, legal staff achieved successful outcomes for LGIT members in 39 lawsuits and 7 charges of employment discrimination. Staff also redesigned the webpages for our in-house law enforcement and corrections' publications, the *Roll Call Reporter* and the *Commander's Log*. The publications are now accessible by subject and consequently more valuable to law enforcement and corrections administrators and officers.
- **HEALTH COOPERATIVE** – The first year of the Health cooperative was completed consisting of 6 members. It is currently estimated that approximately \$78,000 will be returned to selective Cooperative members due to their good claim experience.

For the Future

During fiscal year 2012, the installation and configuration of the Risk 360 member portal is expected to be completed. The fully integrated system will allow for more efficient communication between all three operational functions of underwriting, claims and finance. In addition to the benefits of a more efficient administrative system, Risk 360 will provide our members with on-line browser-based services such as policy renewal, schedule changes, claim submission, and rating and reporting tools. By integrating all of these processes, maximum productivity will be achieved both by the Trust and by its members, saving valuable time and ultimately reducing claims costs resulting from inefficient processes.

During fiscal year 2012, the Trust will also unveil a new website. The new website will enhance our image, establish a credible, professional representation of the Trust's vision and increase functionality. The fresh new design, including a larger screen view, will increase awareness of our products and services and improve efficiency by providing a more user-friendly experience.

FINANCIAL MANAGEMENT AND CONTROLS

The basic financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities, and necessarily include amounts based upon reliable estimates and judgments. The Trust's accounting records are maintained using an economic resources measurement focus and the accrual basis of accounting. A summary of the Trust's significant accounting policies is discussed in more detail in Management's Discussion and Analysis and also in the Notes to the Financial Statements found in the financial section of this report.

Internal Accounting Structure

Internal controls have been put in place to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits derived from the control, and that the evaluation of costs and benefits requires reasonable business judgment by management. All internal control decisions are made within the above framework. Management believes the Trust's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Control

A detailed annual budget is prepared prior to the start of each fiscal year and submitted to the Board for review and approval. Trust management is required by the Board to control expenditures and stay within its guidelines. The approved budget is also used as a management tool to aid in the evaluation of performance. Detailed reports comparing budget to actual are provided to the Board on a quarterly basis. The Trust's independent auditors do not audit these internal management reports.

Cash Management

The Department of Finance is responsible for daily cash management and monitoring the activities of the external investment managers. The Trust receives daily pricing of investment securities owned, a monthly reporting of all transactions and cash flows as well as quarterly performance reports. All securities are held in safekeeping with a third party custodian bank as designated by the Board.

Risk Management

The Trust continually seeks ways to manage the risks of each pool of coverage it offers. The Trust provides a number of programs to assist its members in controlling losses and managing risk including various seminars, training programs and property inspection services. Further, the Trust utilizes the services of an independent consulting actuary. The actuary performs regular reviews to assist the Trust in establishing appropriate loss reserves and contribution rates. The Trust has also purchased reinsurance to protect against unusually severe individual claim losses.

Independent Financial Audit

Clifton Gunderson LLP, an independent certified public accounting firm, provides an objective, independent examination of the Trust's basic financial statements. Its audit includes those auditing procedures that it deems necessary to express an opinion on the fairness, in all material respects, of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Clifton Gunderson's unqualified opinion on the Trust's basic financial statements as of and for the fiscal years ended June 30, 2011 and 2010 is included in the financial section of this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Trust for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Continued from page 4

This report reflects the combined efforts of the Board, the Finance/Audit Committee, the Trust's management and staff. We would like to express our sincere appreciation to each of the Trust's members, the Board, the various local government officials that serve on the Trust committees and the employees of each governmental unit for their commitment to risk management and intergovernmental risk pooling. Their support and commitment is the reason for the continued successful operation of the Local Government Insurance Trust.

Respectfully submitted,



Tim Ailsworth
Executive Director



J. Earle Beyer
Director, Financial and IT Services

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Local Government Insurance
Trust, Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

A handwritten signature in black ink.

President

A handwritten signature in black ink.

Executive Director

Fiscal Year 2011 Membership

Aberdeen	Clear Spring	Howard County Library	Port Deposit
Accident	College Park	Howard County Mental	Preston
Annapolis	Colmar Manor	Health Authority	Princess Anne
Baltimore County	Cottage City	Hurlock	Queen Anne
Barclay	Crisfield	Hyattsville	Queen Anne's County
Barnesville	Deer Park	Indian Head	Queenstown
Barton	Denton	Keedysville	Rising Sun
Bel Air	District Heights	Kensington	Riverdale Park
Berlin	Dorchester County	Kent County	Rosemont
Berwyn Heights	Eagle Harbor	Kent County Public Library	Rockville
Betterton	East New Market	Kitzmiller	Salisbury
Bladensburg	Eastern Shore	La Plata	Seat Pleasant
Boonsboro	Entrepreneurship Center	Landover Hills	Secretary
Bowie	Easton	Laurel	Sharpsburg
Brentwood	Edmonston	Laytonsville	Sharptown
Brooksville	Eldorado	Leonardtown	Smithsburg
Brookview	Elkton	Local Government	Snow Hill
Brunswick	Emmitsburg	Insurance Trust	Somerset County
Burkittsville	Fairmount Heights	Loch Lynn Heights	Somerset County
Calvert County	Federalsburg	Lonaconing	Library System
Cambridge	Forest Heights	Luke	Somerset County Sanitary
Cambridge Municipal Utilities Commission	Friendsville	Mardela Springs	District, Inc.
Capitol Heights	Frostburg	Marydel	St. Clements Island and
Caroline County	Gaithersburg	Maryland Association	Piney Point Museums
Caroline County Humane Society	Galestown	of Counties	St. Mary's County
Caroline County Library	Garrett County	Maryland Municipal League	St. Mary's County
Carroll Area Transit, Inc.	Garrett County Community	Middletown	Metropolitan Commission
Carroll County	Action Committee	Mid-Shore Regional Council	St. Michaels
The Humane Society of Carroll County, Inc.	Garrett Park	Millington	Sudlersville
Carroll County Public Library	Glen Echo	Montgomery	Sykesville
Cecil County	Glenarden	Municipal Cable	Takoma Park
Cecilton	Goldsboro	Morningside	Talbot County
Charles County	Grantsville	Mount Airy	Taneytown
Charlestown	Greenbelt	Mount Rainier	Tri-County Council for the
Chesapeake Beach	Hagerstown	Myersville	Lower Eastern Shore
Chesapeake City	Hampstead	New Carrollton	University Park
Chestertown	Hancock	New Market	Upper Marlboro
Cheverly	Havre de Grace	New Windsor	Vienna
Chevy Chase	Hebron	North Beach	Walkersville
Chevy Chase View	Henderson	North Brentwood	Washington County
Chevy Chase Village	Highland Beach	North Chevy Chase	Washington Grove
Section 3 of the Village of Chevy Chase	Hillsboro	North East	Westernport
Chevy Chase Section 5	Howard Community	Northeast Maryland Waste	Westminster
Church Creek	College	Disposal Authority	Willards
Church Hill	Howard County	Oakland	Williamsport
	Howard County Economic	Ocean City	Worcester County
	Development Authority	Pittsville	Worcester County Library
	Howard County Housing	Pocomoke City	
	Commission	Poolesville	

Fiscal Year 2011 Board of Trustees



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



Roger L. Fink, Vice-Chairman
County Attorney, Charles County



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



Michael J. Sanderson, Ex-Officio
*Executive Director,
Maryland Association of Counties*



Scott Hancock, Ex-Officio
*Executive Director,
Maryland Municipal League*



John E. Bloxom
*County Attorney,
Worcester County*



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



Sharon Greisz
*Director, Office of Finance,
Howard County*



Susanne Hayman
*County Administrator,
Kent County*



Angel L. Jones
*City Manager
City of Gaithersburg*



John D. Miller
*Burgess,
Town of Middletown*



F. Gary Mullich
*Director,
General Services,
Garrett County*



Wilson H. Parran
*President,
Board of Commissioners,
Calvert County*

Fiscal Year 2011 Management and Staff

Executive



Tim Ailsworth
Executive Director



Sandy Tedrow
Office Manager

Finance and Information Technology Services



J. Earle Beyer
Director



Betty Haynes
Accountant



Michael Becker
Systems Engineer



Sheryl Browning
*Database Analyst/
Media Specialist*

Loss Control & Underwriting Services



Herbert Schomburg
Director



Scott Soderstrom
Underwriting Manager



Ellen Nudd
Underwriter



Richard Furst
Senior Loss Control Manager



Vance Petrella
Loss Control Manager



Jeffrey Perkins
Loss Control Associate



Larry Bohlen
Member Services & Ed. Manager Michele Keplinger
Member Services Associate



Michelle Yannone
Staff Associate



Latina Wilkinson
Loss Control Assistant

Fiscal Year 2011 Management and Staff

Claims Services



Sherri Butler
Director



Elisabeth Beekman
Manager/Litigation Analyst



Elizabeth Martinez
Litigation Analyst



Katie Adams
Subrogation/Litigation Specialist



Dorie Schwartz
Claims Analyst



Hollis Henry
Claims Analyst



Dalas Salters
Claims Analyst



Clyde Bessicks
Claims Analyst



Charise Henderson
Claims Staff Associate



Norma Jean Doerr
Claims Administrative Assistant

Legal Services



John F. Breads, Jr.
Director



Christine Altemus
Senior Attorney



Matthew Peter
Attorney

Human Resources & Administrative Services



Marsha Carpenter
HR/Health Co-Op Account Manager

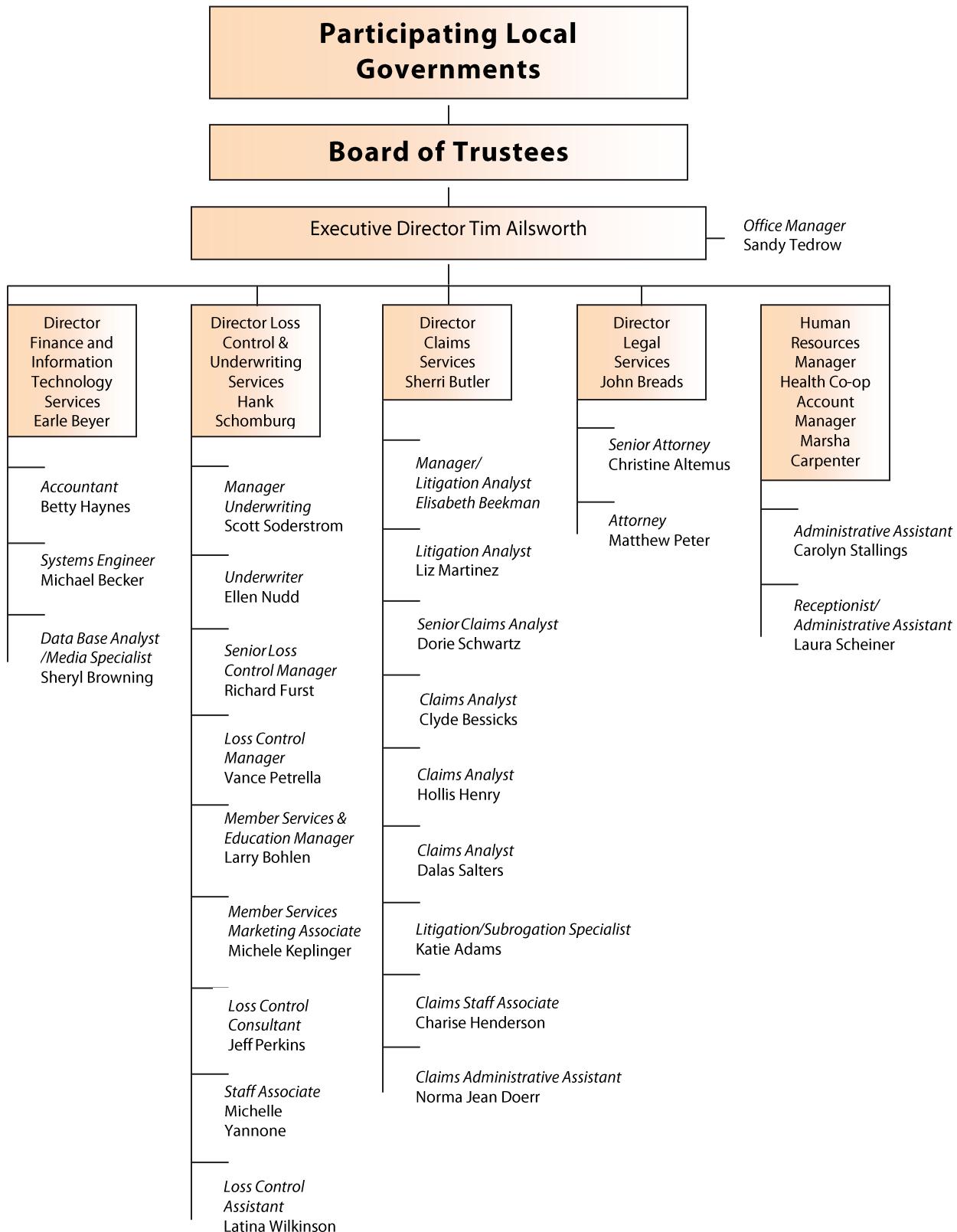


Carolyn Stallings
Administrative Assistant



Laura Scheiner
Receptionist/Administrative Assistant

Fiscal Year 2011 Organizational Chart





Financial Section

Independent Auditors' Report

Management's Discussion and Analysis

Statements of Net Assets

Statements of Revenues, Expenses and Changes in Net Assets

Statements of Cash Flows

Notes to Financial Statements

Explanation of Required Supplementary Information

Reconciliation of Claims Liabilities and Related Expenses by Pool

Claims Development Information

Supplementary Combining Schedules

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Independent Auditor's Report

Board of Trustees
Local Government Insurance Trust
Hanover, Maryland

We have audited the accompanying statements of net assets, revenues, expenses and changes in net assets, and cash flows of Local Government Insurance Trust (the Trust) as of and for the years ended June 30, 2011 and 2010, which collectively comprise the Trust's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2011 and 2010, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information, listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Local Government Insurance Trust's basic financial statements. The supplementary combining schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Continued from page 15

The letter from the Chair, introductory section, and statistical tables listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Gunderson LLP

Baltimore, Maryland
October 7, 2011



Local Government Insurance Trust
Management's Discussion and Analysis
 Years Ended June 30, 2011 and 2010

This section of the Comprehensive Annual Financial Report presents a discussion and analysis of the financial performance of the Local Government Insurance Trust (Trust) as of and for the years ended June 30, 2011 and 2010. Please read it in conjunction with the financial statements, which follow this section.

The following is a brief description of the Trust's three basic financial statements:

STATEMENT OF NET ASSETS — This statement presents information reflecting the Trust's assets, liabilities and net assets. The statement of net assets categorizes assets and liabilities as current and noncurrent. For purposes of this financial statement, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or become due within twelve months of the statement date.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS — This statement reflects the operating revenues and expenses, as well as nonoperating revenues and expenses of the Trust. The Trust's major source of operating revenues is premium income with the major source of operating expenses being incurred claims and claims adjustment expenses. The change in net assets is similar to net profit or loss for any other insurance company.

STATEMENT OF CASH FLOWS — The statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating, capital and related financing, noncapital and related financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase in cash and cash equivalents for the fiscal year. Due to timing differences associated with accrual accounting, the net cash provided by operating activities is different than the amount of operating loss reported on the statement of revenues, expenses and changes in net assets; therefore, a reconciliation is also provided.

FINANCIAL SUMMARY

The following table summarizes the financial position of the Trust at June 30, 2011, 2010 and 2009, respectively.

Summary of Net Assets

	2011	2010	2009
ASSETS			
Current assets	\$ 19,050,139	\$ 17,306,079	\$ 19,913,817
Noncurrent assets	46,116,343	43,725,972	38,875,918
Total Assets	65,166,482	61,032,051	58,789,735
LIABILITIES			
Current liabilities	4,260,990	4,429,822	5,796,534
Noncurrent liabilities	13,317,656	12,879,585	12,369,202
Total Liabilities	17,578,646	17,309,407	18,165,736
NET ASSETS			
Invested in capital assets, net of related debt	412,314	489,107	324,472
Unrestricted	47,175,522	43,233,537	40,299,527
TOTAL NET ASSETS	\$ 47,587,836	\$ 43,722,644	\$ 40,623,999

Total Assets

Total assets increased by approximately \$4,134,000 between June 30, 2010 and 2011. This increase is generated primarily by approximately \$4,393,000 of investment income.

Total assets increased by approximately \$2,242,000 between June 30, 2009 and 2010. This increase is generated by approximately \$3,579,000 of investment income and a decrease in the deposit with reinsurance pool of approximately \$736,000.

Total Liabilities

The most significant components of the Trust's liabilities are related to unpaid claims and claim adjustment expenses. Unpaid claims and claim adjustment expenses is a liability calculated by the Trust's actuary for all pools. Unpaid claims and claims adjustment expense at 2011 year end remained relatively unchanged from year end 2010.

Total liabilities did grow by approximately \$269,000 during fiscal year 2011, generated primarily by the growth in the member rate stabilization fund of approximately \$443,000.

Total liabilities decreased by approximately \$856,000 between June 30, 2009 and 2010 primarily due to the decrease in unpaid claims and claim adjustment expenses of \$641,000.

The following table summarizes the change in net assets for fiscal years ended June 30, 2011, 2010 and 2009, respectively.

Summary of Revenues, Expenses and Changes in Net Assets

	2011	2010	2009
Operating revenues	\$ 9,481,021	\$ 10,282,371	\$ 9,259,681
Operating expenses	9,962,325	10,711,185	10,732,903
Operating loss	(481,304)	(428,814)	(1,473,222)
Nonoperating income	4,346,496	3,527,459	694,950
Change in net assets	3,865,192	3,098,645	(778,272)
Net assets, beginning of year	43,722,644	40,623,999	41,402,271
Net assets, end of year	\$ 47,587,836	\$ 43,722,644	\$ 40,623,999

RESULTS OF OPERATIONS

Revenues

Total operating revenues decreased by approximately 8% or approximately \$801,000 for fiscal year 2011 compared to fiscal year 2010. This was primarily due to the following three factors: a decrease in gross premiums billed by approximately \$951,000; a \$1,000,000 increase of rate stabilization credits granted to the members; offset by a reduction in property reinsurance of approximately \$1,138,000.

Total operating revenues increased by approximately 11% or approximately \$1,023,000 for fiscal year 2010 compared to fiscal year 2009. This was primarily due to the \$1,000,000 reduction of rate stabilization credits granted to members of the PLP during fiscal year 2010 compared to the amount granted in 2009.

Expenses

Operating expenses are comprised of incurred claims and claim adjustment expenses (net of recoveries) and the Trust's general and administrative expenses.

The claim and claim adjustment expenses were approximately \$800,000 lower in fiscal year 2011 compared to fiscal year 2010 primarily due to a reduction in paid claims of approximately \$1,560,000. This was offset by the increase to the change in liability for unpaid claims of approximately \$761,000.

The Trust's general and administrative (G&A) expenses remained relatively unchanged in fiscal year 2011 compared to fiscal year 2010.

Total incurred claims and claim adjustment expenses and general administrative expense remained relatively unchanged in fiscal year 2010 compared to fiscal year 2009.

Nonoperating revenues

Nonoperating revenues consist of investment income and interest expense. Investment income was approximately \$815,000 higher in fiscal year 2011 compared to fiscal year 2010. The total return on LGIT's investment portfolio increased to approximately 9.9% during fiscal year 2011 compared to a 8.7% return for fiscal year 2010. This improved performance was driven mainly by the Trust's equity portfolio.

Investment income was approximately \$2,787,000 higher in fiscal year 2010 compared to fiscal year 2009. The total return on LGIT's investment portfolio increased to approximately 8.7% during fiscal year 2010 compared to the less than 1% return for fiscal year 2009. This improved performance was driven mainly by the Trust's equity portfolio which recaptured some of the losses sustained in fiscal year 2009.

Both the fixed income and equity portfolios outperformed their respective benchmarks as established by the Board during fiscal year 2011 and 2010.

The annualized investment returns for fiscal years 2011, 2010 and 2009 are summarized by investment type as follows. This does not include any return or loss on the Trust's deposit with the reinsurance pool.

	2011	2010	2009
Fixed income portfolio	3.95%	8.70%	6.11%
Equity portfolio	36.00%	9.04%	-26.21%
Total LGIT investments	9.89%	8.77%	.59%

Continued from page 19

The Trust's fixed income investments of its combined short-term and long-term portfolios represent approximately 78% of the Trust's entire investment portfolio as of June 30, 2011 and 81% as of June 30, 2010 and 84% as of June 30, 2009. The Trust's equity target percentage for its long-term portfolio has remained at 24% during the three year period.

This financial report is designed to provide Trust members with a general overview of the Trust's finances, and to demonstrate the Trust's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to J. Earle Beyer, Director of Finance/Information Technology, 7225 Parkway Drive, Hanover, Maryland 21076.



LOCAL GOVERNMENT INSURANCE TRUST
Statements of Net Assets

June 30, 2011 and 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents (note 3)	\$ 6,339,867	\$ 2,736,295
Investments (note 4)	11,003,915	12,232,134
Premiums receivable	145,222	163,782
Interest income receivable	312,753	354,875
Reinsurance receivable (note 9)	1,093,490	1,728,997
Other	154,901	89,996
Total current assets	<u>19,050,148</u>	<u>17,306,079</u>
Noncurrent assets:		
Investments (note 4)	36,601,900	34,268,408
Capital assets (note 5)	4,156,715	4,342,051
Deposit with reinsurance pool (note 9)	5,222,129	4,973,457
Other	135,599	142,056
Total noncurrent assets	<u>46,116,343</u>	<u>43,725,972</u>
Total assets	<u>65,166,491</u>	<u>61,032,051</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	26,009	76,139
Unpaid claims and claim adjustment expenses (note 6)	3,050,101	3,414,732
Reinsurance payable	-	238,512
Health plan cooperative payable	68,350	-
Interest payable	418	965
Rate stabilization fund (note 8)	853,245	484,493
Notes payable (note 7)	120,000	115,000
Other	142,867	99,981
Total current liabilities	<u>4,260,990</u>	<u>4,429,822</u>
Noncurrent liabilities:		
Unpaid claims and claim adjustment expenses (note 6)	8,513,160	8,028,960
Capitalization contributions	1,640	1,640
Rate stabilization fund (note 8)	1,042,856	968,985
Notes payable (note 7)	3,760,000	3,880,000
Total noncurrent liabilities	<u>13,317,656</u>	<u>12,879,585</u>
Total liabilities	<u>17,578,646</u>	<u>17,309,407</u>
NET ASSETS		
Invested in capital assets, net of related debt	412,314	489,107
Unrestricted	47,175,531	43,233,537
Total net assets	<u>\$ 47,587,845</u>	<u>\$ 43,722,644</u>

See accompanying notes to the financial statements.



LOCAL GOVERNMENT INSURANCE TRUST

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2011 and 2010

	2011	2010
Operating Revenues		
Gross premiums earned	\$ 15,996,348	\$ 16,947,741
Less: Premium credits	(3,297,332)	(2,300,000)
Ceded premiums	<u>(3,256,478)</u>	<u>(4,394,806)</u>
Net premiums earned	9,442,538	10,252,935
Other revenues	<u>38,483</u>	<u>29,436</u>
Total operating revenues	<u><u>9,481,021</u></u>	<u><u>10,282,371</u></u>
Operating Expenses		
Claims and claim adjustment expenses incurred (note 6)		
Paid, net of recoveries	5,309,105	6,869,405
Change in liability for unpaid claims and adjustment expenses	119,569	(641,155)
General and administrative expenses	<u>4,312,647</u>	<u>4,274,875</u>
Depreciation expense	<u>220,995</u>	<u>208,060</u>
Total operating expenses	<u><u>9,962,316</u></u>	<u><u>10,711,185</u></u>
Operating loss	<u><u>(481,295)</u></u>	<u><u>(428,814)</u></u>
Nonoperating Revenues (Expenses)		
Investment income	4,393,470	3,578,757
Interest expense	<u>(46,974)</u>	<u>(51,298)</u>
Total nonoperating revenues	<u><u>4,346,496</u></u>	<u><u>3,527,459</u></u>
Change in net assets	3,865,201	3,098,645
Net assets, beginning of year	<u><u>43,722,644</u></u>	<u><u>40,623,999</u></u>
Net assets, end of year	<u><u>\$ 47,587,845</u></u>	<u><u>\$ 43,722,644</u></u>

See accompanying notes to the financial statements.



LOCAL GOVERNMENT INSURANCE TRUST

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Premiums collected	\$ 13,160,969	\$ 14,521,833
Other revenue collected	38,483	29,436
Recoveries of claims paid	2,468,861	2,264,559
Ceded premiums paid	(3,494,990)	(3,500,624)
Claims and claim adjustment expenses paid	(7,131,964)	(8,902,305)
General and administrative expenses paid	(4,236,711)	(4,249,059)
Net cash provided by operating activities	<u>804,648</u>	<u>163,840</u>
Cash flows from capital and related financing activities:		
Principal payments on notes	(115,000)	(110,000)
Interest expense paid	(41,064)	(45,083)
Purchase of capital assets	(35,659)	(269,152)
Net cash used in capital and related financing activities	<u>(191,723)</u>	<u>(424,235)</u>
Cash flows from investing activities:		
Purchase of investments	(21,430,981)	(27,374,355)
Proceeds from repurchase agreement	-	1,475,000
Proceeds from maturities of investments	22,076,283	21,518,513
Investment income received	2,436,345	1,931,823
Net cash provided by (used) in investing activities	<u>3,081,647</u>	<u>(2,449,019)</u>
Net change in cash and cash equivalents	3,603,572	(2,709,414)
Cash and cash equivalents, beginning of year	2,736,295	5,445,709
Cash and cash equivalents, end of year	\$ 6,339,867	\$ 2,736,295
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (481,295)	\$ (428,814)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	220,995	208,060
Effects of changes in operating assets and liabilities:		
Premiums receivable	18,560	(156,981)
Reinsurance receivable	635,507	229,743
Deposit with reinsurance pool	-	736,180
Other assets	26,095	25,278
Accounts payable and accrued expenses	(50,130)	1,953
Unpaid claims and claim adjustment expenses	119,569	(641,155)
Other liabilities	315,347	189,576
Total adjustments	<u>1,285,943</u>	<u>592,654</u>
Net cash provided by operating activities	\$ 804,648	\$ 163,840
Noncash investing, capital and financing activities:		
Net unrealized gain in fair value of investments included in investment income	<u>\$ 1,593,895</u>	<u>\$ 1,257,584</u>

See accompanying notes to the financial statements.

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Local Government Insurance Trust Notes to Financial Statements

Years Ended June 30, 2011 and 2010

■ NOTE 1 — ORGANIZATION AND PURPOSE

The Local Government Insurance Trust (Trust) is a joint association of Maryland local governments established in 1987 to provide an alternative to the diminishing availability of insurance coverages to the public sector and the increasing premium costs in the municipal insurance market. The Trust strives to provide coverage and risk management services at stable and competitive rates. The Trust is owned and directed by the local governments that subscribe to its coverages and operates under the terms of the eighth amended and restated Trust Agreement effective July 1, 2004.

The Trust's Board of Trustees (Board) is empowered to establish pools to provide coverage for any class of casualty, health, life or property related risks. As of June 30, 2011, the currently active pools are the following: the Primary Liability Pool (165 participants), the Property Pool (139 participants), and the Excess Liability Pool (122 participants). Membership in the pools is limited to local governments that are members of the Maryland Municipal League (MML) or Maryland Association of Counties (MACo). A participating local government may also sponsor a public entity within its district for participation in a pool. Each member agrees to comply with a plan of risk management as determined by the Trust. In the event a pool reports an operating deficit, the Trust may either assess the pool participants to cover the deficit or increase premiums.

The Primary Liability Pool (PLP) provides coverage for commercial general liability, police legal liability, public official's legal liability, and business automobile coverage. The maximum limit of liability to the PLP may not exceed \$1,000,000 for any one claim or occurrence per participant. The Property Pool provides coverage for property based on the determined insured values of the property. The Excess Liability Pool (ELP) has a maximum limit of \$5,000,000 for each occurrence and in the aggregate for occurrence-based coverage; and \$5,000,000 for each occurrence, and in the aggregate, for claims-made coverage. Participants in the ELP must either self-insure retention of \$1,000,000 or purchase primary liability coverage from the Trust. The Trust will not insure coverages over other commercial insurance companies. The financial statements include these pools as well as a general Operating Account and an Escrow Deposit Account.

In 1992, the Trust issued debt on behalf of a local government to fund its self-insurance liability pool. The Trust has no obligation in connection with this transaction; therefore, this transaction is not reported in the financial statements of the Trust. At June 30, 2011 and 2010, the outstanding debt related to this transaction was approximately \$2,905,000 and \$4,235,000, respectively.

■ NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to public entity risk pools and enterprise funds as prescribed by the Governmental Accounting Standards Board (GASB). In preparing its financial statements, the Trust has applied all applicable GASB pronouncements as well as certain Financial Accounting Standards Board and Accounting Principles Board pronouncements. The Trust distinguishes operating revenues and expenses from nonoperating items. The principal operating revenues of the Trust are premiums charged to members for insurance coverage including special assessments, if any. Premiums are reflected net of reinsurance. Operating expenses include claims and claim adjustment expenses and general and administrative expenses. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Trust is not subject to statutory reporting requirements for insurance companies. Certain accounts have been reclassified in the June 30, 2010 financial statements to be in conformity with the presentation in the June 30, 2011 financial statements; however this did not affect net assets or the changes therein.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

Cash and Cash Equivalents

The Trust considers demand deposits, money market funds and other investments with an original maturity of three months or less at the date of acquisition to be cash and cash equivalents.

Investments

Debt securities with an original maturity of over one year at date of acquisition and equity securities are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Investments that have a remaining maturity at time of purchase of one year or less are reported at amortized cost.

Recognition of Premium Revenues

Annual property and liability premiums are written with an effective date of July 1 and are generally recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums. Special premium assessments and credits, if any, are recorded in the period in which they are approved by the Board. The Trust had no unearned premiums as of June 30, 2011 and 2010.

Reinsurance

The Trust limits the maximum net loss that can arise from large risks by reinsuring (or ceding) certain levels of risk with the reinsurers under various reinsurance treaties. Ceded reinsurance is treated as the risk and liability of the reinsuring companies. Premiums and recoveries related to ceded business are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Ceded premiums are recorded as reductions of premiums earned and related claim recoveries are recorded as reductions of incurred claims and claim adjustment expenses.

Deferred Policy Acquisition Costs

Salaries and other costs of acquiring insurance that vary with and are primarily related to the production of new and renewal business are deferred and amortized over the terms of the policies or reinsurance treaties to which they relate. Deferred acquisition costs are reviewed periodically to determine if they are recoverable from future income, including investment income. If the deferred costs are not recoverable, they are charged to expense in the period of the review. The Trust had no deferred policy acquisition costs as of June 30, 2011 and 2010.

Capital Assets

All capital assets are carried at cost. All acquisitions of capital assets in excess of \$1,000 with a useful life in excess of one year and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Electronic data processing equipment and software (EDP) are depreciated over three years. Furniture and equipment are depreciated over five years and the building is depreciated over forty years.

Insurance Liabilities

The Trust establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims and claim adjustment expenses. The Trust does not discount the liabilities for unpaid claims or claim adjustment expenses. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Income Taxes

The income of the Trust is exempt from federal taxation under §115 of the Internal Revenue Code.

■ NOTE 3 — CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned. The Trust does not have a formal custodial credit risk policy for deposits. Cash and temporary investments are maintained in one commercial bank and two broker-dealers located in Baltimore, Maryland. Balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Cash and temporary investments held by broker-dealers are insured by the Securities Investor Protection Corporation (SIPC) up to specified limits. Balances in excess of FDIC and SIPC limits are uninsured. Total cash and temporary investments held by the bank and broker-dealers were \$6,503,101 and \$3,116,688 as of June 30, 2011 and 2010, respectively.

Cash and cash equivalents consisted of the following as of June 30, 2011 and 2010:

	2011	Percentage of	2010	Percentage of
Cash	\$ 411,331	6.5%	\$ 121,628	4.4%
Maryland Local Government Investment Pool	5,324,457	84.0%	2,012,994	73.6%
Money Market Mutual Funds	604,070	9.5%	601,673	22.0%
Total Cash and Cash Equivalents	\$ 6,339,858	100.0%	\$ 2,736,295	100.0%

Credit Risk

The Maryland Local Government Investment Pool and all money market mutual funds carry AAA ratings with the exception of the fund used by the external investment managers, which is not rated but possesses all the characteristics of an AAA rated fund.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments that will adversely affect the fair value of an investment. Information about the exposure of the Trust's cash equivalents to this risk, using the segmented time distribution model is as follows:

	Maryland Local Government Investment Pool	Money Market Mutual Funds
June 30, 2011		
Less Than 1 Year	\$ 5,324,457	\$ 604,070
Total	\$ 5,324,457	\$ 604,070
June 30, 2010		
Less Than 1 Year	\$ 2,012,994	\$ 601,673
Total	\$ 2,012,994	\$ 601,673

NOTE 4—INVESTMENTS

The Trust's investments are held in an internally managed short-term portfolio and an externally managed long-term portfolio. There are no legal restrictions on the Trust's investments.

The Trust's Board approved investment policy includes formal guidelines and practices for managing risks for its investments. In accordance with this policy, permitted investments include, but are not limited to, U.S. Government and agency securities, corporate securities, and equity securities. Investments are registered and held by the Trust's custodian bank in the name of the Trust.

The Trust's investment policy for the long-term portfolio includes asset allocation targets of 76% for debt securities and 24% for equity securities. The targets also include a minimum percentage of 75% and a maximum percentage of 95% for debt securities and a 5% minimum and a 25% maximum for equity securities. The allocation policy for the short-term portfolio stipulates 100% fixed income securities. The carrying values of the Trust's investments as of June 30, 2011 and 2010 are summarized in the table below. Investments in any one issuer that represent five percent or more of total investments have been disclosed separately.

	2011	Percentage of	2010	Percentage of
Debt Securities:				
U.S. Government Securities	\$ 7,321,091	15.4%	\$ 6,844,766	14.7%
U.S. Government Agencies				
Federal Farm Credit Bank	3,099,728	6.5%	1,098,166	2.4%
Federal Home Loan Bank	266,830	.6%	4,183,224	9.0%
Government National Mortgage Association	3,605,437	7.6%	1,044,850	2.2%
Federal National Mortgage Association	2,045,395	4.3%	5,281,368	11.4%
Federal Home Loan Mortgage Corporation	5,635,625	11.8%	5,600,849	12.0%
Corporate Bonds	13,437,468	28.2%	12,667,106	27.2%
Municipal Bonds	1,472,451	3.1%	816,576	1.8%
Equity Securities	10,721,790	22.5%	8,963,637	19.3%
Total Investments	\$ 47,605,815	100.0%	\$ 46,500,542	100.0%

Investments are reported at their fair values with changes in values included in investment income. The net unrealized change in the fair value of the investments included in investment income was a net appreciation of \$1,593,895 and \$1,257,584 for the years ended June 30, 2011 and 2010, respectively.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Trust places no limit on the amount invested in any one issuer.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trust does not have a formal custodial credit risk policy for investments. Investments are held by two broker-dealers located in Baltimore, Maryland. Securities are insured by the Securities Investor Protection Corporation (SIPC) up to specified limits. Balances in excess of SIPC limits are uninsured. Total securities held by the broker-dealers were \$47,883,121 and \$46,461,517 as of June 30, 2011 and 2010, respectively.

Credit Risk

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure. Issuer obligations of U.S. Government Agencies and loan-backed securities of the Government National Mortgage Association (GNMA) and Department of Veterans Affairs (VA) have the explicit backing of the U.S. Government. Loan-backed securities of Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Federal Agricultural Mortgage Corporation (FAMC) have the implicit backing of the U.S. Government.

The Trust's investment policy stipulates that the overall average quality of the portfolio should be at least "A" or better, as measured by Standard & Poor's or Moody's Investor Service. Presented below is the minimum rating granted for each type of investment.

	U.S. Government		
	Agencies	Corporate Bonds	Municipal Bonds
June 30, 2011			
AAA	\$ 9,538,689	\$ 2,333,357	\$ -
AA	-	915,987	968,393
A	-	5,667,952	504,058
BBB	-	4,520,172	-
Not Rated	5,114,326	-	-
Total	\$ 14,653,015	\$ 13,437,468	\$ 1,472,451
June 30, 2010			
AAA	\$ 14,182,993	\$ 1,831,157	\$ -
AA	-	550,928	471,717
A	-	6,152,509	344,859
BBB	-	4,132,512	-
Not Rated	3,025,464	-	-
Total	\$ 17,208,457	\$ 12,667,106	\$ 816,576

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value. Balances invested in the short-term portfolio are intended to fund the operating activities of the Trust for a one year period and cash is invested accordingly to meet cash flow requirements. The Trust's investment policy for the long-term portfolio stipulates that the duration of the fixed income portion of the portfolio should remain in the range of plus or minus one year of the Barclay's Intermediate Government Credit Index (3.9 years as of June 30, 2011 and 2010, respectively). The maximum maturity of any fixed income investment is thirty years. The Trust uses the due date for purposes of determining segmented time distributions. Information about the exposure of the Trust's debt type investments to this risk, using the segmented time distribution model is as follows:

	U.S. Government Securities	U.S. Government Agencies	Corporate Bonds	Municipal Bonds
June 30, 2011				
Less Than 1 Year	\$ -	\$ -	\$ 282,125	\$ -
1 to 5 Years	2,379,378	5,539,649	7,159,238	505,074
6 to 10 Years	4,941,713	2,975,371	5,914,813	967,377
Over 10 Years	-	6,137,995	81,292	-
Total	\$ 7,321,091	\$ 14,653,015	\$ 13,437,468	\$ 1,472,451
June 30, 2010				
Less Than 1 Year	\$ 576,479	\$ 2,250,401	\$ 441,617	\$ -
1 to 5 Years	2,959,154	9,178,903	5,664,746	210,441
6 to 10 Years	3,309,133	3,026,972	6,560,743	606,135
Over 10 Years	-	2,752,181	-	-
Total	\$ 6,844,766	\$ 17,208,457	\$ 12,667,106	\$ 816,576

The Trust invests in loan-backed securities which totaled \$8,675,737 and \$4,413,747 as of June 30, 2011 and 2010, respectively. U.S. Government Agency Securities reported above include \$6,342,378 and \$3,025,464 of loan-backed securities as of June 30, 2011 and 2010, respectively. Corporate securities reported above included \$2,333,359 and \$1,388,283 of loan-backed securities as of June 30, 2011 and 2010, respectively. Loan-backed securities are based on cash flows from the underlying assets, therefore making them sensitive to prepayments that may result from a decline in interest rates. The Trust's investment policy limits the amount invested in loan-backed securities to no more than 50% of the fixed income portfolio.

Foreign Currency Risk:

Foreign currency risk is the risk that changes in the exchange rate of investments will adversely affect the fair value of an investment. The Trust's exposure to foreign currency risk derives from its positions in American Depository Receipts (ADR) of foreign common stocks. ADRs are paper securities issued by U.S. banks that evidence the ownership of actual shares of foreign stocks held in the bank's foreign branches or with a foreign correspondent on behalf of the ADR holder. The Trust's investment balances in ADRs by country are shown in the following table as of June 30, 2011 and 2010. The Trust has no formal policy concerning foreign currency risk.

	2011	2010
United Kingdom	\$ 281,788	\$ 216,568
Japan	279,067	257,064
Australia	58,851	74,226
Netherlands	138,452	83,315
Spain	107,881	96,331
France	217,970	148,737
Germany	63,830	112,631
Singapore	58,851	53,574
Switzerland	83,033	74,827
Other	91,471	98,791
Total	\$ 1,408,035	\$ 1,216,064

■ **NOTE 5 — CHANGE IN CAPITAL ASSETS**

	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance
2011				
Assets depreciated:				
Building	\$ 3,947,564	\$ -	\$ -	\$ 3,947,564
EDP	1,283,404	15,659	-	1,299,063
Furniture & Equipment	239,873	-	-	239,873
Total assets - depreciated	<u>5,470,841</u>	<u>15,659</u>	<u>-</u>	<u>5,486,500</u>
Assets - not depreciated:				
Land	252,408	-	-	252,408
Work in Process	-	20,000	-	20,000
Total assets not depreciated	<u>252,408</u>	<u>20,000</u>	<u>-</u>	<u>272,408</u>
Total capital assets	<u>5,723,249</u>	<u>35,659</u>	<u>-</u>	<u>5,758,908</u>
Accumulated Depreciation:				
Building	(287,843)	(98,689)	-	(386,532)
EDP	(910,401)	(99,794)	-	(1,010,195)
Furniture & Equipment	(182,954)	(22,512)	-	(205,466)
Total accumulated depreciation	<u>(1,381,198)</u>	<u>(220,995)</u>	<u>-</u>	<u>(1,602,193)</u>
Net Balance - Capital Assets	<u>\$ 4,342,051</u>	<u>\$ (185,336)</u>	<u>\$ -</u>	<u>\$ 4,156,715</u>

	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance
2010				
Assets depreciated:				
Building	\$ 3,947,564	\$ -	\$ -	\$ 3,947,564
EDP	888,504	404,424	(9,524)	1,283,404
Furniture & Equipment	243,113	32,603	(35,843)	239,873
Total assets - depreciated	<u>5,079,181</u>	<u>437,027</u>	<u>(45,367)</u>	<u>5,470,841</u>
Assets - not depreciated:				
Land	252,408	-	-	252,408
Work in Process	167,875	218,080	(385,955)	-
Total assets not depreciated	<u>420,283</u>	<u>218,080</u>	<u>(385,955)</u>	<u>252,408</u>
Total capital assets	<u>5,499,464</u>	<u>655,107</u>	<u>(431,322)</u>	<u>5,723,249</u>
Accumulated Depreciation:				
Building	(189,154)	(98,689)	-	(287,843)
EDP	(850,827)	(69,098)	9,524	(910,401)
Furniture & Equipment	(178,524)	(40,273)	35,843	(182,954)
Total accumulated depreciation	<u>(1,218,505)</u>	<u>(208,060)</u>	<u>45,367</u>	<u>(1,381,198)</u>
Net Balance - Capital Assets	<u>\$ 4,280,959</u>	<u>\$ 447,047</u>	<u>\$ (385,955)</u>	<u>\$ 4,342,051</u>

■ **NOTE 6—UNPAID CLAIMS LIABILITIES AND RELATED EXPENSES**

The Trust establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of claims and claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the Trust during the past two fiscal years:

	2011	2010
Balance at beginning of year	<u>\$ 11,443,692</u>	<u>\$ 12,084,847</u>
Incurred related to:		
Current year	7,099,644	7,103,634
Prior years	<u>(1,670,970)</u>	<u>(875,384)</u>
Total incurred	<u>5,428,674</u>	<u>6,228,250</u>
Paid related to:		
Current year	2,281,860	2,210,348
Prior years	<u>3,027,245</u>	<u>4,659,057</u>
Total paid	<u>5,309,105</u>	<u>6,869,405</u>
Balance at end of year	<u>\$ 11,563,261</u>	<u>\$ 11,443,692</u>

Incurred claims and claim adjustment expenses related to prior years decreased by approximately \$1,671,000 and \$875,000 in fiscal years 2011 and 2010, respectively, as a result of changes in estimates of claims and claim adjustment expenses. Changes in estimates are generally the result of ongoing analysis of loss development trends. Original estimates are adjusted as additional information becomes known regarding individual claims.

The liabilities for claims and claim adjustment expenses are net of reinsurance recoverable of \$1,955,673 and \$2,875,770 as of June 30, 2011, and 2010, respectively.

■ **NOTE 7—NOTES PAYABLE**

Revenue bonds totaling \$4,260,000 were issued through the Maryland Economic Development Corporation on behalf of the Trust on April 5, 2007. The bonds covered the purchase price and estimated renovation costs of the office building the Trust uses as its operating facility. The bonds mature on June 1, 2032 and bear interest at a variable rate that is reset weekly. The variable rate was .11% and .29% at June 30, 2011 and 2010, respectively. The Manufacturers and Traders Trust Company (M&T) provided a five year letter of credit to secure the payment of the principal and interest of the bonds. M&T also serves as the remarketing agent.

The variable rate is equal to the minimum rate that, in the judgment of the remarketing agent, takes into account prevailing market conditions and enables the remarketing agent to sell all of the bonds at a price equal to the principal amount thereof, plus accrued interest, if any thereon. The variable rate may not exceed 10% per annum.

	Beginning Balance	Additions	Repayments	Ending Balance	Due in One Year
June 30, 2011	3,995,000	-	115,000	3,880,000	120,000
June 30, 2010	4,105,000	-	110,000	3,995,000	115,000

A schedule of the payments to maturity as of June 30, 2011 follows. Interest payment amounts have been based on .11%, the variable rate on the bonds as of June 30, 2011.

Fiscal Year Ending June 30	Principal	Interest	Total
2012	120,000	6,984	126,984
2013	125,000	6,768	131,768
2014	130,000	6,543	136,543
2015	135,000	6,309	141,309
2016	140,000	6,066	146,066
2017-2021	790,000	26,343	816,343
2022-2026	970,000	18,603	988,603
2027-2031	1,200,000	9,090	1,209,090
2031-2032	270,000	486	270,486
Total	\$ 3,880,000	\$ 87,192	\$ 3,967,192

■ NOTE 8—RATE STABILIZATION FUND

The Board approved a return of capital from the PLP of \$2,000,000 and \$1,000,000 for fiscal years 2011 and 2010, respectively. The return of capital is in the form of premium credits to be used by pool members of good standing as of June 30, 2010 and 2009, respectively. Rate stabilization credits of \$1,557,377 and \$968,297 were applied and shown as an offset to annual premiums on member invoices in fiscal years 2011 and 2010, respectively. The credit can be used by members each year up to a specified percentage of their annual premium, as approved by the Board. Balances remaining in the rate stabilization fund were as follows as of June 30, 2011 and 2010:

	2011	2010
Current	\$ 853,245	\$ 484,493
Noncurrent	1,042,856	968,985
Total	\$ 1,896,101	\$ 1,453,478

■ **NOTE 9—REINSURANCE**

The Trust uses reinsurance agreements to reduce its exposure to certain large losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as direct insurer of the risks reinsured. The Trust reduces liabilities related to reinsured risks unless it is probable that those risks will not be covered by reinsurers. No allowances were considered necessary as of June 30, 2011 and 2010. The Trust does not generally require collateral to secure reinsurance recoveries, but periodically evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers to minimize its exposures to significant losses from reinsurer insolvency.

The Trust is a member of NLC Mutual Insurance Company (NLC), a captive reinsurance pool whose members consist of certain state self-insurance pools. Each member is required to maintain deposits with NLC based on certain prescribed levels. These balances are reflected in the statements of net assets as “deposit with reinsurance pool” and totaled \$5,222,129 and \$4,973,457 as of June 30, 2011 and 2010, respectively.

The Trust did not purchase reinsurance for the standard coverages offered in the PLP for the years ended June 30, 2011 and 2010 and retained the entire \$1,000,000 per occurrence coverage limit. Coverage was provided by NLC for ninety percent of the Trust’s ELP exposure, which insures all losses over the PLP’s coverage of \$1,000,000 with a maximum limit of liability of \$5,000,000. In addition, the Trust purchased reinsurance for the Property Pool from private reinsurance companies that covered claims in excess of \$100,000.

Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsurance policy. Net reinsurance recoveries and prepaid expenses amounted to \$3,049,163 and \$4,604,767 as of June 30, 2011 and 2010, respectively. Over the last three years, incurred and paid claims have not exceeded insurance coverage. Ceded reinsurance premiums payable as of June 30, 2011 and 2010 were \$0 and \$238,512, respectively. There were no ceded unearned premiums as of both June 30, 2011 and 2010.

The amount of recoveries related to the reinsurance contracts that were deducted from losses incurred for the years ended June 30, 2011 and 2010 were \$914,027 and \$4,612,209 respectively.

■ **NOTE 10—HEALTH PLAN COOPERATIVE**

In fiscal year 2011, the Trust established the Maryland Local Government Health Cooperative (Cooperative), a self insurance alliance between member governments. The Cooperative was established as a self-insured health plan for the purpose of providing group health benefits to its members’ employees and eligible dependents. The plan was designed by and is administered by Benecon Group, Inc. (Benecon) through June 30, 2014. Automatic one year renewals are provided under the agreement with Benecon unless written notice of termination is provided by February 1 of the year in which the agreement will terminate. Benecon is responsible for designing the benefit structure for each member, performing the underwriting function, selecting and negotiating rates with a stop-loss carrier, determining member funding levels, selecting and negotiating an agreement with a claims administrator, preparing quotations for prospective members, and performing other administrative functions. The Trust is responsible for governance, serving as the treasurer and depository for all cash flowing through the Cooperative, and establishing qualifications for membership. Each Cooperative member pays a management fee based on the number of enrolled employees for administrative services performed. The Trust is entitled to 25 percent of the management fee and Benecon is entitled to the remaining 75 percent.

The Trust paid premiums to the Cooperative totaling \$309,269 and \$0 for the years ended June 30, 2011 and 2010, respectively. These premiums represented the Trust’s maximum exposure for health care claims incurred during the year. Management fees earned by the Trust totaled \$14,542 and \$0 for the years ended June 30, 2011 and 2010, respectively. The Trust was owed \$91,000 and \$0 for initial funding provided to the Cooperative as of June 30, 2011 and 2010, respectively. Amounts collected by the Trust from Cooperative members, but not yet remitted toward medical claims totaled \$68,350 and \$0 as of June 30, 2011 and 2010, respectively.

■ **NOTE 11 — RISK MANAGEMENT**

The Trust is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Trust participates in the property and primary liability pools offered by the Trust and carries commercial insurance for all other risks of loss, including worker's compensation and errors and omissions.

■ **NOTE 12 — OPERATING LEASES**

The Trust leased office facilities under a noncancelable operating lease which expired on November 1, 2009. Total cost for such lease was \$98,643 for the year ended June 30, 2010.

■ **NOTE 13 — CONTINGENCIES**

The Trust is involved in a dispute with an insurance company that previously provided excess coverage for its Property Pool. The nature of the dispute relates to coverage amounts of an outstanding claim. The dispute has culminated in a suit by the Trust against the insurance company and others involved in the procurement of the policy. Based on consultation with legal counsel, management believes the Trust has a strong case; therefore a liability has not been recorded. If the Trust is unsuccessful in this matter, the amount of the loss would exceed the Property Pool's \$100,000 loss retention level.

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Local Government Insurance Trust

Explanation of Required Supplementary Information

Unaudited – See Accompanying Independent Auditors' Report

This section of the Financial Statements provides the reader with a broader understanding of the Trust's operations and its financial trends and conditions than is provided in the Basic Financial Statements. A reconciliation of claims liability by pool for the past two years, as well as claims development information for the last ten years are provided.

Reconciliation of Claims Liabilities and Related Expenses by Pool

The schedules on page 38 represent the changes in claims liabilities for the past two years for each of the Trust's pools.

Claims Development Information

The table on page 39 illustrates how the Trust's earned revenue (net of reinsurance) and investment income compare to related costs of claims (net of losses assumed by reinsurers) and other expenses assumed by the Trust as of the end of each of the past 10 fiscal years. The columns of the table show data for successive policy years. The rows of the table are defined as follows:

Premiums and investment revenue

Amount of reported gross premium and investment revenue, amount of premium revenue ceded and investment revenue.

Unallocated expenses

Amount of reported unallocated claim adjustment expenses and other costs that cannot be associated directly with specific claims.

Estimated claims and allocated expenses, end of policy year

Amount of gross incurred claims and allocated claim adjustment expense, loss assumed by reinsurers, and net amount of incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the year in which the events that triggered coverage under the policy.

Net paid (cumulative) as of

Cumulative amount paid (net of recoveries) as of each succeeding year.

Reestimated ceded claims and allocated expenses

Reestimated amount for losses assumed by reinsurers as of the end of the current year.

Reestimated net incurred claims and allocated expenses

Reestimated amount for net incurred claims and claim adjusted expenses as of each succeeding year.

Increase (decrease) in estimated net incurred claims and allocated expenses from end of policy year

The change in net incurred claims and claim adjustment expenses from the original estimate based on the difference between the latest reestimated amount and the original net incurred claims and claim adjustment amounts reported.



LOCAL GOVERNMENT INSURANCE TRUST

Required Supplementary Information

Reconciliation of Claims Liabilities and Related Expenses by Pool

For the Years Ended June 30, 2011 and 2010

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	COMBINED TOTAL
2011				
Balance at beginning of the year	\$ 10,699,039	\$ 744,653	\$ -	\$ 11,443,692
Incurred related to:				
Current year	6,411,298	688,346	-	7,099,644
Prior year	(1,395,421)	(275,549)	-	(1,670,970)
Total incurred	<u>5,015,877</u>	<u>412,797</u>	<u>-</u>	<u>5,428,674</u>
Paid related to:				
Current year	1,930,191	351,671	-	2,281,862
Prior year	2,733,184	294,059	-	3,027,243
Total paid	<u>4,663,375</u>	<u>645,730</u>	<u>-</u>	<u>5,309,105</u>
Balance at end of year	<u>\$ 11,051,541</u>	<u>\$ 511,720</u>	<u>\$ -</u>	<u>\$ 11,563,261</u>
2010				
Balance at beginning of the year	\$ 11,719,005	\$ 365,842	\$ -	\$ 12,084,847
Incurred related to:				
Current year	6,107,092	996,542	-	7,103,634
Prior year	(897,989)	22,605	-	(875,384)
Total incurred	<u>5,209,103</u>	<u>1,019,147</u>	<u>-</u>	<u>6,228,250</u>
Paid related to:				
Current year	1,755,791	454,557	-	2,210,348
Prior year	4,473,278	185,779	-	4,659,057
Total paid	<u>6,229,069</u>	<u>640,336</u>	<u>-</u>	<u>6,869,405</u>
Balance at end of year	<u>\$ 10,699,039</u>	<u>\$ 744,653</u>	<u>\$ -</u>	<u>\$ 11,443,692</u>



LOCAL GOVERNMENT INSURANCE TRUST

Required Supplementary Information

Claims Development Information

Ten Years Ended June 30, 2002 through June 30, 2011

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Premiums and investment revenue:										
Earned,	17,092,486	18,226,498	14,466,938	17,268,023	19,063,656	15,736,454	16,427,551	18,200,277	30,808,418	22,341,158
Ceded	(3,256,478)	(4,394,806)	(4,446,223)	(4,819,145)	5,225,249	4,634,559	4,496,753	4,595,293	4,678,077	1,902,873
Net earned	13,836,008	13,831,692	10,020,715	12,448,878	13,838,407	11,101,895	11,930,798	13,604,984	26,130,341	20,438,285
Allocated and unallocated expenses	4,533,651	4,482,935	4,412,519	4,301,347	4,018,944	3,727,726	3,862,037	4,057,678	4,207,488	4,243,746
Estimated claims and allocated expenses, end of policy year:										
Incurred	7,101,839	7,127,995	7,721,051	7,543,834	7,544,234	6,639,310	5,205,234	13,142,226	17,591,710	12,335,739
Ceded	2,195	24,360	221,236	178,702	442,947	299,194	22,779	1,513,174	291,660	191,061
Net incurred	7,099,644	7,103,635	7,499,815	7,365,132	7,101,287	6,340,116	5,182,455	11,629,052	17,300,050	12,144,678
Net paid claims (cumulative) as of:										
End of policy year	2,281,860	2,210,347	2,400,780	2,103,746	2,010,184	2,103,543	1,559,387	5,087,295	16,691,195	11,943,678
One year later		3,542,066	4,494,349	3,649,363	2,988,446	3,018,101	2,319,523	7,126,964	19,613,664	13,751,053
Two years later			5,221,188	5,014,956	3,318,761	3,710,554	2,682,366	7,648,130	19,931,841	14,049,313
Three years later				5,602,309	3,893,577	4,206,352	3,532,969	8,001,345	20,272,760	14,187,242
Four years later					4,168,834	4,486,146	3,995,160	8,379,975	20,838,046	14,979,969
Five years later						4,563,711	4,143,150	8,539,635	21,909,603	15,043,708
Six years later							4,163,353	8,636,773	22,357,870	15,151,571
Seven years later								8,647,475	22,456,594	15,206,379
Eight years later									22,466,760	15,212,326
Nine years later										15,198,929
Reestimated ceded claims and expenses	2,195	1,799,627	302,136	178,702	442,947	411,413	150,583	1,703,126	8,674,566	1,795,396
Reestimated net incurred claims and allocated expenses:										
End of policy year	7,099,644	7,103,635	7,499,815	7,365,132	7,101,287	6,340,116	5,182,455	11,629,052	23,618,076	17,300,050
One year later		5,777,079	7,171,802	6,953,322	5,253,496	5,973,424	4,320,134	9,287,706	21,611,259	15,670,526
Two years later			7,161,862	7,140,433	4,771,776	5,445,069	4,489,094	8,838,556	21,267,724	14,758,379
Three years later				6,638,146	4,718,975	5,150,922	4,881,659	9,031,203	21,594,258	14,812,038
Four years later					4,868,463	5,050,256	4,673,400	8,781,572	21,360,855	15,195,590
Five years later						5,134,699	4,298,532	8,734,786	22,454,671	14,819,723
Six years later							4,303,663	8,710,099	22,663,538	15,015,508
Seven years later								8,702,610	22,756,262	15,092,543
Eight years later									22,706,645	14,834,905
Nine years later										14,818,202
Decrease in estimated net incurred claims and allocated expenses from end of policy year	(1,326,556)	(337,953)	(726,986)	(2,232,824)	(1,205,417)	(878,792)	(2,926,442)	(911,431)	(2,481,848)	

See explanation of required supplementary information on page 37.



LOCAL GOVERNMENT INSURANCE TRUST
Combining Schedule of Net Assets

June 30, 2011

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	HEALTH POOL	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 38,763,513	\$ 5,990,335	\$ 10,109,613	\$ (48,593,584)	\$ 68,350	\$ 1,640	\$ 6,339,867
Investments	-	-	-	11,003,915	-	-	11,003,915
Premiums receivable	88,343	52,036	4,843	-	-	-	145,222
Interest income receivable	-	-	-	312,753	-	-	312,753
Reinsurance receivables	-	1,093,490	-	-	-	-	1,093,490
Due from (to) other pools/accounts	(445,191)	(341,520)	389,376	397,335	-	-	-
Other	120,571	-	-	34,330	-	-	154,901
Total current assets	38,527,236	6,794,341	10,503,832	(36,845,251)	68,350	1,640	19,050,148
Noncurrent assets:							
Investments	-	-	-	36,601,900	-	-	36,601,900
Capital assets	-	-	-	4,156,715	-	-	4,156,715
Deposit with reinsurance pool	2,750,931	1,367,214	1,103,984	-	-	-	5,222,129
Other assets	-	-	-	135,599	-	-	135,599
Total noncurrent assets	2,750,931	1,367,214	1,103,984	40,894,214	-	-	46,116,343
Total assets	41,278,167	8,161,555	11,607,816	4,048,963	68,350	1,640	65,166,491
LIABILITIES							
Current Liabilities:							
Accounts payable and accrued expenses	-	-	-	26,009	-	-	26,009
Unpaid claims and claims adjustment exp.	2,666,741	383,360	-	-	-	-	3,050,101
Notes payable	-	-	-	120,000	-	-	120,000
Health plan payable cooperative	-	-	-	-	68,350	-	68,350
Interest payable	-	-	-	418	-	-	418
Rate stabilization fund	853,245	-	-	-	-	-	853,245
Other liabilities	331	-	-	142,536	-	-	142,867
Total current liabilities	3,520,317	383,360	-	288,963	68,350	-	4,260,990
Noncurrent liabilities:							
Unpaid claims and claims adjustment exp.	8,384,800	128,360	-	-	-	-	8,513,160
Capitalization contributions	-	-	-	-	-	1,640	1,640
Rate stabilization fund	1,042,856	-	-	-	-	-	1,042,856
Notes Payable	-	-	-	3,760,000	-	-	3,760,000
Total noncurrent liabilities	9,427,656	128,360	-	3,760,000	-	1,640	13,317,656
Total liabilities	12,947,973	511,720	-	4,048,963	68,350	1,640	17,578,646
NET ASSETS							
Invested in capital assets, net of related debt	-	-	-	412,314	-	-	412,314
Unrestricted, net assets	28,330,194	7,649,835	11,607,816	(412,314)	-	-	47,175,531
Total net assets	\$ 28,330,194	\$ 7,649,835	\$ 11,607,816	\$ -	\$ -	\$ -	\$ 47,587,845

See accompanying notes to supplementary combining schedules.



LOCAL GOVERNMENT INSURANCE TRUST
Combining Schedule of Net Assets

June 30, 2010

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 36,900,736	\$ 4,161,412	\$ 9,885,110	\$ (48,212,603)	\$ 1,640	\$ 2,736,295
Investments	-	-	-	12,232,134	-	12,232,134
Premiums receivable	17,093	146,508	181	-	-	163,782
Interest income receivable	-	-	-	354,875	-	354,875
Reinsurance receivables	-	1,728,997	-	-	-	1,728,997
Due from (to) other pools/accounts	(804,250)	(382,183)	190,760	995,673	-	-
Other	40,836	-	-	49,160	-	89,996
Total current assets	<u>36,154,415</u>	<u>5,654,734</u>	<u>10,076,051</u>	<u>(34,580,761)</u>	<u>1,640</u>	<u>17,306,079</u>
Noncurrent assets:						
Investments	-	-	-	34,268,408	-	34,268,408
Capital assets	-	-	-	4,342,051	-	4,342,051
Deposit with reinsurance pool	2,623,652	1,298,345	1,051,460	-	-	4,973,457
Other assets	-	-	-	142,056	-	142,056
Total noncurrent assets	<u>2,623,652</u>	<u>1,298,345</u>	<u>1,051,460</u>	<u>38,752,515</u>	<u>-</u>	<u>43,725,972</u>
Total assets	<u>38,778,067</u>	<u>6,953,079</u>	<u>11,127,511</u>	<u>4,171,754</u>	<u>1,640</u>	<u>61,032,051</u>
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued expenses	-	-	-	76,139	-	76,139
Unpaid claims and claim adjustment exp.	2,930,709	484,023	-	-	-	3,414,732
Reinsurance payable	-	227,390	11,122	-	-	238,512
Notes payable	-	-	-	115,000	-	115,000
Interest payable	-	-	-	965	-	965
Rate stabilization fund	484,493	-	-	-	-	484,493
Other liabilities	331	-	-	99,650	-	99,981
Total current liabilities	<u>3,415,533</u>	<u>711,413</u>	<u>11,122</u>	<u>291,754</u>	<u>-</u>	<u>4,429,822</u>
Noncurrent liabilities:						
Unpaid claims and claim adjustment exp.	7,768,330	260,630	-	-	-	8,028,960
Capitalization contributions	-	-	-	-	1,640	1,640
Rate stabilization fund	968,985	-	-	-	-	968,985
Notes Payable	-	-	-	3,880,000	-	3,880,000
Total noncurrent liabilities	<u>8,737,315</u>	<u>260,630</u>	<u>-</u>	<u>3,880,000</u>	<u>1,640</u>	<u>12,879,585</u>
Total liabilities	<u>12,152,848</u>	<u>972,043</u>	<u>11,122</u>	<u>4,171,754</u>	<u>1,640</u>	<u>17,309,407</u>
NET ASSETS						
Invested in capital assets, net of related debt	-	-	-	489,107	-	489,107
Unrestricted, net assets	26,625,219	5,981,036	11,116,389	(489,107)	-	43,233,537
Total net assets	<u>\$ 26,625,219</u>	<u>\$ 5,981,036</u>	<u>\$ 11,116,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,722,644</u>

See accompanying notes to supplementary combining schedules.



LOCAL GOVERNMENT INSURANCE TRUST

Combining Schedule of Revenues, Expenses and
Changes in Net Assets

Year Ended June 30, 2011

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
OPERATING REVENUES						
Gross premiums earned	\$ 10,336,096	\$ 4,792,170	\$ 868,082	\$ -	\$ -	\$ 15,996,348
Less: premium credits	(3,297,332)	-	-	-	-	(3,297,332)
ceded premiums	-	(2,437,923)	(818,555)	-	-	(3,256,478)
Net premiums earned	7,038,764	2,354,247	49,527	-	-	9,442,538
Other Revenues	-	-	-	38,483	-	38,483
Total operating revenues	7,038,764	2,354,247	49,527	38,483	-	9,481,021
OPERATING EXPENSES						
Incurred claims and claim adjustment expenses:						
Paid (net of recoveries)	4,663,374	645,731	-	-	-	5,309,105
Change in liability for unpaid claims and claim adjustment expenses	352,503	(232,934)	-	-	-	119,569
General and administrative expenses	-	-	-	4,312,647	-	4,312,647
Depreciation expense	-	-	-	220,995	-	220,995
Total operating expenses	5,015,877	412,797	-	4,533,642	-	9,962,316
Operating income (loss)	2,022,887	1,941,450	49,527	(4,495,159)	-	(481,295)
NONOPERATING REVENUES (EXPENSES)						
Investment income	127,279	68,869	52,524	4,144,798	-	4,393,470
Interest expense	-	-	-	(46,974)	-	(46,974)
Allocations of operating account revenues (note 2)	3,036,077	391,379	755,825	(4,183,281)	-	-
Allocations of operating account expenses (note 2)	(3,481,268)	(732,899)	(366,449)	4,580,616	-	-
Total nonoperating revenues (expenses)	(317,912)	(272,651)	441,900	4,495,159	-	4,346,496
Change in net assets	1,704,975	1,668,799	491,427	-	-	3,865,201
Net assets, beginning of year	26,625,219	5,981,036	11,116,389	-	-	43,722,644
Net assets, end of year	<u>\$ 28,330,194</u>	<u>\$ 7,649,835</u>	<u>\$ 11,607,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,587,845</u>

See accompanying notes to supplementary combining schedules.



LOCAL GOVERNMENT INSURANCE TRUST

Combining Schedule of Revenues, Expenses and
Changes in Net Assets

Year Ended June 30, 2010

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
OPERATING REVENUES						
Gross premiums earned	\$ 10,032,131	\$ 6,033,782	\$ 881,828	\$ -	\$ -	\$ 16,947,741
Less: premium credits	(2,300,000)	-	-	-	-	(2,300,000)
ceded premiums	-	(3,579,696)	(815,110)	-	-	(4,394,806)
Net premiums earned	7,732,131	2,454,086	66,718	-	-	10,252,935
Other Revenues	-	-	-	29,436	-	29,436
Total operating revenues	7,732,131	2,454,086	66,718	29,436	-	10,282,371
OPERATING EXPENSES						
Incurred claims and claim adjustment expenses:						
Paid (net of recoveries)	6,229,069	640,336	-	-	-	6,869,405
Change in liability for unpaid claims and claim adjustment expenses	(1,019,966)	378,811	-	-	-	(641,155)
General and administrative expenses	108,903	34,217	47,460	4,084,295	-	4,274,875
Depreciation expense	-	-	-	208,060	-	208,060
Total operating expenses	5,318,006	1,053,364	47,460	4,292,355	-	10,711,185
Operating income (loss)	2,414,125	1,400,722	19,258	(4,262,919)	-	(428,814)
NONOPERATING REVENUES (EXPENSES)						
Investment income	132,964	65,053	62,196	3,318,544	-	3,578,757
Interest expense	-	-	-	(51,298)	-	(51,298)
Allocations of operating account revenues (note 2)	2,502,854	293,573	551,553	(3,347,980)	-	-
Allocations of operating account expenses (note 2)	(3,307,104)	(675,756)	(360,793)	4,343,653	-	-
Total nonoperating revenues (expenses)	(671,286)	(317,130)	252,956	4,262,919	-	3,527,459
Change in net assets	1,742,839	1,083,592	272,214	-	-	3,098,645
Net assets, beginning of year	24,882,380	4,897,444	10,844,175	-	-	40,623,999
Net assets, end of year	\$ 26,625,219	\$ 5,981,036	\$ 11,116,389	\$ -	\$ -	\$ 43,722,644

See accompanying notes to supplementary combining schedules.



LOCAL GOVERNMENT INSURANCE TRUST

Combining Schedule of Cash Flows

Year Ended June 30, 2011

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
Cash flows from operating activities:						
Premiums collected	\$ 7,410,136	\$ 4,887,413	\$ 863,420	\$ -	\$ -	\$ 13,160,969
Other revenue collected	-	-	-	38,483	-	38,483
Recoveries of claims paid	611,269	1,857,592	-	-	-	2,468,861
Ceded premiums paid	-	(2,665,313)	(829,677)	-	-	(3,494,990)
Claims and claim adjustment expenses paid	(5,263,378)	(1,868,586)	-	-	-	(7,131,964)
General and administrative expenses paid	-	-	-	(4,236,711)	-	(4,236,711)
Net cash provided by (used in) operating activities	<u>2,758,027</u>	<u>2,211,106</u>	<u>33,743</u>	<u>(4,198,228)</u>	<u>-</u>	<u>804,648</u>
Cash flows from noncapital financing activities:						
Transfers from (to) other pools/accounts	(804,249)	(382,183)	190,760	995,672	-	-
Net cash provided by (used in) noncapital financing activities	<u>(804,249)</u>	<u>(382,183)</u>	<u>190,760</u>	<u>995,672</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Principal payments on notes	-	-	-	(115,000)	-	(115,000)
Interest expense paid	-	-	-	(41,064)	-	(41,064)
Purchase of capital assets	-	-	-	(35,659)	-	(35,659)
Loan from Primary Liability Pool	(91,000)	-	-	-	-	(91,000)
Net cash flows used in capital and related financing activities	<u>(91,000)</u>	<u>-</u>	<u>-</u>	<u>(191,723)</u>	<u>-</u>	<u>(282,723)</u>
Cash flows from investing activities:						
Purchase of investments	-	-	-	(21,430,981)	-	(21,430,981)
Proceeds from maturities of investments	-	-	-	22,076,283	-	22,076,283
Investment income received	-	-	-	2,436,345	-	2,436,345
Net cash provided by in investing activities	-	-	-	3,081,647	-	3,081,647
Net change in cash and cash equivalents	1,862,778	1,828,923	224,503	(312,632)	-	3,603,572
Cash and cash equivalents, beginning of year	36,900,736	4,161,412	9,885,110	(48,212,603)	1,640	2,736,295
Cash and cash equivalents, end of year	<u>\$ 38,763,514</u>	<u>\$ 5,990,335</u>	<u>\$ 10,109,613</u>	<u>\$ (48,252,235)</u>	<u>\$ 1,640</u>	<u>\$ 6,339,867</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 2,022,887	\$ 1,941,450	\$ 49,527	\$ (4,495,159)	\$ -	\$ (481,295)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	-	-	-	220,995	-	220,995
Effects of changes in operating assets and liabilities:						
Premiums receivable	(71,250)	94,472	(4,662)	-	-	18,560
Reinsurance receivables	-	635,507	-	-	-	635,507
Deposit with reinsurance pool	-	-	-	-	-	-
Other assets	11,265	-	-	14,830	-	26,095
Operating accounts payable and accrued expenses	-	-	-	(50,130)	-	(50,130)
Unpaid claims and claim adjustment expenses	352,502	(232,933)	-	-	-	119,569
Other liabilities	442,623	(227,390)	(11,122)	111,236	-	315,347
Total adjustments	<u>735,140</u>	<u>269,656</u>	<u>(15,784)</u>	<u>296,931</u>	<u>-</u>	<u>1,285,943</u>
Net cash provided by (used in) operating activities	<u>\$ 2,758,027</u>	<u>\$ 2,211,106</u>	<u>\$ 33,743</u>	<u>\$ (4,198,228)</u>	<u>\$ -</u>	<u>\$ 804,648</u>

See accompanying notes to supplementary combining schedules.



LOCAL GOVERNMENT INSURANCE TRUST Combining Schedule of Cash Flows

Year Ended June 30, 2010

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
Cash flows from operating activities:						
Premiums collected	\$ 7,747,997	\$ 5,890,645	\$ 883,191	\$ -	\$ -	\$ 14,521,833
Other revenue collected	-	-	-	29,436	-	29,436
Recoveries of claims paid	601,844	1,662,715	-	-	-	2,264,559
Ceded premiums paid	-	(3,420,616)	(80,008)	-	-	(3,500,624)
Claims and claim adjustment expenses paid	(6,828,997)	(2,073,308)	-	-	-	(8,902,305)
General and administrative expenses paid	(108,903)	(102,528)	(47,460)	(3,990,168)	-	(4,249,059)
Net cash provided by (used in) operating activities	<u>1,411,941</u>	<u>1,956,908</u>	<u>755,723</u>	<u>(3,960,732)</u>	<u>-</u>	<u>163,840</u>
Cash flows from noncapital financing activities:						
Transfers from (to) other pools/accounts	(2,832,825)	(643,792)	(266,739)	3,743,356	-	-
Net cash provided by (used in) noncapital financing activities	<u>(2,832,825)</u>	<u>(643,792)</u>	<u>(266,739)</u>	<u>3,743,356</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Principal payments on notes	-	-	-	(110,000)	-	(110,000)
Interest expense paid	-	-	-	(45,083)	-	(45,083)
Purchase of capital assets	-	-	-	(269,152)	-	(269,152)
Net cash flows used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(424,235)</u>	<u>-</u>	<u>(424,235)</u>
Cash flows from investing activities:						
Purchase of investments	-	-	-	(27,374,355)	-	(27,374,355)
Proceeds from repurchase agreement	-	-	-	1,475,000	-	1,475,000
Proceeds from maturities of investments	-	-	-	21,518,513	-	21,518,513
Investment income received	-	-	-	1,931,823	-	1,931,823
Net cash used in investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,449,019)</u>	<u>-</u>	<u>(2,449,019)</u>
Net change in cash and cash equivalents	<u>(1,420,884)</u>	<u>1,313,116</u>	<u>488,984</u>	<u>(3,090,630)</u>	<u>-</u>	<u>(2,709,414)</u>
Cash and cash equivalents, beginning of year	<u>38,321,620</u>	<u>2,779,987</u>	<u>9,396,126</u>	<u>(45,053,664)</u>	<u>1,640</u>	<u>5,445,709</u>
Cash and cash equivalents, end of year	<u>\$ 36,900,736</u>	<u>\$ 4,093,103</u>	<u>\$ 9,885,110</u>	<u>\$ (48,144,294)</u>	<u>\$ 1,640</u>	<u>\$ 2,736,295</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 2,414,125	\$ 1,400,722	\$ 19,258	\$ (4,262,919)	\$ -	\$ (428,814)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	-	-	-	208,060	-	208,060
Effects of changes in operating assets and liabilities:						
Premiums receivable	(15,207)	(143,137)	1,363	-	-	(156,981)
Reinsurance receivable	-	229,743	-	-	-	229,743
Deposit with reinsurance pool	-	-	736,180	-	-	736,180
Other assets	1,916	-	-	23,362	-	25,278
Operating accounts payable and accrued expenses	-	-	-	1,953	-	1,953
Unpaid claims and claim adjustment expenses	(1,019,966)	378,811	-	-	-	(641,155)
Other liabilities	31,073	90,769	(1,078)	68,812	-	189,576
Total adjustments	<u>(1,002,184)</u>	<u>556,186</u>	<u>736,465</u>	<u>302,187</u>	<u>-</u>	<u>592,654</u>
Net cash provided by (used in) operating activities	<u>\$ 1,411,941</u>	<u>\$ 1,956,908</u>	<u>\$ 755,723</u>	<u>\$ (3,960,732)</u>	<u>\$ -</u>	<u>\$ 163,840</u>

See accompanying notes to supplementary combining schedules.

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Local Government Insurance Trust

Notes to Supplementary Combining Schedules

Years Ended June 30, 2011 and 2010

■ NOTE 1 — DESCRIPTION OF POOL COVERAGES

The pools provide insurance coverage in the following areas up to the indicated limits:

Primary Liability Pool Coverage

POOL COVERAGE	COVERAGE LIMITS
Commercial general liability	
Bodily injury; property damage and personal injury	\$ 2,000,000 annual aggregate
Medical payments	\$ 5,000 each person
Fire legal liability	\$ 1,000,000 per occurrence
Products and completed operations per participant	\$ 1,000,000 annual aggregate
Police legal liability	\$ 1,000,000 each wrongful act and annual aggregate
Public officials legal liability	\$ 1,000,000 each error or omission act and annual aggregate
Business automobile coverage	
Liability insurance	\$ 1,000,000 per occurrence
Garage keepers	
Comprehensive	\$ 1,000,000 per occurrence
Collision	\$ 1,000,000 per occurrence

The public officials legal liability and police legal liability coverages are on a claims made basis with limited coverage for unknown acts prior to July 1, 1987 and provide for coverage under an extended discovery period in the event of participant cancellation.

The maximum limit of liability to the Primary Liability Pool (PLP) may not exceed \$1,000,000 for any one claim or occurrence per participant, regardless of any applicable primary liability coverage.

Property Pool Coverage

The pool shall not be liable for more than the insured value of the property covered with limits not to exceed the blanket values declared per entity in any one occurrence, except:

- A. \$5,000,000 per entity per occurrence and annual aggregate with respect to the peril of flood
- B. \$5,000,000 per entity per occurrence and annual aggregate with respect to the peril of earthquake

The Trust also offers Boiler and Machinery coverage with limits not to exceed the blanket building and contents limit. The Trust reinsures 100% of the related risk.

Excess Liability Pool Coverage

The maximum limit of liability to the Excess Liability Pool (ELP) is \$5,000,000 for each occurrence and in the aggregate for occurrence-based coverage; and \$5,000,000 for each occurrence, and in the aggregate, for claims-made coverage. Participants in the ELP must either self-insure retention of \$1,000,000 or purchase primary liability coverages from the Trust. The Trust will not insure coverages over other commercial insurance companies.

Pool Membership and Demographic Information

Membership in each pool consists of counties, municipalities, and others, which include sponsored entities as well as the founders of the Trust, the Maryland Municipal League, and the Maryland Association of Counties. The following represents the participants for fiscal year 2011 and 2010.

	POOL TOTALS		COUNTIES		MUNICPALITIES		OTHER	
	2011	2010	2011	2010	2011	2010	2011	2010
Primary	166	165	13	13	131	130	22	22
Property	140	139	16	16	110	109	11	11
Excess	116	115	14	14	85	84	17	17

State of Maryland Demographic and Economic Statistics:

	2011	2010
Population (1)	5,773,572	5,669,478
Approximate total personal income (thousands of dollars) (2)	\$282,926,000	\$275,200,000
Estimated total per-capita personal income (3)	\$49,025	\$48,285
Unemployment rate (4)	7.20%	7.40%
Land area – 2,000 square miles		

(1) U.S. Census Bureau, as of July 1, 2010 and 2009, respectively

(2) U.S. Department of Commerce, Bureau of Economic Analysis, as of December 31, 2009 and 2008, respectively

(3) Total personal income divided by population

(4) U.S. Department of Labor, Bureau of Labor Statistics, as of June 30, 2011 and 2010, respectively

■ NOTE 2—DESCRIPTION OF ACCOUNTS

Operating Account

The pools have been established to account for all premiums, claims and administrative costs attributable to the particular coverages. Administrative costs not specifically identified with a particular pool, investments, investment income and other undesignated income are accounted for in the operating account. Under the Trust Agreement, amounts necessary to fund operating expenses are transferred from the various pools to the operating account.

To accomplish this, each pool was allocated a portion of the revenues and expenses accumulated within the operating account for fiscal years 2011 and 2010. The expense amounts allocated to each pool were determined based on a time study among Trust personnel and related judgments considered by management to be relevant under the circumstances. Additionally, the revenue amounts allocated to each pool were in proportion to the pools share of cash and investments.

■ NOTE 3—RECLASSIFICATIONS

Certain fiscal year 2011 amounts have been reclassified to conform to fiscal year 2010 presentations.



Statistical Section

Comparative Schedule of
Revenues, Expenses and
Changes in Net Assets

Member Growth Analysis

Loss History and Average Claim
Costs

Reported Claim Activity

Loss Development

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LOCAL GOVERNMENT INSURANCE TRUST

Comparative Schedule of Revenues, Expenses and Changes in Net Assets

Ten Years Ended June 30, 2002 through June 30, 2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES										
Gross premiums earned (1)	\$ 19,767,355	\$ 28,357,692	\$ 16,819,650	\$ 14,194,556	\$ 14,529,842	\$ 15,633,332	\$ 15,442,512	\$ 15,675,273	\$ 16,947,741	\$ 15,996,348
Less: premium credits ceded premiums	-	-	-	(3,000,000)	(4,496,753)	(4,634,559)	(5,225,249)	(4,819,145)	(4,446,223)	(4,394,806)
Net premiums earned	17,864,482	23,679,615	12,224,357	6,697,803	9,895,283	10,408,083	10,623,367	9,229,050	10,252,935	9,442,538
Other	108,837	81,176	29,982	11,155	139,664	28,080	18,790	30,631	29,436	38,483
Total operating revenues	17,973,319	23,760,791	12,254,339	6,708,958	10,034,947	10,436,163	10,642,157	9,259,681	10,282,371	9,481,021
Operating Expenses										
Incurred claims and claim adjustment expenses: (1)										
Paid (net of recoveries)	14,880,567	20,286,604	8,900,422	5,189,496	4,767,401	4,295,809	7,756,321	5,900,886	6,869,405	5,309,105
Change in liability for unpaid claims and claim adjustment exp.	2,524,473	(105,304)	148,561	(2,845,277)	664,342	3,117,010	(1,208,238)	419,498	(641,155)	119,569
General and administrative	3,577,015	4,152,180	4,057,678	3,862,037	3,727,726	4,018,944	4,301,347	4,412,519	4,482,935	4,533,651
Total operating expenses	20,982,055	24,333,480	13,106,661	6,206,256	9,159,469	11,431,763	10,849,430	10,732,903	10,711,185	9,962,325
Operating income	(3,008,736)	(572,689)	(852,322)	502,702	875,478	(995,600)	(207,273)	(1,473,222)	(428,814)	(481,304)
NONOPERATING REVENUES (EXPENSES)										
Investment income	2,573,803	2,450,726	1,380,627	2,232,995	1,206,612	3,430,324	1,825,511	791,665	3,578,757	4,346,496
Interest expense	(668,428)	(55,308)	-	-	-	-	(132,081)	(96,715)	(51,298)	(46,974)
Total nonoperating revenues (expenses)	1,905,375	2,395,418	1,380,627	2,232,995	1,206,612	3,430,324	1,693,430	694,950	3,527,459	4,299,522
Change in net assets	(1,103,361)	1,822,729	528,305	2,735,697	2,082,090	2,434,724	1,486,157	(778,272)	3,098,645	3,818,218
Total net assets beginning of year	31,415,930	30,312,569	32,135,298	32,663,603	35,399,300	37,481,390	39,916,114	41,402,271	40,623,999	43,722,644
Total net assets end of year	\$ 30,312,569	\$ 32,135,298	\$ 32,663,603	\$ 35,399,300	\$ 37,481,390	\$ 39,916,114	\$ 41,402,271	\$ 40,623,999	\$ 43,722,644	\$ 47,540,862

(1) The Health Pool was closed as of June 30, 2004 causing the significant reduction in premiums earned and loss adjustment expenses in the following year.



LOCAL GOVERNMENT INSURANCE TRUST

Member Growth Analysis

Ten Years Ended June 30, 2002 through June 30, 2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total number of members	189	190	178	168	171	175	175	175	174	175
Total employees	36	37	35	34	34	33	33	32	32	32
Total annual payroll	\$1,843,969	\$2,015,206	\$2,127,280	\$2,011,348	\$2,092,382	\$2,184,271	\$2,299,309	\$2,360,333	\$2,442,281	\$2,502,173
Total net premiums earned	\$17,864,482	\$23,679,615	\$12,224,357	\$9,697,803	\$9,895,283	\$10,408,083	\$10,622,867	\$9,229,050	\$10,252,935	\$9,442,538
Total number of claims	1,504	1,723	1,760	1,474	1,538	1,563	1,544	1,517	1,878	1,588
Total net reported losses	\$15,198,929	\$22,587,078	\$8,653,946	\$4,225,918	\$4,700,155	\$4,529,801	\$6,157,646	\$6,052,925	\$4,373,651	\$3,667,876

Total reported losses represent paid losses plus case base reserves.

The Health Pool was closed as of June 30, 2004 causing the reduction of the number of members and reported losses.



LOCAL GOVERNMENT INSURANCE TRUST

Loss History and Average Claims Costs

Ten Years Ended June 30, 2002 through June 30, 2011

During the last ten years, the Trust has incurred the following reported losses (paid claims plus case reserves) resulting from claims incurred by pool members. These figures do not include incurred but not reported claims.

Total Reported Losses

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Auto Liability	\$ 1,038,631	\$ 1,073,987	\$ 1,499,967	\$ 1,089,344	\$ 1,271,577	\$ 1,041,324	\$ 1,837,703	\$ 1,122,155	\$ 1,066,188	\$ 680,176
Auto Physical	674,224	852,518	754,054	745,758	789,155	925,909	1,089,572	1,092,602	1,123,214	1,079,174
General Liability	1,527,044	1,469,612	1,937,235	1,956,916	1,939,391	1,652,863	2,430,302	3,219,854	1,440,856	1,363,637
Property	513,204	2,786,462	1,096,537	433,900	700,032	909,705	800,069	618,314	743,393	544,889
Excess	-	-	-	-	-	-	-	-	-	-
Health	11,445,826	16,404,499	3,366,153	-	-	-	-	-	-	-
Total	<u>\$ 15,198,929</u>	<u>\$ 22,587,078</u>	<u>\$ 8,653,946</u>	<u>\$ 4,225,918</u>	<u>\$ 4,700,155</u>	<u>\$ 4,529,801</u>	<u>\$ 6,157,646</u>	<u>\$ 6,052,925</u>	<u>\$ 4,373,651</u>	<u>\$ 3,667,876</u>

Average Cost per Claim

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Auto Liability	\$ 3,308	\$ 2,397	\$ 3,826	\$ 3,112	\$ 3,140	\$ 2,684	\$ 5,119	\$ 2,841	\$ 1,993	\$ 1,884
Auto Physical	1,598	2,147	1,866	1,661	2,008	2,008	2,348	2,207	2,168	2,510
General Liability	2,346	2,019	2,676	3,470	3,118	2,920	4,241	6,180	2,430	2,038
Property	4,888	22,471	4,747	4,520	7,778	6,789	5,715	6,374	3,349	4,579
Excess	-	-	-	-	-	-	-	-	-	-

Note: Since the Health Benefits Pool began in 1991, the plans offered have been administered by various outside contractors. As such, the claims count data is unavailable for the Health Benefits Pool.



LOCAL GOVERNMENT INSURANCE TRUST Reported Claim Activity

Ten Years Ended June 30, 2002 through June 30, 2011

The Trust has incurred the following number of reported claims during the last ten years.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Auto Liability	314	448	392	350	405	388	359	395	535	361
Auto Physical	422	397	404	449	393	461	464	495	518	430
General Liability	651	728	724	564	622	566	573	521	593	669
Property	105	124	231	96	90	134	140	97	222	119
Excess	12	26	9	15	28	14	8	9	10	9
Total	1,504	1,723	1,760	1,474	1,538	1,563	1,544	1,517	1,878	1,588
<hr/>										
Closed Claims	1,151	1,316	1,298	1,056	1,080	852	1,076	1,118	1,362	1,127
Open Claims	353	407	462	418	458	711	468	399	516	461
Total	1,504	1,723	1,760	1,474	1,538	1,563	1,544	1,517	1,878	1,588
<hr/>										
Prior year claims closed	374	573	663	576	624	967	787	397	610	858
Current year claims closed	1,151	1,316	1,298	1,056	1,080	852	1,076	1,118	1,362	1,127
Total claims closed during year	1,525	1,889	1,961	1,632	1,704	1,819	1,863	1,515	1,972	1,985
<hr/>										
Number of Members	189	190	178	168	171	175	175	174	174	175

Note: Since the Health Benefits Pool began in 1991, the plans offered have been administered by various outside contractors. As such, the claims count data is unavailable for the Health Benefits Pool.



LOCAL GOVERNMENT INSURANCE TRUST Loss Development

Ten Years Ended June 30, 2002 through June 30, 2011

Paid Losses as of June 30

CLAIM YEAR	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
2002	\$ 11,943,678	\$ 13,751,053	\$ 14,049,313	\$ 14,187,242	\$ 14,979,969	\$ 15,043,708	\$ 15,151,571	\$ 15,206,379	\$ 15,212,326	\$ 15,198,929
2003		16,691,195	19,613,664	19,931,841	20,272,760	20,838,046	21,909,603	22,357,870	22,456,594	22,466,760
2004			5,087,295	7,126,964	7,648,130	8,001,345	8,379,974	8,539,635	8,636,773	8,647,475
2005				1,559,387	2,319,523	2,682,366	3,532,969	3,995,160	4,143,150	4,163,353
2006					2,103,543	3,018,101	3,710,554	4,206,352	4,486,146	4,563,711
2007						2,010,184	2,988,446	3,318,761	3,893,577	4,168,834
2008							2,103,746	3,649,363	5,014,956	5,602,309
2009								2,400,780	4,494,349	5,221,188
2010									2,210,347	3,542,066
2011										2,281,860
Total	<u>\$ 11,943,678</u>	<u>\$ 30,442,248</u>	<u>\$ 38,750,272</u>	<u>\$ 42,805,434</u>	<u>\$ 47,323,925</u>	<u>\$ 51,593,750</u>	<u>\$ 57,776,864</u>	<u>\$ 63,674,300</u>	<u>\$ 70,548,218</u>	<u>\$ 75,856,485</u>

Loss Payments During the Year Ended

CLAIM YEAR	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
2002	\$ 11,943,678	\$ 1,807,375	\$ 298,260	\$ 137,929	\$ 792,727	\$ 63,739	\$ 107,863	\$ 54,808	\$ 5,947	\$ (13,397)
2003		16,691,195	2,922,469	318,177	340,919	565,286	1,071,557	448,267	98,724	10,166
2004			5,087,295	2,039,669	521,166	353,215	378,629	159,661	97,138	10,702
2005				1,559,387	760,136	362,843	850,602	462,192	147,990	20,203
2006					2,103,543	914,558	692,452	495,799	279,794	77,565
2007						2,010,184	978,262	330,315	574,816	275,257
2008							2,103,746	1,545,617	1,365,593	587,353
2009								2,400,780	2,093,569	726,839
2010									2,210,347	1,331,719
2011										2,281,860
Sub-total	<u>\$ 11,943,678</u>	<u>\$ 18,498,570</u>	<u>\$ 8,308,024</u>	<u>\$ 4,055,162</u>	<u>\$ 4,518,491</u>	<u>\$ 4,269,825</u>	<u>\$ 6,183,112</u>	<u>\$ 5,897,438</u>	<u>\$ 6,873,918</u>	<u>\$ 5,308,267</u>
Losses Paid for Years Prior to 2002	<u>2,936,889</u>	<u>1,788,034</u>	<u>592,398</u>	<u>1,134,334</u>	<u>248,910</u>	<u>25,984</u>	<u>1,573,209</u>	<u>3,448</u>	<u>(4,513)</u>	<u>836</u>
Total Losses paid per Statement of Revenues, Expenses and Changes in Net Assets	<u><u>\$14,880,567</u></u>	<u><u>\$20,286,604</u></u>	<u><u>\$8,900,422</u></u>	<u><u>\$5,189,496</u></u>	<u><u>\$4,767,401</u></u>	<u><u>\$4,295,809</u></u>	<u><u>\$7,756,321</u></u>	<u><u>\$5,900,886</u></u>	<u><u>\$6,869,405</u></u>	<u><u>\$5,309,105</u></u>



LOCAL GOVERNMENT INSURANCE TRUST Loss Development

Ten Years Ended June 30, 2002 through June 30, 2011

Case Reserves as of June 30

CLAIM YEAR	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
2002	\$ 1,367,829	\$ 1,504,698	\$ 687,335	\$ 712,889	\$ 321,685	\$ 148,478	\$ 218,794	\$ 226,756	\$ 2,809	\$ -
2003		2,682,993	758,912	673,012	738,784	531,252	304,504	146,744	168,987	120,318
2004			1,946,379	746,234	362,760	780,903	194,471	82,616	11,643	6,471
2005				910,296	858,528	1,485,298	835,978	333,009	53,889	62,565
2006					1,129,902	1,774,564	948,878	545,541	244,809	136,444
2007						1,807,231	979,708	754,577	477,635	360,967
2008							1,645,625	1,535,212	960,022	555,337
2009								1,874,880	798,809	831,737
2010									1,553,528	831,585
2011										1,386,016
Total	<u>\$ 1,367,829</u>	<u>\$ 4,187,691</u>	<u>\$ 3,392,626</u>	<u>\$ 3,042,431</u>	<u>\$ 3,411,659</u>	<u>\$ 6,527,726</u>	<u>\$ 5,127,958</u>	<u>\$ 5,499,334</u>	<u>\$ 4,272,131</u>	<u>\$ 4,291,440</u>

Change in Case Reserves During the Year Ended

CLAIM YEAR	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
2002	\$ 1,367,829	\$ 136,869	\$ (817,363)	\$ 25,554	\$ (391,204)	\$ (173,207)	\$ 70,316	\$ 7,962	\$ (223,947)	\$ (2,809)
2003		2,682,993	(1,924,081)	(85,900)	65,772	(207,532)	(226,748)	(157,760)	22,243	(48,669)
2004			1,946,379	(1,200,145)	(383,474)	418,143	(586,432)	(111,855)	(70,973)	(5,172)
2005				910,296	(51,768)	626,770	(649,320)	(502,969)	(279,119)	8,675
2006					1,129,902	644,662	(825,686)	(403,337)	(300,732)	(108,364)
2007						1,807,231	(827,523)	(225,131)	(276,942)	(116,668)
2008							1,645,625	(110,413)	(575,189)	(404,686)
2009								1,874,880	(1,076,071)	32,928
2010									1,553,528	(721,942)
2011										1,386,016
Total	<u>\$ 1,367,829</u>	<u>\$ 2,819,862</u>	<u>\$ (795,065)</u>	<u>\$ (350,195)</u>	<u>\$ 369,228</u>	<u>\$ 3,116,067</u>	<u>\$ (1,399,768)</u>	<u>\$ 371,376</u>	<u>\$ (1,227,203)</u>	<u>\$ 19,308</u>



LOCAL GOVERNMENT INSURANCE TRUST
Loss Development

Ten Years Ended June 30, 2001 through June 30, 2010

Reported Losses (Paid Losses Plus Case Reserves) as of June 30

CLAIM YEAR	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
2002	\$ 13,311,507	\$ 15,255,751	\$ 14,736,648	\$ 14,900,131	\$ 15,301,654	\$ 15,192,186	\$ 15,370,365	\$ 15,433,135	\$ 15,215,135	\$ 15,198,929
2003		19,374,188	20,372,576	20,604,853	21,011,544	21,369,298	22,214,107	22,504,614	22,625,581	22,587,078
2004			7,033,674	7,873,198	8,010,890	8,782,248	8,574,445	8,622,251	8,648,416	8,653,946
2005				2,469,683	3,178,051	4,167,664	4,368,947	4,328,169	4,197,039	4,225,918
2006					3,233,445	4,792,665	4,659,432	4,751,893	4,730,955	4,700,155
2007						3,817,415	3,968,154	4,073,338	4,371,212	4,529,801
2008							3,749,371	5,184,575	5,974,978	6,157,646
2009								4,275,660	5,293,158	6,052,925
2010									3,763,875	4,373,651
2011										3,667,876
Total	<u>\$ 13,311,507</u>	<u>\$ 34,629,939</u>	<u>\$ 42,142,898</u>	<u>\$ 45,847,865</u>	<u>\$ 50,735,584</u>	<u>\$ 58,121,476</u>	<u>\$ 62,904,822</u>	<u>\$ 69,173,634</u>	<u>\$ 74,820,349</u>	<u>\$ 80,147,925</u>

Incremental Losses Reported During the Year Ended

CLAIM YEAR	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
2002	\$ 13,311,507	\$ 1,944,244	\$ (519,103)	\$ 163,483	\$ 401,523	\$ (109,468)	\$ 178,179	\$ 62,770	\$ (218,000)	\$ (16,206)
2003		19,374,188	998,388	232,277	406,691	357,754	844,809	290,506	120,967	(38,503)
2004			7,033,674	839,524	137,692	771,358	(207,803)	47,805	26,165	5,530
2005				2,469,683	708,368	989,613	201,282	(40,778)	(131,129)	28,878
2006					3,233,445	1,559,220	(133,234)	92,462	(20,938)	(30,799)
2007						3,817,415	150,738	105,184	297,874	158,589
2008							3,749,371	1,435,204	790,404	182,667
2009								4,275,660	1,017,498	759,767
2010									3,763,875	609,777
2011										3,667,876
Total	<u>\$ 13,311,507</u>	<u>\$ 21,318,432</u>	<u>\$ 7,512,959</u>	<u>\$ 3,704,967</u>	<u>\$ 4,887,719</u>	<u>\$ 7,385,892</u>	<u>\$ 4,783,344</u>	<u>\$ 6,268,814</u>	<u>\$ 5,646,715</u>	<u>\$ 5,327,575</u>

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Local Government Insurance Trust
7225 Parkway Drive
Hanover, Maryland 21076
ph) 443.561.1700
tf) 800.673.8231
fx) 443.561.1701
www.lgit.org

for the fiscal year ended
June 30, 2011

Founding Organizations



The
Maryland
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